

# Hargreaves Lansdown plc

## Results for the year ended 30 June 2023

### Highlights:

- Net new business of £4.8 billion
- Assets Under Administration, up 8% to £134.0 billion driven by net new business and positive market movement
- 1,804,000 active clients, an increase of 67,000 in the year
- Profit before tax increase of 50% to £402.7 million
- Underlying profit before tax increase of 47% to £438.8 million
- Ordinary dividend up 4.5% at 41.5 pence per share

	Year ended 30 June 2023	Year ended 30 June 2022	Change %
<b>Net new business inflows</b>	<b>£4.8bn</b>	£5.5bn	<b>-13%</b>
<b>Total assets under administration</b>	<b>£134.0bn</b>	£123.8bn	<b>+8%</b>
<b>Revenue</b>	<b>£735.1m</b>	£583.0m	<b>+26%</b>
<b>Profit before tax</b>	<b>£402.7m</b>	£269.2m	<b>+50%</b>
<b>Underlying profit before tax*</b>	<b>£438.8m</b>	£297.5m	<b>+47%</b>
<b>Diluted earnings per share</b>	<b>68.2p</b>	45.6p	<b>+49%</b>
<b>Underlying diluted earnings per share*</b>	<b>74.3p</b>	50.4p	<b>+47%</b>
<b>Total dividend per share</b>	<b>41.5p</b>	39.7p	<b>+4.5%</b>

\*Underlying profit before tax and underlying diluted EPS are Alternative Performance Measure which exclude the impact of strategic investment and dual tech running costs. See the Glossary of Alternative Performance Measures on page 35 for the full definitions and page 10 where a reconciliation to the relevant statutory measure is provided.

### Dan Olley, Chief Executive Officer, commented:

"We have delivered a robust financial performance for our full year in what continues to be a challenging broader economic environment. We welcomed a further 67,000 net new clients meaning we now support over 1.8 million with their savings and investments needs, with client retention stable at over 92%. We saw notable growth into our Active Savings proposition which continues to show the benefits of our diversified business model as we give our clients access to competitive rates for their cash. We delivered revenue growth of 26% year-on-year with cost growth within the guided range delivering a statutory profit of £402.7 million, up 50% on 2022.

As I begin my CEO tenure, it is clear to me that at its core this is a strong business with fantastic heritage that has significant potential to benefit from the structural, demographic, and regulatory shifts in the UK and the expected growth in the wealth market.

My early focus is to ensure we are set up to capture this growth opportunity, that we have pace of execution, cost discipline as we travel on this journey, and that we are giving our people the best opportunity to deliver for our clients and shareholders."

### About us:

Hargreaves Lansdown is the UK's largest digital wealth management service administering £134.0 billion of investments for over 1,804,000 clients. Our purpose is to empower people to save and invest with confidence. We aim to provide a lifelong, secure home for people's savings and investments that offers great value, an incredible service and makes their financial life easy.

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### Analysts' presentation

Hargreaves Lansdown will be hosting a virtual investor and analyst presentation at 09:00am on 19 September 2023 following the release of the results for the year ended 30 June 2023. 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=02eea776&confld=54378>

Slides accompanying the analyst presentation will be available this morning at [www.hl.co.uk/investor-relations](http://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 measure**

Included in this announcement are various alternative performance measures used by the Company in the course of explaining the results for the year to 30 June 2023. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 35 in the Glossary of Alternative Financial Performance Measures. A reconciliation to profit before tax is given in the Operating and Financial Review section.

**Forward-looking statements**

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

# Chief Executive's Review

## Helping clients achieve better financial outcomes

I was delighted to move from being a Non-Executive Director to CEO of your Company as of August this year. Our last financial year has been a period of significant change and I will spend some time outlining the financial and operational execution that the team has delivered. However, before I do so, I want to set out some early reflections as CEO, a role which gives me a very different lens on the Group.

HL is a great business built on a fantastic heritage of delivering its clients the best, most relevant information on an industry-leading breadth of savings and investment solutions, underpinned by a focus on providing client-led service and support and making execution seamless and easy. What is clear to me as I reflect on the interactions I have had with both HL clients and non-clients alike since starting as CEO, is that getting these basics right – for every client, every time – is still the core driver of value. It is clear that our service and execution must return to the high standards we and our clients expect and deserve. This is a core focus for me. However, I have been very encouraged by all my conversations with the Client and Service teams at HL. They know that becoming the trusted financial partner for clients is a right you must earn through every interaction. Their passion for ensuring this happens is equal to mine, which is why I know we will deliver this non-negotiable objective for HL and our clients.

What was also clear from both my conversations with clients and the regulatory initiatives in our sector, is that investing remains a daunting task for a large proportion of the population. Many of the people I have spoken to are confused by the array of jargon and terminology, or put off by the wide range of product options available to them. This often results in inertia as investing is put off 'until tomorrow'. The current economic environment is only exacerbating this issue, putting more demands on people's finances, and dropping saving and investing down the list for many. The size of our client base is a significant differentiator in enabling us to have a strong gauge on changing client needs and our ability to therefore respond to help make investing accessible and understandable to everyone, with initiatives like Financially Fearless, which aims to tackle money inequality and specifically help women save and invest with confidence.

Doing this for a small number of clients may be relatively straight forward. However, to offer this proactive and personalised service in a scalable and cost-effective way to over 1.8 million clients, each with different needs, knowledge and experience, is a completely different challenge. It demands that we combine the best of our curated knowledge and market insights, with advances in technology and our digital platform, to help our clients identify the best savings and investment options for them. For example, earlier this year it became clear from our client interactions and market trends that gilts could be an attractive yielding investment option for higher rate taxpayers and those that have used their full ISA allowance. Through personalised and targeted education-based content, we were able to help clients take advantage of this opportunity, investing over £430m in July.

As HL continues to help more clients reach good financial outcomes, the opportunity to grow, and as a result drive long-term, sustainable attractive returns and growth for all our stakeholders, is clear. The alignment of the interests of the organisation, our clients, our shareholders, and the regulator has never been stronger.

This tells me that, at its core, our strategic direction is the right one. We have a unique opportunity to benefit from structural demographic and workplace behaviour shifts and the UK regulatory changes to encourage greater saving and investment. However, the world has changed since we set out the strategy in February 2022, with a fundamentally different macro-economic and geopolitical environment. We have also learnt lessons from the execution of the strategy since then. Coming in as a new CEO with the teams 18 months into delivery, now is a good time to take stock, keep what works and learn from areas where we can do even better. We will refocus and refine our approach, where needed, to ensure we still have our strategic initiatives in the right order and our resources focused on the right areas to maximise value to clients, colleagues, and shareholders. Work will also continue to develop and mature our control environment to ensure we're managing all our processes and controls efficiently and effectively as we scale further.

### Initial priorities

Being only a few weeks into my new role I am very much in listening mode, speaking with our clients, shareholders and colleagues to understand their views and insights. Based on what I'm hearing from initial discussions and what I know from the time I've spent on the Board, I am focused, in the near-term, on four key areas.

1. Drive client and asset growth – Increase focus on tailored client content and a seamless experience, backed by great service and broad product range
2. Increase pace – Drive execution pace and agility to continuously deliver additional client value at speed
3. Save to Grow – Continuously strive to be fitter and leaner as a business, so we can save to invest more for clients
4. Focus on our people – Make HL great for colleagues and clients – the right culture, with the right people in the right roles, focused on the right things

I will be providing a more thorough update at the half year results early in 2024. In the meantime, it is important to reflect on the achievements and challenges of the last financial year.

### Market backdrop

As the data from our Savings and Resilience Barometer shows, the rising cost-of-living is putting pressure on the UK's financial wellbeing. People have less disposable income, investor confidence is low and the outlook remains uncertain. Markets have been volatile and with interest rates rising, savers have looked to make their cash work harder for them without always wanting to invest.

This has been evident in the strong performance across our Active Savings cash platform, which attracted record new business of £3.2 billion in the year. Conversely, the challenging external conditions and low investor confidence impacted net flows onto the platform and stockbroking volumes, something that has been seen across the sector.

Our focus has remained on supporting our clients and helping them to achieve better financial outcomes during these challenging times including helping them to build their financial awareness and confidence, whilst at the same time continuing to deliver on our strategy.

An example of this would be during the US banking crisis in March this year, which followed the collapse of Silicon Valley Bank. This was a challenging time for many of our clients – insight from our interactions with them told us they had questions around their own investments in the banking sector and that they wanted reassurance of the security of the cash they were holding with UK banks. We acted quickly and wrote two specific articles and sent targeted communications to clients we knew engaged with macroeconomic news.

Our articles attracted over 18,000 readers, who spent almost a minute longer on the page than the average of our other news articles, showing how clients value the relevance and timeliness of our research.

### **FY23 performance**

In spite of the challenging backdrop, we have delivered robust financial performance. The value of our proposition attracted £4.8 billion of net new business and a further 67,000 net new clients, taking our total assets under administration and active client numbers to £134.0 billion and 1.8 million respectively.

Our investment in data and technology has helped us to support our clients in the ways that suit them. In FY23, we had 249 million digital visits and mobile engagement remained high - it is clear that more and more of our clients want to manage their accounts on-the-go, and this is steering our "app first" approach to developing our service going forward.

We also continued building out our Better Investors programme in line with the FCA's Consumer Duty regulation. This programme provides personalised content to clients with the aim of helping them and their families achieve good outcomes from their hard-earned savings. Topics include holding an appropriate level of cash, portfolio diversification, the importance of regular investing and the power of compounding. This educational-based content is just one way in which HL fosters long-term client relationships and stable client retention rates, at 92.2% (2022: 92.1%).

The impact of economic and financial challenges has seen the value of cash withdrawals increase this year as families deal with the cost-of-living issues, and this has led to a reduction in our asset retention rate, to 90.4% (2022: 91.8%).

We know our high level of service is a critical part of what our clients value and our Client Service Net Promoter Score fell to 45% (2022: 51%). Despite implementing technology improvements and adding resource to our Service teams, we had a very busy tax year end which meant increased waiting times for client queries and our service levels falling below our expectations. This is an area where we will improve further.

