



Arden Partners plc  
Annual Report 2019





## 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.

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## HIGHLIGHTS

<b>FINANCIAL</b>	<b>Year ended 31 October 2019</b>	<b>Year ended 31 October 2018</b>
Revenue	<b>£6.6m</b>	<b>£7.4m</b>
Loss before tax	<b>(£2.6m)</b>	<b>(£2.8m)</b>
Loss per share:		
Basic	<b>(8.9p)</b>	<b>(9.6p)</b>
Diluted	<b>(8.9p)</b>	<b>(9.6p)</b>
Dividend per ordinary share:		
Interim	<b>Nil</b>	<b>Nil</b>
Proposed final	<b>Nil</b>	<b>1.0p</b>
<b>NON-FINANCIAL</b>		
Funds raised for clients	<b>£67m</b>	<b>£124m</b>
Retained corporate clients	<b>55</b>	<b>51</b>
Average number of staff	<b>50</b>	<b>48</b>

## CHAIRMAN'S STATEMENT

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Equity capital markets for small and mid cap companies were extremely challenging throughout the financial year under review. The prevailing political, macro economic and Brexit uncertainties led to falls in business confidence, corporate activity, stock liquidity, trading volumes and investment, together with a sharp increase in volatility levels. The impact of these factors across the small and mid-cap community – from quoted companies to advisers - was marked. Aggregate activity levels were substantially reduced as many investment decisions were put on hold pending some form of clarity.

As a result of these external factors, the Group's performance for the year was significantly impacted with revenues down 10% to £6.6 million (2018: £7.4 million) and a loss before tax of £2.6 million (2018: £2.8 million loss before tax). Loss per share was 8.9p (2018: loss per share of 9.6p).

Despite this market backdrop, we continued to make progress in delivering our strategy. We grew our retained corporate client base with a corresponding increase in the level of recurring revenues derived from associated retainers. Further, we increased the number of transactions we completed for these clients (although the number of completed equity fundraisings was significantly reduced from the prior year). We are now retained to act for 55 listed companies (2018: 51), 80% of which are listed on AIM. The average market capitalisation of our corporate clients rose in the year to £138 million (2018: £125 million). This continued progress is a testament to our focus on superior client service and delivery in-line with or above our clients expectations. The Group continued carefully to monitor its cost base given the prevailing market conditions.

The current year has started in a promising manner. We have already generated revenues in excess of those achieved in the same period last year and we are trading profitably. The UK general election in December 2019 delivered a decisive result which should remove some of the market uncertainties that impacted 2019. The government has promised a pro-business fiscal regime and there is early evidence of capital returning to the UK.

Our balance sheet remains strong. We hold cash and cash equivalents in excess of our capital adequacy requirements and sufficient to protect us against short to medium term market fluctuations. We continue to believe the Group is well positioned in its markets, a position from which we can continue to execute our ongoing growth strategy.

Corporate progress is not possible without good people and this is especially true in challenging times. It has been great to see the energy levels, skill and enthusiasm remain high despite the challenging market backdrop. I would like to thank my Board, our corporate and institutional clients and all our hard-working staff for their support during this year.



**Mark Ansell**  
**Chairman**  
**14 February 2020**

## CHIEF EXECUTIVE'S STATEMENT

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Our performance for the year was significantly impacted by macro-economic and political uncertainty. These uncertainties led to a decline in volumes in UK equities and a significant increase in market volatility levels. Institutional investors typically adopted a more cautious approach toward investing in UK equities, specifically at the smaller end of the market, with many long-only institutions suffering cash outflows. Consequently, activity levels amongst our institutional clients were generally subdued.

Further, the freezing of funds at a high profile smaller-cap investor led to liquidity reviews across the UK institutional smaller-cap investor base. Equity markets are designed to fund growth businesses and we hope to see increased liquidity to the smaller cap segment of the market in the near term.

In addition, UK business confidence weakened and decisions regarding investment and/or M&A were often deferred. In aggregate, there were only seven AIM IPO's in the first ten months of calendar 2019, the lowest number since AIM's inception in 1995. Similarly, the quantum of secondary fundraisings on AIM fell substantially in 2019; in the twelve months to October 2019 only approximately £3.1bn was raised (2018: £4.8bn). The number of fund raisings (primary and secondary) undertaken by our clients declined significantly compared to the prior year.

However, we continued to make good strategic progress in growing the core fundamentals of our business – in particular, our retained corporate client base rose to 55 at 31 October 2019 from 51 a year earlier.

### Business review

	<b>2019</b>	2018	%
	<b>£'m</b>	£'m	change
Equities	<b>0.7</b>	1.0	(22.9)
Corporate Finance (incl. corporate retainers)	<b>5.8</b>	6.4	(8.8)
Wealth Management	<b>0.1</b>	-	n/a
Total Revenue	<b>6.6</b>	7.4	(10.0)

## CHIEF EXECUTIVE'S STATEMENT

### Corporate Finance

	2019	2018	% change
Corporate finance revenue (£'m)	<b>5.8</b>	6.4	(8.8)
Number of corporate transactions	<b>36</b>	25	44.0
Funds raised (£'m)	<b>67</b>	124	(46.0)
Number of corporate clients	<b>55</b>	51	7.8

The number of corporate transactions completed during the year rose but transactions requiring funds to be raised fell significantly. This was in line with the market as a whole. As a consequence, funds raised for clients in the year were significantly lower than in the previous year. Completed transactions tended to be smaller or more technical in nature resulting in much lower average fees per transaction. Towards the end of the financial year, we noted an increase in public company M&A transactions and that trend has continued into the new financial year. Furthermore, we have seen increasing appetite for fund raisings – both IPO and secondary – following the UK election. Whilst it is still too early to draw firm conclusions, the signs are encouraging that equity capital market conditions might be improving.

It is pleasing to report the growth in number of retained corporate clients to 55 from 51. This has increased our annualised recurring revenues from retainers and we have risen to 11<sup>th</sup> place in the ARL corporate advisers guide (by number of corporate clients) (2018: 12<sup>th</sup> place). The average market capitalisation of our clients rose to £138 million (2018: £125 million).

### Equities

	2019 £'m	2018 £'m	% change
Equities revenue	<b>0.7</b>	1.0	(22.9)

The repercussions of MiFID II, introduced in January 2018, continued to impact the performance of the Equities division which also reflected reduced trading activity amongst our institutional client base.

Our research offering has been expanded and new sectors added to our coverage. We have launched our Research Portal, which provides the greatest possible access for potential investors to Arden's corporate client research. Our research is also available via the ResearchTree portal where it has been repeatedly top ranked for its quality and we were delighted when our oil and gas analyst was voted No.1 Small and Mid-Cap Oil & Gas sector analyst in the 2019 Extel Awards. Our research fees have remained steady year on year.

The market making book and a revaluation of certain warrants recorded a cumulative profit of £0.1 million in the year (2018: £0.4 million loss).

## CHIEF EXECUTIVE'S STATEMENT

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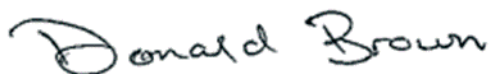
### Current trading and outlook

The current financial year has started well with the completion of a number of transactions including a number of equity fundraisings. The decisive result of the UK General Election in December 2019 has removed some of the uncertainty which has impacted our markets and we are well placed to capitalise on opportunities as and when they arise.

Revenues generated in the current financial year are well in excess of those achieved in the same period last year and we are trading profitably in the year to date. Furthermore, we remain active in the market and have a healthy pipeline of corporate transactions which gives us visibility on a strong first half performance.

We remain well 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**  
**Chief Executive Officer**  
**14 February 2020**



## FINANCE REVIEW

Revenue for the full year totalled £6.6 million, a decrease of 10.0% on 2018 as unfavourable political and macro economic conditions impacted all aspects of our business. Revenues were more equally split across the year highlighting that the difficult market conditions were in evidence throughout the period: £3.4 million of second half revenue accounted for 52.4% of total revenues. (2018: £4.7 million / 64.4%).

	2019	2018	% change
Revenue (£'m)	6.6	7.4	(10.0)
Average number of employees	50	48	4.2
Revenue per employee (£'k)	132	154	(14.3)

Average headcount increased by 4% in the year as we continued to invest in our people in order to deliver our superior client service and position the Group for future growth. This, plus the fall in the revenue materially impacted the revenue per head measure.

