

**Arden Partners plc**  
**Annual Report 2010**



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.

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## Highlights

	Year ended 31 Oct 2010	Year ended 31 Oct 2009
<b>Financial</b>		
Revenue	<b>£13.0m</b>	£13.1m
(Loss)/Profit before tax	<b>(£0.5m)</b>	£1.5m
Share based payments and reorganisation costs	<b>£1.8m</b>	£0.7m
Underlying profit before tax*	<b>£1.3m</b>	£2.2m
 (Loss)/earnings per share:		
Basic	<b>(4.2p)</b>	5.1p
Underlying Basic <sup>†</sup>	<b>2.4p</b>	8.0p
Diluted	<b>(4.2p)</b>	4.8p
Underlying Diluted <sup>‡</sup>	<b>1.6p</b>	7.5p
 Dividend per ordinary share:		
Interim	<b>Nil</b>	Nil
Proposed final	<b>Nil</b>	Nil
 <b>Non-financial</b>		
Funds raised for clients	<b>£183m</b>	£73m
Client brokerships	<b>41</b>	39
Average number of staff	<b>58</b>	55

\* 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

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

## Chairman's Statement

The year's results are satisfactory and have been delivered against a background of challenging conditions and subdued equity markets. Despite this, I am pleased to have seen the Group deliver an underlying profit and positive operating cash flows before changes in working capital. These results should also be read in the context of the trading update which the Board released on 10 September 2010 then advising that the Group was unlikely to meet market expectations. At that stage there was no clarity that certain transactions in the pipeline would be delivered by the year end so it was deemed prudent to issue the update. Subsequently two large transactions occurred by the year end as announced on 2 November 2010.

Arden operates in a highly competitive market place and to succeed a broking business needs to have either scale or specialist products. The Board has considered potential acquisitions and merger opportunities but none were considered suitable. In the latter months of 2010 Arden has sought to reorganise and position itself to compete in what could be continued difficult markets. To this end the Group has made changes at both Board and operating levels.

On 22 December 2010 we announced a number of Board changes with the appointment of two new independent Non Executive Directors with expertise in the Group's two main revenue generating areas, Mark Ansell and Peter Moon. At the same time the Group also announced the appointment of its Chief Operating Officer, Steve Wassell, as an Executive Director. This appointment was designed to assist our Chief Executive Officer, Jonathan Keeling, to continue to focus on our growing Indian franchise.

At an operational level, the Board is overseeing changes designed to focus coverage and resource on core UK sectors and those with reach into India. Following the departure of a number of staff earlier in the year, and with tight management of fixed overhead costs, the Board believes the Group is well placed to deliver profitability in the current financial year. Our closing balance sheet is strong with a healthy regulatory capital position.

On behalf of all of Arden's stakeholders I would like to thank both Sir David Rowe-Ham and Tony Bartlett following their retirement from the Board at the end of December 2010. Sir David has been Chairman since Arden's admission to AIM in July 2006 and Tony has carried out various roles, including that of CEO, having been involved with Arden almost since its inception in 2002.

Finally, I would like to thank all staff and clients for their commitment to the business.



**Lord Flight**  
Interim Chairman  
18 January 2011

## Chief Executive's Statement

### Introduction

I am pleased to report that the Group has had a satisfactory year in a challenging market. The Group made an underlying profit of £1.3m before charging £1.8m for both share-based payments (IFRS 2) and one-off reorganisation costs giving rise to a loss before taxation of £0.5m (2009: profit £1.5m). The Group also generated cash from operations, before adjustment for movements in working capital, of £0.6m (2009: £2.3m).

Total revenues at £13.0m are on a par with the previous year (£13.1m) but based on a different mix with 53% derived from corporate finance fees and retainers (2009: 34%). In the last few weeks of the financial year the Group secured two large corporate placings which raised some £98m for clients. Revenues generated by our Equities Division were down by 29% to £6.1m from £8.6m. This statistic was the result of a number of factors including reduced trading volumes in the London markets, lower returns from Institutions and increased competition from other exchange venues.

During the year the Group carried out a reorganisation which involved a number of staff leaving giving rise to costs for the Group of £0.7m. We also revisited other overheads and some of these have also been rationalised. This leaves the Group with a lower fixed overhead going forward and a refocused strategy at both Group and operating levels which is designed to deliver higher revenue per head.

### Financial Review

Revenue in the year ended 31 October 2010 was £13.0m compared to £13.1m in 2009. The underlying profit before tax was £1.3m compared to £2.2m. The loss before taxation, which is stated after charging share-based payments and reorganisation costs, was £0.5m and compares to a profit before taxation in 2009 of £1.5m. Cash generation was strong with balances at the year end of £9.0m (2009: £10.5m) together with long market making positions of £3.0m (2009: £2.5m). During the year the Company migrated settlement services from Pershing to BNP Paribas Securities Services and this necessitated a deposit of £0.6m to cover base collateral requirements. Cash balances at the year end represented some 283% of our regulatory capital requirement.

The underlying earnings per share (before charging share based payments and reorganisation costs) was 2.4p compared to 8.0p in 2009. The basic loss per share was 4.2p compared to earnings per share of 5.1p in 2009.

During the period between 5 November and 9 November 2010 the Company purchased 1,933,521 ordinary shares of 10p each at a price of 49p per share. All of these shares will be held in Treasury.

### Equities Division

Our Equities Division revenue decreased by 29% to £6.1m from £8.6m. Whilst underlying commission levels fell by only 4%, income from share placings and market making returns were lower than anticipated.

### Corporate Finance

During the year we completed fifteen corporate finance transactions (2009: twelve) including ten M&A mandates, four secondary fundraisings and one IPO. Including retainer income, total corporate finance revenues increased by some 57% to £6.9m from £4.4m.

### Outlook

The current year has started satisfactorily and Arden has completed one fundraising to date. The Equities Division continues to see pressure on margins, as in the previous year, and the corporate finance pipeline whilst satisfactory, remains market dependent. With tight cost control and a strong balance sheet a positive result for the full year is anticipated.

Finally, I would like to take this opportunity to thank our staff for their commitment through challenging conditions.



**Jonathan Keeling**

Chief Executive Officer

18 January 2011

## Corporate Governance

### Introduction

Whilst the Group is not obliged to comply with the Combined Code (June 2008), the Directors have agreed to adopt the ethos of those regulations and to disclose information relating to corporate governance.

