Hargreaves Lansdown plc

Results for the year ended 30 June 2022

Highlights:

- Net new business of £5.5 billion
- Assets Under Administration, down 9% driven by market falls to £123.8 billion
- 1,737,000 active clients, an increase of 92,000 in the year
- Underlying profit before tax decrease of 19% to £297.5 million
- Profit before tax decrease of 26% to £269.2million
- Ordinary dividend up 3% at 39.7 pence per share

	Year to 30 June 2022	Year to 30 June 2021	**Change %**
Net new business inflows	**£5.5bn**	£8.7bn	**-37%**
Total assets under administration	**£123.8bn**	£135.5bn	**-9%**
Revenue	**£583.0m**	£631.0m	**-8%**
Profit before tax	**£269.2m**	£366.0m	**-26%**
Underlying profit before tax*	**£297.5m**	£366.0m	**-19%**
Diluted earnings per share	**45.6p**	62.5p	**-27%**
Underlying diluted earnings per share*	**50.4p**	62.5p	**-19%**
Ordinary dividend per share	**39.7p**	38.5p	**+3%**
Total dividend per share	**39.7p**	50.5p	**-21%**

*Underlying profit before tax and underlying diluted EPS are new Alternative Performance Measure which exclude the impact of strategic investment and dual tech running costs. See the Glossary of Alternative Performance Measures on page 33 for the full definitions and page 9 where a reconciliation to the relevant statutory measure is provided.

Chris Hill, Chief Executive Officer, commented:

Against a macroeconomic and geopolitical climate not seen in a generation with subdued flows and lower activity across wealth management, we have delivered £5.5 billion of net new business through the year and the quality of our service attracted a further 92,000 net new clients.

Our focus is firmly on servicing our clients, disciplined cost management and delivering our strategy because we remain confident that it will deliver outstanding client service, strong shareholder returns and market leadership for HL.

Our progress against our strategic goals has been strong since February with the launch of the first of our new funds and an acceleration in our Active Savings proposition, an essential service to help clients manage their cash savings at this critical time, leading to a record £4.6 bn assets, with over 114,000 client accounts.

I would like to thank my colleagues for their hard work and continued commitment to our clients to ensure they get the best outcomes during these challenging times.

About us:

Hargreaves Lansdown is the UK's largest digital wealth management service administering £123.8 billion of investments for over 1,737,000 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 5 August 2022 following the release of the results for the year ended 30 June 2022. A conference call facility will be in place with the following participant dial-in numbers – UK (toll free) 0800 640 6441, UK (local) 020 3936 2999 and all other locations +44 20 3936 2999. The participant code is 132081. Slides accompanying the analyst presentation will be available this morning at www.hl.co.uk/investor-relations and an audio recording of the analyst presentation will be available by close of business on the day.

Alternative performance 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 2022. These measures are listed along with the calculations to derive them and an explanation of why we use them on page 33 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

Transforming the saving and investing experience

This year has been a year of contrasting moods. It was welcome to see signs of recovery from the COVID-19 pandemic, but that sense of optimism has been replaced by new challenges including inflationary pressure, international conflict and a worsening cost of living crisis that is now having an impact on so many lives. The result is that investor confidence has fallen significantly.

At times like these it helps that we have a deep sense of history and draw on lessons from our over 40-year track record of supporting our clients through tough economic times. HL has managed through unpredictable market conditions throughout our history, including several previous financial crises, political instability and general elections, referendums and Brexit. Our approach has been consistent: we support our clients by providing relevant insight, information and knowledge that both builds confidence and ensures that investment decisions and execution are as easy as they can be in uncertain times. In 2022 we have had two clear priorities: being there for our clients throughout these turbulent market conditions to help them achieve their financial goals; and accelerating our ambition to transform the saving and investing experience, where we have set out a clear programme of strategic investment to improve how our clients can engage and manage their money whilst driving growth for our shareholders.

Given the economic pressures, it is evident that financial resilience is now a key priority in everyone's lives. Our purpose - to empower people to save and invest with confidence – has never been more essential. Clients' needs, which were already changing fast during the pandemic, have continued to evolve amid the new pressures from inflation, higher interest rates and geopolitical uncertainty. As their lifelong partner and with unparalleled understanding of their financial goals that sit alongside navigating all of the pressures in their lives, it is critical that we now execute our strategy to continue to drive leadership in our sector by building the digital wealth manager of the future. We will transform the experience that clients encounter when they manage their money, combining the best of human expertise from our colleagues and augmenting it with the supercharged use of data and technology to deliver a uniquely personalised service that will make managing wealth, financial health and resilience, easier and more intuitive, with relevant information that drives real outcomes.

This integrated way of servicing our clients, the depth of data we can draw on, the comprehensive and unrivalled range of products and services in one place all underpin how we create value for our clients. We are proud of our track record of high quality service that has enabled us to earn and retain the loyalty and trust of our clients. Their continued confidence in picking us as their financial partner is evident in our rating as the direct-to-consumer platform with the highest brand awareness (Platforum UK Consumer Insights Jan 2022). We beat the high street on a regular basis for accessing market-leading rates on their cash – our Active Savings service has had market leading rates for over 80% of this year. Alongside our cash offer, clients benefit from discounted prices for popular investment funds with an average saving of 20% across our Wealth Short List of funds stemming from us using our scale to deliver value for them. They are able to do all of this using digital tools and services that resulted in HL being rated #1 for investor experience in October 2021 by Platforum. Our investment to evolve our strategy means that our clients will benefit from the creation of more value-added services, as we expand into a broader wealth management market, where incumbents have traditionally been too slow to adapt to ever-changing consumer needs. This market has reached an inflection point, with new technologies enabling us to service clients with personalisation through engaging tools, data analytics and timely relevant nudges in ways that were simply not possible before.

By investing to scale and further broaden our proposition at HL, our aim is to capture a growing proportion of the £3 trillion addressable wealth and cash savings market in the UK and drive the next stage of our sustainable growth. The £175 million focused investment programme will deliver a significant shift, allowing us to scale in a more cost effective way, improve the client experience and proposition and drive efficiency through our client service. Myself, all of my colleagues and our Board are united behind the delivery of our strategy and confident in the value it will deliver for both clients and shareholders.

Performance in the year

The difficult backdrop in 2022, driven by a combination of macroeconomic and geopolitical events has hit markets and dented investor confidence throughout the year. As we have seen across the industry, this has led not only to reduced asset values, but also to subdued flows for many direct-to-consumer services and lower activity across wealth management as a whole. Through the year we delivered £5.5 billion of net new business. I am particularly pleased that in spite of this tough backdrop, the quality of our service attracted a further 92,000 net new clients, taking our total client numbers to a record new high of 1.74 million. This compares to FY21 where positive influences like the COVID vaccine and subsequent recovery and the heightened savings environment during lockdowns led to a unique record year. As a result, we have seen an expected reduction in flows and client growth, which has impacted our results for the year, with profit before tax of £269.2 million.

Encouraging engagement is a key success metric for us and our investment into digital tools and our app continues to pay off with 290 million digital visits in 2022 and an increase in mobile engagement with 61.5% of digitally active clients using the app (2021: 58.3%). This higher engagement was also reflected in our flows where a record 882,000 clients contributed to their ISAs and pensions this tax year and net new business per new client increased to £15,565 (2021: £13,943).

In 2022 we continued our Better Investors programme which is aimed at building and improving our long-term relationship with clients, providing over 590,000 nudges to clients to raise awareness of key insights on investment basics such as levels of cash balance, compounding, levels of diversification and risk and the importance of regular investing. These nudges continue to help us maintain high levels of client retention at 92.1% (2021: 92.1%) whilst nudging up our asset retention rate to 91.8% (2021: 91.4%).

In recent years we have seen clients diversifying their portfolios, increasing their weightings to the US, China and particularly technology stocks and the NASDAQ. Having reached a record AUA of £141.2 billion at 31 December 2021, the second half of our financial year to 30 June 2022 has seen significant market turbulence with the FTSE All Share down 6.3%, the S&P 500 down 20.6% and the NASDAQ down 29.5%. This negative impact has more than offset the net new business flows resulting in AUA at the end of the financial year at £123.8 billion (2021: £135.5bn). Despite this impact we delivered a robust revenue performance of £583.0 million (FY21: £631.0m), underpinned by our diversified revenue streams. Although asset related revenues and share dealing volumes have been impacted, the recent rises in interest rates to 1.25% at the year end have provided a positive tailwind for cash revenue, which will continue into FY23. The rising interest rate environment was also reflected in the enhanced performance of our Active Savings service, where assets hit a record £4.6 billion with over 114,000 client accounts.

Delivering our strategy and executing on our key initiatives will require £175 million of strategic spend between now and FY26 In the first year we have incurred £25.7 million of Investment Cost (including £4.6m of spend which has been capitalised) and £7.2 million of dual technology running costs resulting in £313.0 million of statutory operating cost and delivering a statutory profit before tax of £269.2 million (2021: £366.0m). We are committed to disciplined investment with a focus on cost control across the business. In the period, underlying operating costs were £284.7[1] million, up 7% vs prior year reflecting c3% of wage inflation and the annualisation of growth in people and capability to support and develop the 92,000 new clients added. This has resulted in underlying profit before tax of £297.5[1] million (2021: £366.0m).

