ARDEN PARTNERS

Arden Partners plc
Annual Report **2011**

Arden Partners plc

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

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HIGHLIGHTS

FINANCIAL	**Year ended 31 October 2011**	**Year ended 31 October 2010**
Revenue	**£12.4m**	**£13.0m**
Profit/(loss) before tax	**£0.6m**	**(£0.5m)**
Share based payments and reorganisation costs	**£0.6m**	**£1.8m**
Underlying profit before tax *	**£1.2m**	**£1.3m**
Earnings/(loss) per share:		
Basic	**2.2p**	**(4.2p)**
Underlying Basic †	**4.7p**	**2.4p**
Diluted	**2.0p**	**(4.2p)**
Underlying Diluted ‡	**4.3p**	**1.6p**
Dividend per ordinary share:		
Interim	**Nil**	**Nil**
Proposed final	**Nil**	**Nil**
NON-FINANCIAL		
Funds raised for clients	**£265m**	**£183m**
Client brokerships	**32**	**41**
Average number of staff	**48**	**58**

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

† Basic earnings per share are stated after taking into consideration the current tax treatment, ignoring deferred tax.

‡ Diluted earnings per share are stated after taking into consideration the current tax treatment, ignoring deferred tax.

CHAIRMAN'S STATEMENT

The Stockbroking sector is facing perhaps the most difficult and challenging conditions since the 1970s. For Arden Partners and its broking peer group, in addition to depressed markets resulting particularly from the Eurozone crisis, the development of electronic trading platforms has also had a major impact on business volumes. Difficult market conditions have also constrained opportunities for IPO and other fee generating corporate finance activities. Consequently, both commission revenues and corporate finance income are under pressure.

Given these significant business pressures, I am pleased to report that Arden has remained profitable over the last financial year. For the year to 31st October 2011, profits before tax were £0.6m, compared to a loss before tax of £0.5m in 2010, with underlying profits of £1.2m before accounting for share based payments and reorganisation costs. While turnover was 5% down on last year, administrative expenses have been reduced by over £2m and should reduce further in the current year. This reflects the Board's decision some time ago to implement cost saving measures in response to the changing environment.

This changing environment is evidenced by the fact that most brokers, including Arden, have implemented substantial cost saving measures over the last year. Some have closed down or disposed of their UK Securities activities and some have been the subject of take-over or merger approaches. The long discussed small/mid cap broker consolidation is finally happening and is likely to continue throughout next year. The Board is monitoring these developments closely and will give consideration to any possible opportunities for Arden. The Board remains committed to maintaining a UK presence in the small/mid cap market and with the prospect of fewer competitors remaining in our space, there should be positive opportunities for Arden looking forward.

The lower overhead base, a strong balance sheet and our Indian franchise should stand Arden in good stead for the new financial year, but any further downturn in markets and market confidence may require further cost reductions.

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

Lord Flight
Chairman
20 December 2011

CHIEF EXECUTIVE'S STATEMENT

I am pleased to report a profit for the year against a background of very uncertain economic and market conditions.

The second half of the year was particularly challenging with the ongoing problems in the Eurozone as cautioned in the interim statement. Commissions remain under significant pressure, share trading volumes are low and market volatility meant that both the equity and corporate departments faced a near "perfect storm". I am pleased to report that against this background our market makers did not incur any significant losses and Arden's balance sheet remains strong.

The executive team are focussed on ensuring the business runs on the lowest fixed cost base possible and will, therefore, continue to drive costs out of the business in the forthcoming period to ensure when eventually market conditions improve, that Arden is in the strongest position possible to take full advantage.

In the meantime the global outlook is very uncertain given no solution has been found to the debt and currency crisis in Europe. Severe pressure on stockbroking is likely to continue for the whole of 2012. So, despite a reasonable pipeline of business opportunities, the conversion rate will be heavily dependent on what happens externally to the markets.

Financial Review
Revenue in the year ended 31 October 2011 was £12.4m compared to £13.0m in 2010. The underlying profit before tax was £1.2m compared to £1.3m in 2010. The profit before taxation, which is stated after charging share-based payments and reorganisation costs, was £0.6m and compares to a loss before taxation in 2010 of £0.5m.

The basic earnings per share was 2.2p compared to a loss per share of 4.2p in 2010.

At the year end the Company held 2,372,768 ordinary shares of 10 pence each in Treasury. The total cost of these shares was £1.2m.

Equities Division
Our Equities Division revenue increased by 25% to £7.6m from £6.1m. Income from pure commission and agency cheques were at the same overall level as last year but this was heavily weighted to the first half.

Corporate Finance
During the year we completed 12 corporate finance transactions (2010: 15) including seven secondary fundraisings four M&A mandates, and one IPO. Including retainer income, total corporate finance revenue was some 32% down to £4.7m from £6.9m.

Statement of Cash Flows
The cash flow statement shows a reduction in cash balances over the year of £3.8m. This movement comprises mainly the increase in trading investments of £2.7m and the purchase of own shares of £1.2m so underlying cash and liquidity position remains very strong.

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

Jonathan Keeling
Chief Executive Officer
20 December 2011

CORPORATE GOVERNANCE

Introduction
Whilst the Group is not obliged to comply with the Combined Code (May 2010), the Directors have agreed to adopt the ethos of those regulations and to disclose information relating to corporate governance.

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

Lord Flight*	Chairman
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Steve Wassell	Chief Operating Officer (appointed 22/12/2010)
Mark Ansell*	Chairman of Audit Committee (appointed 31/12/2010)
Peter Moon*	Chairman of Remuneration Committee
	Chairman of Nominations Committee (appointed 31/12/2010)
Grahame Whateley	Non-Executive

(* denotes Independent Non-Executive Director)

Biographical details of all the Directors are set out on page 7.

