

**Arden Partners plc
Annual Report 2017**



Arden Partners plc

Arden is an established, multi-service stockbroker. We provide a range of financial services to corporate and institutional clients.

We act as Nominated Adviser, Broker, Sponsor and Financial Adviser to AIM and Main Market companies listed on the London Stock Exchange. Based in the United Kingdom and with strong international links, Arden's shares trade on London's AIM market.

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HIGHLIGHTS

FINANCIAL	Year ended 31 October 2017	Year ended 31 October 2016
Revenue	£10.5m	£5.9m
Profit/(loss) before tax	£0.7m	(£0.4m)
Share based payments, restructuring costs and lease settlement credit	£0.5m	(£0.1m)
Underlying profit/(loss) before tax *	£1.2m	(£0.5m)
Profit/(loss) per share:		
Basic	3.3p	(2.5p)
Underlying Basic †	5.6p	(3.2p)
Diluted	3.2p	(2.5p)
Underlying Diluted ‡	5.5p	(3.2p)
Dividend per ordinary share:		
Interim	Nil	Nil
Proposed Final	1.0p	Nil
Capital Adequacy Ratio	652%	404%
NON-FINANCIAL		
Funds raised for clients	£150m	£61m
Retained corporate clients	38	39
Average number of staff	39	38

* Profit before tax as adjusted for the effect of share based payments, restructuring costs (including non recurring costs related to the appointment and termination of personnel) and lease settlement credit.

† Basic earnings per share as adjusted for the post-tax effect of share based payments, restructuring costs (including non recurring costs related to the appointment and termination of personnel) and lease settlement credit, ignoring deferred tax

‡ Diluted earnings per share as adjusted for the post-tax effect of share based payments, restructuring costs (including non recurring costs related to the appointment and termination of personnel) and lease settlement credit, ignoring deferred tax

CHAIRMAN'S STATEMENT

The last few years have been challenging for the broking industry, and in particular for small and mid-cap stockbrokers. A sustainable revival in corporate performance is dependent on confidence amongst fund managers and a significant indicator of this is their willingness to invest in their brokers.

Arden Partners announced in June this year that it raised £5m of inward investment to reinforce our already strong balance sheet, and I am pleased that we now have some of the major names in the fund management industry as shareholders.

We were delighted to announce the appointment of Donald Brown as our new Chief Executive Officer in May 2017. Our enlarged balance sheet has heightened our profile in the sector and enabled us to attract key new appointments - including experienced and senior staff. We have taken the opportunity to reshape our equities operation and the new structure has already had a demonstrably positive impact on our revenues.

We are confident that the business is in the midst of a successful turnaround. A new executive team has been appointed, and they have rapidly taken the business from losses into net profits for the full year. There is still much to be done, but I believe that Arden now has the resources and the people to deliver.

The Company continues to monitor its cost base carefully and our staff numbers remain steady. Our corporate client numbers also remained consistent and we aim to both deepen existing relationships and develop new ones.

The broking industry is in need of further consolidation and we are always prepared to explore opportunities to combine with complementary businesses to facilitate cost savings and revenue expansion. Meanwhile our healthy balance sheet puts us in an excellent position for possible expansion.

As a demonstration of our confidence in the future we are pleased to propose a 1p per share final dividend.

I would like to thank my Board, our corporate and institutional clients and all our hard-working staff for the support during this year. We look forward to the future with considerable anticipation.



Luke Johnson
Chairman
16 January 2018

CHIEF EXECUTIVE'S STATEMENT

In my first statement as Chief Executive of Arden Partners plc, I am pleased to report a pre-tax profit for the year ended 31 October 2017 of £700,000 and underlying profit before tax of £1.2 million. The Company was loss-making in 2016 with figures of £400,000 and £500,000 respectively.

Financial Review

Revenue for the full year totalled £10.5 million, a 79% increase on 2016 and the highest figure in five years. The Company's results were significantly weighted towards the second half of the year with a revenue contribution of £7.6 million.

Basic earnings per share were 3.3p and the Company is pleased to propose a final dividend to shareholders for the first time since 2014 of 1p per share.

I joined the Company on 24 May 2017 and subsequently secured the services of a number of highly experienced staff. Our results demonstrate the immediate impact this has had and I am confident that our team, whose overall number has remained broadly consistent year on year, can maintain the positive trend in transactions and revenue.

During the year we raised £150 million in funds for our corporate clients, an increase of 145% on 2016. Our total number of corporate clients has remained broadly in line with previous years at 38.

Outlook

After the strong second half, the Company's momentum has carried over into 2018. We recognise that the broking services industry will experience challenges in the year ahead, especially in the light of the introduction of the MiFIDII regulations on January 3 2018. We will continue to hire experienced staff where we see complementary opportunities and I look forward to the forthcoming year with confidence.

I would like to thank all our clients and shareholders for their continued support and to express the appreciation of the entire Board for the considerable hard work and commitment of our staff.



Donald Brown
Chief Executive Officer
16 January 2018

STRATEGIC REPORT

Business Review

Following a period of cost reduction within the Group, Arden has recently made significant changes to the platform to move into a period of driving revenues. With the appointment of a number of high quality individuals the business is now appropriately staffed to deliver on medium term profitability targets.

After a successful first year we have now integrated the specialist trading team fully onto the platform and the introduction of MIFID II has provided the opportunity to extend significantly, our research offering in a number of targeted sectors.

Post the £5m fundraise in June our net assets of £12.5m at the year end enable Arden to withstand any market pressures and offer us the ability to capitalise on any corporate opportunities that may arise.

Strategy

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

- Providing incisive research material in a number of key sectors.
- Providing an efficient execution and trading platform to institutional clients.
- Providing a premium corporate broking service to an optimum number of corporate clients.
- Selective and proactive recruitment into key areas to support and enhance the quality of our offering.
- 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 taxation

	2017	2016
	£'000	£'000
Profit/(loss) before taxation	747	(429)

This is a key indicator of business performance. The main driver of this year's performance is the increase in revenue of £4.6m with Corporate Finance fees increasing by £3.3m compared to the prior year.

- Earnings per share

	2017	2016
	£'000	£'000
Basic earnings/(loss) per share	3.3	(2.5p)

The objective is to grow earnings per share for our shareholders, basic earnings per share have gone from a loss per share of 2.5p in 2016 to earnings of 3.3p this year.

