

Arden Partners plc
Annual Report 2008



Arden Partners plc is an institutional stockbroking company. Its business consists of corporate finance, equity research, equity sales and market making activities. The Group provides broking services to, and advises on, a range of corporate finance transactions for small and medium sized companies into UK markets.

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Highlights

	Year ended 31 Oct 2008	Year ended 31 Oct 2007
Financial		
Revenue	£11.4m	£16.8m
Underlying profit before tax*	£2.1m	£5.5m
Profit before tax	£1.4m	£5.2m
Earnings per share:		
Basic	3.0p	14.1p
Underlying Basic†	5.9p	15.5p
Diluted	2.7p	13.1p
Underlying Diluted†	5.4p	14.4p
Dividend per ordinary share:		
Interim	2.2p	2.2p
Proposed final	Nil	4.5p
Non-financial		
Funds raised for clients	£75m	£205m
Client brokerships	30	36
Average number of staff	51	50

* Profit before tax as adjusted for the effect of share-based payments (IFRS 2) and aborted bid costs.

† Basic earnings per share as adjusted for the after-tax effect of share-based payments and aborted bid costs.

Chairman's Statement

Arden has performed satisfactorily despite poor markets. We continue to capitalise on and expand our relationship broking model, aiming to grow further from our already strong base. We have generated cash as well as making a profit such that our cash at the year end was £9.5 million, putting Arden in a strong position to grow our franchise at an opportunistic time.

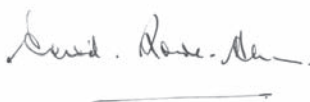
Earnings for the year to October 2008 are, as with other UK brokers, below earnings in 2007. Current conditions do however present opportunities for our business to grow its franchise. The withdrawal of many investment banks from the small and mid cap markets is no doubt an opportunity for Arden, which has both the people and the capacity to reap benefits from the downturn.

We are now able to hire high-calibre staff at considerably lower cost than was the case twelve months ago. To this end we have during the course of the year hired eleven senior staff, with a further five joining in the two months since our October year end. In 2008 we also expanded our sector coverage, adding financials, electronics and electrical equipment, and healthcare.

It is the Board's view that the current markets must represent an opportunity rather than a threat, given the strength of our balance sheet.

Trading since October has remained difficult but we are on a sound footing with a strong balance sheet and a pipeline of new business that is creditable given difficult markets. The Board has decided to retain cash for building the platform, and has therefore not declared a final dividend.

Finally, I would like to thank all concerned for their contribution in these very challenging times.



Sir David Rowe-Ham

Chairman

13 January 2009

Chief Executive's Statement

Introduction

Arden's performance in the year to 31 October has been satisfactory, given weak markets. The FTSE All Share index was down 37% over the year while revenue in our equities division was down 12%. Arden completed twelve corporate finance transactions, despite the scarcity of finance available for deals.

Financial Review

Revenue in the year ended 31 October 2008 was down by 32% to £11.4 million (2007: £16.8 million). Underlying profit before tax declined by 62% to £2.1 million (2007: £5.5 million). Profit before tax — after share-based payments and one-off costs from adviser fees related to aborted bid talks — was down by 73% to £1.4 million (2007: £5.2 million). Cash generation was strong with balances up 20% to £9.5 million (2007: £7.9 million). Net cash is some 430% of our £2.2 million regulatory capital requirements.

Underlying basic earnings per share (before aborted bid costs and share-based payments) fell to 5.9p from 15.5p with underlying diluted earnings per share down to 5.4p from 14.4p. Basic earnings per share fell to 3.0p from 14.1p while diluted earnings per share declined to 2.7p from 13.1p.

Equities Division

Our equities business is proving to be very defensive with revenue down 12% to £6.5 million (2007: £7.4 million) against a decline of 37% in the FTSE All Share index over the same period. Since the year end, commission revenue has continued to be challenging, as negative sentiment magnified the usual seasonal decline in volumes

Corporate Finance

During the year we completed twelve corporate finance transactions including eight M&A and pre-IPO deals, two IPOs and two secondary fundraisings, raising £75 million for our clients, compared with £205 million in 2007. Corporate finance activity is weak compared with recent years. I believe, though, that corporate finance will drive any sustained recovery in the wider market and our strong team will seize the opportunities.

Dividend

The Board is not proposing a final dividend for the year ended 31 October 2008 (2007: 4.5p). Arden paid an interim dividend of 2.2p (2007: 2.2p) per ordinary share on 3 October 2008.

Outlook

We remain focussed on growing our business, by taking advantage of opportunities arising from the market downturn. Equities revenue remains challenging since the year end. The corporate finance pipeline is creditable, although as ever the timing of deals is uncertain.

The number of high-quality staff available to recruit continues to rise, and it is our intention to take full advantage of all opportunities arising from the market conditions.



Jonathan Keeling

Chief Executive Officer

13 January 2009

Corporate Governance

Introduction

Whilst the Group is not obliged to comply with the Combined Code, 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 six Directors, two of whom are Executive and four Non-Executives. The current composition is as follows:

Sir David Rowe-Ham*	Chairman
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Tony Bartlett	Non-Executive
Philip Dayer*	Non-Executive
Grahame Whateley	Non-Executive

(* denotes Independent Non-Executive Director)

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

The Board currently meets monthly and at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, monitors regulatory compliance, monitors key performance indicators and 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 was:

	Remuner- ation		
	Board	Audit Committee	Committee
Total number of meetings	12	2	2
Sir David Rowe-Ham	12	2	2
Jonathan Keeling	12	–	–
Trevor Norris	12	–	–
Tony Bartlett	12	–	–
Philip Dayer	12	2	2
Grahame Whateley	12	–	–

Re-election of Directors

In accordance with the Company's Articles, and to ensure compliance with the Combined Code, certain of the Directors are required to be re-elected at each Annual General Meeting of the Company. Sir David Rowe-Ham and Philip Dayer have agreed to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board supports their reappointment having assessed their performance and value to the Board.

Remuneration Committee

The Remuneration Committee, which comprises the Independent Non-Executive Directors, is chaired by Sir David Rowe-Ham and has responsibility for determining remuneration aspects of Executive Directors. It makes its

decisions in consultation with the CEO. No Director plays a part in any decision about their own remuneration. This Committee also reviews bonus and equity arrangements for the Group's other 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 Philip Dayer 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;
- ensuring the Company has a policy which allows any member of staff to raise, in confidence, any concern about possible impropriety in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for a proportionate independent investigation of such matters including any follow-up action required.

Nominations Committee

The Board is currently of the opinion that, given the present size of the Group, it is inappropriate to have an independent Nominations Committee but will keep this matter under review.

Operations Board

The day-to-day business is managed by Jonathan Keeling, the CEO, in conjunction with the Heads of Department as follows:

- Richard Day — Corporate Finance
- David Larkam — Research
- James Reed-Daunter — Sales
- Stephen Cooper — Compliance
- Trevor Norris — Finance

Risk

The Operations Board also serves as the Operational Risk Committee ("the ORC") and is charged with monitoring the various risk exposures including those which arise through trading and holding financial instruments. The ORC largely provides the resource for the vetting of prospective clients and proposed transactions.

