

Arden Partners plc
Annual Report 2014



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 2014	Year ended 31 October 2013
Revenue	£8.0m	£10.1m
Profit before tax	£0.08m	£1.3m
Share based payments	£0.07m	£0.07m
Underlying profit before tax *	£0.15m	£1.4m
Earnings per share:		
Basic	0.5p	4.7p
Underlying Basic †	0.9p	5.1p
Diluted	0.5p	4.5p
Underlying Diluted ‡	0.9p	4.9p
Dividend per ordinary share:		
Interim	-	1.25p
Proposed final	0.75p	1.75p
NON-FINANCIAL		
Funds/Debt issuances raised for clients	£457m	£283m
Retained corporate clients	44	39
Average number of staff	40	39

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

† Basic earnings per share as adjusted for the post-tax effect of share based payments, ignoring deferred tax

‡ Diluted earnings per share as adjusted for the post-tax effect of share based payments, ignoring deferred tax

CHAIRMAN'S STATEMENT

After a slower than expected first half, the second half of the financial year saw a rebound in revenue, allowing a small profit to be reported for the full year.

As mentioned previously, the sector is undergoing structural change and commission revenues continue to decline. The Board continues to evolve the Arden business model to reflect these changes and to be more focussed on the range of corporate and research services offered. Proactive recruitment of personnel has been and is being undertaken to reflect this.

As was announced at the time, the Company bought back in aggregate 661,087 of its own Ordinary shares in November 2013 and subsequent to this, 200,000 of these shares were re-sold, with the balance being currently held, for the time being, in Treasury. The Board is minded in due course to make further market purchases of its own Ordinary shares into Treasury, with a view, ultimately, to cancelling these shares.

Although the scope for dividend payments, in the Board's view, has been limited during the year, in line with the Board's stated policy to reward stakeholders in the business and shareholders equally, a final dividend of 0.75 pence per share is recommended (interim dividend Nil per share), which if approved will result in a total dividend for the year of 0.75 pence per share (2013: 3.0 pence per share).

Finally, I would like to thank all concerned for their contribution during the year.



Peter Moon
Chairman
14 January 2015

CHIEF EXECUTIVE'S STATEMENT

After a difficult first half of the financial year I am pleased to report an improved performance and a good return to profit in the second half. The profit before tax result of £0.08m for the full year should be read within the context of a first half loss of £0.5m.

The above reflects the structural change happening in the industry, in particular to commission income driven by new top down guidelines and compliance regulations. Over the past 12 months we have been positioning the business to reflect this and will continue to do so in the first half of 2015.

We have invested into those areas of the business at the core of our strategy and believe we have a strong platform to deliver growing and sustainable revenues within the corporate finance division of the business. In support of this it is encouraging to see our retained client base increasing in number to 44 at the year end (2013: 39).

Whilst the Board expects no significant recovery in commission revenues we do expect a better performance from market making and trading and this remains a cornerstone of our service offering to both institutional and corporate clients.

Financial Review

Revenue in the year ended 31 October 2014 was £8.0m compared to £10.1m in 2013. The underlying profit before tax was £0.15m compared to £1.4m in 2013. The profit before tax which is stated after charging share-based payments was £0.08m and compares to a profit before tax in 2013 of £1.3m.

The basic earnings per share was 0.5p compared to 4.7p in 2013. Arden's capital adequacy at the period end was significantly ahead of regulatory requirements.

At the year end the Company held 461,087 ordinary shares of 10 pence each in Treasury, the total value of which was £0.2m.

Equities Division

The equities division revenue fell from £5.1m in 2013 to £2.6m this year, further reflecting the reduced commission rates in the industry.

Trading Investments

As reported at the interim stage, certain long term investments saw a decline in mark to market book accounting values during the first half and whilst these are non-cash items, they resulted in a loss for the full year of £0.4m against a profit of £0.3m in 2013.

Corporate Finance

Corporate Finance fees, including retainers, increased to £5.3m in the year, from £5.1m in 2013.

During the year we were involved in 18 transactions, compared to 11 in 2013. In aggregate we placed £93m (2013: £283m) in equity, in addition to £364m (2013: Nil) of debt issuances, for corporate clients.

CHIEF EXECUTIVE'S STATEMENT

Outlook

The current year has started satisfactorily. Arden has completed one IPO to date and is mandated on several other corporate finance transactions which, subject to market conditions, will deliver in the first half.

Further out the corporate finance pipeline of work is very encouraging and although still market dependant, gives confidence for a significantly improved performance for the year.

Finally, I would like to take this opportunity to thank all our staff and clients for their continued support and commitment to the business.



James Reed-Daunter
Chief Executive Officer
14 January 2015

STRATEGIC REPORT

Business Review

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

A healthy statement of financial position and cash balances at the year-end maintains Arden's strong position to withstand market pressures and provides a platform to capitalise on potential opportunities within the market and the sector in which we operate.

Strategy

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

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

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

Key Performance Indicators (KPI's)

Arden Partners Key Performance Indicators include the following measures:

- Profit before Tax
- Earnings per share
- Corporate Client Base
- Funds Raised / Debt issuances, for clients
- Maintaining capital adequacy ahead of regulatory requirements

Comparables against KPI's are included in the Chief Executive's report above - this is considered as an extension of the Strategic Report.

Principal Risks and Uncertainties

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

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

By order of the Board



Steve Wassell
Company Secretary
14 January 2015

BOARD OF DIRECTORS

Peter Moon (Independent Chairman and Non-Executive Director)

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

Jonathan Keeling (Executive Deputy Chairman)

Jonathan is one of the founder members of Arden Partners. A graduate in economics, he joined Albert E Sharp as an Equity Salesman in 1985, was made a Director in 1989 and Head of Small Cap Sales in the early 1990s. Jonathan left Albert E Sharp in 2001 and then briefly worked for Harris Allday and Old Mutual Securities before joining the team to form Arden Partners. Jonathan was Chief Executive Officer from January 2008 until 31 December 2012 when he became Executive Deputy Chairman.