STRATEGIC REPORT

- Corporate client base performance

	2017	2016
Funds raised	£150m	£61m
Retained corporate clients	38	39

The Group has raised £150m for clients during the financial year compared to £51m last year. This has driven increased revenues and profitability.

- Maintaining capital adequacy ahead of regulatory requirements

	2017	2016
Capital Adequacy Ratio	652%	404%

This measure indicates the strength of the Group's balance sheet. With the funds raised during the financial year this has further strengthened the balance sheet.

Comparables against KPI's are also included in the Financial Highlights and Chief Executive's report above - these being considered as extensions 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, operational risk and regulatory risk and an explanation of these is set out in note 24.



James Reed-Daunter
Executive Director
16 January 2018

BOARD OF DIRECTORS

Luke Johnson (Non-Executive Chairman)

Luke is the Chairman of private equity house Risk Capital Partners LLP and holds numerous Board positions across a diverse range of sectors. Former appointments include the Chairmanship of Channel 4 Television Corporation from 2004 to 2010 and PizzaExpress plc during the 1990's. Luke holds Board positions in a number of charities and is Chairman of The Institute of Cancer Research.

Donald Brown (Chief Executive Officer)

Donald is a senior investment banking executive with over 25 years' experience of working in the small cap and mid cap broking sector. Most recently he was a Managing Director at the Royal Bank of Canada and previously held senior positions at Collins Stewart and Evolution Securities. He has specialist knowledge of fundraisings at primary and secondary levels and many years' experience of advising CEOs and boards across a wide range of industries on corporate strategies within the public and private markets.

James Reed-Daunter (Executive Director)

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 the unit trust and fund management desk. In 1995 he moved to become an equity sales director selling small-mid cap stocks to UK investing institutions. James is a founding partner of Arden, joining in 2002 as Head of Equity Sales, and served as CEO from 2012 to 2017. He is now Head of ECM and looks after several key client relationships.

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 2017.

Principal Activities

Arden is an established, multi-service stockbroker. We provide a range of financial services to corporate and institutional clients.

We act as Nominated Adviser, Broker, Sponsor and Financial Adviser to AIM and Main Market companies listed on the London Stock Exchange. Based in the United Kingdom and with strong international links, Arden's shares trade on London's AIM market.

Results and Dividends

The Consolidated Statement of Comprehensive Income for the year is set out on page 23.

The Directors propose to pay a final dividend of 1p per share (2016: Nil). This, when taken with the interim dividend of Nil (2016: Nil) per share gives a total dividend of 1p per share in respect of the year ended 31 October 2017 (2016: Nil).

The final dividend, if approved, will be paid on 22 March 2018 to shareholders on the register at close of business on 2 March 2018, with an ex-dividend date of 1 March 2018.

Going Concern

The Directors believe that, taking into account the available cash and liquid assets, 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.

Risk Management

The Group's policies for managing risk arising from activities are set out in note 24 of the Financial Statements.

Directors

The Directors of the Company who held office since 1 November 2016 were:

Current Directors:

Luke Johnson	Chairman
Donald Brown	Chief Executive Officer (Appointed 12 June 2017)
James Reed-Daunter	Executive Director
Mark Ansell	Independent Non-Executive Director

Previous Directors:

Jonathan Keeling	Previous Executive Deputy Chairman (Resigned 29 June 2017)
Steve Wassell	Previous Chief Operating Officer (Resigned 29 June 2017)

Directors' Interests

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

REPORT OF THE DIRECTORS

Significant Shareholdings

In addition to the current Directors' interests shown on page 15 and 16, 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 16 January 2018:

	%
Legal & General	13.33
Jonathan Keeling	6.24
Arden Partners Employee Benefit Trust	4.78
Richard Day	4.42
Alasdair Locke	4.41
Miton Group	4.03
Robert Griffiths	3.55
Tony Bartlett	3.44
Charles Stanley	3.23
David Newlands	3.05

Share Capital

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

Treasury Shares

The Board continued buying back the Company's shares during the year, under the authority granted by the Shareholders.

The Company purchased 743,070 ordinary shares in the year ended 31 October 2017, for a consideration of £0.3m. 31,000 shares were sold during the year to satisfy share options.

At 31 October 2017 the Company held 1,912,312 shares in Treasury, at a cost of £0.9m (2016: 1,200,242 £0.5m).

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 2017 the Trust held 1,480,700 (4.71% of total voting rights) (2016: 1,480,700 (7.62% of total voting rights)) shares. The Trustees have agreed to hold these shares to satisfy options granted under various share option schemes.

Events After Reporting Period

For details of significant post balance sheet events please see note 23.

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 on a periodic basis.

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 2017 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.

REPORT OF THE DIRECTORS

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



James Reed-Daunter
Executive Director
16 January 2018

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:

Luke Johnson	Chairman (Non-Executive) Chairman of Nominations Committee
Donald Brown	Chief Executive Officer
James Reed-Daunter	Executive Director
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 2017 was as follows:

	Board	Audit Committee	Remuneration Committee
Total number of meetings	10	2	10
Donald Brown ¹	4	n/a	n/a
James Reed-Daunter	10	n/a	n/a
Jonathan Keeling ²	6	n/a	n/a
Steve Wassell ²	6	2	n/a
Mark Ansell	10	2	10
Luke Johnson	10	2	10

Notes:

1. Donald Brown attended all Board meetings required subsequent to his appointment on 12 June 2017.
2. Jonathan Keeling and Steve Wassell attended all Board meetings required prior to their resignations on 29 June 2017.

Re-election of Directors

In accordance with the Company’s Articles certain of the Directors are required to be re-elected at Annual General Meetings of the Company. In accordance with the Articles, Donald Brown 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 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 (further details of Directors' remuneration are set out in the Report on Directors' remuneration on pages 13 to 16) 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 Non-Executive Directors and the Company Secretary, 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 36. 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 Luke Johnson.

During the year the Committee appointed Donald Brown as Chief Executive Officer.

Operations Committee

The Operations Committee is responsible for the implementation of strategy and for monitoring progress of delivery of key objectives. It also reviews financial performance against budgets and key performance indicators. The Operations Board is chaired by the Head of Equities.

Risk Committee

The Risk Committee is chaired by the Chief Operating Officer and has the Head of Equities, 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 regular reviews 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 has 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 senior 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.

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.