Corporate Governance continued

In response to difficult market conditions and the heightened threat of counterparty failure, the ORC formed a Risk Committee tasked specifically with monitoring market conditions and the potential impact on the business. Under the chairmanship of the Compliance Officer, this committee comprises senior members of the sales, trading and market making teams and initially met on a daily basis to review risk management information. Following a review of market conditions this committee now meets on a weekly basis but still receives key reports on a daily basis.

A further explanation of these risks, and other risks which are faced by the Group, is set out in note 24 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 adopt the going concern basis in preparing the Financial Statements.

Board of Directors

Sir David Rowe-Ham **(Independent Chairman and Chairman of Remuneration Committee)**

Sir David is currently Chairman of Olayan Europe Limited, and the Senior Independent Non-Executive Director of Hikma Pharmaceuticals plc. He is a former Chairman of Brewin Dolphin Holdings plc and a former President of The Crown Agents Foundation. Sir David has served on the Boards of a number of companies including Chubb plc, Williams plc and Lloyds Bank plc (London Region) and is a former Lord Mayor of London.

The Board considers Sir David to be an Independent Director.

Jonathan Keeling **(Chief Executive Officer)**

Jonathan is one of the founder members of Arden. 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 stepped up to become 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.

Tony Bartlett **(Non-Executive Director)**

Tony was for many years a Senior Director of Beeson Gregory. Initially responsible as Head of Corporate Finance, he was promoted to be the Managing Director of the investment banking business. On the flotation of Beeson Gregory he became a Main Board Director. Tony's background is one of corporate finance having been a Partner at Coopers & Lybrand where he had responsibility for UK plc activities. He also represented Coopers & Lybrand as a Far East and Indian Liaison Partner and was a member of the Council of Partners. Tony joined Arden in January 2004 as Chairman of Corporate Finance and was appointed Chief Executive Officer in May 2006. Having overseen the IPO and subsequent management actions, Tony stepped down as CEO on 1 January 2008 and remains as a Non-Executive Director.

Philip Dayer **(Independent Director and Chairman of Audit Committee)**

On qualifying as a Chartered Accountant with Peat, Marwick, Mitchell & Co, Philip pursued a career in investment banking as a Corporate Financier specialising in advising small and mid-market UK companies. He was appointed Advisory Director of Barclays Merchant Bank Limited in 1983 and since then has held the position of Corporate Finance Director with a number of banks including Old Mutual Securities and Hoare Govett Limited. He retired from Hoare Govett Limited in 2004. During 2005 and 2006, Philip was a Financial Consultant to OJSC Rosneft Oil Company, the Russian state-owned oil and gas company, ending on their successful flotation. He is Non-Executive Chairman of IP Plus plc and is a Non-Executive Director of Dana Petroleum plc, Aveva Group PLC and Cadogan Petroleum plc.

The Board considers Philip to be an Independent Director with recent relevant financial experience as he is a Chartered Accountant.

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

After qualifying as a surveyor, Grahame formed Castlemore Securities plc over 36 years ago. In addition, he is also Chairman of the Cedar Group of companies which he started over 37 years ago. Grahame is Non-Executive Chairman of Liquidity Limited, The Local Shopping REIT plc and of RDM Group Limited. Formerly the Chairman of Arden Partners, he has been involved with 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 2008.

Principal Activities

The principal activity is that of an institutional stockbroking firm. Arden Partners offers institutional agency broking, market making services and research in small and mid cap stocks together with extensive corporate finance advice to this sector of the stock market.

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 providing 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 credit risk and liquidity risk and an explanation of these is set out in note 24 on page 35.

Results and Dividends

The Consolidated Income Statement for the year is set out on page 13.

The Directors are not proposing to pay a final ordinary dividend (2007: 4.5p). This, when taken with the interim dividend of 2.2p per ordinary share (2007: 2.2p) which was paid on 3 October 2008, gives a total dividend of 2.2p per share in respect of the year ended 31 October 2008 (2007: 6.7p).

Directors

The Directors of the Company who held office since 1 November 2007 were:

Sir David Rowe-Ham	Chairman
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Tony Bartlett	Non-Executive
Philip Dayer	Non-Executive
Grahame Whateley	Non-Executive

Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 9 and 10.

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 12 January 2009.

Individuals	%
Alasdair Locke	5.28
Richard Day	5.26
James Reed-Daunter	4.75
Robert Griffiths	4.75
Mark Braddock	4.41
John Goold	4.05
David Larkam	4.05
Ben Thefaut	3.46
Tim Richmond	3.44
John Cassie	3.39
Institutional Holders	
Universities Superannuation Scheme	8.32
Scottish Widows	7.01
Aegon	5.52
Standard Life Investments	3.75

Share Capital

Information relating to the Company's ordinary share capital is shown in note 19 to the Financial Statements.

Employee Share Trusts

The Group currently operates one Employee Benefit Share Trust, Arden Partners EBT Limited, which administers the Arden Partners plc share schemes as corporate Trustee. At 31 October 2008 the Trust held 669,600 (2007: 669,600) shares at a carrying cost of £0.2 million and a market value of £0.3 million (2007: £1.1 million). The Trustees have agreed to hold these shares to satisfy options granted under a share option scheme (the Arden Partners Old Scheme — see page 33) 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.

Charitable and Political Donations

The Group made charitable donations amounting to £1,925 (2007: £5,198) during the year. The Group did not make any political donations (2007: £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 36 days (2007: 25 days).

Directors' and Officers' Liability Insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act

Report of the Directors continued

1985. The insurance was in force throughout the year ended 31 October 2008 and remains in force at the date of this report.

Financial Instruments

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

Auditors

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

The Audit Committee reviews and approves the appointment of external auditors and monitors their independence. BDO Stoy Hayward LLP have expressed their willingness to continue in office and an ordinary resolution reappointing 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
13 January 2009

Directors' Remuneration Report

Introduction

Whilst the Group is not obliged to comply with the Directors' Remuneration Report Regulations 2002, 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 VIIA to the Companies Act 1985, 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 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 the investment banking and equities arena 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.

For the year ended 31 October 2008, the incentive accrual for Directors and staff was reduced to £666,000 (2007: £2,677,000).

Directors' Remuneration

A summary of the total remuneration paid to current Directors is set out below:

	Salary/ Fees £'000	Pension con- tributions £'000	Incentive payments £'000	Benefits in kind £'000	Total 2008 £'000	Total 2007 £'000
Executive Directors						
Jonathan Keeling	142	112	–	2	256	376
Trevor Norris	100	12	5	2	119	191
Non-Executive Directors						
Sir David Rowe-Ham	54	–	–	–	54	50
Tony Bartlett	45	–	–	–	45	175
Philip Dayer	32	–	–	–	32	30
Grahame Whateley	27	–	–	–	27	25
Total	400	124	5	4	533	847

Directors' Service Contracts

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

Pension Arrangements

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

Share Options

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

The Company's policy is to use the Share Option Scheme to attract and retain key senior employees including the Executive Directors. Any grant of options is at the discretion of the Remuneration Committee and will take into account individual performance and responsibilities. Where appropriate, a grant of options may incorporate performance criteria.