[1] Underlying operating costs and underlying profit before tax are new alternative financial performance measures and are defined on page 33.

Our strategy

We announced the evolution of our strategy in February at our Capital Markets Day as we invest to transform, combine and deliver the next phase of wealth management. Over the past year, I have built a highly experienced and capable Executive team that understand what it takes to deliver a digital transformation at scale and the transition that HL must undertake to become the digital wealth management service of the future and change how people manage their money.

The execution of this strategy is underway and being delivered through five key pillars:

- Accelerate Growth via our Integrated Proposition
- Create a step-change in Client Service and Efficiency
- Develop our Digital Backbone
- Enable our People, Strengthening our Culture
- Scale the Foundations

We are focused on delivery and driving success through disciplined investment that drives clear benefits for clients and shareholders and have made a great start against each of these pillars in 2022.

<u>Accelerate Growth via our Integrated Proposition</u>

As client needs continue to evolve, we must continue to update our own proposition hand in hand to unlock the next stage of our growth.

At our Capital Markets Day, we outlined plans to expand our investment solutions, improving the range of investment options we provide to clients at all stages of their investment journey from beginners to highly experienced investors. Through launching a combination of new funds and investment solutions, HL will have the investment choices to address a broad range of client needs.

It is also clear that increasing interest rates and volatile markets highlight the importance of diversified portfolios and accelerate the growth of Active Savings, which allows us to help clients in a more effective and time efficient way.

Finally, as a direct-to-consumer service, we know that we must offer clients the tools they need to manage their own investments, but we also know that, at important stages and at moments that matter, focused guidance and advice can be key to building confidence and delivering the right outcomes. Therefore, we are going to launch a new digital, human and advice service that will complement the significant support and engagement we already offer our clients.

- Investment Solutions – We launched the HL Growth Fund as the default multi-asset fund for the SIPP in December 2021, integrating into key Workplace journeys from April. We have seen encouraging levels of engagement from clients with £102 million assets under management by the end of the financial year and high levels of opt-in. We have continued to expand our capabilities and have made new hires into the fund management team.

  We expanded our research coverage to Exchange Traded Funds, providing regular updates on clients most popular investment trust holdings, and appointed a dedicated ESG team providing increased education and analysis with 60% more articles, increased engagement and an increase in the number of responsible funds on the Wealth Shortlist. ESG is now a separate and distinct feature of all research that we produce.

- Active Savings – We added two new partner banks, including Santander International taking the number of partner banks to 15. Across the year we have seen £1.5 billion of net inflows with AUA now at £4.6 billion and 114,000 client accounts. The increases in interest rates through the second half of the year along with strategic marketing spend, however, has seen a step up in net flows with £0.7 billion added in the last quarter. This diversified proposition not only drives client and asset retention, but importantly in a rising rates environment has also been a driver of new client wins.

- Augmented Advice – Over the year we have made significant progress with our Augmented Advice offering, scoping, designing and building key features, informed by significant client testing. Our Augmented Advice proposition will establish a brand new experience for clients, incorporating insightful tools like financial well-being dashboards and calculators with nudges and coaching to provide an enhanced level of insight that supports them in hitting their financial goals. We have made an experienced hire to lead both this initiative and our face to face advice business.

As we look ahead to 2023, our focus will be on key deliverables across the three streams: we will be launching new funds and developing investment solutions, starting with a US fund launch in the second quarter of our financial year (subject to regulatory approval); we will build on the momentum that we have seen in Active Savings with a continued focus on that product; and we will launch a pilot for our Augmented Advice service at the end of H1.

<u>Create a step change in Client Service & Efficiency</u>

HL has always been known for its high quality client service. Maintaining and evolving this to deliver a future proofed client experience underpinned by scalable and cost-efficient processes is fundamental to our strategy and critical to our future success. In 2022 we continued to evolve our service, driving improvements to the client experience, highlighted by our Trust Pilot score which is now rated 'excellent'. We continue to strive for further progress and have focused on:

- **Enhancing the quality of engagement** - By ensuring our service becomes ever more personalised, we believe we will continue to improve client engagement. In July we started the roll-out of a Cloud Contact Centre platform through our partner Amazon Connect. This offers a simple to use platform for our client service teams to improve the way they serve our clients and reduce time taken to answer queries. Connect allows us to simplify our operating model, evolving client servicing so we can use our talented colleagues to focus on delivering an experience that adds value to the client, one that is actioned by data insight and through automating experiences that our clients expect to be self-serve. It is the first step in delivering a more personalised client experience in a more efficient way and will ensure improved levels of Client Satisfaction and NPS and also reduced cost to service. The platform will continue to be enhanced through 2023, delivering cost savings and service improvements by the second half of the year.

- **Building simplicity & resilience** – We want to offer a simpler and more consistent service underpinned by technology solutions that make it easy for us and clients. In 2022 we partnered with Ecospend to provide 'Pay by Bank' services, utilising the latest technology in Open Banking to create a more efficient and effective payment journey option for our clients. This will create greater resilience in our service and deliver significant cost saving over 2023 as we roll it out across our client journeys and applications.

We have also undertaken a project to digitise our inbound mail processes. Using third-party providers we have completed the first two phases of this work, focusing on new business applications and workflow. This work will lead to a reduction in cost to serve, allowing us to service more clients without extra costs, and strengthening our ability to scale whilst maintaining resilience. It will also act as a key strategic enabler for workflow automation and the delivery of our wider service strategy.

Driving innovation – HL has a long history of innovating: we lead the market in delivering new solutions to enhance the saving and investing experience for clients and 2022 has continued this trend. In May we launched REX, a new Retail Offer Service with Peel Hunt, enabling retail investors to access IPOs and secondary fundraising, a key area where retail investors previously lacked the tools to engage. The first corporate action was for an infrastructure investment trust and 25% of the shareholders participated. This continues to broaden the service we offer our clients, providing greater functionality and increasing client satisfaction.

Our key focus for 2023 in service and efficiency will be on delivering across each of these areas to enhance the quality of our client engagement and deliver on cost savings outlined at our Capital Markets Day.

Develop our Digital Backbone

We have set out the ambition to be the leading digital wealth management service and transform how people manage their money. By investing in more digital capabilities – from data analytics, using cloud for scale and innovation, and better managing end-to-end client journeys – we will be able to continue to take advantage of our growth and the scale of our platform reducing cost to serve and creating operating leverage, using the infinite scalability of the cloud.

Enhancing our digital capability underpins all of our success and drives the execution of all of our strategic pillars. In 2022 we have delivered on some key foundational outcomes that underpin our digital backbone:

- **Cloud & Platform** – We need to leverage a cloud-based flexible infrastructure to build systems that auto-scale and increase our ability to innovate enabling us to partner with companies that are pioneering the latest technology. In 2022 we have set out foundations for our cloud migration, signing contracts with industry leaders ForgeRock and Kong to support our development of enhanced identity and authentication solutions and building our ability to scale. We have also begun to apply cloud-based solutions through partnerships including Amazon Web Services, who are supporting the delivery of our new cloud and data platforms, building increased personalisation and efficiency into our service.

- **Data** - We have an unparalleled insight into client behaviour and needs built up over 40 years of lifelong relationships. We must be able to use this data to provide the highest quality of client service and personalise the experience for both clients and colleagues. We are focused on data enrichment to build the foundations that enable a smoother transition to the cloud and to power augmented solutions. This year we have partnered with Precisely, to prepare our data for the future and enable us to manage and govern across its life cycle, identifying and cataloguing data assets as well as improving data quality through rules and workflows that then power AI driven guidance.

- **Digital Foundations** – These enable us to deliver an end-to-end digital client experience at pace, and key to this is ensuring that HL's transformation is client-product and client-journey led. In 2022 we have realigned our digital teams in a single organisation under our Chief Digital and Information Officer and created a stream-lined product led organisation under our Chief Technology Officer. One key element of the product led approach is to ensure consistency between online and mobile journeys – in 2022 we have focused on this, including adding previously non-mobile functionality such as fund switching so it is available across all devices and improving our mobile app to increase accessibility. We have also utilised product led teams to deliver improvements across other strategic pillars, including the digitisation of our mail room and the launch of the Retail Exchange service. The launch of a new design system has increased the pace of our developers through an ability to create consistent user experience. Across each of these initiatives we are seeing delivery at pace and achieving outcomes that significantly enhance the client and colleague experience.

Our Digital Transformation is focused on delivery and our execution plan is broken into clearly identified and achievable projects, where we can deliver at pace and see tangible cumulative benefit. Our focus in 2023 will be on utilising the ForgeRock and Kong partnerships to centralise digital identity to create a market leading experience; and we will increase our ability to execute multivariant releases. These are key elements that complement and support a data driven, product led way of working. Alongside this we will also continue our cloud journey, delivering significant internal and external tools through our partnership with AWS.

Enable our People, Strengthening our Culture

The delivery of a strategy is only possible with the right people, capabilities and culture underpinning it. HL's success is due to our brilliant colleagues and their continued efforts to go the extra mile, innovate and deliver for clients. The execution of our strategy will be reliant on introducing key new capabilities in some areas and so we are focused on building the right environment to develop and enhance colleague performance, retain and attract the right talent and make HL a great place to work. In 2022 we have adapted to the post-pandemic environment by building a hybrid working pattern that is colleague led and enabling our offices for new working patterns. We have also been focused on supporting colleagues through the challenging conditions impacting all of us and in May provided a 'breathing space' payment for colleagues to aid with their cost of living needs. We continue to look at solutions to provide colleagues with support during this time.