DIRECTORS' REMUNERATION REPORT

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 2017 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Total 2017 £'000
Executive Directors				
Donald Brown ¹	89	3	150	242
James Reed-Daunter	170	-	80	250
Jonathan Keeling ²	115	-	-	115
Steve Wassell ²	76	-	-	76
Non-Executive Directors				
Luke Johnson	-	-	-	-
Mark Ansell	35	-	-	35
Total	485	3	230	718

Notes:

1. Donald Brown was appointed a Director on 12 June 2017 and his salary is apportioned from this date.
2. Jonathan Keeling and Steve Wassell resigned as Directors on 29 June 2017 and their salaries are apportioned to this date.

DIRECTORS' REMUNERATION REPORT

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2016 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Total 2016 £'000
Executive Directors				
James Reed-Daunter	161	9	-	170
Jonathan Keeling	152	18	-	170
Steve Wassell	125	-	-	125
Non-Executive Directors				
Luke Johnson	-	-	-	-
Mark Ansell	35	-	-	35
Peter Moon ¹	20	-	-	20
Total	493	27	-	520

Notes:

1. An element of the remuneration was paid to a third party company, Hartnup 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 2017 Number	Percentage Interest	31 October 2016 Number
Executive Directors			
Donald Brown	200,000	0.64%	-
James Reed-Daunter	2,553,644	8.12%	2,353,644
Non-Executive Directors			
Luke Johnson	3,445,112	10.95%	2,195,112
Mark Ansell	111,750	0.36%	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:

	Vesting Date	31 October 2016 Number	Options granted in year Number	Options exercised in year Number	31 October 2017 Number
Executive Directors					
Donald Brown ¹	20/09/2018	-	444,666	-	444,666
Donald Brown ¹	20/09/2019	-	444,666	-	444,666
Donald Brown ¹	20/09/2020	-	444,668	-	444,668
James Reed-Daunter ²	31/12/2018	500,000	-	-	500,000
James Reed-Daunter ¹	20/09/2018	-	166,666	-	166,666
James Reed-Daunter ¹	20/09/2019	-	166,666	-	166,666
James Reed-Daunter ¹	20/09/2020	-	166,668	-	166,668
Total		500,000	1,834,000	-	2,334,000

Notes:

1. These options were granted on 20 September 2017 under the Arden Partners Share Plan 2013 and are exercisable subject to the achievement of Company performance related conditions.
2. 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.

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
16 January 2018

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 laws 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 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 2017

Opinion

We have audited the financial statements of Arden Partners plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 October 2017 which comprise the consolidated statement of comprehensive income, consolidated and company statement of financial position, the consolidated and company statement of cash flows and the consolidated and company statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements 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.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 October 2017 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions regarding going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

For the year ended 31 October 2017

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter in the Audit
<p>Revenue recognition</p> <p>As detailed in the accounting policies and note 2, the group derives its revenue from two business divisions which have four sub categories.</p> <p>Commission earned from equity trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis are calculated automatically and consist of a high volume of low value transactions. The group uses a service organisation for the clearing and settlement of trades.</p> <p>Corporate Finance income includes retainer fees and corporate finance deal fees and placing commissions. Judgement is required in respect of the timing of the recognition of deal fees and placing commissions where there is uncertainty over the contractual entitlement for the Group to receive them.</p>	<p>Our procedures performed included:</p> <p>Commission earned from equity trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:</p> <ul style="list-style-type: none"> • We obtained and considered the findings of relevant service organisation control reports covering the clearing and settlement services provided by the service organisation • We obtained monthly trading and commission reports directly from the service organisation and re-performed the monthly reconciliations between the trading system, general ledger and the service organisation’s reports • We vouched monthly receipts of commission to bank • We obtained direct confirmation of the year end market positions held and performed a recalculation of the unrealised and realised gains and losses on principal trading based on the opening book position, closing book position and buy and sell transactions in the year • We verified a sample of buy and sell transactions through third party confirmations and reconciled the total transactions to cash movements. <p>Corporate finance deal fees and placing commissions</p> <ul style="list-style-type: none"> • For 99% of deal fees in the year, we recalculated the amount due based on the terms set out in the relevant engagement letters • We considered the status of open projects at the year end to determine whether it would be appropriate to recognise any revenue during the year • We analysed deal fees and placing commissions received subsequent to the year end based on the terms set out in the relevant engagement letters and the timing of the completion of the deals to determine whether revenue should be recognised in the year.

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

For the year ended 31 October 2017

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. For planning, we consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements. Importantly, misstatements below this level will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the Financial Statements.

Based on our professional judgement, we determined materiality for the financial statements as a whole to be £75,000 (2016: £59,000). This represents 1% of the average revenue for the last 3 years.

Revenue has remained in excess of £5m over the last three years. We considered a three year average revenue to be the most appropriate benchmark as profit before tax has been volatile in the past three years and the Group made a loss in the previous two years. The increase in materiality this year is a reflection of growth in the business.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £1,500, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

There were no misstatements identified during the course of our audit that were individually, or in aggregate, considered to be material in terms of their absolute monetary value or on qualitative grounds.

An overview of the scope of our audit

The group manages its operations from 2 locations in the UK, London and Birmingham, and consists of the Group holding company, one active subsidiary and two dormant subsidiaries.

The Group engagement team carried out statutory audits for the Group holding company and the active subsidiary.

Our audit approach was developed by obtaining an understanding of the group's activities, the key functions undertaken by the Board and the overall control environment. Based on this understanding we assessed those aspects of the Group's transactions and balances which were most likely to give rise to a material misstatement.