### Costs

	2019 £'m	2018 £'m	% change
Staff costs	5.6	5.7	(2.2)
Non-staff costs	3.7	4.5	(17.8)
Total administrative expenses	9.3	10.2	(9.1)
Average number of employees	50	48	4.2

Staff related costs comprise the majority of our cost base and they reduced marginally year on year due to the absence of any restructuring payments.

Non-staff costs were tightly controlled and, as a result, reduced by 17.8% as we managed our costs in light of market conditions.

### Liquidity position

The Group's liquidity position (which comprises cash and cash equivalents, long market making equity positions, trade and other receivables) was £6.9 million at the year end (2018: £9.8 million). The decrease is primarily due to funding the trading losses for the year.

The Directors believe that the liquidity position, which is an alternative performance measure, provides more useful information for shareholders on the underlying liquidity of the Group than the reported net assets number as it focuses solely on the liquid assets of the Group.

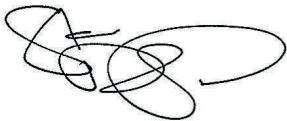
## FINANCE REVIEW

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### Net asset position and capital adequacy

The Group's net assets at the year end were £6.1 million (2018: £9.2 million), the reduction being the result of the loss incurred in the year. The capital adequacy ratio as at 31 October 2019 was 266% (2018: 428%).

The Group holds surplus capital on its balance sheet and continually assesses this position throughout the year. During the year, the Group assessed the liquidity of its capital resources by realising certain assets into cash. This exercise reassured the Board that the Group's liquid assets could be accessed, at short notice, should market conditions remain depressed.



**Steven Douglas**  
**Group Finance Director**  
**14 February 2020**

## STRATEGIC REPORT

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### 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 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 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

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### Our History

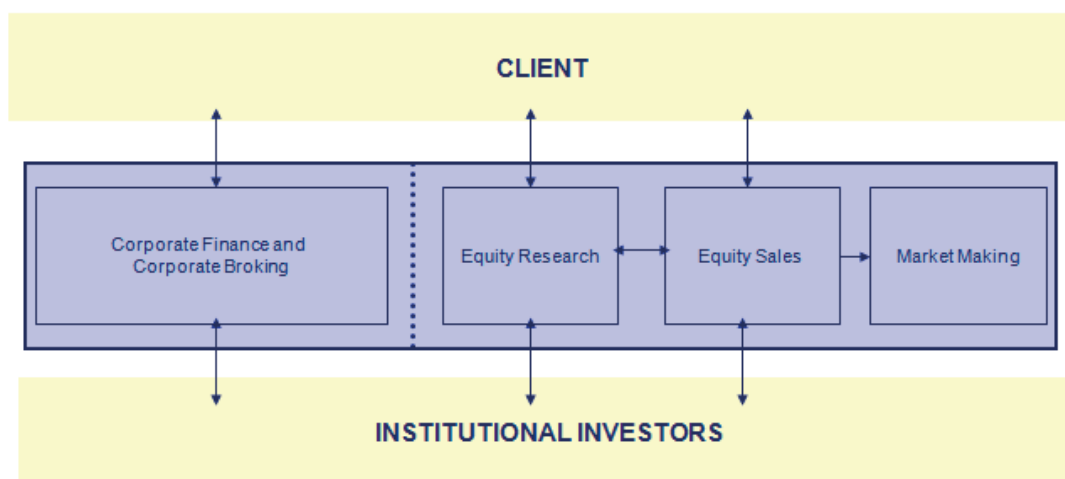
Arden was formed in 2002 – the founding team having worked together at Albert E Sharp Securities and Old Mutual Securities.

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 structure of our Equity Capital Markets division 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

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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 across the equity spectrum including transactions 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 120 stocks, focused on stocks where we have either a corporate relationship or research coverage. This has increased from around 70 stocks twelve months ago, 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

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### 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 documentary 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

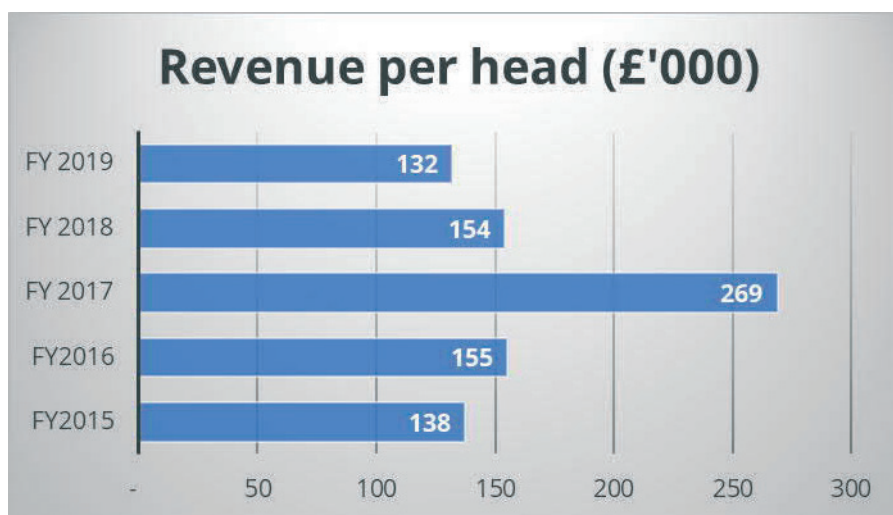
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### Key Performance Indicators (KPI's)

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 10% whilst average headcount increased by 4% in the year hence the fall in the revenue per head measure.

We have invested in our people in order to deliver our superior client service and position the Group for future growth. The fall in the revenue per head measure was result of the negative impact of the difficult economic and political backdrop to the year under review.

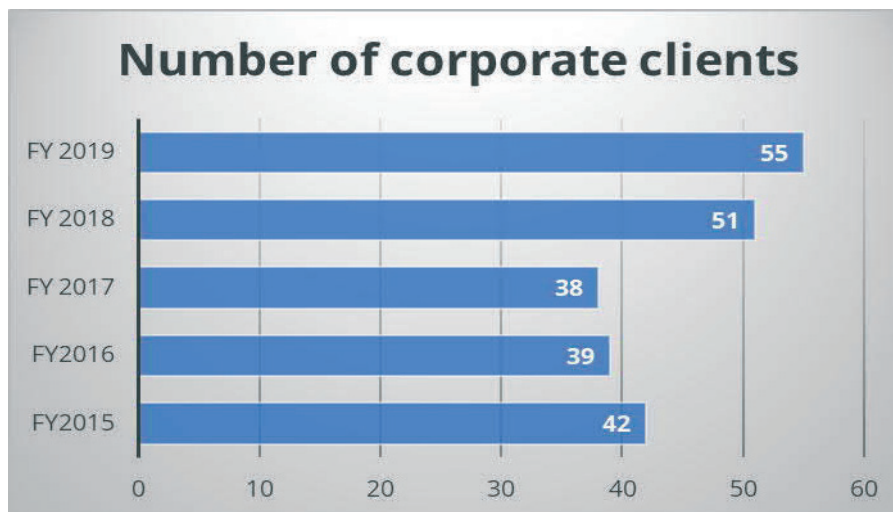
Equity market conditions will continue to influence future performance but we believe we have the team in place to capitalise on any reduction in macro uncertainties and/or indeed for any pick up in wider market activity.

## STRATEGIC REPORT

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### 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.



The corporate client base increased sharply last year and we were pleased to consolidate and grow from this level given the reduction in the number of UK listed companies in the year. The reduction was particularly noticeable on AIM, where the number of listed companies fell from 928 at the start of our financial year to 876 at the end of October 2019. Approximately 80 per cent. of our client base is AIM listed.

This is a testament to our focus on superior client service and delivery in-line with or above our clients expectations. We rose to 11<sup>th</sup> place in the ARL corporate advisers guide (by number of corporate clients) (from 12<sup>th</sup> place at this time last year).