James Reed-Daunter (Chief Executive Officer)

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

Steve Wassell (Chief Operating Officer and Company Secretary)

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

Mark Ansell (Independent Non-Executive Director)

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

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2014.

Principal Activities

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

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 19.

The Directors propose to pay a final dividend of 0.75p per share (2013: 1.75p). This, when taken with the interim dividend of Nil (2013: 1.25p per share) per share gives a total dividend of 0.75p per share in respect of the year ended 31 October 2014 (2013: 3.00p per share).

The final dividend, if approved, will be paid on the 27 March 2015 to shareholders on the register at close of business on 27 February 2015, with an ex-dividend of 26 February 2015.

Directors

The Directors of the Company who held office since 1 November 2013 were:

Jonathan Keeling	Executive Deputy Chairman
James Reed-Daunter	Chief Executive Officer
Steve Wassell	Chief Operating Officer and Company Secretary
Mark Ansell	Non-Executive Director
Peter Moon	Independent Chairman and Non-Executive Director

Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 12 to 15.

Significant Shareholdings

In addition to the current Directors' interests shown on page 14 and 15, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital (total voting rights) at 14 January 2015:

	%
Luke Johnson	9.67
Arden Partners Employee Benefit Trust	6.58
Richard Day	6.08
Alasdair Locke	6.07
Tony Bartlett	5.41
Mark Braddock	5.11
Robert Griffiths	4.89
Colin Kettle	4.56
Benjamin Thefaut	3.19
Unicorn Asset Management	3.02

Share Capital

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

REPORT OF THE DIRECTORS

Treasury Shares

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

During the year ended 31 October 2014 the Company purchased 661,087 ordinary shares for a consideration of £0.3m, of these purchases 200,000 shares were subsequently re-sold to satisfy share options.

At 31 October 2014 the Company held 461,087 shares in Treasury at a value of £0.2m (2013: Nil).

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 2014 the Trust held 1,480,700 (6.58% of total voting rights) (2013: 1,823,868 (7.94% of total voting rights)) shares. The Trustees have agreed to hold these shares to satisfy options granted under various share option scheme's.

Employment Policies

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

Directors' and Officers' Liability Insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 2006. This insurance was in force throughout the year ended 31 October 2014 and remains in force at the date of this Report.

Financial Instruments

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

Auditors

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

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

By order of the Board



Steve Wassell
Company Secretary
14 January 2015

CORPORATE GOVERNANCE

Introduction

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

The Directors and the Board

The composition is as follows:

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

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

Board meetings

The Board has regular scheduled full meetings and will meet at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, regulatory compliance, and monitors key performance indicators. All directors receive appropriate information on a timely basis to enable them to discharge their duties accordingly. The Board will consider any ad hoc matters of significance to the Group including corporate activity. Attendance at meetings by members of the Board during the year ended 31 October 2014 was as follows:

	Board	Audit Committee	Remuneration Committee
Total number of meetings	9	2	1
James Reed-Daunter	9	n/a	n/a
Jonathan Keeling	9	n/a	n/a
Steve Wassell	9	2	n/a
Mark Ansell	9	2	1
Peter Moon	9	2	1

Re-election of Directors

In accordance with the Company’s Articles, and to ensure compliance with the UK Corporate Governance Code, certain of the Directors are required to be re-elected at Annual General Meetings of the Company. In accordance with the Articles, Jonathan Keeling is required to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The Board supports this re-appointment having assessed performance and value to the Board.

CORPORATE GOVERNANCE

Remuneration Committee

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

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

Audit Committee

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

- The Group's internal control environment.
- Financial risks (including market risk in relation to the Group's market making activities).
- Financial statements, reports and announcements, including whether the Board's responsibility to present an annual report that is fair, balanced and understandable. The Audit Committee evidences this review in a report to the Board following its meeting with the auditors to discuss their Report to the Audit Committee and includes an assessment of the information provided in support of the Board's statement on going concern and on any significant issues and how those issues were addressed.
- Independence of auditors, including a review of the non-audit services provided and the level of such fees relative to the audit fee. The Audit Committee is satisfied that the independence of BDO LLP as auditors has not been impaired through the provision of non-audit services. Details of auditor's fees are shown in note 3 of the financial statements on page 31. A review is also carried out on the effectiveness of external audit.
- Ensuring the Group has a policy which allows any member of staff to raise, in confidence, any concern about possible impropriety in matters of financial reporting or other matters, and to ensure that suitable arrangements are in place for a proportionate independent investigation of such matters including any follow-up action required.

Nominations Committee

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

Operations Board

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

Risk Committee

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

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

CORPORATE GOVERNANCE

Internal Control

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

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

Insurance

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

Going Concern

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

DIRECTORS' REMUNERATION REPORT

Introduction

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

This 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 2013 the Group became subject to the conditions of the Financial Conduct Authority's ("the FCA's") Remuneration Code ("the Remuneration Code"). The Remuneration Committee believes that the Group's Remuneration Policies and procedures are both relevant and proportionate to the Remuneration Code requirements. The Group is classified as a "Tier 3" entity and to that extent is not subject to the detailed provisions relating to deferral and retained shares.