Looking ahead to 2023 we continue to onboard the new capability to support our strategy whilst also focusing on developing and enabling colleagues to adopt agile and product led ways of working, supporting HL's ability to deliver client outcomes and change at pace.

Scale the Foundations

A critical element of any successful business is the enabling functions that support the delivery and execution of the strategy. To drive sustainable returns over the long-term we must ensure we strengthen our foundations to ensure both resilient client journeys and support growth and new ways of working. In 2022 we have done this through welcoming new capability across key teams including a significant increase in Risk and Compliance. We have also delivered key resilience and scalability improvements to key systems including our Drawdown payments and commercial banking systems. In 2023 we will continue to prioritise this enhancement of foundations in parallel to our work to build new functionality, ensuring that we have the systems and people to deliver our strategy. We must also meet regulatory expectations including delivering in line with the new Consumer Duty to help ensure the right outcomes for clients.

It is clear that HL is in execution mode. In 2022 we have set the foundations for the successful delivery of our strategy. We are confident that we have the right strategy and the right team to deliver and now we are seeing the results. I look forward to sharing more of these as we transform our business over the coming years.

FY23 Guidance and medium-term outlook

We are currently seeing, and for the period ahead we expect to see continued, economic and geopolitical turbulence. This will continue to, impact key drivers of our business including asset levels and investor confidence. We have supported clients through such events and period for many years and each time we have come through stronger. This time will be no different.

The strategy we outlined in February 2022 will deliver outstanding client service, strong growth and returns and continued market leadership for HL. We are therefore confident that execution of this strategy by the highly experienced team we have assembled will deliver the metrics and targets we set out at our investor day.

Our visibility on whether the timing of delivery of our targets has been impacted will be influenced by when we have greater visibility on normalisation in markets and related investor confidence as we outlined at the time of the CMD. We will keep you updated as we execute.

In the meantime, to position ourselves to benefit as markets do normalise, we are focusing on factors we can control including the execution of the strategy. In this context we have set out expectations for FY23 as follows:

- Revenue margin of between 44 and 47 basis points primarily reflecting the higher revenue margin on cash resulting from higher interest rates.
- Underlying cost growth of between 9.5% and 11.5%. This is on the back of lower than guided cost growth in 2022 and will, in absolute terms, still be lower than costs guided to at the time of the Capital Markets Day. It also reflects c£15 million of cost savings.
- £65-75 million of strategic spend with no change to our overall strategic spend to the end of 2026 of £175 million and £20 million of dual tech running costs as previously guided to at the Capital Markets Day. This investment will be funded through £55 million of annual recurring cost savings delivered over the period.
- 3% Ordinary dividend growth.

Finally, I would like to thank my colleagues once again for their hard work and energy through yet another difficult period where they have ensured that we have provided a market leading service to an ever-growing number of clients. I also want to thank our clients for their continued engagement and enthusiasm as we develop our proposition and service through such difficult times. Our goal is to continue to enhance their financial resilience and transform how they manage their money.

Financial Review

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

	Year ended 30 June 2022 £bn	Year ended 30 June 2021 £bn
Opening AUA	**135.5**	104.0
Underlying net new business	**5.5**	8.7
Market movement & other	**(17.2)**	22.8
Closing AUA	**123.8**	135.5

Hargreaves Lansdown provides the leading direct wealth management service in the UK. The strength of our brand, diversified offering and the quality of our client engagement and service has enabled us to continue to deliver net new clients and net new business growth in a somewhat turbulent year.

Net new business for the year totalled £5.5 billion (2021: £8.7bn) driven by increased client numbers, continued wealth consolidation onto our platform and inflows from existing clients. The prior year comparative saw the benefit of net new business and net new clients resulting from the announcement of the Pfizer vaccine and the optimism that brought to both clients and markets more broadly. The lockdown months in early 2021 also saw significant inflows as clients were predominantly home based with more time to open accounts, transfer investments, undertake trading activity and add money to the platform that was not being spent elsewhere. This year instead, investors have faced uncertainties caused by issues not seen for a generation with war in Europe, significant cost inflation, rising interest rates and continued macroeconomic uncertainty weighing heavily on consumer confidence which hit an all-time low in June of this year and in turn impacting net new business. Throughout the period, however, we have maintained our focus on engaging with clients and helping them to navigate these uncertain times, to improve their financial awareness and resilience. This, combined with the quality of service and breadth of proposition is key to building long-term client relationships. Our focus on service and the value our clients place on our offering is evidenced by client and asset retention rates remaining strong at 92.1% and 91.8% respectively (2021: 92.1% and 91.4%).

During the year to 30 June 2022, we introduced 92,000 net new clients (2021: 233,000) to our services and grew our active client base by 6% to 1,737,000. The average age of new clients at 36 years old, is consistent with recent periods and they are behaving similarly to recent equivalent cohorts in terms of growing their AUA on the platform over time, diversifying their portfolios and using the tax wrapped accounts. We are encouraged by the qualitative aspects of these clients and the additional lifetime value they will bring to the Group as a result. On joining, new clients brought an average NNB of £15,565, up 12% on last year (2021: £13,943).

Financial performance

Income Statement

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Revenue	**583.0**	631.0
Fair value gains on derivatives	**-**	0.6
Operating costs	**(313.0)**	(266.0)
Finance and other income	**-**	1.4
Finance costs	**(0.8)**	(1.0)
Profit before tax	**269.2**	366.0
Tax	**(53.4)**	(69.7)
Profit after tax	**215.8**	296.3
Profit before tax	**269.2**	366.0
Total strategic spend		
- Investment cost	**21.1**	-
- Dual tech running cost	**7.2**	-
Underlying profit before tax*	**297.5**	366.0
Tax on underlying profit*	**(59.0)**	(69.7)
Underlying profit after tax*	**238.5**	296.3

* Underlying profit before tax, Tax on underlying profit, and Underlying profit after tax for the period exclude strategic investment and dual running costs of £28.3 million. See the Glossary of Alternative Performance Measures on page 33 for the full definition. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures.

Revenue

Revenue for the year was £583.0 million, down 8% (2021: £631.0m), driven by lower share dealing volumes as anticipated given the more atypical trading volumes experienced during Covid last year. This was partly offset by higher average asset values in the first half and the benefit that brings in higher platform fees.

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

	Year ended 30 June 2022			Year ended 30 June 2021		
	Revenue £m	Average AUA £bn	Revenue margin bps	Revenue £m	Average AUA £bn	Revenue margin bps
Funds[1]	**254.5**	**65.3[7]**	**39**	232.9	58.5[7]	40
Shares[2]	**194.9**	**52.3**	**37**	258.0	45.1	57
Cash[3]	**50.0**	**13.6**	**37**	50.7	13.0	39
HL Funds[4]	**60.3**	**8.8[7]**	**69**	60.7	8.4[7]	72
Other[5]	**23.3**	**3.8[6]**	**-**	28.7	2.8[6]	-
Double-count[7]	**-**	**(8.7)[7]**	-	-	(8.3)[7]	-
Total	**583.0**	**135.1[7]**	-	631.0	119.5[7]	-

1 Platform fees and renewal commission.
2 Stockbroking commission and equity holding charges.
3 Net interest earned on client money.
4 Annual management charge on HL Funds, i.e., excluding the platform fee, which is included in revenue on Funds.
5 Advisory fees, Active Savings and ancillary services (e.g., annuity broking, distribution of VCTs and Hargreaves Lansdown Currency and Market Services).
6 Average cash held via Active Savings
7 HL Funds AUM included in Funds AUA for platform fee and in HL Funds for annual management charge. Total average AUA excludes HL Fund AUM to avoid double-counting.

Funds

Revenue on Funds increased by 9% to £254.5 million (2021: £232.9m) due to higher average AUA levels. Funds remain our largest client asset class at 48% of average AUA (2021: 49%), and the revenue margin earned this year was in line with our expectations at 39bps (2021: 40bps). Funds AUA at the end of 2022 was £58.2 billion (2021: £66.6bn).

We expect the fund revenue margin to remain at broadly similar levels for the next financial year, within the range of 38.0bps to 39.0bps.

Shares

Revenue on Shares decreased by 24% to £194.9 million (2021: £258.0m) and the revenue margin of 37bps (2021: 57bps) was within our expected range. This margin is primarily a result of the ratio of dealing volumes to average AUA. In the year client driven deal volumes fell by 32% to 8.9 million (2021:13.1m), whereas the average Shares AUA has grown by 16%. Within this decrease overseas deal volumes, which derive greater revenues were down 41%. The drop in deal volumes and revenues year on year primarily relates to the significant boost seen last year on the back of Pfizer announcing the success of their vaccine trials in November 2020 and the elevated deal volumes during the lockdown months of January 2021 to March 2021.