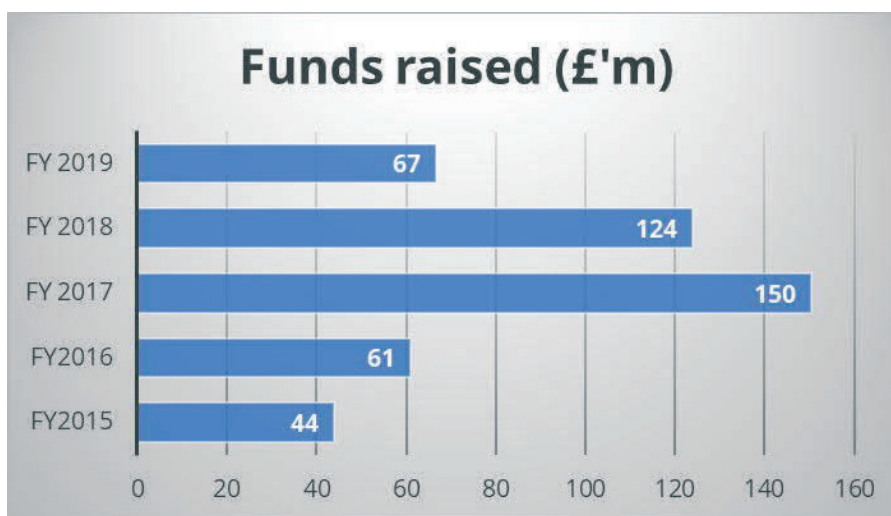
We will continue to target ambitious small and mid-cap companies to grow our client base.



## 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.



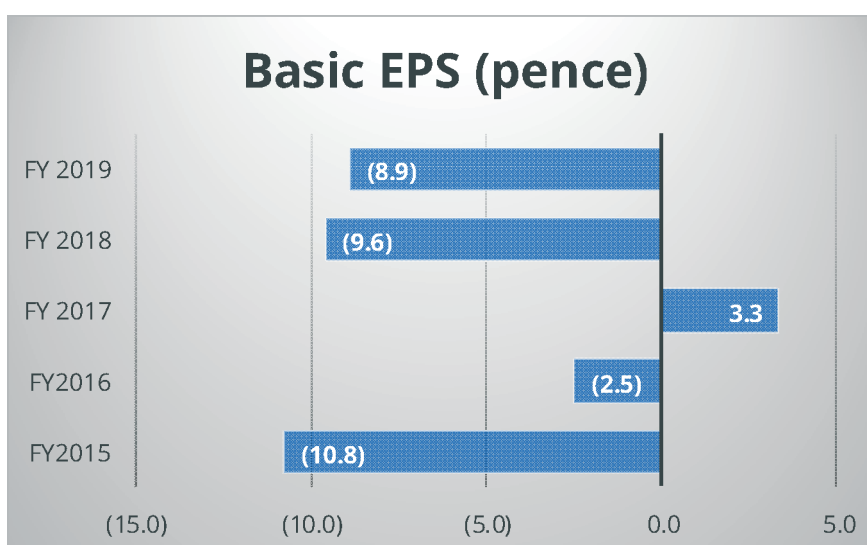
Funds raised in the year were significantly impacted by weak equity market conditions resulting from the political and economic uncertainty.

The number of corporate transactions completed rose but transactions requiring funds to be raised fell significantly. This was in line with the market as a whole; for example there were only 7 IPOs on AIM in the year up to the end of October 2019. Similarly, the quantum of secondary fundraisings on AIM fell substantially in 2019; in the twelve months to October 2019 £3.1bn was raised in further issues which compares to £4.8bn for the comparative period.

Whilst equity market conditions will influence performance, we believe our individuals and our platform are well placed to perform strongly.

### Earnings per share

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



## STRATEGIC REPORT

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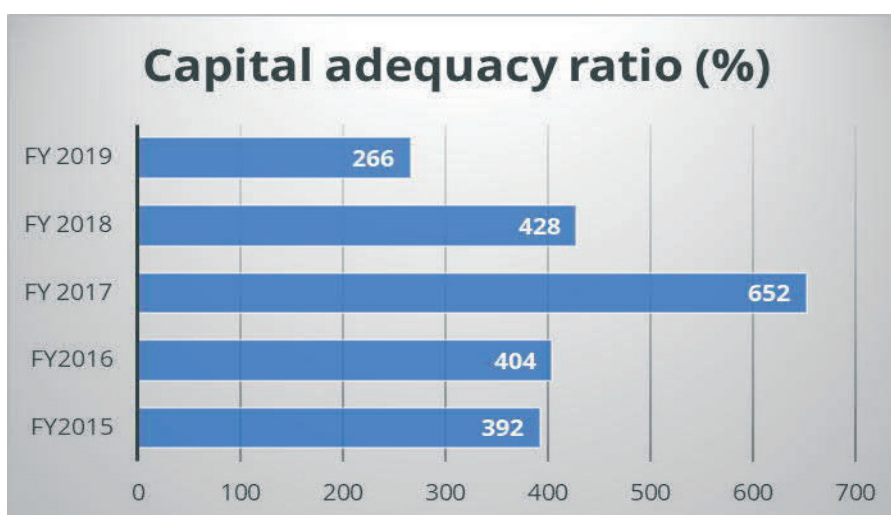
The loss per ordinary share of 8.9 pence is a reflection of the trading loss for the year. This loss per ordinary share reduced in FY19 due to a combination of marginally reduced trading losses when compared to FY18 and a reduced number of shares in issue following the share buybacks completed in the year.

The political and market uncertainty present throughout the year impacted the stockbroking industry and was detrimental to the Company's performance.

EPS is a key output of our long-term strategic ambitions. We believe our investment in the Company has established a strong platform from which we can execute our growth strategy.

### 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. During the year, the Group assessed the liquidity of its capital resources by realising certain assets into cash. This exercise reassured the Board that the Group's liquid assets could be accessed, at short notice, should market conditions remain depressed.

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.

## STRATEGIC REPORT

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### 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 which in turn could lead to the risk that we are unable to meet our contractual, contingent or regulatory obligations.

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. Further we monitor and report market, credit, liquidity and regulatory capital information to relevant staff and take any necessary action and we regularly conduct forecast modelling including stress test scenarios.

Clearly the longer adverse market conditions exist, the greater the business impact of market risk. The decisive result in the 2019 UK general election has gone some way to removing the uncertainties that have impacted equity markets in recent times and the Group is seeing the early signs of improved transactional conditions within the equity capital markets.

#### 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 Board 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.

## STRATEGIC REPORT

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### Brexit risk

At the present time, the uncertainty following the UK's decision to leave the EU is likely to continue until the exact nature of the future relationship with the EU becomes clear. 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. We have built a corporate and institutional client list that protects us relatively well during periods of economic downturn by providing a level of retainer income which is not significantly impacted by reduced transaction levels. We do not carry out a material amount of business for non-UK EU clients and hence we do not envisage a material reduction in revenues as a result of the UK's withdrawal from the EU.

We have, and we will continue, to diversify our corporate revenue streams such that they are not overly reliant upon equity fundraising transactions.

### 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

Political and macro economic uncertainty is likely to be a continued feature of the short term. The 2019 UK general election result has removed some of the uncertainties impacting equity capital markets. However, 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. The current year has started well, with a number of equity fundraisings completed. The Group has generated revenues in excess of those achieved in the same period last year and is trading profitably. We are encouraged by the recent performance of our business and we remain well placed to deliver on our growth strategy.

By order of the Board



**Steven Douglas**  
**Group Finance Director**  
**14 February 2020**

## BOARD OF DIRECTORS

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### **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 Arbutnot 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

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The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2019.

### 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 39.

The Directors are not proposing to pay a final dividend (2018: 1p per share) and did not pay an interim dividend (2018: Nil).

### Post balance sheet events and future developments

Details of post balance sheet events are set out in note 23 to the consolidated Financial Statements.

Future developments are set out on page 17 within the Strategic Review.

### 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. During the year, the Group assessed the liquidity of its capital resources by realising certain assets into cash. This exercise reassured the Board that the Group's liquid assets could be accessed, at short notice, should market conditions remain depressed. 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 2018 were:

#### Current Directors:

Mark Ansell	Non-Executive Chairman
Donald Brown	Chief Executive Officer
James Reed-Daunter	Executive Director
Steven Douglas	Group Finance Director (appointed 04/01/2019)
Alistair Currie	Non-Executive Director (appointed 10/01/2019)

### Directors' Interests

The interests of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 29 to 32.