Our audit work on each component was executed at levels of materiality applicable to the individual entity which was lower than Group materiality.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

For the year ended 31 October 2017

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

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

For the year ended 31 October 2017

Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

BDO LLP

*Peter Smith (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
16 January 2018*

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 2017

	Note	2017 £'000	2016 £'000
Revenue	2	10,477	5,857
Administrative expenses		(9,741)	(6,323)
Profit/(loss) from operations		736	(466)
Finance income	7	34	40
Finance expense	8	(23)	(3)
Profit/(loss) before taxation		747	(429)
Income tax charge	9	(15)	(41)
Profit/(loss) after taxation		732	(470)
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	15	(8)	(5)
Transfer to profit or loss on disposal of available for sale assets		13	-
Deferred tax taken to equity		4	-
Total comprehensive income for the year attributable to equity shareholders		741	(475)
Profit/(loss) per share			
Basic	10	3.3	(2.5p)
Diluted	10	3.2	(2.5p)

The notes on pages 30 to 54 form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 October 2017

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		67		27
Deferred tax asset	13		39		50
Total non-current assets			106		77
Current assets					
Assets held at fair value	14	2,806		1,489	
Available for sale financial assets	15	503		552	
Trade and other receivables	16	2,714		2,544	
Collateral deposits	24	48		58	
Cash and cash equivalents	17	9,037		5,170	
Total current assets			15,108		9,813
Total assets			15,214		9,890
Current liabilities					
Financial liabilities held at fair value	18	(171)		(48)	
Trade and other payables	18	(2,494)		(2,719)	
Total current liabilities			(2,665)		(2,767)
Total liabilities			(2,665)		(2,767)
Net assets			12,549		7,123
Shareholders' equity					
Called up share capital	19		3,338		2,063
Capital redemption reserve			700		700
Share premium account			6,691		2,933
Employee Benefit Trust reserve			(849)		(849)
Available for sale reserve			(6)		(11)
Retained earnings			3,547		2,836
Total equity before deduction of own shares			13,421		7,672
Own shares			(872)		(549)
Total equity			12,549		7,123

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 Financial Statements were approved by the Board of Directors and authorised for issue on 16 January 2018.



Donald Brown
Chief Executive Officer



Mark Ansell
Chairman of the Audit Committee

The notes on pages 30 to 54 form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION

At 31 October 2017

Company number: 4427253

	Note	2017 £'000	2017 £'000	2016 £'000	2016 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		67		27
Deferred tax asset	13		39		50
Total non-current assets			106		77
Current assets					
Assets held at fair value	14	2,806		1,489	
Available for sale financial assets	15	503		552	
Trade and other receivables	16	2,902		2,732	
Collateral deposits	24	48		58	
Cash and cash equivalents	17	9,028		5,161	
Total current assets			15,287		9,992
Total assets			15,393		10,069
Current liabilities					
Financial liabilities held at fair value	18	(171)		(48)	
Trade and other payables	18	(2,673)		(2,898)	
Total current liabilities			(2,844)		(2,946)
Total liabilities			(2,844)		(2,946)
Net assets			12,549		7,123
Shareholders' equity					
Called up share capital	19		3,338		2,063
Capital redemption reserve			700		700
Share premium account			6,691		2,933
Employee Benefit Trust reserve			(849)		(849)
Available for sale reserve			(6)		(11)
Retained earnings			3,547		2,836
Total equity before deduction of own shares			13,421		7,672
Own shares			(872)		(549)
Total equity			12,549		7,123

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 £732,000 (2016: loss £470,000).

The Financial Statements were approved by the Board of Directors and authorised for issue on 16 January 2018.



Donald Brown
Chief Executive Officer



Mark Ansell
Chairman of the Audit Committee

The notes on pages 30 to 54 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
Operating activities before taxation			
Profit/(loss) before tax		747	(429)
Adjustments for:			
Fair value adjustments		(27)	(205)
Gain on sale of available for sale investments	2	(50)	-
Depreciation of fixtures, fittings and computer equipment	11	21	23
Net interest receivable	7 & 8	(11)	(37)
Share based payments	19	4	22
Operating cash flow before changes in working capital		684	(626)
(Increase)/decrease in operating assets		(1,437)	88
Decrease/(increase) in operating liabilities		(102)	682
Purchase of available for sale investments	15	(509)	(50)
Proceeds from disposal of available for sale investments	15	600	-
Cash (used in)/generated from operations		(764)	94
Income taxes paid		-	10
Net cash flows from operating activities		(764)	104
Investing activities			
Purchases of property, plant and equipment	11	(61)	(25)
Net interest received	7 & 8	11	37
Net cash flows from investing activities		(50)	12
Financing activities			
Exercise of share options		(15)	(31)
Proceeds from the sale of own shares		-	133
Purchase of own shares		(337)	(420)
Issue of shares		5,033	-
Net cash flows from financing activities		4,681	(318)
Increase/(decrease) in cash and cash equivalents		3,867	(202)
Cash and cash equivalents at the beginning of the year		5,170	5,372
Cash and cash equivalents at the end of the year	17	9,037	5,170

The notes on pages 30 to 54 form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 October 2017

	Note	2017 £'000	2016 £'000
Operating activities before taxation			
Profit/(loss) before tax		747	(429)
Adjustments for:			
Fair value adjustments		(27)	(205)
Gain on sale of available for sale investments	2	(50)	-
Depreciation of fixtures, fittings and computer equipment	11	21	23
Net interest receivable	7 & 8	(11)	(37)
Share based payments	19	4	22
Operating cash flow before changes in working capital		684	(626)
(Increase)/decrease in operating assets		(1,437)	88
Decrease/(increase) in operating liabilities		(102)	682
Purchase of available for sale investments	15	(509)	(50)
Proceeds from disposal of available for sale investments	15	600	-
Cash (used in)/generated from operations		(764)	94
Income taxes paid		-	10
Net cash flows from operating activities		(764)	104
Investing activities			
Purchases of property, plant and equipment	11	(61)	(25)
Net interest received	7 & 8	11	37
Net cash flows from investing activities		(50)	12
Financing activities			
Exercise of share options		(15)	(31)
Proceeds from the sale of own shares		-	133
Purchase of own shares		(337)	(420)
Issue of shares		5,033	-
Net cash flows from financing activities		4,681	(318)
Increase/(decrease) in cash and cash equivalents		3,867	(202)
Cash and cash equivalents at the beginning of the year		5,161	5,363
Cash and cash equivalents at the end of the year	17	9,028	5,161

The notes on pages 30 to 54 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2017

	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 2015	2,063	2,933	700	(295)	(849)	(6)	3,348	7,894
Loss for year	-	-	-	-	-	-	(470)	(470)
Deferred tax taken to equity	-	-	-	-	-	-	-	-
Revaluation of available for sale financial assets	-	-	-	-	-	(5)	-	(5)
Total comprehensive income for the year	-	-	-	-	-	(5)	(470)	(475)
Contributions by and distributions to owners								
Purchase of own shares	-	-	-	(420)	-	-	-	(420)
Sale of own shares	-	-	-	134	-	-	-	134
Share based payments	-	-	-	-	-	-	22	22
Share options exercised	-	-	-	32	-	-	(64)	(32)
Balance at 31 October 2016	2,063	2,933	700	(549)	(849)	(11)	2,836	7,123
Profit for year	-	-	-	-	-	-	732	732
Deferred tax taken to equity	-	-	-	-	-	-	4	4
Transferred to profit or loss on disposal of available for sale assets	-	-	-	-	-	13	-	13
Revaluation of available for sale financial assets	-	-	-	-	-	(8)	-	(8)
Total comprehensive income for the year	-	-	-	-	-	5	736	741
Contributions by and distributions to owners								
Issue of ordinary shares net of expenses	1,275	3,758	-	-	-	-	-	5,033
Purchase of own shares	-	-	-	(337)	-	-	-	(337)
Share based payments	-	-	-	-	-	-	4	4
Share options exercised	-	-	-	14	-	-	(29)	(15)
Balance at 31 October 2017	3,338	6,691	700	(872)	(849)	(6)	3,547	12,549

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.
4. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issues amounting to £67,000.