Remuneration Policy

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

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

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

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

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

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

Directors' Service Contracts

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

DIRECTORS' REMUNERATION REPORT

Pension Arrangements

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

Share Options

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

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

Directors' Remuneration

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2014 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Total 2014 £'000
Executive Directors				
James Reed-Daunter	152	18	-	170
Jonathan Keeling	152	18	-	170
Steve Wassell	112	12	-	124
Non-Executive Directors				
Peter Moon	50	-	-	50
Mark Ansell ¹	40	-	-	40
Total	506	48	-	554

Notes:

1. An element of the remuneration was paid to a third party company, Mark Ansell Consulting Limited.

DIRECTORS' REMUNERATION REPORT

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

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

Notes:

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

Directors' 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 2014 Number	Percentage Interest	31 October 2013 Number
Executive Directors			
James Reed-Daunter	2,853,644	12.43%	2,853,644
Jonathan Keeling	2,459,334	10.71%	2,534,334
Steve Wassell	763,743	3.33%	763,743
Non-Executive Directors			
Peter Moon	112,500	0.49%	112,500
Mark Ansell	111,750	0.49%	111,750

DIRECTORS' REMUNERATION REPORT

Directors' Interests in Share Options

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

	31 October 2013 Number	Options granted in year Number	Options exercised in year Number	31 October 2014 Number
Executive Directors				
James Reed-Daunter ¹	500,000	-	-	500,000

Notes:

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

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

Approval

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



Mark Ansell
Chairman of Remuneration Committee
14 January 2015

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 (Including Director's Report and Strategic Report) and the financial statements in accordance with applicable law and regulations.

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

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

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

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

Website publication

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

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

For the year ended 31 October 2014

We have audited the financial statements of Arden Partners PLC for the year ended 31 October 2014 which comprise the Group and Company statement of financial position, the group statement of comprehensive income, the Group and Company statement of cash flows, the Group and Company statement of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent Company's affairs as at 31 October 2014 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 strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

For the year ended 31 October 2014

Matters on which we are required to report by exception

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

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



*Neil Fung-On (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
14 January 2015*

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Revenue	2	7,955	10,103
Administrative expenses		(7,936)	(8,829)
Profit from operations		19	1,274
Finance income	7	61	71
Finance expense	8	(5)	(4)
Profit before taxation		75	1,341
Income tax credit/(expense)	9	40	(351)
Profit after taxation		115	990
Other comprehensive income for the year:			
Items that will or may be reclassified subsequently to profit or loss:			
Decrease in fair value of available for sale financial assets		(12)	(11)
Total comprehensive income for the year attributable to equity shareholders		103	979
Earnings per share			
Basic	10	0.5p	4.7p
Diluted	10	0.5p	4.5p

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 October 2014

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		43		92
Deferred tax asset	13		86		83
Total non-current assets			129		175
Current assets					
Assets held at fair value	14	2,350		6,756	
Available for sale financial assets	15	467		479	
Trade and other receivables	16	4,770		18,578	
Stock borrowing collateral	24	102		1,098	
Cash and cash equivalents	17	8,282		3,733	
Corporation tax asset		8		-	
Total current assets			15,979		30,644
Total assets			16,108		30,819
Current liabilities					
Financial liabilities held at fair value	18	(75)		(178)	
Trade and other payables	18	(4,886)		(18,893)	
Corporation tax liability		-		(315)	
Total current liabilities			(4,961)		(19,386)
Total liabilities			(4,961)		(19,386)
Net assets			11,147		11,433
Shareholders' equity					
Called up share capital	19		2,296		2,296
Capital redemption reserve			467		467
Share premium account			2,933		2,933
Employee Benefit Trust reserve			(849)		(1,046)
Available for sale reserve			(33)		(21)
Retained earnings			6,597		6,804
Total equity before deduction of own shares			11,411		11,433
Own shares			(264)		-
Total equity			11,147		11,433

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 January 2015.



Steve Wassell
Company Secretary



Mark Ansell
Chairman of the Audit Committee

The notes on pages 26 to 48 form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 October 2014

Company number: 4427253

	Note	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		43		92
Deferred tax asset	13		86		83
Total non-current assets			129		175
Current assets					
Assets held at fair value	14	2,350		6,756	
Available for sale financial assets	15	467		479	
Trade and other receivables	16	4,958		18,766	
Stock borrowing collateral	24	102		1,098	
Cash and cash equivalents	17	8,273		3,728	
Corporation tax asset		8		-	
Total current assets			16,158		30,827
Total assets			16,287		31,002
Current liabilities					
Financial liabilities held at fair value	18	(75)		(178)	
Trade and other payables	18	(5,065)		(19,076)	
Corporation tax liability		-		(315)	
Total current liabilities			(5,140)		(19,569)
Total liabilities			(5,140)		(19,569)
Net assets			11,147		11,433
Shareholders' equity					
Called up share capital	19		2,296		2,296
Capital redemption reserve			467		467
Share premium account			2,933		2,933
Employee Benefit Trust reserve			(849)		(1,046)
Available for sale reserve			(33)		(21)
Retained earnings			6,597		6,804
Total equity before deduction of own shares			11,411		11,433
Own shares			(264)		-
Total equity			11,147		11,433

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Operating activities before taxation			
Profit before tax		75	1,341
Adjustments for:			
Fair value adjustments of derivative financial assets		538	193
Depreciation of fixtures, fittings and computer equipment		82	123
Net interest receivable		(57)	(67)
Share based payments		77	76
Operating cash flow before changes in working capital		715	1,666
Decrease/(increase) in operating assets		18,673	(11,514)
(Decrease)/increase in operating liabilities		(14,111)	10,001
Cash generated from operations		5,277	153
Income taxes paid		(286)	(116)
Net cash flows from operating activities		4,991	37
Investing activities			
Purchases of property, plant and equipment		(33)	(24)
Net interest received		57	67
Net cash flows from investing activities		24	43
Financing activities			
Proceeds from the sale of own shares		222	332
Purchase of own shares		(322)	(1,322)
Issue of shares		-	25
Dividends paid to equity shareholders		(366)	(264)
Net cash flows from financing activities		(466)	(1,229)
Increase/(decrease) in cash and cash equivalents		4,549	(1,149)
Cash and cash equivalents at the beginning of the year		3,733	4,882
Cash and cash equivalents at the end of the year	17	8,282	3,733