## REPORT OF THE DIRECTORS

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### Significant Shareholdings

In addition to the current Directors' interests shown on page 31, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital (total voting rights) at 14 February 2020:

	%
Luke Johnson	11.85
Arden Partners Employee Benefit Trust	7.95
Legal & General	6.88
Jonathan Keeling	6.71
Charles Stanley	4.82
Richard Day	4.71
Alasdair Locke	4.70
Miton Group	4.30
David Newlands	4.21
Robert Griffiths	3.78
Tony Bartlett	3.67

### 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 1,748,167 ordinary shares in the year ended 31<sup>st</sup> October 2019, for a consideration of £0.3m.

At 31 October 2019 the Company held 4,304,724 shares in Treasury, at a cost of £1.4m (2018: 2,556,557 £1.1m).

### 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 2019 the Trust held 2,310,700 (7.95% of total voting rights) (2018: 1,480,700 (4.80% of total voting rights)) shares. The Trustees have agreed to hold these shares to satisfy options granted under various share option schemes.

Arden Partners Employee Benefit Trust purchased 830,000 ordinary shares in the year ended 31<sup>st</sup> October 2019, for a consideration of £0.1m.

### 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

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### Political Donations

During the year, the Group made no political donations (2018: £nil).

### 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**  
**14 February 2020**



## CORPORATE GOVERNANCE

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### 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 itself 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

#### Build trust

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

## CORPORATE GOVERNANCE

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### 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 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) Chairman of Audit Committee

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 18.

### 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 2019 was as follows:

	Board	Audit Committee	Remuneration Committee	Nominations Committee
<b>Total number of meetings</b>	<b>10</b>	<b>2</b>	<b>1</b>	<b>1</b>
Donald Brown #	10	n/a	n/a	n/a
James Reed-Daunter #	10	n/a	n/a	n/a
Steven Douglas #	9 *	n/a	n/a	n/a
Mark Ansell	10	2	1	1
Alistair Currie	9 *	2	1	1

\* Attended all Board meetings required subsequent to their respective appointments

# Additionally, eleven Operations & Risk Committee meetings were held in the year Donald Brown attended ten meetings, James Reed-Daunter attended seven meetings and Steven Douglas attended nine meetings.

### 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, Mark Ansell is required to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election. The Board supports this re-appointment having assessed performance and value to the Board.

### 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.

## CORPORATE GOVERNANCE

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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.

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

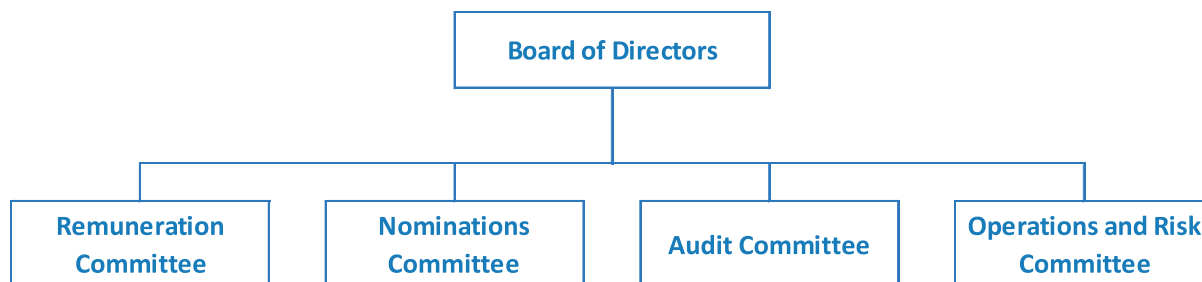
Good corporate governance is about ensuring that a company is managed efficiently and effectively in the interests of all stakeholders. Arden operates a number of committees which report to the Board of Directors. Each committee has a clear operating mandate setting out its responsibilities to ensure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

## CORPORATE GOVERNANCE

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Further information on Arden's' strategy and how Arden mitigates the key risks to which the business is exposed are set out on pages 16 to 17 of the Strategic Report and Note 24 to the Financial Statements.



### 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 29 to 32) 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 Alistair Currie 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 58. BDO LLP have been auditors to the company for 15 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

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### 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 and Risk Committee

The Operations and Risk Committee is responsible for the implementation of strategy and for monitoring progress of delivery of key objectives. The Committee is also 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. Finally, the Committee reviews financial performance against budgets and key performance indicators.

The Operations and Risk Committee, which comprises the Chief Executive Officer, the Executive Director, Group Finance Director, Compliance and the departmental heads, is chaired by the Head of Equities.

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

### Internal Control

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

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### 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. During the year, the Group assessed the liquidity of its capital resources by realising certain assets into cash. This exercise reassured the Board that the Group's liquid assets could be accessed, at short notice, should market conditions remain depressed. For this reason, they continue to believe it is appropriate to adopt the going concern basis in preparing the Financial Statements.



**Mark Ansell**

**Chairman**

**14 February 2020**

## DIRECTORS' REMUNERATION REPORT

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### Introduction

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

A summary of the total remuneration paid to Directors who served during the year ended 31 October 2019 is set out below:

	Salary, fees and benefits £'000	Pension contributions £'000	Incentive payments £'000	Total 2019 £'000
<b>Executive Directors</b>				
Donald Brown	228	10	27	265
James Reed-Daunter	213	-	10	223
Steven Douglas <sup>1</sup>	143	8	4	155
<b>Non-Executive Directors</b>				
Mark Ansell	55	-	-	55
Alistair Currie <sup>2</sup>	32	-	-	32
<b>Total</b>	<b>671</b>	<b>18</b>	<b>41</b>	<b>730</b>

#### Notes:

1. Steven Douglas was appointed as a Director on 4 January 2019 and his salary is apportioned from this date.
2. Alistair Currie was appointed a Director on 11 January 2019 and his salary is apportioned from this date.

## DIRECTORS' REMUNERATION REPORT

A summary of the total remuneration paid to current 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
<b>Executive Directors</b>				
Donald Brown	228	9	-	237
James Reed-Daunter	215	-	5	220
<b>Non-Executive Directors</b>				
Luke Johnson <sup>1,2</sup>	-	-	-	-
Mark Ansell	35	-	-	35
<b>Total</b>	<b>478</b>	<b>9</b>	<b>5</b>	<b>492</b>

**Notes:**

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

### 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 2019 Number	Percentage Interest	31 October 2018 Number
<b>Executive Directors</b>			
Donald Brown	326,240	1.12%	304,828
James Reed-Daunter	2,571,122	8.84%	2,555,314
Steven Douglas	157,907	0.54%	n/a
<b>Non-Executive Directors</b>			
Mark Ansell	155,160	0.53%	155,160
Alistair Currie	100,000	0.34%	n/a

## DIRECTORS' REMUNERATION REPORT

### Directors' Interests in Share Options

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

Director	Vesting profile from grant date	Outstanding as at 1 November 2018 Number	Granted during the year Number	Exercised during the year Number	Lapsed/ Forfeited during the year Number	Outstanding as at 31 October 2019 Number
<b>Donald Brown</b> 20/09/2017 <sup>1</sup>	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> anniversary	1,334,000	-	-	-	<b>1,334,000</b>
<b>James Reed-Daunter</b> 23/07/2013 <sup>2</sup>	31/12/2018	500,000	-	-	-	<b>500,000</b>
20/09/2017 <sup>1</sup>	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> anniversary	500,000	-	-	-	<b>500,000</b>
<b>Steven Douglas</b> 06/12/2017 <sup>3</sup>	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> anniversary	250,000	-	-	-	<b>250,000</b>
21/12/2018 <sup>3</sup>	1 <sup>st</sup> , 2 <sup>nd</sup> and 3 <sup>rd</sup> anniversary	-	133,000	-	-	<b>133,000</b>
Total		2,584,000	133,000	-	-	<b>2,717,000</b>

### 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.
3. Options were granted prior to being appointed a Director.

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

### Approval

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



**Mark Ansell**  
Chairman of Remuneration Committee  
14 February 2020

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

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### 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 2019

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### 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 2019 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 2019 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 as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 2019

### 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.

This matter was 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 this matter.