The Board has regular scheduled full meetings and will meet at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance, and monitors key performance indicators. It will consider any ad hoc matters of significance to the Group including corporate activity. Attendance at meetings by members of the Board during the year ended 31 October 2011 was as follows:

	Board	**Audit Committee**	**Remuneration Committee**
Total number of meetings	**6**	**2**	**2**
Lord Flight	6	2	2
Jonathan Keeling	5	n/a	n/a
Trevor Norris	6	n/a	n/a
Steve Wassell	6	n/a	n/a
Mark Ansell [1]	4	1	2
Peter Moon [1]	4	1	2
Grahame Whateley	6	n/a	n/a
Sir David Rowe-Ham [2] (Resigned 31/12/2010)	2	1	n/a
Tony Bartlett [2] (Resigned 31/12/2010)	2	n/a	n/a

Notes:
1. Mark Ansell and Peter Moon attended all Board meetings and Audit Committee meetings subsequent to their appointment.
2. Sir David Rowe-Ham and Tony Bartlett attended all meetings required prior their resignation.

CORPORATE GOVERNANCE

Re-election of Directors
In accordance with the Company's Articles, and to ensure compliance with the UK Corporate Governance Code, certain of the Directors are required to be re-elected at Annual General Meetings of the Company. In accordance with the Articles, Jonathan Keeling and Trevor Norris are required to retire at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election. The Board supports their re-appointments having assessed their performance and value to the Board.

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

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

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

- the Group's internal control environment;
- financial risks (including market risk in relation to the Group's market making activities);
- financial statements, reports and announcements;
- independence of auditors;
- ensuring the Group has a policy which allows any member of staff to raise, in confidence, any concern about possible impropriety in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for a proportionate independent investigation of such matters including any follow-up action required.

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

Operational Structure
The Group is managed by an Operations Committee which has responsibility for implementation of strategy and monitoring progress of delivery against key objectives. The Committee also reviews financial performance against budgets and key performance indicators. This Committee is chaired by Steve Wassell in his role as Chief Operating Officer and has both Jonathan Keeling and Trevor Norris as permanent members.

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

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

CORPORATE GOVERNANCE

Internal Control

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

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Going Concern

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

BOARD OF DIRECTORS

Lord Flight (Independent Chairman)
Howard has significant experience of the investment management and broking sectors having held senior positions at Guinness Mahon, Guinness Flight, Investec Asset Management and more recently at Panmure Gordon. Howard is also a Commissioner at The Guernsey Financial Services Commission and is a Member of the House of Lords.

Lord Flight is the Senior Independent Director.

Jonathan Keeling (Chief Executive Officer)
Jonathan is one of the founder members of Arden Partners. A graduate in economics, he joined Albert E Sharp as an Equity Salesman in 1985, was made a Director in 1989 and Head of Small Cap Sales in the early 1990s. Jonathan left Albert E Sharp in 2001 and then briefly worked for Harris Allday and Old Mutual Securities before joining the team to form Arden Partners. Jonathan became Chief Executive Officer on 1 January 2008.

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

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

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

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

Grahame Whateley (Non-Executive Director)
After qualifying as a surveyor, Grahame formed the privately owned Cedar Group of companies over 39 years ago. He is Chairman of The Local Shopping REIT plc, the first REIT to be floated on the main market. Grahame is also the Chairman of Castle Marinas, which has over 2,000 marina berths on 8 sites throughout Great Britain. Formerly Chairman of Arden Partners, he has been involved in the business since its formation.

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2011.

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

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

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

Other risks include liquidity risk, credit risk and operational risk, and an explanation of these is set out in note 23.

Results and Dividends
The Consolidated Statement of Comprehensive Income for the year is set out on page 18.

The Directors are not proposing to pay a final ordinary dividend (2010: Nil) and did not pay an interim dividend (2010: Nil).

Directors
The Directors of the Company who held office since 1 November 2010 were:

Current Directors as at 20 December 2011:

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

Previous Directors:

Sir David Rowe-Ham	Previous Chairman and Non-Executive (Resigned 31/12/2010)
Tony Bartlett	Non-Executive (Resigned 31/12/2010)
Jeremy Grime	Chief Executive Officer (Resigned 04/01/2011)

Directors' Interests
The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 11 to 14.

REPORT OF THE DIRECTORS

Significant Shareholdings
In addition to the current Directors' interests shown on page 13, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital at 14 December 2011:

Institutional Holders	*%*
Universities Superannuation Scheme	8.65
Scottish Widows	6.85
AEGON	3.76
Others:	
Alasdair Locke	5.55
Richard Day	5.29
James Reed-Daunter	4.80
Robert Griffiths	4.77
Arden Partners Employee Benefit Trust	3.88
Mark Braddock	3.75
Tony Bartlett	3.58
John Cassie	3.05

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

Treasury Shares
At 31 October 2011 the company held 2,372,768 shares in Treasury at a cost of £1.2m.

Employee Share Trusts
The Group currently operates one Employee Benefit Share Trust, the Arden Partners Employee Benefit Trust, which administers the Arden Partners plc share schemes as Trustee. At 31 October 2011 the Trust held 997,576 (2010: 774,994) shares. The Trustees have agreed to hold these shares to satisfy options granted under a share option scheme (the Arden Partners Old Scheme – see page 41) 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 £1,051 (2010: £2,400) during the year. The Group did not make any political donations (2010: £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 24 days (2010: 39 days).

Directors' and Officers' Liability Insurance
The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. This insurance was in force throughout the year ended 31 October 2011 and remains in force at the date of this Report.

REPORT OF THE DIRECTORS

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

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

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

By order of the Board

Trevor Norris
Company Secretary
20 December 2011

DIRECTORS' REMUNERATION REPORT

Introduction
Whilst the Group is not obliged to comply with The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, the Directors have agreed to adopt the ethos of those regulations and to disclose information relating to the current Directors. The Directors are not intending to comply fully with Schedule VIII of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, but are providing 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.