The notes on pages 26 to 48 form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 October 2014

	Note	2014 £'000	2013 £'000
Operating activities before taxation			
Profit before tax		75	1,341
Adjustments for:			
Fair value adjustments of derivative financial assets		538	193
Depreciation of fixtures, fittings and computer equipment		82	123
Net interest receivable		(57)	(67)
Share based payments		77	76
Operating cash flow before changes in working capital		715	1,666
Decrease/(increase) in operating assets		18,673	(11,513)
(Decrease)/increase in operating liabilities		(14,115)	10,001
Cash generated from operations		5,273	154
Income taxes paid		(286)	(116)
Net cash flows from operating activities		4,987	38
Investing activities			
Purchases of property, plant and equipment		(33)	(24)
Net interest received		57	67
Net cash flows from investing activities		24	43
Financing activities			
Proceeds from the sale of own shares		222	332
Purchase of own shares		(322)	(1,322)
Issue of shares		-	25
Dividends paid to equity shareholders		(366)	(264)
Net cash flows from financing activities		(466)	(1,229)
Increase/(decrease) in cash and cash equivalents		4,545	(1,148)
Cash and cash equivalents at the beginning of the year		3,728	4,876
Cash and cash equivalents at the end of the year	17	8,273	3,728

The notes on pages 26 to 48 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2014

	Share capital £'000	Share Premium account £'000	Capital Redemption Reserve £'000	Own shares £'000	Employee Benefit Trust Reserve £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2012	2,501	2,933	237	(661)	(607)	(10)	7,214	11,607
Profit for year	-	-	-	-	-	-	990	990
Revaluation of available for sale financial assets	-	-	-	-	-	(11)	-	(11)
Total comprehensive income for the year	-	-	-	-	-	(11)	990	979
Issue of shares	25	-	-	-	-	-	-	25
Purchase of own shares	-	-	-	(696)	(626)	-	-	(1,322)
Sale of own shares	-	-	-	299	-	-	-	299
Own shares cancelled	(230)	-	230	1,058	-	-	(1,058)	-
Share based payments	-	-	-	-	-	-	76	76
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	187	-	(154)	33
Dividends paid to equity shareholders	-	-	-	-	-	-	(264)	(264)
Balance at 31 October 2013	2,296	2,933	467	-	(1,046)	(21)	6,804	11,433
Profit for year	-	-	-	-	-	-	115	115
Revaluation of available for sale financial assets	-	-	-	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	-	-	-	(12)	115	103
Purchase of own shares	-	-	-	(322)	-	-	-	(322)
Sale of own shares	-	-	-	58	-	-	-	58
Share based payments	-	-	-	-	-	-	77	77
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	197	-	(33)	164
Dividends paid to equity shareholders	-	-	-	-	-	-	(366)	(366)
Balance at 31 October 2014	2,296	2,933	467	(264)	(849)	(33)	6,597	11,147

Notes

1. The capital redemption reserve represents the nominal value of shares that have been cancelled that were previously held as Own Shares.
2. Own Shares represents shares purchased to be held as treasury shares at historical cost.
3. The Employee Benefit Trust reserve represents shares held in the parent Company by the Arden Partners Employee Benefit Trust which is consolidated in these financial statements in accordance with the accounting policy in note 1.

During the year 343,168 ordinary shares were issued from the employee benefit trust to satisfy employee share options (2013: 325,000).

The notes on pages 26 to 48 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2014

	Share capital £'000	Share Premium account £'000	Capital Redemption Reserve £'000	Own shares £'000	Employee Benefit Trust Reserve £'000	Available for sale Reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 November 2012	2,501	2,933	237	(661)	(607)	(10)	7,214	11,607
Profit for year	-	-	-	-	-	-	990	990
Revaluation of available for sale financial assets	-	-	-	-	-	(11)	-	(11)
Total comprehensive income for the year	-	-	-	-	-	(11)	990	979
Issue of shares	25	-	-	-	-	-	-	25
Purchase of own shares	-	-	-	(696)	(626)	-	-	(1,322)
Sale of own shares	-	-	-	299	-	-	-	299
Own shares cancelled	(230)	-	230	1,058	-	-	(1,058)	-
Share based payments	-	-	-	-	-	-	76	76
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	187	-	(154)	33
Dividends paid to equity shareholders	-	-	-	-	-	-	(264)	(264)
Balance at 31 October 2013	2,296	2,933	467	-	(1,046)	(21)	6,804	11,433
Profit for year	-	-	-	-	-	-	115	115
Revaluation of available for sale financial assets	-	-	-	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	-	-	-	(12)	115	103
Purchase of own shares	-	-	-	(322)	-	-	-	(322)
Sale of own shares	-	-	-	58	-	-	-	58
Share based payments	-	-	-	-	-	-	77	77
Sale of shares by Employee Benefit Trust to satisfy employee share schemes	-	-	-	-	197	-	(33)	164
Dividends paid to equity shareholders	-	-	-	-	-	-	(366)	(366)
Balance at 31 October 2014	2,296	2,933	467	(264)	(849)	(33)	6,597	11,147

Notes

1. The capital redemption reserve represents the nominal value of shares that have been cancelled that were previously held as Own Shares.
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During the year 343,168 ordinary shares were issued from the employee benefit trust to satisfy employee share options (2013: 325,000).

The notes on pages 26 to 48 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 2006. The address of the Company's registered office is set out on page 49.

Basis of preparation

The principal accounting policies applied 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.

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 £115,000 (2013: £990,000).