Key Audit Matter	How we addressed the Key Audit Matter in the Audit
<p><b>Revenue recognition</b></p> <p>As detailed in the accounting policies and note 2, the group derives its revenue principally from two business divisions.</p> <p>Commission earned from equity trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis are calculated automatically and consist of a high volume of 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.</p> <p>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 and for this reason, we considered this as a key audit matter.</p> <p>A fraud risk exists as a result of judgement that is required in respect of the timing of the recognition of deal fees and placing commissions.</p>	<p>Our procedures performed included:</p> <p><b>Commission earned from equity trading on an agency basis and realised and unrealised trading gains and losses on shares traded on a principal basis:</b></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• We vouched a sample of commission to bank</li> <li>• 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</li> <li>• We verified a sample of buy and sell transactions through third party confirmations and reconciled the total transactions to cash movements</li> <li>• We considered, where relevant, the findings of relevant control reports covering the clearing and settlement services provided by third party organisations.</li> </ul> <p><b>Corporate finance deal fees and placing commissions</b></p> <ul style="list-style-type: none"> <li>• 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</li> <li>• 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</li> <li>• 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.</li> </ul> <p><b>Key observations</b></p> <p>Based on our work, no material misstatements were identified regarding revenue recognition.</p>

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

For the year ended 31 October 2019

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### **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 £82,000 (2018: £79,000). This represents 1% of the average revenue for the last 3 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.

Parent company materiality was set at £78,000 (2018: £75,000), which is based on 1% average revenue for the last 3 years and capped at 95% of group materiality.

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 £62,000 (2018: £59,000).

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £2,000 (2018: £2,000), as well as differences below that threshold that, in our view, warranted reporting 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, two active subsidiaries and two dormant subsidiaries.

The group engagement team carried out audits for the parent company and the non-significant active subsidiaries.

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 non-significant 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 2019

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### 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, 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 2019

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### **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](http://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.



*Peter Smith (senior statutory auditor)*  
*For and on behalf of BDO LLP, statutory auditor*  
*London*  
*United Kingdom*  
*14 February 2020*

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 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	2	<b>6,627</b>	7,366
Administrative expenses	3	<b>(9,181)</b>	(10,204)
Expected credit loss	3	<b>(98)</b>	-
<b>Loss from operations</b>		<b>(2,652)</b>	(2,838)
Finance income	7	<b>94</b>	48
Finance expense	8	<b>-</b>	-
<b>Loss before taxation</b>		<b>(2,558)</b>	(2,790)
Income tax charge	9	<b>(2)</b>	(31)
<b>Loss after taxation</b>		<b>(2,560)</b>	(2,821)
<b>Other comprehensive income for the year:</b>			
<b>Items that will or may be reclassified subsequently to profit or loss:</b>			
Decrease in fair value of available for sale financial assets	15	<b>-</b>	(9)
Transfer to profit or loss on disposal of available for sale assets		<b>-</b>	8
Deferred tax taken to equity		<b>(3)</b>	-
<b>Total comprehensive income for the year attributable to equity shareholders</b>		<b>(2,563)</b>	(2,822)
<b>Loss per share</b>			
Basic	10	<b>(8.9p)</b>	(9.6p)
Diluted	10	<b>(8.9p)</b>	(9.6p)

The notes on pages 46 to 81 form part of these financial statements

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 October 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		111		104
Deferred tax asset	13		2		8
<b>Total non-current assets</b>			<b>113</b>		112
<b>Current assets</b>					
Assets held at fair value through P&L	14	3,043		3,981	
Available for sale financial assets	15	-		520	
Trade and other receivables	16	2,866		2,873	
Cash and cash equivalents	17	2,538		4,667	
<b>Total current assets</b>			<b>8,447</b>		12,041
<b>Total assets</b>			<b>8,560</b>		12,153
<b>Current liabilities</b>					
Financial liabilities held at fair value	18	(244)		(59)	
Trade and other payables	18	(2,258)		(2,870)	
<b>Total current liabilities</b>			<b>(2,502)</b>		(2,929)
<b>Total liabilities</b>			<b>(2,502)</b>		(2,929)
<b>Net assets</b>			<b>6,058</b>		9,224
<b>Shareholders' equity</b>					
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			(974)		(849)
Available for sale reserve			-		(7)
Retained earnings			(2,255)		519
<b>Total equity before deduction of own shares</b>			<b>7,500</b>		10,392
Own shares			(1,442)		(1,168)
<b>Total equity</b>			<b>6,058</b>		9,224

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 February 2020.



Steven Douglas  
Group Finance Director



Mark Ansell  
Chairman

*The notes on pages 46 to 81 form part of these financial statements*

## COMPANY STATEMENT OF FINANCIAL POSITION

At 31 October 2019

Company number: 4427253		2019	2019	2018	2018
	Note	£'000	£'000	£'000	£'000
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11		111		104
Investments in subsidiary undertakings	12		325		-
Deferred tax asset	13		2		8
<b>Total non-current assets</b>			<b>438</b>		<b>112</b>
<b>Current assets</b>					
Assets held at fair value through P&L	14	3,043		3,981	
Available for sale financial assets	15	-		520	
Trade and other receivables	16	3,054		3,061	
Cash and cash equivalents	17	2,204		4,658	
<b>Total current assets</b>			<b>8,301</b>		<b>12,220</b>
<b>Total assets</b>			<b>8,739</b>		<b>12,332</b>
<b>Current liabilities</b>					
Financial liabilities held at fair value	18	(244)		(59)	
Trade and other payables	18	(2,442)		(3,049)	
<b>Total current liabilities</b>			<b>(2,686)</b>		<b>(3,108)</b>
<b>Total liabilities</b>			<b>(2,686)</b>		<b>(3,108)</b>
<b>Net assets</b>			<b>6,053</b>		<b>9,224</b>
<b>Shareholders' equity</b>					
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			(974)		(849)
Available for sale reserve			-		(7)
Retained earnings			(2,260)		519
<b>Total equity before deduction of own shares</b>			<b>7,495</b>		<b>10,392</b>
Own shares			(1,442)		(1,168)
<b>Total equity</b>			<b>6,053</b>		<b>9,224</b>

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 £2,565,000 (2018: loss £2,821,000).

The Financial Statements were approved by the Board of Directors and authorised for issue on 14 February 2020.



Steven Douglas  
Group Finance Director



Mark Ansell  
Chairman

*The notes on pages 46 to 81 form part of these financial statements*

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
<b>Operating activities before taxation</b>			
Loss before taxation		(2,558)	(2,790)
Adjustments for:			
Fair value adjustments		(98)	166
Depreciation of fixtures, fittings and computer equipment	11	71	36
Net interest receivable	7	(94)	(48)
Share based payment expense		89	104
<b>Operating cash flow before changes in working capital</b>		<b>(2,590)</b>	<b>(2,532)</b>
Decrease/(increase) in operating assets		1,389	(1,444)
(Decrease)/increase in operating liabilities		(252)	264
Purchase of available for sale investments	15	-	(527)
Proceeds from disposal of available for sale investments	15	-	501
<b>Cash used in operations</b>		<b>(1,453)</b>	<b>(3,738)</b>
Income taxes paid	9	-	-
<b>Net cash flows from operating activities</b>		<b>(1,453)</b>	<b>(3,738)</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment	11	(78)	(73)
Net interest received	7	94	48
<b>Net cash flows from investing activities</b>		<b>16</b>	<b>(25)</b>
<b>Financing activities</b>			
Exercise of share options		-	(16)
Purchase of own shares		(399)	(296)
Dividends paid to equity shareholders	4	(293)	(295)
<b>Net cash flows from financing activities</b>		<b>(692)</b>	<b>(607)</b>
Decrease in cash and cash equivalents		<b>(2,129)</b>	<b>(4,370)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,667</b>	<b>9,037</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>2,538</b>	<b>4,667</b>