On 1 January 2011 the Group became subject to the conditions of the Financial Services Authority's ("the FSA's") Remuneration Code ("the Remuneration Code"). The Remuneration Committee believes that the Group's Remuneration Policies and procedures are both relevant and proportionate to the Remuneration Code requirements. The Group is classified as a "Tier 3" entity and to that extent is not subject to the detailed provisions relating to deferral and retained shares.

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

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

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

Whilst the Group is not subject to Remuneration Code guidelines regarding deferral and retained shares, the Remuneration Committee believes that an element of deferral and claw-back of bonus is appropriate in certain circumstances including the level of bonus. As a policy no bonus under £100,000 would be subject to deferral but may be subject to claw-back.

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

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

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

DIRECTORS' REMUNERATION REPORT

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

Share Options
Details of the Arden Partners plc Share Option Scheme are given in note 18 to the Financial Statements. The Remuneration Committee has responsibility for supervising the scheme and the grant of options under its terms.

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

Directors' Remuneration

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2011 is set out below:

	Salary, fees and benefits £'000	**Pension contributions £'000**	**Incentive payments £'000**	**Gain on Exercise of Share Options £'000**	**Total 2011 £'000**
Executive Directors					
Jonathan Keeling [1]	191	49	85	218	543
Steve Wassell	105	12	-	-	117
Trevor Norris	127	15	-	-	142
Non-Executive Directors					
Sir David Rowe-Ham	10	-	-	-	10
Tony Bartlett	9	-	-	-	9
Lord Flight	33	-	-	-	33
Mark Ansell [2]	52	-	-	-	52
Peter Moon	29	-	-	-	29
Grahame Whateley	40	-	-	-	40
Total	**596**	**76**	**85**	**218**	**975**

Notes:
1. The incentive payment to Jonathan Keeling reflected his ongoing sales role.
2. Remuneration was paid to a third party company Mark Ansell Consulting Limited.

DIRECTORS' REMUNERATION REPORT

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

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

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 2011 Number	**Percentage Interest**	31 October 2010 Number
Executive Directors			
Jonathan Keeling	1,506,881	6.18%	1,216,881
Trevor Norris	679,600	2.76%	630,600
Steve Wassell	178,743	0.73%	17,000
Non-Executive Directors			
Howard Flight	123,000	0.50%	-
Mark Ansell	50,000	0.20%	-
Peter Moon	50,000	0.20%	-
Grahame Whateley	1,174,010	4.77%	1,174,010

DIRECTORS' REMUNERATION REPORT

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

	Notes	31 October 2010 Number	Options exercised in year Number	**31 October 2011 Number**
Executive Directors				
Jonathan Keeling	1	490,000	(490,000)	**-**
Trevor Norris	2	167,399	-	**167,399**
Steve Wassell	3	200,000	-	**200,000**
Totals		857,399	(490,000)	**367,399**

Notes:

1. These options were granted on 6 February 2008 under the Arden Partners Share Plan 2007 and are exercisable subject to the achievement of Company performance related conditions. The options were exercised on 15 April 2011 at a price of 10.0 pence per share.

2. These options were granted under the Arden Partners Limited Share Option Scheme ("the Old Scheme") on 24 April 2006 in their capacity as Executive Directors and no performance criteria are attached to the exercise of these options. These options became eligible for exercise on 24 April 2009 at a price of 47.8 pence per share and have an expiry date of 24 April 2016.

3. These options were granted on 22 October 2009 under the Arden Partners Share Plan 2007 and no performance criteria are attached to the exercise of these options. These options become eligible for exercise on 31 January 2012 at a price of 10.0 pence per share and have an expiry date of 21 October 2019.

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

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

Peter Moon
Chairman of the Remuneration Committee
20 December 2011

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

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. The Directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

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

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

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

Website Publication

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

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

We have audited the financial statements of Arden Partners plc for the year ended 31 October 2011 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Statements of Cash Flows, the Consolidated and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 October 2011 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

The notes on pages 25 to 46 form part of these financial statements.

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

Matters on which we are required to report by exception

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

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

BDO LLP

Peter Chidgey (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
20 December 2011

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

The notes on pages 25 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2011

	Note	**2011 £'000**	2010 £'000
Revenue	2	**12,381**	13,046
Administrative expenses		**(11,826)**	(13,622)
Profit/(loss) from operations		**555**	(576)
Finance income	7	**60**	73
Finance costs	8	**(3)**	(9)
Profit/(loss) before taxation		**612**	(512)
Income tax expense	9	**(106)**	(519)
Profit/(loss) after taxation		**506**	(1,031)
Other comprehensive income for the year		**-**	-
Total comprehensive income/(loss) for the year attributable to equity shareholders		**506**	(1,031)

Earnings/(loss) per share			
Basic	10	**2.2p**	(4.2p)
Diluted	10	**2.0p**	(4.2p)

The notes on pages 25 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 October 2011

	Note	**2011 £'000**	**2011 £'000**	2010 £'000	2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		**394**		401
Deferred tax asset	13		**125**		280
Total non-current assets			**519**		681
Current assets					
Trading investments	14	**5,920**		3,207	
Trade and other receivables	15	**23,872**		6,210	
Cash and cash equivalents	16	**5,201**		9,014	
Total current assets			**34,993**		18,431
Total assets			**35,512**		19,112
Current liabilities					
Trade and other payables	17	**(23,369)**		(6,895)	
Corporation tax liability		**(126)**		(171)	
Total current liabilities			**(23,495)**		(7,066)
Non-current liabilities					
Deferred tax liability	13		**-**		(53)
Total non-current liabilities			**-**		(53)
Total liabilities			**(23,495)**		(7,119)
Net assets			**12,017**		11,993
Shareholders' equity					
Called up share capital	18		**2,700**		2,544
Share premium account			**2,933**		2,926
Employee Benefit Trust reserve			**(612)**		(648)
Retained earnings			**8,189**		7,171
Total equity before deduction of own shares			**13,210**		11,993
Own shares			**(1,193)**		-
Total equity			**12,017**		11,993

The Financial Statements were approved by the Board of Directors and authorised for issue on 20 December 2011.