Total deal volumes (including automated deals such as dividend reinvestment) decreased by 27% to 10.5 million (2021: 14.4m) but were in line with expectations of c40,000 deals per trading day, albeit from a peak in January of 46,000 deals per trading day driven by market volatility to a low in June of 37,000 as a result of low levels of investor confidence and a lack of market stimulus. Despite the more recent reduction in volumes, client driven trading remains ahead of levels seen prior to the pandemic. We are well placed to benefit from future market volatility and growth in share trading across the industry. However we expect to see these more muted volumes continue through much of the year ahead. We remain the market leader in terms of UK stockbroking volumes with a 38.2% share (source: Compeer Limited XO Quarterly Benchmarking Report Q1 2022). Shares AUA at the end of 2022 was £45.9 billion (2021: £53.1bn).

Our revenue margin guidance for the next financial year on shares is 35bps to 40bps.

Cash

Revenue on Cash was broadly flat at £50.0 million (2021: £50.7m) as higher average cash levels were more than offset by a decrease in the net interest margin to 37bps (2021: 39bps) slightly above the top end of our communicated expectations. With the majority of SIPP cash placed on rolling 13 month term deposits, and non-SIPP cash on terms of up to 95 days, the full impact of any rate rise or fall takes over a year to flow through. Cash AUA at the end of 2022 was £15.0 billion (2021: £12.6bn).

As we progressed through the first half of our year, expectations of an interest rate rise gained momentum until 16 December 2021 when the Bank of England raised interest rates for the first time in three years from 0.10% to 0.25%. In the second half we have seen four subsequent increases, each of 0.25%, in February, March, May and June. The extent of pass through by us to clients is determined by the rates we are able to achieve with our relationship banking partners who we assess based on the criteria of security, liquidity and yield. Assuming there are no further rate changes, our guidance for this financial year is 90bps to 110bps.

HL Funds

HL Funds consist of 10 Multi-Manager funds, on which the average management fee ranges from 60bps to 75bps, three Select equity funds, on which the management fee is 60bps and our new Workplace Default Fund "HL Growth Fund", on which the management fee is 10bps. Although the average funds under management were up 5% versus last year, revenue from HL Funds was broadly flat at £60.3m (2021: £60.7m) as previously announced price cuts took effect from 28 June 2021. These price cuts were initially announced in January 2021 as part of the annual Value for Money report on our own fund range and included cuts to the annual management charge on some of the Multi-Manager funds and the introduction of price reductions linked to economies of scale. The fees are collected on a daily basis whereas the Group calculates average AUM on a month end basis, resulting in a headline margin for the period of 69bps (2021: 72bps).

Overall, we have seen modest net outflows combined with negative market growth such that HL Funds AUM at the end of 2022 was £8.0 billion (2021: £9.0bn). The net outflows primarily relate to our advisory clients who hold these funds through our Portfolio Management Service, which we have not been actively marketing.

Looking forward, we are launching a range of new HL Funds along with new investment tools and solutions. This will improve the overall proposition and competitiveness of our own investment funds and will begin to drive net inflows. We expect to launch new funds with lower priced management fees than the existing Multi-Manager funds and will be moving certain existing HL Multi-Manager funds into the new lower priced funds. The margin for 2023 is therefore expected to reduce and be in the range of 55bps to 60bps.

Other revenues are primarily made up of advisory fees and Active Savings. The year on year reduction of revenue primarily relates to the removal of our paper based statement fees during the year.

Overall, we expect our revenue margin to be in the range of 44bps to 47bps for the full year.

Active Savings

Assets held within Active Savings on the platform continue to grow and are shown in the previous table as "Other". Whilst growing, the related revenue is not yet material so has been included with various other revenue streams in the same table. Our focus is on growing Active Savings cash balances through both attracting new clients and retaining cash assets on the platform. In the last quarter of the financial year, following the base rate increases, we have usually been able to offer market leading rates from our growing range of partner banks. Combined with marketing Active Savings for the first time, we have seen a significant step up in flows towards the end of the year. Active Savings AUA at 30 June 2022 was £4.6 billion (2021: £3.1bn).

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Ongoing revenue*	**414.1**	390.5
Transactional revenue*	**168.9**	240.5
Other income	**-**	-
Total revenue	**583.0**	631.0

*Definitions are shown in the Glossary of Alternative Financial Performance measures on page 33.

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 revenue has increased to 71% (2021: 62%) as the transactional stockbroking commission decreased significantly versus last year.

Ongoing revenue is primarily comprised of platform fees on funds and equities, Hargreaves Lansdown fund management fees, interest on client money and ongoing advisory fees. It increased by 6% to £414.1 million (2021: £390.5m) driven by higher revenues on funds from higher average AUA levels in the first half of the year.

Transactional revenue is primarily made up of stockbroking commission and advisory event-driven fees. This decreased by 30% to £168.9 million (2021: £240.5m) with a 32% decrease in client driven equity deal volumes being the driver of this revenue.

Operating costs

As set out at the Capital Markets Day in February this year, we have embarked on an investment programme to support the strategic initiatives which will drive improved client experience, enable growth at scale without the need for ongoing commensurate increases in operating costs and expand our client proposition by evolving our Investment Solutions, Active Savings and Advice capabilities to meet the increasing needs of our current and future clients.

The investment programme drives incremental spend over this year and over the next three years through both investment cost and dual tech running costs, together Total Strategic Spend.

	Year ended 30 June 2022 £m	**Year ended 30 June 2022 £m**	**Year ended 30 June 2022 £m**	**Year ended 30 June 2022 £m**	**Year ended 30 June 2022 £m**	Year ended 30 June 2021 £m
		Total strategic spend				
	Underlying cost	**Investment Cost**	**Dual Tech running costs**	**Total**	**Operating cost**	Operating cost
Staff costs (incl contractors)	**144.2**	6.3	5.0	**11.3**	155.5	119.8
Marketing and distribution costs	**25.8**	-	-	**-**	25.8	28.3
Depreciation and amortisation	**16.1**	-	-	**-**	16.1	16.2
Activity costs*	**24.6**	-	-	**-**	24.6	35.6
Technology costs*	**28.7**	-	1.0	**1.0**	29.7	22.8
Legal and professional costs	**17.1**	14.8	1.2	**16.0**	33.1	16.7
Other costs	**16.1**	-	-	**-**	16.1	12.7
Total costs (pre-FSCS)	**272.6**	21.1	7.2	**28.3**	300.9	252.1
Total FSCS levy	**12.1**	-	-	**-**	12.1	13.9
Total operating costs*|*	**284.7**	21.1	7.2	**28.3**	313.0	266.0

* Definitions are shown in the Glossary of Alternative Financial Performance Measures on page 33

**Underlying costs excludes £28.3 million of strategic investment costs. See the Glossary of Alternative Performance Measures on page 33 for the full definition. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures. They are used as the comparative reference points in the discussion on cost performance below.

Underlying costs increased by 7% to £284.7 million (2021: £266.0m) as we continued to support the growing client base and delivered an improved client service. The average number of clients across the period was 11% higher than in 2021.

The key driver of cost growth was staff costs, which rose by 20% to £144.2 million (2021: £119.8m). Average staff numbers, including contractors, increased by 15% from 1,839 in 2021 to 2,109 in 2022.The increase was predominantly within the service functions of helpdesk and operations as they support our growing client base, plus IT, compliance and risk. Salary inflation had an impact of c3%.

Marketing and distribution costs fell by 9% to £25.8 million (2021: £28.3m). During the period we were more targeted with our client acquisition spend and we spent less on cash back transfer incentives having focused instead for the year on improving our transfer processes. As usual, marketing activity increased in the second half and through the tax year-end, including the third year of our brand marketing campaign as "Switch your money on".

Relating to the underlying operations of the business, capitalised expenditure was £8.1 million (2021: £17.8m). The majority of this expenditure was for cyclical replacement of IT hardware, office equipment and the ongoing development of Active Savings. Depreciation and amortisation costs decreased by £0.1 million.

Activity based costs primarily include dealing related costs and debit card fees linked to cash paid onto the platform. Overall they fell by 31% to £24.6 million (2021: £35.6m) driven by a 27% reduction in share dealing volumes.

Technology costs increased by 26% to £28.7 million (2021: £22.8m). This was driven by increased licence fees to support colleague numbers along with further spend incurred in providing our proposition.

Legal and professional fees were broadly flat at £17.1 million (2021: £16.7m) reflecting the cost of operating in a highly regulated environment.

Other costs increased £3.4 million to £16.1 million (2021: £12.7m). The key drivers of this were increased office running costs as we faced higher energy costs, increased insurance costs and travel expenses.

Total strategic spend to date primarily comprises staff (including contractor) costs and professional fees relating to the planning and commencement of the digital technology strategy and strategic growth initiatives along with associated compliance, infrastructure and support costs. In addition, in order to provide assurance for our clients as we go through our transformation, we will be parallel running new and legacy technology and therefore have incurred dual tech running costs. Overall the total strategic spend for the year was £32.9 million of which £28.3 million has been expensed in the year (£21.1m investment cost and £7.2m dual tech running costs) and £4.6 million has been capitalised and will be amortised and depreciated in accordance with our existing accounting policy.

Looking ahead to financial year 2023, our underlying costs have come in lower than guidance for FY22, which combined with the impact of wage inflation means we now expect to see growth of c9.5% to 11.5% in the year ahead which is lower in absolute terms than previously guided as we focus on managing spend. We expect our strategic investment spend to be c£65 to £75 million, catching up on the slightly slower start in FY22 of which c60% will be capitalised. The amortisation and depreciation costs relating to our strategic spend is included in the above cost guidance on underlying costs. In addition, we expect to incur c£20 million of dual running costs relating to the parallel running of technology systems in the next financial year.