### The Directors and the Board

The Board comprises of seven Directors, three of whom are Executive, three Independent Non-Executive and one Non-Executive. The current composition is as follows:

Lord Flight*	Interim Chairman (Appointed 29/6/2010)
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Steve Wassell	Chief Operating Officer (Appointed 22/12/2010)
Mark Ansell*	(Appointed 31/12/2010)
Peter Moon*	(Appointed 31/12/2010)
Grahame Whateley	Non-Executive

(\* denotes Independent Non-Executive Director)

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

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. It will consider ad hoc any matters of significance to the Group including corporate activity. Attendance at meetings by members of the Board during the year ended 31 October 2010 was as follows:

	Audit Committee		Remu- neration Committee
Total number of meetings	10	2	1
Lord Flight <sup>1</sup>	2	n/a	n/a
Jonathan Keeling	9	n/a	n/a
Trevor Norris	10	n/a	n/a
Steve Wassell <sup>2</sup>	n/a	n/a	n/a
Mark Ansell <sup>2</sup>	n/a	n/a	n/a
Peter Moon <sup>2</sup>	n/a	n/a	n/a
Grahame Whateley	10	n/a	n/a
Sir David Rowe-Ham (Resigned 31/12/2010)	10	2	1
Tony Bartlett (Resigned 31/12/2010)	8	n/a	n/a
Philip Dayer <sup>3</sup> (Resigned 2/8/2010)	4	1	1
Jeremy Grime <sup>4</sup>	1	n/a	n/a

### Re-election of Directors

In accordance with the Company's Articles, and to ensure

#### Notes:

- Lord Flight attended all but one Board meeting subsequent to his appointment on 29/6/2010. There were no Audit Committee or Remuneration meetings in the period from 29/6/2010 to 31/10/2010.
- Appointments were effected after the year end therefore attendance was not applicable.
- Philip Dayer was not required to attend meetings following his resignation.
- Jeremy Grime was appointed Chief Executive Officer designate in June 2010 and was formally appointed a Director on 22/9/2010. He left the Company during October 2010 and was therefore only required to attend one meeting as a Director.

compliance with the UK Corporate Governance Code, certain of the Directors are required to be re-elected at Annual General Meetings of the Company. Since their appointment occurred following the last Annual General Meeting, each of Lord Flight, Mark Ansell, Peter Moon and Steve Wassell are required to retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. In addition, the Articles require any Director who has not been re-elected at either of the last two Annual General Meetings to retire by rotation and, on that basis, Grahame Whateley is required to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The Board supports all of these re-appointments having assessed their performance and value to the Board.

### Remuneration Committee

The Remuneration Committee, which comprises the Independent Non-Executive Directors, is chaired by Peter Moon and has responsibility for determining remuneration of Executive Directors and key 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 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 including the monitoring and 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;
- independence of auditors;
- 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

Given a number of changes to the Board in recent months, the

## Corporate Governance continued

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Board has decided to implement a Nominations Committee. This Committee's responsibilities will include; ensuring that the size and composition of the Board is appropriate for the needs of the Group, selecting the most suitable candidate or candidates for the Board and to oversee succession planning aspects for the Board. This Committee will be chaired by Peter Moon.

### Operations Structure

The Group is managed by an Operations Committee which has responsibility for implementation of strategy and monitoring progress of delivery against key objectives. The Committee also reviews financial performance against budgets and key performance indicators. This Committee is chaired by Steve Wassell in his role as Chief Operating Officer and has both Jonathan Keeling and Trevor Norris as permanent members. Other members of staff, including the Director of Compliance, are co-opted as required.

### Risk

The Risk Committee is chaired by the Group Finance Director and has both the Chief Operating Officer and the Director of Compliance 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 internal audit reviews.

A further explanation of risks which are faced by the Group, is set out in note 23 to the Financial Statements.

### Internal Control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the 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.

### 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.

## Board of Directors

### **Lord Flight** **(Independent Interim Chairman)**

Howard has significant experience of the investment management and broking sectors having held senior positions at Guinness Mahon, Guinness Flight, Investec Asset Management and more recently at Panmure Gordon. Howard is also a Commissioner at Guernsey Financial Services Commission and became a Member of the House of Lords on 14 January 2011.

Lord Flight is the Senior Independent Director.

### **Jonathan Keeling** **(Chief Executive Officer)**

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 became Chief Executive Officer on 1 January 2008.

### **Trevor Norris** **(Group Finance Director and Company Secretary)**

Trevor is a Chartered Accountant. Having spent several years with KPMG and a brief period as a sole practitioner, Trevor joined Midlands Electricity plc in 1995 as a Financial Consultant in establishing their embryonic energy services company, where he became Managing Director. Trevor left in 2000 to act as a Consultant to a number of public companies before becoming involved in the early stage formation of Arden Partners and was appointed Group Finance Director in June 2002.

### **Steve Wassell** **(Chief Operating Officer)**

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.

### **Peter Moon** **(Independent 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.

### **Grahame Whateley** **(Non-Executive Director)**

After qualifying as a surveyor, Grahame formed the privately owned Cedar Group of companies over 38 years ago. He is Chairman of The Local Shopping REIT plc, the first REIT to be floated on the main market. Grahame is also the Chairman of Castle Marinas, which has over 2,000 marina berths on 8 sites throughout Great Britain. Formerly Chairman of Arden Partners, he has been involved in the business since its formation.

## Report of the Directors

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2010.

### 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.

### Business Review and Future Developments

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and an indication of the outlook for the future, is contained in the Chief Executive's Statement.

### 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 23.

### Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 14.

The Directors are not proposing to pay a final ordinary dividend (2009: Nil) and did not pay an interim dividend (2009: Nil).

### Directors

The Directors of the Company who held office since 1 November 2009 were:

#### Current Directors as at 18 January 2011:

Lord Flight	Interim Chairman and Non-Executive (Appointed 29/6/2010)
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Steve Wassell	Chief Operating Officer (Appointed 22/12/2010)
Mark Ansell	Non-Executive (Appointed 31/12/2010)
Peter Moon	Non-Executive (Appointed 31/12/2010)
Grahame Whateley	Non-Executive

#### Previous Directors:

Sir David Rowe-Ham	Previous Chairman and Non-Executive (Resigned 31/12/2010)
Tony Bartlett	Non-Executive (Resigned 31/12/2010)
Philip Dayer	Non-Executive (Resigned 2/8/2010)
Jeremy Grime <sup>1</sup>	Chief Executive Officer (Appointed 22/9/2010 and resigned 4/1/2011)

### Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 9 to 11.

### Significant Shareholdings

In addition to the current Directors' interests shown on page 10, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital at 7 January 2011:

Institutional Holders	%
Scottish Widows	8.48
Universities Superannuation Scheme	8.34
AEGON	5.16

Others	%
Alasdair Locke	5.35
Richard Day	5.10
James Reed-Daunter	4.63
Robert Griffiths	4.60
Mark Braddock	4.29
Arden Partners Employee Benefit Trust	3.03

### Share Capital

Information relating to the Company's ordinary share capital is shown in note 18 to the Financial Statements.

### Employee Share Trust

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 2010 the Trust held 774,994 (2009: 774,994) shares. The Trustees have agreed to hold these shares to satisfy options granted under a share option scheme (the Arden Partners Old Scheme – see note 18) prior to the Company's admission on to AIM.

### 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.

#### Note:

<sup>1</sup> Jeremy Grime was announced as Chief Executive Officer designate in June 2010 subject to Regulatory approval. Mr Grime was subsequently appointed an Executive Director on 22 September 2010 and it was announced on 6 October 2010 that he would be leaving the Company. His contract of employment formally terminated on 4 January 2011 and he resigned as a Director on that date.

## Report of the Directors continued

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### Charitable and Political Donations

The Group made charitable donations amounting to £2,400 (2009: £300) during the year. The Group did not make any political donations (2009: £Nil).

### Supplier Payment Policy

It is the Group's policy to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding creditor balances, was 39 days (2009: 54 days).

### 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 2010 and remains in force at the date of this Report.

### Financial Instruments

Details of the use of financial instruments by the Group and Company are contained in note 23 of the Financial Statements.