Trevor Norris
Group Finance Director

Mark Ansell
Chairman of the Audit Committee

The notes on pages 25 to 46 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 October 2011

Company number: 4427253

	Note	**2011 £'000**	**2011 £'000**	2010 £'000	2010 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		**394**		401
Investments	12		**-**		-
Deferred tax asset	13		**125**		280
Total non-current assets			**519**		681
Current assets					
Trading investments	14	**5,920**		3,207	
Trade and other receivables	15	**24,060**		6,398	
Cash and cash equivalents	16	**5,197**		9,010	
Total current assets			**35,177**		18,615
Total assets			**35,696**		19,296
Current liabilities					
Trade and other payables	17	**(23,553)**		(7,079)	
Corporation tax liability		**(126)**		(171)	
Total current liabilities			**(23,679)**		(7,250)
Non current liabilities					
Deferred tax liability	13		**-**		(53)
Total non-current liabilities			**-**		(53)
Total liabilities			**(23,679)**		(7,303)
Net assets			**12,017**		11,993
Shareholders' equity					
Called up share capital	18		**2,700**		2,544
Share premium account			**2,933**		2,926
Employee Benefit Trust reserve			**(612)**		(648)
Retained earnings			**8,189**		7,171
Total equity before deduction of own shares			**13,210**		11,993
Own shares			**(1,193)**		-
Total equity			**12,017**		11,993

The Financial Statements were approved by the Board of Directors and authorised for issue on 20 December 2011.

Trevor Norris
Group Finance Director

Mark Ansell
Chairman of the Audit Committee

The notes on pages 25 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 October 2011

	Note	2011 £'000	2010 £'000
Operating activities before taxation			
Net profit/(loss) before tax		**612**	(512)
Adjustments for:			
Fair value adjustments		**(34)**	(155)
Depreciation		**214**	236
Net interest receivable		**(57)**	(64)
Share based payments		**512**	1,079
Operating cash flow before changes in working capital		**1,247**	584
(Increase)/decrease in trade and other receivables		**(17,629)**	9,439
Increase in trading investments		**(2,679)**	(400)
Increase/(decrease) in trade and other payables		**16,477**	(10,266)
Cash generated from operations		**(2,584)**	(643)
Income taxes paid		**(49)**	(790)
Cash flows from operating activities		**(2,633)**	(1,433)
Investing activities			
Purchases of property, plant and equipment		**(207)**	(379)
Net interest received		**57**	63
Net cash from investing activities		**(150)**	(316)
Financing activities			
Purchase of own shares		**(1,193)**	-
Issue of shares		**163**	240
Net cash from financing activities		**(1,030)**	240
Decrease in cash and cash equivalents		**(3,813)**	(1,509)
Cash and cash equivalents at the beginning of the year		**9,014**	10,523
Cash and cash equivalents at the end of the year	16	**5,201**	9,014

The notes on pages 25 to 46 form part of these financial statements.

COMPANY STATEMENT OF CASH FLOWS
For the year ended 31 October 2011

	Note	2011 £'000	2010 £'000
Operating activities before taxation			
Net (loss)/profit before tax		**612**	(512)
Adjustments for:			
Fair value adjustments		**(34)**	(155)
Depreciation		**214**	236
Net interest receivable		**(57)**	(64)
Share based payments		**512**	1,079
Operating cash flow before changes in working capital		**1,247**	584
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Cash flows from operating activities		**(2,633)**	(1,433)
Investing activities			
Purchases of property, plant and equipment		**(207)**	(379)
Net interest received		**57**	63
Net cash from investing activities		**(150)**	(316)
Financing activities			
Purchase of own shares		**(1,193)**	-
Issue of shares		**163**	240
Net cash from financing activities		**(1,030)**	240
Decrease in cash and cash equivalents		**(3,813)**	(1,509)
Cash and cash equivalents at the beginning of the year		**9,010**	10,519
Cash and cash equivalents at the end of the year	16	**5,197**	9,010

The notes on pages 25 to 46 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2011

Consolidated Statement of changes in equity for the year ended 31 October 2011

	Share capital £'000	Share Premium account £'000	Own shares £'000	Employee Benefit Trust reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2010	2,544	2,926	-	(648)	7,171	11,993
Profit for year	-	-	-	-	506	506
Total comprehensive income for the year	-	-	-	-	506	506
Share based payments	-	-	-	-	512	512
Issue of shares	156	7	-	-	-	163
Purchase of own shares	-	-	(1,193)	-	-	(1,193)
Sale of shares held by Employee Benefit Trust	-	-	-	36	-	36
Balance at 31 October 2011	**2,700**	**2,933**	**(1,193)**	**(612)**	**8,189**	**12,017**

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

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

Notes

1. The Employee Benefit Trust reserve represents shares held in the parent company by the Arden Partners Employee Benefit Trust which is consolidated in these financial statements in accordance with the accounting policy in note 1.
2. Own Shares represents shares purchased to be held as treasury shares at historical cost.

The notes on pages 25 to 46 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2011

Company Statement of changes in equity for the year ended 31 October 2011

	Share capital £'000	Share premium account £'000	Own shares £'000	Employee Benefit Trust reserve £'000	Retained earnings £'000	Total £'000
Balance at 31 October 2010	2,544	2,926	-	(648)	7,171	11,993
Profit for year	-	-	-	-	506	506
Total comprehensive income for the year	-	-	-	-	506	506
Share based payments	-	-	-	-	512	512
Issue of shares	156	7	-	-	-	163
Purchase of own shares	-	-	(1,193)	-	-	(1,193)
Sale of shares held by Employee Benefit Trust	-	-	-	36	-	36
Balance at 31 October 2011	**2,700**	**2,933**	**(1,193)**	**(612)**	**8,189**	**12,017**

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

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

Notes

1. The Employee Benefit Trust reserve represents shares held in the parent company by the Arden Partners Employee Benefit Trust which is consolidated in these financial statements in accordance with the accounting policy in note 1.
2. Own Shares represents shares purchased to be held as treasury shares at historical cost.