Revenue for the full year was £735.1 million, up 26% on the prior year (2022: £583.0m). We have seen continued base rate increases throughout the year and have passed over 85% of the benefit through to our clients over the last 12 months. Net interest margin has also increased as a result and it is encouraging to see growth across all our key revenue lines in the second half of the year.

We have delivered spend in line with our guidance with underlying costs of £314.6 million (2022: £284.7m). In addition, strategic spend in the year was £51.4 million (2022: £32.9m) of which £36.1 million was expensed and £15.3 million was capitalised.

Underlying Profit Before Tax increased 47% to £438.8 million (2022: £297.5m) and Statutory Profit Before Tax increased by 50% to £402.7 million (2022: £269.2m).

The dividend for the financial year has increased 4.5% to a total dividend of 41.5p for the full year, reflecting this year's positive financial performance.

### **Strategic delivery**

Our focus this year has been on building out our client value proposition, while laying the foundations that will allow us to accelerate our growth and scale efficiency. Progress overall has been slower than we originally anticipated, but we have though made good progress on several initiatives as set out below.

**Active Savings** – With interest rates continuing to rise and clients looking for an easy way to make their cash work harder, we have expanded our partner banks and building societies to a total of 17, launched a new Cash ISA, and offered market-leading rates for 59% of the year, leading to record net flows of £3.2 billion and a closing AUA of £7.8 billion across more than 175,000 client accounts. Further improvement is needed to accelerate onboarding of banks.

**Funds** – Our new US and UK Income funds support clients looking to put together their own diversified portfolio, and we launched four managed Portfolio funds which offer greater diversification in a single investment for those who wish to take a more hands-off approach. AUM in these funds now totals £2.2 billion. We remain focused on continuing to improve the performance of our funds and creating more efficiency in the time-to-market of new fund launches. We will launch a new tool that helps less experienced clients and their families choose the right HL account for their situation, and the most suitable investment solutions to meet their needs.

**Trading** – This year, we relaunched our enhanced online Share Exchange service to help clients make the most of their tax allowances, brought in a new online voting solution, giving more power to retail investors, and reduced the cost of share dealing for almost 500,000 clients by removing the dealing charge for regular investors and those reinvesting dividends.

**Investing** – We reduced the management charge for the Lifetime ISA and removed charges completely for Junior ISAs, reducing costs and supporting families in saving for the future and creating lifelong, and beyond, relationships by encouraging intergenerational wealth transfer.

**Service** – As well as making tactical changes, such as reallocating resource across the business to better support clients over the period, we have commenced the roll out a Cloud-based telephony system. This has started to improve the client experience, drive colleague efficiency and improve the quality of data captured to drive even better service and provide client insights into our digital and service roadmaps. As I said, this is a core focus for me.

**Cost Savings** – We launched Pay by Bank for our clients using Active Savings towards the end of financial year. This not only makes it easier for clients to top up their accounts, but will also generate meaningful cost savings for HL. By year end, the adoption rate was already at 25% and we will be rolling it out across other accounts through the course of this year.

As well as client proposition improvements, we have made progress in building more secure foundations to improve our operational resilience and risk management, whilst continuing to invest in our client facing digital products.

In the year, we continued work and have made progress towards the FCA's 2025 Operational Resilience deadline. The Board approved our annual Operational Resilience Self-Assessment for the year to 31 March 2023, which we evolved from the 2022 assessment to add greater rigour and structure to the process. The Board also attested our compliance with the FCA's Consumer Duty by the end of July. I am pleased to report that our Consumer Duty programme confirmed that our existing embedded focus on good client outcomes has led to no major change requirements across all the FCA prescribed dimensions, with only minor enhancements identified to further support our clients in reaching good outcomes.

I am pleased that our colleague engagement surveys showed some improvement during the year, reflecting both our focus on helping colleagues build their financial resilience and building an inclusive and client focused culture. As ever there is more to do, which is why this is one of my four initial focus areas. We have also made good progress against our Inclusion and Diversity priorities, increasing gender and ethnicity representation across the business through both our new early talent programmes and improved recruitment processes, which have increased senior representation across the board.

On ESG, this year we have continued to strengthen our requirements as part of our Wealth Shortlist research, with all funds included on the shortlist meeting our minimum ESG requirements. We have also launched our new ESG Investment Policy and our Stewardship and Engagement Policy and are reporting on Scope 3 Financed Emissions across the portfolio of HL managed funds.

Finally, work continues to progress development of our enhanced relevance and personalisation engine within the HL digital platform. Sitting under both our digital and human interaction experiences, this engine will ensure clients receive the most relevant information, the best service and a seamless and easy experience, however they chose to engage with us.

### **Outlook and guidance**

The current economic climate is likely to remain much the same for the coming financial year, and so will continue impacting investor confidence. This will provide a continued tailwind for flows into Active Savings but a potential constraint on net new investment flows and dealing volumes, although we will proactively mitigate this by helping all HL clients identify the opportunities that do exist and could be right for them, as we did with gilts. We will also provide tools to help clients efficiently consolidate assets to save them time and help us provide increasingly personalised services, whether they want to interact digitally or speak to an HL colleague directly.

Against this backdrop, we have already started to take initial actions on cost and will continue to carefully manage all operating costs and efficiency improvements whilst balancing with the importance of providing the high level of service and support that our ever-growing client base demands.

In terms of our financial outlook for FY24, Amy Stirling has provided some detailed guidance in her CFO's report.

It has been a busy first few weeks in the new role, and I have thoroughly enjoyed hearing from many of our clients, colleagues and shareholders. I'm looking forward to the coming months as I focus on my initial priority areas of driving growth, increasing pace, identifying opportunities to save to grow and ensuring we have the right people in the right roles and focusing on the right things, so we are truly future fit to deliver for our clients and, in turn, for our shareholders.

Dan Olley

Chief Executive Officer

18 September 2023

## Financial Review

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

	Year ended 30 June 2023 £bn	Year ended 30 June 2022 £bn
Opening AUA	123.8	135.5
Platform growth*	2.3	4.3
Movement to Active Savings*	(0.7)	(0.3)
Active Savings growth	3.2	1.5
Total Net New Business	4.8	5.5
Market growth and other	5.4	(17.2)
Closing AUA	134.0	123.8

\* Platform growth, Movement to Active Savings and Active Savings Growth are alternative Performance Measures. See the Glossary of Alternative Performance Measures on page 35 for the full definition.

Hargreaves Lansdown provides the leading direct wealth management service in the UK.

The continued strength of our brand and breadth of services available to clients on our platform has seen us grow net new business every quarter this year despite the continued challenging macroeconomic backdrop for our clients.

Total net new business for the year was £4.8 billion (2022: £5.5bn). Of this figure, platform growth was £2.3 billion (2022: £4.3bn) with £0.7 billion (2022: £0.3bn) of net movement into Active Savings, where we saw a significant increase in flows, contributing £3.2 billion (2022: £1.5bn) of new money to the £4.8 billion total growth.

Total AUA increased by 8% to £134.0 billion at the year end (2022 £123.8bn). This increase was supported by the net new business uplift and £5.4 billion of positive market movement across the year, after the negative market growth experienced in the first half returned to positive in the second half.

AUA for the period of £134.0 billion was 8% above that for the prior year. The increase has occurred across both halves of the year, with the second half of the year providing two thirds of the increase. 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.

Throughout the year we have maintained our focus on engaging with clients to help them improve their financial engagement and resilience. During this period of low investor confidence, we have supported them in navigating the challenging economic backdrop. We were pleased to see that despite the financial impacts of the cost-of-living challenges, our client retention rate remained consistent at 92.2% (2022: 92.1%).

Asset retention reduced to 90.4% (2022: 91.8%) for the year, as we saw a higher level of cash withdrawals from specific cohorts of clients to help with cost-of-living increases or to fund large expenses and major life events.

We introduced 67,000 net new clients in the year (2022: 92,000), growing our active client base by 4% to 1,804,000.

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 36 (2022: 36) and we are encouraged by the quality of clients we are welcoming who brought an average NNB of £19,809, up 27% on last year (2022: £15,565). This was driven by greater numbers of new clients opening Active Savings accounts, which attract a higher opening balance - during the year there were 17,000 new Active Savings accounts (2022: 7,000).

### Income Statement

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
Revenue	735.1	583.0
Operating costs	(350.7)	(313.0)
Finance and other income	19.0	-
Finance costs	(0.7)	(0.8)
Profit before tax	402.7	269.2
Tax	(79.0)	(53.4)
Profit after tax	323.7	215.8
Profit before tax	402.7	269.2
Adjusted for:		
Strategic Investment Costs (including dual running costs)	36.1	28.3
- Underlying profit before tax*	438.8	297.5
- Tax on underlying profit*	(86.1)	(59.0)
Underlying profit after tax*	352.7	238.5

\* 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 £36.1 million (2022: £28.3m). See the Glossary of Alternative Performance Measures on page 35 for the full definition.

## Revenue

Total revenue for the period increased 26% to £735.1 million (2022: £583.0m), with all key revenue lines increasing in the second half of the year driven by a return to growth in all asset classes excluding cash as asset levels benefitted from positive market movements and net new business. Year-on-year revenue growth reflects 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 more than 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:

	Year ended 30 June 2023			Year ended 30 June 2022		
	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps
Funds <sup>1</sup>	236.4	60.7 <sup>8</sup>	39	254.5	65.3 <sup>8</sup>	39
Shares <sup>2</sup>	147.7	48.8	30	194.9	52.3	37
Cash <sup>3</sup>	268.7	14.0	192	50.0	13.6	37
HL Funds <sup>4</sup>	54.3	8.4 <sup>8</sup>	65	60.3	8.8 <sup>8</sup>	69
Active Savings <sup>5</sup>	8.7	6.4 <sup>6</sup>	14	1.8	3.86	5
Other <sup>7</sup>	19.3	–	–	23.3	–	–
Double-count <sup>8</sup>	–	(8.3) <sup>8</sup>	–	–	(8.7) <sup>8</sup>	–
<b>Total</b>	<b>735.1</b>	<b>130.0<sup>8</sup></b>	<b>–</b>	<b>583.0</b>	<b>135.1<sup>8</sup></b>	<b>–</b>

Revenue margin is an alternative performance measure, see the Alternative Performance Measures glossary on page 35 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 Revenue from Active Savings earned as fees from partner banks.