New standards effective during the year

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

Standards that have been issued, but are not yet effective for the year ended 31 October 2014 include:

IFRS 10 Consolidated Financial Statements	1 Jan 2014
Offsetting Financial Assets and Liabilities (Amendments to IAS 32)	1 Jan 2014
Annual improvements to IFRSs 2010-2012 Cycle	1 Feb 2015
Annual improvements to IFRSs 2011-2013 Cycle	1 Jul 2014
Annual improvements to IFRSs 2012-2014 Cycle	1 Jan 2016
IFRS 15 Revenue from Contracts with Customers	1 Jan 2017
IFRS 9 Financial Instruments	1 Jan 2018
Disclosure Initiative: Amendments to IAS 1	1 Jan 2016

The Board is currently assessing the impact of 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.

Notes to the 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 retainer fees relate to revenue arising from advisory services provided to retained clients and 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

Finance 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 property, plant and equipment 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 held for trading instrument, those designated at fair value through profit or loss, available for sale assets, and loans and receivables. 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.

Notes to the Consolidated Financial Statements

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

- **Assets held at fair value:** Held for trading instruments represent long market making positions and are measured at fair value with gains and losses from changes in fair value being taken to the Statement of Comprehensive Income. Derivative financial assets may include options which are valued using the Black-Scholes model, which management intends to hold in the short term and any change in fair value are taken to the Statement of Comprehensive Income. The derivative financial instruments are not designated as hedging instruments.

Assets designated at fair value through profit and loss are valued with reference to current quoted prices in active markets. They are designated as fair value through profit and loss as management review performance of the asset as part of a portfolio of assets at fair value.

- **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 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.

Included within loans and receivables are market receivables which comprise of sold security transactions awaiting settlement at year end. These balances are shown gross and are recognised on trade date at cost.

- **Available for sale assets:** Non-derivative financial assets not included in the above categories are classified as available for sale. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve) these are temporary differences which will be recognised in the Statement of Comprehensive Income upon sale. Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the income statement. Purchases and sales of available for sale financial assets are recognised on trade or settlement date with any change in fair value between trade date and the reporting date being recognised in the revaluation reserve. On sale, the amount held in the available for sale reserve associated with that asset is removed from equity and recognised in the Statement of Comprehensive Income.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances 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.

Notes to the Consolidated Financial Statements

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:

- ***Fair value through profit or loss:*** These financial 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 financial liabilities which are quoted in active markets, fair values are determined by reference to the current quoted offer price.

- ***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.

Included within other financial liabilities are market payables which comprise of purchased security transactions awaiting settlement at the year end. These balances are shown gross and are recognised on trade date at cost.

Stock borrowing collateral

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

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

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

Foreign currency transactions

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

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 reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided based upon 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 reporting date.

Notes to the Consolidated Financial Statements

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

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

Own Shares

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

Leased assets

Operating lease rentals are charged to the 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 reporting 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. Vesting conditions for all the share option schemes relate to service conditions and profit, which are non market conditions the features of which are not incorporated not the fair value of the option. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Notes to the Consolidated Financial Statements

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 amounts of assets and liabilities. Actual results may differ from those amounts.

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

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

2) Revenue

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

	2014	2013
	£'000	£'000
Equities Division	2,689	5,046
Corporate Finance Division	5,266	5,057
Total revenue	7,955	10,103

Included within revenue of the Equities Division is a loss of £538,000 (2013: loss £190,000) relating to the fair value adjustment of derivatives held within assets 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 2014, none of the Group's customers contributed 10% or more of the Group's revenue.

3) Profit from operations

	2014	2013
	£'000	£'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	82	123
Operating lease costs	241	244
Auditor's remuneration:		
Audit services:		
Company	34	35
Subsidiaries	1	1
Tax services	6	6
Audit related assurance services	17	12
Foreign currency losses	(2)	(2)
Share based payments	77	76

Notes to the Consolidated Financial Statements

4) Dividends

Dividends recognised in the year consisted of the 2013 final dividend of £366,000 (1.75p per share).

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

5) Employees

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

	2014	2013
	£'000	£'000
Wages and salaries	3,210	3,116
Incentive payments	250	838
Share based payments (see note 19 for further details)	77	76
Social security costs	428	504
Other pension costs	251	218
	4,216	4,752

The average number of employees (including Directors) of the Group and Company during the year was 40 (2013: 39) of which 30 (2013: 25) are front-office and the remainder are administration.

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

6) Directors' remuneration

	2014	2013
	£'000	£'000
Directors' emoluments including incentive payments	506	708
Company contributions to money purchase pension schemes	48	51
Gain on exercise of share options	-	119
	554	878

There were 3 Directors in defined contribution pension schemes during the year (2013: 3).

The total amount payable to the highest paid Director in respect of emoluments was £170,000 (2013: £302,000) of this total Company pension contributions of £18,000 (2013: £19,000) were provided towards a money purchase scheme on his behalf.

Further details of Directors' remuneration are set out in the Report on Directors' Remuneration on pages 12 to 15.

7) Finance income

	2014	2013
	£'000	£'000
Bank and other interest receivable	61	71

Notes to the Consolidated Financial Statements

8) Finance expense

	2014	2013
	£'000	£'000
Bank overdrafts	5	4

9) Income tax (credit)/expense

	2014	2013
	£'000	£'000
UK Corporation tax		
Current tax on profit of the year	(8)	304
Adjustment in respect of previous periods	(29)	(3)
Total current tax	(37)	301
<i>Deferred tax</i>		
Origination and reversal of timing differences	(3)	7
Deferred tax on share options	-	41
Re-measurement upon change in tax rate	-	6
Adjustment in respect of previous periods	-	(4)
Total deferred tax	(3)	50
Total income tax (credit)/expense	(40)	351