The notes on pages 25 to 46 form part of these financial statements.

Notes to the Consolidated Financial Statements

1) **Accounting policies**

Arden Partners plc is a public limited company incorporated in the United Kingdom under the Companies Act. The address of the Company's registered office is set out on page 47.

Basis of preparation

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

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

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

Basis of consolidation

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

The Company has taken advantage of Section 408 of the Companies Act 2006, and the Statement of Comprehensive Income of the parent company is not presented. The parent company's profit after taxation for the financial year amounted to £506,000 (2010: loss after taxation £1,031,000).

New Standards effective during the year

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

Standards that have been issued in the year, but are not yet effective for the year ended 31 October 2011 include:

	Effective date (periods beginning or after)
Revised IAS 24 Related Party Disclosures	1 Jan 2011
Improvements to IFRSs (2010): - IFRS 7 'Financial instruments: Disclosures' - IAS 1 (Revised 2007) 'Presentation of financial statements'	1 Jan 2011
IFRS 7 Financial Instruments: Disclosures (Amendment)	1 July 2011
IAS 12 Deferred Taxation (Amendment)	1 Jan 2012

IAS 1 Presentation of Items of Other Comprehensive Income (Amendment)	1 Jan 2012
IFRS 10 Consolidated Financial Statements	1 Jan 2013
IFRS 13 Fair Value Measurement	1 Jan 2013
IFRS 9 Financial Instruments	1 Jan 2015

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

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

Revenue

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

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

Corporate Finance Division

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

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

Corporate retainers are recognised on an accruals basis.

Equities Division

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

Interest receivable

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

Property, plant and equipment

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

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

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

Investments

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

Financial assets

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

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

- ***Trading investments:*** Trading investments comprise held for trading investments:
  - ***Held for trading*:** Held for trading investments represent long market making positions and other investments held for resale in the near term and are stated at fair value with gains and losses from changes in fair value being taken to the Statement of Comprehensive Income. For trading investments which are quoted in active markets, fair values are determined by reference to the current quoted bid price. Other trading investments may include options and warrants which are valued using the Black-Scholes model.

- ***Loans and receivables:*** These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

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

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

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

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

Financial liabilities

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

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

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

- ***Fair value through profit or loss:*** The Group does not have any financial liabilities designated as being at fair value through profit or loss.

- ***Other financial liabilities:*** These comprise market payables, trade payables, other payables and accruals. They are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

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

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

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

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

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

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

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

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

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

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

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

Leased assets
Assets acquired under finance leases where the Group has substantially all the risks and rewards of ownership are capitalised. The outstanding future lease obligations are shown in trade and other payables. Operating lease rentals are charged to the Statement of Comprehensive Income on a straight line basis over the period of the lease.

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

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

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

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

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

Judgements made by management that may have a significant effect on the financial statements relate principally to the Group’s equity-settled share-based remuneration schemes for employees. Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using valuation models, such as Black-Scholes, on the date of grant based on certain assumptions. Those assumptions are described in note 18 and include, among others, the dividend growth rate and expected volatility.

Notes to the Consolidated Financial Statements

2) Revenue

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

	2011	2010
	£'000	£'000
Equities Division	**7,638**	6,113
Corporate Finance Division	**4,743**	6,933
Total revenue	**12,381**	13,046

Included within revenue of the Equities Division is an amount of £304,000 (2010: £37,000) relating to the fair value adjustment of derivatives held within trading investments that are fair valued through profit or loss.

The Directors are of the opinion that there are only two operating segments and while segment revenues are reviewed internally business resources are not allocated to segments for the purposes of deriving either profit or assets. In 2011 two of the Group's customers each contributed more than 10% of the Group's revenue. The amounts were £1,572,000 which is reflected in the Corporate Finance division revenue and £1,425,000 which is reflected in the Equities Division revenue. In 2010 two of the Group's customers contributed more than 10% of the Group's revenue. The amounts were £2,395,000 and £1,400,000 both are reflected in the Corporate Finance Division revenue.

3) Profit/(loss) from operations

	2011	2010
	£'000	£'000
This is arrived at after charging:		
Depreciation of property, plant and equipment	**214**	236
Operating lease costs	**243**	273
Aborted bid costs	**-**	33
Auditor's remuneration:		
Audit services:		
Company	**39**	59
Subsidiaries	**1**	1
Tax services	**18**	20
Pension services	**13**	11
Corporate finance services:		
Included within aborted bid costs	**-**	23
Foreign currency (gains)/losses	**1**	1
Share based payments	**512**	1,078
Reorganisation costs	**122**	693

4) Dividends

No dividends were recognised in the year (2010: £Nil).

5) Employees

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

	2011	2010
	£'000	£'000
Wages and salaries	**4,477**	5,669
Incentive payments	**524**	365
Share based payments (see note 18 for further details)	**512**	1,079
Social security costs	**519**	571
Other pension costs	**276**	474
	6,308	8,158

Staff costs include an amount of £122,000 (2010: £693,000) in respect of reorganisation payments. The average number of employees (including Directors) of the Group and Company during the year was 49 (2010: 58) of which 33 (2010: 43) are front-office and the remainder are administration.

During the year a provision of £100,000 which had been accrued in previous years has been released to the Statement of Comprehensive Income.

6) Directors' remuneration

	2011	2010
	£'000	£'000
Directors' emoluments	**899**	567
Company contributions to money purchase pension schemes	**76**	39
	975	606

There were 3 Directors in defined contribution pension schemes during the year (2010: 3).

The total amount payable to the highest paid Director in respect of emoluments was £543,000 (2010: £209,000). Company pension contributions of £49,000 (2010: £22,000) 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 11 to 14.