6 Average cash held via Active Savings.

7 Advisory fees and ancillary services (e.g. annuity broking, distribution of VCTs and HL Currency Services).

8 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.

## Funds

Funds continue to be the largest asset class on the platform at 47% of average AUA for the year and 46% of closing AUA (2022: 47%) reflecting the significant range of investment solutions available to meet a broad range of client needs. Revenue on Funds decreased by 7% to £236.4 million (2022: £254.5m) reflecting the decrease in average AUA, particularly in the first half, with this revenue line returning to growth in the second half of the year. Revenue margin on funds was flat at 39bps.

Funds remain one of our largest sources of revenue, with the margin for this year having remained stable on the prior year.

During the year, decisions have been taken to reduce fees on the Lifetime ISA (LISA), from 45bps at base to 25bps, and remove all fees on Junior ISA accounts. As a result, we expect the fund revenue margin to fall slightly in the next financial year and be in the range of 36.5bps to 38.5bps, driven primarily by the full year impact of the fee cuts made in the Junior ISA and LISA accounts in FY23.

## Shares

Revenue on Shares decreased by 24% to £147.7 million (2022: £194.9m) and the revenue margin of 30bps (2022: 37bps) was at the low end of our expected range. This was as a result of a reduction in deal volumes, reflecting comparatively lower investor confidence as clients deal with cost-of-living issues, rising interest rates and market volatility and also the impact of the decline in the value of equities under administration, given the previously mentioned market volatility.

Average deals per trading day in the first half of the year were 31,000 and rose in the second half of the year to 35,000 per day. However, total deal volumes, including automated deals such as dividend reinvestment, decreased by 21% to 8.3 million (2022: 10.5m) but were in line with the low end of our expectation of deals per trading day. Dealing peaked in January 2023 at 39,000 deals per trading day, propelled by news of growth in UK, US and European markets. This compared with a low in December of 27,000, given the seasonally quieter Christmas period. Overseas dealing volumes fell slightly and represented 21% of our total client driven deals (2022: 22%).

Client driven trading is higher than levels seen prior to the pandemic and we continue to improve our client experience in relation to share trading, with improvements to best execution on trades and the removal of fees for income reinvestment and regular share savings. As and when investor confidence improves we believe we are well placed to see a return to higher trading volumes. Shares AUA, at the end of the year, was £50.8 billion (2022: £45.9bn).

Revenue guidance on shares for the next financial year is 28bps to 32bps. This incorporates the full year impact of the price changes on the Junior ISA, income reinvestment and regular savings.

## Cash

Cash held in Investment accounts plays an important role in clients' portfolio management by providing access to the broad range of products and services available on our platform. We manage this cash according to clear principles which are set out in our Platform Client Fairness Policy. In determining rates, HL considers the client need, characteristics and behaviour by account type and the flexibility or limitations of the account when determining and reviewing the rates paid to clients. For example, we pay higher rates of interest where the

accounts have more product restrictions (e.g. the SIPP over an unwrapped account) and where clients will hold higher cash balances (e.g. the Drawdown account). The step up in base rate has increased interest earned on cash and, as a result, we have increased both the amount and the proportion earned by clients during the period. The level of cash held in Investment accounts increased during the period with average cash AUA of £14.0 billion (2022: £13.6bn) which also contributed to the increase in revenue.

The average cash balance represented 10.8% of total average AUA, an increase from 10% in the prior year. However, across the year, cash held in investments accounts has been reducing as clients use existing funds on the platform to invest, and for certain clients we are seeing increased cash withdrawals to fund planned and unplanned needs. Our closing cash AUA at the end of 2023 was £13.1 billion (2022: £15.0bn).

Revenue on cash significantly increased in the year to £268.7 million (2022: £50.0m) reflecting increases in the Bank of England base rate during the period and the level of cash held by clients in investment accounts, partially offset by the pass through rate to clients. Seven rate increases were made during the year, taking the base rate from 125bps in July 2022 to 500bps as at 30 June 2023, compared to the changes in the previous year, which saw five increases taking the rate from 10bps to 125bps as at 30 June 2022.

Over the last twelve months, we have passed over 85% of the benefit of base rate increases to our clients and should we see further increases from here, we would expect to do broadly the same.

As a result, our guidance for net interest margin for the next financial year is 180bps to 200bps.

## HL Funds

During the year we have delivered two new Building Block funds (US Fund and UK Income fund) and four new Portfolio funds (Cautious, Balanced, Moderately Adventurous and Adventurous), all of which come with a lower annual management charge than our existing fund offerings. These funds give clients access to key asset classes and are structured via segregated mandates so they can be held directly and also invested into by our flagship HL Managed funds. The sector-focused funds within the existing HL Multi-Manager range will be converted over time, resulting in further efficiencies and reductions in costs for investors.

Despite a very challenging market context for fund flows, across the year we saw net flows into the fund range of £0.3 billion, driven largely by the fund launches. HL Funds' AUM at the end of 2023 was £8.7 billion.

Revenues on HL Funds were down 10.0% to £54.3m (2022: £60.3m). The main driver of this was average funds under management being down 5% versus last year and lower margin, largely as a result of the launch of new, lower cost funds delivered in the year. The margin on HL Funds has reduced to 65bps (2022: 69bps) accordingly.

HL Funds are a key part of our strategy and we continue to launch further funds across FY24, including a Global Corporate Bond fund that launched in July 2023. This will continue to improve the overall proposition and competitiveness of our own investment funds and will continue to bring net inflows. The margin for 2024 is therefore expected to reduce and be in the range of 55bps to 60bps.

## Active Savings

Revenue from Active Savings has grown significantly in the year to £8.7 million (2022: £1.8m) driven by the changes in the base rate and the increase in AUA. The average margin throughout the year was 14bps (2022: 5bps).

We have continued with the increased marketing of Active Savings from the end of the last financial year and we have subsequently seen strong flows across the period totaling £3.2 billion (2022: £1.5bn). As at 30 June 2023 the AUA was £7.8 billion (2022: £4.6bn) and over 175,000 clients now have an Active Savings account.

Looking forward, we will continue our focus on growing the Active Savings service through adding additional partner banks and improving functionality, particularly within our app.

Our revenue margin for the next financial year is expected to be in the range of 15bps to 20bps.

## Other

Other revenues comprise advisory fees and ancillary services, such as annuity broking and distribution of VCTs. The amount has declined year-on-year, with the largest movements seen in distribution income in respect of third party services, where lower investor confidence for trading services has been partially offset by increased revenues from Annuity arrangement fees, due to the increase in rates available for these products.

	<b>Year ended 30 June 2023 £m</b>	Year ended 30 June 2022 £m
Ongoing revenue*	<b>612.6</b>	414.1
Transactional revenue*	<b>122.5</b>	168.9
<b>Total revenue</b>	<b>735.1</b>	583.0

\*Definitions are shown in the Glossary of Alternative Financial Performance measures on page 35.

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 83% in the period (2022: 71%) as the transactional stockbroking commission decreased versus last year and the net interest income increased significantly as the base rate of interest 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 48% to £612.6 million (2022: £414.1m) 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.

Transactional revenue primarily comprises stockbroking commission and advisory event-driven fees. This decreased by 27% to £122.5 million (2022: £168.9m) reflecting the 26% decrease in client-driven equity dealing volumes.



## Underlying operating costs

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
	Underlying cost	Underlying cost
People costs*	167.9	144.2
Activity costs*	45.5	50.4
Technology costs*	38.8	28.7
Support costs*	56.3	49.3
Underlying costs (pre-FSCS)	308.5	272.6
Total FSCS levy	6.1	12.1
<b>Underlying operating costs**</b>	<b>314.6</b>	<b>284.7</b>

\* Definitions have been amended and are shown in the Glossary of Alternative Financial Performance Measures on page 35. The amendment has been made to align to the way that the Board discusses matters internally.

\*\*Underlying operating costs exclude strategic investment costs (including dual running costs) of £36.1 million (2022: £28.3m). See the Glossary of Alternative Performance Measures on page 35 for the full definition.

## Underlying operating costs

Underlying operating costs increased by 10.5% to £314.6 million (2022: £284.7m) reflecting wage and cost inflation, annualisation of headcount growth, increased technology spend, offset by lower volume driven Activity costs and a reduction in the FSCS levy.

### People costs

People costs increased 16% to £167.9 million (2022: £144.2m) as we invested to support our colleagues through the course of the year. Our pay award for the year was an average of 5% and we have made further changes to colleague pay. Given the economic backdrop, we have reset junior colleagues compensation, providing a higher level of guaranteed earnings throughout the year and we have seen additional wage inflation in specific functions, addressing skill scarcity and retention. In addition we made a £1.1m one-off support payment for colleagues to help offset the impact of inflation.

Our headcount remained flat during the first half of the year, with targeted additions made in the second half of the year in our Service and Digital teams to support increased client contact and improving our systems and security respectively. The impact of the annualisation of 2022 headcount increases was also felt in the year and contributed 3% to the increase in the current year.

### Activity

Activity costs comprise marketing costs, dealing-related costs, and payment costs for client cash transferred onto the platform. Overall activity costs have reduced by £4.9 million during the period reflecting the lower dealing volumes, higher payment volumes driven by Active Savings and £5 million cost savings achieved through renegotiation of third-party dealing contracts.

Payment costs have increased in line with the level of cash added to the platform. In Q4, we introduced Pay by Bank capabilities to those clients using Active Savings to make it easier to transfer funds onto the platform whilst significantly reducing the associated transaction cost. We have seen encouraging take up so far and will be rolling out to all clients during next year. Marketing costs, including client acquisition, client engagement and brand awareness, have remained stable year-on-year as we have continued to invest to drive awareness of our breadth of savings and investment solutions, particularly in the run up to tax year end this year.