### Post Balance Sheet Events

During the period between 5 November and 9 November 2010 the Company purchased 1,933,521 ordinary shares of 10p each at a price of 49p per share. All of these shares will be held in Treasury.

### Auditors

All of the current Directors have taken all of 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



**Trevor Norris**

Company Secretary  
18 January 2011

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## Directors' Remuneration Report

### 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 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 the following disclosures on a voluntary basis. 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.

### Remuneration Policy

Arden Partners plc 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. This compensates for basic salaries which are capped and for the risk of little or no bonus in the event of difficult market conditions.

### Directors' Remuneration

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2010 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Compensation for loss of office £'000	<b>Total 2010 £'000</b>
<b>Executive Directors</b>					
Jonathan Keeling	187	22	–	–	<b>209</b>
Trevor Norris	127	15	–	–	<b>142</b>
Jeremy Grime <sup>1</sup>	54	2	4	40	<b>100</b>
<b>Non-Executive Directors</b>					
Sir David Rowe-Ham	57	–	–	–	<b>57</b>
Tony Bartlett	29	–	–	–	<b>29</b>
Philip Dayer <sup>2</sup>	26	–	–	–	<b>26</b>
Lord Flight <sup>3</sup>	14	–	–	–	<b>14</b>
Grahame Whateley	29	–	–	–	<b>29</b>
<b>Total</b>	<b>523</b>	<b>39</b>	<b>4</b>	<b>40</b>	<b>606</b>

#### Note:

- 1 Covers the period June 2010 to October 2010.
- 2 Covers the period to 2 August 2010.
- 3 Covers the period from 29 June 2010.

## Directors' Remuneration Report continued

A summary of the total remuneration paid to current Directors who served during the year ended 31 October 2009 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	<b>Total 2009 £'000</b>
<b>Executive Directors</b>				
Jonathan Keeling	164	19	135	<b>318</b>
Trevor Norris	102	12	25	<b>139</b>
<b>Non-Executive Directors</b>				
Sir David Rowe-Ham	55	–	–	<b>55</b>
Tony Bartlett	27	–	–	<b>27</b>
Philip Dayer	33	–	–	<b>33</b>
Grahame Whateley	27	–	–	<b>27</b>
<b>Total</b>	<b>408</b>	<b>31</b>	<b>160</b>	<b>599</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:

	<b>31 October 2010 Number</b>	<b>Percentage Interest</b>	31 October 2009 Number
<b>Executive Directors</b>			
Jonathan Keeling	<b>1,216,881</b>	<b>4.78%</b>	1,201,490
Trevor Norris	<b>630,600</b>	<b>2.48%</b>	627,750
Jeremy Grime	<b>158,266</b>	<b>0.62%</b>	–
<b>Non-Executive Directors</b>			
Sir David Rowe-Ham	<b>30,864</b>	<b>0.12%</b>	30,864
Tony Bartlett	<b>857,000</b>	<b>3.36%</b>	857,000
Howard Flight	–	–	–
Grahame Whateley	<b>1,174,010</b>	<b>4.61%</b>	1,174,010

### Directors' Interests in Share Options

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

	Notes	31 October 2009 Number	Options granted in year Number	<b>31 October 2010 Number</b>
<b>Executive Directors</b>				
Jonathan Keeling	1	490,000	–	<b>490,000</b>
Trevor Norris	2	167,399	–	<b>167,399</b>
Jeremy Grime	3	400,000	–	<b>400,000</b>
<b>Non-Executive Directors</b>				
Tony Bartlett	2	334,798	–	<b>334,798</b>
<b>Totals</b>		<b>1,392,197</b>	<b>–</b>	<b>1,392,197</b>

## Directors' Remuneration Report continued

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### Notes:

1. These options were granted on 6 February 2008 under the Arden Partners Share Plan 2007 and are exercisable subject to the achievement of Company performance related conditions. The options have an exercise price of 10.0p per share, cannot normally be exercised until 6 February 2011, and have an expiry date of 6 February 2018.
2. These options were granted under the Arden Partners Limited Share Option Scheme ("the Old Scheme") on 24 April 2006 in their capacity as Executive Directors and no performance criteria are attached to the exercise of these options. These options became eligible for exercise on 24 April 2009 at a price of 47.8p per share and have an expiry date of 24 April 2016.
3. These options had been granted in two tranches on 21 September 2007 and 22 October 2009 in his capacity as a specialist salesman. Subsequent to the year end 67,709 options lapsed.

Further details of option schemes are set out in note 18 to the Financial Statements.

### Approval

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



### Lord Flight

Interim Chairman  
18 January 2011

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# 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 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 Group and 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.

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## Independent Auditor's Report to the members of Arden Partners plc

We have audited the financial statements of Arden Partners plc for the year ended 31 October 2010 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements 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 (APB'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 APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### 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 2010 and of the group's loss 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 for the financial year for which the financial statements are prepared is consistent with the financial statements.

### 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.



Peter Chidgey (senior statutory auditor)  
For and on behalf of **BDO LLP**, statutory auditor  
London  
United Kingdom  
18 January 2011

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 2010

	Note	2010 £'000	2009 £'000
<b>Revenue</b>	2	<b>13,046</b>	13,059
Administrative expenses		<b>(13,622)</b>	(11,622)
<b>(Loss)/profit from operations</b>		<b>(576)</b>	1,437
Finance income	7	<b>73</b>	86
Finance costs	8	<b>(9)</b>	(1)
<b>(Loss)/profit before taxation</b>		<b>(512)</b>	1,522
Income tax expense	9	<b>(519)</b>	(276)
<b>(Loss)/profit after taxation</b>		<b>(1,031)</b>	1,246
<b>Other comprehensive income:</b>			
Movement in fair value of available for sale investments		–	2
<b>Other comprehensive income for the year</b>		<b>–</b>	2
<b>Total comprehensive (loss)/income for the year attributable to equity shareholders</b>		<b>(1,031)</b>	1,248
<b>(Loss)/earnings per share</b>			
Basic	10	<b>(4.2p)</b>	5.1p
Diluted	10	<b>(4.2p)</b>	4.8p

## Consolidated Statement of Financial Position

At 31 October 2010

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		401		258
Deferred tax asset	13		280		618
<b>Total non-current assets</b>			<b>681</b>		876
<b>Current assets</b>					
Trading investments	14	3,207		2,660	
Trade and other receivables	15	6,210		15,660	
Cash and cash equivalents	16	9,014		10,523	
<b>Total current assets</b>			<b>18,431</b>		28,843
<b>Total assets</b>			<b>19,112</b>		29,719
<b>Current liabilities</b>					
Trade and other payables	17	(6,895)		(17,182)	
Corporation tax liability		(171)		(685)	
<b>Total current liabilities</b>			<b>(7,066)</b>		(17,867)
<b>Non-current liabilities</b>					
Deferred tax liability	13		(53)		(44)
<b>Total non-current liabilities</b>			<b>(53)</b>		(44)
<b>Total liabilities</b>			<b>(7,119)</b>		(17,911)
<b>Net assets</b>			<b>11,993</b>		11,808
<b>Shareholders' equity</b>					
Called up share capital	18		2,544		2,494
Share premium account			2,926		2,736
Employee Benefit Trust reserve			(648)		(648)
Retained earnings			7,171		7,226
<b>Total equity</b>			<b>11,993</b>		11,808

The Financial Statements were approved by the Board of Directors and authorised for issue on 18 January 2011.



