Arden

Arden Partners PLC
Annual Report 2018

Arden Partners plc

Arden Partners is a dedicated corporate adviser and multi-service stockbroker to small and mid-cap companies in the UK and their investors.

The absolute core of our business is to best represent our significant base of corporate clients, and effectively support their relationships with existing and potential shareholders.

This relationship is a function of the quality of corporate finance advice we provide to our corporate clients, the high quality of our industry research, and the presence in the market that our sales and trading teams have.

Our corporate finance capabilities encompass M&A, corporate finance advisory, broking, Sponsor and NOMAD services. We represent our clients in private transactions, AIM and Main Market listings.

Our research is designed to be sector focused, taking top down thematic trends, which lead us towards companies that give investors an exposure to the real growth areas of the small-cap and AIM markets.

It is the job of the sales team to keep institutions abreast of these themes and stock ideas. When there is a requirement for our corporate clients to raise money to fulfil their growth ambitions, the sales team is in a strong position to effect this, with the entrenched relationships that the team enjoys with the UK institutional and non-institutional shareholder base.

Our responsibility of care to our corporate clients is augmented by our market making and trading teams, who provide liquidity in the shares of our corporate clients. We also trade the shares of non-client corporates on behalf of institutions.

The recent addition of the Arden Wealth Management team offers a bespoke service to our clients, with the ability to trade/invest in equities, bonds and a range of global investment funds, as well as allowing clients to participate in Primary and Secondary equity placings.

Contents

HIGHLIGHTS

FINANCIAL	Year ended 31 October 2018	Year ended 31 October 2017
Revenue	£7.4m	£10.5m
(Loss)/profit before tax	(£2.8m)	£0.7m
Underlying (loss)/profit before tax *	(£1.8m)	£1.2m
(Loss)/profit per share:		
Basic	(9.6p)	3.3p
Underlying Basic †	(6.0p)	5.6p
Diluted	(9.6p)	3.2p
Underlying Diluted ‡	(6.0p)	5.5p
Dividend per ordinary share:		
Interim	Nil	Nil
Proposed final	1.0p	1.0p
Capital Adequacy Ratio	428%	652%
NON-FINANCIAL		
Funds raised for clients	£124m	£150m
Retained corporate clients	51	38
Average number of staff	48	39

* Profit before tax as adjusted for the effect of share based payments, Wealth Management start-up costs and restructuring costs (including non recurring costs related to the termination of personnel).

† Basic earnings per share as adjusted for the post-tax effect of share based payments, Wealth Management start-up costs and restructuring costs (including non recurring costs related to the termination of personnel), ignoring deferred tax.

‡ Diluted earnings per share as adjusted for the post-tax effect of share based payments, Wealth Management start-up costs and restructuring costs (including non recurring costs related to the termination of personnel), ignoring deferred tax.

The Directors believe that the underlying (loss)/profit and underlying (loss)/earnings per share, which are alternative performance measures, provide more useful information for shareholders on the underlying performance of the Group than the reported numbers as they fairer reflect the underlying operating performance of the Group. A reconciliation of underlying (loss)/profit to statutory (loss)/profit before tax is given on page 6.

CHAIRMAN'S STATEMENT

This is my first statement as Chairman of Arden, having been appointed to the role in May 2018 (initially on an interim basis). I have been a Non-executive Director of the Company since December 2010.

Recent years have been challenging for the stockbroking industry, and in particular for small and mid-cap stockbrokers. If anything, these challenges increased during the year under review, and global economic uncertainty and Brexit continue to have a material negative impact on capital markets.

In response to those challenges and as we have previously announced, the first half loss was impacted by the necessary investment and restructuring of the business in order to reduce costs and increase recurring income to result in less reliance being placed on transactional income. Performance in the second half of the financial period was improved, but these challenges continued to impact the financial results of the Group and the Group made a loss for the year as a whole.

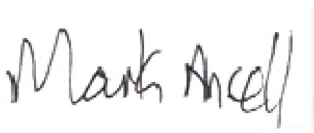
Nevertheless, we completed a good number of transactions over the year and I am pleased to report that, on an underlying basis, we traded profitably in the second half. In this period, we also increased the number of retained corporate clients from 38 to 51. As always, our focus is on providing a high quality of service to our clients, both corporate and institutional.

During the year, we invested in the creation of a Wealth Management team. This team will offer a new and bespoke service to our clients, with the ability to trade/invest in equities, bonds and a range of global investment funds, as well as allowing clients to participate in Primary and Secondary equity placings. Post the year end, I was delighted to announce the granting of FCA regulatory permissions for this division.

I would reiterate that our organisation is now structured appropriately for more normal markets but all small and mid-cap brokers are facing current challenges caused by Brexit and global economic uncertainties. Our balance sheet remains strong and we hold cash and cash equivalents significantly in excess of our capital adequacy requirements, sufficient to take us through short to medium term difficulties in the market. Furthermore, the Group continues to monitor its cost base carefully given underlying market conditions.

I would like to thank my Board, our corporate and institutional clients and all our hard-working staff for their support during this year.

We believe the Group is well positioned in its markets and look forward to the future with confidence.



Mark Ansell
Chairman
23 January 2019

CHIEF EXECUTIVE'S STATEMENT

This has been my first full year as Chief Executive of Arden and we have achieved a great deal in this time. During the first half of the current year we restructured the platform and made significant investments in every department across the Group in order to ensure we are optimally positioned for growth in the future.

The market became increasingly more challenging as the year progressed. Whilst, the regulatory change effected by the introduction of MiFID II in January 2018 presented the Group with some opportunities, it required significant changes to certain industry practices.

Against this market and regulatory backdrop, we initiated a significant restructuring of the platform to position us for growth, including:-

- A restructuring of the Board, with the appointment of a new Chairman and, post year end, a Group Finance Director and a further independent Non-executive Director.
- Bringing the sales trading team wholly in-house, which we believe is more appropriate in a growing, integrated equities division.
- Increasing our market making coverage to in excess of 120 stocks.
- Doubling the size of our research team and significantly upgrading the quality of our product. The external feedback we have received backs up our view that our offering is now of great value to our institutional clients.
- Broadening the equity sales team to ensure it covers a wide spectrum of institutional clients, wealth managers and family offices.
- Appointing a Head of Corporate Broking to ensure our corporate clients remain at the heart of our business.
- Adding specific individuals to the corporate finance team to enhance our existing capabilities. Post year end, we have appointed new joint heads of this department to continue to take this team forward.

As part of the Company restructuring, we closed our Bristol office. We also established a new Wealth Management operation to diversify our revenue streams and expand the universe of our potential client base. Whilst all of the set up costs for this new division were incurred in the year under review, the regulatory permissions were only granted after the year end, meaning the benefits will start to arise from the current year onwards. We are very excited by the opportunities we believe are available to this new division.

CHIEF EXECUTIVE'S STATEMENT

Business review

The first half operating loss of £2.3m was materially impacted by the necessary investment and restructuring of the business. Performance in the second half of the financial period was improved, but these challenges continued to impact the financial results of the Group and the Group made a loss for the year as a whole.

Corporate Finance

	2018	2017	% change
Corporate finance revenue (£'m)	**6.4**	6.7	(4.2)
Number of corporate transactions	**25**	18	38.9
Funds raised (£'m)	**124**	150	(17.3)
Number of corporate clients	**51**	38	34.2

The year started slowly but, over the year as a whole, corporate finance revenues consolidated the increased activity seen in the prior year. A number of notable transactions were completed in the year, including the IPO of Anexo Group plc in June 2018. Three IPO's and an increased number of secondary fundraisings were completed in the year, however, the average size of these transactions was lower than in the previous year, resulting in the reduced overall revenue.

It is very pleasing to report the growth in number of retained corporate clients to 51 from 38. This has increased our annualised recurring revenues from retainers by almost 25% year on year. We are currently ranked 12th in the ARL corporate advisers guide (by number of corporate clients). The average market capitalisation of our clients is £125 million.

Equities

	2018	2017	% change
	£'m	£'m	
Equities revenue	**1.0**	3.8	(74.4)

Equities revenues in 2017 include grossed up revenues of £1.9 million from the sales trading team which, along with a corresponding increase in costs, reflected the then outsourced nature of the team. Bringing the trading team in-house means no such adjustment was required in the current year.

The market making book and a revaluation of certain warrants recorded a cumulative loss of £0.4 million in the year (2017: £0.1 million profit). This was predominantly due to the volatile equity markets experienced in the second half of the year.

The changes to the equities division, required by MiFID II to be completed by January 2018, dominated the focus of the division through the early part of the year. Our institutional clients have provided an encouraging level of support for our offering and, whilst our processes continues to be refined, we are in a good position from which to build.

CHIEF EXECUTIVE'S STATEMENT

MiFID II places greater scrutiny on the value, quality and service levels being received by our institutional clients and we welcome this focus. We have enhanced our service levels and work hard to ensure we are best in class.

Current trading and outlook

We have an encouraging pipeline of transactional business for 2019, a combination of IPOs, capital raisings and advisory services for our corporate clients, but the completion of these transactions will be unpredictable in the current, uncertain and volatile macro-economic environment.
The increased market volatility has impacted the equities division post year end and is likely to continue to do so.

We remain strongly capitalised and will protect our balance sheet whilst remaining focussed on our growth strategy and on our clients' needs.

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

Donald Brown
Chief Executive Officer
23 January 2019

FINANCE REVIEW

Revenue

Revenue for the full year totalled £7.4million, a decrease of 29.7% on 2017. As was the case in 2017, total revenues were significantly weighted towards the second half of the year. £4.7million of second half revenue accounted for 64.4% of total revenues. (2017: £7.6million / 72.3%).