It is anticipated that the strategic investment cost and dual tech running costs will continue until the financial year ending June 2026. In order to provide clarity of business performance, the Total Strategic Spend (comprising investment cost and dual tech running costs) will be added back to statutory profit before tax to form an underlying profit before tax measure.

The Financial Services Compensation Scheme (FSCS) levy decreased by £1.8 million to £12.1 million (2021: £13.9m) as the overall amount raised under the scheme this year was lowered. The FSCS is the compensation fund of last resort for customers of authorised financial services firms. All authorised firms are required to contribute to the running of the scheme and the levy reflects the cost of compensation payments paid by the industry in proportion to the amount of each participant's relevant eligible income. At present we anticipate that this levy will continue at a similar level.

Profit before tax

Hargreaves Lansdown's success is built around delivering high service standards, efficiently dealing with ever growing volumes of business and investing in further growth opportunities. This investment is key to driving future growth and ensuring we have a scalable operating platform, which we believe will be to the benefit of both clients and shareholders across the market cycle. At our Capital Markets Day, we outlined the improvements to our client service and proposition, the improvements to our efficiency and the cost savings the strategic investment will deliver. This strategic investment has already begun and these costs incurred in the year are in addition to the business as usual or underlying costs of the business. The table below reconciles the underlying profit before tax to the statutory profit before tax. On an underlying basis, profit before tax fell by 19% to £297.5 million (2021: £366.0m). On a statutory basis profit before tax fell by 26% to £269.2 million (2021: £366.0m).

Tax

The effective tax rate for the period was 19.8% (2021: 19.1%), in line with the standard rate of UK corporation tax. The Group's tax strategy is published on our website at www.hl.co.uk.

Earnings per share

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Operating profit	**270.0**	365.6
Finance income	**-**	1.4
Finance costs	**(0.8)**	(1.0)
Profit before tax	**269.2**	366.0
Underlying profit before tax*	**297.5**	366.0
Tax	**(53.4)**	(69.7)
Profit after tax	**215.8**	296.3
Tax on underlying profit*	**(59.0)**	(69.7)
Underlying profit after tax*	**238.5**	296.3
Weighted average number of shares for the calculation of diluted EPS	**474.5**	474.5
Diluted EPS (pence per share)	**45.6**	62.5
Underlying diluted EPS (pence per share)*	**50.4**	62.5

*Underlying profit before tax, Tax on underlying profit before tax, Underlying profit after tax and Underlying diluted EPS for the period exclude strategic investment costs of £28.3 million. See the Glossary of Alternative Performance Measures on page 33 for the full definitions. Prior period comparatives are provided on the same basis as they were reported prior to the introduction of the new alternative performance measures.

Diluted EPS decreased by 27% from 62.5 pence to 45.6 pence, in line with the Group's reduction in profits. The Group's basic EPS was 45.6 pence, compared with 62.6 pence in 2021. Underlying diluted EPS decreased by 19% from 62.5 pence to 50.4 pence. The Group's underlying basic EPS was 50.4 pence compared to 62.6 pence (see Glossary of Alternative Performance Measures on page 33 for the full definition).

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 market-leading 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, in line with our aim of offering a lifelong, secure home for people's savings and investments. The Group has a high conversion rate of operating profits to cash and its net cash position at 30 June 2022 was £508.0 million (2021: £503.5m). Despite this being the first year of our investment programme, cash generated from operations more than offset the payments of the 2021, final ordinary and special dividends and the 2022 interim dividend. This includes cash on longer-term deposit and is before funding the 2022 final dividend of £130 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 2022 £m	Year ended 30 June 2021 £m
Shareholder Funds	**575**	593
Less: goodwill, intangibles and other deductions	**(41)**	(37)
Tangible capital	**534**	556
Less: provision for dividend	**(130)**	(183)
Qualifying regulatory capital	**404**	373
Less: estimated capital requirement	**(219)**	(183)
Estimated surplus	**185**	190

Total attributable shareholders' equity, as at 30 June 2022, made up of share capital, share premium, retained earnings and other reserves decreased to £575.1 million (2021: £593.5m) given the reduction of profit for the year resulting from the commencement of the investment programme and the payment of the 2021 final and special dividends and the 2022 interim dividend. Having made appropriate deductions as shown in the table above, surplus capital amounts to £185 million.

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

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

Dividend

Dividend (pence per share)

	2022	2021
Interim dividend paid	**12.26p**	11.9p
Final dividend declared	**27.44p**	26.6p
Total ordinary dividend	**39.70p**	38.5p
Special dividend	**-**	12.0p
Total dividend	**39.70p**	50.5p

As announced in February this year, the Group will be undertaking an estimated £175 million of strategic investment cost to deliver future growth and operational efficiencies. In part, the funding for this investment will come from the suspension of any special dividends through FY22 and FY23. The Board, however, is confident that Hargreaves Lansdown has sufficiently strong financial, liquidity and capital positions to execute its strategy without constraints and hence has committed that the ordinary dividend will grow by at least 3% throughout the period to FY24.

The Board has declared an increase in the total ordinary dividend of 3% taking the ordinary dividend per share to 39.70 pence (2021: 38.5 pence per share of ordinary dividend and 12.0 pence per share of special dividend). The ordinary dividend is made up of an interim dividend of 12.26 pence per share that was paid on 1 April 2022 (2021: 11.90 pence per share) and a final ordinary dividend of 27.44 pence per share (2021: 26.6 pence per share).

Subject to shareholder approval of the final ordinary dividend at the 2022 AGM, the final dividend will be paid on 24 October 2022 to all shareholders on the register at the close of business on 23 September 2022.

Amy Stirling
Chief Financial Officer
4 August 2022

SECTION 1: RESULTS FOR THE YEAR

Consolidated Income Statement for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Revenue		**583.0**	631.0
Fair value gains on derivatives		**-**	0.6
Operating costs	1.3	**(313.0)**	(266.0)
Operating profit		**270.0**	365.6
Finance income	1.5	**-**	1.4
Finance costs	1.6	**(0.8)**	(1.0)
Profit before tax		**269.2**	366.0
Tax	1.7	**(53.4)**	(69.7)
Profit for the financial year		**215.8**	296.3
Attributable to:			
Owners of the parent		**216.3**	296.7
Non-controlling interest		**(0.5)**	(0.4)
		215.8	296.3
Earnings per share			
Basic earnings per share (pence)	1.8	**45.6**	62.6
Diluted earnings per share (pence)	1.8	**45.6**	62.5
Underlying basic earnings per share (pence)	1.8	**50.4**	62.6
Underlying diluted earnings per share (pence)	1.8	**50.4**	62.5

The results relate entirely to continuing operations.

Consolidated Statement of Comprehensive Income for the year ended 30 June 2022

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Profit for the financial year	**215.8**	296.3
Total comprehensive income for the financial year	**215.8**	296.3
Attributable to:		
Owners of the parent	**216.3**	296.7
Non-controlling interest	**(0.5)**	(0.4)
	215.8	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 2022 £m	Year ended 30 June 2021 £m
Revenue:		
Ongoing revenue		
Platform fees	**289.1**	263.7
Fund management fees	**60.3**	60.8
Ongoing advice charges	**8.3**	9.0
Interest earned on client money	**51.8**	51.9
Renewal commission	**4.6**	5.1
Transactional revenue		
Fees on stockbroking transactions	**164.6**	231.6
Initial advice charges	**4.0**	5.1
Other transactional income	**0.3**	3.8
Total Revenue	**583.0**	631.0

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. 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 2022 £m**	Year ended 30 June 2021 £m
Depreciation of owned plant and equipment and right-of-use assets	**8.9**	9.0
Amortisation of other intangible assets	**6.2**	6.1
Impairment of intangible assets	**1.0**	1.1
Marketing costs	**25.8**	28.3
Operating lease rentals payable – property	**-**	0.1
Office running costs – excluding operating lease rents payable	**4.9**	4.9
FSCS costs	**12.1**	13.9
Dealing and financial services cost	**24.6**	35.6
Data and technology costs	**29.7**	22.8
Legal and professional costs[2]	**33.1**	16.7
Other operating costs [1]	**11.2**	7.7
Staff (including contractors) costs (note 1.4)	**155.5**	119.8
Operating costs	**313.0**	266.0

1 Included in other operating costs are fair value movements on investments as disclosed in note 2.1. Also included are compensation and compliance costs, other finance costs and insurance costs.
2 Legal and professional fees has been separated from the Other operating costs line in the current year and as a result the comparative has been moved in the prior year.