**Trevor Norris**  
Group Finance Director



**Lord Flight**  
Interim Chairman

The notes on pages 21 to 40 form part of these financial statements.

## Company Statement of Financial Position

At 31 October 2010

Company number: 4427253

	Note	2010 £'000	2010 £'000	2009 £'000	2009 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		401		258
Investments	12		–		–
Deferred tax asset	13		280		618
<b>Total non-current assets</b>			<b>681</b>		876
<b>Current assets</b>					
Trading investments	14	3,207		2,660	
Trade and other receivables	15	6,398		15,848	
Cash and cash equivalents	16	9,010		10,519	
<b>Total current assets</b>			<b>18,615</b>		29,027
<b>Total assets</b>			<b>19,296</b>		29,903
<b>Current liabilities</b>					
Trade and other payables	17	(7,079)		(17,366)	
Corporation tax liability		(171)		(685)	
<b>Total current liabilities</b>			<b>(7,250)</b>		(18,051)
<b>Non-current liabilities</b>					
Deferred tax liability	13		(53)		(44)
<b>Total non-current liabilities</b>			<b>(53)</b>		(44)
<b>Total liabilities</b>			<b>(7,303)</b>		(18,095)
<b>Net assets</b>			<b>11,993</b>		11,808
<b>Shareholders' equity</b>					
Called up share capital	18		2,544		2,494
Share premium account			2,926		2,736
Employee Benefit Trust reserve			(648)		(648)
Retained earnings			7,171		7,226
<b>Total equity</b>			<b>11,993</b>		11,808

The Financial Statements were approved by the Board of Directors and authorised for issue on 18 January 2011.



**Trevor Norris**  
Group Finance Director



**Lord Flight**  
Interim Chairman

## Consolidated Statement of Cash Flows

For the year ended 31 October 2010

	Note	2010 £'000	2009 £'000
<b>Operating activities before taxation</b>			
Net (loss)/profit before tax		(512)	1,522
Adjustments for:			
Fair value adjustments		(155)	(116)
Depreciation		236	256
Impairment of available for sale investments		–	20
Net interest receivable		(64)	(85)
Share-based payments		1,079	702
<b>Operating cash flow before changes in working capital</b>			
Decrease/(increase) in trade and other receivables		9,439	(12,525)
Increase in financial assets		(400)	(2,313)
(Decrease)/increase in trade and other payables		(10,266)	14,235
Purchases of available for sale investments		–	(27)
<b>Cash generated from operations</b>			
Income taxes paid		(790)	(200)
<b>Cash flows from operating activities</b>			
<b>Investing activities</b>			
Purchases of property, plant and equipment		(379)	(191)
Interest received		63	98
<b>Net cash from investing activities</b>			
<b>Financing activities</b>			
Purchase of own shares		–	(448)
Issue of shares		240	114
<b>Net cash from financing activities</b>			
<b>(Decrease)/increase in cash and cash equivalents</b>			
<b>Cash and cash equivalents at the beginning of the year</b>			
<b>Cash and cash equivalents at the end of the year</b>			
	16	9,014	10,523

The notes on pages 21 to 40 form part of these financial statements.

## Company Statement of Cash Flows

For the year ended 31 October 2010

	Note	2010 £'000	2009 £'000
<b>Operating activities before taxation</b>			
Net (loss)/profit before tax		(512)	1,522
Adjustments for:			
Fair value adjustments		(155)	(116)
Depreciation		236	256
Impairment of available for sale investments		–	20
Net interest receivable		(64)	(85)
Share-based payments		1,079	702
<b>Operating cash flow before changes in working capital</b>		<b>584</b>	<b>2,299</b>
Decrease/(increase) in trade and other receivables		9,439	(12,513)
Increase in financial assets		(400)	(2,313)
(Decrease)/increase in trade and other payables		(10,266)	14,304
Purchases of available for sale investments		–	(27)
<b>Cash generated from operations</b>		<b>(643)</b>	<b>1,750</b>
Income taxes paid		(790)	(200)
<b>Cash flows from operating activities</b>		<b>(1,433)</b>	<b>1,550</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(379)	(191)
Interest received		63	98
Net cash from investing activities		(316)	(93)
<b>Financing activities</b>			
Purchase of own shares		–	(448)
Issue of shares		240	114
Net cash from financing activities		240	(334)
(Decrease)/increase in cash and cash equivalents		(1,509)	1,123
<b>Cash and cash equivalents at the beginning of the year</b>		<b>10,519</b>	<b>9,396</b>
<b>Cash and cash equivalents at the end of the year</b>	16	<b>9,010</b>	<b>10,519</b>

The notes on pages 21 to 40 form part of these financial statements.

## Consolidated Statement of Changes in Equity

For the year ended 31 October 2010

### Consolidated Statement of changes in equity for the year ended 31 October 2010

	Share capital £'000	Share premium account £'000	Employee Benefit Trust reserve £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2009	2,494	2,736	(648)	–	7,226	11,808
Loss for year	–	–	–	–	(1,031)	(1,031)
<b>Total comprehensive loss for the year</b>	–	–	–	–	(1,031)	(1,031)
Tax taken to equity	–	–	–	–	(103)	(103)
Share based payments	–	–	–	–	1,079	1,079
Issue of shares	50	190	–	–	–	240
<b>Balance at 31 October 2010</b>	<b>2,544</b>	<b>2,926</b>	<b>(648)</b>	<b>–</b>	<b>7,171</b>	<b>11,993</b>

### Consolidated Statement of changes in equity for the year ended 31 October 2009

	Share capital £'000	Share premium account £'000	Employee Benefit Trust reserve £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2008	2,470	2,646	(200)	(2)	5,204	10,118
Profit for year	–	–	–	–	1,246	1,246
Other comprehensive income for the year	–	–	–	2	–	2
<b>Total comprehensive income for the year</b>	–	–	–	2	1,246	1,248
Tax taken to equity	–	–	–	–	74	74
Share based payments	–	–	–	–	702	702
Issue of shares	24	90	–	–	–	114
Purchase of own shares	–	–	(448)	–	–	(448)
<b>Balance at 31 October 2009</b>	<b>2,494</b>	<b>2,736</b>	<b>(648)</b>	<b>–</b>	<b>7,226</b>	<b>11,808</b>

#### Notes

1. The Employee Benefit Trust reserve represents shares held in the parent company by the Arden Partners Employee Benefit Trust and which is consolidated in these financial statements in accordance with the accounting policy in note 1.
2. The available for sale reserve represents unrealised gains and losses on available for sale investments, being the difference between the acquisition cost and fair value at the balance sheet date. The reserve is shown net of related deferred tax.