Directors' Remuneration Report continued

Directors' Interests in Ordinary Shares of Arden Partners plc

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

	31 October 2008 Number	Percentage Interest	31 October 2007 Number
Executive Directors			
Jonathan Keeling	1,173,990	4.75%	1,173,990
Trevor Norris	627,750	2.54%	627,750
Non-Executive Directors			
Sir David Rowe-Ham	30,864	0.13%	30,864
Tony Bartlett	837,000	3.39%	837,000
Philip Dayer	30,864	0.13%	30,864
Grahame Whateley	1,174,010	4.75%	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 2007 Number	Options granted in year Number	31 October 2008 Number
Executive Directors				
Jonathan Keeling	1	–	490,000	490,000
Trevor Norris	2	167,399	–	167,399
Non-Executive Directors				
Tony Bartlett	2	334,798	–	334,798
Totals		502,197	490,000	992,197

Note:

- 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.
- 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 can not normally be exercised until 24 April 2009 at a price of 47.8p per share and have an expiry date of 24 April 2016.

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

Approval

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



Sir David Rowe-Ham

Chairman of the Remuneration Committee
13 January 2009

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

Directors' responsibilities

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company, for safeguarding the assets of the Company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The Directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985. The Directors are also required to prepare financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The Directors have chosen to prepare financial statements for the Company in accordance with IFRSs.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:

- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Financial statements are published on the Group'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 Group's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Report of the Independent Auditors to the shareholders of Arden Partners plc

We have audited the Group and parent Company financial statements (the "financial statements") of Arden Partners plc for the year ended 31 October 2008 which comprise the consolidated income statement, the consolidated and Company balance sheets, the consolidated and Company cash flow statements, the consolidated and Company statements of changes in equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' report is consistent with those financial statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Highlights, the Directors' Report, the Chairman's Statement, the Chief Executive's Statement, the Corporate Governance Statement, the Directors' Biographies and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

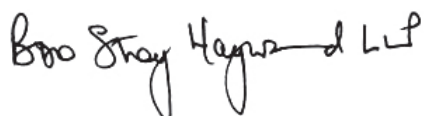
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 October 2008 and of its profit for the year then ended;
- the parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent Company's affairs as at 31 October 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors

London

13 January 2009

Consolidated Income Statement

For the year ended 31 October 2008

	Note	2008 £'000	2007 £'000
Revenue	2	11,431	16,819
Administrative expenses		10,541	12,071
Profit from operations	3	890	4,748
Finance income	7	509	461
Finance costs	8	–	3
Profit before taxation		1,399	5,206
Income tax expense	9	652	1,717
Profit on ordinary activities after taxation		747	3,489
Earnings per share			
Basic	10	3.0p	14.1p
Diluted	10	2.7p	13.1p

Consolidated Balance Sheet

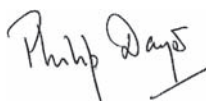
At 31 October 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		323		512
Deferred tax	13		88		507
Total non-current assets			411		1,019
Current assets					
Financial assets — held for trading	14	215		1,652	
Financial assets — available for sale	15	5		443	
Trade and other receivables	16	3,146		9,701	
Cash and cash equivalents	17	9,481		7,855	
Total current assets			12,847		19,651
Total assets			13,258		20,670
Current liabilities					
Trade and other payables	18	2,943		8,992	
Corporation tax liability		197		806	
Total current liabilities			3,140		9,798
Non-current liabilities					
Deferred tax	13		—		28
Total non-current liabilities			—		28
Total liabilities			3,140		9,826
Net assets			10,118		10,844
Equity					
Called up share capital	19		2,470		2,470
Share premium account			2,646		2,646
Employee Benefit Trust Reserve			(200)		(200)
Available for sale reserve			(2)		35
Retained earnings			5,204		5,893
Total equity			10,118		10,844

The Financial Statements were approved by the Board of Directors and authorised for issue on 13 January 2009.



Trevor Norris
Group Finance Director



Philip Dayer
Chairman of Audit Committee

Company Balance Sheet

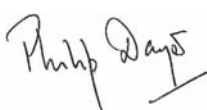
At 31 October 2008

	Note	2008 £'000	2008 £'000	2007 £'000	2007 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		323		512
Investments	12		–		–
Deferred tax	13		88		507
Total non-current assets			411		1,019
Current assets					
Financial assets — held for trading	14	215		1,652	
Financial assets — available for sale	15	5		443	
Trade and other receivables	16	3,346		9,901	
Cash and cash equivalents	17	9,396		7,815	
Total current assets			12,962		19,811
Total assets			13,373		20,830
Current liabilities					
Trade and other payables	18	2,943		8,992	
Corporation tax liability		197		806	
Total current liabilities			3,140		9,798
Non-current liabilities					
Deferred tax	13		–		28
Total non-current liabilities			–		28
Total liabilities			3,140		9,826
Net assets			10,233		11,004
Equity					
Called up share capital	19		2,470		2,470
Share premium account			2,646		2,646
Available for sale reserve			(2)		35
Retained earnings			5,119		5,853
Total equity			10,233		11,004

The Financial Statements were approved by the Board of Directors and authorised for issue on 13 January 2009.



Trevor Norris
Group Finance Director



Philip Dayer
Chairman of Audit Committee

Consolidated Cash Flow Statement

For the year ended 31 October 2008

	Note	2008 £'000	2007 £'000
Operating activities before taxation			
Net profit from ordinary activities before tax		1,399	5,206
Adjustments for:			
Fair value adjustments		(38)	45
Depreciation		278	236
Profit on disposal of available for sale investments		(218)	–
Impairment of available for sale investments		342	500
Net interest receivable		(509)	(458)
Share-based payments		584	34
Operating cash flow before changes in working capital		1,838	5,563
Decrease/(increase) in trade and other receivables		6,564	(2,629)
Decrease/(increase) in financial assets		1,520	(444)
Decrease in trade and other payables		(6,079)	(159)
Purchases of available for sale investments		(108)	(310)
Proceeds from disposal of available for sale investments		368	–
Cash generated from operations		4,103	2,021
Income taxes paid		(1,277)	(1,575)
Cash flows from operating activities		2,826	446
Investing activities			
Purchases of property, plant and equipment		(89)	(360)
Interest received		499	458
Net cash from investing activities		410	98
Financing activities			
Dividends paid to equity shareholders		(1,610)	(949)
Increase/(decrease) in cash and cash equivalents		1,626	(405)
Cash and cash equivalents at the beginning of the year		7,855	8,260
Cash and cash equivalents at the end of the year	17	9,481	7,855

The notes on pages 20 to 38 form part of these financial statements.