### Technology

Technology costs increased to £38.8 million (2022: £28.7m) driven by software support fees and service subscriptions as we build out our digital capability and transfer our systems to the Cloud and improving the security of our IT environment. This requires the use of more third-party software, leading to an increase in license and subscription costs throughout the year.

### Support

Support costs, which include legal and professional fees, office running costs, depreciation and amortisation increased to £56.3 million (2022: £49.3m). Including the impact of higher energy costs and a £1.8 million one off increase in the dilapidations provision, office running costs account for £3.5 million of this increase. Insurance costs and professional fees have increased as have travel expenses as staff returned to more normalised working patterns.

The Financial Services Compensation Scheme (FSCS) levy run by the FCA decreased to £6.1 million (2022: £12.1m), due to a scheme surplus from the prior year, which reduced the amount the FCA needed to raise for the current year. The FSCS is the compensation scheme of last resort for customers of authorised financial services firms. At present, we expect that the levy cost next year will return to being in line with the prior year and as a result, expect to see Underlying cost growth of 9% - 11% for the next financial year.

### Strategic Investment Costs (including Dual Running Costs)

Total strategic spend in the year was £51.4 million, of which £36.1 million has been expensed and £15.3 million has been capitalised in line with our accounting policy. As the programme scales up in both overall activity and individual project scale, we expect our spend to increase further next year. 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 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 year, £19.0 million 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 and the interest incurred on the Group's leases.

On an underlying basis, profit before tax increased by 47% to £438.8 million (2022: £297.5m). On a statutory basis profit before tax increased by 50% to £402.7 million (2022: £269.2m).

## Tax

The effective tax rate for the period was 19.7% (2022: 19.9%). This is despite the higher rate of tax in effect from April 2023 and its impact on the Group in the year. This was largely driven by reclaims on our prior year submissions for R&D credits.

The Group's tax strategy is published on our website at <http://www.hl.co.uk>

## Earnings per share

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Operating profit	384.4	270.0
Finance and other income	19.0	–
Finance costs	(0.7)	(0.8)
Profit before tax	402.7	269.2
Tax	(79.0)	(53.4)
Profit after tax	323.7	215.8
Underlying profit before tax*	438.8	297.5
Tax on underlying profit*	(86.1)	(59.0)
Underlying profit after tax*	352.7	238.5
Weighted average number of shares for the calculation of diluted EPS	474.6	474.5
Diluted EPS (pence per share)	68.2	45.6

\* Underlying profit before tax, Tax on underlying profit before tax, Underlying profit after tax and Underlying diluted EPS for the year exclude strategic investment costs (including dual running costs) of £36.1 million (2022: £28.3m). See the Glossary of Alternative Performance Measures on page 35 for the full definitions.

Diluted EPS increased by 50% from 45.6 pence to 68.2 pence, in line with the Group's increase in profits. The Group's basic EPS was 68.3 pence, compared with 45.6 pence in 2022.

Underlying diluted EPS increased by 48% from 50.4 pence to 74.3 pence. (See Glossary of Alternative Performance Measures on page 35 for the full definition). The Group's underlying basic EPS was 74.4 pence, compared with 50.4 pence in 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 to shareholders with the need to invest in the business to maintain a broad savings and investment offering and high service standards for our clients.

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's net cash position at 30 June 2023 was £503.3 million (2022: £508.0m). Cash generated from operations more than offset the payments of the 2022, final ordinary dividend and the 2023 interim dividend. This includes cash on longer-term deposit and is before funding the 2023 final dividend of £136.6 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.

The healthy net cash position provides both a source of competitive advantage and support to our client offering. It provides security to our clients and allows us to provide them with an excellent service, for example through using surplus liquidity to allow same day switching between products that have mismatched settlement dates.

## Capital

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Shareholder funds	709.7	575.1
Less: goodwill, intangibles and other deductions	(54.7)	(41.0)
Tangible capital	655.0	534.1
Less: provision for dividend	(136.6)	(130.2)
Qualifying regulatory capital	518.4	403.9
Less: estimated capital requirement	(248.3)	(219.1)
Estimated capital surplus	270.1	184.8

Total attributable shareholders' equity, as at 30 June 2023, made up of share capital, share premium, retained earnings and other reserves increased to £709.7 million (2022: £575.1m) due to the increased profit in the year. Having made appropriate deductions as shown in the table above, estimated surplus capital amounts to £270.1 million.

HL plc has four subsidiary companies authorised and regulated by the FCA. The FCA's Investment Firm Prudential Regime (IFPR) applies to the Group and 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 regulatory requirements.

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

## Dividend

### Dividend (pence per share)

	2023	2022
Interim dividend paid	<b>12.70p</b>	12.26p
Final dividend declared	<b>28.80p</b>	27.44p
Total dividend	<b>41.50p</b>	39.70p

The Board has declared an increase in the total ordinary dividend of 4.5% taking the ordinary dividend per share to 41.50 pence (2022: 39.7 pence per share of ordinary dividend). The ordinary dividend is made up of an interim dividend of 12.70 pence per share that was paid on 31 March 2023 (2022: 12.26 pence per share) and a final ordinary dividend of 28.8 pence per share (2022: 27.44 pence per share). Subject to shareholder approval of the final ordinary dividend at the 2023 AGM, the final dividend will be paid on 15 December 2023 to all shareholders on the register at the close of business on 17 November 2023.

In terms of capital allocation, our priority continues to be to ensure our robust financial health, maintaining a meaningful capital surplus over the regulatory minimum. The Board has begun discussion regarding the overall approach to capital allocation acknowledging that we are currently in a period of investment and the importance of shareholder return. As a result and subject to market conditions and the Group's growth, investment and regulatory capital requirements, we expect to continue to grow the ordinary dividend at least 4% in the next financial year.

### Amy Stirling

Chief Financial Officer

18 September 2023

# SECTION 1: RESULTS FOR THE YEAR

## Consolidated Income Statement for the year ended 30 June 2023

	Note	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
<b>Revenue</b>		<b>735.1</b>	583.0
Operating costs	1.3	<b>(350.7)</b>	(313.0)
<b>Operating profit</b>		<b>384.4</b>	270.0
Finance and other income	1.5	<b>19.0</b>	-
Finance costs	1.6	<b>(0.7)</b>	(0.8)
<b>Profit before tax</b>		<b>402.7</b>	269.2
Tax	1.7	<b>(79.0)</b>	(53.4)
<b>Profit for the financial year</b>		<b>323.7</b>	215.8
<b>Attributable to:</b>			
Owners of the parent		<b>323.8</b>	216.3
Non-controlling interest		<b>(0.1)</b>	(0.5)
		<b>323.7</b>	215.8
<b>Earnings per share</b>			
Basic earnings per share (pence)	1.8	<b>68.3</b>	45.6
Diluted earnings per share (pence)	1.8	<b>68.2</b>	45.6

The results relate entirely to continuing operations.

## Consolidated Statement of Comprehensive Income for the year ended 30 June 2023

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
<b>Profit for the financial year</b>	<b>323.7</b>	215.8
<b>Total comprehensive income for the financial year</b>	<b>323.7</b>	296.3
<b>Attributable to:</b>		
Owners of the parent	<b>323.8</b>	296.7
Non-controlling interest	<b>(0.1)</b>	(0.4)
	<b>323.7</b>	296.3

The results relate entirely to continuing operations.

## 1.1 Revenue

Revenue represents fees receivable from financial services provided to clients, net interest income on client money and management fees charged to clients. It relates to services provided in the UK and is stated net of value added tax.

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
<b>Revenue:</b>		
<b>Ongoing revenue</b>		
Platform fees	270.5	289.1
Fund management fees	54.3	60.3
Ongoing advice charges	7.4	8.3
Active Savings revenue <sup>1</sup>	8.7	1.8
Net interest income	268.7	50.0
Renewal commission	3.0	4.6
<b>Transactional revenue</b>		
Fees on stockbroking transactions	116.9	164.6
Initial advice charges	4.7	4.0
Other transactional income	0.9	0.3
<b>Total Revenue</b>	<b>735.1</b>	<b>583.0</b>

<sup>1</sup> Active Savings revenue was previously disclosed within net interest income and is now disclosed separately.

## 1.2 Segmental reporting

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 in the United Kingdom. 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.

## 1.3 Operating costs

Operating profit has been arrived at after charging:	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Depreciation of owned plant and equipment and right-of-use assets	8.5	8.9
Amortisation of other intangible assets	6.8	6.2
Impairment of intangible assets	-	1.0
Operating lease rentals payable – property	-	0.1
FSCS costs	6.1	12.1
Activity costs <sup>2</sup>		
- Marketing costs	20.7	25.8
- Dealing & financial services costs	23.4	24.6
Technology costs <sup>†</sup>	40.4	29.7
Support costs <sup>1</sup>		
- Legal and professional costs	40.9	33.1
- Office running costs	8.4	4.9
- Other operating costs	16.2	11.2
Staff (including contractors) costs (note 1.4)	179.3	155.5
<b>Operating costs</b>	<b>350.7</b>	<b>313.0</b>

<sup>†</sup>The line item description of this category has changed from the prior year.

<sup>1</sup> Support costs includes costs previously known as legal and professional fees and office running costs. Also included in support costs are compensation and compliance costs, other finance costs, insurance costs and fair value movements on investments (note 2.1).

<sup>2</sup> Activity costs now includes costs previously known as marketing costs and dealing and financial services costs.

## 1.4 Staff costs

	Year ended 30 June 2023	Year ended 30 June 2022
<b>The average monthly number of employees of the Group (including executive Directors and contractors) was:</b>	<b>No.</b>	<b>No.</b>
Operating and support functions	1,558	1,533
Administrative functions	661	576
	<b>2,219</b>	<b>2,109</b>
<b>Their aggregate remuneration comprised:</b>	<b>£m</b>	<b>£m</b>
Wages and salaries	149.9	122.2
Social security costs	14.4	14.2
Share-based payment expenses	8.2	8.4
Other pension costs	16.0	13.2
Total costs paid for staffing	188.5	158.0
Capitalised in the year	(9.2)	(2.5)
Staff (including contractors) costs as a deduction to operating profit	179.3	155.5

Included in the above figures are 143 (2022: 80) contractors with a total cost of £15.5 million (2022: £6.0m).