The tax assessed for the year is lower (2013: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2014	2013
	£'000	£'000
Profit before tax	75	1,341
Profit on ordinary activities at the standard rate of corporation tax in the UK of 21.8%% (2013: 23%)	16	304
Effect of:		
Expenses not deductible for tax purposes	(27)	3
Prior year current tax over provision	(29)	(3)
Prior year deferred tax over provision	-	(4)
Re-measurement on deferred tax upon change in tax rate	-	6
Deferred tax on share options	-	41
Total income tax (credit)/expense	(40)	351

Notes to the Consolidated Financial Statements

A reduction in the UK corporation tax rate from 24% to 23% was substantively enacted in July 2012 and was effective from 1 April 2013. Reductions from 23% to 21% were substantively enacted in July 2013 and were effective from 1 April 2014. Further reductions from 21% to 20% were also substantively enacted in July 2013 and will be effective from 1 April 2015. Accordingly, the substantively enacted rate of 20% has been applied in the measurement of the Group's deferred tax assets at 31 October 2014

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 2014		Year ended 31 October 2013	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
Basic earnings per share	0.5	115	4.7	990
Add: IFRS2 share-based payments	0.4	77	0.4	76
Underlying basic earnings	0.9	192	5.1	1,066
Diluted earnings per share	0.5	115	4.5	990
Add: IFRS2 share-based payments	0.4	77	0.4	76
Underlying diluted earnings	0.9	192	4.9	1,066

	Year ended 31 October 2014	Year ended 31 October 2013
	Number	Number
Denominator		
Weighted average number of shares in issue for basic earnings calculation	20,818,253	21,008,130
Weighted average dilution for outstanding share options	1,132,883	740,730
Weighted average number for diluted earnings calculation	21,951,136	21,748,860

The 1,480,700 (2013: 1,823,868) shares held by the Arden Partners Employee Benefit and the 461,087 (2013: Nil) shares held in Treasury have been excluded from the denominator.

Notes to the Consolidated Financial Statements

11) Property, plant and equipment

Group and Company as at 31 October 2014

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 November 2013	301	1,190	1,491
Additions	-	33	33
At 31 October 2014	301	1,223	1,524
<i>Depreciation</i>			
At 1 November 2013	301	1,098	1,399
Charge for the year	-	82	82
At 31 October 2014	301	1,180	1,481
<i>Net book value</i>			
At 31 October 2014	-	43	43
At 31 October 2013	-	92	92

Group and Company as at 31 October 2013

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

Notes to the Consolidated Financial Statements

12) Investments

Company

	Group undertakings £
<i>Cost</i>	
At 1 November 2012, 31 October 2013 and 31 October 2014	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 during the current or prior year.

The Company also owns the whole of the issued share capital of Arden Partners EBT Limited, a company registered in England. The Company's sole activity is to act as payment agent for the Arden Partners Employee Benefit Trust. At 31 October 2014, the Arden Partners Employee Benefit Trust held 1,480,700 ordinary shares in Arden Partners plc (2013: 1,823,868 ordinary shares).

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

13) Deferred tax asset

Group and Company – 2014

	Accelerated capital allowances £'000	Share options £'000	Total deferred tax asset £'000
At 1 November 2013	49	34	83
Credited to Statement of Comprehensive Income	3	-	3
At 31 October 2014	52	34	86

Group and Company – 2013

	Accelerated capital allowances £'000	Share option £'000	Total deferred tax asset £'000
At 1 November 2012	58	76	134
Adjustments in respect of previous periods	(4)	-	(4)
Charged to Statement of Comprehensive Income	(5)	(39)	(44)
Re-measurement upon Change in tax rate – charged to Statement of Comprehensive Income	-	(3)	(3)
At 31 October 2013	49	34	83

The Company has no unutilised tax losses on which a deferred tax asset has not been recognised.

Notes to the Consolidated Financial Statements

14) Assets held at fair value

Group and Company

	2014 £'000	2013 £'000
<i>Held for trading:</i>		
Long market making equity positions	1,863	5,732
<i>Financial assets designated at fair value through profit and loss:</i>		
Convertible loan note	200	201
<i>Derivative financial assets:</i>		
Options	287	823
	2,350	6,756

At 31 October 2014 the historical cost of long market making positions was £3,032,000 (2013 £6,246,000).

At 31 October 2014 the historical cost of convertible loan note was £200,000 (2013 £200,000).

At 31 October 2014 the historical cost of other investments was £86,000 (2013: £86,000).

15) Available for sale financial assets

Group and Company

	2014 £'000	2013 £'000
At 1 November 2013	479	490
Fair value losses	(12)	(11)
At 31 October 2014	467	479

At 31 October 2014 the historical cost of the listed investments was £500,000 (2013: £500,000).

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

Notes to the Consolidated Financial Statements

16) Trade and other receivables

Group

	2014	2013
	£'000	£'000
Market receivables	3,458	16,345
Trade receivables	576	756
Other receivables	245	1,018
Prepayments and accrued income	491	459
	4,770	18,578

Company

	2014	2013
	£'000	£'000
Market receivables	3,458	16,345
Trade receivables	576	756
Other receivables	433	1,206
Prepayments and accrued income	491	459
	4,958	18,766

The fair value of market, trade and other receivables approximates to amortised cost as they are short term in nature.

An analysis of past due trade receivables is shown in note 24. No other receivables are past due. Trade receivables are shown net of impairment.

17) Cash and cash equivalents

Group

	2014	2013
	£'000	£'000
Cash and bank balances	8,282	3,733

Company

	2014	2013
	£'000	£'000
Cash and bank balances	8,273	3,728

Included within cash and bank balances of the Group and the Company at 31 October 2014 is an amount of \$146,000 (£90,000) (2013: \$15,000 (£9,000)) which is denominated in USD.