*The notes on pages 46 to 81 form part of these financial statements*

## COMPANY STATEMENT OF CASH FLOWS

For the year ended 31 October 2019

	Note	2019 £'000	2018 £'000
<b>Operating activities before taxation</b>			
Loss before taxation		(2,563)	(2,790)
Adjustments for:			
Fair value adjustments		(98)	166
Depreciation of fixtures, fittings and computer equipment	11	71	36
Net interest receivable	7	(94)	(48)
Share based payment expense		89	104
<b>Operating cash flow before changes in working capital</b>			
		(2,595)	(2,532)
Decrease/(increase) in operating assets		1,389	(1,444)
(Decrease)/increase in operating liabilities		(247)	264
Investment in subsidiary	12	(325)	-
Purchase of available for sale investments	15	-	(527)
Proceeds from disposal of available for sale investments	15	-	501
<b>Cash used in operations</b>			
		(1,778)	(3,738)
Income taxes paid	9	-	-
<b>Net cash flows from operating activities</b>			
		(1,778)	(3,738)
<b>Investing activities</b>			
Purchases of property, plant and equipment	11	(78)	(73)
Net interest received	7	94	48
<b>Net cash flows from investing activities</b>			
		16	(25)
<b>Financing activities</b>			
Exercise of share options		-	(16)
Purchase of own shares		(399)	(296)
Dividends paid to equity shareholders	4	(293)	(295)
<b>Net cash flows from financing activities</b>			
		(692)	(607)
Decrease in cash and cash equivalents		(2,454)	(4,370)
<b>Cash and cash equivalents at the beginning of the year</b>			
		4,658	9,028
<b>Cash and cash equivalents at the end of the year</b>			
	17	2,204	4,658

*The notes on pages 46 to 81 form part of these financial statements*

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 31 October 2019

	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
<b>Balance at 1 November 2017</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(872)</b>	<b>(849)</b>	<b>(6)</b>	<b>3,547</b>	<b>12,549</b>
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)
<b>Contributions by and distributions to owners</b>								
Dividends	-	-	-	-	-	-	(295)	(295)
Purchase of own shares	-	-	-	(296)	-	-	-	(296)
Share based payments	-	-	-	-	-	-	104	104
Share options exercised	-	-	-	-	-	-	(16)	(16)
<b>Balance at 31 October 2018</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,168)</b>	<b>(849)</b>	<b>(7)</b>	<b>519</b>	<b>9,224</b>
Transition adjustment	-	-	-	-	-	7	(7)	-
<b>At 1 November 2018 (as restated)</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,168)</b>	<b>(849)</b>	<b>-</b>	<b>512</b>	<b>9,224</b>
Loss for year	-	-	-	-	-	-	(2,560)	(2,560)
Deferred tax taken to equity	-	-	-	-	-	-	(3)	(3)
Total comprehensive income for the year	-	-	-	-	-	-	(2,563)	(2,563)
<b>Contributions by and distributions to owners</b>								
Dividends	-	-	-	-	-	-	(293)	(293)
Purchase of own shares	-	-	-	(274)	(125)	-	-	(399)
Share based payments	-	-	-	-	-	-	89	89
<b>Balance at 31 October 2019</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,442)</b>	<b>(974)</b>	<b>-</b>	<b>(2,255)</b>	<b>6,058</b>

**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 46 to 81 form part of these financial statements*

## COMPANY STATEMENT OF CHANGES IN EQUITY

For the year ended 31 October 2019

	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
<b>Balance at 1 November 2017</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(872)</b>	<b>(849)</b>	<b>(6)</b>	<b>3,547</b>	<b>12,549</b>
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)
<b>Contributions by and distributions to owners</b>								
Dividends	-	-	-	-	-	-	(295)	(295)
Purchase of own shares	-	-	-	(296)	-	-	-	(296)
Share based payments	-	-	-	-	-	-	104	104
Share options exercised	-	-	-	-	-	-	(16)	(16)
<b>Balance at 31 October 2018</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,168)</b>	<b>(849)</b>	<b>(7)</b>	<b>519</b>	<b>9,224</b>
Transition adjustment	-	-	-	-	-	7	(7)	-
<b>At 1 November 2018 (as restated)</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,168)</b>	<b>(849)</b>	<b>-</b>	<b>512</b>	<b>9,224</b>
Loss for year	-	-	-	-	-	-	(2,565)	(2,565)
Deferred tax taken to equity	-	-	-	-	-	-	(3)	(3)
Total comprehensive income for the year	-	-	-	-	-	-	(2,568)	(2,568)
<b>Contributions by and distributions to owners</b>								
Dividends	-	-	-	-	-	-	(293)	(293)
Purchase of own shares	-	-	-	(274)	(125)	-	-	(399)
Share based payments	-	-	-	-	-	-	89	89
<b>Balance at 31 October 2019</b>	<b>3,338</b>	<b>6,691</b>	<b>700</b>	<b>(1,442)</b>	<b>(974)</b>	<b>-</b>	<b>(2,260)</b>	<b>6,053</b>

### 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 46 to 81 form part of these financial statements*



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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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 82.

***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.

***New standards effective during the year***

The Group applies, for the first time, IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts. The impact of which is set out below.

**IFRS 9 Financial Instruments**

The Group has identified that the adoption of IFRS 9, which replaces IAS 39 Financial Instruments: Recognition and Measurement from 1 November 2018, has had material impact on its consolidated financial statements with the Group recognising a £98,000 impairment charge during the year. Further details can be found in Note 16 to the financial statements.

**Transitions**

The standard has been adopted from 1 November 2018 and applied retrospectively by adjusting where necessary, the statement of financial position at the date of initial application, with no requirement to restate comparative periods.

**Classification and measurement of financial assets**

The Group's financial assets consist of trading assets from its Equities, Corporate Finance and Wealth Management activities are currently measured at fair value through profit and loss either held for trading or designated at fair value. This treatment will therefore not change under IFRS 9. However, at the date of transition the Group held £520k of investments as available-for-sale, which will be classified as being at amortised cost under IFRS 9. The available for sale asset was subsequently disposed of during the financial year, all changes in the fair value up to the point of disposal were recorded in the consolidated statement of comprehensive income. In addition, the balance on the available for sale reserve at 31 October 2018 of £7,000 has been transferred to retained earnings.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 November 2018:

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

<b>As at 1 November 2018</b>	<b>Old classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Old carrying amount under IAS 39 £'000</b>	<b>New carrying amount under IFRS 9 £'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables	Amortised Cost	4,667	4,667
Trading assets	Fair value through profit or loss	Fair value through profit or loss	3,886	3,886
Derivative financial assets – Warrants	Fair value through profit or loss	Fair value through profit or loss	95	95
Available for sale financial assets	Available for sale	Amortised cost	520	520
Market receivables	Loans and receivables	Amortised cost	1,040	1,040
Trade receivables	Loans and receivables	Amortised cost	1,046	1,046
Other receivables	Loans and receivables	Amortised cost	236	236
<b>Total financial assets</b>			<b>11,490</b>	<b>11,490</b>
<b>Financial Liabilities</b>				
Short market making positions	Fair value through profit or loss	Fair value through profit or loss	59	59
Market payables	Loans and receivables	Amortised cost	888	888
Trade payables	Loans and receivables	Amortised cost	473	473
Other payables	Loans and receivables	Amortised cost	528	528
<b>Total financial liabilities</b>			<b>1,948</b>	<b>1,948</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

Company financial assets and financial liabilities as at 1 November 2018:

<b>As at 1 November 2018</b>	<b>Old classification under IAS 39</b>	<b>New classification under IFRS 9</b>	<b>Old carrying amount under IAS 39 £'000</b>	<b>New carrying amount under IFRS 9 £'000</b>
<b>Financial Assets</b>				
Cash and cash equivalents	Loans and receivables	Amortised Cost	4,658	4,658
Trading assets	Fair value through profit or loss	Fair value through profit or loss	3,886	3,886
Derivative financial assets – Warrants	Fair value through profit or loss	Fair value through profit or loss	95	95
Available for sale financial assets	Available for sale	Amortised cost	520	520
Market receivables	Loans and receivables	Amortised cost	1,040	1,040
Trade receivables	Loans and receivables	Amortised cost	1,046	1,046
Other receivables	Loans and receivables	Amortised cost	424	424
<b>Total financial assets</b>			<b>11,669</b>	<b>11,669</b>
<b>Financial Liabilities</b>				
Short market making positions	Fair value through profit or loss	Fair value through profit or loss	59	59
Market payables	Loans and receivables	Amortised cost	888	888
Trade payables	Loans and receivables	Amortised cost	473	473
Other payables	Loans and receivables	Amortised cost	707	707
<b>Total financial liabilities</b>			<b>2,127</b>	<b>2,127</b>

**Impairment**

The Group applies an expected credit loss model when calculating impairment losses on its trade and other receivables. In applying IFRS 9 the Group must consider the probability of a default occurring over the contractual life of its trade receivables and contract asset balances on initial recognition of those assets. The new impairment model applies to financial assets measured at amortised cost but not to investments in equity instruments. A detailed analysis of the impairment methodology and provision at the balance sheet date is provide in note 16 to these financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### **IFRS 15 Revenue from Contracts with Customers**

This standard has been adopted on its mandatorily effective date of 1 November 2018 and applied on a retrospective basis. There was no material impact of applying the standard on this basis due to the type of revenue which is earned within the Group and the absence of any long-term contract arrangements and therefore no cumulative effect to adjust in the opening balance of retained earnings. The Group will continue to assess individual customer contracts for separate performance obligations to allocate the correct transaction price as they occur.

