

**Arden Partners plc**  
**Annual Report 2013**



# Arden Partners plc

Arden Partners plc is an established stockbroker which provides a range of financial services to corporate and institutional clients. Based in the United Kingdom and with strong international links, Arden Partners plc's shares trade on London's AIM market, part of the London Stock Exchange.

## Contents

### Page:

1	Highlights
2	Chairman's Statement
3	Chief Executive's Statement
4	Strategic Report
6	Board of Directors
7	Report of the Directors
10	Corporate Governance
13	Directors' Remuneration Report
17	Statement of Directors' Responsibilities
18	Independent Auditor's Report
20	Consolidated Statement of Comprehensive Income
21	Consolidated Statement of Financial Position
22	Company Statement of Financial Position
23	Consolidated Statement of Cash Flows
24	Company Statement of Cash Flows
25	Consolidated Statement of Changes in Equity
26	Company Statement of Changes in Equity
27	Notes to the Consolidated Financial Statements
50	Corporate Information
51	Notice of Meeting

## HIGHLIGHTS

<b>FINANCIAL</b>	<b>Year ended 31 October 2013</b>	<b>Year ended 31 October 2012</b>
Revenue	<b>£10.1m</b>	<b>£9.8m</b>
Profit before tax	<b>£1.3m</b>	<b>£0.2m</b>
Share based payments and reorganisation costs	<b>£0.07m</b>	<b>£0.8m</b>
Underlying profit before tax *	<b>£1.4m</b>	<b>£1.0m</b>
Earnings per share:		
Basic	<b>4.7p</b>	<b>0.6p</b>
Underlying Basic †	<b>5.1p</b>	<b>3.4p</b>
Diluted	<b>4.5p</b>	<b>0.6p</b>
Underlying Diluted ‡	<b>4.9p</b>	<b>3.2p</b>
Dividend per ordinary share:		
Interim	<b>1.25p</b>	<b>0.65p</b>
Proposed final	<b>1.75p</b>	<b>Nil</b>
<b>NON-FINANCIAL</b>		
Funds raised for clients	<b>£283m</b>	<b>£166m</b>
Client brokerships	<b>37</b>	<b>36</b>
Average number of staff	<b>39</b>	<b>37</b>

\* Profit before tax as adjusted for the effect of share based payments and reorganisation costs

† Basic earnings per share as adjusted for the after-tax effect of share based payments and reorganisation costs, ignoring deferred tax

‡ Diluted earnings per share as adjusted for the after-tax effect of share based payments and reorganisation costs, ignoring deferred tax

## CHAIRMAN'S STATEMENT

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It gives me great pleasure to present this year's statement as Chairman of Arden Partners plc.

Equity markets globally have shown an improvement since the early part of 2013, with increased volumes in UK markets offsetting, to some extent, the continuing erosion of institutional commissions. Arden has produced an improved performance and the Board is broadly satisfied with Arden's overall result for the year. We have a strong balance sheet and have – before purchases of our own shares – generated cash and improved profitability.

Our balance sheet strength has allowed the Board to continue the policy of buying-back our own shares and over the last 3 years some £2.6m has been spent on share purchases. These buy-backs and subsequent cancellation of shares in treasury have led to a 17% reduction in total share capital.

In line with the Board's stated policy to reward shareholders where circumstances allow, a final dividend of 1.75pence per share is recommended (interim dividend 1.25 pence per share), which if approved will result in a total dividend for the full year of 3.0 pence per share (2012: 0.65 pence per share).

Current market conditions represent a significant opportunity for the group to grow and we are currently recruiting into a number of core areas of the business, in support of our strategy to develop our corporate client base.

Trading since the year end has been satisfactory and we have an encouraging pipeline of potential new business.

Finally, I would like to thank all of our staff, clients and shareholders for their continuing support.



**Peter Moon**  
**Chairman**  
**14 January 2014**

## CHIEF EXECUTIVE'S STATEMENT

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The Group has made a profit for the year and continues progress towards delivering its strategy.

We have achieved growth in revenues against a backdrop of industry change which is pleasing, and together with tight control of overheads has led to a healthy level of Group profitability. The Group has a robust platform to strongly grow revenues going forward, whilst maintaining control of costs.

The Company has continued to make purchases of its own shares into Treasury throughout the year, as well as into the current year. Our balance sheet strength, with a capital adequacy ratio of 283% at the year end, is significant to our ability to attract new corporate clients and increase the breadth of our offering.

Given the Board's improved level of confidence in the market outlook, we are pleased to recommend a final dividend, having already paid an interim dividend in August 2013.

Trading in the first two months of the year has been satisfactory. The pipeline of corporate transactions is strong but as ever delivery remains dependent on market conditions.

### Financial review

Revenues during the year ended 31 October 2013 were £10.1m compared to £9.8m in 2012. Administrative expenses for the year totalled £8.8m (2012: £9.6m including restructuring costs of £0.6m) Underlying profit before tax was £1.4m (2012: £1.0m) after allowing for restructuring costs and share-based payments. Profit before tax was £1.3m (2012: £0.2m).

After adjusting for the effect of restructuring costs and share based payments, underlying basic earnings per share were 5.1p compared to 3.4p in 2012. Basic earnings per share were 4.7p (2012: 0.6p).

In April 2013 the Company cancelled 2,301,529 shares held in treasury, representing approximately 9% of the total share capital of the company. During November 2013 the Company purchased, in aggregate, 661,087 ordinary shares to be held for the time being in Treasury, for consideration of £0.3m.

Cash generation from operational activities was positive at £0.037m (2012: positive of £0.4m) but the impact of the shares acquired into Treasury and the Interim Dividend paid resulted in overall cash balances reducing by £1.15m.

### Equities Division

Revenues fell from £6.4m in 2012 to £5.0m this year, generally reflecting the structural change in the industry with reduced commission rates.

### Corporate Finance Division

Including retainer income, corporate revenues were up from £3.4m in 2012 to £5.1m this year.

During the year we were involved in 11 transactions compared to 15 in 2012. In aggregate we placed £283m for our corporate clients.

Finally, I would like to take this opportunity to thank our staff for the efforts they continually deliver and other stakeholders for their continued support.



**James Reed-Daunter**  
**Chief Executive Officer**  
**14 January 2014**

## STRATEGIC REPORT

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### **Business Review**

Arden Partners is pleased to report that the group made a profit for the year. Our focus on cost management has enabled Arden to protect operational cash flow and profitability despite continued pressures on revenue streams particularly from institutional commissions.

Healthy balance sheet and cash balances at the year-end puts Arden in a strong position to withstand further pressures and also gives us the opportunity to capitalise on any further market upturn.

### **Strategy**

Our strategy is to become the institutional and corporate broker of choice for small and mid cap companies trading on London based markets. We aim to achieve this through:

- Providing incisive research material in a number of key sectors
- Providing an efficient execution and trading platform to institutional clients
- Providing a premium corporate broking service to an optimum number of corporate clients
- Selective and proactive recruitment into key areas to support and enhance the quality of our offer
- Growing sustainable revenue streams, both organically and generically
- Managing cost and risk exposure

This will then enable us to provide shareholder value through earnings growth and dividend distribution.

### **Key Performance Indicators (KPI's)**

Arden Partners Key Performance Indicators include the following measures:

- Profit before Tax
- Earnings per share
- Corporate Client Base
- Funds Raised for clients
- Capital adequacy

Performance against KPI's is discussed in the Chief Executive's report - this is considered as an extension of the Strategic Report.

## STRATEGIC REPORT

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### **Principal Risks and Uncertainties**

By far the major risk the business faces is stock market conditions. Adverse market conditions may have a significant negative effect on revenues and profitability. The Group mitigates some of this risk by targeting revenues across a number of sectors of the market and by careful control of overheads.

Other risks include liquidity risk, credit risk and operational risk and an explanation of these is set out in note 24.

By order of the Board



**Steve Wassell**  
**Company Secretary**  
**14 January 2014**

## BOARD OF DIRECTORS

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### **Peter Moon (Independent Chairman and Non-Executive Director)**

Peter has been involved in the institutional investment business for many years. In 2009 he retired from the Universities' Superannuation Scheme Limited where he was Chief Investment Officer running a fund of some £27.5 billion. Previous institutions where he has worked include British Airways Pensions, National Provident and Slater Walker Investment Management. Peter has also acted as adviser to a number of Councils including Lincolnshire and Middlesbrough. He has served as Chairman of the NAPF Stock Exchange Sub-Committee and as a member of the NAPF Investment Committee.

### **Jonathan Keeling (Executive Deputy Chairman)**

Jonathan is one of the founder members of Arden Partners. A graduate in economics, he joined Albert E Sharp as an Equity Salesman in 1985, was made a Director in 1989 and Head of Small Cap Sales in the early 1990s. Jonathan left Albert E Sharp in 2001 and then briefly worked for Harris Allday and Old Mutual Securities before joining the team to form Arden Partners. Jonathan was Chief Executive Officer from January 2008 until 31 December 2013 when he became Executive Deputy Chairman.

### **James Reed-Daunter (Chief Executive Officer)**

James is a Business Economics and Accountancy graduate of Southampton University. He joined Albert E Sharp in 1992 in their private clients unit working on their unit trust and fund management desk. In 1995 he moved to become an equity sales director selling small-mid cap stocks to UK investing institutions. James is a founding partner of Arden, joining in November 2002 as Head of Equity Sales, and was appointed Chief Executive Officer on 1 January 2013.