Company Cash Flow Statement

For the year ended 31 October 2008

	Note	2008 £'000	2007 £'000
Operating activities before taxation			
Net profit from ordinary activities before tax		1,399	5,206
Adjustments for:			
Fair value adjustments		(38)	45
Depreciation		278	236
Profit on disposal of available for sale investments		(218)	–
Impairment of available for sale investments		342	500
Net interest receivable		(509)	(458)
Share-based payments		584	34
Operating cash flow before changes in working capital		1,838	5,563
Decrease/(increase) in trade and other receivables		6,564	(2,629)
Decrease/(increase) in financial assets		1,520	(444)
Decrease in trade and other payables		(6,079)	(159)
Purchases of available for sale investments		(108)	(310)
Proceeds from disposal of available for sale investments		368	–
Cash generated from operations		4,103	2,021
Income taxes paid		(1,277)	(1,575)
Cash flows from operating activities		2,826	446
Investing activities			
Purchases of property, plant and equipment		(89)	(360)
Interest received		499	458
Net cash from investing activities		410	98
Financing activities			
Dividends paid to equity shareholders		(1,655)	(976)
Increase/(decrease) in cash and cash equivalents		1,581	(432)
Cash and cash equivalents at the beginning of the year		7,815	8,247
Cash and cash equivalents at the end of the year	17	9,396	7,815

The notes on pages 20 to 38 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 October 2008

Consolidated Statement of changes in equity for the year ended 31 October 2008

	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 2007	2,470	2,646	(200)	35	5,893	10,844
Changes in equity for 2008:						
Available for sale investments:						
— Increase in fair value of investments	—	—	—	156	—	156
— Gain transferred to the income statement on disposal of investments	—	—	—	(218)	—	(218)
— Tax taken to equity	—	—	—	25	(410)	(385)
Net income recognised directly in equity	—	—	—	(37)	(410)	(447)
Profit for the year	—	—	—	—	747	747
Total recognised income and expense for the year	—	—	—	(37)	337	300
Dividends	—	—	—	—	(1,610)	(1,610)
Share-based payments	—	—	—	—	584	584
Balance at 31 October 2008	2,470	2,646	(200)	(2)	5,204	10,118

Consolidated Statement of changes in equity for the year ended 31 October 2007

	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 2006	2,470	2,646	(200)	(105)	3,022	7,833
Changes in equity for 2007:						
Available for sale investments:						
— Increase in fair value of investments	—	—	—	200	—	200
— Tax taken to equity	—	—	—	(60)	297	237
Net income recognised directly in equity	—	—	—	140	297	437
Profit for the year	—	—	—	—	3,489	3,489
Total recognised income and expense for the year	—	—	—	140	3,786	3,926
Dividends	—	—	—	—	(949)	(949)
Share-based payments	—	—	—	—	34	34
Balance at 31 October 2007	2,470	2,646	(200)	35	5,893	10,844

Notes

- The Employee Benefit Trust reserve represents shares held in the parent Company by Arden Partners EBT Limited, a corporate trustee company which is consolidated in these Financial Statements in accordance with the accounting policy in note 1 to the Financial Statements.
- 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 2008

Company statement of changes in equity for the year ended 31 October 2008

	Share capital £'000	Share premium account £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2007	2,470	2,646	35	5,853	11,004
Changes in equity for 2008:					
Available for sale investments:					
— Increase in fair value of investments	—	—	156	—	156
— (Gain) transferred to the income statement on disposal of investments	—	—	(218)	—	(218)
— Tax taken to equity	—	—	25	(410)	(385)
Net income recognised directly in equity	—	—	(37)	(410)	(447)
Profit for the year	—	—	—	747	747
Total recognised income and expense for the year	—	—	(37)	337	300
Dividends	—	—	—	(1,655)	(1,655)
Share based payments	—	—	—	584	584
Balance at 31 October 2008	2,470	2,646	(2)	5,119	10,233

Company Statement of changes in equity for the year ended 31 October 2007

	Share capital £'000	Share premium account £'000	Available for sale reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2006	2,470	2,646	(105)	3,009	8,020
Changes in equity for 2007:					
Available for sale investments:					
— Increase in fair value of investments	—	—	200	—	200
— Tax taken to equity	—	—	(60)	297	237
Net income recognised directly in equity	—	—	140	297	437
Profit for the year	—	—	—	3,489	3,489
Total recognised income and expense for the year	—	—	140	3,786	3,926
Dividends	—	—	—	(976)	(976)
Share-based payments	—	—	—	34	34
Balance at 31 October 2007	2,470	2,646	35	5,853	11,004

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 1985. The address of the Company's registered office is set out on page 44.

Basis of preparation

The principal accounting policies adopted in the preparation of these Financial Statements are set out below. The policies have been consistently applied to the Group and the Company and 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. These Financial Statements have also been prepared in accordance with those parts of the Companies Act 1985 that are applicable to companies preparing their financial statements in accordance with IFRS.

The date of transition to IFRS was 1 November 2006. This is the first year the Group and Company have prepared their Financial Statements in accordance with IFRS, having previously prepared their financial statements in accordance with UK Generally Accepted Accounting Principles ("UK GAAP"). The information for the year ended 31 October 2007 has been restated as necessary for the adoption of IFRS. A reconciliation of the restated financial information for the year ended 31 October 2007 under IFRS with the originally reported results under UK GAAP is included as note 26.

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 230 of the Companies Act 1985, and the income statement of the parent Company is not presented. The parent Company's profit after taxation for the financial year amounted to £747,000 (2007: £3,489,000).

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 2008 or later periods and which the Group has decided not to adopt early. These are:

- *IFRS 8, Operating segments* (effective for accounting periods beginning on or after 1 January 2009). This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Group expects to apply this standard in the period beginning on 1 November 2009. As this is a disclosure standard, it will not have any effect on the results or net assets of the Group.
- *IFRS 3, Business combinations and complementary amendments to IAS 27, Consolidated and separate financial statements* (Both effective for accounting periods on or after 1 July 2009). This revised standard and amendments are still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. The Board will assess the impact of the revised IFRS 3 and amendments to IAS 27 on the financial statements if it becomes relevant in the future.
- *IAS 1, Presentation of Financial Statements — a revised approach* (effective for accounting periods beginning on or after 1 January 2009). As this is a disclosure standard, it will not have any effect on the results or net assets of the Group. It will affect the presentation and format of the primary statements and notes and these disclosures will be revised accordingly in the 2010 financial statements.
- *Amendment to IFRS 2, Share-based Payments: Vesting conditions and cancellations* (effective for accounting periods beginning on or after 1 January 2009). The amendment deals with two matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Board is assessing the impact of this amendment on the Group; this is not expected to be significant.

Notes to the Consolidated Financial Statements continued

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:

- *IAS 39, Financial instruments: Recognition and Measurement: Eligible Hedged Items* (effective for accounting periods beginning on or after 1 July 2009).
- *IAS 23, Borrowing costs (Revised)* (effective for accounting periods beginning on or after 1 January 2009).
- *IFRIC 12, Service Concession Arrangements* (effective for periods beginning on or after 1 January 2008).
- *IFRIC 13, Customer Loyalty Programmes* (effective for periods beginning on or after 1 July 2008).
- *IFRIC 14 and IAS 9, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for periods beginning on or after 1 January 2008).
- *IFRIC 15, Agreements for the Construction of Real Estate* (effective for periods beginning on or after 1 January 2009).
- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation* (effective for periods beginning on or after 1 October 2008).
- *IFRIC 17, Distributions of Non-Cash Assets to Owners* (effective for periods beginning on or after 1 July 2009).
- *Amendments to IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (Effective for periods beginning on or after 1 January 2009).
- *Amendments to IAS 27, Consolidated and Separate Financial Statements* (effective for periods beginning on or after 1 July 2009).
- *Amendments to IAS 32 and IAS 1, Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for periods beginning on or after 1 January 2009).
- *Amendment to IFRS 1, First time Adoption of International Financial Reporting Standards* (effective for periods beginning on or after 1 January 2009).