	2018 £'m	2017 £'m	% change
Revenue (£'m)	**7.4**	10.5	(29.7)
Average number of employees	**48**	39	23.1
Revenue per employee (£'k)	**154**	269	(42.8)

Underlying operating profit/(loss) – reconciliation

The Directors believe that the underlying (loss)/profit and underlying (loss)/earnings per share, which are alternative performance measures, provide more useful information for shareholders on the underlying performance of the Group than the reported numbers as they fairer reflect the underlying operating performance of the Group.

	2018 £'m	2017 £'m
Operating (loss)/profit	**(2.8)**	0.7
Adjustments:		
Restructuring costs	**0.8**	0.5
Wealth Management start-up costs	**0.1**	-
Share based payment charges	**0.1**	-
Underlying operating (loss)/profit	**(1.8)**	1.2

The operating profit of 2017 slipped to an operating loss for the year under review as a result of the reduced turnover and a modest increase in costs. The major adjustments required to reconcile operating (loss)/profit to underlying operating (loss)/profit are the costs of bringing the sales trading team wholly in-house, restructuring costs (including redundancy costs) across the Equities business and the establishment of the Wealth Management business in the period. On an underlying basis, adding back the material restructuring and start-up costs set out in the table above, the operating loss reduced to £1.8 million (2017: £1.2 million operating profit). The Group made an underlying operating profit in the second half of the year.

Basic loss per share was 9.6p (2017: earnings per share 3.3p).

FINANCE REVIEW

Liquidity position

The Group's adjusted liquidity position at the year end was £9.8 million (2017: £12.9 million). The decrease in the year is primarily due to the investment and restructuring costs incurred during the year, together with funding the trading losses for the year.

The Directors believe that the adjusted liquidity position, which is an alternative performance measure, provides more useful information for shareholders on the underlying performance of the Group than the reported numbers.

Net asset position and capital adequacy

The Group's net assets at the year end were £9.2 million (2017: £12.5 million), the reduction being the result of the loss incurred in the year.

The Group holds surplus capital on its balance sheet and continually assesses this position throughout the year. Our strong balance sheet protects us against possible negative market movements.

Steven Douglas
Group Finance Director
23 January 2019

STRATEGIC REPORT

Introduction

The strategic report is a key component of the Annual Report and Accounts and provides an opportunity to communicate our strategy and goals, the measures we use to assess the business performances and the principal risks the business faces which could prevent these goals being achieved.

Strategy

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

- Focusing on the UK capital markets
- 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.

Business model

Arden Partners is a dedicated corporate adviser and multi-service stockbroker.

The absolute core of our business is to best represent our significant base of corporate clients, and their relationships with existing and potential shareholders. This relationship is a function of the quality of corporate finance advice we provide to our corporate clients, the high quality of our industry research and the voice in the market that our sales and trading teams have.

Our corporate finance capabilities encompass M&A, corporate finance advisory, broking, Sponsor and NOMAD services. We represent our clients in private transactions, AIM and Main market listings.

Our research is designed to be sector focused, taking top down thematic trends, which lead us towards companies that give investors an exposure to the real growth areas of the smallcap and AIM markets.

It is the job of the sales team to keep institutions abreast of these themes and stock ideas. When there is a requirement for our corporate clients to raise money to fulfil their growth ambitions, the sales team is in a strong position to effect this, with the entrenched relationships that the team enjoys with the UK institutional and non institutional shareholder base.

Our responsibility of care to our corporate clients is augmented by our market making and trading teams, who provide liquidity in the shares of our corporate clients. We also trade the shares of non client corporates on behalf of institutions.

The recent addition of the Arden Wealth Management team offers a bespoke service to our clients, with the ability to trade/invest in equities, bonds and a range of global investment funds, as well as allowing clients to participate in Primary and Secondary equity placings.

STRATEGIC REPORT

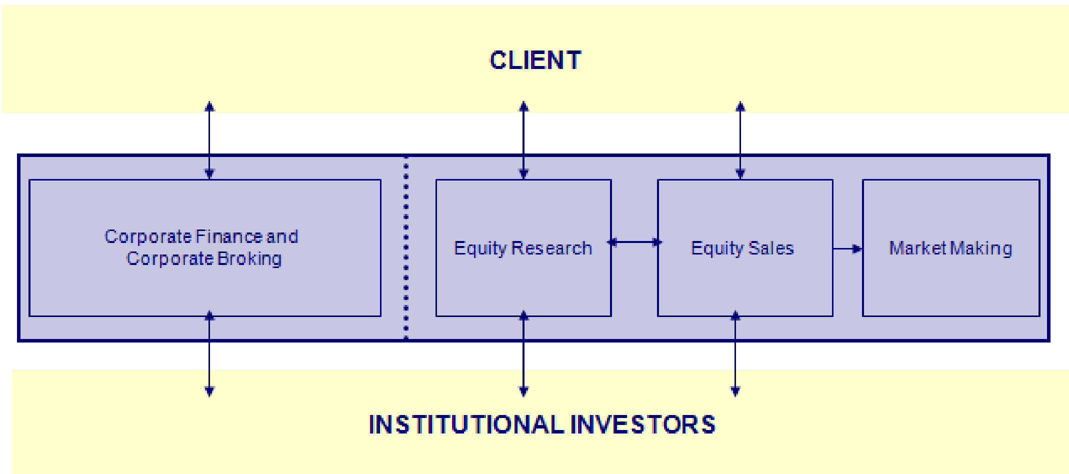
Our History
Arden was formed in 2002 – the founding team having worked together at Albert E Sharp Securities and Old Mutual Securities.

The business was based on the pillars of quality research, market making and agency stockbroking

Following several years of impressive growth, Arden floated on AIM in 2006, with a significant amount of equity being held by the firm's directors and senior employees.

In 2017 Arden raised a further tranche of equity with the objective of positioning the balance sheet ahead of the uncertainties caused to markets by the imminent introduction of MiFIDII legislation. The opportunity was also taken to 'institutionalise' the shareholder register.

Our structure is depicted below:



Corporate Finance
Mid and small-cap companies' corporate issues can be as sensitive and complex as those of large companies, if not more so. Our Corporate Finance department takes the time to ensure that we understand our clients' needs before offering companies specialist knowledge and advice. Our corporate finance department focuses on providing strategies and solutions to build shareholder value. We work in partnership with our clients and have specialist knowledge of the needs of growing companies – from sourcing acquisitions, structuring fundraisings and providing strategic corporate advice.

Our Corporate Finance team are extremely experienced advising companies across both the public and private company arena. Our corporate finance capabilities encompass M&A, corporate finance advisory, broking, Sponsor and NOMAD services. We represent our clients in private transactions, AIM and Main Market listings. Arden prides itself on providing incisive advice combined with a reputation for execution, giving entrepreneurs and growth companies the means to fulfil their ambitions.

From IPO and throughout the life of a publicly quoted company, Arden's corporate broking team provides consistent access to equity markets, proactively assisting our corporate clients through detailed investor feedback and shareholder analysis, to build and develop their institutional shareholder base, maximising value for the company and providing access to capital.

STRATEGIC REPORT

Working alongside our sales and specialist research teams, our investor relations personnel ensure that our corporate clients are promoted to a wide investor audience and that the company's message is clearly understood.

We believe in building close, long-term relationships with clients. Our approach is based on harnessing our sector knowledge, expertise and market experience to offer our clients objective advice and outstanding execution.

Equities

Arden's core competency is raising equity capital for small and mid-cap companies. Our eight strong sales team has experience working on transactions as small as two million pounds and others that run into hundreds of millions and even billions of pounds.

Like most London based stockbroking businesses, Arden has an extensive network of investing clients, but the skill is understanding which investors are attracted to which type of investments. In this regard experience counts and the sales team collectively has over 150 years of working within equity environments.

Arden's Market Makers and Sales Traders are well equipped to meet the requirements of today's markets, for both Corporate and Investment clients in terms of market intelligence and execution.

Arden currently makes markets in around 70 stocks, focused on stocks where we have either a corporate relationship or research coverage, but this is expanding in tandem with our research product and as we increase our number of corporate brokerage clients, providing an increasing capability across a wider spectrum of stocks and sectors.

Arden's execution team provide the highest level of execution capabilities and have consistently proved the ability to source and place significant lines of stock with existing shareholders – whilst also looking to constantly expand the shareholder lists of our Corporate clients.

Outside of our market making focus our Sales Traders are also able to provide a highly rated execution services across a substantially broader range of stocks – from micro to large cap stocks, as well as special situations.

Our research team take the time to understand a business and get to grips with the financing and financials of a business. At Arden, we believe that understanding the business model and the impact of industry and macro trends on the financial performance of a business, are critical to pitching a company's value to potential investors.

The Arden Sales and Research teams work closely together on what is topical, relevant and interesting to investors and use that framework to pitch ideas and analysis.

STRATEGIC REPORT

Revenue Generation

We earn revenue through six streams of activity which broadly relate to either corporate client activity or institutional client activity.

Revenue from corporate client activity comprises:

- Commission earned on primary, secondary and private capital raising (placing commission) where Arden's role may be summarised as bringing the company requiring capital together with investors willing to provide capital. The revenue in relation to this activity is broadly dependent on the size and complexity of the fund raise.
- Fees earned in relation to advisory work and related documentational requirements. Broadly these will be in connection with corporate actions, mergers and acquisitions, disposals, restructuring or public bids but may also be in relation to advisory services provided as part of a capital raising.
- Annual retainer fees charged to our corporate clients for the provision of on-going market advice and investor relations services as well as acting as Nomad, broker or financial advisor to them.