1.4 Staff costs

	Year ended 30 June 2022	Year ended 30 June 2021
The average monthly number of employees of the Group (including executive Directors and contractors) was:	**No.**	No.
Operating and support functions	**1,533**	1,360
Administrative functions	**576**	479
	2,109	1,839
Their aggregate remuneration comprised:	**£m**	£m
Wages and salaries	**122.2**	97.5
Social security costs	**14.2**	10.8
Share-based payment expenses	**8.4**	4.5
Other pension costs	**13.2**	11.6
Total costs paid for staffing	**158.0**	124.4
Capitalised in the year	**(2.5)**	(4.6)
Staff (including contractors) costs as a deduction to operating profit	**155.5**	119.8

1.5 Finance income

	Year ended 30 June 2022	Year ended 30 June 2021
	£m	£m
Interest on bank deposits	**-**	1.1
Other finance income	**-**	0.3
	-	1.4

1.6 Finance costs

	Year ended 30 June 2022	Year ended 30 June 2021
	£m	£m
Commitment fees	**0.3**	0.3
Interest incurred on lease payables	**0.5**	0.7
Finance costs	**0.8**	1.0

1.7 Tax

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Current tax: on profits for the year	52.3	70.4
Current tax: adjustments in respect of prior years	(0.4)	(0.1)
Deferred tax (note 2.4)	1.0	(0.6)
Deferred tax: adjustments in respect of prior years (note 2.4)	0.5	-
	53.4	69.7

Corporation tax is calculated at 19% of the estimated assessable profit for the year to 30 June 2022 (2021: 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 2022 £m	Year ended 30 June 2021 £m
Deferred tax relating to share-based payments	(0.6)	(0.2)
Current tax relating to share-based payments	0.1	1.1
	(0.5)	0.9

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 will remain at 19% before increasing to 25% from 1 April 2023. Accordingly, the Group's taxable profits for this accounting year are taxed at 19%. Deferred tax has been recognised at either 19% 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 2022 £m	Year ended 30 June 2021 £m
Profit before tax	269.2	366.0
Tax at the standard UK corporate tax rate of 19.0% (2021: 19.0%)	51.1	69.5
Non-taxable income	0.1	-
Items not allowable for tax	2.3	0.5
Additional deduction for tax purposes	(0.2)	-
Adjustments in respect of prior years	0.1	(0.1)
Foreign tax suffered	0.1	-
Impact of the change in tax rate	(0.1)	(0.2)
Tax expense for the year	53.4	69.7
Effective tax rate	19.9%	19.0%

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 2022.

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 r 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 dilutive potential ordinary shares. The weighted average number of anti-dilutive share options and awards excluded from the calculation of diluted earnings per share was 429,519 at 30 June 2022 (2021: nil).

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Earnings		
Earnings for the purposes of basic and diluted EPS - net profit attributable to equity holders of the parent company	**216.3**	296.7
Number of shares		
Weighted average number of ordinary shares	**474,318,625**	474,318,625
Weighted average number of shares held by HL EBT and SIP	**(444,685)**	(532,185)
Weighted average number of shares held by HL EBT and SIP that have vested unconditionally with employees	**74,702**	4,335
Weighted average number of ordinary shares for the purposes of basic EPS	**473,948,642**	473,790,775
Weighted average number of dilutive share options held by HL EBT that have not vested unconditionally with employees	**579,869**	754,901
Weighted average number of ordinary shares for the purposes of diluted EPS	**474,528,511**	474,545,676
Earnings per share	**Pence**	Pence
Basic EPS	**45.6**	62.6
Diluted EPS	**45.6**	62.5
Underlying basic EPS*	**50.4**	62.6
Underlying diluted EPS*	**50.4**	62.5

*Underlying basic EPS and underlying diluted EPS are calculated after deducting strategic costs as outlined in the Glossary of Alternative Performance Measures on page 33.

SECTION 2: ASSETS & LIABILITIES

Consolidated Statement of Financial Position as at 30 June 2022

	Note	At 30 June 2022 £m	At 30 June 2021 £m
ASSETS			
Non-current assets			
Goodwill		**1.3**	1.3
Other intangible assets		**37.3**	33.6
Property, plant and equipment		**22.5**	28.6
Deferred tax assets	2.4	**1.9**	3.7
		63.0	67.2
Current assets			
Investments	2.1	**0.8**	0.9
Trade and other receivables	2.2	**523.5**	869.2
Cash and cash equivalents	2.3	**488.3**	445.3
Current tax assets		**0.6**	1.5
		1,013.2	1,316.9
Total assets		**1,076.2**	1,384.1
LIABILITIES			
Current liabilities			
Trade and other payables	2.5	**488.3**	774.0
		488.3	774.0
Net current assets		**524.9**	542.9
Non-current liabilities			
Provisions		**2.6**	2.7
Non-current lease liabilities	2.6	**11.8**	15.0
Total liabilities		**502.7**	791.7
Net assets		**573.5**	592.4
EQUITY			
Share capital	3.1	**1.9**	1.9
Shares held by EBT reserve		**(3.6)**	(4.8)
EBT reserve		**(2.4)**	(3.1)
Retained earnings		**579.2**	599.5
Total equity, attributable to the owners of the parent		**575.1**	593.5
Non-controlling interest		**(1.6)**	(1.1)
Total equity		**573.5**	592.4

2.1 Investments

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
At beginning of year	**0.9**	0.6
Purchases	**0.7**	2.1
Disposals	**(0.8)**	(1.8)
At end of year	**0.8**	0.9
Comprising:		
Current asset investment – UK-listed securities valued at quoted market price	**0.8**	0.9

£0.8million (2021: £0.9m) 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 operating 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:

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Gross gains	**0.4**	1.5
Gross losses	**(1.3)**	(8.1)
	(0.9)	(6.6)

2.2 Trade and other receivables

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Financial assets		
Trade receivables	**432.6**	744.5
Term deposits	**20.0**	60.0
Accrued income	**49.0**	46.7
Other receivables	**3.7**	4.1
	505.3	855.3
Non-financial assets		
Prepayments	**18.2**	13.9
	523.5	869.2

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £409.5 million (2021: £704.8m) 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 £532.6 million (2021: £936.0m) and the gross amount offset in the Statement of Financial Position with trade payables is £130.1 million (2021: £231.1m). 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 (2021: nil).

2.3 Cash and cash equivalents

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Cash and cash equivalents		
Group cash and cash equivalent balances	**488.0**	443.5
Restricted cash – balances held by HL EBT	**0.3**	1.8
	488.3	445.3

At 30 June 2022, segregated deposit amounts held by the Group on behalf of clients in accordance with the client money rules of the Financial Conduct Authority amounted to £8,665 million (2021: £7,243m). In addition, there were pension trust and Active Savings cash accounts held on behalf of clients not governed by the client money rules of £6,380 million (2021: £5,621m). The client retains the beneficial interest in both these deposits and cash accounts, and accordingly, they are not included in the Statement of Financial Position of the Group.

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 assets

Deferred tax assets arise because of temporary differences only. The following are the major deferred tax assets recognised and movements thereon during the current and prior reporting years. Deferred tax has been recognised at either 19% 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 2022.

	Fixed assets tax relief	Share-based payments	Other deductible temporary differences	Total
	£m	£m	£m	£m
At 1 July 2020	0.1	2.4	0.6	**3.1**
Credit to income	0.2	0.3	0.1	**0.6**
Credit/(charge) to equity	-	(0.2)	0.2	**-**
At 30 June 2021	0.3	2.5	0.9	**3.7**
(Charge)/credit to income	(0.8)	(0.7)	-	**(1.5)**
Credit/(charge) to equity	-	(0.3)	-	**(0.3)**
At 30 June 2022	(0.5)	1.5	0.9	**1.9**
Deferred tax expected to be recovered or settled:				
Within 1 year after reporting date	-	0.4	0.8	**1.2**
> 1 year after reporting date	(0.5)	1.1	0.1	**0.7**
	(0.5)	1.5	0.9	**1.9**

2.5 Trade and other payables

	Year ended 30 June 2022	Year ended 30 June 2021
	£m	£m
Financial liabilities		
Trade payables	**406.7**	712.5
Current lease liabilities	**4.6**	4.8
Other payables	**31.0**	28.9
	442.3	746.2
Non-financial liabilities		
Deferred income	**0.3**	0.4
Accruals	**38.5**	21.1
Social security and other taxes	**7.2**	6.3
	488.3	774.0

In accordance with market practice, certain balances with clients, Stock Exchange member firms and other counterparties totalling £404.9 million (2021: £694.6m) 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 2022	Year ended 30 June 2021
	£m	£m
Lease liabilities greater than 12 months	**11.8**	15.0

SECTION 3: EQUITY

Consolidated Statement of Changes in Equity for the year ended 30 June 2022

	Attributable to the owners of the Parent						
	Share capital	Shares held by EBT reserve	EBT reserve	Retained earnings	**Total**	Non-controlling interest	**Total equity**
	£m	£m	£m	£m	**£m**	£m	**£m**
At 1 July 2020	1.9	(6.3)	(1.9)	564.6	**558.3**	(0.7)	**557.6**
Total comprehensive income[1]	-	-	-	296.7	**296.7**	(0.4)	**296.3**
Employee Benefit Trust							
Shares sold in the year	-	9.3	-	-	**9.3**	-	**9.3**
Shares acquired in the year	-	(7.8)	-	-	**(7.8)**	-	**(7.8)**
HL EBT share sale	-	-	(4.9)	-	**(4.9)**	-	**(4.9)**
Reserve transfer on exercise of share options	-	-	3.7	(3.7)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	4.5	**4.5**	-	**4.5**
Current tax effect of share-based payments (note 1.7)	-	-	-	1.1	**1.1**	-	**1.1**
Deferred tax effect of share-based payments (note 1.7)	-	-	-	(0.2)	**(0.2)**	-	**(0.2)**
Dividend paid (note 3.2)	-	-	-	(263.5)	**(263.5)**	-	**(263.5)**
At 30 June 2021	1.9	(4.8)	(3.1)	599.5	**593.5**	(1.1)	**592.4**
Total comprehensive income[1]	-	-	-	216.3	**216.3**	(0.5)	**215.8**
Employee Benefit Trust							
Shares sold in the year	-	5.4	-	-	**5.4**	-	**5.4**
Shares acquired in the year	-	(4.2)	-	-	**(4.2)**	-	**(4.2)**
HL EBT share sale	-	-	(2.8)	-	**(2.8)**	-	**(2.8)**
Reserve transfer on exercise of share options	-	-	3.5	(3.5)	**-**	-	**-**
Employee share option scheme							
Share-based payments expense	-	-	-	8.4	**8.4**	-	**8.4**
Current tax effect of share-based payments (note 1.7)	-	-	-	0.1	**0.1**	-	**0.1**
Deferred tax effect of share-based payments (note 1.7)	-	-	-	(0.6)	**(0.6)**	-	**(0.6)**
Dividend paid (note 3.2)	-	-	-	(241.0)	**(241.0)**	-	**(241.0)**
At 30 June 2022	1.9	(3.6)	(2.4)	579.2	**575.1**	(1.6)	**573.5**