## 1.5 Finance and other income

	Year ended 30 June 2023	Year ended 30 June 2022
	<b>£m</b>	<b>£m</b>
Interest on bank deposits	15.8	-
Other income	3.2	-
	<b>19.0</b>	<b>-</b>

## 1.6 Finance costs

	Year ended 30 June 2023	Year ended 30 June 2022
	<b>£m</b>	<b>£m</b>
Commitment fees	0.3	0.3
Interest incurred on lease payables	0.4	0.5
Finance costs	0.7	0.8

## 1.7 Tax

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Current tax: on profits for the year	80.0	52.3
Current tax: adjustments in respect of prior years	(0.2)	(0.4)
Deferred tax (note 2.4)	(0.8)	1.0
Deferred tax: adjustments in respect of prior years (note 2.4)	-	0.5
	<b>79.0</b>	<b>53.4</b>

Corporation tax is calculated at 20.5% of the estimated assessable profit for the year to 30 June 2023 (2022: 19%).

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

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Deferred tax relating to share-based payments	(0.2)	(0.6)
Current tax relating to share-based payments	(0.1)	0.1
	<b>(0.3)</b>	<b>(0.5)</b>

### Factors affecting tax charge for the year

It is expected that the ongoing effective tax rate will remain at a rate approximating to the standard UK corporation tax rate in the medium term, except for the impact of deferred tax arising from the timing of exercising of share options which is not under our control. Following the enactment of Finance Act 2021 the standard UK corporation tax rate was at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's taxable profits for this accounting year are taxed at 20.5%. Deferred tax has been recognised at either 20.5% or 25% depending on the rate expected to be in force at the time of the reversal of the temporary difference.

### Factors affecting future tax charge

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

The charge for the year can be reconciled to the profit per the Income Statement as follows:

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Profit before tax	402.7	269.2
Tax at the standard UK corporate tax rate of 20.5% (2022: 19.0%)	82.6	51.1
Non-taxable income	(5.7)	0.1
Items not allowable for tax	2.3	2.3
Additional deduction for tax purposes	(0.2)	(0.2)
Adjustments in respect of prior years	0.1	0.1
Foreign tax suffered	0.1	0.1
Impact of the change in tax rate	(0.2)	(0.1)
Tax expense for the year	<b>79.0</b>	<b>53.4</b>
Effective tax rate	<b>19.7%</b>	<b>19.9%</b>

The additional deduction for tax purposes only arises from enhanced capital allowances available from the super deduction on qualifying plant and machinery purchased within the financial year ended 30 June 2023.

## 1.8 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 year, including ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust (EBT) and Hargreaves Lansdown SIP Trust (SIP) reserve which have vested unconditionally with employees.

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

The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 1,285,599 at 30 June 2023 (2022: 429,519).

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
<b>Earnings</b>		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	<b>323.8</b>	216.3
<b>Number of shares</b>		
Weighted average number of ordinary shares	<b>474,318,625</b>	474,318,625
Weighted average number of shares held by HL EBT and SIP	<b>(242,404)</b>	(444,685)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	<b>89,116</b>	74,702
<b>Weighted average number of ordinary shares for the purposes of basic EPS</b>	<b>474,165,337</b>	473,948,642
Weighted average number of dilutive share options held by HL EBT and SIP that have not vested unconditionally with employees	<b>686,256</b>	579,869
<b>Weighted average number of ordinary shares for the purposes of diluted EPS</b>	<b>474,851,593</b>	474,528,511
<b>Earnings per share</b>	<b>Pence</b>	Pence
Basic EPS	<b>68.3</b>	45.6
Diluted EPS	<b>68.2</b>	45.6



## SECTION 2: ASSETS & LIABILITIES

### Consolidated Statement of Financial Position as at 30 June 2023

	Note	At 30 June 2023 £m	At 30 June 2022 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill		1.3	1.3
Other intangible assets		50.4	37.3
Property, plant and equipment		17.4	22.5
Deferred tax	2.4	2.6	1.9
		<b>71.7</b>	<b>63.0</b>
<b>Current assets</b>			
Investments	2.1	0.5	0.8
Trade and other receivables	2.2	836.9	523.5
Cash and cash equivalents	2.3	373.3	488.3
Current tax assets		3.4	0.6
		<b>1,214.1</b>	<b>1,013.2</b>
<b>Total assets</b>		<b>1,285.8</b>	<b>1,076.2</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	2.5	565.5	488.3
		<b>565.5</b>	<b>488.3</b>
<b>Net current assets</b>		<b>648.6</b>	<b>524.9</b>
<b>Non-current liabilities</b>			
Provisions		3.0	2.6
Non-current lease liabilities	2.6	7.6	11.8
<b>Total liabilities</b>		<b>576.1</b>	<b>502.7</b>
<b>Net assets</b>		<b>709.7</b>	<b>573.5</b>
<b>EQUITY</b>			
Share capital	3.1	1.9	1.9
Shares held by EBT		(6.4)	(3.6)
EBT reserve		(1.0)	(2.4)
Retained earnings		715.2	579.2
<b>Total equity, attributable to the owners of the parent</b>		<b>709.7</b>	<b>575.1</b>
Non-controlling interest		-	(1.6)
<b>Total equity</b>		<b>709.7</b>	<b>573.5</b>

## 2.1 Investments

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
At beginning of year	0.8	0.9
Purchases	2.0	0.7
Disposals	(2.3)	(0.8)
At end of year	0.5	0.8
<b>Comprising:</b>		
Current asset investment – UK-listed securities valued at quoted market price	0.5	0.8

£0.5million (2022: £0.8m) of investments are classified as held at fair value through profit and loss, being deal-related short-term investments. Fair value movements on investments are included in other support costs, as disclosed in note 1.3.

Investment balances are short-term positions the Group takes as a result of deals placed either in error or due to having to take positions where clients are no longer able to hold an investment. The gross gains and losses in relation to fair value include movements where no investment position is taken and are as shown below:

### Fair value movement on investments

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
Gross gains	0.6	0.4
Gross losses	(2.1)	(1.3)
	(1.5)	(0.9)

## 2.2 Trade and other receivables

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
<b>Financial assets</b>		
Trade receivables	510.3	432.6
Term deposits	130.0	20.0
Accrued income	169.0	49.0
Other receivables	7.6	3.7
	816.9	505.3
<b>Non-financial assets</b>		
Prepayments	20.0	18.2
	836.9	523.5

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £486.0 million (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 £659.7 million (2022: £532.6m) and the gross amount offset in the Statement of Financial Position with trade payables is £186.6 million (2022: £130.1m). Other than 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.

Given the short-term nature of the Group's receivables and the expectation of the Group in relation to its counterparties, there has been no material expected credit loss recognised in the period.

The Group does not have any contract assets in respect of its revenue contracts with customers (2022: £nil).

## 2.3 Cash and cash equivalents

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
<b>Cash and cash equivalents</b>		
Group cash and cash equivalent balances	<b>368.0</b>	488.0
Restricted cash – balances held by HL EBT	<b>5.3</b>	0.3
	<b>373.3</b>	488.3

At 30 June 2023, 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 £7,214 million (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 £6,224 million (2022: £6,533m). The client retains the ownership in both these deposits and cash accounts, and accordingly, they are not included in the Statement of Financial Position of the Group.

Restricted cash balances relate to the balances held within the HL Employee Benefit Trust. These are strictly held for the purpose of purchasing shares to satisfy options under the Group's share option schemes.

## 2.4 Deferred tax

Deferred tax assets/(liabilities) arise because of temporary differences only. The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at either 20.5% or 25% depending upon the rate expected to be in force at the time of the reversal of the temporary difference. A deferred tax asset in respect of future share option deductions has been recognised based on the Company's share price as at 30 June 2023.

	Fixed assets tax relief	Share-based payments	Other deductible temporary differences	Total
	£m	£m	£m	£m
At 1 July 2021	0.3	2.5	0.9	<b>3.7</b>
Charge to income	(0.8)	(0.7)	-	<b>(1.5)</b>
Charge to equity	-	(0.3)	-	<b>(0.3)</b>
At 30 June 2022	(0.5)	1.5	0.9	<b>1.9</b>
(Charge)/credit to income	(0.2)	1.0	-	<b>0.8</b>
Charge to equity	-	-	(0.1)	<b>(0.1)</b>
<b>At 30 June 2023</b>	<b>(0.7)</b>	<b>2.5</b>	<b>0.8</b>	<b>2.6</b>
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	(0.5)	0.1	0.2	<b>(0.2)</b>
> 1 year after reporting date	(0.2)	2.4	0.6	<b>2.8</b>
	(0.7)	2.5	0.8	<b>2.6</b>

## 2.5 Trade and other payables

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
<b>Financial liabilities</b>		
Trade payables	487.4	406.7
Current lease liabilities	4.6	4.6
Other payables	38.0	31.0
	<b>530.0</b>	442.3
<b>Non-financial liabilities</b>		
Deferred income	0.3	0.3
Accruals	26.5	38.5
Social security and other taxes	8.7	7.2
	<b>565.5</b>	488.3

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £483.5 million (2022: £404.9m) are included in trade payables, similar to the treatment of trade receivables. As stated in note 2.2 above, 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 for certain services.

All balances classified as deferred income in the prior year have been recognised in revenue in the current year.