***Standards that have been issued, but are not yet effective for the year ended 31 October 2019 include:***

### **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 has decided it will apply the modified retrospective adoption method in IFRS 16, and, therefore, will only recognise leases on the balance sheet as at 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 anticipates recording a right of use asset of £0.4m and a corresponding lease liability of £0.3m, with the right of use asset depreciated over the life of the lease and the lease liability calculated by discounting the quarterly lease payments over the remaining term of the lease at a discount rate which represents the incremental cost of borrowing.

### **IFRIC 23 Uncertainty Over Income Tax Positions**

IFRIC 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments.

### **Significant accounting policies**

#### **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 £2,565,000 (2018: loss £2,821,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### **Revenue**

In accordance with IFRS 15, revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow into the Group. Where consideration includes financial instruments or other non-cash items, revenue is measured at fair value using an appropriate valuation method.

Revenue comprises commission earned on primary, secondary and private capital raising (Corporate placing commission), Corporate Finance advisory fees, Corporate Finance annual retainer fees, 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 and Research retainer fees.

### **Corporate Finance Division**

- Corporate placing commissions are variable fees agreed on a deal by deal basis based on a percentage of the funds raised as part of a transaction. Given that fees related to this work are success based, there is a significant risk of reversal of the variable revenue and therefore the performance obligation is satisfied at a point in time when the transaction is completed. Where there are arrangements in place for an element of revenue to be paid away the cost is recognised in administrative expenses.
- Corporate Finance advisory fees are only recognised once all performance obligations have been met and there is a contractual entitlement for the Group to receive them for advisory fees this is typically only when a deal completes.
- Corporate Finance retainer fees are accrued over the period for which the service is provided and are based on a contract between the Group and the client. The negotiated contract price varies by contract and is documented in the contract.

### **Equities Division**

- Net trading gains or losses are the realised and unrealised profits and losses from market-making long and short positions on a trade date basis and comprise all gains and losses from changes in the fair value of financial assets and liabilities held for trading, together with any related dividend on positions held. Net trading gains or losses also include gains and losses arising on equity options and warrants received in lieu of corporate finance fees.
- Commission is recognised when receivable in accordance with the date of the underlying transaction. It is variable fee based on a percentage of the transaction and therefore performance obligation is satisfied at the date of the underlying transaction to which the brokerage relates.
- Research retainer fees are recorded in the period to which they relate and the contract price can be variable from period to period based on the level or standard of research provided. Contracts are in place between the Group and each of its research clients and amounts recorded are either over a period for which the service is provided, or where discretionary based on variable considerations derived from the most recent level of research provided in the previous period updated for recent events or communications with the client.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### ***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 in subsidiaries***

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

### ***Financial instruments***

Financial assets and financial liabilities are recognised in the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

### ***Financial assets and liabilities***

Investments are recognised and derecognised on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Assets and liabilities are presented net where there is a legal right to offset and an intention to settle in that way.

### ***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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### **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".

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### ***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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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***Policy applicable from 1 November 2018 under IFRS 9:***

The two principal classification categories for financial assets are: measured at amortised cost and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Assets held at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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***Policy applicable before 1 November 2018 under IAS 39:***

***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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**2) Revenue**

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Equities Division	<b>751</b>	974
Corporate Finance Division	<b>5,839</b>	6,400
Wealth Management Division	<b>37</b>	-
Transfer to profit or loss on disposal of available for sale assets	<b>-</b>	(8)
<b>Total revenue</b>	<b>6,627</b>	7,366
Services transferred at a point in time	<b>4,164</b>	5,687
Services transferred over a period of time	<b>2,463</b>	1,679
<b>Total revenue</b>	<b>6,627</b>	7,366

Included within revenue of the Equities Division is a profit of £97,000 (2018: loss £150,000) relating to the fair value adjustment of derivatives held within assets that are fair valued through profit or loss.

Included within revenue of the Equities Division is a profit of £63,000 (2018: £Nil) relating to the fair value of a warrant over securities which was received as consideration for Corporate Finance services rendered.

The Directors are of the opinion that there are three 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 2019, none of the Group's customers contributed revenue of more than 10% of the Group's total revenue. In 2018, one of the Group's customers contributed revenue of £1,075,000, being more than 10% of the Group's total revenue.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**3) Administrative expenses**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Administrative expenses comprise the following:</b>		
Depreciation of property, plant and equipment	<b>71</b>	36
Operating lease costs	<b>271</b>	305
Expected credit loss	<b>98</b>	-
Staff costs (see note 5)	<b>5,592</b>	5,204
IT infrastructure and software costs	<b>1,158</b>	1,024
Settlement costs	<b>557</b>	541
Other administrative expenses	<b>1,384</b>	1,957
Auditor's remuneration:		
Audit services:		
Company	<b>42</b>	41
Subsidiaries	<b>1</b>	1
Tax services	<b>6</b>	6
Audit related assurance services	<b>17</b>	16
Foreign currency (gains)/losses	<b>(7)</b>	8
Share based payments	<b>89</b>	142
Restructuring costs - Staff costs	<b>-</b>	516
- Non-Staff costs	<b>-</b>	407
	<b>9,279</b>	10,204

**4) Dividends**

Dividends recognised in the year consisted of the 2018 final dividend of £293,000 (1p per share).

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

**5) Employees**

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

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Wages and salaries	<b>4,559</b>	4,570
Incentive payments	<b>149</b>	180
Share based payments (see note 19 for further details)	<b>89</b>	142
Social security costs	<b>567</b>	618
Other pension costs	<b>228</b>	210
	<b>5,592</b>	5,720

Staff costs include an amount of £Nil (2018: £516,000) in respect of restructuring payments. The average number of employees (including Directors) of the Group and Company during the year was 50 (2018: 48) of which 38 (2018: 37) are front-office and the remainder are administration.

Included within Staff costs are consultancy fees of £57,000 (2018: £Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**6) Directors' remuneration**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Directors' emoluments including incentive payments	<b>712</b>	483
Company contributions to money purchase pension schemes	<b>18</b>	9
	<b>730</b>	492

There were 2 Directors in a defined contribution pension scheme during the year (2018: 1).

The total amount payable to the highest paid Director in respect of emoluments was £265,000 (2018: £237,000) of this total Company pension contributions of £10,000 (2018: £9,000) were provided towards a money purchase scheme on his behalf.

Further details of Directors' remuneration are set out in the Report on Directors' Remuneration on pages 29 to 32.

**7) Finance income**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Bank and other interest receivable	<b>94</b>	48

**8) Finance expense**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Bank overdrafts and loans	<b>-</b>	-

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

### 9) Income tax expense

	2019 £'000	2018 £'000
<b>UK Corporation tax</b>		
Current tax on profit of the year	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Origination and reversal of timing differences	2	31
<b>Total deferred tax</b>	2	31
<b>Total income tax charge</b>	2	31

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK.