### **Steve Wassell (Chief Operating Officer and Company Secretary)**

Having established and developed his own business in the outdoor leisure sector over a fifteen year period prior to it being acquired by Tandem Group plc in 2000, Steve subsequently held a number of senior operational roles in private and publicly quoted companies within a diverse range of sectors, including Automotive, Leisure and Social Care. Steve joined Arden Partners as Operations Director in January 2009.

### **Mark Ansell (Independent Non-Executive Director)**

Mark is a Chartered Accountant and has significant experience as a business consultant and director involved in strategic and corporate finance advice and in management and leadership roles. Mark has previously held senior roles in many organisations including being the Deputy Chief Executive and Finance Director of Aston Villa plc, Interim Chief Executive of Marketing Birmingham and as a Senior Partner and Partner in charge of Corporate Finance of Deloitte in Birmingham and the Midlands. Mark is the Senior Independent Director.



## REPORT OF THE DIRECTORS

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The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2013.

### Principal Activities

Arden Partners plc is an established stockbroker which provides a range of financial services to corporate and institutional clients. Based in the United Kingdom and with strong international links, Arden's shares trade on London's AIM market, part of the London Stock Exchange.

### Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 20.

The Directors propose to pay a final dividend of 1.75p per share (2013: Nil). This, when taken with the interim dividend of 1.25p (2012: 0.65p per share) per share gives a total dividend of 3p per share in respect of the year ended 31 October 2013 (2012: 0.65p per share).

The final dividend, if approved, will be paid on the 28<sup>th</sup> March 2014 to shareholders on the register at close of business on 28<sup>th</sup> February 2014, with an ex-dividend of 26<sup>th</sup> February 2014.

### Directors

The Directors of the Company who held office since 1 November 2012 were:

Jonathan Keeling	Chief Executive Officer (until 31 December 2012) Deputy Chairman (Executive) (with effect from 1 January 2013)
James Reed-Daunter	Director (Executive) (until 31 December 2012) Chief Executive Officer (with effect from 1 January 2013)
Steve Wassell	Chief Operating Officer and Company Secretary (with effect from 15 January 2013)
Mark Ansell	Non-Executive Director
Peter Moon	Non-Executive Director

### Previous Directors:

Lord Flight	Chairman and Non-Executive Director (resigned 31 December 2012)
Trevor Norris	Group Finance Director and Company Secretary (resigned 15 January 2013)

### Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 13 to 16.

## REPORT OF THE DIRECTORS

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### Significant Shareholdings

In addition to the current Directors' interests shown on page 15, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital (total voting rights) at 14 January 2014:

	%
Arden Partners Employee Benefit Trust	8.18
Richard Day	6.14
Alasdair Locke	6.12
Mark Braddock	5.49
Robert Griffiths	4.93
David Larkam	4.72
Colin Kettle	4.46
Tony Bartlett	3.87
John Grahame Whateley	3.48
Benjamin Thefaut	3.21
Hargreave Hale	3.07
Unicorn Asset Management	3.05

### Share Capital

Information relating to the Company's ordinary share capital (including share repurchase and cancellation) is shown in note 19 to the Financial Statements.

### Treasury Shares

The board continued its programme of buying back the company's shares in order to enhance earnings under the authority granted by the Shareholders.

During the year ended 31 October 2013 the company purchased 1,536,810 ordinary shares for a consideration of £0.7m. Of these purchases 788,601 shares together with Treasury Shares held at 31 October 2012 of 1,512,928 were cancelled and total share capital was reduced accordingly. The remaining balance of 748,209 shares were subsequently re-sold.

At 31 October 2013 the company held none of its own shares in Treasury (2012: 1,512,928 (£0.7m)).

Post the year end the Company purchased, in aggregate, 661,087 ordinary shares to be held for the time being in Treasury, for consideration of £0.3m.

### Employee Share Trusts

The Group currently operates one Employee Benefit Share Trust, the Arden Partners Employee Benefit Trust, which administers the Arden Partners plc share schemes as Trustee. At 31 October 2013 the Trust held 1,823,868 (7.94% of total voting rights) (2012: 974,838 (4.29% of total voting rights)) shares. The Trustees have agreed to hold these shares to satisfy options granted under various share option scheme's.

### Employment Policies

Employees are encouraged to participate in the success of the Group through a performance based incentive scheme incorporating bonus and share option arrangements. Employees are kept informed of progress at regular review meetings.

### Directors' and Officers' Liability Insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. This insurance was in force throughout the year ended 31 October 2013 and remains in force at the date of this Report.

## REPORT OF THE DIRECTORS

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### Financial Instruments

Details of the use of financial instruments by the Group and Company are contained in note 24 of the Financial Statements.

### Auditors

The Directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the Company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The Directors are not aware of any relevant audit information of which the auditors are unaware.

The Audit Committee reviews and approves the appointment of external auditors and monitors their independence. BDO LLP have expressed their willingness to continue in office and an ordinary resolution re-appointing them as auditors and authorising the Directors to determine their remuneration, will be proposed at the forthcoming Annual General Meeting.

By order of the Board



**Steve Wassell**  
**Company Secretary**  
**14 January 2014**

## CORPORATE GOVERNANCE

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### Introduction

The company has not applied the “comply or explain” principles of the UK Corporate Governance Code (“the code”) and the information in this report does not explain how the code has been applied. The company refers to the code in order to ascertain best practice.

### The Directors and the Board

The composition is as follows:

Peter Moon	Independent Chairman (Non-Executive) Chairman of Nominations Committee
Jonathan Keeling	Executive Deputy Chairman
James Reed-Daunter	Chief Executive Officer
Steve Wassell	Chief Operating Officer and Company Secretary
Mark Ansell	Senior Independent Director (Non-Executive) Chairman of Audit Committee Chairman of Remuneration Committee

Biographical details of all the Directors are set out on page 6.

### Board meetings

The Board has regular scheduled full meetings and will meet at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance, and monitors key performance indicators. All directors receive appropriate information on a timely basis to enable them to discharge their duties accordingly. The Board will consider any ad hoc matters of significance to the Group including corporate activity. Attendance at meetings by members of the Board during the year ended 31 October 2013 was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
<b>Total number of meetings</b>	<b>6</b>	<b>2</b>	<b>1</b>	<b>1</b>
James Reed-Daunter	5	n/a	n/a	n/a
Jonathan Keeling	6	n/a	n/a	n/a
Steve Wassell	6	2	n/a	n/a
Mark Ansell	6	2	1	1
Peter Moon	6	2	1	1

### Re-election of Directors

In accordance with the Company’s Articles, and to ensure compliance with the UK Corporate Governance Code, certain of the Directors are required to be re-elected at Annual General Meetings of the Company. In accordance with the Articles, Steve Wassell, Mark Ansell and Peter Moon are required to retire at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election. The Board supports their re-appointments having assessed their performance and value to the Board.

## CORPORATE GOVERNANCE

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### Remuneration Committee

The Remuneration Committee, which comprises the Independent Non-Executive Directors, is chaired by Mark Ansell and has responsibility for determining remuneration of Executive Directors and senior members of staff. This Committee makes decisions in consultation with the Chief Executive Officer and no Director plays a part in any decision about their own remuneration. This Committee also reviews bonus and equity arrangements for the Group's senior employees and in addition has responsibility for supervising the Arden Partners Share Option Scheme and the grant of options under its terms.

The remuneration of all Non-Executive Directors is fixed by the Board.

### Audit Committee

The Audit Committee, which comprises the Independent Non-Executive Directors, is chaired by Mark Ansell and has responsibilities which include the review of:

- The Group's internal control environment.
- Financial risks (including market risk in relation to the Group's market making activities).
- Financial statements, reports and announcements, including whether the Board's responsibility to present an annual report that is fair, balanced and understandable. The Audit Committee evidences this review in a report to the Board following its meeting with the auditors to discuss their Report to the Audit Committee and includes an assessment of the information provided in support of the Board's statement on going concern and on any significant issues and how those issues were addressed.
- Independence of auditors, including a review of the non-audit services provided and the level of such fees relative to the audit fee. The Audit Committee is satisfied that the independence of BDO LLP as auditors has not been impaired through the provision of non-audit services. Details of auditor's fees are shown in note 3 of the financial statements on page 33. A review is also carried out on the effectiveness of external audit.
- Ensuring the Group has a policy which allows any member of staff to raise, in confidence, any concern about possible impropriety in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for a proportionate independent investigation of such matters including any follow-up action required.

### Nominations Committee

The Committee's responsibilities include ensuring that the size and composition of the Board is appropriate for the needs of the Group including an assessment of diversity profile, selecting the most suitable candidate or candidates for the Board and to oversee succession planning aspects for the Board. This Committee is chaired by Peter Moon.

### Operations Board

The Group is managed by an Operations Board which has responsibility for implementation of strategy and monitoring progress of delivery against key objectives, along with management of operational risk. The Committee also reviews financial performance against budgets and key performance indicators. The Operation Board is chaired by the Chief Operating Officer.

### Risk Committee

The Risk Committee is chaired by the Chief Operating Officer and has the Director of Compliance and the Corporate Finance Technical Director as permanent members. This Committee is charged with monitoring risk exposures including those which arise through trading and holding financial instruments, regulatory and compliance, capital adequacy and financial reporting risk. This Committee also has responsibility for monitoring the Group's internal control environment.

A further explanation of risks which are faced by the Group, is set out in note 24 to the Financial Statements.

## CORPORATE GOVERNANCE

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### **Internal Control**

The Board confirms that there is an ongoing process for identifying, evaluating and managing significant risks faced by the Group, which complies with the guidance “Internal Control: Guidance for Directors on the Combined Code”. This has been in place throughout the year and up to the date of approval of the Financial Statements. The process is regularly reviewed by the Board.