## 2.6 Long-term liabilities

	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
Lease liabilities greater than 12 months	7.6	11.8

## SECTION 3: EQUITY

### Consolidated Statement of Changes in Equity for the year ended 30 June 2023

	Attributable to the owners of the Parent				Total	Non-controlling interest	Total equity
	Share capital	Shares held by EBT	EBT reserve	Retained earnings			
	£m	£m	£m	£m			
<b>At 1 July 2021</b>	1.9	(4.8)	(3.1)	599.5	<b>593.5</b>	(1.1)	<b>592.4</b>
<b>Total comprehensive income<sup>1</sup></b>	-	-	-	216.3	<b>216.3</b>	(0.5)	<b>215.8</b>
<b>Employee Benefit Trust</b>							
Shares sold in the year	-	5.4	-	-	<b>5.4</b>	-	<b>5.4</b>
Shares acquired in the year	-	(4.2)	-	-	<b>(4.2)</b>	-	<b>(4.2)</b>
HL EBT share sale	-	-	(2.8)	-	<b>(2.8)</b>	-	<b>(2.8)</b>
Reserve transfer on exercise of share options	-	-	3.5	(3.5)	-	-	-
<b>Employee share option scheme</b>							
Share-based payments expense (note 1.4)	-	-	-	8.4	<b>8.4</b>	-	<b>8.4</b>
Current tax effect of share-based payments (note 1.7)	-	-	-	0.1	<b>0.1</b>	-	<b>0.1</b>
Deferred tax effect of share-based payments (note 1.7)	-	-	-	(0.6)	<b>(0.6)</b>	-	<b>(0.6)</b>
<b>Dividend paid (note 3.2)</b>	-	-	-	(241.0)	<b>(241.0)</b>	-	<b>(241.0)</b>
<b>At 30 June 2022</b>	1.9	(3.6)	(2.4)	579.2	<b>575.1</b>	(1.6)	<b>573.5</b>
<b>Total comprehensive income<sup>1</sup></b>	-	-	-	323.8	<b>323.8</b>	(0.1)	<b>323.7</b>
<b>Change in ownership</b>	-	-	-	(1.7)	<b>(1.7)</b>	1.7	-
<b>Employee Benefit Trust</b>							
Shares sold in the year	-	2.2	-	-	<b>2.2</b>	-	<b>2.2</b>
Shares acquired in the year	-	(5.0)	-	-	<b>(5.0)</b>	-	<b>(5.0)</b>
HL EBT share sale	-	-	(2.2)	-	<b>(2.2)</b>	-	<b>(2.2)</b>
Reserve transfer on exercise of share options	-	-	3.6	(3.6)	-	-	-
<b>Employee share option scheme</b>							
Share-based payments expense (note 1.4)	-	-	-	8.2	<b>8.2</b>	-	<b>8.2</b>
Current tax effect of share-based payments (note 1.7)	-	-	-	(0.1)	<b>(0.1)</b>	-	<b>(0.1)</b>
Deferred tax effect of share-based payments (note 1.7)	-	-	-	(0.2)	<b>(0.2)</b>	-	<b>(0.2)</b>
<b>Dividend paid (note 3.2)</b>	-	-	-	(190.4)	<b>(190.4)</b>	-	<b>(190.4)</b>
<b>At 30 June 2023</b>	1.9	(6.4)	(1.0)	715.2	<b>709.7</b>	-	<b>709.7</b>

<sup>1</sup> Total comprehensive income includes Profit for the year and the total comprehensive income presented is equal to Profit in both years presented.

### 3.1 Share capital

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
<b>Authorised:</b> 525,000,000 (2022: 525,000,000) ordinary shares of 0.4p each	<b>2.1</b>	2.1
<b>Issued and fully paid:</b> ordinary shares of 0.4p each	<b>1.9</b>	1.9
	<b>Shares</b>	Shares
<b>Issued and fully paid:</b> number of ordinary shares of 0.4p each	<b>474,318,625</b>	474,318,625

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

The shares held by the EBT represents the cost of shares in Hargreaves Lansdown plc purchased in the market and held by the Hargreaves Lansdown EBT to satisfy options under the Group's share option schemes.

The EBT reserve represents the cumulative gain on disposal of investments held by the HL 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. Throughout the prior year, the non-controlling interest in Hargreaves Lansdown Savings Limited was held by Stuart Louden, an employee of the Group. During the prior year an agreement was reached to purchase Stuart Louden's shares which was executed during the year and at the year end the Company had 100% control of Hargreaves Lansdown Savings Limited.

### 3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2023	Year ended 30 June 2022
	£m	£m
2022 final dividend of 27.44p (final dividend 2021: 26.6p) per share	<b>130.2</b>	126.0
2022 special dividend of 12.0p per share	-	56.9
2023 interim dividend of 12.70p (2022: 12.26p) per share	<b>60.2</b>	58.1
<b>Total dividends paid during the year</b>	<b>190.4</b>	241.0

After the end of the reporting period, the Directors declared a final ordinary dividend of 28.80p pence per share payable on 15 December 2023 to shareholders on the register on 17 November 2023. Dividends are required to be recognised in the financial statements when paid, and accordingly the declared dividend amounts are not recognised in these financial statements, but will be included in the 2023 financial statements as follows:

	£m
2023 final dividend of 28.80 p (2022 final dividend: 27.44p) per share	<b>136.6</b>
<b>Total dividends</b>	<b>136.6</b>

The payment of these dividends will not have any tax consequences for the Group.

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.

	Year ended 30 June 2023	Year ended 30 June 2022
	No. of shares	No. of shares
Number of shares held by the Hargreaves Lansdown Employee Benefit Trust	<b>779,080</b>	424,035
Representing percentage of called-up share capital	<b>0.16%</b>	0.09%

# SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

## Consolidated Statement of Cash Flows for the year ended 30 June 2023

	Note	Year ended 30 June 2023 £m	Year ended 30 June 2022 £m
<b>Net cash from operating activities</b>			
Profit for the year after tax		323.7	215.8
Adjustments for:			
Income tax expense	1.7	79.0	53.4
Depreciation of plant and equipment	1.3	8.5	8.9
Amortisation of intangible assets	1.3	6.8	6.2
Impairment of intangible assets	1.3	-	1.0
Share-based payment expense	1.4	8.2	8.3
Interest on lease liabilities	1.6	0.4	0.5
Increase/(decrease) in provisions		0.4	(0.1)
Operating cash flows before movements in working		427.0	294.0
(Increase)/decrease in receivables		(203.4)	305.8
Increase/(decrease) in payables		72.2	(285.7)
<b>Cash generated from operations</b>		<b>295.8</b>	<b>314.1</b>
Income tax paid		(80.5)	(51.2)
<b>Net cash generated from operating activities</b>		<b>215.3</b>	<b>262.9</b>
<b>Investing activities</b>			
(Increase)/decrease in term deposits		(110.0)	40.0
Purchase of property, plant and equipment		(3.5)	(2.8)
Cash capitalisation of intangible assets		(19.2)	(10.9)
Proceeds on disposal of investments		0.3	0.1
<b>Net cash generated (used in)/from investing</b>		<b>(132.4)</b>	<b>26.4</b>
<b>Financing activities</b>			
Purchase of own shares in EBT		(5.0)	(4.2)
Proceeds on sale of own shares in EBT		2.2	2.8
Payment of principal in relation to lease liabilities		(4.7)	(3.9)
Dividends paid to owners of the parent	3.2	(190.4)	(241.0)
<b>Net cash used in financing activities</b>		<b>(197.9)</b>	<b>(246.3)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(115.0)</b>	<b>43.0</b>
Cash and cash equivalents at beginning of year	2.3	488.3	445.3
<b>Cash and cash equivalents at end of year (including restricted cash)</b>	2.3	<b>373.3</b>	<b>488.3</b>

## Section 5: OTHER NOTES

### 5.1 General information

Hargreaves Lansdown plc (the Company and ultimate parent of the Group) is a company incorporated and domiciled in the United Kingdom under the Companies Act 2006 whose shares are publicly traded on the London Stock Exchange. The address of the registered office is One College Square South, Anchor Road, Bristol, BS1 5HL, United Kingdom. The nature of the Group's operations and its principal activities are set out in the Operating and Financial Review.

These financial statements are presented in millions of pounds sterling (£m) which is the currency of the primary economic environment in which the Group operates.

#### Basis of preparation

These financial statements have been prepared in accordance with UK-adopted international accounting standards and with the requirements of the Companies Act 2006 as applicable to companies reporting under those standards. The financial statements are prepared on a going concern basis as discussed below.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

These results do not represent the audited financial statements of the Group.

#### Going concern

The Group maintains ongoing forecasts that indicate continued profitability in the 2023 financial year. Stress test scenarios are undertaken, the outcomes of which show that the Group has adequate capital resources for the foreseeable future even in adverse economic conditions. The Group's business is highly cash generative with a low working capital requirement; indeed, the forecast cash flows show that the Group will remain highly liquid in the forthcoming financial year. The Directors therefore believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors' expectation is that the Group will have adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Group Financial statements. Accordingly, they continue to adopt the going concern basis in preparing this preliminary results statement.

### 5.2 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.

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.

These matters have been re-assessed throughout the financial year and the above statement is accurate as at the reporting date and up to the date of issue.

### 5.3 Related party transactions

The Company has a related party relationship with its subsidiaries, its Directors and members of the Executive Committee (the 'key management personnel'). Transactions between the Company and its key management personnel are disclosed below. Details of transactions between the Company and other related parties are also disclosed below.

#### Trading transactions

The Company entered into the following transactions with Directors within the Hargreaves Lansdown Group and related parties who are not members of the Group:

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



### 5.3 Related party transactions continued

During the years ended 30 June 2023 and 30 June 2022 the Company has been party to a lease with P K Hargreaves, a significant shareholder during the year and former Director, for rental of the old head office premises at Kendal House. A five year lease was signed in April 2021 for a rental of part of the building, to be used for disaster recovery purposes at a market rate rent of £0.1 million per annum. No amount was outstanding at either year end.

During the years ended 30 June 2023 and 30 June 2022, the Group has provided a range of investment services in the normal course of business to shareholders on normal third-party business terms.

Directors and staff are eligible for a slight discount on some of the services provided.