1 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 2022	Year ended 30 June 2021
	£m	£m
Authorised: 525,000,000 (2021: 525,000,000) ordinary shares of 0.4p each	**2.1**	2.1
Issued and fully paid: ordinary shares of 0.4p each	**1.9**	1.9
	Shares	Shares
Issued and fully paid: number of ordinary shares of 0.4p each	**474,318,625**	474,318,625

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

The shares held by the EBT reserve 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. The non-controlling interest represents a 7.5% shareholding in Hargreaves Lansdown Savings Limited, which is a subsidiary of the Company.

3.2 Dividends

Amounts recognised as distributions to equity holders in the year:

	Year ended 30 June 2022	Year ended 30 June 2021
	£m	£m
2021 final dividend of 26.6p (final dividend 2020: 26.3p) per share	**126.0**	124.7
2021 special dividend of 12.0p (2020: 17.4p) per share	**56.9**	82.4
2022 interim dividend of 12.26p (2021: 11.9p) per share	**58.1**	56.4
Total dividends paid during the year	**241.0**	263.5

After the end of the reporting period, the Directors declared a final ordinary dividend of 27.44 pence per share payable on 24 October 2022 to shareholders on the register on 23 September 2022. 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
2022 final dividend of 27.44p (2021 final dividend: 26.6p) per share	**130.0**
Total dividend	**130.0**

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 2022	Year ended 30 June 2021
	No. of shares	No. of shares
Number of shares held by the Hargreaves Lansdown EBT	**424,035**	482,008
Representing percentage of called-up share capital	**0.09%**	0.10%

SECTION 4: CONSOLIDATED STATEMENT OF CASH FLOWS

Consolidated Statement of Cash Flows for the year ended 30 June 2022

	Note	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Net cash from operating activities			
Profit for the year after tax		215.8	296.3
Adjustments for:			
Income tax expense		53.4	69.7
Depreciation of plant and equipment		8.9	9.0
Amortisation of intangible assets		6.2	6.1
Impairment of intangible assets		1.0	1.1
Share-based payment expense		8.3	4.5
Interest on lease liabilities		0.5	0.7
Gain on termination of lease		-	(0.3)
(Decrease)/Increase in provisions		(0.1)	2.0
Operating cash flows before movements in working capital		294.0	389.1
Decrease/(increase) in receivables		305.8	(66.0)
(Decrease)/increase in payables		(285.7)	75.8
Cash generated from operations		314.1	398.9
Income tax paid		(51.2)	(70.3)
Net cash generated from operating activities		262.9	328.6
Investing activities			
Decrease in term deposits		40.0	170.0
Proceeds/(purchase) on disposal of investments		0.1	(0.3)
Purchase of property, plant and equipment		(2.8)	(5.4)
Purchase of intangible assets		(10.9)	(12.8)
Proceeds/(purchase) on disposal of subsidiary		-	0.2
Net cash generated from investing activities		26.4	151.7
Financing activities			
Purchase of own shares in EBT		(4.2)	(7.7)
Proceeds on sale of own shares in EBT		2.8	4.3
Payment of principal in relation to lease liabilities	2.5	(3.9)	(4.0)
Dividends paid to owners of the parent		(241.0)	(263.5)
Net cash used in financing activities		(246.3)	(270.9)
Net increase in cash and cash equivalents		43.0	209.4
Cash and cash equivalents at beginning of year	2.3	445.3	235.9
Cash and cash equivalents at end of year (including restricted cash)	2.3	488.3	445.3

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 full final 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 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 year, the non-controlling interest in HL Savings Limited has been held by Stuart Louden, an employee of the Group. There has been no change in the holdings of Stuart Louden in the current year. During the year an agreement was reached to purchase Stuart Louden's interest within the next 12 months.

During the years ended 30 June 2022 and 30 June 2021 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 2022 and 30 June 2021, 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 either a member of the Board of a Group company or a member of the Executive Committee during the relevant year shown below, is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Short-term employee benefits	**8.6**	8.9
Post-employment benefits	**0.4**	0.3
Other long-term benefits	**0.4**	-
Termination benefits	**0.5**	-
Share-based payments	**5.2**	2.6
	15.1	11.8

In addition to the amounts above, eight key management personnel (2021: six) received gains of £1.6 million (2021: £1.7m) as a result of exercising share options. During the year, awards were made under executive option schemes for nine key management personnel (2021: six).

Included within the previous table are the following amounts paid to 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.

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Short-term employee benefits	**2.6**	4.4
Post-employment benefits	**0.1**	-
Other long-term benefits	**0.2**	-
Share-based payments	**1.4**	1.5
	4.3	5.9

In addition to the amounts above, Directors of the Company received gains of £0.7 million relating to the exercise of share options (2021: £0.9m).

	Year ended 30 June 2022 £m	Year ended 30 June 2021 £m
Emoluments of the highest paid Director	**1.9**[1]	2.7[1]
	No.	No.
Number of Directors who exercised share options during the year	**2**	2
Number of Directors who were members of money purchase pension schemes	**2**	1

1 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.

5.3 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 2022 or 30 June 2021 but is derived from them. Statutory financial statements for 2021 have been delivered to the registrar of companies and those for 2022 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 2022 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 2022 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

4 August 2022

Executive Directors

Chris Hill
Amy Stirling

Non-Executive Directors

Deanna Oppenheimer
Andrea Blance
Adrian Collins
Penny James
Moni Mannings
Dan Olley
Roger Perkin
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

Strategy				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL does not align propositions and activity with HL's strategic objectives.	• Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets • Negative impact on existing clients in HL's ability to maintain premium client service	• The Executive team and Board discuss strategy in the context of propositional design and service enhancement on a regular basis • Dedicated proposition/client experience team • Testing of propositions with clients and potential clients • Product governance process • Regular client experience reviews by the Executive • Clear objectives aligned to Executive owners and a supporting operating plan in place	• NNB v forecast • Net Ease Scores • Client Retention • Service rating • Complaints • Risk Events	• Agreed a 5-year growth strategy • Launched the new HL Growth fund (Default Fund for Workplace clients) • Launched Savings & Resilience Barometer as part of 5 to Thrive client offering

Performance of markets				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL revenue is adversely affected by market levels impacting strategic expectations, resulting in erosion of shareholder value.	• Reduced AUA and AUM Negative impact on revenues	• Diversified revenue streams balanced between recurring and transaction-based • Monitoring and maintenance of client service • Executive Committee, Treasury Committee and Finance Reporting • Liquidity policy and associated controls oversight	• Interest rates • FTSE 100 • Daily management information • Client metrics (net, new and retention)	• Marketing Campaigns • Prioritisation for internal investment on service, technology & risk • Ongoing discussion in the Executive Committee

Operational risks

IT Operational Environment				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to manage and maintain existing technological architecture, environment or components that are key to operational delivery effectively.	• Inability to maintain operational efficiency • Poor client outcomes • Reputational damage	• IT Architecture plan • Rolling internal and external monitoring of IT environment • Operational Plan, including prioritisation of IT development • Identification of contingency providers for technology	• Unplanned downtime of client facing applications • Status of critical projects • Core system monitoring • System patching status • Technology risk events	• Delivery of a full End-to-End IT Testing platform • Platform security improvements • Refresh of technology strategy

Operational delivery core				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to design or implement appropriate policies, processes or technology.	• Incorrect or inefficient delivery of activities • Regulatory or policy breaches • Poor client outcomes • Financial losses including compensation • Reputational damage	• Group Risk Management Framework • Ongoing First Line of Defence monitoring of controls, control testing and self- assessment • Process manuals and process mapping • Training and development • Operational MI • Control focus at key governance forums, including: CASS Committee, Executive Risk Committee and Board Risk Committee	• Risk events and Compliance breach monitoring • Regulatory scrutiny or issues • Third-party breaches • Complaints • Helpdesk call quality • Colleague retention rates • Operational processing and transactional error rates	• New trading component, with enhanced scalability and speed • New payments partner – Stripe • Enhancements to our transfers processes