The Directors are responsible for the Group’s system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss. The Group’s system of internal control includes appropriate levels of authorisation and segregation of duties. Financial information is presented to the Board each month comprising management accounts and other financial data which allows for a rigorous review of performance.

### **Insurance**

The Group maintains appropriate insurance cover in respect of litigation against the Directors and Officers of the Group.

### **Going Concern**

After making enquiries, the Directors have a reasonable expectation that the Group will have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to believe it is appropriate to adopt the going concern basis in preparing the Financial Statements.

## DIRECTORS' REMUNERATION REPORT

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### Introduction

Whilst the Group is not obliged to comply with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors have agreed to adopt the ethos of those regulations and to disclose certain information relating to the current Directors. The Directors are not intending to comply fully with Schedule VIII of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, but are providing disclosures on a voluntary basis and therefore full disclosure required by the regulations have not been made.

The Report also describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. This Report is not subject to audit and a resolution to approve it will be proposed at the Annual General Meeting of the Company at which the Financial Statements are to be approved.

On 1 January 2012 the Group became subject to the conditions of the Financial Conduct Authority's ("the FCA's") Remuneration Code ("the Remuneration Code"). The Remuneration Committee believes that the Group's Remuneration Policies and procedures are both relevant and proportionate to the Remuneration Code requirements. The Group is classified as a "Tier 3" entity and to that extent is not subject to the detailed provisions relating to deferral and retained shares.

### Remuneration Policy

Arden Partners has a policy to attract, motivate and reward individuals of the highest calibre who are committed to grow the value of the business and to maximise returns to shareholders.

This policy is as relevant to Executive Directors as it is to employees and the rewards of Executive Directors are aligned with those of shareholders in reflecting the performance of the Group.

The Group operates in a business environment where it is common practice to pay bonuses. The Group's policy is predicated on a principle that all bonuses are discretionary and are based on a measure of Group profitability. The Group's business is such that profits and losses from trading are essentially of a short-term nature and can be accurately measured. Where appropriate the bonus pool is adjusted to take account of any unrealised profits and, given the Group's risk policies and associated controls, the Remuneration Committee is of the opinion that the bonus policy does not encourage behaviour that may conflict with the Group's overall approach to risk.

Whilst the Group is not subject to Remuneration Code guidelines regarding deferral and retained shares, the Remuneration Committee believes that an element of deferral and claw-back of bonus is appropriate in certain circumstances including the level of bonus.

The Remuneration Committee does not believe that bonuses should be capped by reference to salary levels for any employee, including Executive Directors, as this could have an adverse impact on performance. Basic salary levels for Executive Directors are set at reasonable levels by reference to observable peer group comparators and when compared to similar salary levels elsewhere in the business.

Where appropriate, an employee's overall remuneration package may involve the grant of options under the Group's share option scheme as noted below.

### Directors' Service Contracts

No Director has a service contract for longer than twelve months and no contract contains provisions for sums to be paid on termination. Copies of Directors' service contracts will be available for inspection at the Annual General Meeting.

## DIRECTORS' REMUNERATION REPORT

### Pension Arrangements

The Group does not operate a final salary pension scheme. Executive Directors who are entitled to receive pension contributions may nominate a defined contribution pension scheme into which the Company makes payments on their behalf.

### Share Options

Details of the Arden Partners plc Share Option Scheme are given in note 19 to the Financial Statements. The Remuneration Committee has responsibility for supervising the scheme and the grant of options under its terms.

The Company's policy is to use the Share Option Scheme to attract and retain key senior employees including the Executive Directors. Any grant of options is at the discretion of the Remuneration Committee and will take into account individual performance and responsibilities. Where appropriate, a grant of options will incorporate performance criteria and for Executive Directors may incorporate earnings per share, total shareholder return and return on capital employed. Some of these aspects will be bench-marked against a pool of similar competitors. Where appropriate such measures may include non-financial performance measures. All remuneration incentives are set in context to the Group's risk policies.

### Directors' Remuneration

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2013 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Gain on exercise of share options £'000	Total 2013 £'000
<b>Executive Directors</b>					
James Reed-Daunter <sup>1</sup>	157	19	80	46	302
Jonathan Keeling <sup>1</sup>	172	20	90	-	282
Steve Wassell	120	12	25	73	230
<b>Non-Executive Directors</b>					
Peter Moon	35	-	-	-	35
Mark Ansell <sup>2</sup>	29	-	-	-	29
<b>Total</b>	<b>513</b>	<b>51</b>	<b>195</b>	<b>119</b>	<b>878</b>

#### Notes:

1. The incentive payments to James Reed-Daunter and Jonathan Keeling reflected their ongoing sales roles.
2. An element of the remuneration was paid to a third party company, Mark Ansell Consulting Limited.



## DIRECTORS' REMUNERATION REPORT

A summary of the total remuneration paid to current Directors who served during the year ended 31 October 2012 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Compensation on retirement from office £'000	Total 2012 £'000
<b>Executive Directors</b>					
James Reed-Daunter	63	7	50	-	120
Jonathan Keeling	191	23	30	-	244
Steve Wassell	126	12	-	-	138
Trevor Norris	124	15	-	123	262
<b>Non-Executive Directors</b>					
Lord Flight	30	-	-	-	30
Mark Ansell	42	-	-	-	42
Peter Moon	45	-	-	-	45
Grahame Whateley	6	-	-	18	24
<b>Total</b>	<b>627</b>	<b>57</b>	<b>80</b>	<b>141</b>	<b>905</b>

### Directors' Interests in Ordinary Shares of Arden Partners plc

The Directors in office at the year end had interests in the ordinary share capital of the Company (all of which were beneficial) as shown below:

	31 October 2013 Number	Percentage Interest	31 October 2012 Number
<b>Executive Directors</b>			
James Reed-Daunter	2,853,644	12.43%	1,182,541
Jonathan Keeling	2,534,334	11.04%	1,515,391
Steve Wassell	763,743	3.33%	373,743
<b>Non-Executive Directors</b>			
Peter Moon	112,500	0.49%	50,000
Mark Ansell	111,750	0.49%	50,000

## DIRECTORS' REMUNERATION REPORT

### Directors' Interests in Share Options

The following Directors had interests in options over ordinary shares of the Company as shown below:

	Notes	31 October 2012 Number	Options granted in year Number	Options exercised in year Number	31 October 2013 Number
<b>Executive Directors</b>					
James Reed-Daunter	1	125,000	500,000	(125,000)	<b>500,000</b>
Steve Wassell		200,000	-	(200,000)	-
Totals		325,000	500,000	(325,000)	<b>500,000</b>

#### Notes:

- These options were granted on 23 July 2013 under the Arden Partners Share Plan 2013 and are exercisable subject to the achievement of Company performance related conditions. These options cannot be exercised until 31 December 2015, and have an expiry date of 31 December 2022.

Further details of option schemes are set out in note 19 to the Financial Statements.

#### Approval

This Report was approved by the Remuneration Committee and signed on its behalf by:



**Mark Ansell**  
**Chairman of Remuneration Committee**  
**14 January 2014**

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT AND THE FINANCIAL STATEMENTS

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### Directors' responsibilities

The directors are responsible for preparing the Annual Report (Including Director's Report and Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the 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 company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the European Union, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Website publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARDEN PARTNERS PLC**

For the year ended 31 October 2013

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We have audited the financial statements of Arden Partners plc for the year ended 31 October 2013 which comprise the consolidated statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report and the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ARDEN PARTNERS PLC**

For the year ended 31 October 2013

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**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



*Neil Fung-On (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
London  
United Kingdom  
14 January 2014*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 31 October 2013

	Note	2013 £'000	2012 £'000
<b>Revenue</b>	2	<b>10,103</b>	9,785
Administrative expenses		<b>(8,829)</b>	(9,634)
<b>Profit from operations</b>		<b>1,274</b>	151
Finance income	7	<b>71</b>	64
Finance costs	8	<b>(4)</b>	(4)
<b>Profit before taxation</b>		<b>1,341</b>	211
Income tax expense	9	<b>(351)</b>	(70)
<b>Profit after taxation</b>		<b>990</b>	141
<b>Other comprehensive income for the year:</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Decrease in fair value on available for sale financial assets		<b>(11)</b>	(10)
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>979</b>	131
<b>Earnings per share</b>			
Basic	10	<b>4.7p</b>	0.6p
Diluted	10	<b>4.5p</b>	0.6p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

At 31 October 2013

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		92		191
Deferred tax asset	13		83		134
<b>Total non-current assets</b>			<b>175</b>		<b>325</b>
<b>Current assets</b>					
Trading investments	14	6,756		5,058	
Available for sale financial assets	15	479		490	
Trade and other receivables	16	18,578		9,943	
Stock borrowing collateral	24	1,098		107	
Cash and cash equivalents	17	3,733		4,882	
<b>Total current assets</b>			<b>30,644</b>		<b>20,480</b>
<b>Total assets</b>			<b>30,819</b>		<b>20,805</b>
<b>Current liabilities</b>					
Trade and other payables	18		(19,071)	(9,068)	
Corporation tax liability			(315)	(130)	
<b>Total current liabilities</b>			<b>(19,386)</b>		<b>(9,198)</b>
<b>Total liabilities</b>			<b>(19,386)</b>		<b>(9,198)</b>
<b>Net assets</b>			<b>11,433</b>		<b>11,607</b>
<b>Shareholders' equity</b>					
Called up share capital	19		2,296		2,501
Capital redemption reserve			467		237
Share premium account			2,933		2,933
Employee Benefit Trust reserve			(1,046)		(607)
Available for sale reserve			(21)		(10)
Retained earnings			6,804		7,214
<b>Total equity before deduction of own shares</b>			<b>11,433</b>		<b>12,268</b>
Own shares			-		(661)
<b>Total equity</b>			<b>11,433</b>		<b>11,607</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 January 2014.