#### Remuneration of key management personnel

The remuneration of the key management personnel of the Group, being those personnel who were a member of the Board or Executive Committee during the relevant year shown, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	<b>Year ended 30 June 2023 £m</b>	Year ended 30 June 2022 £m
Short-term employee benefits	8.1	8.6
Post-employment benefits	0.4	0.4
Other long-term benefits	0.5	0.4
Termination benefits	0.9	0.5
Share-based payments	2.1	5.2
	<b>12.1</b>	<b>15.1</b>
Non-Executive Directors fees	<b>1.1</b>	<b>1.0</b>

The table above has been updated to include Non-executive Directors Fees, which were not included in the prior year. In addition to the amounts, six key management personnel (2022: eight) received gains of £1.0 million (2022: £1.6m) as a result of exercising share options. During the year, awards were made under executive option schemes for nine key management personnel (2022: nine).

Included within the previous table are the following amounts paid to Executive Directors of the Company who served during the relevant year. Full details of Directors' remuneration, including numbers of shares exercised, are shown in the Directors' remuneration report.

	<b>Year ended 30 June 2023 £m</b>	Year ended 30 June 2022 £m
Short-term employee benefits	2.7	2.6
Post-employment benefits	0.1	0.1
Other long-term benefits	0.2	0.2
Share-based payments	0.6	1.4
	<b>3.6</b>	<b>4.3</b>

In addition to the amounts above, Directors of the Company received gains of £0.3 million relating to the exercise of share options (2022: £0.7m).

	<b>Year ended 30 June 2023 £m</b>	Year ended 30 June 2022 £m
Emoluments of the highest paid Director	<b>2.5<sup>1</sup></b>	<b>1.9<sup>1</sup></b>
	<b>No.</b>	<b>No.</b>
Number of Directors who exercised share options during the year	<b>1</b>	<b>2</b>
Number of Directors who were members of money purchase pension schemes	<b>2</b>	<b>2</b>

<sup>1</sup> The highest paid Director was the Chief Executive Officer and full details of his emoluments can be found in the audited 'Remuneration payable' table in the Directors' remuneration report.

Any amounts outstanding with related parties are unsecured and will be settled in cash. No guarantees have been given or received in respect of amounts outstanding. No provisions have been made for doubtful debts in respect of the amounts owed by the related parties.

## **5.4 Non-statutory accounts**

The consolidated financial information as noted in this document does not constitute the Group's statutory financial statements for the years ended 30 June 2023 or 30 June 2022 but is derived from them. Statutory financial statements for 2022 have been delivered to the registrar of companies and those for 2023 will be delivered in due course. The auditors have reported on both sets of financial statements and their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 of the Companies Act 2006.

## **Section 6: STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Report and Financial Statements 2023 and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and parent company will continue in business.

The directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **Directors' confirmations**

The directors consider that the Report and Financial Statements 2023 and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in The Board of Directors confirm that, to the best of their knowledge:

- the group and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and parent company, and of the profit of the group; and
- the Strategic report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

By order of the Board

**Amy Stirling**

Chief Financial Officer

18<sup>th</sup> September 2023

**Executive Directors**

Dan Olley  
Amy Stirling

**Non-Executive Directors**

Deanna Oppenheimer  
Andrea Blance  
Adrian Collins  
Penny James  
Moni Mannings  
Michael Morley  
Roger Perkin  
Darren Pope  
John Troiano

## Section 7: PRINCIPAL RISKS AND UNCERTAINTIES

Managing the risks to Hargreaves Lansdown is fundamental to delivering the incredible levels of service our clients expect and generating returns for shareholders. The Board has performed a robust assessment of the principal risks facing the Group through a process of continual review, including those that would threaten its business model, future performance, solvency and liquidity. In making such an assessment the Board considers the likelihood of each risk materialising in the short and longer term.

The principal risks and uncertainties faced by the Group are detailed below, along with actions taken to mitigate and manage them. The principal risks are categorised into strategic risks, operational risks and financial risks as per our risk framework.

### Strategic risks

<b>Failure to execute strategic plans</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
The risk that HL does not deliver on the strategy or in the forecasted timescales due to incorrect information or assumptions based on changing market dynamics, inability to react to changes, or that the activities supporting the delivery of the strategy are inadequate or poorly designed.	<ul style="list-style-type: none"> <li>Erosion of shareholder value</li> <li>Negative impact on our brand and reputation</li> <li>Negative impact on client experience and HL's ability to maintain market share</li> </ul>	<ul style="list-style-type: none"> <li>The Executive Committee and Board review strategy in the context of propositional design and service enhancement on a regular basis</li> <li>Oversight and tracking of strategic deliverables at senior level governance forums (i.e. Quarterly Business Review)</li> <li>Clear objectives aligned to Executive owners and a supporting operating plan in place</li> </ul>	<ul style="list-style-type: none"> <li>Technology and resiliency risk events</li> <li>NNB v forecast</li> <li>Client retention</li> <li>Service rating</li> </ul>	<ul style="list-style-type: none"> <li>Commenced execution against three year strategy</li> <li>Progressed proposition enhancements including fund develop, active savings capacity and client communication and cash ISA wrapper</li> <li>Developed a Digital roadmap, including Cloud deployment and engagement of enhancement telephonic capability</li> </ul>

<b>Business Performance</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
The risk that HL does not meet the agreed business performance targets linked to strategy, due to poor delivery, cost management and/or decision making.	<ul style="list-style-type: none"> <li>Earning fluctuations</li> <li>Blocker to delivery of strategic objectives</li> <li>Erosion of shareholder value and / or market share</li> </ul>	<ul style="list-style-type: none"> <li>Diversified revenue streams balanced between recurring and transaction-based</li> <li>Monitoring and maintenance of client service</li> <li>Executive and Board Governance</li> <li>Robust cost control</li> </ul>	<ul style="list-style-type: none"> <li>Profit Before Tax</li> <li>Underlying Costs</li> <li>Client metrics (net, new and retention)</li> </ul>	<ul style="list-style-type: none"> <li>Increased targeted marketing campaigns</li> <li>Targeted pricing adjustments</li> <li>Prioritisation of internal investment on service, technology &amp; risk</li> <li>Executive oversight and development of KPIs</li> </ul>

## Operational risks

<b>Technology</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
As HL moves through its transformation, the risk of technology failing to meet current business and future operational requirements or at the pace required to deliver the strategic outcomes, or the risk of system/data being unavailable resulting in disruption to business operations and the potential for customer detriment, financial loss, damage to reputation, regulatory fines and/or censure.	<ul style="list-style-type: none"> <li>• Inability to maintain operational efficiency</li> <li>• Failure to deliver against strategy</li> <li>• Poor client outcomes</li> <li>• Reputational damage</li> <li>• Regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Scalable IT Architecture planning</li> <li>• Rolling internal and external monitoring of IT environment</li> <li>• Identification of contingency providers for technology</li> <li>• IT recovery capability, planning and testing</li> </ul>	<ul style="list-style-type: none"> <li>• Unplanned downtime of client facing applications</li> <li>• Status of critical projects</li> <li>• Core system monitoring</li> <li>• System patching status</li> <li>• Technology risk events</li> </ul>	<ul style="list-style-type: none"> <li>• Formation of new teams to support strategy in tooling and technology enablement</li> <li>• Leverage Cloud technology to improve transfer out processes</li> <li>• Broadened our Learning tools and introduced new mentoring and coaching programmes</li> <li>• Migration of client telephony services to Amazon Connect</li> <li>• Full End-to-End IT Testing platform</li> <li>• Platform security improvements</li> <li>• Launched first cloud journey, improving our transfers process</li> <li>• Operational Resilience programme</li> <li>• Operational Plan, including prioritisation of IT development</li> </ul>

<b>Administration</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk of failure or delay of any of the activities that are carried out in support of the actual process of administration of investing.	<ul style="list-style-type: none"> <li>• Poor client service &amp; outcome(s)</li> <li>• Loss of client assets or money</li> <li>• Reputational damage</li> <li>• Failure to comply with Consumer Duty</li> <li>• Regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>• Ongoing First Line of Defence monitoring of controls, control management, self-assessment and quality assurance</li> <li>• Process and procedural documents</li> <li>• Training and development</li> <li>• Operational MI</li> <li>• Control focus at key governance forums, including CASS Committee, Executive Risk Committee and Operating Committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>• NPS</li> <li>• Risk events (including CASS breaches) and Compliance breach monitoring</li> <li>• Third party breaches</li> <li>• Complaints</li> <li>• Helpdesk call quality</li> <li>• Operational processing and transactional error rates</li> </ul>	<ul style="list-style-type: none"> <li>• Focused workforce planning and tool deployment to support service improvements</li> <li>• Roll out of Amazon Connect telephony capability</li> <li>• Enhancements to our transfer processes</li> <li>• Development of digital roadmap to drive further service capability</li> </ul>

<b>Regulatory Compliance</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk that required regulatory change is not implemented to regulatory expectations or requirement and/or existing regulatory requirements are not met.	<ul style="list-style-type: none"> <li>Regulatory breaches</li> <li>Regulatory intervention</li> <li>Reputational damage</li> <li>Inability to deliver business strategy or objectives</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory horizon scanning and business impact analysis</li> <li>Compliance monitoring</li> <li>Ongoing open dialogue with the FCA</li> <li>Executive Risk Committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>Volume of new outputs from regulatory bodies</li> <li>Number of regulatory change projects</li> <li>Risk Events and Compliance breaches</li> <li>Complaints</li> </ul>	<ul style="list-style-type: none"> <li>Investment into 'Foundation' strategic pillar</li> <li>Consumer Duty implementation</li> <li>CASS Improvement Plan</li> <li>First ICARA under new IFPR rules</li> <li>Increased and enhanced Compliance Monitoring capacity</li> </ul>