7) Finance income

	2011	2010
	£'000	£'000
Bank and other interest receivable	**60**	73

8) Finance costs

	2011	2010
	£'000	£'000
Bank loans and overdrafts	**3**	9

9) Income tax expense

	2011 £'000	2010 £'000
UK Corporation tax		
Current tax on profit/(loss) of the year	**115**	223
Adjustment in respect of previous periods	**(111)**	53
Total current tax	**4**	276
Deferred tax		
Origination and reversal of timing differences	**93**	221
Deferred tax on financial assets	**(49)**	10
Change in tax rate	**14**	12
Adjustment in respect of previous periods	**44**	-
Total deferred tax	**102**	243
Total taxation expense	**106**	519

The tax assessed for the year is lower (2010: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2011 £'000	2010 £'000
Profit/(loss) before tax	**612**	(512)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 26% (2010: 28%)	**159**	(143)
Effect of**:**		
Expenses not deductible for tax purposes	**2**	361
Prior year current tax (over)/under provision	**(111)**	53
Prior year deferred tax under provision	**44**	-
Change in tax rate	**14**	12
Marginal relief	**(13)**	(12)
Deferred tax on share options	**60**	238
Deferred tax on financial assets	**(49)**	10
Total taxation expense	**106**	519

As a result of a change in legislation the Directors anticipate that profits for the year ending 31 October 2012 will be taxed at a rate of 25%.

Notes to the Consolidated Financial Statements

10) Earnings per share

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

	Year ended 31 October 2011		Year ended 31 October 2010	
	Pence per Share	**Numerator £'000**	Pence per Share	Numerator £'000
Basic earnings/(loss) per share	**2.2**	**506**	(4.2)	(1,031)
Add: IFRS2 share-based payments	**2.2**	**512**	4.4	1,079
Add: Reorganisation payments and aborted bid costs	**0.3**	**90**	2.2	532
Underlying basic earnings	**4.7**	**1,108**	2.4	580
Diluted earnings/(loss) per share [1]	**2.0**	**506**	(4.2)	(1,031)
Add: IFRS2 share-based payments	**2.0**	**512**	3.9	1,079
Add: Reorganisation payments and aborted bid costs	**0.3**	**90**	1.9	532
Underlying diluted earnings	**4.3**	**1,108**	1.6	580

	Year ended 31 October 2011 Number	Year ended 31 October 2010 Number
Denominator		
Weighted average number of shares in issue for **Basic** Earnings calculation	**23,354,081**	24,540,847
Weighted average dilution for outstanding share options	**1,821,144**	3,092,296
Weighted average number for **diluted** earnings calculation	**25,175,225**	27,633,143

Note [1]: As the Group made a loss for the year ended 31 October 2010, in accordance with IAS 33 no adjustment is made to the basic loss per share in deriving the diluted loss/earnings per share.

The weighted average dilution for outstanding share options was 1,821,144 (2010: 3,092,296). The 997,576 (2010: 774,994) shares held by the Arden Partners Employee Benefit Trust and the 2,372,768 (2010: Nil) shares held in Treasury have been treated as cancelled and excluded from the denominator.

11) Property, plant and equipment

Group and Company as at 31 October 2011

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 November 2010	494	1,328	1,822
Additions	-	207	207
At 31 October 2011	**494**	**1,535**	**2,029**
Depreciation			
At 1 November 2010	310	1,111	1,421
Provided for the year	85	129	214
At 31 October 2011	**395**	**1,240**	**1,635**
Net book value			
At 31 October 2011	**99**	**295**	**394**
At 31 October 2010	184	217	401

Group and Company as at 31 October 2010

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

At 31 October 2011, the Group and Company had capital commitments of £Nil (2010: £Nil).

12) Investments

Company

	Group undertakings £
Cost	
At 1 November 2010	43
Disposals	(1)
At 31 October 2011	**42**

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

The Company also owns the whole of the issued share capital of Arden Partners EBT Limited, a company registered in England. The company's sole activity is to act as payment agent for the Arden Partners Employee Benefit Trust. At 31 October 2011, the Arden Partners Employee Benefit Trust held 997,576 ordinary shares in Arden Partners plc (2010: 774,994 ordinary shares).

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

During the year Arden Partners (Singapore) Private Limited was dissolved.

Notes to the Consolidated Financial Statements

13) Deferred tax

Group and Company - 2011

	Accelerated capital allowances and temporary differences £'000	Share option £'000	Total deferred tax asset £'000	Financial assets £'000
At 1 November 2010 – asset/(liability)	138	142	280	(53)
Adjustments in respect of previous periods	(44)	-	(44)	-
(Charged)/credited to statement of comprehensive income	(33)	(60)	(93)	49
Change in tax rate – (charged)/credited to statement of comprehensive income	(7)	(11)	(18)	4
At 31 October 2011	54	71	125	-

Deferred taxation comprises:

	2011 £'000	2010 £'000
Accelerated capital allowances	**15**	60
Other timing differences	**39**	78
Share options	**71**	142
Total deferred tax asset	**125**	280
Deferred tax liability on financial assets	**-**	(53)

Notes to the Consolidated Financial Statements

Group and Company – 2010

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

14) Trading investments

Group and Company

	2011 £'000	2010 £'000
Long market making positions	**5,392**	2,999
Other investments:		
Options and warrants	**528**	208
	5,920	3,207

At 31 October 2011 the historical cost of long market making positions was £5,630,000 (2010: £2,963,000). There are no long market making positions denominated in foreign currency (2010: £Nil).

At 31 October 2011 the historical cost of other investments was £87,000 (2010: £77,000). There are no other investments denominated in foreign currency (2010: £Nil).

15) Trade and other receivables

Group

	2011 £'000	2010 £'000
Market receivables	**21,048**	4,011
Trade receivables	**1,112**	624
Other receivables	**1,244**	1,037
Prepayments and accrued income	**468**	538
	23,872	6,210

Company

	2011 £'000	2010 £'000
Market receivables	**21,048**	4,011
Trade receivables	**1,112**	624
Other receivables	**1,432**	1,225
Prepayments and accrued income	**468**	538
	24,060	6,398

There are no amounts denominated in foreign currency included within trade receivables of the Group and the Company at 31 October 2011 (2010: £Nil).