Steve Wassell  
Company Secretary



Mark Ansell  
Chairman of the Audit Committee

The notes on pages 27 to 49 form part of these financial statements

**COMPANY STATEMENT OF FINANCIAL POSITION**

At 31 October 2013

Company number: 4427253

	Note	2013 £'000	2013 £'000	2012 £'000	2012 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		92		191
Investments	12		-		-
Deferred tax asset	13		83		134
<b>Total non-current assets</b>			<b>175</b>		<b>325</b>
<b>Current assets</b>					
Trading investments	14	6,756		5,058	
Available for sale financial assets	15	479		490	
Trade and other receivables	16	18,766		10,131	
Stock borrowing collateral	24	1,098		107	
Cash and cash equivalents	17	3,728		4,876	
<b>Total current assets</b>			<b>30,827</b>		<b>20,662</b>
<b>Total assets</b>			<b>31,002</b>		<b>20,987</b>
<b>Current liabilities</b>					
Trade and other payables	18	(19,254)		(9,250)	
Corporation tax liability		(315)		(130)	
<b>Total current liabilities</b>			<b>(19,569)</b>		<b>(9,380)</b>
<b>Total liabilities</b>			<b>(19,569)</b>		<b>(9,380)</b>
<b>Net assets</b>			<b>11,433</b>		<b>11,607</b>
<b>Shareholders' equity</b>					
Called up share capital	19		2,296		2,501
Capital redemption reserve			467		237
Share premium account			2,933		2,933
Employee Benefit Trust reserve			(1,046)		(607)
Available for sale reserve			(21)		(10)
Retained earnings			6,804		7,214
<b>Total equity before deduction of own shares</b>			<b>11,433</b>		<b>12,268</b>
Own shares			-		(661)
<b>Total equity</b>			<b>11,433</b>		<b>11,607</b>

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 January 2014.



Steve Wassell  
Company Secretary



Mark Ansell  
Chairman of the Audit Committee

The notes on pages 27 to 49 form part of these financial statements



## CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2013

	Note	2013 £'000	2012 £'000
<b>Operating activities before taxation</b>			
Net profit before tax		1,341	211
Adjustments for:			
Fair value adjustments		193	(548)
Depreciation		123	249
Net interest receivable		(67)	(60)
Share based payments		76	233
<b>Operating cash flow before changes in working capital</b>		<b>1,666</b>	<b>85</b>
(Increase)/decrease in trade and other receivables		(8,635)	13,941
(Increase)/decrease in trading investments		(1,888)	1,349
Increase in stock borrowing collateral		(991)	(107)
Increase/(decrease) in trade and other payables		10,001	(14,247)
Purchase of available for sale investment		-	(500)
<b>Cash generated from operations</b>		<b>153</b>	<b>521</b>
Income taxes paid		(116)	(75)
<b>Cash flows from operating activities</b>		<b>37</b>	<b>446</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(24)	(46)
Net interest received		67	60
Net cash from investing activities		43	14
<b>Financing activities</b>			
Proceeds from the sale of own shares		332	-
Purchase of own shares		(1,322)	(661)
Issue of shares		25	38
Dividends paid to equity shareholders		(264)	(156)
Net cash from financing activities		(1,229)	(779)
Decrease in cash and cash equivalents		(1,149)	(319)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,882</b>	<b>5,201</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>3,733</b>	<b>4,882</b>

*The notes on pages 27 to 49 form part of these financial statements*

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 October 2013

	Note	2013 £'000	2012 £'000
<b>Operating activities before taxation</b>			
Net profit before tax		1,341	211
Adjustments for:			
Fair value adjustments		193	(548)
Depreciation		123	249
Net interest receivable		(67)	(60)
Share based payments		76	233
<b>Operating cash flow before changes in working capital</b>		<b>1,666</b>	<b>85</b>
(Increase)/decrease in trade and other receivables		(8,634)	13,939
(Increase)/decrease in trading investments		(1,888)	1,349
Increase in stock borrowing collateral		(991)	(107)
Increase/(decrease) in trade and other payables		10,001	(14,247)
Purchase of available for sale investment		-	(500)
<b>Cash generated from operations</b>		<b>154</b>	<b>519</b>
Income taxes paid		(116)	(75)
<b>Cash flows from operating activities</b>		<b>38</b>	<b>444</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(24)	(46)
Net interest received		67	60
Net cash from investing activities		43	14
<b>Financing activities</b>			
Proceeds from the sale of own shares		332	-
Purchase of own shares		(1,322)	(661)
Issue of shares		25	38
Dividends paid to equity shareholders		(264)	(156)
Net cash from financing activities		(1,229)	(779)
Decrease in cash and cash equivalents		(1,148)	(321)
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,876</b>	<b>5,197</b>
<b>Cash and cash equivalents at the end of the year</b>	17	<b>3,728</b>	<b>4,876</b>

The notes on pages 27 to 49 form part of these financial statements

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2013

	Share capital £'000	Share Premium account £'000	Capital Redemption Reserve £'000	Own shares £'000	Employee Benefit Trust Reserve £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 31 October 2011</b>	<b>2,700</b>	<b>2,933</b>	-	(1,193)	(612)	-	<b>8,189</b>	<b>12,017</b>
Profit for year	-	-	-	-	-	-	141	141
Revaluation of available for sale assets	-	-	-	-	-	(10)	-	(10)
Total comprehensive income for the year	-	-	-	-	-	(10)	141	131
Share based payments	-	-	-	-	-	-	233	233
Issue of shares	38	-	-	-	-	-	-	38
Purchase of own shares	-	-	-	(661)	-	-	-	(661)
Own shares cancelled	(237)	-	237	1,193	-	-	(1,193)	-
Sale of shares held by Employee Benefit Trust	-	-	-	-	5	-	-	5
Dividends paid to equity shareholders	-	-	-	-	-	-	(156)	(156)
<b>Balance at 31 October 2012</b>	<b>2,501</b>	<b>2,933</b>	<b>237</b>	<b>(661)</b>	<b>(607)</b>	<b>(10)</b>	<b>7,214</b>	<b>11,607</b>
Profit for year	-	-	-	-	-	-	990	990
Revaluation of available for sale assets	-	-	-	-	-	(11)	-	(11)
Total comprehensive income for the year	-	-	-	-	-	(11)	990	979
Share based payments	-	-	-	-	-	-	76	76
Issue of shares	25	-	-	-	-	-	-	25
Purchase of own shares	-	-	-	(696)	(626)	-	-	(1,322)
Sale of own shares	-	-	-	299	-	-	-	299
Own shares cancelled	(230)	-	230	1,058	-	-	(1,058)	-
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	187	-	(154)	33
Dividends paid to equity shareholders	-	-	-	-	-	-	(264)	(264)
<b>Balance at 31 October 2013</b>	<b>2,296</b>	<b>2,933</b>	<b>467</b>	-	<b>(1,046)</b>	<b>(21)</b>	<b>6,804</b>	<b>11,433</b>

### Notes

- The Employee Benefit Trust reserve represents shares held in the parent company by the Arden Partners Employee Benefit Trust which is consolidated in these financial statements in accordance with the accounting policy in note 1. During the year the Employee Benefit Trust purchased 1,174,030 shares at a price of £0.53 pence per share.

During the year 325,000 ordinary shares were issued from the employee benefit trust to satisfy employee share options (2012: Nil).

- Own Shares represents shares purchased to be held as treasury shares at historical cost.
- The capital redemption reserve represents the nominal value of shares that have been cancelled that were previously held as Treasury Shares.

*The notes on pages 27 to 49 form part of these financial statements*

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2013

	Share capital £'000	Share Premium account £'000	Capital Redemption Reserve £'000	Own shares £'000	Employee Benefit Trust Reserve £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
<b>Balance at 31 October 2011</b>	<b>2,700</b>	<b>2,933</b>	-	(1,193)	(612)	-	<b>8,189</b>	<b>12,017</b>
Profit for year	-	-	-	-	-	-	141	141
Revaluation of available for sale assets	-	-	-	-	-	(10)	-	(10)
Total comprehensive income for the year	-	-	-	-	-	(10)	141	131
Share based payments	-	-	-	-	-	-	233	233
Issue of shares	38	-	-	-	-	-	-	38
Purchase of own shares	-	-	-	(661)	-	-	-	(661)
Own shares cancelled	(237)	-	237	1,193	-	-	(1,193)	-
Sale of shares held by Employee Benefit Trust	-	-	-	-	5	-	-	5
Dividends paid to equity shareholders	-	-	-	-	-	-	(156)	(156)
<b>Balance at 31 October 2012</b>	<b>2,501</b>	<b>2,933</b>	<b>237</b>	<b>(661)</b>	<b>(607)</b>	<b>(10)</b>	<b>7,214</b>	<b>11,607</b>
Profit for year	-	-	-	-	-	-	990	990
Revaluation of available for sale assets	-	-	-	-	-	(11)	-	(11)
Total comprehensive income for the year	-	-	-	-	-	(11)	990	979
Share based payments	-	-	-	-	-	-	76	76
Issue of shares	25	-	-	-	-	-	-	25
Purchase of own shares	-	-	-	(696)	(626)	-	-	(1,322)
Sale of own shares	-	-	-	299	-	-	-	299
Own shares cancelled	(230)	-	230	1,058	-	-	(1,058)	-
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	187	-	(154)	33
Dividends paid to equity shareholders	-	-	-	-	-	-	(264)	(264)
<b>Balance at 31 October 2013</b>	<b>2,296</b>	<b>2,933</b>	<b>467</b>	<b>-</b>	<b>(1,046)</b>	<b>(21)</b>	<b>6,804</b>	<b>11,433</b>

### Notes

- The Employee Benefit Trust reserve represents shares held in the parent company by the Arden Partners Employee Benefit Trust which is consolidated in these financial statements in accordance with the accounting policy in note 1. During the year the Employee Benefit Trust purchased 1,174,030 shares at a price of £0.53 pence per share.