Notes to the Consolidated Financial Statements

18) Financial liabilities

Group

	2014 £'000	2013 £'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	75	178
<i>Trade and other payables</i>		
Market payables	3,492	16,307
Trade payables	288	365
Other taxation and social security	164	151
Other payables	381	1,461
Accruals and deferred income	561	609
Total trade and other payables	4,886	18,893
Total financial liabilities	4,961	19,071

There are no differences between the fair values and the amortised cost of any of the trade and other payables as they are short term in nature. Included in the above are financial liabilities amounting to £4,070,000 (2013: £18,084,000).

Company

	2014 £'000	2013 £'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	75	178
<i>Trade and other payables</i>		
Market payables	3,492	16,307
Trade payables	288	365
Other taxation and social security	164	151
Other payables	560	1,644
Accruals and deferred income	561	609
Total trade and other payables	5,065	19,076
Total financial liabilities	5,140	19,254

There are no differences between the fair values and the amortised cost of any of the trade and other payables as they are short term in nature. Included in the above are financial liabilities amounting to £4,249,000 (2013: £18,266,000).

Notes to the Consolidated Financial Statements

19) Share capital

	Authorised		Allotted, called up and fully paid	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Equity share capital				
40,000,000 Ordinary shares of 10p each	4,000	4,000	-	-
22,959,065 (2013: 22,959,065) Ordinary shares of 10p each	-	-	2,296	2,296

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 2014	Weighted Average Exercise price (pence) 2014	Number of Options 2013	Weighted Average Exercise price (pence) 2013
At 1 November 2013	2,346,326	33.0	2,025,475	28.1
Exercised during the year	(543,168)	(40.8)	(580,000)	(10.0)
Granted during the year	316,000	-	1,068,250	32.2
Expired during the year	(105,000)	(9.5)	(167,399)	47.8
At 31 October 2014	2,014,158	26.7	2,346,326	33.0

The weighted average market price of the Company's shares at the date of exercise of options during the year was 89.2p (2013: 47.0p).

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

	31 October 2014			31 October 2013		
	Number of share options	Weighted Average exercise price (pence)	Weighted average expected remaining life (months)	Number of share options	Weighted average exercise price (pence)	Weighted average expected remaining life (months)
Arden Partners Old Scheme	359,908	47.8	18	803,076	47.8	30
Arden Partners Share Plan 2007	275,000	10.0	75	475,000	10.0	87
Arden Partners Share Plan 2013	1,379,250	24.6	70	1,068,250	32.2	117
	2,014,158			2,346,326		

Notes to the Consolidated Financial Statements

The number of options outstanding by issue date and exercise price, together with the vesting periods, fair values, and the assumptions used to calculate the fair value, and the actual remaining contractual life as at 31 October 2014 are as follows:

	Arden Partners Share Plan 2013	Arden Partners Share Plan 2007	Arden Partners Old Scheme
Grant dates	23/07/2013 to 23/10/2014	17/04/2008 to 24/03/2013	21/4/2006
Weighted average fair value at grant date ¹	8p to 74p	45p to 148p	3.5p
Average exercise price	24.5p	10.0p	47.8p
Exercise price range	0p – 48.5p	10.0p	47.8p
Weighted average share price at date of grant ²	45.9p	63.9p	30.0p
Expected volatility ³	30%	30%	30%
Risk free interest rate	0.5%	4% to 5.75%	5%
Dividend yield	5%	5%	5%
Option life (months)	43-70	120	120
Weighted average option life (months)	64	120	120
Weighted average life remaining (months)	56	75	18
Number of options outstanding	1,379,250	275,000	359,908
Percentage of options expected to vest	100%	100%	100%
Number of options vested but unexercised	-	275,000	359,908

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.

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

	2014 £'000	2013 £'000
Expensed during the year (equity settled) <i>(included within employee costs as set out in note 5)</i>	77	76

20) Pensions

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. Where members of staff do not join the Company scheme, contributions are made to their own nominated schemes all of which are defined contribution. The pension charge for the year amounted to £251,000 (2013: £218,000). Contributions amounting to £42,000 (2013: £27,000) were payable to schemes and are included in payables.

Notes to the Consolidated Financial Statements

21) Commitments under operating leases

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

	Land and buildings	
	2014	2013
	£'000	£'000
Within one year	213	227
Between one and two years	-	213
	213	440

22) Related party disclosures

The key management are considered to be the Board of Directors of Arden Partners plc, whose remuneration can be seen in the Directors' Remuneration Report on pages 12 to 15. The compensation in total for each category required by IAS 24 is as follows:

	Year ended 31 October 2014 £'000	Year ended 31 October 2013 £'000
Salaries and short term employee benefits	506	708
Pension Contributions	48	51
Share-based payments	17	4
	571	763

The Group has paid £5,000 (2013: £15,000) to Mark Ansell Consulting Limited for the services of Mark Ansell as a Non-Executive Director, Mark Ansell is a director of both Mark Ansell Consulting Limited and Arden Partners plc. At 31 October 2014 there were no amounts due to Mark Ansell Consulting Limited (2013: Nil).

23) Events after the reporting period

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

Notes to the Consolidated Financial Statements

24) Financial instruments and risk profile

The Group and Company's financial instruments comprise cash and cash equivalents, assets held at fair value, trade receivables and trade payables arising from operations. The Group and Company have recognised the following risks arising from these financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

24.1 Market risk

Equity price risk

The Group and Company face risk arising from holding trading assets 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 assets on a monthly basis.

Equity price sensitivity analysis

A sensitivity analysis based on a 10% increase/decrease in the all share AIM index shows the impact of such a movement would be an increase/decrease of £179,000 in the profit shown in the Consolidated Statement of Comprehensive Income.

Interest price risk

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 2014, the profit before taxation would have been decreased or increased by approximately £10,000. In the year ended 31 October 2013 a 0.5% movement in rates would have increased or decreased the profit before taxation by approximately £5,000.