Revenue from institutional client activity comprises:

- Research access payments from institutions post MiFIDII and the unbundling of services. Revenue from this service is dependent on the value attributed to our research by the receiving institution.
- Commission earned from execution and research services provided to a broad range of institutional clients primarily in the UK who wish to buy and sell shares listed in the UK and other jurisdictions. Revenue in relation to this activity is broadly dependent on the size of the transaction and the liquidity of the share.
- Gains or losses made from positions in shares we hold as market maker. The role of a market maker is principally that of providing liquidity to other market participants in order to ensure that there is an active market in the relevant share. The market maker will also facilitate the execution of institutional client trades. Market makers do not act as a proprietary trading activity. This activity results in an inventory of shares being held on an on-going basis which will result in gains and losses being incurred as the prices of individual shares move up and down.

Costs

Our business is not immune to the vagaries of the financial markets, in particular the impact that domestic and global economic conditions have on the UK stock market, investor appetite and the level of capital raising activity.

Our people are our greatest asset and are the key factor in determining the long-term success of the business. Managing costs, in particular staff costs, is the focus of our remuneration policy which aims to align remuneration with the long-term success of the Group by retaining the principle of pay for performance.

The other significant areas of cost within the business are IT systems and hardware and property. The operational team monitor and keep control of expenditure in these areas.

Our directors and many of our employees are also shareholders. This provides a strong incentive in favour of sustainability as well as a close alignment with our external investors. We believe this distinguishes us from many of our competitors and provides a high degree of comfort to our clients, employees, suppliers and shareholders.

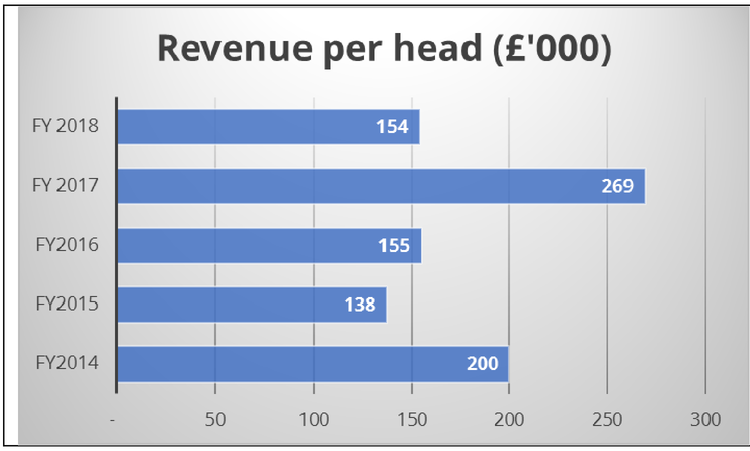
STRATEGIC REPORT

Key Performance Indicators (KPI's)

Arden Partners consider the following measures as the key performance indicators of the business:

Revenue per head

Our aim is to ensure that sufficient productivity levels are maintained whilst acknowledging the impact that the economic cycle and weaker external market conditions can have on revenue generation opportunities.

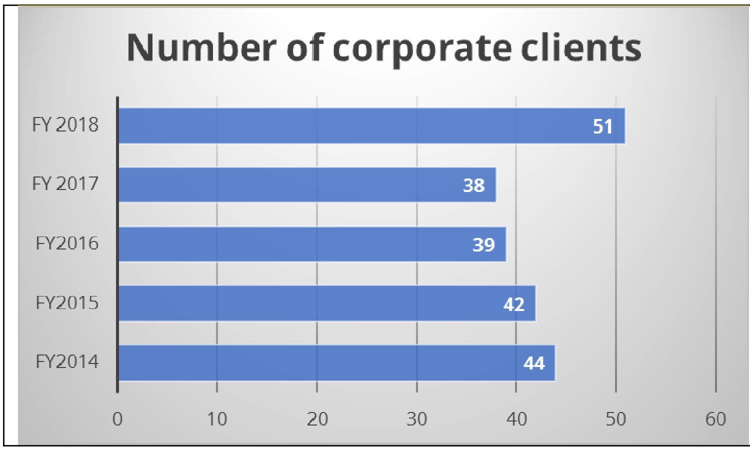


Overall revenues decreased by 30% whilst average headcount increased by 23% in the year hence the substantial fall in the revenue per head measure.

We have invested in our people in order to structure our operations appropriately and to position the Group for future growth. The short term fall in the revenue per head measure was expected as a consequence of this investment.

Number of corporate clients

Our aim is to win corporate clients across a broad range of sectors ensuring that both the net number and quality of our corporate client base continues to grow.



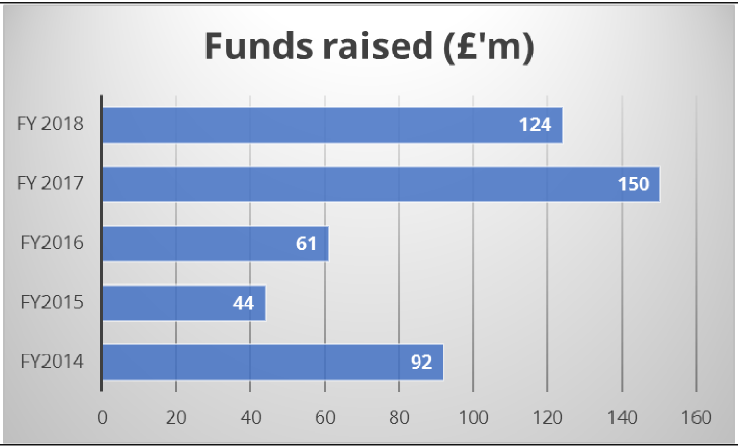
A strong performance in the year saw a 34% increase in the number of retained corporate clients.

This is a testament to our focus on superior client service and delivery in-line with or above our clients expectations'.

STRATEGIC REPORT

Funds raised for corporate clients

Our aim is to grow the aggregate value of funds raised as this is a key driver of primary revenues.

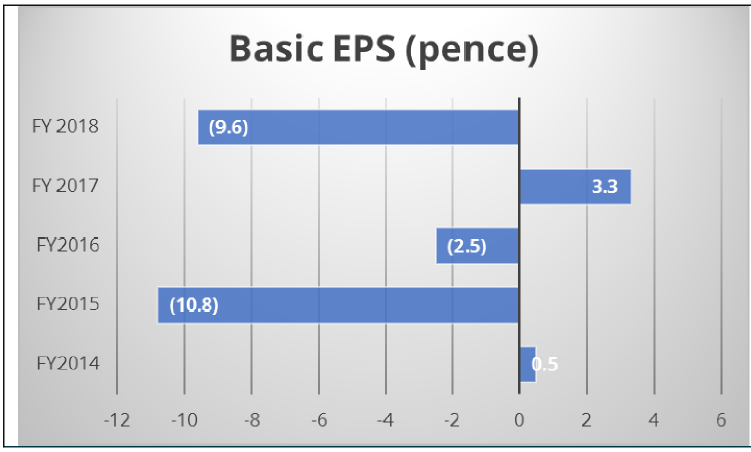


Funds raised in the year, particularly in the second half of the year, were impacted by weak equity market conditions.

The number of corporate transactions completed rose by 39% but average funds raised per transaction fell significantly.

Earnings per share

Our aim is to grow earnings per share as this reflects value creation for our shareholders.



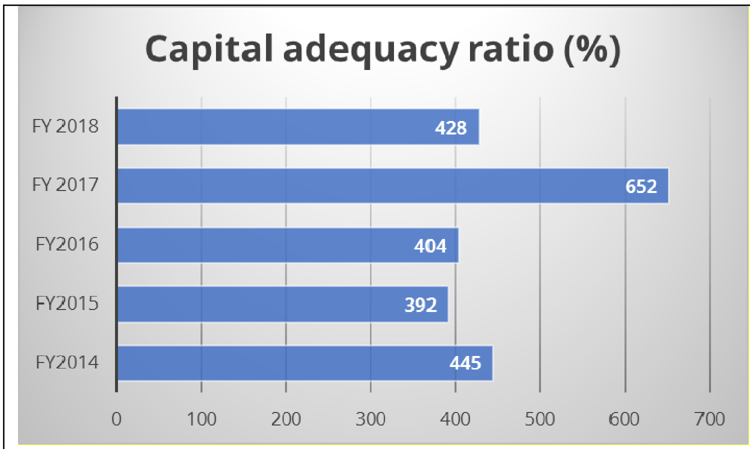
The loss per ordinary share of 9.6 pence is a reflection of the trading loss for the year.

Despite operating profitably (on an underlying basis) in the second half of the year, this was not sufficient to offset the impact from the increasing global economic uncertainty and the significant investment made in restructuring the business in the period.

STRATEGIC REPORT

Maintaining capital adequacy ahead of regulatory requirements

Our aim is to maintain a strong and resilient balance sheet in order to protect the business should there be a prolonged market downturn.



The Group aims to maintain capital in excess of its requirements.

Whilst the absolute capital adequacy ratio varies depending on trading performance and the impact arising from other strategic decisions, the Group remains well capitalised.

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

Market risk

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. Arden also sets out to maintain a strong balance sheet and surplus cash in order to protect against the effects of any such prolonged market downturn.

Reputational risk

One of the significant risks faced by Arden is damage to our reputation and the resultant impact that this may have on future relationships with our customers, employees and other stakeholders together with the possible future impact that any such damage might have on our business performance.

Reputational risk could arise from adverse regulatory, operational or financial events.

The Boards sets the cultural tone of the company, new business and any new ventures are closely scrutinised prior to committing the company and our employees are professional and expected to be of the highest integrity.

People risk

Our employees are our greatest and most important asset. Our employees are key to the long term success of our business.

Managing staff costs is the focus of our remuneration policy which aims to align remuneration with the long-term success of the Group by retaining the principle of pay for performance. The remuneration committee determines the mix of cash and share based payments together with the mix of upfront and deferred payments. The company has also introduced a share incentive plan during the financial year.