During the year 325,000 ordinary shares were issued from the employee benefit trust to satisfy employee share options (2012: Nil).

- Own Shares represents shares purchased to be held as treasury shares at historical cost.
- The capital redemption reserve represents the nominal value of shares that have been cancelled that were previously held as Treasury Shares.

*The notes on pages 27 to 49 form part of these financial statements*

## Notes to the Consolidated Financial Statements

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1) **Accounting policies**

Arden Partners plc is a public limited company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is set out on page 50.

***Basis of preparation***

The principal accounting policies adopted in the preparation of the financial statements are set out below. The policies have been consistently applied to the Group and Company to all the years presented unless otherwise stated.

These policies are in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively, "IFRS") issued by the International Accounting Standards Board as endorsed for use in the European Union. The Group and Company Financial Statements have been prepared in accordance with IFRS. These financial statements have also been prepared in accordance with those parts of the Companies Act 2006 that are applicable to companies preparing their financial statements in accordance with IFRS.

The Consolidated and Company Financial Statements have been prepared under the historical cost convention as modified by the revaluation of certain financial assets, financial liabilities and derivative instruments to fair value.

***Basis of consolidation***

Where the Company has the power, either directly or indirectly, to govern the financial and operating policies of another entity or business so as to obtain benefits from its activities, it is classified as a subsidiary. The consolidated financial statements present the results of the Company and its subsidiaries (the "Group") as if they formed a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The Company has taken advantage of Section 408 of the Companies Act 2006, and the Statement of Comprehensive Income of the parent company is not presented. The parent company's profit after taxation for the financial year amounted to £990,000 (2012: £141,000).

***New standards effective during the year***

None of the new standards, interpretations or amendments, which are effective for the first time in these financial statements, has had a material impact on these financial statements.

***Standards that have been issued, but are not yet effective for the year ended 31 October 2013 include:***

Amendments to IFRS 7 Offsetting Financial Assets and Financial Liabilities	1 Jan 2013
IFRS 13 Fair Value Measurement	1 Jan 2013
Annual Improvements to IFRSs (2009-2012 Cycle)	1 Jan 2013
IFRS 10 Consolidated Financial Statements	1 Jan 2014
Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	1 Jan 2014
IFRS 9 Financial Instruments	1 Jan 2015

## Notes to the Consolidated Financial Statements

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The Board is currently assessing the impact of IFRS 13 and IFRS 9. All other standards and interpretations are not expected to have a material impact on the financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently by the Group to all periods presented in these consolidated financial statements.

### **Revenue**

Revenue comprises the net realised and unrealised trading gains or losses of shares traded on a principal basis, commissions and fees earned from trading shares on an agency basis, together with fees derived from corporate finance activities, broking services and retainers.

Revenue is recognised at the fair value of the consideration receivable, to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group. Where consideration includes financial instruments or other non-cash items, revenue is measured at fair value using an appropriate valuation method.

### *Corporate Finance Division*

The Group recognises revenue at the point of completing an assignment to the extent that it has obtained the right to consideration through performance of its services to clients.

Deal fees and placing commissions are only recognised once there is certainty of the contractual entitlement for the Group to receive them.

Corporate retainers are recognised on an accruals basis.

### *Equities Division*

Institutional commissions are recognised on trade dates. Net trading gains or losses are the realised and unrealised profits and losses from market making long and short positions on a trade date basis.

### **Interest receivable**

Financial income, which comprises principally interest received, is recognised using the effective interest rate method.

### **Property, plant and equipment**

Property, plant and equipment is stated at cost, net of depreciation and impairment in value.

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets evenly over their expected useful lives on a straight line basis. It is calculated at the following rates:

Improvements to leasehold buildings	-	33.33% per annum
Fixtures, fittings and computer equipment	-	33.33% per annum

### **Investments**

Investments in subsidiaries are stated at cost less, where appropriate, provision for impairment.

### **Financial assets**

Financial assets comprise trading investments, available for sale assets, trade receivables, other receivables, and cash and cash equivalents. The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. The Group has not classified any of its financial assets as held to maturity.

The Group's accounting policy for each category is as follows:

## Notes to the Consolidated Financial Statements

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- **Trading investments:** Trading investments comprise held for trading investments:
  - **Held for trading:** Held for trading investments represent long market making positions and other investments held for resale in the near term and are stated at fair value with gains and losses from changes in fair value being taken to the Statement of Comprehensive Income. For trading investments which are quoted in active markets, fair values are determined by reference to the current quoted bid price. Other trading investments may include options and warrants which are valued using the Black-Scholes model.
  - **Fair value through profit or loss:** This category comprises only in-the-money derivatives. They are carried in the statement of financial position at fair value with changes in fair value recognised in the consolidated statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.
- **Loans and receivables:** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the Statement of Comprehensive Income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the Statement of Financial Position.

- **Market receivables:** comprise sold security transactions awaiting settlement at the year end. These balances are shown gross and are recognised by trade date.
- **Available for sale assets:** Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on contract date with any change in fair value between trade date and the balance sheet date being recognised in the revaluation reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the Statement of Comprehensive Income.

## Notes to the Consolidated Financial Statements

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- **Cash and cash equivalents:** Cash and cash equivalents comprise cash in hand, bank balances and call deposits that are readily convertible to a known amount of cash and are not subject to a significant risk of changes in value. Cash and cash equivalents all have original dates to maturity of three months or less.

### **Financial liabilities**

The Group classifies its financial liabilities into one of the categories discussed below, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

- **Held for trading:** Held for trading liabilities represent short market-making positions and are stated at fair value. Gains and losses from changes in fair value are taken to the Statement of Comprehensive Income.

For trading liabilities which are quoted in active markets, fair values are determined by reference to the current quoted offer price.

- **Fair value through profit or loss:** The Group does not have any financial liabilities designated as being at fair value through profit or loss.
- **Other financial liabilities:** These comprise market payables, trade payables, other payables and accruals. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.
- **Market payables:** These comprise purchased security transactions awaiting settlement at the year end. These balances are shown gross and are recognised by trade date.

### **Stock borrowing collateral**

The Group may enter into stock borrowing arrangements with certain institutions which are entered into on a collateralised basis with securities or cash advances received as collateral.

Under such arrangements a security is purchased with a commitment to return it at a future date at a future agreed price. The securities purchased are not recognised on the Statement of Financial Position and the transaction is treated as a secured loan made for the purchase price.

Where cash has been used to effect the purchase, the cash collateral amount is recorded as a pledged asset on the Statement of Financial Position.

### **Foreign currency transactions**

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the Statement of Financial Position date are translated into sterling at the exchange rate ruling at the Statement of Financial Position date. Foreign exchange differences arising on translation are recognised in the Statement of Comprehensive Income.

### **Taxation**

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the Statement of Financial Position date, and any adjustment to tax payable in respect of previous years.



## Notes to the Consolidated Financial Statements

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Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the Statement of Financial Position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at an Annual General Meeting. Dividends unpaid at the Statement of Financial Position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company.

### *Own Shares*

The cost of purchasing Treasury Shares held by the company are shown as a deduction against equity and are declared as Own Shares.

### *Leased assets*

Operating lease rentals are charged to the Profit and Loss account within the Statement of Comprehensive Income on a straight line basis over the period of the lease.

### *Pension costs*

Contributions to defined contribution pension schemes are charged to the Statement of Comprehensive Income in the period in which they become payable.

### *Employee Benefit Trust*

Arden Partners Employee Benefit Trust is a trust established by Trust deed in 2006 and the assets and liabilities are held separately from the Company. Its assets and liabilities are fully consolidated in the consolidated and company Statements of Financial Position, and holdings of Arden Partners plc shares by the Arden Partners Employee Benefit Trust are shown as a deduction from company and consolidated equity under the heading "Employee Benefit Trust reserve".

### *Share based payments – equity settled*

All options granted are recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value is measured using the Black-Scholes model, taking into account the terms and conditions upon which the options were granted.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Statement of Financial Position date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

## Notes to the Consolidated Financial Statements

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### *Critical accounting estimates*

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets, liabilities, income and expense. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances, the results of which form the basis of judgements about carrying values of assets and liabilities. Actual results may differ from those amounts.

Judgements made by management that may have a significant effect on the financial statements relate principally to the Group's equity-settled share-based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using valuation models, such as Black-Scholes, on the date of grant based on certain assumptions.

Those assumptions are described in note 19 and include, among others, the dividend growth rate and expected volatility.

### 2) **Revenue**

Revenue is wholly attributable to the principal activity of the Group and arises solely within the United Kingdom.