The notes on pages 30 to 54 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2017

	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 2015	2,063	2,933	700	(295)	(849)	(6)	3,348	7,894
Loss for year	-	-	-	-	-	-	(470)	(470)
Deferred tax taken to equity	-	-	-	-	-	-	-	-
Revaluation of available for sale financial assets	-	-	-	-	-	(5)	-	(5)
Total comprehensive income for the year	-	-	-	-	-	(5)	(470)	(475)
Contributions by and distributions to owners								
Purchase of own shares	-	-	-	(420)	-	-	-	(420)
Sale of own shares	-	-	-	134	-	-	-	134
Share based payments	-	-	-	-	-	-	22	22
Share options exercised	-	-	-	32	-	-	(64)	(32)
Balance at 31 October 2016	2,063	2,933	700	(549)	(849)	(11)	2,836	7,123
Profit for year	-	-	-	-	-	-	732	732
Deferred tax taken to equity	-	-	-	-	-	-	4	4
Transferred to profit or loss on disposal of available for sale assets	-	-	-	-	-	13	-	13
Revaluation of available for sale financial assets	-	-	-	-	-	(8)	-	(8)
Total comprehensive income for the year	-	-	-	-	-	5	736	741
Contributions by and distributions to owners								
Issue of ordinary shares net of expenses	1,275	3,758	-	-	-	-	-	5,033
Purchase of own shares	-	-	-	(337)	-	-	-	(337)
Share based payments	-	-	-	-	-	-	4	4
Share options exercised	-	-	-	14	-	-	(29)	(15)
Balance at 31 October 2017	3,338	6,691	700	(872)	(849)	(6)	3,547	12,549

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.
4. Share premium represents the excess over nominal value of the fair value consideration received for equity shares net of expenses of the share issues amounting to £67,000.

The notes on pages 30 to 54 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 55.

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 control over an investee, it is classified as a subsidiary. The Company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

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 £732,000 (2016: loss £470,000).

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.

Where there are arrangements in place for an element of revenue to be paid away the cost is recognised in administrative expenses.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 instruments, 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. Purchases and sales of financial assets are recognised on trade date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- **Available for sale assets:** Non-derivative financial assets that do not qualify to be classified in another category are classified as available for sale financial assets. They are carried at fair value with changes in fair value recognised directly in a separate component of equity (available for sale reserve). Where there is a significant or prolonged decline in the fair value of an available for sale financial asset (which constitutes objective evidence of impairment), the full amount of the impairment, including any amount previously charged to equity, is recognised in the Statement of

Comprehensive Income. When an available for sale financial asset is disposed of, the cumulative gain or loss previously recognised in equity is reclassified from other comprehensive income to the profit or loss account.

- **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.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- **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. These 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 in other comprehensive income.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

Estimates and judgements that may have an effect on the next financial year are discussed below:

Derivative Financial Assets

The fair value of options which are included within derivative financial are determined by using valuation models.

Share Based Payments

Employee services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant. The fair value of share options is estimated by using valuation models, such as Black-Scholes, on the date of grant based on certain assumptions.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017 include:

IFRS 9 Financial Instruments

In July 2014, the IASB issued IFRS 9 Financial Instruments. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard was endorsed in November 2016. The Group currently plans to apply IFRS 9 to its financial statements starting 1 November 2018.

IFRS 9 brings changes to the classification and measurement of financial assets, impairment of financial assets and hedge accounting. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets.

IFRS 9 will also change impairment methodology with a shift from an incurred loss to an expected loss impairment methodology. At initial recognition an allowance (or provision in the case of commitments and guarantees) is required for expected credit losses resulting from default events that are possible within the next 12 months. In the event of a significant increase in credit risk since initial recognition, IFRS 9 requires the recognition of lifetime expected credit losses. Impairment measurement will involve increased complexity and significant judgements on areas such as the estimation of probabilities of default, loss given default, unbiased future economic scenarios, estimation of expected lives, estimation of exposures at default and assessing whether a significant increase in credit risk has occurred.

The current assessment of the classification and measurement is as follows:

- financial assets and liabilities designated at fair value through profit and loss (FVTPL) under IAS 39 will be measured at FVTPL under IFRS 9;
- non-derivative financial assets classified as available for sale assets under IAS 39 will be measured at FVTPL under IFRS9.

The group expects that the recognition and measurement basis of the majority of the group's financial assets will be largely unchanged under IFRS9.

IFRS 15 Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The standard is effective for annual periods beginning on or after 1 January 2018 with early adoption permitted. The standard was endorsed in September 2016. The Group currently plans to apply IFRS 15 to its financial statements starting 1 November 2018.

The Group's current measurement and recognition principles are aligned to the standard and we do not expect an impact to measurement principles currently applied.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases. The standard is effective for annual periods beginning on or after 1 January 2019 with early adoption permitted. The standard was endorsed in June 2017. The Group currently plans to apply IFRS 15 to its financial statements starting 1 November 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

IFRS 16 results in lessees accounting for most leases within the scope in a manner similar to the way in which finance leases are currently accounted for under IAS 17 Lease. Lessees will recognise a ‘right of use’ asset and a corresponding financial liability on the balance sheet. The asset will be amortised over the period of the lease and the financial liability measured at amortised cost.

The Group is currently in the process of assessing the new standard but it is expected to have a material impact on the balance sheet as all operating leases will need to be recognised on the balance sheet. The rental expense in the income statement will be replaced with depreciation and interest expense.