STRATEGIC REPORT

Brexit risk

At the present time, the Brexit process remains a significant unknown. The uncertainty caused by the Brexit process is impacting the economy, decision making and the markets. The markets are seeing increased volatility and decreased liquidity.

Arden is focussed on mitigating the impact of these uncertainties on the business to the extent that is possible. One of the Board's priorities in 2019 will be to assess the implications from the outcome of Brexit including the impact on the economic and business environment, and any changes to the regulatory and risk environment of the Group.

Other risks

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

Future developments

Following the turnaround of the business last year coupled with the investment made this year, the Group is well positioned in its markets and looks forward to the future with confidence. We have the people in place to succeed and achieve our ambitions – for our clients, for our investors and for all our stakeholders.

By order of the Board

Steven Douglas
Group Finance Director
23 January 2019

BOARD OF DIRECTORS

Mark Ansell (Non-Executive Chairman)
Mark is a Fellow of the Institute of Chartered Accountants and was a senior partner in practice for 20 years before leaving to deal with the public listing of a professional football club where he became Finance Director and Deputy CEO. In recent years he has had a portfolio of interests in public and private companies and currently (in addition to chairing Arden) chairs two private companies and carries out other one-off consultancies from time to time. Mark brings extensive experience of management, fund raising, mergers and acquisitions and public listing together with a technical background in finance and controls.

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 from inception, joining in 2002 as Head of Equity sales, and served as CEO from 2012 to 2017.

Steven Douglas (Group Finance Director)
Steven has spent 20 years in the City primarily as an adviser to small and mid cap companies. He is a Fellow of the Institute of Chartered Accountants and a Chartered Member of the Securities Institute. Steven joined Arden in 2004 and was Head of Corporate Finance for 5 years ending in Autumn 2018. He began his career with Deloitte & Touche. He has also worked at Arbuthnot Securities (in the Corporate Finance team), Britannic PLC and Tarmac plc in corporate development.

Alistair Currie (Non-Executive Director)
Alistair has been a fund manager specialising in UK Smaller Companies for almost 30 years. He is a graduate of Business Studies and Accounting from the University of Edinburgh and subsequently qualified as a Chartered Accountant with KPMG in 1985. He was formerly a Director of Edinburgh Fund Managers plc and was the Head of UK Smaller Companies for that group. He joined Castlefield Investment Partners in 2007, becoming a partner in September 2009, and has been the lead manager of the Castlefield UK Smaller Companies Fund since April 2007. He also manages a number of funds investing in companies quoted on the Alternative Investment Market. Alistair is also a Director of Capital for Colleagues plc, an investment company focused on the Employee Owned Business sector.

REPORT OF THE DIRECTORS

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2018.

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 37.

The Directors propose to pay a final dividend of 1p per share (2017: 1p per share). This gives a total dividend of 1p per share in respect of the year ended 31 October 2018 (2017: 1p per share).

The final dividend, if approved, will be paid on 27 March 2019 to shareholders on the register at close of business on 1 March 2019, with an ex-dividend of 28 February 2019.

Going Concern

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

Risk Management

The Groups 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 2017 were:

Current Directors:

Mark Ansell	Non-Executive Chairman
Donald Brown	Chief Executive Officer
James Reed-Daunter	Executive Director
Steven Douglas	Group Finance Director (appointed 20/12/2018)
Alistair Currie	Non-Executive Director (appointed 10/01/2019)

Previous Directors:

Luke Johnson	Previous Chairman (resigned 24/05/2018)

Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 27 to 30.

REPORT OF THE DIRECTORS

Significant Shareholdings

In addition to the current Directors' interests shown on page 30, 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 23 January 2019:

	%
Legal & General	13.40
Luke Johnson	11.18
Jonathan Keeling	6.33
Arden Partners Employee Benefit Trust	4.80
Richard Day	4.44
Alasdair Locke	4.43
Miton Group	4.06
Robert Griffiths	3.57
Tony Bartlett	3.46
Charles Stanley	3.24
David Newlands	3.07

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 644,245 ordinary shares in the year ended 31st October 2018, for a consideration of £0.3m.

At 31 October 2018 the Company held 2,556,557 shares in Treasury, at a cost of £1.1m (2017: 1,912,312 £0.9m).

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 2018 the Trust held 1,480,700 (4.80% of total voting rights) (2017: 1,480,700 (4.71% 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.

REPORT OF THE DIRECTORS

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 2018 and remains in force at the date of this Report.

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

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

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

By order of the Board

James Reed-Daunter
Executive Director
23 January 2019

CORPORATE GOVERNANCE

Chairman's Introduction

The Board recognises the importance of high standards of corporate governance and considers that the Company's success is enhanced by the imposition of a strong corporate governance framework.

In accordance with the AIM Rules for Companies and their requirement to adopt a recognised corporate governance code, the Board formally adopted the Quoted Companies Alliance Corporate Governance Code 2018 ("the Code") on 25 September 2018. The Code is based around 10 broad principles of good corporate governance, aimed at delivering growth, maintaining a dynamic management framework and building trust. The application of the Code requires the Company to apply these 10 principles and to publish certain related disclosures on its website and in its Annual Report.

The Chairman ensures the Board and broader management framework is established, operates effectively and is compliant with the relevant statutory codes (including the Code) and company policies.

Since the date of adoption, with the exception of a formal Board evaluation process (as set out in further details later in this report), the Board do not consider there to be any practices that differ from the expectations set by the Code.

The Board is pleased to report that there have not been any adverse governance related matters to report in the period.

The following report sets out how Arden has measured ourselves against these principles in terms of the rules and spirit of good Corporate Governance.

Principles of Corporate Governance

Companies need to deliver growth in long-term shareholder value. This requires an efficient, effective and dynamic management framework and should be accompanied by good communication which helps to promote confidence and trust.

Deliver growth

1. Establish a strategy and business model which promotes long-term value for shareholders
2. Seek to understand and meet shareholder needs and expectations
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success
4. Embed effective risk management, considering all opportunities and threats, throughout the organisation

Maintain a dynamic management framework

5. Maintain the Board as a well-functioning, balanced team led by the Chairman
6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
8. Promote a corporate culture that is based on ethical values and behaviours
9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

CORPORATE GOVERNANCE

Build trust

10. Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board

The Board is authorised to manage the business on behalf of the shareholders and in accordance with the Company's Articles of Association. This is achieved through its own decision making and by delegating responsibilities to the various business committees. The Board is responsible for overseeing the management of the business as a whole and for ensuring high standards of corporate governance are maintained throughout the business.

The Chairman ensures the Board and broader management framework is established, operates effectively and is compliant with the relevant statutory codes and company policies. The Chief Executive Officer is the company's lead decision maker, develops and implements the strategy, manages performance and ensures the Board as a whole is informed of business matters.

The Directors

The Directors of the company are as follows:

Mark Ansell	Chairman (Non-Executive) Chairman of Audit Committee Chairman of Remuneration Committee Chairman of Nominations Committee
Donald Brown	Chief Executive Officer
James Reed-Daunter	Executive Director
Steven Douglas	Group Finance Director
Alistair Currie	Director (Non-Executive)

Mark Ansell and Alistair Currie are considered by the Board to be independent directors. Both the Chairman and the Non-executive Directors commit to a minimum of 15 days per annum to fulfil their responsibilities to the Group effectively.

All directors receive regular updates and training on legal, regulatory and governance matters including presentations on thematic topics, providing training that is relevant to the business and to them to keep them abreast of governance and AIM regulatory developments. This training is provided by in-house and external advisers as appropriate.

Biographical details of all the Directors are set out on page 16.

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.

CORPORATE GOVERNANCE

Attendance at meetings by members of the Board during the year ended 31 October 2018 was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Total number of meetings	**9**	**2**	**1**	**1**
Donald Brown	9	n/a	n/a	n/a
James Reed-Daunter	9	n/a	n/a	n/a
Mark Ansell	9	2	1	1
Luke Johnson[1]	5	1	1	n/a

Notes:

1. Luke Johnson attended all Board meetings required prior to his resignation on 24 May 2018.

Development and support

On joining the Board, new members receive a limited induction, involving meetings with senior employees and certain external advisers. All Directors receive regular updates on legal, regulatory and governance issues. There is a regular flow of information to the Board to keep Directors up to date with the business. Both the Board and each Committee of the Board has access to independent advice at the Company's expense.

Board evaluation

At present, Arden does not undertake any formal internal annual evaluation process of its directors performance nor that of its committees. Informal assessments are undertaken on an ad-hoc basis. These assessments take the form of discussions, primarily with the Chairman in respect of the Chief Executive Officer and the Non-executive Director and with the Chief Executive Officer in respect of other directors.

Arden will consider implementing a more formal annual process in the future.

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, Alistair Currie, James Reed-Daunter and Steven Douglas are required to retire at the forthcoming Annual General Meeting and, being eligible, offers themselves for re-election. The Board supports this re-appointment having assessed performance and value to the Board.

Shareholder engagement

The Directors seek to meet shareholders through direct meetings and at the Annual General Meeting (AGM).

The Board recognises the AGM as an important opportunity to meet shareholders. The Directors are available to listen to the views of shareholders informally immediately following the AGM.

Where voting decisions are not in line with the Company's expectations the Board will engage with those shareholders to understand and address any issues.

In addition, communications to all shareholders and the wider market are made through the Company's Investor Relations section of the website and through periodic news releases.

CORPORATE GOVERNANCE

The team is also available for telephone calls and meetings with shareholders and investors. The Chief Executive and Executive Director conduct press interviews, both immediately following the results publications as well as in between results events. Senior management also participates in investor roadshows and meetings in between results events as appropriate.