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Equities Division	<b>5,046</b>	6,424
Corporate Finance Division	<b>5,057</b>	3,361
<b>Total revenue</b>	<b>10,103</b>	9,785

Included within revenue of the Equities Division is a loss of £190,000 (2012: profit £486,000) relating to the fair value adjustment of derivatives held within trading investments that are fair valued through profit or loss.

The Directors are of the opinion that there are only two operating segments and while segment revenues are reviewed internally business resources are not allocated to segments for the purposes of deriving either profit or assets. In 2013, one of the Group's customers contributed 10% or more of the Group's revenue. The amount was £1,400,000 which is reflected in the Corporate Finance division revenue. In 2012 none of the Group's customers contributed 10% or more of the groups revenue.

## Notes to the Consolidated Financial Statements

### 3) Profit from operations

	2013	2012
	£'000	£'000
<b>This is arrived at after charging:</b>		
Depreciation of property, plant and equipment	123	249
Operating lease costs	244	248
Auditor's remuneration:		
Audit services:		
Company	35	33
Subsidiaries	1	1
Tax services	6	6
Audit related assurance services	12	12
Foreign currency losses	(2)	1
Share based payments	76	233
Reorganisation costs	-	559

### 4) Dividends

Dividends recognised in the year consisted of the 2013 interim dividend of £264,000 (1.25p per share).

Dividends recognised in the prior year consisted of the 2012 interim dividend of £156,000 (0.65p per share).

The amounts shown above in respect of dividends paid by the Group exclude dividends paid to the Arden Partners Employee Benefit Trust amounting to £Nil in 2013 (2012: £2,000).

### 5) Employees

Staff costs (including Directors) of the Company and Group consist of:

	2013	2012
	£'000	£'000
Wages and salaries	3,116	4,015
Incentive payments	838	200
Share based payments (see note 19 for further details)	76	233
Social security costs	504	472
Other pension costs	218	291
	<b>4,752</b>	<b>5,211</b>

Staff costs include an amount of £Nil (2012: £559,000) in respect of reorganisation payments. The average number of employees (including Directors) of the Group and Company during the year was 39 (2012: 37) of which 25 (2012: 23) are front-office and the remainder are administration.

During the year a pension accrual of £41,000 (2012: £120,000) which had been accrued in previous years has been released to the Statement of Comprehensive Income.

## Notes to the Consolidated Financial Statements

### 6) Directors' remuneration

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Directors' emoluments	<b>708</b>	707
Company contributions to money purchase pension schemes	<b>51</b>	57
Gain on exercise of share options	<b>119</b>	-
Compensation for loss of office	<b>-</b>	141
	<b>878</b>	905

There were 3 Directors in defined contribution pension schemes during the year (2012: 4).

The total amount payable to the highest paid Director in respect of emoluments was £302,000 (2012: £221,000). Company pension contributions of £19,000 (2012: £23,000) were provided towards a money purchase scheme on his behalf. A gain was realised on the exercise of 125,000 share options of £46,000 (2012: £Nil).

Further details of Directors' remuneration are set out in the Report on Directors' Remuneration on pages 13 to 16.

### 7) Finance income

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Bank and other interest receivable	<b>71</b>	64

### 8) Finance costs

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Bank loans and overdrafts	<b>4</b>	4

## Notes to the Consolidated Financial Statements

## 9) Income tax expense

	2013	2012
	£'000	£'000
<b>UK Corporation tax</b>		
Current tax on profit of the year	304	118
Adjustment in respect of previous periods	(3)	(39)
<b>Total current tax</b>	<b>301</b>	<b>79</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	7	(36)
Deferred tax on share options	41	-
Change in tax rate	6	8
Adjustment in respect of previous periods	(4)	19
<b>Total deferred tax</b>	<b>50</b>	<b>(9)</b>
<b>Total taxation expense</b>	<b>351</b>	<b>70</b>

The tax assessed for the year is higher (2012: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2013	2012
	£'000	£'000
<b>Profit before tax</b>	<b>1,341</b>	<b>211</b>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 23% (2012: 24%)	308	51
Effect of:		
Expenses not deductible for tax purposes	3	46
Prior year current tax over provision	(3)	(39)
Prior year deferred tax (over)/under provision	(4)	19
Change in tax rate	6	15
Marginal relief	-	(12)
Deferred tax on share options	41	(10)
<b>Total taxation expense</b>	<b>351</b>	<b>70</b>

As a result of a change in legislation the Directors anticipate that profits for the year ending 31 October 2014 will be taxed at a rate of 21%.

## Notes to the Consolidated Financial Statements

### 10) Earnings per share

In addition to the basic earnings per share, underlying earnings per share has been shown because the Directors consider that this gives a more meaningful indication of the underlying performance of the Group. Where applicable, all adjustments are stated after taking into consideration current tax treatment ignoring deferred tax.

	Year ended 31 October 2013		Year ended 31 October 2012	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
<b>Basic earnings per share</b>	<b>4.7</b>	<b>990</b>	0.6	141
Add: IFRS2 share-based payments	<b>0.4</b>	<b>76</b>	1.0	233
Add: Reorganisation payments	-	-	1.8	425
<b>Underlying basic earnings</b>	<b>5.1</b>	<b>1,066</b>	3.4	799
<b>Diluted earnings per share</b>	<b>4.5</b>	<b>990</b>	0.6	141
Add: IFRS2 share-based payments	<b>0.4</b>	<b>76</b>	0.9	233
Add: Reorganisation payments	-	-	1.7	425
<b>Underlying diluted earnings</b>	<b>4.9</b>	<b>1,066</b>	3.2	799

	Year ended 31 October 2013	Year ended 31 October 2012
	Number	Number
<b>Denominator</b>		
Weighted average number of shares in issue for <b>Basic</b> Earnings calculation	<b>21,008,130</b>	23,741,595
Weighted average dilution for outstanding share options	<b>740,730</b>	951,788
Weighted average number for <b>diluted</b> earnings calculation	<b>21,748,860</b>	24,693,383

The weighted average dilution for outstanding share options was 740,730 (2012: 951,788). The 1,823,868 (2012: 974,838) shares held by the Arden Partners Employee Benefit have been treated as cancelled and excluded from the denominator. 250,000 shares have been excluded from the diluted earnings per share calculations because as at 31 October 2013 these shares were anti dilutive.

In the prior year 1,512,928 shares held in treasury were treated as cancelled and excluded from the denominator.

Notes to the Consolidated Financial Statements

11) Property, plant and equipment

Group and Company as at 31 October 2013

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 November 2012	494	1,581	2,075
Additions	-	24	24
Disposals	(193)	(415)	(608)
<b>At 31 October 2013</b>	<b>301</b>	<b>1,190</b>	<b>1,491</b>
<i>Depreciation</i>			
At 1 November 2012	479	1,405	1,884
Provided for the year	15	108	123
Disposals	(193)	(415)	(608)
<b>At 31 October 2013</b>	<b>301</b>	<b>1,098</b>	<b>1,399</b>
<i>Net book value</i>			
<b>At 31 October 2013</b>	<b>-</b>	<b>92</b>	<b>92</b>
At 31 October 2012	15	176	191

Group and Company as at 31 October 2012

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 November 2011	494	1,535	2,029
Additions	-	46	46
<b>At 31 October 2012</b>	<b>494</b>	<b>1,581</b>	<b>2,075</b>
<i>Depreciation</i>			
At 1 November 2011	395	1,240	1,635
Provided for the year	84	165	249
<b>At 31 October 2012</b>	<b>479</b>	<b>1,405</b>	<b>1,884</b>
<i>Net book value</i>			
<b>At 31 October 2012</b>	<b>15</b>	<b>176</b>	<b>191</b>
At 31 October 2011	99	295	394

At 31 October 2013, the Group and Company had capital commitments of £Nil (2012: £Nil).

**Notes to the Consolidated Financial Statements**

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**12) Investments**

**Company**

	<b>Group undertakings £</b>
<i>Cost</i>	
At 1 November 2012 and 31 October 2013	<b>42</b>

The Company owns the whole of the issued share capital of Arden Partners Nominees Limited, a company registered in England. This company's sole activity is the holding of investments for clients of Arden Partners plc. The company has not traded during the current or prior year.

The Company also owns the whole of the issued share capital of Arden Partners EBT Limited, a company registered in England. The company's sole activity is to act as payment agent for the Arden Partners Employee Benefit Trust. At 31 October 2013, the Arden Partners Employee Benefit Trust held 1,823,868 ordinary shares in Arden Partners plc (2012: 974,838 ordinary shares).

The Company also owns the whole of the issued share capital of Arden Partners Asset Management Limited, a company registered in England which was formed as a name protection company. The company has not traded during the current or prior year.



Notes to the Consolidated Financial Statements

13) Deferred tax

Group and Company - 2013

	Accelerated capital allowances and temporary differences £'000	Share option £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2012 – asset/(liability)	58	76	134	-
Adjustments in respect of previous periods	(4)	-	(4)	-
(Charged)/credited to statement of comprehensive income	(5)	(39)	(44)	-
Change in tax rate – (charged)/credited to statement of comprehensive income	-	(3)	(3)	-
<b>At 31 October 2013</b>	<b>49</b>	<b>34</b>	<b>83</b>	<b>-</b>

Deferred taxation comprises:

	2013 £'000	2012 £'000
Accelerated capital allowances	49	41
Other timing differences	-	17
Share options	34	76
<b>Total deferred tax asset</b>	<b>83</b>	<b>134</b>
<b>Deferred tax liability on financial assets</b>	<b>-</b>	<b>-</b>

Notes to the Consolidated Financial Statements

13) Deferred tax - continued

Group and Company – 2012

	Accelerated capital allowances and temporary differences £'000	Share option £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2011 – asset/(liability)	54	71	125	-
Adjustments in respect of previous periods	(19)	-	(19)	-
(Charged)/credited to statement of comprehensive income	26	10	36	-
Change in tax rate – (charged)/credited to statement of comprehensive income	(3)	(5)	(8)	-
<b>At 31 October 2012</b>	<b>58</b>	<b>76</b>	<b>134</b>	<b>-</b>

14) Trading investments

Group and Company

	2013 £'000	2012 £'000
Long market making positions	5,732	4,044
Convertible loan note	201	-
Other investments:		
Options and warrants	823	1,014
	<b>6,756</b>	<b>5,058</b>

At 31 October 2013 the historical cost of long market making positions was £6,246,000 (2012 £4,219,000). There are no long market making positions denominated in foreign currency (2012: £Nil).