2) Revenue

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

	2017 £'000	2016 £'000
Equities Division	3,767	2,430
Corporate Finance Division	6,673	3,427
Gain on sale of available for sale asset	50	-
Transfer to profit or loss on disposal of available for sale assets	(13)	-
Total revenue	10,477	5,857

Included within revenue of the Equities Division is a profit of £40,000 (2016: £205,000) 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 2017, one of the Group’s customers contributed more than 10% of the Group’s revenue, the amount was £1,996,000. In 2016 none of the Group’s customers contributed 10% or more of the Group’s revenue.

3) Profit from operations

	2017 £'000	2016 £'000
This is arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	21	23
Operating lease costs	321	211
Auditor’s remuneration:		
Audit services:		
Company	38	35
Subsidiaries	1	1
Tax services	6	6
Audit related assurance services	16	15
Foreign currency losses/(gains)	8	4
Share based payments	4	22
Restructuring costs	517	-
Lease settlement (Note 10)	-	(150)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4) Dividends

No dividends were recognised in the year.

5) Employees

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

	2017 £'000	2016 £'000
Wages and salaries	3,458	3,088
Incentive payments	523	25
Share based payments (see note 19 for further details)	4	22
Social security costs	494	385
Other pension costs	127	173
	4,606	3,693

Staff costs include an amount of £460,000 (2016: £Nil) in respect of restructuring payments. The average number of employees (including Directors) of the Group and Company during the year was 39 (2016: 38) of which 28 (2016: 28) are front-office and the remainder are administration.

6) Directors' remuneration

	2017 £'000	2016 £'000
Directors' emoluments including incentive payments	715	493
Company contributions to money purchase pension schemes	3	27
	718	520

There was 1 Director in a defined contribution pension scheme during the year (2016: 2).

The total amount payable to the highest paid Director in respect of emoluments was £250,000 (2016: £170,000) of this total Company pension contributions of £Nil (2016: £18,000) 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 13 to 16.

7) Finance income

	2017 £'000	2016 £'000
Bank and other interest receivable	34	40

8) Finance expense

	2017 £'000	2016 £'000
Bank overdrafts and loans	23	3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9) Income tax expense

	2017	2016
	£'000	£'000
UK Corporation tax		
Current tax on profit of the year	-	-
Adjustment in respect of previous periods	-	7
Total current tax	-	7
<i>Deferred tax</i>		
Origination and reversal of timing differences	15	26
Deferred tax on share options	-	8
Change in tax rate	-	-
Adjustment in respect of previous periods	-	-
Total deferred tax	15	34
Total income tax charge	15	41

The tax assessed for the year is lower (2016: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2017	2016
	£'000	£'000
Profit/(loss) before tax	747	(429)
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 19.41% (2016: 20%)	145	(86)
Effect of:		
Deferred tax not previously recognised	(147)	-
Losses carried forward	-	94
Income not taxable	(5)	-
Expenses not deductible for tax purposes	20	25
Deferred tax on share options	(4)	8
Change in tax rate	2	-
Total income tax charge	11	41

A reduction in the UK corporation tax rate from 21% to 20% was substantively enacted in July 2014 and was effective from 1 April 2015. Reductions to 19% from 1 April 2017 and 18% from 1 April 2020 were substantively enacted in November 2015. A further reduction to 17 % from 1 April 2020 was enacted in September 2016

The deferred tax balances at 31 October 2017 have been stated at 19% as this is the expected prevailing rate when the temporary differences are expected to reverse.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10) Earnings per share

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

	Year ended 31 October 2017		Year ended 31 October 2016	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
Basic profit/(loss) per share	3.3	732	(2.5)	(470)
Add: IFRS2 share-based payments	-	4	0.1	22
Add: Restructuring costs	2.3	517	-	-
Less: Lease settlement credit	-	-	(0.8)	(150)
Underlying basic profit/(loss)	5.6	1,253	(3.2)	(598)
Diluted profit/(loss) per share	3.2	732	(2.5)	(470)
Add: IFRS2 share-based payments	-	4	0.1	22
Add: Restructuring costs	2.3	517	-	-
Less: Lease settlement credit	-	-	(0.8)	(150)
Underlying diluted profit/(loss)	5.5	1,253	(3.2)	(598)

	Year ended 31 October 2017 Number	Year ended 31 October 2016 Number
Denominator		
Weighted average number of shares in issue for basic earnings calculation	22,188,366	18,734,234
Weighted average dilution for outstanding share options	406,895	541,383
Weighted average number for diluted earnings calculation	22,595,261	19,275,617

The 1,480,700 (2016: 1,480,700) shares held by the Arden Partners Employee Benefit and the 1,912,312 (2016: 1,200,242) shares held in Treasury have been excluded from the denominator.

In the prior year no adjustment has been made to the diluted loss per share of 2.4p as the dilution effect of the weighted average number of outstanding share options of 541,383 would be to decrease the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11) Property, plant and equipment

Group and Company as at 31 October 2017

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 November 2016	301	1,255	1,556
Additions	-	61	61
At 31 October 2017	301	1,316	1,617
<i>Depreciation</i>			
At 1 November 2016	301	1,228	1,529
Charge for the year	-	21	21
At 31 October 2017	301	1,249	1,550
<i>Net book value</i>			
At 31 October 2017	-	67	67
At 31 October 2016	-	27	27

Group and Company as at 31 October 2016

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<i>Cost</i>			
At 1 November 2015	301	1,230	1,531
Additions	-	25	25
At 31 October 2016	301	1,255	1,556
<i>Depreciation</i>			
At 1 November 2015	301	1,205	1,506
Charge for the year	-	23	23
At 31 October 2016	301	1,228	1,529
<i>Net book value</i>			
At 31 October 2016	-	27	27
At 31 October 2015	-	25	25

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12) Investments

Company

	Group undertakings £
<i>Cost</i>	
At 1 November 2015, 31 October 2016 and 31 October 2017	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 at 5 George Road, Edgbaston, Birmingham, B15 1NP, England. The Company's sole activity is to act as payment agent for the Arden Partners Employee Benefit Trust. At 31 October 2017, the Arden Partners Employee Benefit Trust held 1,480,700 ordinary shares in Arden Partners plc (2016: 1,480,700 ordinary shares).