## Company Statement of Changes in Equity

For the year ended 31 October 2010

### Company Statement of changes in equity for the year ended 31 October 2010

	Share capital £'000	Share premium account £'000	Employee Benefit Trust reserve £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2009	2,494	2,736	(648)	–	7,226	11,808
Loss for year	–	–	–	–	(1,031)	(1,031)
<b>Total comprehensive loss for the year</b>	–	–	–	–	(1,031)	(1,031)
Tax taken to equity	–	–	–	–	(103)	(103)
Share based payments	–	–	–	–	1,079	1,079
Issue of shares	50	190	–	–	–	240
<b>Balance at 31 October 2010</b>	<b>2,544</b>	<b>2,926</b>	<b>(648)</b>	<b>–</b>	<b>7,171</b>	<b>11,993</b>

### Company Statement of changes in equity for the year ended 31 October 2009

	Share capital £'000	Share premium account £'000	Employee Benefit Trust reserve £'000	Available for sale reserve £'000	Restated Retained earnings £'000	Total £'000
Balance at 31 October 2008	2,470	2,646	(200)	(2)	5,204	10,118
Profit for year	–	–	–	–	1,246	1,246
Other comprehensive income for the year	–	–	–	2	–	2
<b>Total comprehensive income for the year</b>	–	–	–	2	1,246	1,248
Tax taken to equity	–	–	–	–	74	74
Share based payments	–	–	–	–	702	702
Issue of shares	24	90	–	–	–	114
Purchase of own shares	–	–	(448)	–	–	(448)
<b>Balance at 31 October 2009</b>	<b>2,494</b>	<b>2,736</b>	<b>(648)</b>	<b>–</b>	<b>7,226</b>	<b>11,808</b>

The notes on pages 21 to 40 form part of these financial statements.

## Notes to the Consolidated Financial Statements

### 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 41.

#### 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 loss after taxation for the financial year amounted to £1,031,000 (2009: profit after taxation £1,246,000).

#### New standards and amendments to existing standards that have been adopted by the Group in the year ended 31 October 2010:

During the year ended 31 October 2010, the Group adopted the following new standards and amendments to standards:

- *IAS 1 (revised) 'Presentation of Financial Statements'*. Whilst the adoption of the revised standard has no effect on the results reported in the Group's consolidated and Company financial statements, the Group has elected to report its financial performance in a single Consolidated Statement of Comprehensive Income.
- *IFRS 8 'Operating Segments'*. This standard requires operating segments to be identified on the same basis as that used for internal management reporting, regarding components of the Group that are regularly reviewed by the chief operating decision maker to allocate resources to segments and to assess their performance. The chief operating decision maker is the Group's Chief Executive.

The Group's operating segments are considered to be the Equities and Corporate Finance divisions. Although these operations generate different revenue streams, additional discrete divisional information is not prepared or reviewed by the chief operating decision maker. Resources are allocated and performance assessed as a single business unit.

- *IFRS 7 (revised) 'Financial Instruments'*: The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of hierarchy and further details can be found in note 23.

#### Standards, interpretations and amendments to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 November 2010 or later periods and which the Group has decided not to adopt early. These are:

- *Improvements to IFRSs (2009) effective for accounting periods on or after 1 January 2010*. The improvements in this amendment clarify the requirements of IFRSs and eliminate inconsistencies within and between standards.

## Notes to the Consolidated Financial Statements continued

### 1) Accounting policies (continued)

The changes include the clarification that: The disclosure requirements of other IFRSs do not generally apply to non-current assets (or disposal groups) classified as held for sale; total assets for each reportable segment need only be disclosed when such information is regularly provided to the chief operating decision maker; that the terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification; and, that only expenditures which result in a recognised asset can be classified as a cash flow from investing activities. It also confirms that the combination of entities or businesses under common control and the contribution of a business on the formation of a joint venture are outside of the scope of IFRS 2 and that IFRIC 9 also does not apply to embedded derivatives in contracts acquired in such transactions.

The Amendment changes IAS 38 to bring the guidance on the treatment of intangible assets acquired as part of a business combination in line with the requirements of IFRS 3(R) and to clarify the description of valuation techniques used in the absence of an active market. It removes the restriction in IFRIC 16 on the entity that can hold a hedging instrument used in the hedge of a net investment in a foreign operation and also introduces changes to IAS 17 that eliminate the inconsistencies between the general lease classification guidance and the guidance applicable to the classification of the land element in long-term leases of land and buildings. The latter changes may lead to an increased number of instances when the land element of a lease of land and buildings is classified as a finance lease.

**Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)** (effective for accounting periods on or after 1 January 2010). This Amendment clarifies that, where a parent (or another group entity) has an obligation to make a cash-settled share-based payment to another group entity's employees or suppliers, the entity receiving the goods or services should account for the transaction as equity-settled. The Amendment also moves the IFRIC 11 requirements in respect of equity-settled share-based payment transactions among group entities and the clarification of the scope of IFRS 2 contained within IFRIC 8 into IFRS 2 itself. The Board are assessing the impact of this amendment on the Group; this is not expected to be significant.

**Revised IAS 24 Related Party Disclosures** (effective for accounting periods beginning on or after 1 January 2011). The revision to IAS 24 is in response to concerns that the previous disclosure requirements and the definition of a related party were too complex and difficult to apply in practice, especially in environments where Government control is pervasive. The Board are assessing the impact of this amendment on the Group; this is not expected to be significant.

**IFRS 9 Financial Instruments** (effective for accounting periods beginning on or after 1 January 2013). IFRS 9 will eventually replace IAS 39 in its entirety. However, the process has been divided into three main components: Classification and measurement; impairment; and, hedge accounting. As each phase is completed, it will delete the relevant portions of IAS 39 and create new chapters in IFRS 9. The Board are assessing the impact of this amendment on the Group; this is not expected to be significant.

The following are also standards, interpretations and amendments to published statements not yet effective, but which are not considered to be relevant to the Group:

- **Classification of Rights Issues (Amendment to IAS 32)** (effective for accounting periods beginning on or after 1 February 2010).
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments** (effective for accounting periods beginning on or after 1 July 2010).
- **Amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards** (effective for accounting periods beginning on or after 1 July 2010).
- **Amendment to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction** (effective for accounting periods beginning on or after 1 January 2011).
- **Improvements to IFRSs (2010)** (effective for accounting periods beginning on or after 1 January 2011).
- **Disclosures – Transfer of Financial Assets (Amendment to IFRS 7)** (effective for accounting periods beginning on or after 1 July 2011).

## Notes to the Consolidated Financial Statements continued

### 1) Accounting policies (continued)

#### Revenue

Revenue comprises the net 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 an absolute 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, 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:

- **Trading investments:** Trading investments comprise available for sale investments and held for trading investments:
  - **Available for sale:** This category comprises the Group's investments in entities not qualifying as subsidiaries, associates or jointly controlled entities. They are carried at fair value with changes in fair value recognised directly in a separate component of equity, the 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 Statement of Comprehensive Income. 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 available for sale 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 continued

### 1) Accounting policies (continued)

- **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.
- **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 balance sheet.

- **Market receivables:** comprise sold security transactions awaiting settlement at the year end. These balances are shown gross and are recognised by trade date.
- **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.

#### Pledged assets

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 balance sheet and the transaction is treated as a secured loan made for the purchase price.

## Notes to the Consolidated Financial Statements continued

### 1) Accounting policies (continued)

Where cash has been used to effect the purchase, the cash collateral amount is recorded as a pledged asset on the balance sheet.

#### 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 balance sheet date are translated into sterling at the exchange rate ruling at the balance sheet 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

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 balance sheet 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 balance sheet 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.