<b>Financial crime</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk that HL fails to design or implement appropriate frameworks, including policies, processes, or technology, to counter HL being used to further financial crime by either internal or external parties	<ul style="list-style-type: none"> <li>Loss of sensitive data</li> <li>Poor client outcomes (including fraud)</li> <li>Negative impact on confidence in HL</li> <li>Diminish the integrity of the financial system</li> <li>Regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment and remediation of information security threats</li> <li>Dedicated Information Security, Anti Money laundering and Client Protection teams in place</li> <li>Specialist AML screening team</li> <li>Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place</li> <li>Enhanced Sanction control environment</li> <li>Horizon scanning peer group to understand industry trends</li> </ul>	<ul style="list-style-type: none"> <li>Fraud monitoring</li> <li>Cyber threat assessment</li> <li>Time taken to address security vulnerabilities</li> <li>Number of Information Commissioner's Office (ICO) notifiable data protection breaches</li> </ul>	<ul style="list-style-type: none"> <li>Completion of Financial Crime transformation programme (part 1)</li> <li>Increased capability and capacity of Financial Crime teams</li> <li>Operational delivery of Client Risk Assessment tool</li> <li>Delivery of enhanced client Sanction controls</li> </ul>

<b>Data Management</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk that HL fails to design or implement appropriate frameworks, including policies, processes, or technology, to manage data and data storage	<ul style="list-style-type: none"> <li>Loss of sensitive data</li> <li>Poor client outcomes (including fraud)</li> <li>Inefficient processing</li> <li>Regulatory intervention</li> </ul>	<ul style="list-style-type: none"> <li>Dedicated Chief Information Security Officer, Chief Data Officer and Data Protection Officer in place</li> <li>Data Governance function</li> <li>Robust data access controls</li> <li>Data storage standards</li> <li>Monitoring of sensitive data usage</li> <li>Data Panel</li> </ul>	<ul style="list-style-type: none"> <li>Data related Risk Events</li> <li>Data reporting issues</li> <li>Data Privacy Impact Assessment completions</li> <li>Cyber events</li> <li>Fraud events</li> </ul>	<ul style="list-style-type: none"> <li>New Data Risk Management Policy</li> <li>Refresh of the suite of data standards supporting the policy</li> <li>Established a cross organisational Data Panel to improve the management and use of data</li> </ul>

				<ul style="list-style-type: none"> <li>Data Management and Information Security programmes</li> </ul>
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<b>Product &amp; Proposition</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk of developing/selling/communicating new products or maintaining existing products that result in poor outcomes for clients.	<ul style="list-style-type: none"> <li>Poor client outcomes</li> <li>Negative reputational impact</li> <li>Regulatory censorship</li> </ul>	<ul style="list-style-type: none"> <li>Colleague communication and training</li> <li>Risk and incident monitoring and review</li> <li>Executive Risk Committee and Product Governance Committee oversight</li> <li>Corporate and social responsibility programme</li> <li>Whistleblowing process</li> <li>Fair value assessment</li> <li>Robust marketing and financial promotion controls</li> <li>Model Risk Management</li> </ul>	<ul style="list-style-type: none"> <li>Client survey results</li> <li>Complaints</li> <li>Clients cancelling a new product or service</li> </ul>	<ul style="list-style-type: none"> <li>Delivery against forthcoming Consumer Duty regulations</li> <li>Investment in Model Risk capabilities</li> <li>Launch FlexInvest</li> </ul>

<b>Operational Resilience</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
Risk that HL fails to establish robust operational resilience solutions to support positive client outcomes.	<ul style="list-style-type: none"> <li>Poor client outcomes</li> <li>Policy or regulatory breaches</li> <li>Operational inefficiencies or failures</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Business Impact Analysis</li> <li>Business Continuity Plans</li> <li>Disaster Recovery Plans</li> <li>Strong Incident Management capability</li> <li>Regular incident scenario testing</li> <li>Scenario based playbooks</li> <li>Vulnerability remediation</li> <li>Operating Committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>System downtime</li> <li>Process failures</li> <li>Crisis management response</li> </ul>	<ul style="list-style-type: none"> <li>Enhancements to the End-to-End IT testing platform</li> <li>Investment in Operational Resiliency tools and processes</li> <li>Review and enhancements to crisis management and incident management approaches</li> <li>Dedicated Operational Resiliency team and programme</li> </ul>



<b>Employee Relations</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
The risk that HL does not adapt its employee relation components to meet the changing market environment and the way that HL will operate as it transforms, such as employee attraction, recruitment, onboarding, development, retention as well as employment laws which leads to employee/customer/HL detriment.	<ul style="list-style-type: none"> <li>Operational inefficiency or poor conduct</li> <li>Poor client outcomes</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Effective performance and Talent Management</li> <li>Regular review of employee reward offering to ensure competitive reward offering</li> <li>Regular staff surveys and employee forums to understand morale</li> <li>People agenda monitored at ExCo and Board</li> <li>Robust whistleblowing policy and supporting processes</li> </ul>	<ul style="list-style-type: none"> <li>Colleague retention rates</li> <li>Colleague absence monitoring</li> <li>Gender Pay Gap</li> <li>Diversity &amp; Inclusion</li> </ul>	<ul style="list-style-type: none"> <li>Breathing Space payment for junior colleagues to help with cost of living</li> <li>Improvements in 'Health &amp; Wellbeing' support to all colleagues</li> <li>People communications through HL Way to support HL Values</li> <li>Broadened out our Learning tools</li> <li>New mentoring and coaching schemes</li> <li>Evolved our Responsible Business Strategy through our ESG Taskforce</li> </ul>

<b>Change Management</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
The risk that HL change initiatives are not delivered in a timely manner or fail to deliver the required business outcomes; resulting in compromised delivery.	<ul style="list-style-type: none"> <li>Operational inefficiency</li> <li>Poor client outcomes</li> <li>Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>Delivery &amp; Change Co-ordination Function</li> <li>Change Delivery Framework &amp; controls</li> <li>Exco and Business Investment Committee oversight</li> </ul>	<ul style="list-style-type: none"> <li>Change envelopes (financial budgets)</li> <li>Delivery plans (milestones)</li> </ul>	<ul style="list-style-type: none"> <li>Development of Operating plan embedding strategic priorities</li> <li>Embedding of Change Delivery Framework and delivery controls and oversight processes</li> <li>Change delivery recruitment in 1LoD</li> <li>Ongoing Executive and management oversight mechanisms (replacing ABR &amp; QBR bullet)</li> </ul>

<b>Information Security</b>				
<b>Risk</b>	<b>Potential impact</b>	<b>Mitigations</b>	<b>Key risk indicators</b>	<b>2022/23 activity</b>
The risk that information security protocols do not keep up with good practices and developments resulting in unauthorised access, security breaches modification or loss resulting in the potential for customer detriment, financial loss, damage to reputation or regulatory fines/censure.	<ul style="list-style-type: none"> <li>• Service disruption or failure</li> <li>• Compromise of sensitive and or corporate data</li> <li>• Negative reputational damage</li> <li>• Impacted client outcomes</li> <li>• Regulatory censure/fines</li> </ul>	<ul style="list-style-type: none"> <li>• Dedicated Chief information Security Officer in place</li> <li>• Organisational remit reporting through SMF24</li> <li>• Cyber Security Strategy and Plan</li> <li>• Cyber agenda monitored at Exco and Board</li> <li>• Secure by Design regime for all change activities</li> <li>• Cyber Security controls aligned in industry good practice</li> <li>• Security Testing and assurance regime</li> <li>• Supply chain security assurance regime</li> <li>• Cyber vulnerability management, monitoring, incident planning and response</li> <li>• Scenario testing for Senior Leadership. Formal scenario selection and assessment for ICARA provision</li> </ul>	<ul style="list-style-type: none"> <li>• Vulnerability management effectiveness</li> <li>• Cyber Events</li> <li>• Cyber Threat assessment</li> <li>• Third party governance KRIs</li> <li>• Colleague security awareness and compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Access control developments including privileged access management.</li> <li>• Platform Security improvements.</li> <li>• Cyber threat intelligence and Security monitoring improvements</li> <li>• Endpoint Security Improvements</li> </ul>

## Glossary of Alternative Financial Performance Measures

Within the Announcement 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	Definition	Why we use this measure	Reconciliation
Underlying Activity costs	Underlying 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 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.	This measure is the same as the Activity Costs figures within note 1.3 less strategic investment costs that fit this categorisation of £0.1m.
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 Hargreaves Lansdown plc shares.	N/A
Underlying People costs	Underlying cost related to staff, the main driver of cost in our business	People costs are our largest cost category and our people are the key driver of our Business and our strategy.	Equivalent to staff costs figure within note 1.3, less strategic investment costs of £11.3m
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 of assets brought onto the platform.	N/A
Net 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.	N/A
Active Savings Growth	The net value of new cash placed with Active Savings.	Provides the most useful measure of tracking, over time, the element of net new business that is made up of cash brought into Active Savings.	N/A
Market growth and other	The underlying market movement and other retained investment income, including dividends reinvested on behalf of clients	Provides the best measure for highlighting changes in the AUA that are not directly impacted by client activity.	N/A
Net interest margin (bps)	Revenue from cash divided by the average value of cash under administration, net of interest received by clients	Provides the most comparable means of tracking, over time, the margin earned on the cash under administration after considering the amount received by clients	N/A
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.	N/A
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.	N/A
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.	N/A
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.	N/A

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.	N/A
Strategic investments 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 and commencement 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.	See page 9
Underlying Support costs	Underlying support costs includes costs previously known as legal and professional fees and office running costs, including operating lease rentals. Also included in underlying support costs are depreciation of owned plant and equipment, amortisation of other intangible assets and impairment.	Provides an assessment of our other costs.	The measure is the same as Support costs, within note 1.3, less strategic investment costs of £1.6m
Underlying Technology costs	Costs associated with the use of third-party software and data feeds used in the performance of daily business.	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.	The sum of Depreciation, Amortisation, Impairment, Operating lease rentals payable and Support costs per note 1.3, less strategic investment costs of £22.7m
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.	N/A
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.	Operating costs per note 1.3 less £36.1m strategic investment costs
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.	N/A
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.	Profit after tax per the Statement of Comprehensive income after adding back strategic investment costs and adjusting for a tax shield effect, as shown on page 6
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.	Profit before tax per the Statement of Comprehensive income after adding back strategic investment costs as shown on page 6