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

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

Notes to the Consolidated Financial Statements

16) Cash and cash equivalents

Group

	2011 £'000	2010 £'000
Cash and bank balances	**2,855**	6,228
Call deposits	**2,346**	2,786
	5,201	9,014

Company

	2011 £'000	2010 £'000
Cash and bank balances	**2,851**	6,224
Call deposits	**2,346**	2,786
	5,197	9,010

Included within cash and bank balances of the Group and the Company at 31 October 2011 is an amount of £220,000 (2010: £75,000) which is denominated in US$.

17) Trade and other payables

Group

	2011 £'000	2010 £'000
Held for trading liabilities	**2,409**	56
Market payables	**18,407**	4,050
Trade payables	**275**	634
Other taxation and social security	**215**	218
Other payables	**930**	1,093
Accruals and deferred income	**1,133**	844
	23,369	6,895

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 £19,688,000 (2010: £5,496,000).

Company

	2011	2010
	£'000	£'000
Held for trading liabilities	**2,409**	56
Market payables	**18,407**	4,050
Trade payables	**275**	634
Other taxation and social security	**215**	218
Other payables	**1,114**	1,277
Accruals and deferred income	**1,133**	844
	23,553	7,079

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 £19,872,000 (2010: £5,680,000).

18) Share capital

	Authorised		**Allotted, called up and fully paid**	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Equity share capital				
40,000,000 Ordinary shares of 10p each	**4,000**	4,000	**-**	-
26,995,718 (2010: 25,444,243) Ordinary shares of 10p each	**-**	-	**2,700**	2,544

During the year the Company issued in aggregate 1,551,475 (2010: 504,267) ordinary shares of 10p each to satisfy the exercise of share options. Gross proceeds were £163,000 (2010: £240,000) of which £156,000 (2010: £50,000) has been credited to share capital and £7,000 (2010: £190,000) to the Share Premium account.

During the year the company purchased 2,372,768 (2010: Nil) ordinary shares to be held in Treasury. The total cost of the shares was £1.2m (2010: £Nil).

Options over the Company's shares outstanding
Movements in the number of share options and their weighted average exercise prices are as follows:

	Number of Options 2011	**Weighted Average Exercise price (pence) 2011**	Number of Options 2010	Weighted Average Exercise price (pence) 2010
At 1 November 2010	**3,959,325**	**19.7**	4,173,153	23.7
Exercised during the year	**(1,551,475)**	**(10.4)**	(504,267)	(47.8)
Granted during the year	**530,000**	**10.0**	300,000	10.0
Lapsed during the year	**(432,991)**	**(10.6)**	(9,561)	(10.0)
At 31 October 2011	**2,504,859**	**24.9**	3,959,325	19.7

The weighted average market price of the Company's shares at the date of exercise of options during the year was 55p (2010: 103p).

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

	31 October 2011			31 October 2010		
	Number of share options	**Exercise price (pence)**	**Weighted average expected remaining life (months)**	Number of share options	Exercise price (pence)	Weighted average expected remaining life (months)
Arden Partners Old Scheme	**987,215**	**47.8**	-	1,012,325	47.8	-
Arden Partners Share Plan 2007	**1,517,644**	**10.0**	**19.4**	2,947,000	10.0	12.3
	2,504,859			3,959,325		

The number of options outstanding by issue date and exercise price, together with the vesting periods, fair values, and the assumptions used to calculate the fair value, and the actual remaining contractual life as at 31 October 2011 are as follows:

	Arden Partners Share Plan 2007	Arden Partners Old Scheme
Grant dates	17/04/2008 to 24/03/2011	21/4/2006
Weighted average fair value at grant date [1]	45p to 148p	3.5p
Average exercise price	10.0p	47.8p
Weighted average share price at date of grant [2]	91.0p	30.0p
Expected volatility [3]	30%	30%
Risk free interest rate	4% to 5.75%	5%
Dividend yield	3%	3.5%
Option life (months)	12-36	36
Weighted average option life (months)	31.8	36.0
Weighted average life remaining (months)	19.4	-
Number of options outstanding	1,517,644	987,215
Percentage of options expected to vest	100%	100%
Number of options vested but unexercised	575,000	987,215

Notes:

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

Share-based payments

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

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. During the year the weighted average fair value of options granted was 45p (2010: 97p).

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

	2011 **£'000**	2010 £'000
Expensed during the year (equity settled) *(included within employee costs as set out in note 5)*	**512**	1,079

19) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Where members of staff do not join the Company scheme, contributions are made to their own nominated schemes all of which are defined contribution. The pension charge for the year amounted to £276,000 (2010: £474,000). Contributions amounting to £81,000 (2010: £216,000) were payable to schemes and are included in payables.

20) Commitments under operating leases

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

	Land and buildings	
	2011	2010
	£'000	£'000
Within one year	**307**	140
Between one and two years	**227**	272
Between two and five years	**440**	668
	974	1,080

Notes to the Consolidated Financial Statements

21) Related party disclosures

The key management are considered to be the Board of Directors of Arden Partners plc, whose remuneration can be seen in the Directors' Remuneration Report on pages 11 to 14. The compensation in total for each category required by IAS 24 is as follows:

	Year ended 31 October 2011 £'000	Year ended 31 October 2010 £'000
Salaries and short term employee benefits Pension & ERS	**975**	606
Share-based payments	**100**	211
	1,075	817

The Group has paid £52,000 (2010: £Nil) to Mark Ansell Consulting Limited for the services of Mark Ansell as a Non-Executive Director, Mark Ansell is a director of both Mark Ansell Consulting Limited and Arden Partners plc. At 31 October 2011, included within trade payables in note 17 is an amount owed to Mark Ansell Consulting Limited of £1,713 (2010: £Nil).