#### Leased assets

Assets acquired under finance leases where the Group has substantially all the risks and rewards of ownership are capitalised. The outstanding future lease obligations are shown in trade and other payables. Operating lease rentals are charged to 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 balance sheets, 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.

## Notes to the Consolidated Financial Statements continued

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### 1) Accounting policies (continued)

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet 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.

#### 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 18 and include, among others, the dividend growth rate and expected volatility.

## Notes to the Consolidated Financial Statements continued

### 2) Revenue

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

	2010	2009
	£'000	£'000
Equities Division	6,113	8,613
Corporate Finance Division	6,933	4,446
<b>Total revenue</b>	<b>13,046</b>	13,059

Included within revenue of the Equities Division is an amount of £37,000 (2009: £157,000) 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 2010 two of the Group's customers each contributed more than 10% of the Group's revenue. The amounts were £2,395,000 and £1,400,000 and are reflected in the above segment revenues. In 2009 one of the Group's customers contributed more than 10% of the Group's revenue. The amount was £1,445,000 and is reflected in the above segment revenues.

### 3) (Loss)/profit from operations

	2010	2009
	£'000	£'000
<b>This is arrived at after charging/(crediting):</b>		
Depreciation of property, plant and equipment	236	256
Operating lease costs	273	255
Aborted bid costs	33	–
Auditor's remuneration:		
Audit services:		
Company	59	67
Subsidiaries	1	1
Tax services	20	27
Pension services	11	7
Corporate finance services:		
Included within aborted bid costs	23	–
Foreign currency (gains)/losses	1	(25)
Share-based payments	1,079	702
Impairment of available for sale investments	–	20
Reorganisation costs	693	–

### 4) Dividends

No dividends were recognised in the year (2009: £Nil).

## Notes to the Consolidated Financial Statements continued

### 5) Employees

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

	2010 £'000	2009 £'000
Wages and salaries	5,669	4,100
Incentive payments	365	944
Share-based payments (see note 18 for further details)	1,079	702
Social security costs	571	582
Other pension costs	474	419
	<b>8,158</b>	<b>6,747</b>

Staff costs include an amount of £693,000 (2009: £Nil) in respect of reorganisation payments. The average number of employees (including Directors) of the Group and Company during the year was 58 (2009: 55) of which 43 (2009: 41) are front-office and the remainder are administration.

### 6) Directors' remuneration

	2010 £'000	2009 £'000
Directors' emoluments	567	568
Company contributions to money purchase pension schemes	39	31
	<b>606</b>	<b>599</b>

There were three Directors in defined contribution pension schemes during the year (2009: two). The total amount payable to the highest paid Director in respect of emoluments was £209,000 (2009: £318,000). Company pension contributions of £22,000 (2009: £19,000) were provided towards a money purchase scheme on his behalf.

Further details of Directors' remuneration are set out in the Report on Directors' Remuneration on pages 9 to 11.

### 7) Finance income

	2010 £'000	2009 £'000
Bank and other interest receivable	73	86

### 8) Finance costs

	2010 £'000	2009 £'000
Bank loans and overdrafts	9	1

## Notes to the Consolidated Financial Statements continued

### 9) Income tax expense

	2010 £'000	2009 £'000
<b>UK Corporation tax</b>		
Current tax on (loss)/profit of the year	223	720
Adjustment in respect of previous periods	53	(32)
<b>Total current tax</b>	<b>276</b>	<b>688</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	221	(412)
Deferred tax on financial assets	10	44
Change in tax rate	12	–
Adjustment in respect of previous periods	–	(44)
<b>Total deferred tax</b>	<b>243</b>	<b>(412)</b>
<b>Total income tax expense</b>	<b>519</b>	<b>276</b>

The tax assessed for the year is higher (2009: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	2010 £'000	2009 £'000
<b>(Loss)/profit before tax</b>	<b>(512)</b>	<b>1,522</b>
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2009: 28%)	<b>(143)</b>	426
Effect of:		
Expenses not deductible for tax purposes	361	256
Prior year current tax under/(over) provision	53	(32)
Prior year deferred tax under/ (over) provision	–	(44)
Change in tax rate	12	–
Marginal relief	(12)	–
Deferred tax on share options	238	(374)
Deferred tax on financial assets	10	44
<b>Total taxation expense</b>	<b>519</b>	<b>276</b>

As a result of a change in legislation the Directors anticipate that profits for the year ending 31 October 2011 will be taxed at a rate of 27%.

## Notes to the Consolidated Financial Statements continued

### 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 the appropriate tax treatment.

	Year ended 31 October 2010		Year ended 31 October 2009	
	Pence per share	Numerator £'000	Pence per share	Numerator £'000
<b>Basic (loss)/earnings per share</b>	<b>(4.2)</b>	<b>(1,031)</b>	5.1	1,246
Add: IFRS 2 share-based payments	4.4	1,079	2.9	702
Add: Reorganisation payments and aborted bid costs	2.2	532	–	–
<b>Underlying Basic Earnings</b>	<b>2.4</b>	<b>580</b>	8.0	1,948
<b>Diluted (loss)/earnings per share*</b>	<b>(4.2)</b>	<b>(1,031)</b>	4.8	1,246
Add: IFRS 2 share-based payments	3.9	1,079	2.7	702
Add: Reorganisation payments and aborted bid costs	1.9	532	–	–
<b>Underlying Diluted Earnings</b>	<b>1.6</b>	<b>580</b>	7.5	1,948

	Year ended 31 October 2010 Number	Year ended 31 October 2009 Number
<b>Denominator</b>		
Weighted average number of shares in issue for <b>Basic</b> Earnings calculation	24,540,847	24,209,343
Weighted average dilution for outstanding share options	3,092,296	1,828,105
Weighted average number for <b>Diluted</b> Earnings calculation	27,633,143	26,037,448

Note\*: As the Group made a loss for the year ended 31 October 2010, in accordance with IAS 33 no adjustment is made to the basic loss per share in deriving the diluted loss/earnings per share.

The weighted average dilution for outstanding share options was 3,092,296 (2009: 1,828,105). The 774,994 (2009: 573,243) shares held by the Arden Partners Employee Benefit Trust have been treated as cancelled and excluded from the denominator.

### 11) Property, plant and equipment

#### Company and Group as at 31 October 2010

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 November 2009	338	1,105	1,443
Additions	156	223	379
<b>At 31 October 2010</b>	<b>494</b>	<b>1,328</b>	<b>1,822</b>
<b>Depreciation</b>			
At 1 November 2009	238	947	1,185
Provided for the year	72	164	236
<b>At 31 October 2010</b>	<b>310</b>	<b>1,111</b>	<b>1,421</b>
<b>Net book value</b>			
<b>At 31 October 2010</b>	<b>184</b>	<b>217</b>	<b>401</b>
At 31 October 2009	100	158	258

## Notes to the Consolidated Financial Statements continued

### 11) Property, plant and equipment (continued)

#### Company and Group as at 31 October 2009

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 November 2008	238	1,014	1,252
Additions	100	91	191
<b>At 31 October 2009</b>	<b>338</b>	<b>1,105</b>	<b>1,443</b>
<b>Depreciation</b>			
At 1 November 2008	175	754	929
Provided for the year	63	193	256
<b>At 31 October 2009</b>	<b>238</b>	<b>947</b>	<b>1,185</b>
<b>Net book value</b>			
<b>At 31 October 2009</b>	<b>100</b>	<b>158</b>	<b>258</b>
At 31 October 2008	63	260	323

At 31 October 2010, the Group and Company had capital commitments of £Nil (2009: £355,000).