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.

Notes to the Consolidated Financial Statements continued

Interest receivable

Financial income, which comprises principally interest received, is recognised using the effective interest 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. It is calculated at the following rates:

Improvements to leasehold buildings	— 33.33% per annum
Fixtures, fittings and equipment	— 33.33% per annum
Computer equipment	— 33.33% per annum

Financial assets

Financial assets comprise assets held for trading, available for sale 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:

- **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. Gains and losses from changes in fair value are taken to the income statement.

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

- **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 income statement. 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.

- **Available for sale:** Non-derivative financial assets not included in the above categories are classified as available for sale and comprise principally the Group's strategic investments in entities not qualifying as subsidiaries, associates or jointly controlled entities as well as corporate bonds. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve) other than exchange differences on corporate bonds denominated in foreign currency, which are recognised in profit or loss. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on contract date with any change in fair value between trade date and the balance sheet date being recognised in the 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 income statement.

Notes to the Consolidated Financial Statements continued

- **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 income statement.

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.

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.

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 income statement.

Taxation

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement 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.

Notes to the Consolidated Financial Statements continued

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 creditors. Operating lease rentals are charged to the income statement on a straight line basis over the period of the lease.

Pension costs

Contributions to defined contribution pension schemes are charged to the income statement in the period in which they become payable.

Employee Benefit Trust

Arden Partners EBT Limited is a wholly owned subsidiary of the Company and its sole activity is as corporate trustee for the Arden Partners Employee Benefit Trust. Its assets and liabilities are fully consolidated in the Group financial statements, and holdings of Arden Partners plc shares by Arden Partners EBT Limited are shown as a deduction from consolidated equity under the heading "Employee Benefit Trust reserve".

Share-based payments — equity-settled

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

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each 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 19 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.

	2008	2007
	£'000	£'000
Equities Division	6,547	7,444
Corporate Finance Division	4,884	9,375
Total revenue	11,431	16,819

The Directors are of the opinion that there are only two business segments and that business resources cannot be readily allocated to segments for the purposes of deriving either profit or net assets.

3) Profit from operations

	2008	2007
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	278	236
Operating lease costs	247	210
Aborted bid costs	131	318
Auditors' remuneration:		
Audit services:		
Company	79	44
Subsidiaries	1	1
Tax services	25	19
Payroll and pension services	9	12
Corporate finance services:		
Included within aborted bid costs	31	110
Foreign currency losses	53	–
Share-based payments	584	34
Impairment of available for sale investments	342	500
Profit on disposal of available for sale assets	(218)	–

4) Dividends

Dividends recognised in the year consisted of the 2007 final dividend of £1,081,000 (4.5p per share) and the 2008 interim dividend of £529,000 (2.2p per share), totalling £1,610,000.

Dividends recognised in the prior year consisted of the 2006 final dividend of £420,000 (1.8p per share) and the 2007 interim dividend of £529,000 (2.2p per share), totalling £949,000.

The amounts shown above in respect of dividends paid by the Group exclude dividends paid to the Arden Partners Employee Benefit Trust amounting to £45,000 in 2008 (2007: £27,000).

Notes to the Consolidated Financial Statements continued

5) Employees

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

	2008	2007
	£'000	£'000
Wages and salaries	3,790	3,568
Incentive payments	610	2,150
Share-based payments (see note 19 for further details)	584	34
Social security costs	496	737
Other pension costs	349	631
	5,829	7,120

The average number of employees (including Directors) during the year in the Company and the Group was 51 (2007: 50) of which 40 (2007: 43) are front-office and the remainder are administration.

6) Directors' remuneration

	2008	2007
	£'000	£'000
Directors' emoluments	409	599
Company contributions to money purchase pension schemes	124	248

There were 2 Directors in defined contribution pension schemes during the year (2007: 2).

The total amount payable to the highest paid Director in respect of emoluments was £256,000 (2007: £376,000). Company pension contributions of £112,000 (2007: £209,000) 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 and 10.

7) Finance income

	2008	2007
	£'000	£'000
Bank and other interest received	509	461

8) Finance costs

	2008	2007
	£'000	£'000
Bank loans and overdrafts	-	3

Notes to the Consolidated Financial Statements continued

9) Taxation expense

	2008 £'000	2007 £'000
UK corporation tax		
Current tax on profits of the year	660	1,721
Adjustment in respect of previous periods	(14)	2
Total current tax	646	1,723
Deferred tax		
Origination and reversal of timing differences	(7)	(9)
Deferred tax on financial assets	(3)	13
Adjustment in respect of previous periods	16	(10)
Total deferred tax	6	(6)
Total taxation expense	652	1,717

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

	2008 £'000	2007 £'000
Profit on ordinary activities before tax	1,399	5,206
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28.8% (2007: 30%)	403	1,562
Effect of:		
Expenses not deductible for tax purposes	250	150
Prior year current tax (over)/under provision	(14)	2
Prior year deferred tax under/(over) provision	16	(10)
Deferred tax on financial assets	(3)	13
Total taxation expense	652	1,717

The United Kingdom Government has enacted provisions reducing the standard rate of corporation tax from 30% to 28% with effect from 1 April 2008. The standard rate of tax applicable to the Group is therefore 28.8% in the year ended 31 October 2008 (2007: 30%) and will be 28% in future years.

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 2008		Year ended 31 October 2007	
	Pence per share	Numerator £'000	Pence per share	Numerator £'000
Basic Earnings	3.0	747	14.1	3,489
Add: IFRS 2 share-based payments	2.4	584	0.1	34
Add: Aborted bid costs	0.5	131	1.3	318
Underlying Basic Earnings	5.9	1,462	15.5	3,841
Diluted Earnings	2.7	747	13.1	3,489
Add: IFRS 2 share-based payments	2.2	584	0.1	34
Add: Aborted bid costs	0.5	131	1.2	318
Underlying Diluted Earnings	5.4	1,462	14.4	3,841

	Year ended 31 October 2008 Number	Year ended 31 October 2007 Number
Denominator		
Weighted average number of shares in issue for Basic Earnings calculation	24,701,872	24,701,872
Weighted average dilution for outstanding share options	2,340,528	1,941,819
Weighted average number for Diluted Earnings calculation	27,042,400	26,643,691

Notes to the Consolidated Financial Statements continued

11) Property, plant and equipment

Company and Group as at 31 October 2008

	Improvements to leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 November 2007	233	930	1,163
Additions	5	84	89
At 31 October 2008	238	1,014	1,252
Depreciation			
At 1 November 2007	129	522	651
Provided for the year	46	232	278
At 31 October 2008	175	754	929
Net book value			
At 31 October 2008	63	260	323
At 31 October 2007	104	408	512

Company and Group as at 31 October 2007

	Improvements to leasehold buildings £'000	Fixtures, fittings and equipment £'000	Total £'000
Cost			
At 1 November 2006	117	686	803
Additions	116	244	360
At 31 October 2007	233	930	1,163
Depreciation			
At 1 November 2006	89	326	415
Provided for the year	40	196	236
At 31 October 2007	129	522	651
Net book value			
At 31 October 2007	104	408	512
At 31 October 2006	28	360	388

12) Investments

Company

	Group undertakings £
Cost	
At 1 November 2007 and 31 October 2008	2

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 as corporate trustee for the Arden Partners Employee Benefit Trust. At 31 October 2008, it held 669,600 ordinary shares in Arden Partners plc (2007: 669,600 ordinary shares).