The Board pays particular attention to the votes cast by the shareholders at the Annual General Meeting. In the event that a significant proportion (>20% including proxies) of independent votes are cast against a resolution at a General Meeting of the Company, the Board intends, on a timely basis, to explain any action it has taken or will take as a result of that vote.

The Group is advised by its NOMAD, GCA Altium and by its retained legal advisers.

Corporate Social Responsibility

The Group's approach to Corporate Social Responsibility ("CSR") is set at Board level.

The Directors are aware of the impact the business activities have on communities in which the Group's businesses operate. The company does not discriminate based upon race, religion, age or gender and endeavours to conduct business ethically and with sensitivity towards social, cultural, economic and environmental issues.

The Group's responsibilities to stakeholders including staff, suppliers and customers and wider society are also recognised.

The Group is a respected employer and member of the community and regularly takes an active interest in matters local to the Group's principal offices (i.e. input and feedback, as members of the Walbrook Ward in the heart of the city of London and contributors into community initiatives within the Edgbaston Village area of Birmingham).

The Group continues to be engaged in a number of projects, in conjunction with stakeholders, to reduce carbon dioxide emissions, safely and efficiently dispose of waste and, where possible, reduce, re-use and recycle products and packaging.

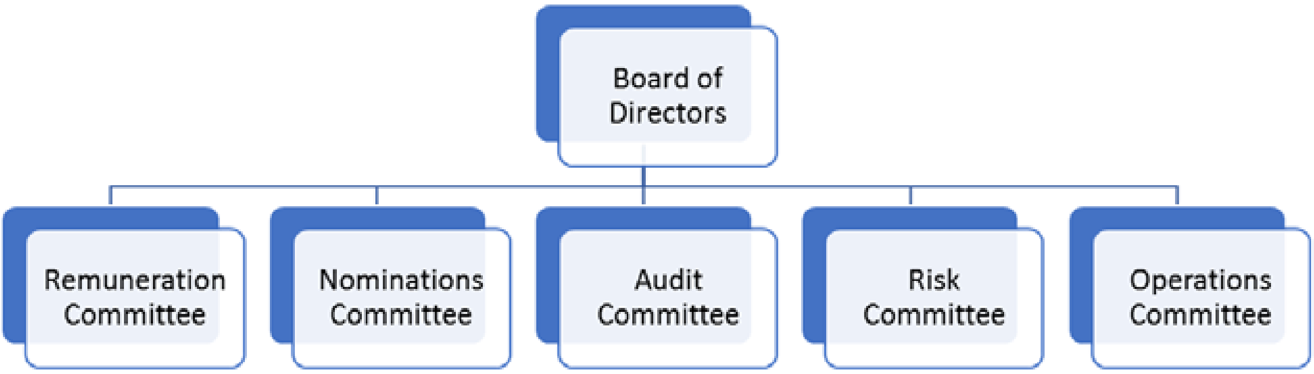
Committees

Good corporate governance is about ensuring that a company is managed efficiently and effectively in the interests of all stakeholders. Arden operates a number of committees which report to the Board of Directors. Each committee has a clear operating mandate setting out its responsibilities to ensure its effectiveness.

Maintaining a rigorous and disciplined approach to our operational effectiveness and management of risk, through robust processes, systems and controls which are embedded in our culture and working practices, is key to achieving success in delivering shareholder value. Arden encourages an entrepreneurial and commercial culture that is focused on generating value and the Board ensure that all relevant risk exposures are managed and mitigated.

Further information on Arden's' strategy and how Arden mitigates the key risks to which the business is exposed are set out on pages 14 to 15 of the Strategic Report and Note 24 to the Financial Statements.

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 27 to 30) 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, 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. 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 52. BDO LLP have been auditors to the company for 14 years. 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.

The Audit Committee has a financial expert sitting on it. Mark Ansell is a Fellow of the Institute of Chartered Accountants.

CORPORATE GOVERNANCE

Nominations Committee

The Nominations Committee, which comprises the Non-Executive Directors, is chaired by Mark Ansell.

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 Mark Ansell.

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 Committee, which comprises the Chief Executive Officer and the departmental heads, is chaired by the Head of Equities.

Risk Committee

The Risk Committee is chaired by the Company Secretary and has the Head of Equities, Director of Compliance and the Group Finance 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.

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. Any operational issues that arise are initially addressed (if appropriate) by the Operations Committee and referred to the Board as applicable. Any risk, control or system issues that arise are initially addressed (if appropriate) by the Risk Committee and referred to the Executive Directors as applicable. Further, the Board receives the minutes of all Operation Committee and Risk Committee meetings.

Complaints, Conflicts and Whistleblowing

Arden has long-established policies in place to manage Complaints, Conflicts and Whistleblowing. Clients and Employees may report in confidence, and anonymously if preferred, any concerns they may have about suspected impropriety or wrongdoing in any matters affecting the business.

Insurance

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

CORPORATE GOVERNANCE

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.

Mark Ansell

Mark Ansell
Chairman
23 January 2019

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.

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' REMUNERATION REPORT

Directors' Service Contracts

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

Pension Arrangements

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

Share Options

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

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

Directors' Remuneration

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2018 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Total 2018 £'000
Executive Directors				
Donald Brown	228	9	-	237
James Reed-Daunter	215	-	5	220
Non-Executive Directors				
Mark Ansell	35	-	-	35
Luke Johnson[1,2]	-	-	-	-
Total	**478**	**9**	**5**	**492**

Notes:

1. Luke Johnson resigned as a Director on 24 May 2018.
2. Luke Johnson did not take any remuneration from the Group.

A summary of the total remuneration paid to current 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 2016 £'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[3]	-	-	-	-
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.
3. Luke Johnson did not take any remuneration from the Group.

DIRECTORS' REMUNERATION REPORT

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 2018 Number	**Percentage Interest**	31 October 2017 Number
Executive Directors			
Donald Brown	304,828	0.91%	200,000
James Reed-Daunter	2,555,314	7.66%	2,553,644
Non-Executive Directors			
Mark Ansell	155,160	0.46%	111,750

Directors' Interests in Share Options

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

Director Date of Grant	Vesting profile from grant date	Outstanding as at 1 November 2017 Number	Granted during the year Number	Exercised during the year Number	Lapsed/ Forfeited during the year Number	**Outstanding as at 31 October 2018 Number**
Donald Brown 20/09/2017[1]	1^{st}, 2^{nd} and 3^{rd} anniversary	1,334,000	-	-	-	**1,334,000**
James Reed-Daunter						
23/07/2013[2]	31/12/2018	500,000	-	-	-	**500,000**
20/09/2017[1]	1^{st}, 2^{nd} and 3^{rd} anniversary	500,000	-	-	-	**500,000**
Total		2,334,000	-	-	-	**2,334,000**

Notes:

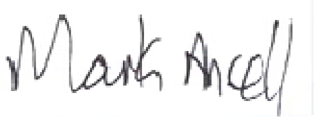
1. These options were granted on 20 September 2017 under the Arden Partners Share Plan 2013 and are exercisable subject to the achievement of Company performance related conditions.

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
23 January 2019

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

Directors' responsibilities

The Directors are responsible for preparing the Annual Report (Including Director's Report and Strategic Report) and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the 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 2018

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 2018 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 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union ;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 and the parent company 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 relating to 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 2018

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
Revenue recognition As detailed in the accounting policies and note 2, the group derives its revenue principally from two business divisions which have four sub categories. 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 transactions. The group uses a third party (Pershing) for the clearing and settlement of trades. Given the high volumes and the use of a third party to calculate the commission, this could lead to a material misstatement. Corporate Finance income includes retainer fees, 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 the fee is dependent on certain events as stipulated in the engagement letter.	Our procedures performed included: **Commission earned from equity trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:** • We obtained monthly trading and commission reports directly from the third party and re-performed the monthly reconciliations between the trading system, general ledger and the service organisation's reports for the whole period • We vouched a sample of commission to bank • We obtained direct confirmation from the service organisation 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 • We considered, where relevant, the findings of relevant control reports covering the clearing and settlement services provided by third party organisations. **Corporate finance deal fees and placing commissions** • For a sample 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 2018

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. 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 £79,000 (2017: £75,000). 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 revenue is of significant interest to the users of the financial statements in influencing their economic decisions.

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

Parent Company materiality was set at £75,000 (2017: £71,000).

Performance materiality is the application of materiality at the individual account or balance level set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. On the basis of our risk assessment together with our assessment of the group's overall control environment, our judgment was that overall performance materiality for the group should be 75% of materiality, namely £59,000.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2,000 (2017:£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 two locations in the UK, London and Birmingham, and consists of the Parent company, one active subsidiary and two dormant subsidiaries.

The Group engagement team carried out statutory audits for the Parent 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.

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

For the year ended 31 October 2018

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.

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 31, 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 2018

Auditor's responsibilities for the audit of the financial statements

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 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.