### 12) Investments

#### Company

	Group undertakings £
<b>Cost</b>	
At 1 November 2009	3
Additions	40
<b>At 31 October 2010</b>	<b>43</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.

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 2010, the Arden Partners Employee Benefit Trust held 774,994 ordinary shares in Arden Partners plc (2009: 774,994 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 year the Company established Arden Partners (Singapore) Private Limited as a name protection company and as an agent for an employee based in Singapore. The company has not traded.

## Notes to the Consolidated Financial Statements continued

### 13) Deferred tax

#### Group and Company — 2010

	Accelerated capital allowances and temporary differences £'000	Share option £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2009 — asset/(liability)	125	493	618	(44)
(Charged)/credited to statement of comprehensive income	17	(238)	(221)	(10)
Change in tax rate – (charged)/credited to statement of comprehensive income	(4)	(10)	(14)	1
Transferred to equity	–	(95)	(95)	–
Change in tax rate - equity	–	(8)	(8)	–
<b>At 31 October 2010</b>	<b>138</b>	<b>142</b>	<b>280</b>	<b>(53)</b>

Deferred taxation comprises:

	2010 £'000	2009 £'000
Accelerated capital allowances	60	50
Other timing differences	78	75
Share options	142	493
<b>Total deferred tax asset</b>	<b>280</b>	618
<b>Deferred tax liability on financial assets</b>	<b>(53)</b>	(44)

#### Group and Company — 2009

	Accelerated capital allowances and temporary differences £'000	Share option £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2008 — asset/(liability)	43	45	88	–
Credited/(charged) to statement of comprehensive income	38	374	412	(44)
Adjustments in respect of prior years credited to statement of comprehensive income	44	–	44	–
Transferred to equity	–	74	74	–
<b>At 31 October 2009</b>	<b>125</b>	<b>493</b>	<b>618</b>	<b>(44)</b>

### 14) Trading investments

#### Group and Company

	2010 £'000	2009 £'000
Long market making positions	2,999	2,489
Other investments:		
Options and warrants	208	171
	<b>3,207</b>	2,660

At 31 October 2010 the historical cost of long market making positions was £2,963,000 (2009: £2,510,000). There are no long market making positions denominated in foreign currency (2009: £Nil).

At 31 October 2010 the historical cost of other investments was £77,000 (2009: £77,000). There are no other investments denominated in foreign currency (2009: £Nil).

## Notes to the Consolidated Financial Statements continued

### 15) Trade and other receivables

#### Group

	2010	2009
	£'000	£'000
Market receivables	4,011	13,703
Trade receivables	624	1,012
Other receivables	1,037	340
Prepayments and accrued income	538	605
	<b>6,210</b>	<b>15,660</b>

#### Company

	2010	2009
	£'000	£'000
Market receivables	4,011	13,703
Trade receivables	624	1,012
Other receivables	1,225	528
Prepayments and accrued income	538	605
	<b>6,398</b>	<b>15,848</b>

There are no amounts denominated in foreign currency included within trade receivables of the Group and the Company at 31 October 2010 (2009: £1,000 which is denominated in US\$).

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

An analysis of overdue trade receivables is shown in note 23. No other receivables are overdue.

### 16) Cash and cash equivalents

#### Group

	2010	2009
	£'000	£'000
Cash and bank balances	6,228	6,846
Call deposits	2,786	3,677
	<b>9,014</b>	<b>10,523</b>

#### Company

	2010	2009
	£'000	£'000
Cash and bank balances	6,224	6,842
Call deposits	2,786	3,677
	<b>9,010</b>	<b>10,519</b>

Included within cash and bank balances of the Group and the Company at 31 October 2010 is an amount of £75,000 (2009: £77,000) which is denominated in US\$.

## Notes to the Consolidated Financial Statements continued

### 17) Trade and other payables

#### Group

	2010 £'000	2009 £'000
Held for trading liabilities	56	65
Market payables	4,050	13,958
Trade payables	634	689
Other taxation and social security	218	152
Other payables	1,093	300
Accruals and deferred income	844	2,018
	<b>6,895</b>	<b>17,182</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 £5,496,000 (2009: £16,595,000).

#### Company

	2010 £'000	2009 £'000
Held for trading liabilities	56	65
Market payables	4,050	13,958
Trade payables	634	689
Other taxation and social security	218	152
Other payables	1,277	484
Accruals and deferred income	844	2,018
	<b>7,079</b>	<b>17,366</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 £5,680,000 (2009: £16,595,000).

### 18) Share capital

	Authorised		Allotted, called up and fully paid	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Equity share capital</b>				
40,000,000 Ordinary shares of 10p each	4,000	4,000	–	–
25,444,243 (2009: 24,939,976) Ordinary shares of 10p each	–	–	2,544	2,494

During the year the Company issued in aggregate 504,267 (2009: 238,104) ordinary shares of 10p each to satisfy the exercise of share options. Gross proceeds were £240,000 (2009: £114,000) of which £50,000 (2009: £24,000) has been credited to share capital and £190,000 (2009: £90,000) to the Share Premium account.

## Notes to the Consolidated Financial Statements continued

### 18) Share capital (continued)

#### Options over the Company's shares outstanding

The movement and weighted average exercise prices of share options are as follows:

	Number of options 2010	Weighted average exercise price (p) 2010	Number of options 2009	Weighted average exercise price (p) 2009
At 1 November 2009	4,173,153	23.7	3,638,305	32.8
Exercised during the year	(504,267)	(47.8)	(238,104)	(47.8)
Granted during the year	300,000	10.0	1,216,561	10.0
Lapsed during the year	(9,561)	(10.0)	(443,609)	(47.8)
<b>At 31 October 2010</b>	<b>3,959,325</b>	<b>19.7</b>	4,173,153	23.7

The weighted average market price of the Company's shares at the date of exercise of options during the year was 103p (2009: 93p).

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

	31 October 2010			31 October 2009		
	Number of share options	Exercise price (p)	Weighted average expected remaining life (months)	Number of share options	Exercise price (p)	Weighted average expected remaining life (months)
Arden Partners Old Scheme	1,012,325	47.8	–	1,516,592	47.8	–
Arden Partners Share Plan 2007	2,947,000	10.0	12.3	2,656,561	10.0	19.0
	<b>3,959,325</b>			4,173,153		

## Notes to the Consolidated Financial Statements continued

### 18) Share capital (continued)

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 2010 are as follows:

	Arden Partners Share Plan 2007	Arden Partners Old Scheme
Grant dates	21/9/2007 to 4/11/2009	21/4/2006
Weighted average fair value at grant date <sup>1</sup>	92p to 148p	3.5p
Average exercise price	10.0p	47.8p
Weighted average share price at date of grant <sup>2</sup>	125.0p	30.0p
Expected volatility <sup>3</sup>	30%	30%
Risk free interest rate	4% to 5.75%	5%
Dividend yield	3%	3.5%
Option life (months)	12-36	36
Weighted average option life (months)	30.1	36.0
Weighted average life remaining (months)	12.3	–
Number of options outstanding	2,947,000	1,012,325
Percentage of options expected to vest	97%	100%
Number of options vested but unexercised	997,000	1,012,325

#### Notes:

- 1 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.
- 2 The Arden Partners Old Scheme was established in April 2006 with the stock price having been agreed with the Inland Revenue Share Valuation Office.
- 3 Expected volatility is based on historic information adjusted to take effect of future trends in economic conditions, behavioural considerations and exercise restrictions.