The Company also owns the whole of the issued share capital of Arden Partners Asset Management Limited, a company registered at 5 George Road, Edgbaston, Birmingham, B15 1NP, 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 – 2017

	Accelerated capital allowances £'000	Share options £'000	Total deferred tax asset £'000
At 1 November 2016	30	20	50
(Charged)/credited to Statement of Comprehensive Income	(15)	4	(11)
At 31 October 2017	15	24	39

Group and Company – 2016

	Accelerated capital allowances £'000	Share options £'000	Total deferred tax asset £'000
At 1 November 2015	39	45	84
(Charged)/credited to Statement of Comprehensive Income	(9)	(25)	(34)
At 31 October 2016	30	20	50

The Company has unutilised tax losses of £1.7m (2016: £2.4m) on which a potential deferred tax asset of £323k (2016: £456k) which due to the uncertainty of the timing of future taxable profits has not been recognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14) Assets held at fair value

Group and Company

	2017 £'000	2016 £'000
<i>Held for trading:</i>		
Long market making equity positions	2,561	1,284
<i>Derivative financial assets:</i>		
Options	245	205
At 31 October 2017	2,806	1,489

At 31 October 2017 the historical cost of long market making equity positions was £2,848,000 (2016: £1,232,000).

At 31 October 2017 the historical cost of derivative financial assets was £Nil (2016: £Nil).

15) Available for sale financial assets

Group and Company

	2016 £'000	2016 £'000
At 1 November 2015	552	507
Purchased during the year	509	50
Disposed of during the year	(600)	-
Fair value gain on disposal	50	-
Fair value losses	(8)	(5)
At 31 October 2016	503	552

At 31 October 2017 the historical cost of available for sale financial assets was £508,000 (2016: £563,000).

Included within available for sale financial assets is a holding in United Kingdom Treasury Gilts of £503,000 (2016: £502,000), which is pledged as security to BNP Paribas Securities Services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16) Trade and other receivables

Group

	2017	2016
	£'000	£'000
Market receivables	740	1,409
Trade receivables	393	598
Other receivables	446	198
Prepayments and accrued income	1,135	339
	2,714	2,544

Company

	2017	2016
	£'000	£'000
Market receivables	740	1,409
Trade receivables	393	598
Other receivables	634	386
Prepayments and accrued income	1,135	339
	2,902	2,732

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

	2017	2016
	£'000	£'000
Cash and bank balances	9,037	5,170

Company

	2017	2016
	£'000	£'000
Cash and bank balances	9,028	5,161

Included within cash and bank balances of the Group and the Company at 31 October 2017 is an amount of \$51,000 (£39,000) (2016: \$17,000 (£13,000)) which is denominated in USD.

Included within cash and bank balances of the Group and the Company at 31 October 2017 is an amount of €14,000 (£12,000) (2016: €3,000 (£2,000)) which is denominated in EUR.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18) Current liabilities

Group

	2017 £'000	2016 £'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	171	48
<i>Trade and other payables</i>		
Market payables	547	1,477
Trade payables	353	303
Other taxation and social security	182	178
Other payables	766	239
Accruals and deferred income	646	522
Total trade and other payables	2,494	2,719
Total current liabilities	2,665	2,767

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 £1,716,000 (2016: £1,918,000).

Company

	2017 £'000	2016 £'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	171	48
<i>Trade and other payables</i>		
Market payables	547	1,477
Trade payables	353	303
Other taxation and social security	182	178
Other payables	945	418
Accruals and deferred income	646	522
Total trade and other payables	2,673	2,898
Total current liabilities	2,844	2,946

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 £1,895,000 (2016: £2,097,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19) Share capital

	Authorised		Allotted, called up and fully paid	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Equity share capital				
40,000,000 Ordinary shares of 10p each	4,000	4,000	-	-
33,378,935 (2016: 20,628,935) Ordinary shares of 10p each	-	-	3,338	2,063

On 30 June 2017 the Company issued 12,750,000 ordinary 10p shares at a price of 40p. Issue costs amounting to £66,740 were incurred and have been deducted from the share premium account.

During the year the Company purchased 743,070 (2016: 1,293,266) ordinary shares to be held in Treasury. The total cost of the shares was £0.3m (2016: £0.4m).

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 2017	Weighted Average Exercise price (pence) 2017	Number of Options 2016	Weighted Average Exercise price (pence) 2016
At 1 November 2016	1,245,158	31.9	1,964,158	26.9
Exercised during the year	(60,000)	-	(290,000)	(3.4)
Granted during the year	5,500,000	36.6	359,908	47.8
Expired during the year	(183,370)	(2.2)	(788,908)	(15.4)
At 31 October 2017	6,501,788	39.2	1,245,158	31.9

The weighted average market price of the Company's shares at the date of exercise of options during the year was 43.2p (2016: 27.2p).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	31 October 2017			31 October 2016		
	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 Share Plan 2007	75,000	10.0	41	75,000	10.0	53
Arden Partners Share Plan 2013	6,426,788	39.5	53	1,170,158	33.3	56
	6,501,788			1,245,158		

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 2017 are as follows:

	Arden Partners Share Plan 2013	Arden Partners Share Plan 2007
Grant dates	23/07/2013 to 20/09/2017	24/03/2011
Weighted average fair value at grant date ¹	5.53p	44.7p
Average exercise price	39.53p	10.0p
Exercise price range	0p – 47.8p	10.0p
Weighted average share price at date of grant	37.73p	54p
Expected volatility ²	30%	30%
Risk free interest rate	0.25%	4%
Dividend yield	Nil	5%
Option life (months)	36-113	120
Weighted average option life (months)	63	120
Weighted average life remaining (months)	53	41
Number of options outstanding	6,426,788	75,000
Percentage of options expected to vest	100%	100%
Number of options vested but unexercised	426,788	75,000

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. Expected volatility is based on historic information adjusted to take effect of future trends in economic conditions, behavioural considerations and exercise restrictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

	2017	2016
	£'000	£'000
Expensed during the year (equity settled) <i>(included within employee costs as set out in note 5)</i>	4	22

The charge for the year of £4,000 is made up of an expense of £73,000 and an expense reverse on forfeiture of share options of £69,000.

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 £127,000 (2016: £173,000). Contributions amounting to £38,000 (2016: £32,000) remained outstanding to schemes and are included in payables.

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	
	2017	2016
	£'000	£'000
Within one year	264	242
Between two and five years	274	469
Greater than five years	-	-
	538	711

22) Related party disclosures

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

	Year ended	Year ended
	31 October	31 October
	2017	2016
	£'000	£'000
Salaries and short term employee benefits	715	493
Pension contributions	3	27
Share-based payments	5	3
	723	523

The Group has paid £Nil (2016: £16,000) to Hartnup Consulting Limited for the services of Peter Moon as a Non-Executive Director, Peter Moon is a director of Hartnup Consulting Limited and was a director of Arden Partners plc. No amounts were outstanding at the year end.