Use of our report

This report is made solely to the parent 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 parent 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 parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

BDO LLP

Peter Smith (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom
23 January 2019

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 2018

	Note	2018 £'000	2017 £'000
Revenue	2	**7,366**	10,477
Administrative expenses		**(10,204)**	(9,741)
(Loss)/profit from operations		**(2,838)**	736
Finance income	7	**48**	34
Finance expense	8	**-**	(23)
(Loss)/profit before taxation		**(2,790)**	747
Income tax charge	9	**(31)**	(15)
(Loss)/profit after taxation		**(2,821)**	732
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	**(9)**	(8)
Transfer to profit or loss on disposal of available for sale assets		**8**	13
Deferred tax taken to equity		**-**	4
Total comprehensive income for the year attributable to equity shareholders		**(2,822)**	741

	Note	2018	2017
(Loss)/profit per share			
Basic	10	**(9.6p)**	3.3p
Diluted	10	**(9.6p)**	3.2p

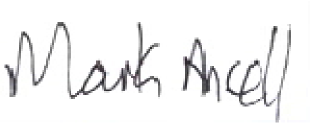
The notes on pages 44 to 71 form part of these financial statements

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 October 2018

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		104		67
Deferred tax asset	13		8		39
Total non-current assets			112		106
Current assets					
Assets held at fair value	14	3,981		2,806	
Available for sale financial assets	15	520		503	
Trade and other receivables	16	2,873		2,714	
Collateral deposits	24	-		48	
Cash and cash equivalents	17	4,667		9,037	
Total current assets			12,041		15,108
Total assets			12,153		15,214
Current liabilities					
Financial liabilities held at fair value	18	(59)		(171)	
Trade and other payables	18	(2,870)		(2,494)	
Total current liabilities			(2,929)		(2,665)
Total liabilities			(2,929)		(2,665)
Net assets			9,224		12,549
Shareholders' equity					
Called up share capital	19		3,338		3,338
Capital redemption reserve			700		700
Share premium account			6,691		6,691
Employee Benefit Trust reserve			(849)		(849)
Available for sale reserve			(7)		(6)
Retained earnings			519		3,547
Total equity before deduction of own shares			10,392		13,421
Own shares			(1,168)		(872)
Total equity			9,224		12,549

The Financial Statements were approved by the Board of Directors and authorised for issue on 23 January 2019.

Steven Douglas
Group Finance Director



Mark Ansell
Chairman

The notes on pages 44 to 71 form part of these financial statements

COMPANY STATEMENT OF FINANCIAL POSITION
At 31 October 2018

Company number: 4427253

	Note	2018 £'000	2018 £'000	2017 £'000	2017 £'000
Assets					
Non-current assets					
Property, plant and equipment	11		**104**		67
Deferred tax asset	13		**8**		39
Total non-current assets			**112**		106
Current assets					
Assets held at fair value	14	**3,981**		2,806	
Available for sale financial assets	15	**520**		503	
Trade and other receivables	16	**3,061**		2,902	
Collateral deposits	24	**-**		48	
Cash and cash equivalents	17	**4,658**		9,028	
Total current assets			**12,220**		15,287
Total assets			**12,332**		15,393
Current liabilities					
Financial liabilities held at fair value	18	**(59)**		(171)	
Trade and other payables	18	**(3,049)**		(2,673)	
Total current liabilities			**(3,108)**		(2,844)
Total liabilities			**(3,108)**		(2,844)
Net assets			**9,224**		12,549
Shareholders' equity					
Called up share capital	19		**3,338**		3,338
Capital redemption reserve			**700**		700
Share premium account			**6,691**		6,691
Employee Benefit Trust reserve			**(849)**		(849)
Available for sale reserve			**(7)**		(6)
Retained earnings			**519**		3,547
Total equity before deduction of own shares			**10,392**		13,421
Own shares			**(1,168)**		(872)
Total equity			**9,224**		12,549

The Company has taken advantage of Section 408 of the Companies Act 2006, and the Statement of Comprehensive Income of the parent Company is not presented. The parent Company's loss after taxation for the financial year amounted to £2,821,000 (2017: profit £732,000).

The Financial Statements were approved by the Board of Directors and authorised for issue on 23 January 2019.

Steven Douglas
Group Finance Director

Mark Ansell
Chairman

The notes on pages 44 to 71 form part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 October 2018

	Note	2018 £'000	2017 £'000
Operating activities before taxation			
(Loss)/profit before tax		(2,790)	747
Adjustments for:			
Fair value adjustments		166	(27)
Gain on sale of available for sale investments	2	-	(50)
Depreciation of fixtures, fittings and computer equipment	11	36	21
Net interest receivable	7 & 8	(48)	(11)
Share based payments		104	4
Operating cash flow before changes in working capital		(2,532)	684
Increase in operating assets		(1,444)	(1,437)
Increase/(decrease) in operating liabilities		264	(102)
Purchase of available for sale investments	15	(527)	(509)
Proceeds from disposal of available for sale investments	15	501	600
Cash used in operations		(3,738)	(764)
Income taxes paid	9	-	-
Net cash flows from operating activities		(3,738)	(764)
Investing activities			
Purchases of property, plant and equipment	11	(73)	(61)
Net interest received	7 & 8	48	11
Net cash flows from investing activities		(25)	(50)
Financing activities			
Exercise of share options		(16)	(15)
Purchase of own shares		(296)	(337)
Issue of shares		-	5,033
Dividends paid to equity shareholders	4	(295)	-
Net cash flows from financing activities		(607)	4,681
(Decrease)/increase in cash and cash equivalents		(4,370)	3,867
Cash and cash equivalents at the beginning of the year		9,037	5,170
Cash and cash equivalents at the end of the year	17	4,667	9,037

The notes on pages 44 to 71 form part of these financial statements

COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 October 2018

	Note	2018 £'000	2017 £'000
Operating activities before taxation			
(Loss)/profit before tax		**(2,790)**	747
Adjustments for:			
Fair value adjustments		**166**	(27)
Gain on sale of available for sale investments	2	**-**	(50)
Depreciation of fixtures, fittings and computer equipment	11	**36**	21
Net interest receivable	7 & 8	**(48)**	(11)
Share based payments		**104**	4
Operating cash flow before changes in working capital		**(2,532)**	684
Increase in operating assets		**(1,444)**	(1,437)
Decrease/(increase) in operating liabilities		**264**	(102)
Purchase of available for sale investments	15	**(527)**	(509)
Proceeds from disposal of available for sale investments	15	**501**	600
Cash used in operations		**(3,738)**	(764)
Income taxes paid	9	**-**	-
Net cash flows from operating activities		**(3,738)**	(764)
Investing activities			
Purchases of property, plant and equipment	11	**(73)**	(61)
Net interest received	7 & 8	**48**	11
Net cash flows from investing activities		**(25)**	(50)
Financing activities			
Exercise of share options		**(16)**	(15)
Purchase of own shares		**(296)**	(337)
Issue of shares		**-**	5,033
Dividends paid to equity shareholders	4	**(295)**	-
Net cash flows from financing activities		**(607)**	4,681
Increase/(decrease) in cash and cash equivalents		**(4,370)**	3,867
Cash and cash equivalents at the beginning of the year		**9,028**	5,161
Cash and cash equivalents at the end of the year	17	**4,658**	9,028

The notes on pages 44 to 71 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2018

	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 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**
Loss for year	-	-	-	-	-	-	(2,821)	(2,821)
Transferred to profit or loss on disposal of available for sale assets	-	-	-	-	-	8	-	8
Revaluation of available for sale financial assets	-	-	-	-	-	(9)	-	(9)
Total comprehensive income for the year	-	-	-	-	-	(1)	(2,821)	(2,822)
Contributions by and distributions to owners								
Dividends	-	-	-	-	-	-	(295)	(295)
Purchase of own shares	-	-	-	(296)	-	-	-	(296)
Share based payments	-	-	-	-	-	-	104	104
Share options exercised				-			(16)	(16)
Balance at 31 October 2018	**3,338**	**6,691**	**700**	**(1,168)**	**(849)**	**(7)**	**519**	**9,224**

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.

The notes on pages 44 to 71 form part of these financial statements

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 31 October 2018

	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 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**
Loss for year	-	-	-	-	-	-	(2,821)	(2,821)
Transferred to profit or loss on disposal of available for sale assets	-	-	-	-	-	8	-	8
Revaluation of available for sale financial assets	-	-	-	-	-	(9)	-	(9)
Total comprehensive income for the year	-	-	-	-	-	(1)	(2,821)	(2,822)
Contributions by and distributions to owners								
Dividends	-	-	-	-	-	-	(295)	(295)
Purchase of own shares	-	-	-	(296)	-	-	-	(296)
Share based payments	-	-	-	-	-	-	104	104
Share options exercised				-			(16)	(16)
Balance at 31 October 2018	**3,338**	**6,691**	**700**	**(1,168)**	**(849)**	**(7)**	**519**	**9,224**

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.

The notes on pages 44 to 71 form part of these financial statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 72.

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 loss after taxation for the financial year amounted to £2,821,000 (2017: profit £732,000).

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.

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.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

Corporate Finance Division
The Group recognises revenue at the point of 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. Where there are arrangements in place for an element of revenue to be paid away the cost is recognised in administrative expenses.

Corporate retainer fees relate to revenue arising from advisory services provided to retained clients and are recognised on an accruals basis.

Equities Division
Institutional revenues, being the net trading gains or losses of shares traded on a principal basis or commissions and fees earned from trading shares on an agency basis, are recognised on trade dates. Where there are arrangements in place for an element of revenue to be paid away the cost is recognised in administrative expenses.

Market making revenue comprises the net realised and unrealised profits or losses from market making long and short positions.

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.

- ***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.

- ***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.

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 equity options are initially accounted for and measured at fair value on the date the Group becomes a party to the contractual provisions of the option contract and subsequently measured at fair value. The gain or loss on re-measurement is taken to the income statement within revenue, as part of net trading gains or losses. The fair value of equity options are estimated by using valuation models such as Black-Scholes. Further detail is provided in note 24.

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.

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.

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 will apply IFRS 9 to its financial statements commencing 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.

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 reclassified and 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 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 Group does not expect the change of impairment methodology to have a material impact on the impairment provisions.

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 will apply IFRS 15 to its financial statements commencing 1 November 2018.

IFRS15 creates a single source of revenue requirements for all entities in all industries and represents a significant change from legacy standards. It has replaced all of the legacy revenue standards and interpretations in IFRS, including IAS 11 Construction Contracts and IAS 18 Revenue.