### Share-based payments

The share options granted during the year under the Arden Partners Share Plan 2007 are equity settled options. The vesting condition for all options requires the option holders to still be in the employment of the Company at the exercise date; for certain options, performance conditions must also be satisfied. These include both market and non-market conditions.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. During the year the weighted average fair value of options granted was 97p (2009: 96p).

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

	2010	2009
	£'000	£'000
Expensed during the year (equity-settled) (included within employee costs as set out in note 5)	<b>1,079</b>	702

### 19) 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 £474,000 (2009: £419,000). Contributions amounting to £216,000 (2009: £167,000) were payable to schemes and are included in payables.

## Notes to the Consolidated Financial Statements continued

### 20) 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>2010</b>	2009
	<b>£'000</b>	£'000
Within one year	<b>140</b>	113
Between one and two years	<b>272</b>	105
Between two and five years	<b>668</b>	727
After five years	<b>–</b>	213
	<b>1,080</b>	1,158

### 21) 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 9 to 11. 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>2010</b>	2009
	<b>£'000</b>	£'000
Salaries and short-term employee benefits	<b>606</b>	599
Share-based payments	<b>211</b>	214
	<b>817</b>	813

### 22) Post-balance sheet events

During the period between 5 November and 9 November 2010 the Company purchased 1,933,521 ordinary shares of 10 pence at a price of 49 pence per share. All of these shares will be held in Treasury.

### 23) Financial Instruments and risk profile

The Group and Company's financial instruments comprise cash and cash equivalents, trading positions, available for sale investments, 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

#### 23.1 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.

#### 23.2 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

## Notes to the Consolidated Financial Statements continued

### 23) Financial Instruments and risk profile (continued)

#### 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 2009 and 2010 capital has been maintained at a level above minimum FSA 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 with a number of reputable financial institutions. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash.

#### 23.3 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 FSA 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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Market receivables	4,011	13,703	4,011	13,703
Trade receivables	624	1,012	624	1,012
Other receivables	1,037	340	1,225	528
Cash and cash equivalents	9,014	10,523	9,010	10,519
<b>Total loans and receivables</b>	<b>14,686</b>	<b>25,578</b>	<b>14,870</b>	<b>25,762</b>

The ageing of trade receivables at the reporting date was:

	31 October 2010 £'000	31 October 2009 £'000
Not past due	572	855
Past due 31-60 days	38	78
Past due 61-90 days	7	20
Past due 91-120 days	–	23
Past due 121+ days	50	89
Provisions	(43)	(53)
<b>Total</b>	<b>624</b>	<b>1,012</b>

## Notes to the Consolidated Financial Statements continued

### 23) Financial Instruments and risk profile (continued)

Movement in provision

	<b>31 October 2010 £'000</b>	31 October 2009 £'000
Opening balance at 1 November 2009	<b>53</b>	191
Amounts released	<b>(35)</b>	(53)
Amounts written off	<b>(18)</b>	(144)
Increase in provision	<b>43</b>	59
<b>Closing balance at 31 October 2010</b>	<b>43</b>	53

#### 23.4 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 2010 in respect of US\$119,000 (£75,000). There was a currency exposure for the Group and the Company at 31 October 2009 of US\$127,000 (£77,000). The effect of a 10% movement in the US\$/£ exchange rate from the rate ruling at the balance sheet date would be to impact (loss)/profit and net assets by approximately £7,000 (2009: £8,000).

Fixed rate cash financial assets of £2,786,000 (2009: £3,677,000) comprise sterling cash deposits on money markets at an average rate of 0.60% (2009: 0.25%). 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 2010, the loss before taxation would have been decreased or increased by approximately £21,000. In the year ended 31 October 2009 a 1% movement in rates would have increased or decreased profit before taxation by approximately £50,000.

## Notes to the Consolidated Financial Statements continued

### 23) Financial Instruments and risk profile (continued)

#### 23.5 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 2010:

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Trading investments:				
Long market making positions	2,999	–	–	2,999
Options and warrants	–	208	–	208
	2,999	208	–	3,207
<b>Liabilities</b>				
Held for trading liabilities	56	–	–	56

## Corporate Information

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<b>Company Secretary</b>	<b>Trevor Norris</b> 125 Old Broad Street London EC2N 1AR  Tel : 020 7614 5900
<b>Company Number</b>	<b>4427253</b>
<b>Corporate Brokers</b>	<b>Altium Capital Limited</b> 30 St James's Square London SW1Y 4AL
<b>Financial PR Adviser</b>	<b>Buchanan Communications</b> 45 Moorfields London EC2Y 9AE
<b>Registrar</b>	<b>Capita IRG Plc</b> The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
<b>Lawyers</b>	<b>Eversheds LLP</b> 115 Colmore Row Birmingham B3 3AL
<b>Auditors</b>	<b>BDO LLP</b> 55 Baker Street London W1U 7EU
<b>Bankers</b>	<b>HSBC Bank plc</b> 130 New Street Birmingham B2 4JU
<b>Registered Office</b>	Arden House Highfield Road Edgbaston Birmingham B15 3DU

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## 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 April 6th, 2011 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 2010, together with the Directors' Report, Directors' Remuneration Report and Report of the Independent Auditor on those Financial Statements.
2. To re-elect Lord Flight as a Director, who is retiring in accordance with the Company's Articles of Association.
3. To re-elect Mark Ansell as a Director, who is retiring in accordance with the Company's Articles of Association.
4. To re-elect Peter Moon as a Director, who is retiring in accordance with the Company's Articles of Association.
5. To re-elect Steve Wassell as a Director, who is retiring in accordance with the Company's Articles of Association.
6. To re-elect Grahame Whateley as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
7. 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.

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 number 8 as an ordinary resolution and as to resolutions numbered 9, 10 and 11 as special resolutions:

8. 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 £798,277.16, being approximately one third of the current issued share capital (excluding treasury shares), such authority to 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.
  9. That, subject to the passing of resolution 8 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:
    - 9.1 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
    - 9.2 otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £129,367.67, 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.
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## Notice of Meeting continued

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10. That the Articles of Association of the Company be amended as follows:

10.1 by the insertion of a new Article 106.1.1.1 as follows: "any Directors who have been appointed by the Directors since the last annual general meeting; and"; and

10.2 the current Article 106.1.1 be renumbered to 106.1.1.2.

11. 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 2,394,831 ordinary shares of 10p each in the capital of the Company (being approximately 10 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:

11.1 the amount paid for each share (exclusive of expenses) shall not be 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 less than 10p per share; and

11.2 the authority herein contained shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2012 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  
**Trevor Norris**  
Company Secretary  
7 March 2011

Registered office:  
Arden House  
Highfield Road  
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