Regulatory Compliance				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to comply with regulatory and legal standards and/or required regulatory change is not implemented to regulatory expectations or requirements.	• Regulatory breaches • Increased regulatory scrutiny, enforcement action, censure or fines • Increased complaints or claims brought by clients • Where client complaints are not upheld – complaints to the Financial Ombudsman Service and FOS awards • Litigation • Reputational impact • Missed opportunities to achieve competitive advantage	• Compliance-led Horizon scanning and monitoring • Change Committee oversight • Compliance Plan including complaint handling plans • On-going open dialogue with the FCA	• Volume of client complaints, FOS complaints and awards • Volume of new outputs from regulatory bodies • Number of regulatory change projects • Number of regulatory breaches • Litigation	• CASS Improvement Plan • Investments Firms Prudential Regime (PS21/6) • Operational Resilience (PS21/3) • Consumer Duty (CP21/13)

Financial crime				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
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.	• Loss of sensitive data • Poor client outcomes (including fraud) • Negative impact on confidence in HL • Diminish the integrity of the financial system • Regulatory censure	• Dedicated Chief Information Security Officer and team, and a Security Operations Centre focused on the detection, containment and remediation of information security threats • Dedicated Information Security, Anti Money laundering and Client Protection teams in place • Formal policies and procedures and a robust, rolling risk-based programme of penetration and vulnerability testing in place • Horizon scanning of peer group to understand industry trends	• Fraud monitoring • Cyber threat assessment • Time taken to address security vulnerabilities • Number of Information Commissioner's Office (ICO) notifiable data protection breaches	• Appointment of a new Group Head of Financial Crime (MLRO) • Creation of a First Line Financial Crime team reporting to the new Chief Controls Officer • A programme of training and awareness for all colleagues • Continuous cycle of cyber control improvements

Data				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to design or implement appropriate frameworks, including policies, processes or technology, to manage data and data storage.	• Loss of sensitive data • Poor client outcomes (including fraud) • Inefficient processing • Regulatory censure	• Dedicated Chief Information Security Officer and Data Protection Officer in place • Data Governance function • Data storage standards • Data usage standards	• Data related Risk Events • Data reporting issues • Data Privacy Impact Assessment completions • Cyber events • Fraud events	• Appointment of a Chief Data Officer • Established data strategy and defining architecture to support objectives • Established a programme of work to deliver the Group's data insight capabilities. • Alignment of data and digital capabilities to support the Group's future requirements.

Duties to Clients				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL's culture and the HL values fail to support an appropriate client focused conduct by all colleagues, leading to poor client outcomes.	• Poor client outcomes • Negative reputational impact • Regulatory censure • FOS complaints and awards • Litigation • Erosion of shareholder value • Negative impact on achievement of AUA and client number strategic targets	• Colleague Communication and Training • Conduct Risk policy • Vulnerable Client policy • Risk and incident monitoring and review • Product Governance Committee • Corporate and social responsibility programme • Business-led diversity, inclusion and wellbeing programme of activity • Colleague Performance Development model • Whistle blowing process • Conflict Management	• Glassdoor rating • Colleague surveys • Colleague retention • Client survey results • Litigation • Volume of client complaints • FOS complaints and awards • Clients cancelling a new product or service	• Established a project to deliver compliance with the Consumer Duty regulations (CP21/13). • Strengthening Vulnerable Clients strategy as part of the Consumer Duty implementation. • Developed governance arrangements, including Conduct & Client Outcomes Committee

Operational Resilience				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to establish robust operational resilience solutions to support positive client outcomes	• Poor client outcomes • Policy or regulatory breaches • Operational inefficiencies or failures • Reputational damage	• Dedicated Operational Resiliency team and programme • Business Impact Analysis • Business Continuity Plans • Disaster Recovery Plans • Crisis Management Team • Desktop scenarios • Scenario based playbooks	• System downtime • Process failures • Crisis management response	• Review of Important Business Services • Delivery of a full End-to-End IT testing platform • Review and enhancements to crisis management and Incident management approaches

People				
Risk	**Potential impact**	**Mitigations**	**Key risk indicators**	**2021/22 activity**
Risk that HL fails to attract, retain, develop and motivate great people who are aligned to HL Values.	• Operational inefficiency or poor conduct • Poor client outcomes • Reputational damage	• Effective performance and Talent Management of all employees with flight risk assessments • Regular review of employee reward offering to ensure competitive • Regular staff surveys and employee forums to understand morale • People agenda monitored at ExCo and Board.	• Colleague retention rates • Colleague absence monitoring	• • 'Breathing Space' payment for junior colleagues to help with cost of living • Improvements in 'Health & Wellbeing' support to all colleagues • People communications through HL Way to support HL Values

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	Calculation	Why we use this measure
Activity costs	Total cost related to stockbroking and financial services costs on a transactional basis related to the volume of activity undertaken by our clients. This measure is the same as the dealing and financial services costs within note 1.3.	Provides further detail into the increasing costs that are associated with increasing client numbers and increasing transactional revenues, to allow comparison from year to year
Dividend pay-out ratio (%)	The total dividend per share divided by the basic Earnings Per Share (EPS) for a financial year.	Provides a measure of the level of profits paid out to shareholders and the level retained in the business.
Dividend per share (pence per share)	Total dividend payable relating to a financial year divided by the total number of shares eligible to receive a dividend. Note ordinary shares held in the Hargreaves Lansdown Employee Benefit Trust have agreed to waive all dividends (see note 3.2 to the consolidated financial statements).	Dividend per share is pertinent information to shareholders and investors and provides them with the ability to assess the dividend yield of the Hargreaves Lansdown plc shares.
Dual tech running costs	Represents the costs incurred for parallel running of new and legacy technology systems. The table on page 9 shows how this reconciles to the Financial Statements	During our digital technology strategy we will be using both legacy systems and new systems in tandem, which will incur increased costs. Once we complete the move away from the legacy systems, these costs will cease to be incurred and so this measure reflects the impact on the group during the strategy.
Ongoing revenue	Revenue that is earned depending on the value of assets held on the platform, including platform fees, management fees and interest earned on client money and represents revenue earned over a period of time	We believe ongoing revenue provides greater profit resilience and hence is of higher quality than transactional revenue.
Proportion of ongoing revenue (%)	The total value of renewal commission (after deducting loyalty bonuses), platform fees, management fees and interest earned on client money divided by the total Vantage revenue.	Provides a measure of the quality of our earnings. We believe ongoing revenue provides greater profit resilience and hence it is of higher quality.
Revenue margin (bps)	Total revenue divided by the average value of assets under administration which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on the assets under administration and is used by management to assess business performance.
Revenue margin from cash (bps)	Revenue from cash (net interest earned on the value of client money held on the platform divided by the average value of assets under administration held as client money).	Provides a means of tracking, over time, the margin earned on cash held by our clients.
Revenue margin from funds (bps)	Revenue derived from funds held by clients (platform fees, initial commission less loyalty bonus) divided by the average value of assets under administration held as funds, which includes the Portfolio Management Services assets under management held in funds on which a platform fee is charged.	Provides the most comparable means of tracking, over time, the margin earned on funds held by our clients.
Revenue margin from HL Funds (bps)	Management fees derived from HL Funds (but excluding the platform fee) divided by the average value of assets held in the HL Funds.	Provides a means of tracking, over time, the margin earned on HL Funds.
Revenue margin from shares (bps)	Revenue from shares (stockbroking commissions, management fees where shares are held in a SIPP or ISA, less the cost of dealing errors) divided by the average value of assets under administration held as shares.	Provides a means of tracking, over time, the margin earned on shares held by our clients.
Strategic investments costs	Costs, including staff and professional fees relating to the planning and commencement 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.
Technology costs	Costs associated with the use of third-party software and data feeds used in the performance of daily business. The measure is the same as technology costs within note 1.3.	Provides a means of understanding the impact that increasing or changing our proposition has on our costs.
Transactional revenue	Revenue that is not non-recurring in nature and dependent on a client instruction such as a deal to buy or sell shares or take advice. This represents revenue earned at a point in time.	Such revenue is not as high quality as ongoing revenue but helps to show the diversification of our revenue streams.
Underlying basic earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of basic EPS	The calculation of basic earnings per share using statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
Underlying costs	Operating costs less strategic investment costs and the incremental cost of running dual technology systems in parallel during our period of strategic transformation.	Provides relevant information on the year-on-year cost of the underlying business as we go through a period of significant strategic investment.
Underlying diluted earnings per share	Underlying earnings divided by the weighted average number of ordinary shares for the purposes of diluted EPS	The calculation of diluted earnings per share using statutory profit after tax adjusted for those costs that are related specifically to our strategic investments.
Underlying earnings	Profit after tax attributable to equity holders of the parent company adjusted for the existence other gains outside of the normal course of business, such as the disposal of subsidiaries. In the current year, this is the same as profit after tax attributable to the equity holders of the parent company.	The calculation of earnings per share using unadjusted profit after tax includes gains from transactions that are not repeated annually or that may not indicate the true performance of the business.

Underlying profit after tax	Profit after tax attributable to equity holders of the parent company excluding strategic investment costs and the incremental cost of running dual technology systems in parallel during our period of strategic transformation.	Profit after tax includes costs that are part of strategic planning and development. This measure helps to provide clarity between the profit of the business from period to period when those costs are not considered. This is important as we go through a period of significant strategic investment.
Underlying profit before tax	Profit before tax excluding strategic investment costs and the cost of running dual technology systems in parallel during our period of strategic transformation.	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.