The current assessment of the impact of IFRS15 is as follows:

- Equities Division – No material impact is expected as institutional revenues are currently recognised on a trade date basis which is consistent with IFRS 15.
- Corporate Finance Division – No material impact is expected as IFRS 15's revenue recognition requirements are in line with current policies to recognise Corporate Finance revenue only at the point in time where certainty of the contractual entitlement for the Group to receive them is achieved.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 November 2017. The Group currently plans to apply IFRS 16 to its financial statements starting 1 November 2019.

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 has not yet quantified the impact on its reported assets and liabilities of the adoption of IFRS 16. At present material leases that will impact the financial statements have an expiry date of less than one year. The Group expects to disclose quantitative information of the impact on its financial position and performance in future financial statements once any material leases are entered into.

2) Revenue

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

	2018	2017
	£'000	£'000
Equities Division	**974**	3,767
Corporate Finance Division	**6,400**	6,673
Gain on sale of available for sale asset	**-**	50
Transfer to profit or loss on disposal of available for sale assets	**(8)**	(13)
Total revenue	**7,366**	10,477

Included within revenue of the Equities Division is a loss of £150,000 (2017: Profit £40,000) 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 2018, one of the Group's customers contributed revenue of £1,075,000, being more than 10% of the Group's total revenue. In 2017, one of the Group's customers contributed revenue of £1,996,000, being more than 10% of the Group's total revenue.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

3) Administrative expenses

	2018 £'000	2017 £'000
Administrative expenses comprise the following:		
Depreciation of property, plant and equipment	**36**	21
Operating lease costs	**305**	321
Auditor's remuneration:		
Audit services:		
Company	**41**	38
Subsidiaries	**1**	1
Tax services	**6**	6
Audit related assurance services	**16**	16
Foreign currency losses/(gains)	**8**	8
Share based payments	**142**	4
Restructuring costs	**923**	517

4) Dividends

Dividends recognised in the year consisted of the 2017 final dividend of £295,000 (1p per share).

No dividends were recognised in the prior year.

5) Employees

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

	2018 £'000	2017 £'000
Wages and salaries	**4,570**	3,458
Incentive payments	**180**	523
Share based payments (see note 19 for further details)	**142**	4
Social security costs	**618**	494
Other pension costs	**210**	127
	5,720	4,606

Staff costs include an amount of £516,000 (2017: £460,000) in respect of restructuring payments. The average number of employees (including Directors) of the Group and Company during the year was 48 (2017: 39) of which 37 (2017: 28) are front-office and the remainder are administration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2018

6) Directors' remuneration

	2018 £'000	2017 £'000
Directors' emoluments including incentive payments	**483**	715
Company contributions to money purchase pension schemes	**9**	3
	492	718

There was 1 Director in a defined contribution pension scheme during the year (2017: 1).

The total amount payable to the highest paid Director in respect of emoluments was £237,000 (2017: £250,000) of this total Company pension contributions of £9,000 (2017: £Nil) 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 27 to 30.

7) Finance income

	2018 £'000	2017 £'000
Bank and other interest receivable	**48**	34

8) Finance expense

	2018 £'000	2017 £'000
Bank overdrafts and loans	**-**	23

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

9) Income tax expense

	2018 £'000	2017 £'000
UK Corporation tax		
Current tax on profit of the year	-	-
Adjustment in respect of previous periods	-	-
Total current tax	**-**	-
Deferred tax		
Origination and reversal of timing differences	31	15
Deferred tax on share options	-	-
Change in tax rate	-	-
Adjustment in respect of previous periods	-	-
Total deferred tax	**31**	15
Total income tax charge	**31**	15

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2018 £'000	2017 £'000
(Loss)/profit before tax	**(2,790)**	747
(Loss)/profit on ordinary activities at the standard rate of corporation tax in the UK of 19% (2017: 19.41%)	(530)	145
Effect of**:**		
Deferred tax not previously recognised	-	(147)
Losses carried forward	514	-
Income not taxable	(5)	(5)
Expenses not deductible for tax purposes	52	20
Change in tax rate	-	2
Total income tax charge	**31**	15

The standard rate of corporation tax in the UK was 19% throughout the reporting period. Future UK corporation tax rate reductions to 17% by April 2020 have been enacted.

The deferred tax balances at 31 October 2018 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
For the year ended 31 October 2018

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 2018		Year ended 31 October 2017	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
Basic (loss)/profit per share	**(9.6)**	**(2,821)**	3.3	732
Add: IFRS2 share-based payments	**0.5**	**142**	-	4
Add: Restructuring costs	**3.1**	**923**	2.3	517
Underlying basic (loss)/profit	**(6.0)**	**(1,756)**	5.6	1,253
Diluted (loss)/profit per share	**(9.6)**	**(2,821)**	3.2	732
Add: IFRS2 share-based payments	**0.5**	**142**	-	4
Add: Restructuring costs	**3.1**	**923**	2.3	517
Underlying diluted (loss)/profit	**(6.0)**	**(1,756)**	5.5	1,253

The Directors believe that the underlying (loss)/profit and underlying (loss)/earnings per share, which are alternative performance measures, provide more useful information for shareholders on the underlying performance of the Group than the reported numbers as they fairer reflect the underlying operating performance of the Group.

	Year ended 31 October 2018 Number	Year ended 31 October 2017 Number
Denominator		
Weighted average number of shares in issue for **basic** earnings calculation	**29,533,754**	22,188,366
Weighted average dilution for outstanding share options	**228,578**	406,895
Weighted average number for **diluted** earnings calculation	**29,762,332**	22,595,261

The 1,480,700 (2017: 1,480,700) shares held by the Arden Partners Employee Benefit Trust and 2,364,481 (2017: 1,256,444) shares held in Treasury, being the weighted average number of treasury shares in issue during the year, have been excluded from the denominator.

No adjustment has been made to the diluted loss per share of 6.0p as the dilution effect of the weighted average number of outstanding share options of 228,578 would be to decrease the loss per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2018

11) Property, plant and equipment

Group and Company as at 31 October 2018

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
Cost			
At 1 November 2017	301	1,316	1,617
Additions	-	73	73
At 31 October 2018	**301**	**1,389**	**1,690**
Depreciation			
At 1 November 2017	301	1,249	1,550
Charge for the year	-	36	36
At 31 October 2018	**301**	**1,285**	**1,586**
Net book value			
At 31 October 2018	**-**	**104**	**104**
At 31 October 2017	-	67	67

Group and Company as at 31 October 2017

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

12) Investments in subsidiaries

Company

	Group undertakings £'000
Cost	
At 1 November 2016, 31 October 2017 and 31 October 2018	-

The Company owns the whole of the issued share capital of Arden Partners Nominees Limited, a company registered at 5 George Road, Edgbaston, Birmingham, B15 1NP, 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 2018, the Arden Partners Employee Benefit Trust held 1,480,700 ordinary shares in Arden Partners plc (2017: 1,480,700 ordinary shares).

The Company also owns the whole of the issued share capital of Arden Partners Asset Management Limited, Arden Equities Limited and Arden Wealth Management Limited, all companies registered at 5 George Road, Edgbaston, Birmingham, B15 1NP, England which were formed as name protection companies. None of the Companies have traded during the current or prior year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

13) Deferred tax asset

Group and Company – 2018

	Accelerated capital allowances £'000	Share options £'000	Total deferred tax asset £'000
At 1 November 2017	15	24	39
Charged to Statement of Comprehensive Income	(12)	(19)	(31)
At 31 October 2018	**3**	**5**	**8**

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**

The Company has unutilised tax losses of £4.5m (2017: £1.7m) on which a potential deferred tax asset of £765k (2017: £323k) which, due to the uncertainty of the timing of future taxable profits, has not been recognised.

14) Assets held at fair value

Group and Company

	2018 £'000	2017 £'000
Held for trading:		
Long market making equity positions	**3,886**	2,561
Derivative financial assets:		
Warrants	**95**	245
At 31 October 2018	**3,981**	2,806

At 31 October 2018 the historical cost of long market making equity positions was £4,424,000 (2017: £2,848,000).

At 31 October 2018 the historical cost of derivative financial assets was £Nil (2017: £Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

15) Available for sale financial assets

Group and Company

	2018 £'000	2017 £'000
At 1 November	503	552
Purchased during the year	527	509
Disposed of during the year	(501)	(600)
Fair value losses	(9)	(8)
Fair value gain on disposal	-	50
At 31 October	520	503

At 31 October 2018 the historical cost of available for sale financial assets was £530,000 (2017: £508,000).

Included within available for sale financial assets is a holding in United Kingdom Treasury Gilts of £520,000 (2017: £503,000), which is pledged as security to Pershing Securities Limited).

16) Trade and other receivables

Group

	2018 £'000	2017 £'000
Market receivables	1,040	740
Trade receivables	1,046	393
Other receivables	236	446
Prepayments and accrued income	551	1,135
	2,873	2,714

Company

	2018 £'000	2017 £'000
Market receivables	1,040	740
Trade receivables	1,046	393
Other receivables	424	634
Prepayments and accrued income	551	1,135
	3,061	2,902

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

17) Cash and cash equivalents

Group

	2018 £'000	2017 £'000
Cash and bank balances	**4,667**	9,037

Company

	2018 £'000	2017 £'000
Cash and bank balances	**4,658**	9,028

Included within cash and bank balances of the Group and the Company at 31 October 2018 is an amount of $19,000 (£15,000) (2017: $51,000 (£39,000)) which is denominated in USD.

Included within cash and bank balances of the Group and the Company at 31 October 2018 is an amount of €24,000 (£21,000) (2017: €14,000 (£12,000)) which is denominated in EUR.