22) Post balance sheet events

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

23) Financial instruments and risk profile

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

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

23.1 *Equity price risk*

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

23.2 *Liquidity risk*

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

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

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 2010 and 2011 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 and cash equivalents with a number of reputable financial institutions. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible into known amounts of cash.

23.3 ***Credit risk***

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

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

Exposure to credit risk

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

	Group		**Company**	
	2011	2010	**2011**	2010
	£'000	£'000	**£'000**	£'000
Market receivables	**21,048**	4,011	**21,048**	4,011
Trade receivables	**1,112**	624	**1,112**	624
Other receivables	**1,244**	1,037	**1,432**	1,225
Cash and cash equivalents	**5,201**	9,014	**5,197**	9,010
Total loans and receivables	**28,605**	14,686	**28,789**	14,870

The ageing of trade receivables at the reporting date was:

	31 October 2011 £'000	31 October 2010 £'000
Not past due	**989**	572
Past due 31-60 days	**48**	38
Past due 61-90 days	**67**	7
Past due 91-120 days	**8**	-
Past due 121+ days	**-**	50
Provisions	**-**	(43)
Total	**1,112**	624

Movement in provision

	31 October 2011 £'000	31 October 2010 £'000
Opening balance at 1 November 2010	**43**	53
Amounts released	**(47)**	(35)
Amounts written off	**(43)**	(18)
Increase in provision	**47**	43
Closing balance at 31 October 2011	**-**	43

23.4 Operational risk

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

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

The Group and Company had an aggregate currency exposure at 31 October 2011 in respect of US$351,000 (£220,000). There was a currency exposure for the Group and the Company at 31 October 2010 of US$119,000 (£75,000). The effect of a 10% movement in the US$/£ exchange rate from the rate ruling at the balance sheet date would be to impact profit/(loss) and net assets by approximately £22,000 (2010: £7,500).

Fixed rate cash financial assets of £2,346,000 (2010: £2,786,000) comprise sterling cash deposits on money markets at an average rate of 0.50% (2010: 0.60%). Remaining cash was held on current accounts attracting interest based on LIBID. Other financial assets do not have maturity dates and do not currently attract interest.

If the average level of interest received on cash deposits had been 0.5% higher or lower than the level actually received in the year ended 31 October 2011, the profit before taxation would have been decreased or increased by approximately £6,000. In the year ended 31 October 2010 a 0.5% movement in rates would have increased or decreased the loss before taxation by approximately £21,000.

23.5 Fair value estimation

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

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

Notes to the Consolidated Financial Statements

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 October 2011:

Group and Company as at 31 October 2011

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Trading investments:				
Long market making positions	5,392	-	-	**5,392**
Options and warrants	-	528	-	**528**
	5,392	528	-	**5,920**
Liabilities				
Held for trading liabilities	2,409	-	-	**2,409**

Group and Company as at 31 October 2010

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

Corporate Information

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

Notice of Meeting

Notice is hereby given that the Annual General Meeting of Arden Partners plc (the "Company") will be held at 125 Old Broad Street, London, EC2N 1AR on 29 March 2012 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 2011, together with the Directors' Report, Directors' Remuneration Report and Report of the Independent Auditor on those Financial Statements.

2. To re-elect Trevor Norris as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.

3. To re-elect Jonathan Keeling as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.

4. To reappoint BDO LLP as auditors to the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid and to authorise the Directors to fix their remuneration.

To transact any other ordinary business of the Company.

Special Business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution number 5 as an ordinary resolution and as to resolutions numbered 6 and 7 as special resolutions:

5. That, subject to and in accordance with Article 12 of the Articles of Association of the Company, the Directors of the Company be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (in substitution for any existing authority to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of such section) up to a maximum aggregate nominal value of £823,519.80, being approximately one third of the current issued share capital (excluding treasury shares), such authority to expire on the conclusion of the next Annual General Meeting of the Company but so that the Company may before such expiry make offers or agreements which would or might require relevant securities of the Company to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.

6. That, subject to the passing of resolution 5 as set out in the notice of this meeting, and in accordance with Article 13 of the Articles of Association of the Company, the Directors be empowered pursuant to section 570 of the Companies Act 2006 to allot equity securities (as defined in section 560 of the Companies Act 2006) for cash pursuant to the general authority and be empowered pursuant to section 573 of the said Act to sell ordinary shares (as defined in section 560 of the said Act) held by the Company as treasury shares (as defined in section 724 of the said Act, for cash) as if section 561(1) of the Companies Act 2006 did not apply to such allotment or sale, provided that this power shall be limited to allotments of equity securities and the sale of treasury shares:

6.1 in connection with or pursuant to an offer of such securities by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and

Notice of Meeting

6.2 otherwise than pursuant to sub-paragraph 6.1 above, up to an aggregate nominal amount of £135,391.81, and such power shall expire on the conclusion of the next Annual General Meeting of the Company provided that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

7. That the Company be generally and unconditionally authorised, pursuant to section 701 of the Companies Act 2006, to make market purchases (as defined in section 693(4) of the Companies Act 2006) of up to 2,470,559 ordinary shares of 10p each in the capital of the Company (being approximately 10 per cent of the current issued ordinary share capital of the Company (excluding treasury shares)) on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

7.1 the amount paid for each share (exclusive of expenses) shall not be:

(i) more than the higher of (1) five per cent above the average of the middle market quotation for ordinary shares as derived from the AIM Appendix to the Daily Official List of the London Stock Exchange plc for the five business days before the date on which the contract for the purchase is made, and (2) an amount equal to the higher of the price of the last independent trade and current independent bid as derived from the trading venue where the purchase was carried out; or

(ii) less than 10p per share; and

7.2 the authority herein contained shall expire on the conclusion of the Annual General Meeting of the Company to be held in 2013 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

27 January 2012

Registered office:
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