At 31 October 2013 the historical cost of convertible loan note was £200,000 (2012 £Nil). There are no convertible loan notes denominated in foreign currency (2012: £Nil).

At 31 October 2013 the historical cost of other investments was £86,000 (2012: £87,000). There are no other investments denominated in foreign currency (2012: £Nil).

## Notes to the Consolidated Financial Statements

### 15) Available for sale financial assets

#### Group and Company

	2013 £'000	2012 £'000
At 1 November 2012	490	-
Purchased during the year	-	500
Transfer to equity	(11)	(10)
<b>At 31 October 2013</b>	<b>479</b>	<b>490</b>

At 31 October 2013 the historical cost of the listed investments was £500,000 (2012: £500,000). There are no listed investments denominated in foreign currency (2012: £Nil).

Listed investments relates to a holding in Treasury Gilts which is pledged as security to BNP Paribas Securities Services.

### 16) Trade and other receivables

#### Group

	2013 £'000	2012 £'000
Market receivables	16,345	7,570
Trade receivables	756	1,351
Other receivables	1,018	541
Prepayments and accrued income	459	481
	<b>18,578</b>	<b>9,943</b>

#### Company

	2013 £'000	2012 £'000
Market receivables	16,345	7,570
Trade receivables	756	1,351
Other receivables	1,206	729
Prepayments and accrued income	459	481
	<b>18,766</b>	<b>10,131</b>

There are no amounts denominated in foreign currency included within trade receivables of the Group and the Company at 31 October 2013 (2012: £Nil).

The fair value of market, trade and other receivables approximates to amortised cost.

An analysis of overdue trade receivables is shown in note 24. No other receivables are overdue.

## Notes to the Consolidated Financial Statements

### 17) Cash and cash equivalents

#### Group

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Cash and bank balances	<b>123</b>	237
Call deposits	<b>3,610</b>	4,645
	<b>3,733</b>	4,882

#### Company

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Cash and bank balances	<b>118</b>	231
Call deposits	<b>3,610</b>	4,645
	<b>3,728</b>	4,876

Included within cash and bank balances of the Group and the Company at 31 October 2013 is an amount of £9,000 (2012: £150,000) which is denominated in US\$.

### 18) Trade and other payables

#### Group

	<b>2013</b>	2012
	<b>£'000</b>	£'000
Held for trading liabilities	<b>178</b>	-
Market payables	<b>16,307</b>	7,379
Trade payables	<b>365</b>	304
Other taxation and social security	<b>151</b>	262
Other payables	<b>1,461</b>	365
Accruals and deferred income	<b>609</b>	758
	<b>19,071</b>	9,068

There are no differences between the fair values and the amortised cost of any of the trade and other payables. Included in the above are financial liabilities amounting to £18,084,000 (2012: £8,135,000).

## Notes to the Consolidated Financial Statements

## Company

	2013	2012
	£'000	£'000
Held for trading liabilities	178	-
Market payables	16,307	7,379
Trade payables	365	304
Other taxation and social security	151	262
Other payables	1,644	547
Accruals and deferred income	609	758
	<b>19,254</b>	<b>9,250</b>

There are no differences between the fair values and the amortised cost of any of the trade and other payables. Included in the above are financial liabilities amounting to £18,266,000 (2012: £8,317,000).

## 19) Share capital

	Authorised		Allotted, called up and fully paid	
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
<b>Equity share capital</b>				
40,000,000 Ordinary shares of 10p each	4,000	4,000	-	-
22,959,065 (2012: 25,005,594) Ordinary shares of 10p each	-	-	2,296	2,501

During the year the Company issued in aggregate 255,000 (2012: 382,644) ordinary shares of 10p each to satisfy the exercise of share options. Gross proceeds were £25,000 (2012: £38,000) of which £25,000 (2012: £38,000) has been credited to share capital and £Nil (2012: £Nil) to the Share Premium account.

In April 2013 the company cancelled 2,301,529 (2012: 2,372,768) ordinary shares that it held in Treasury at the beginning of the financial year.

In November 2013 the Company purchased 661,087 ordinary shares at 48.5 pence per share for consideration of £0.3m. These shares are to be held in Treasury.

Notes to the Consolidated Financial Statements

*Options over the Company's shares outstanding*

Movements in the number of share options and their weighted average exercise prices are as follows:

	Number of Options 2013	Weighted Average Exercise price (pence) 2013	Number of Options 2012	Weighted Average Exercise price (pence) 2012
At 1 November 2012	2,025,475	28.1	2,504,859	24.9
Exercised during the year	(580,000)	(10.0)	(382,644)	(10.0)
Granted during the year	1,068,250	32.2	-	-
Lapsed during the year	(167,399)	47.8	(96,740)	(16.5)
<b>At 31 October 2013</b>	<b>2,346,326</b>	<b>33.0</b>	2,025,475	28.1

The weighted average market price of the Company's shares at the date of exercise of options during the year was 47.0p (2012: 34.4p).

The share options outstanding at the year end have a weighted average exercise price and expected remaining life as follows:

	31 October 2013			31 October 2012		
	Number of share options	Weighted Average exercise price (pence)	Weighted average expected remaining life (months)	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life (months)
Arden Partners Old Scheme	803,076	47.8	30	970,475	47.8	42
Arden Partners Share Plan 2007	475,000	10.0	87	1,055,000	10.0	87
Arden Partners Share Plan 2013	1,068,250	32.2	117	-	-	-
	<b>2,346,326</b>			2,025,475		

## Notes to the Consolidated Financial Statements

The number of options outstanding by issue date and exercise price, together with the vesting periods, fair values, and the assumptions used to calculate the fair value, and the actual remaining contractual life as at 31 October 2013 are as follows:

	Arden Partners Share Plan 2013	Arden Partners Share Plan 2007	Arden Partners Old Scheme
Grant dates	23/07/2013 to 25/09/2013	17/04/2008 to 24/03/2012	21/4/2006
Weighted average fair value at grant date <sup>1</sup>	8p to 44p	45p to 148p	3.5p
Average exercise price	32.2p	10.0p	47.8p
Weighted average share price at date of grant <sup>2</sup>	18.8p	91.0p	30.0p
Expected volatility <sup>3</sup>	30%	30%	30%
Risk free interest rate	0.5%	4% to 5.75%	5%
Dividend yield	5%	5%	5%
Option life (months)	120	120	120
Weighted average option life (months)	120	120	120
Weighted average life remaining (months)	117	87	30
Number of options outstanding	1,068,250	475,000	803,076
Percentage of options expected to vest	100%	100%	100%
Number of options vested but unexercised	-	100,000	803,076

### Notes:

- The estimate of the fair value of the services received is measured based on the Black-Scholes model. The contractual life is the life of the option in question and growth in dividend yield is based on the best current estimate of future yields over the contractual period.
- The Arden Partners Old Scheme was established in April 2006 with the stock price having been agreed with the Inland Revenue Share Valuation Office.
- Expected volatility is based on historic information adjusted to take effect of future trends in economic conditions, behavioural considerations and exercise restrictions.

The total expense recognised for the year arising from share based payments is as follows:

	2013 £'000	2012 £'000
Expensed during the year (equity settled) <i>(included within employee costs as set out in note 5)</i>	76	233

## 20) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Where members of staff do not join the Company scheme, contributions are made to their own nominated schemes all of which are defined contribution. The pension charge for the year amounted to £187,000 (2012: £291,000). Contributions amounting to £27,000 (2012: £75,000) were payable to schemes and are included in payables.

## Notes to the Consolidated Financial Statements

### 21) Commitments under operating leases

The Group and the Company were committed to making the following payments under non-cancellable operating leases as set out below:

	<b>Land and buildings</b>	
	<b>2013</b>	2012
	<b>£'000</b>	£'000
Within one year	<b>227</b>	227
Between one and two years	<b>213</b>	227
Between two and five years	<b>-</b>	213
	<b>440</b>	667

### 22) Related party disclosures

The key management are considered to be the Board of Directors of Arden Partners plc, whose remuneration can be seen in the Directors' Remuneration Report on pages 13 to 16. The compensation in total for each category required by IAS 24 is as follows:

	<b>Year ended</b>	Year ended
	<b>31 October</b>	31 October
	<b>2013</b>	2012
	<b>£'000</b>	£'000
Salaries and short term employee benefits	<b>708</b>	707
Pension Contributions	<b>51</b>	57
Share-based payments	<b>4</b>	106
Compensation for loss of office	<b>-</b>	141
	<b>763</b>	1,011

The Group has paid £15,000 (2012: £42,000) to Mark Ansell Consulting Limited for the services of Mark Ansell as a Non-Executive Director, Mark Ansell is a director of both Mark Ansell Consulting Limited and Arden Partners plc. At 31 October 2013 there were no amounts due to Mark Ansell Consulting Limited (2012: £7,110).