Notes to the Consolidated Financial Statements continued

13) Deferred tax

Group and Company — 2008

	Accelerated capital allowances and temporary differences £'000	Share options £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2007 — (asset)/liability	(52)	(455)	(507)	28
Credited to income statement	(7)	–	(7)	(3)
Adjustments in respect of prior years	16	–	16	–
Transferred to equity	–	410	410	(25)
At 31 October 2008	(43)	(45)	(88)	–

Deferred taxation comprises:

	2008 £'000	2007 £'000
Accelerated capital allowances	(22)	6
Other timing differences	(21)	(58)
Share options	(45)	(455)
Total deferred tax asset	(88)	(507)
Deferred tax liability on financial assets	–	28

Group and Company — 2007

	Accelerated capital allowances and temporary differences £'000	Share options £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2006 — (asset)/liability	(33)	(158)	(191)	(45)
Credited to income statement	(19)	–	(19)	13
Transferred to equity	–	(297)	(297)	60
At 31 October 2007	(52)	(455)	(507)	28

14) Financial assets — held for trading

Group and Company

	2008 £'000	2007 £'000
Long market making positions	215	1,652

At 31 October 2008 the historical cost of the long market making positions was £260,000 (2007: £1,617,000). There are no long market making positions denominated in foreign currency (2007: £nil).

Notes to the Consolidated Financial Statements continued

15) Financial assets — available for sale

Group and Company

	2008	2007
	£'000	£'000
Current asset investments	5	443

At 31 October 2008 the historical cost of the current asset investments was £8,000 (2007: £392,000). There are no current asset investments denominated in foreign currency (2007: £nil).

16) Trade and other receivables

Group

	2008	2007
	£'000	£'000
Market receivables	1,248	5,702
Trade receivables	1,215	2,180
Other receivables	211	216
Prepayments and accrued income	472	1,603
	3,146	9,701

Company

	2008	2007
	£'000	£'000
Market receivables	1,248	5,702
Trade receivables	1,215	2,180
Other receivables	211	216
Prepayments and accrued income	472	1,603
Amount due from subsidiary	200	200
	3,346	9,901

Included within trade receivables of the Group and the Company at 31 October 2008 is an amount of £579,000 which is denominated in US\$. No amounts at 31 October 2007 were denominated in foreign currency.

There are no differences between the fair value and the amortised cost of any of the market, trade and other receivables.

The amount due from the subsidiary to the Company has no fixed repayment date and does not bear interest. An analysis of overdue trade receivables is shown in note 24. No other receivables are overdue.

Notes to the Consolidated Financial Statements continued

17) Cash and cash equivalents

Group

	2008	2007
	£'000	£'000
Cash and bank balances	3,640	3,300
Call deposits	5,841	4,555
	9,481	7,855

Company

	2008	2007
	£'000	£'000
Cash and bank balances	3,555	3,260
Call deposits	5,841	4,555
	9,396	7,815

Included within cash and bank balances of the Group and the Company at 31 October 2008 is an amount of £229,000 which is denominated in US\$. No amounts at 31 October 2007 were denominated in foreign currency.

18) Trade and other payables

Group and Company

	2008	2007
	£'000	£'000
Held for trading liabilities	46	16
Market payables	1,092	5,169
Trade payables	445	324
Other taxation and social security	171	217
Other payables	63	206
Accruals and deferred income	1,126	3,060
	2,943	8,992

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 £2,580,000 (2007: £8,540,000).

Notes to the Consolidated Financial Statements continued

19) Share capital

	Authorised		Allotted, called up and fully paid	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Equity share capital				
40,000,000 Ordinary shares of 10p each	4,000	4,000	–	–
24,701,872 Ordinary shares of 10p each	–	–	2,470	2,470

Options over the Company's shares outstanding

	31 October 2008		31 October 2007		Date first exercisable	Expiry date
	Number of shares	Option price (p)	Number of shares	Option price (p)		
Arden Partners Old Scheme	2,098,305	47.8	2,632,352	47.8	24/4/2009	24/4/2016
Arden Partners Share Plan 2007 — 2007 grant	600,000	10.0	800,000	10.0	20/9/2010	20/9/2017
Arden Partners Share Plan 2007 — 2008 grant	840,000	10.0	–	–	6/2/2011	6/2/2018
Outstanding at the end of the year	3,538,305		3,432,352			
Exercisable at the year end	–		–			
Not exercisable at the year end	3,538,305		3,432,352			
Outstanding at the end of the year	3,538,305		3,432,352			

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

	Number of options 2008	Weighted average exercise price (p) 2008	Number of options 2007	Weighted average exercise price (p) 2007
At 1 November 2007	3,432,352	39.0	2,958,780	47.8
Exercised during the year	–	–	–	–
Granted during the year	840,000	10.0	800,000	10.0
Lapsed during the year	(734,047)	(37.5)	(326,428)	(47.8)
At 31 October 2008	3,538,305	32.4	3,432,352	39.0

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. 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.

Notes to the Consolidated Financial Statements continued

19) Share capital (continued)

The assumptions underlying the calculations within the Black–Scholes model were as follows:

	Arden Partners Share Plan Second 2008 award	Arden Partners Share Plan First 2008 award	Arden Partners Share Plan 2007 award
Fair value at measurement date	110.0p	129.0p	147.7p
Exercise price	10.0p	10.0p	10.0p
Stock price at date of grant	121.0p	142.0p	162.0p
Expected volatility	30%	30%	30%
Option life (in years)	3	3	3
Dividend yield	3%	3%	4%
Risk-free interest rate	5.75%	5.75%	5.75%

The total expenses recognised for the period arising from share-based payments are as follows:

	2008 £'000	2007 £'000
Expensed during the year (equity-settled) (included within employee costs as set out in note 5)	584	34

20) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Where members of staff do not join the Company scheme, contributions are made to their own nominated schemes, all of which are defined contribution. The pension charge for the year amounted to £349,000 (2007: £631,000). Contributions amounting to £61,000 (2007: £161,000) were payable to schemes and are included in creditors.

21) Commitments under operating leases

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

	Land and buildings	
	2008 £'000	2007 £'000
Within one year	240	232
Between one and two years	78	205
Between two and five years	97	176
	415	613

Notes to the Consolidated Financial Statements continued

22) Related party disclosures

The key management are considered to be the Board of Directors of Arden Partners plc, whose remuneration can be seen in the Directors' Remuneration Report on pages 9 and 10. The compensation in total for each category required by IAS 24 is as follows:

	Year ended 31 October 2008 £'000	Year ended 31 October 2007 £'000
Salaries and short-term employee benefits	409	599
Share-based payments	178	2

23) Post-balance sheet events

There have been no significant events between the end of the year and the date the Financial Statements were approved.

24) 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

24.1 Equity price risk

The Group and Company face risk arising from holding available for sale investments and market making positions 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 available for sale investments on a monthly basis.

24.2 Liquidity risk

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

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

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 2007 and 2008 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.