Currency price risk

The Group and Company had an aggregate currency exposure at 31 October 2014 in respect of US\$146,000 (£90,000). There was a currency exposure for the Group and the Company at 31 October 2013 of US\$15,000 (£9,000). The effect of a 10% movement in the US\$/£ exchange rate from the rate ruling at the reporting date would be to impact profit/(loss) and net assets by approximately £6,000 (2013: £1,000).

Fixed rate cash financial assets of £7,428,000 (2013: £3,610,000) comprise sterling cash deposits at an average rate of 0.50% (2013: 0.50%). Remaining cash was held on current accounts attracting interest based on LIBOR. Other financial assets do not have maturity dates and do not currently attract interest.

24.2 Credit risk

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

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

Notes to the Consolidated Financial Statements

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	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Market receivables	3,458	16,345	3,458	16,345
Collateral deposits	102	1,098	102	1,098
Trade receivables	576	756	576	756
Other receivables	245	1,018	433	1,206
Total loans and receivables	4,381	19,217	4,569	19,405
Cash and cash equivalents	8,282	3,733	8,273	3,728
Total assets	12,663	22,950	12,842	23,133

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

Collateral deposits relate to stock borrowing arrangements which are entered into on a collateralised basis, with third party institutions, with securities or cash advances received as collateral. Under such arrangements a security is purchased with a commitment to return it at an agreed future date and price. In the event of a default the institution can exercise its right to retain the collateral deposit.

The ageing of trade receivables at the reporting date was:

	31 October 2014 £'000	31 October 2013 £'000
Not past due	465	698
Past due 31-60 days	14	7
Past due 61-90 days	-	14
Past due 91-120 days	179	62
Past due 121+ days	-	-
Provisions	(82)	(25)
Total	576	756

Notes to the Consolidated Financial Statements

Movement in provision:

	31 October 2014 £'000	31 October 2013 £'000
Opening balance	25	-
Amounts released	-	-
Amounts written off	(25)	-
Increase in provision	82	25
Closing balance	82	25

No receivables have been renegotiated and no non trade receivables are past due or impaired.

24.3 *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.
- trade and other payables are short term in nature and are due for payment within one year.

Capital risk management

The Group and Company's policy in respect of capital risk management is to maintain a strong capital base so as to retain investor, creditor and market confidence. During the years ended 31 October 2013 and 2014 capital has been maintained at a level above minimum FCA requirements. Such levels have been established by reference to an internal ICAAP assessment. The Group and Company's capital resources consist of Tier 1 equity capital and Tier 3 retained earnings.

24.4 *Operational risk*

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

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

Notes to the Consolidated Financial Statements

24.5 Fair value estimation

All financial instruments carried at fair value are categorised into three categories defined as follows:

- **Level 1 – Quoted market price**
Financial instruments with quoted prices for identical instruments in active markets. The convertible loan note contains an option to convert the debt instrument into equity and therefore is fair valued by reference to quoted prices.
- **Level 2 – Valuation technique using observable inputs**
Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- **Level 3 – Valuation technique with significant non-observable inputs**
Financial instruments valued using models where one or more significant inputs are not observable. The best evidence of fair value is a quoted price in an actively trade market. In the event that the market for a financial instrument is not active, a valuation technique is used. The majority of valuation techniques employ only observable market data and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. For these instruments, the fair value derived is more judgemental. ‘Not observable’ in this context means that there are few or no current market data available from which to determine the level at which an arm’s length transaction would be likely to occur. It generally does not mean that there is absolutely no market data available upon which to base a determination of fair value (for example, historical data may be used). Furthermore, the assessment of hierarchy level is based on the lowest level of input that is significant to the fair value of the financial instrument.

The following table presents the Group’s and Company’s assets and liabilities that are measured at fair value at 31 October 2014:

Group and Company as at 31 October 2014

	Level 1 £’000	Level 2 £’000	Level 3 £’000	Total £’000
Assets				
Long market making positions	1,863	-	-	1,863
Convertible loan note	200	-	-	200
Options	-	-	287	287
Available for sale financial assets	467	-	-	467
Stock borrowing collateral	102	-	-	102
	2,632	-	287	2,919
Liabilities				
Short market making equity positions	75	-	-	75

Notes to the Consolidated Financial Statements

Group and Company as at 31 October 2013

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Long market making positions	5,732	-	-	5,732
Convertible loan note	201	-	-	201
Options	-	-	824	824
Available for sale financial assets	479	-	-	479
Stock borrowing collateral	1,098	-	-	1,098
	7,510	-	824	8,334
Liabilities				
Short market making equity positions	178	-	-	178

Reconciliation of recurring fair value measurements categorised within level 3 of the fair value hierarchy

	Options £'000	Total £'000
At 1 November 2013	824	824
Transferred to Level 1 – Long Market Making Positions	(83)	(83)
Net unrealised loss recognised in Statement of Comprehensive Income	(454)	(454)
At 31 October 2014	287	287

The derivative financial assets are classified as level 3 within the fair value hierarchy and comprise equity options over liquid listed securities.

On 23 June 2014 an element of the options were exercised and transferred to long market making positions, no other options were exercised or expired during the period.

Determination of fair value

The valuation models used where quoted market prices are not available incorporate certain assumptions that the Group anticipates would be used by a third party market participant to establish fair value.

	Fair value as at 31 October 2014 £'000	Valuation Technique	Unobservable input	Range
Options	287	Black-Scholes Model	Historical Volatility	30-40%

Notes to the Consolidated Financial Statements

Impact of reasonably possible alternative assumptions

A sensitivity analysis based on a 10% increase/decrease in the volatility measure used as an input in the valuation of the options shows the impact of such a movement would be an increase of £7,436 / decrease of £3,379 respectively in the profit shown in the Consolidated Statement of Comprehensive Income.

Corporate Information

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



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