18) Current liabilities

Group

	2018 £'000	2017 £'000
Financial liabilities at fair value through profit and loss		
Short market making equity positions	**59**	171
Trade and other payables		
Market payables	**888**	547
Trade payables	**473**	353
Other taxation and social security	**210**	182
Other payables	**528**	766
Accruals and deferred income	**771**	646
Total trade and other payables	**2,870**	2,494
Total current liabilities	**2,929**	2,665

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 £1,948,000 (2017: £1,716,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

Company

	2018 £'000	2017 £'000
Financial liabilities at fair value through profit and loss		
Short market making equity positions	**59**	171
Trade and other payables		
Market payables	**888**	547
Trade payables	**473**	353
Other taxation and social security	**210**	182
Other payables	**707**	945
Accruals and deferred income	**771**	646
Total trade and other payables	**3,049**	2,673
Total current liabilities	**3,108**	2,844

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 £2,127,000 (2017: £1,895,000).

19) Share capital

	2018 £'000	2017 £'000
Equity share capital		
Authorised		
At 31 October 2017 and 31 October 2018		
40,000,000 Ordinary shares of 10p each	**4,000**	4,000
Allotted, called up and fully paid		
At 1 November		
33,378,935 (2017: 20,628,935) Ordinary shares of 10p each	**3,338**	2,063
Ordinary shares issued	**-**	1,275
At 31 October		
33,378,935 (2017: 33,378,935) Ordinary shares of 10p each	**3,338**	3,338

During the year the Company purchased 644,245 (2017: 743,070) ordinary shares to be held in Treasury. The total cost of the shares was £0.3m (2017: £0.3m).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 2018	**Weighted Average Exercise price (pence) 2018**	Number of Options 2017	Weighted Average Exercise price (pence) 2017
At 1 November	**6,501,788**	**39.2**	1,245,158	31.9
Exercised during the year	**(36,250)**	**(43.5)**	(60,000)	-
Granted during the year	**2,000,000**	**52.9**	5,500,000	36.6
Forfeited during the year	**(3,459,798)**	**(37.8)**	(183,370)	(2.2)
At 31 October	**5,005,740**	**45.9**	6,501,788	39.2

The weighted average market price of the Company's shares at the date of exercise of options during the year was 43.5p (2017: 43.2p).

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

	31 October 2018			31 October 2017		
	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**	**29**	75,000	10.0	41
Arden Partners Share Plan 2013	**4,930,740**	**46.47**	**48**	6,426,788	39.5	53
	5,005,740			6,501,788		

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 2018 are as follows:

	Arden Partners Share Plan 2013	Arden Partners Share Plan 2007
Grant dates	23/07/2013 to 22/12/2017	24/03/2011
Weighted average fair value at grant date [1]	7.48p	44.7p
Average exercise price	46.47p	10.0p
Exercise price range	0p – 53.5p	10.0p
Weighted average share price at date of grant	47.05p	54p
Expected volatility [2]	30%	30%
Risk free interest rate	0.25% - 0.50%	4%
Dividend yield	Nil	5%
Option life (months)	36-113	120
Weighted average option life (months)	65	120
Weighted average life remaining (months)	48	29
Number of options outstanding	4,930,740	75,000
Percentage of options expected to vest	100%	100%
Number of options vested but unexercised	889,072	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.

Arden Partners Share Incentive Plan ("SIP")

The SIP was established in April 2018 with the objective of increasing employee retention and share ownership. Under the SIP scheme, employees enter into an agreement to purchase shares in the Group each month. For each share purchased by an employee, the Group awards a matching share which passes to the employee after three years' service. The matching shares are allocated each month at market value with this fair value charge being recognised in the income statement in full in the year of allocation.

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

	2018 £'000	2017 £'000
Expensed during the year (equity settled) *(included within employee costs as set out in note 5)*	**142**	4

The charge for the year of £142,000 is made up of an expense of £191,000 and an expense reverse on forfeiture of share options of £49,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 £210,000 (2017: £127,000). Contributions amounting to £50,000 (2017: £38,000) 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	
	2018	2017
	£'000	£'000
Within one year	**249**	264
Between two and five years	**25**	274
Greater than five years	**-**	-
	274	538

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 27 to 30. The compensation in total for each category required by IAS 24 is as follows:

	Year ended 31 October 2018 £'000	Year ended 31 October 2017 £'000
Salaries and short term employee benefits	**483**	715
Pension Contributions	**9**	3
Share-based payments	**60**	5
	552	723

The Group has received £34,000 (2017: £Nil) from The Brighton Pier Group plc for Corporate Finance services, Luke Johnson is a Director of The Brighton Pier Group plc and was a Director of Arden Partners plc until his resignation on 24 May 2018.

<u>Intra-company transactions with wholly owned subsidiaries</u>

Amounts owed to subsidiaries as at 31 October 2018 amounted to £179,000 (2017: £179,000). Amounts owed by subsidiaries as at 31 October 2018 amounted to £188,000 (2017: £188,000). These loans are unsecured and repayable on demand.

23) Events after the reporting period

In January 2019 following receipt of FCA approval the Group launched a new Wealth Management subsidiary, Arden Wealth Management Limited, a wholly owned subsidiary of Arden Partners plc.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 October 2018

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 £27,000 in the loss shown in the Consolidated Statement of Comprehensive Income. In the year ended 31 October 2017 a 10% movement in the all share AIM index would have increased or decreased the profit before taxation by approximately £5,000.

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 2018, the profit before taxation would have been increased by approximately £31,000 / decreased by £18,000. In the year ended 31 October 2017 a 0.5% movement in rates would have increased the profit before taxation by approximately £16,000 / decreased by £5,000.

Fixed rate cash financial assets of £4,500,000 (2017: £8,250,000) comprise sterling cash deposits at an average rate of 0.30% (2017: 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 2018 in respect of US$19,000 (£15,000). There was a currency exposure for the Group and the Company at 31 October 2017 of US$51,000 (£39,000). The effect of a 10% movement in the US$/£ exchange rate from the rate ruling at the reporting date would be to impact profit/(loss) and net assets by approximately £2,000 (2017: £4,000).

The Group and Company had an aggregate currency exposure at 31 October 2018 in respect of EU€24,000 (£21,000). There was a currency exposure for the Group and the Company at 31 October 2017 of EU€14,000 (£12,000). 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 £2,000 (2017: £1,000).

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	
	2018	2017	**2018**	2017
	£'000	£'000	**£'000**	£'000
Derivative financial assets – Warrants	**95**	245	**95**	245
Available for sale financial assets	**520**	503	**520**	503
Market receivables	**1,040**	740	**1,040**	740
Collateral deposits	**-**	48	**-**	48
Trade receivables	**1,046**	393	**1,046**	393
Other receivables	**236**	446	**424**	634
Accrued income	**52**	614	**52**	614
Total loans and receivables	**2,989**	2,989	**3,177**	3,177
Cash and cash equivalents	**4,667**	9,037	**4,658**	9,028
Total assets	**7,656**	12,026	**7,835**	12,205

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.

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The ageing of trade receivables at the reporting date was:

	31 October 2017 £'000	31 October 2017 £'000
Not past due	789	297
Past due 31-60 days	97	27
Past due 61-90 days	5	-
Past due 91-120 days	179	27
Past due 121+ days	142	62
Provisions	(166)	(20)
Total	1,046	393

Movement in provision:

	31 October 2018 £'000	31 October 2017 £'000
Opening balance	20	-
Amounts released	-	-
Amounts written off	(20)	-
Increase in provision	166	20
Closing balance	166	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.

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

Group as at 31 October 2018

	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	59	-	-	-	-
Trade and other payables	1,850	39	-	-	-
	1,909	39	-	-	-

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	-	-	-

Company as at 31 October 2018

	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	59	-	-	-	-
Trade and other payables	2,029	39	-	-	-
	2,088	39	-	-	-

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	1,679	45	-	-	-
	1,850	45	-	-	-

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 2017 and 2018 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.

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The following table presents the Group's and Company's assets and liabilities that are measured at fair value at 31 October 2018:

Group and Company as at 31 October 2018

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Assets				
Long market making positions	3,644	-	242	**3,886**
Warrants	-	-	95	**95**
Available for sale financial assets	520	-	-	**520**
	4,164	-	337	**4,501**
Liabilities				
Short market making equity positions	59	-	-	**59**

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**
Warrants	-	-	245	**245**
Available for sale financial assets	503	-	-	**503**
	3,064	-	245	**3,309**
Liabilities				
Short market making equity positions	171	-	-	171

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

	31 October 2018 £'000	31 October 2017 £'000
At 1 November	**245**	205
Long market making positions	**242**	-
Net unrealised profit recognised in Statement of Comprehensive Income	**-**	77
Net unrealised loss recognised in Statement of Comprehensive Income	**(150)**	(37)
At 31 October	**337**	245

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

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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 2018 £'000	Valuation Technique	Unobservable input	Range
Long market making positions	**242**	Last available quoted Market price	n/a	n/a
Options	**95**	Black-Scholes Model	Historical Volatility	25-40%
	337			

The long market making position represents equity shares in Gordon Dadds Group plc, the shares were suspended at £1.815 on 27 September 2018 and were restored on 2 January 2019 at £1.902. Therefore, the valuation as at 31 October 2018 is based on £1.815 being the last available observable price before suspension.

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 £4,000 / decrease of £4,000 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 2018
Entity Name	Arden Partners plc
Nature of Activities	Institutional Stockbroker
Geographic Location	UK
Turnover (£'000)	7,366
Average number of employees	48
Loss before tax (£'000)	2,790
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 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 1st Floor 60 Queen Victoria Street London EC4N 4TR
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