Notes to the Consolidated Financial Statements continued

24) Financial Instruments and risk profile (continued)

24.3 Credit risk

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

- robust client account opening and vetting procedures
- general policy to deal only with FSA registered counterparties
- general policy on limiting exposure to concentration risk
- control over timely settlement of market debtors
- 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	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Market receivables	1,248	5,702	1,248	5,702
Trade receivables	1,215	2,180	1,215	2,180
Other receivables	211	216	211	216
Cash and cash equivalents	9,481	7,855	9,396	7,815
Total loans and receivables at amortised cost	12,155	15,953	12,070	15,913

The ageing of trade receivables at the reporting date was:

	31 October 2008 £'000	31 October 2007 £'000
Not past due	976	1,367
Past due 31–60 days	37	500
Past due 61–90 days	32	54
Past due 91–120 days	11	38
Past due 121+ days	350	407
Provisions	(191)	(186)
Total	1,215	2,180

Movement in provision

	31 October 2008 £'000	31 October 2007 £'000
Opening balance at 1 November	186	154
Amounts released	(174)	(73)
Amounts written off	(3)	–
Increase in provision	182	105
Closing balance at 31 October	191	186

Notes to the Consolidated Financial Statements continued

24) Financial Instruments and risk profile (continued)

24.4 Operational risk

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

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

The Group and Company had an aggregate currency exposure at 31 October 2008 in respect of US\$1,286,000 (£808,000). There was no currency exposure for the Group or the Company at 31 October 2007. The effect of a 10% movement in the US\$/£ exchange rate from the rate ruling at the balance sheet date would be to impact profit and net assets by approximately £80,000.

Fixed rate cash financial assets of £5,841,000 (2007: £4,555,000) comprise sterling cash deposits on money markets at an average rate of 3.0% (2007: 5.55%). 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 1% higher or lower than the level actually received in the year ended 31 October 2008, the profit before taxation would have been increased or reduced by approximately £85,000.

25) Transition to IFRS

The financial information for the year ended 31 October 2007 and the opening balance sheet at 1 November 2006 have been prepared in accordance with IFRS for the first time.

The Group's transition date to IFRS is 1 November 2006. The rules for first-time adoption of IFRS are set out in IFRS 1 'First time Adoption of International Financial Reporting Standards'. In preparing the IFRS financial information, these transition rules have been applied to the amounts reported previously under generally accepted accounting principles in the United Kingdom ('UK GAAP'). IFRS 1 generally requires full retrospective application of the Standards and Interpretations in force at the first reporting date.

However, IFRS 1 allows certain exemptions in the application of particular Standards to prior periods in order to assist companies with the transition process.

The Group has elected to make use of the exemptions available in IFRS 1 as follows:

- IFRS 2 'Share-based Payments' has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 November 2006.

The adoption of IFRS has had no impact on the cash flows of the Group. The changes in the Group cash flow statement prepared under IFRS and the statement previously prepared under UK GAAP are presentational. In accordance with IFRS, the Company has been required to present its own cash flow statement, whereas such a statement was not required previously under UK GAAP.

Notes to the Consolidated Financial Statements continued

26) Reconciliation of UK GAAP to IFRS

For the year ended 31 October 2007 there are differences between the income statement and balance sheet amounts reported under UK GAAP and IFRS as noted on pages 39 to 43. There are also differences under UK GAAP and IFRS for the opening balance sheet on transition (as at 1 November 2006).

The IFRS transition has given rise to four types of adjustments in the consolidated accounts, which are as follows:

- a) Fair value adjustments for financial assets that are classified as held for trading, with movements in the fair value going to the income statement.
- b) Fair value adjustments for financial assets that are classified as available for sale with movements in the fair value going through equity.
- c) Deferred tax relating to (1) fair value adjustments in respect of (a) and (b) above and (2) the intrinsic value of the outstanding share options at the balance sheet date.
- d) Reclassification of deferred tax asset from current assets to non-current assets.

A further adjustment has arisen in the Company's accounts as follows:

- e) Adjustments to intercompany balances and cash arising from a change to the accounting treatment of Arden Partners EBT Limited, the trustee of the Group's employee benefit trust. Under UK GAAP, the assets of the EBT were included in the Company's balance sheet and intercompany balances were eliminated; under the treatment now being adopted, the assets of the EBT are excluded from the Company's balance sheet and intercompany balances are reinstated.
-

Restatement of Historical Financial Information Under IFRS

Consolidated Balance Sheet at 31 October 2007

		UK GAAP At 31 October 2007 £'000	IFRS adjustments £'000	IFRS At 31 October 2007 £'000
	Note			
Assets				
Non-current assets				
Plant property and equipment		512	–	512
Deferred tax	26(c) (d)	–	507	507
Total non-current assets		512	507	1,019
Current assets				
Financial assets — held for trading	26(a)	1,617	35	1,652
Financial assets — available for sale	26(b)	392	51	443
Trade and other receivables		9,753	(52)	9,701
Cash at bank and in hand		7,855	–	7,855
Total current assets		19,617	34	19,651
Total assets		20,129	541	20,670
Current liabilities				
Trade and other payables		8,992	–	8,992
Corporation tax liability		806	–	806
Total current liabilities		9,798	–	9,798
Non-current liabilities				
Deferred tax liability	26(c)	–	28	28
Total non-current liabilities		–	28	28
Total liabilities		9,798	28	9,826
Net assets		10,331	513	10,844

Restatement of Historical Financial Information Under IFRS

Consolidated Income Statement for the year ended 31 October 2007

	Note	UK GAAP	IFRS	
		Year ended 31 October 2007 £'000	adjustments IFRS £'000	Year ended 31 October 2007 £'000
Revenue	26(a)	16,774	45	16,819
Administrative expenses		12,071	–	12,071
Profit from operations		4,703	45	4,748
Finance income		461	–	461
Finance costs		3	–	3
Profit before taxation		5,161	45	5,206
Income tax expense	26(c)	1,704	13	1,717
Profit on ordinary activities after taxation		3,457	32	3,489
Earnings per share				
Basic		14.0p	–	14.1p
Diluted		13.0p	–	13.1p

Restatement of Historical Financial Information Under IFRS

Consolidated Balance Sheet as at 31 October 2006

		UK GAAP		IFRS
		At		At
		31 October	IFRS	31 October
		2006	adjustments	2006
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Plant property and equipment		388	–	388
Deferred tax	26(c) (d)	–	239	239
Total non-current assets		388	239	627
Current assets				
Financial assets — held for trading	26(a)	1,217	(10)	1,207
Financial assets — available for sale	26(b)	583	(152)	431
Trade and other receivables		7,169	(33)	7,136
Cash and cash equivalents		8,260	–	8,260
Total current assets		17,229	(195)	17,034
Total assets		17,617	44	17,661
Current liabilities				
Trade and other payables		9,151	–	9,151
Corporation tax liability		677	–	677
Total current liabilities		9,828	–	9,828
Total liabilities		9,828	–	9,828
Net assets		7,789	44	7,833