The Group has received £Nil (2016: £67,000) from The Brighton Pier Group plc for Corporate Finance services, Luke Johnson is a director of both The Brighton Pier Group plc and Arden Partners plc. No amounts were outstanding at the year end.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23) Events after the reporting period

On 3 November 2017 and 4 December 2017 the company purchased a total of 474,833 ordinary shares to be held in treasury. The total cost of the shares was £0.2m.

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
- Regulatory 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 £5,000 in the profit shown in the Consolidated Statement of Comprehensive Income. In the year ended 31 October 2016 a 10% movement in the all share AIM index would have increased or decreased the profit before taxation by approximately £38,000.

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 2017, the profit before taxation would have been increased by approximately £16,000 / decreased by £5,000. In the year ended 31 October 2016 a 0.5% movement in rates would have increased the profit before taxation by approximately £36,000 / decreased by £11,000.

Fixed rate cash financial assets of £8,250,000 (2016: £4,800,000) comprise sterling cash deposits at an average rate of 0.15% (2016: 0.15%). 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.

Currency price risk

The Group and Company had an aggregate currency exposure at 31 October 2017 in respect of US\$51,000 (£39,000). There was a currency exposure for the Group and the Company at 31 October 2016 of US\$16,000 (£13,000). 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 £4,000 (2016: £1,000).

The Group and Company had an aggregate currency exposure at 31 October 2017 in respect of EU€13,000 (£12,000). There was a currency exposure for the Group and the Company at 31 October 2016 of EU€Nil (£Nil). The effect of a 10% movement in the EU€/£ exchange rate from the rate ruling at the reporting date would be to impact profit/(loss) and net assets by approximately £1,000 (2016: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

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	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Available for sale financial assets	503	503	552	552
Market receivables	740	1,409	740	1,409
Collateral deposits	48	58	48	58
Trade receivables	393	598	393	598
Other receivables	446	198	634	386
Prepayments and accrued income	614	-	614	-
Total loans and receivables	2,744	2,766	2,981	3,003
Cash and cash equivalents	9,037	5,170	9,028	5,161
Total assets	11,781	7,936	12,009	8,164

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The ageing of trade receivables at the reporting date was:

	31 October 2017 £'000	31 October 2016 £'000
Not past due	297	507
Past due 31-60 days	27	47
Past due 61-90 days	-	-
Past due 91-120 days	27	-
Past due 121+ days	62	44
Provisions	(20)	-
Total	393	598

Movement in provision:

	31 October 2017 £'000	31 October 2016 £'000
Opening balance	-	-
Amounts released	-	-
Amounts written off	-	-
Increase in provision	20	-
Closing balance	20	-

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.

The Group has a stock borrow facility with HSBC plc which allows the Group to borrow securities up to the value of \$750,000. Under such arrangements a security is purchased with a commitment to return it at a future date at a future agreed price.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

Group as at 31 October 2017

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 - 2 Years £'000	Between 2 - 5 Years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	171	-	-	-	-
Trade and other payables	1,500	45	-	-	-
	1,671	45	-	-	-

Group as at 31 October 2016

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 - 2 Years £'000	Between 2 - 5 Years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	48	-	-	-	-
Trade and other payables	1,826	44	-	-	-
	1,874	44	-	-	-

Company as at 31 October 2017

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 - 2 Years £'000	Between 2 - 5 Years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	171	-	-	-	-
Trade and other payables	1,500	45	-	-	179
	1,671	45	-	-	179

Company as at 31 October 2016

	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 - 2 Years £'000	Between 2 - 5 Years £'000	Over 5 years £'000
Financial liabilities at fair value through profit and loss	48	-	-	-	-
Trade and other payables	1,826	44	-	-	179
	1,874	44	-	-	179

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2016 and 2017 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.

24.5 *Regulatory Risk*

Regulatory risk is the risk that the Group fails to comply with the complex regulatory environment in which it operates. The Group has a separate risk committee and compliance functions which are resourced by suitably qualified individuals. The directors continually monitor changes and developments in the regulatory environment and ensure that sufficient resources are made available to implement any required changes.

24.6 *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.
- 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 traded 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 October 2017:

Group and Company as at 31 October 2017

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Long market making positions	2,561	-	-	2,561
Options	-	-	245	245
Available for sale financial assets	503	-	-	503
	3,064	-	245	3,309
Liabilities				
Short market making equity positions	171	-	-	171

Group and Company as at 31 October 2016

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Long market making positions	1,284	-	-	1,284
Options	-	-	205	205
Available for sale financial assets	552	-	-	552
	1,836	-	205	2,041
Liabilities				
Short market making equity positions	48	-	-	48

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

	Options £'000	Total £'000
At 1 November 2016	205	-
Net unrealised profit recognised in Statement of Comprehensive Income	77	205
Net unrealised loss recognised in Statement of Comprehensive Income	(37)	-
At 31 October 2017	245	205

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2017 £'000	Valuation Technique	Unobservable input	Range
Options	245	Black-Scholes Model	Historical Volatility	25-40%

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 £8,018 / decrease of £5,599 respectively in the profit shown in the Consolidated Statement of Comprehensive Income.

25) Country by country reporting

Arden Partners is required to comply with Article 89 of the Capital Requirements Directive IV (CRD IV) country by country reporting in order to comply with this requirement. The information below provides the relevant detail:-

	31 October 2017
Entity Name	Arden Partners plc
Nature of Activities	Institutional Stockbroker
Geographic Location	UK
Turnover (£'000)	10,477
Average number of employees	39
Profit before tax (£'000)	747
Corporation tax paid	-
Public subsidies received	-

CORPORATE INFORMATION

Company Secretary	Steve Wassell 5 George Road Edgbaston Birmingham B15 1NP
Company Number	4427253
Nominated Advisor	GCA Altium Limited 1 Southampton Street London WC2R 0LR
Registrar	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Lawyers	HFW LLP Friars Court 65 Crutched Friars London EC3N 2AE
Auditors	BDO LLP 55 Baker Street London W1U 7EU
Bankers	HSBC Bank plc 1 st Floor 60 Queen Victoria Street London EC4N 4TR
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