### 23) Post balance sheet events

On 2 November 2013 and 3 November 2013 the company purchased a total of 661,087 ordinary shares to be held in Treasury. The total cost of the shares was £0.3m.

### 24) Financial instruments and risk profile

The Group and Company's financial instruments comprise cash and cash equivalents, trading positions, trade receivables and trade payables arising from operations. The Group and Company have recognised the following risks arising from these financial instruments:

- Equity price risk
- Credit risk
- Liquidity risk
- Operational risk

#### 24.1 *Equity price risk*

The Group and Company face risk arising from holding trading investments in markets that fluctuate. The Group and Company manage equity price risk by establishing individual stock limits and overall investment criteria, and management reports are prepared daily in support of a review regime. The Board reviews trading investments on a monthly basis.



## Notes to the Consolidated Financial Statements

### 24.2 *Liquidity risk*

Liquidity risk is the risk that the Group and Company are unable to raise sufficient funding to enable them to meet their obligations and is managed as follows:

- maintaining a strong capital base
- forecasting future cash-flow requirements
- monitoring of cash positions on a daily basis
- monitoring of market making positions on a daily basis
- control over timely settlement of trade receivables
- control over timely settlement of market receivables and payables.

#### *Capital management*

The Group and Company's policy in respect of capital adequacy is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the years ended 31 October 2012 and 2013 capital has been maintained at a level above minimum FCA requirements. Such levels have been established by reference to an internal ICAAP assessment. The Group and Company's capital resources consist of Tier 1 equity capital and Tier 3 retained earnings.

The Group and Company hold their cash and cash equivalents with a reputable financial institution. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash.

### 24.3 *Credit risk*

Credit risk represents the possibility that the Group or Company will suffer a loss from a counterparty failing to meet its obligations. Credit risk is managed as follows:

- robust client account opening and vetting procedures
- general policy to deal only with FCA registered counterparties
- general policy on limiting exposure to concentration risk
- control over timely settlement of market receivables
- review of daily settlement reports by the Risk Committee

#### *Exposure to credit risk*

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Market receivables	16,345	7,570	16,345	7,570
Collateral deposits	1,098	107	1,098	107
Trade receivables	756	1,351	756	1,351
Other receivables	1,018	541	1,206	729
Cash and cash equivalents	3,733	4,882	3,728	4,876
<b>Total loans and receivables</b>	<b>22,950</b>	14,451	<b>23,133</b>	14,633

## Notes to the Consolidated Financial Statements

The ageing of trade receivables at the reporting date was:

	<b>31 October 2013 £'000</b>	31 October 2012 £'000
Not past due	<b>698</b>	1,332
Past due 31-60 days	<b>7</b>	9
Past due 61-90 days	<b>14</b>	-
Past due 91-120 days	<b>62</b>	10
Past due 121+ days	-	-
Provisions	<b>(25)</b>	-
<b>Total</b>	<b>756</b>	1,351

Movement in provision

	<b>31 October 2013 £'000</b>	31 October 2012 £'000
Opening balance at 1 November 2012	-	-
Amounts released	-	(10)
Amounts written off	-	(5)
Increase in provision	<b>25</b>	15
<b>Closing balance at 31 October 2013</b>	<b>25</b>	-

#### 24.4 *Operational risk*

Operational risk is the risk of loss resulting from inadequate or failed internal processes, staff or systems, or from external causes whether deliberate, accidental or natural. This would also include risk from changes in legislation, regulation, currency or interest rate risk.

Operational risk is managed by the Operations Committee with day-to-day control exercised by the Chief Operating Officer. The Group and Company also has contingency plans in place to cover loss of systems, property and other eventualities.

The Group and Company had an aggregate currency exposure at 31 October 2013 in respect of US\$15,000 (£9,000). There was a currency exposure for the Group and the Company at 31 October 2012 of US\$241,000 (£150,000). The effect of a 10% movement in the US\$/£ exchange rate from the rate ruling at the balance sheet date would be to impact profit/(loss) and net assets by approximately £1,000 (2012: £15,000).

Fixed rate cash financial assets of £3,611,000 (2012: £4,645,000) comprise sterling cash deposits on money markets at an average rate of 0.50% (2012: 0.50%). Remaining cash was held on current accounts attracting interest based on LIBID. Other financial assets do not have maturity dates and do not currently attract interest.

If the average level of interest received on cash deposits had been 0.5% higher or lower than the level actually received in the year ended 31 October 2013, the profit before taxation would have been decreased or increased by approximately £10,000. In the year ended 31 October 2012 a 0.5% movement in rates would have increased or decreased the profit before taxation by approximately £5,000.

## Notes to the Consolidated Financial Statements

### 24.5 Fair value estimation

The Company has adopted the amendment to IFRS 7 for financial instruments which are measured at fair value at the balance sheet date. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices unadjusted in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, observed either directly as prices or indirectly from prices; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 October 2013:

#### Group and Company as at 31 October 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Trading investments:				
Long market making positions	5,732	-	-	5,732
Convertible loan note	201	-	-	201
Options and warrants	-	824	-	824
Available for sale financial assets	479	-	-	479
Stock borrowing collateral	1,098	-	-	1,098
	7,510	824	-	8,334
<b>Liabilities</b>				
Held for trading liabilities	178	-	-	178

#### Group and Company as at 31 October 2012

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Trading investments:				
Long market making positions	4,044	-	-	4,044
Options and warrants	-	1,014	-	1,014
Available for sale financial assets	490	-	-	490
Stock borrowing collateral	107	-	-	107
	4,641	1,014	-	5,655
<b>Liabilities</b>				
Held for trading liabilities	-	-	-	-

**Corporate Information**

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<b>Company Secretary</b>	Steve Wassell Arden House 17 Highfield Road Edgbaston Birmingham B15 3DU  Direct Line: 0121 423 8993
<b>Company Number</b>	4427253
<b>Nominated Advisor</b>	Altium Capital Limited 30 St James's Square London SW1Y 4AL
<b>Registrar</b>	Capita IRG Plc The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Lawyers</b>	Eversheds LLP 1 Wood Street London EC2V 7WS
<b>Auditors</b>	BDO LLP 55 Baker Street London W1U 7EU
<b>Bankers</b>	HSBC Bank plc 1 <sup>st</sup> Floor 60 Queen Victoria Street London EC4N 4TR
<b>Registered Office</b>	Arden House 17 Highfield Road Edgbaston Birmingham B15 3DU

## Notice of Meeting

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Notice is hereby given that the Annual General Meeting of Arden Partners plc (the "Company") will be held at 125 Old Broad Street, London, EC2N 1AR on 20 March 2014 at 11.00 a.m. for the following purposes:

### Ordinary Business

1. To receive and adopt the Company's Financial Statements for the year ended 31 October 2013, together with the Directors' Report, Directors' Remuneration Report and Report of the Independent Auditor on those Financial Statements.
2. To re-elect Mark John Ansell as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
3. To re-elect Peter Geoffrey Moon as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
4. To re-elect Stephen Michael Wassell as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
5. To reappoint BDO LLP as auditors to the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid and to authorise the Directors to fix their remuneration.
6. That the Company declare a final dividend for the year ended 31 October 2013 of 1.75 pence per ordinary share of 10 pence each in the Company, to be paid on 28 March 2014 to members whose names appear on the register of members at the close of business on 28 February 2014 with an ex-dividend date of 26 February 2014.

To transact any other ordinary business of the Company.

### Special Business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution numbered 7 as an ordinary resolution and as to resolutions numbered 8 and 9 as special resolutions:

7. That, subject to and in accordance with Article 12 of the Articles of Association of the Company, the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for any existing authority to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of such section) up to a maximum aggregate nominal value of £743,265.90, being approximately one third of the current issued share capital (excluding treasury shares), such authority to expire on the conclusion of the next Annual General Meeting of the Company but so that the Company may before such expiry make offers or agreements which would or might require relevant securities of the Company to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
8. That, subject to the passing of resolution 7 as set out in the notice of this meeting, and in accordance with Article 13 of the Articles of Association of the Company, the Directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the general authority and be empowered pursuant to section 573 of the said Act to sell ordinary shares (as defined in section 560 of the said Act) held by the Company as treasury shares (as defined in section 724 of the said Act, for cash) as if section 561(1) of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:

## Notice of Meeting

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- 8.1 in connection with or pursuant to an offer of such securities by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
- 8.2 otherwise than pursuant to sub-paragraph 8.1 above, up to an aggregate nominal amount of £111,489.89, and such power shall expire on the conclusion of the next Annual General Meeting of the Company provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.
9. That the Company be generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006, to make market purchases (as defined in section 693(4) of the Companies Act 2006) of up to 3,344,696 ordinary shares of 10p each in the capital of the Company (being approximately 15 per cent of the current issued ordinary share capital of the Company (excluding treasury shares)) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
- 9.1 the amount paid for each share (exclusive of expenses) shall not be:
- (i) more than the higher of (1) five per cent above the average of the middle market quotation for ordinary shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the trading venue where the purchase was carried out; or
  - (ii) less than 10p per share; and
- 9.2 the authority herein contained shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2015 provided that the Company may, before such expiry, make a contract to purchase its own shares which would or might be executed wholly or partly after such expiry, and the Company may make a purchase of its own shares in pursuance of such contract as if the authority hereby conferred hereby had not expired.

By order of the Board  
Stephen Wassell  
Company Secretary

14 January 2014

**Registered office:**

Arden House  
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