Restatement of Historical Financial Information Under IFRS

Company Balance Sheet as at 31 October 2007

		UK GAAP		IFRS
		At		At
		31 October	IFRS	31 October
		2007	adjustments	2007
	Note	£'000	£'000	£'000
Assets				
Non-current assets				
Plant property and equipment		512	–	512
Deferred tax	26(c) (d)	–	507	507
Total non-current assets		512	507	1,019
Current assets				
Financial assets — held for trading	26(a)	1,617	35	1,652
Financial assets — available for sale	26(b)	392	51	443
Trade and other receivables	26(d) (e)	9,753	148	9,901
Cash at bank and in hand	26(e)	7,855	(40)	7,815
Total current assets		19,617	194	19,811
Total assets		20,129	701	20,830
Current liabilities				
Trade and other payables		8,992	–	8,992
Corporation tax liability		806	–	806
Total current liabilities		9,798	–	9,798
Non current liabilities				
Deferred tax liability	26(c)	–	28	28
Total non-current liabilities		–	28	28
Total liabilities		9,798	28	9,826
Net assets		10,331	673	11,004

Restatement of Historical Financial Information Under IFRS

Company Balance Sheet as at 31 October 2006

		UK GAAP At 31 October 2006 £'000	IFRS adjustments £'000	IFRS At 31 October 2006 £'000
	Note			
Assets				
Non-current assets				
Plant property and equipment		388	–	388
Deferred tax	26(c) (d)	–	239	239
Total non-current assets		388	239	627
Current assets				
Financial assets — held for trading	26(a)	1,217	(10)	1,207
Financial assets — available for sale	26(b)	583	(152)	431
Trade and other receivables	26(d) (e)	7,169	167	7,336
Cash and cash equivalents	26(e)	8,260	(13)	8,247
Total current assets		17,229	(8)	17,221
Total assets		17,617	231	17,848
Current liabilities				
Trade and other payables		9,151	–	9,151
Corporation tax liability		677	–	677
Total current liabilities		9,828	–	9,828
Total liabilities		9,828	–	9,828
Net assets		7,789	231	8,020

Corporate Information

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Notice of Meeting

Notice is hereby given that the Annual General Meeting of Arden Partners plc ("the Company") will be held at 30 St James's Square, London, SW1Y 4AL on 22 April 2009 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 2008, together with the Directors' Report, Directors' Remuneration Report and Report of the Independent Auditors on those Financial Statements.
2. To re-elect Sir David Rowe-Ham as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
3. To re-elect Mr Philip Dayer as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
4. To reappoint BDO Stoy Hayward 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 5 as an ordinary resolution and as to resolutions numbered 6, 7 and 8 as special resolutions:

5. That, subject to and in accordance with Article 16 of the Articles of Association of the Company, the Directors of the Company be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (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 £823,395, such authority to expire on the earlier of the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of the passing of this resolution, 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.
6. That, subject to the passing of resolution 5 as set out in the notice of this Meeting, and in accordance with Article 17 of the Articles of Association of the Company, the Directors be empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the Companies Act 1985) for cash pursuant to the general authority as if section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:
 - (a) 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
 - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £123,509

and such power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of the passing of this resolution, 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.

7. That, with effect from the passing of this resolution, the regulations contained in the document produced to this Meeting and for the purpose of identification signed by the Chairman of the Meeting are approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association of the Company.
 8. That, the Company be generally and unconditionally authorised, pursuant to Article 9 of the Articles of Association of the Company and pursuant to section 166 of the Companies Act 1985, to make market purchases (as defined in section 163 of the Companies Act 1985) of up to 2,470,180 Ordinary Shares of 10p each in the capital of the Company (being approximately 10% of the current issued ordinary share capital of the Company) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
-

Notice of Meeting continued

- (a) the amount paid for each share (exclusive of expenses) shall not be more than the higher of (1) 5% 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
- (b) the authority herein contained shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2010 or fifteen months from the date of passing this resolution, whichever is earlier, 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
12 January 2009

Registered office:
Arden House
17 Highfield Road
Edgbaston
Birmingham
B15 3DU

Notes

1. Under Article 94 of the Company's Articles of Association, a member can nominate someone else to exercise the right to appoint a proxy. Please confirm whether you are the member or a person nominated by a member. If you are a member who has nominated someone else to exercise the right to appoint a proxy you should not complete this form. Any forms returned by such persons will be ineffective.
2. Any member entitled to attend and vote at the AGM is entitled (unless they have, pursuant to article 94 of the Company's Articles of Association, nominated someone else to enjoy such a right, in which case only the person so nominated may exercise the right) to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the Meeting in person, should he subsequently decide to do so.
3. If you wish to appoint some other person as your proxy please insert his/her name and address, initial and strike out the words "the Chairman of the Meeting". If you do this and you, or your proxy, do not go to the Meeting, your vote cannot be counted. A proxy need not be a member of the Company.
4. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). If the total number of shares exceeds the total held by the member, all appointments may be held invalid. Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope.
5. Please indicate with an "X" in the appropriate box how you wish your votes to be cast. Unless otherwise instructed the proxy will exercise his/her discretion as to whether, and if so how, he/she will vote. The "Withheld" option is provided to enable you to abstain on any particular resolution. However, a vote withheld is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" a resolution.
6. This Form of Proxy must, in the case of an individual, be signed by the appointer or his/her attorney or, in the case of a corporation must be executed under its common seal or under the hand of an officer or attorney duly authorised in writing. Where a duly authorised officer signs this form, the signatory should state his/her office on the form.
7. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members in respect of the share.

Notice of Meeting continued

8. Any alteration in this Form of Proxy must be initialled by the person in whose hand it is signed or executed.
9. In order to be valid, any Form of Proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of authority, must reach the Company's Registrars, Capita Registrars, The Proxy Department, PO Box 25, Beckenham, Kent, BR3 4BR, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the Meeting or of any adjournment of the Meeting.
10. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, only those shareholders registered in the register of members of the Company at 11.00 a.m. on 20 April 2009 or, if the Meeting is adjourned, shareholders on the Company's register of members not later than 48 hours before the time fixed for the adjourned Meeting, shall be entitled to attend and vote at the Meeting.
11. All members are entitled to attend and vote at the Meeting, whether or not they have returned a form of proxy.
12. The Directors have no present intention of exercising (i) the allotment authority under resolution 5, (ii) the disapplication of pre-emption rights authority under resolution 6, or (iii) the authority to make market purchases under resolution 8.
13. A copy of the Company's existing Articles of Association (the "Existing Articles") and a copy marked to show the differences between the Existing Articles and those proposed to be adopted pursuant to resolution 7 (the "Proposed Articles") will be available for inspection at the Company's registered office during usual business hours from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting. The Proposed Articles have been updated to reflect in particular the following and other consequential changes arising as a result of the Companies Act 2006 (the "New Act"):

- (a) The New Act provision which came into force in October 2008 in respect of Directors' duty to avoid conflicts of interest

The Proposed Articles have been amended to reflect the new Directors' duty to avoid conflicts of interest (section 175 of the New Act) which came into force on 1 October 2008. A new article (Article 104) has been added to give the Board the power to authorise conflicts of other Directors and resultant changes have been made to Articles 102 to 106.

- (b) Multiple corporate representatives — ICSA guidance on proxies and corporate representatives at general meetings

Various amendments have been made to the Proposed Articles to reflect the ICSA recommendations and guidance referred to above.

In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that (i) if a corporate shareholder has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the Meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate shareholder attends the Meeting but the corporate shareholder has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives — www.icsa.org.uk — for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.



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