The differences are explained below:

	2019 £'000	2018 £'000
<b>Loss before tax</b>	<b>(2,558)</b>	<b>(2,790)</b>
Loss on ordinary activities at the standard rate of corporation tax in the UK of 19% (2018: 19%)	(486)	(530)
Effect of:		
Losses carried forward	447	514
Income not taxable	(15)	(5)
Expenses not deductible for tax purposes	60	52
Deferred tax on share options	(4)	-
<b>Total income tax charge</b>	<b>2</b>	<b>31</b>

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 2019 have been stated at 17% 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 2019

### 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 2019		Year ended 31 October 2018	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
<b>Loss per share</b>	<b>(8.9)</b>	<b>(2,560)</b>	(9.6)	(2,821)
Add: IFRS2 share-based payments	<b>0.3</b>	<b>89</b>	0.5	142
Add: Restructuring costs	-	-	3.1	923
<b>Underlying basic loss</b>	<b>(8.6)</b>	<b>(2,471)</b>	(6.0)	(1,756)
<b>Diluted loss per share</b>	<b>(8.9)</b>	<b>(2,560)</b>	(9.6)	(2,821)
Add: IFRS2 share-based payments	<b>0.3</b>	<b>89</b>	0.5	142
Add: Restructuring costs	-	-	3.1	923
<b>Underlying diluted loss</b>	<b>(8.6)</b>	<b>(2,471)</b>	(6.0)	(1,756)

The Directors believe that the underlying loss and underlying loss 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 as these costs are not considered part of the usual operations.

	Year ended 31 October 2019 Number	Year ended 31 October 2018 Number
<b>Denominator</b>		
Weighted average number of shares in issue for <b>basic</b> earnings calculation	<b>28,794,079</b>	29,533,754
Weighted average dilution for outstanding share options	<b>52,235</b>	228,578
Weighted average number for <b>diluted</b> earnings calculation	<b>28,846,314</b>	29,762,332

The 2,310,700 (2018: 1,480,700) shares held by the Arden Partners Employee Benefit Trust and 4,304,724 (2018: 2,364,481) 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 8.9p as the dilution effect of the weighted average number of outstanding share options of 52,235 would be to decrease the loss per share.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

### 11) Property, plant and equipment

#### Group and Company as at 31 October 2019

	Improvements to leasehold buildings £'000	Fixtures, fittings and computer equipment £'000	Total £'000
<b>Cost</b>			
At 1 November 2018	301	1,389	1,690
Additions	-	78	78
<b>At 31 October 2019</b>	<b>301</b>	<b>1,467</b>	<b>1,768</b>
<b>Depreciation</b>			
At 1 November 2018	301	1,285	1,586
Charge for the year	-	71	71
<b>At 31 October 2019</b>	<b>301</b>	<b>1,356</b>	<b>1,657</b>
<b>Net book value</b>			
<b>At 31 October 2019</b>	<b>-</b>	<b>111</b>	<b>111</b>
At 31 October 2018	-	104	104

#### Group and Company as at 31 October 2018

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

### 12) Investments in subsidiaries

Company	2019 £'000	2018 £'000
At 1 November 2018	-	-
Additions	325	-
<b>At 31 October</b>	<b>325</b>	<b>-</b>

Investments in subsidiaries are stated at cost less impairment.

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 Wealth Management Limited, a company registered at 5 George Road, Edgbaston, Birmingham, B15 1NP, England. The Company's sole activity is the provision of wealth management services. During the year Arden Partners plc invested £325k in Arden Wealth Management Limited.

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 2019, the Arden Partners Employee Benefit Trust held 2,310,700 ordinary shares in Arden Partners plc (2018: 1,480,700 ordinary shares).

The Company also owns the whole of the issued share capital of Arden Partners Asset Management Limited and Arden Equities Limited, both 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 2019

### 13) Deferred tax asset

#### Group and Company – 2019

	Accelerated capital allowances £'000	Share options £'000	Total deferred tax asset £'000
At 1 November 2018	3	5	8
Charged to Statement of Comprehensive Income	(2)	(4)	(6)
<b>At 31 October 2019</b>	<b>1</b>	<b>1</b>	<b>2</b>

#### 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)
<b>At 31 October 2018</b>	<b>3</b>	<b>5</b>	<b>8</b>

The Company has unutilised tax losses of £6.7m (2018: £4.5m) on which a potential deferred tax asset of £1.2m (2018: £765k) which, due to the uncertainty of the timing of future taxable profits, has not been recognised.

### 14) Assets held at fair value through P&L

#### Group and Company

	2019 £'000	2018 £'000
<i>Held for trading:</i>		
Long market making equity positions	2,851	3,886
<i>Derivative financial assets:</i>		
Warrants	192	95
<b>At 31 October</b>	<b>3,043</b>	<b>3,981</b>

At 31 October 2019 the historical cost of long market making equity positions was £3,444,000 (2018: £4,424,000).

At 31 October 2019 the historical cost of derivative financial assets was £Nil (2018: £Nil).

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**15) Available for sale financial assets****Group and Company**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
At 1 November	<b>520</b>	503
Transition adjustment	<b>(520)</b>	-
Purchased during the year	-	527
Disposed of during the year	-	(501)
Fair value losses	-	(9)
<b>At 31 October</b>	<b>-</b>	520

At 31 October 2019 the historical cost of available for sale financial assets was £Nil (2018: £530,000).

**16) Trade and other receivables****Group**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Trade receivables	<b>903</b>	1,046
Less: provision for impairment of trade receivables	<b>(98)</b>	-
Net trade receivables	<b>805</b>	1,046
Market receivables	<b>839</b>	1,040
Other receivables	<b>730</b>	236
Prepayments	<b>488</b>	494
Accrued income	<b>4</b>	57
	<b>2,866</b>	2,873

**Company**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Trade receivables	<b>903</b>	1,046
Less: provision for impairment of trade receivables	<b>(98)</b>	-
Net trade receivables	<b>805</b>	1,046
Market receivables	<b>839</b>	1,040
Other receivables	<b>918</b>	424
Prepayments	<b>488</b>	494
Accrued income	<b>4</b>	57
	<b>3,054</b>	3,061

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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

Included within other receivables is an amount of £500k (2018: £Nil), which is pledged as security to Pershing Securities Limited).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses using a lifetime expected credit loss provision for trade receivables.

At 31 October 2019 the lifetime expected loss provision for trade receivables is as follows:

	Current £'000	More than 120 days past due £'000	More than 365 days past due £'000	Total £'000
Expected loss rate	1%	1%	100%	
Gross trade receivable	689	214	-	<b>903</b>
Loss provision	7	2	-	<b>9</b>

As at 31 October 2019 trade receivables of £89,000 (2018: £Nil) had lifetime credit losses of the full value of the receivable. The receivable due at the end of the financial year relates to one customer who has been placed in administration.

Movements in impairment provision were as follows:

### Group and Company

	<b>31 October 2019 £'000</b>	31 October 2018 £'000
Opening balance	-	-
Amounts released	-	-
Amounts written off	-	-
Amounts charged to the statement of comprehensive income	<b>98</b>	-
<b>Closing balance</b>	<b>98</b>	-

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**17) Cash and cash equivalents****Group**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Cash and bank balances	<b>2,538</b>	4,667

**Company**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
Cash and bank balances	<b>2,204</b>	4,658

Included within cash and bank balances of the Group and the Company at 31 October 2019 is an amount of \$17,000 (£13,000) (2018: \$19,000 (£15,000)) which is denominated in USD.

Included within cash and bank balances of the Group and the Company at 31 October 2019 is an amount of €28,000 (£24,000) (2018: €24,000 (£21,000)) which is denominated in EUR.

**18) Current liabilities****Group**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	<b>244</b>	59
<i>Trade and other payables</i>		
Market payables	<b>673</b>	888
Trade payables	<b>641</b>	473
Other taxation and social security	<b>217</b>	210
Other payables	<b>183</b>	528
Accruals	<b>340</b>	582
Deferred income	<b>204</b>	189
Total trade and other payables	<b>2,258</b>	2,870
Total current liabilities	<b>2,502</b>	2,929

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 £1,741,000 (2018: £1,948,000).

Deferred income relates to retainer fees invoiced in advance and spread over the length of the period, typically quarterly. There was no impact of applying IFRS 15 to this revenue stream.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**Company**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<i>Financial liabilities at fair value through profit and loss</i>		
Short market making equity positions	<b>244</b>	59
<i>Trade and other payables</i>		
Market payables	<b>673</b>	888
Trade payables	<b>641</b>	473
Other taxation and social security	<b>217</b>	210
Other payables	<b>367</b>	707
Accruals	<b>340</b>	582
Deferred income	<b>204</b>	189
Total trade and other payables	<b>2,442</b>	3,049
Total current liabilities	<b>2,686</b>	3,108

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 £1,925,000 (2018: £2,127,000).

Deferred income relates to retainer fees invoiced in advance and spread over the length of the period, typically quarterly. There was no impact of applying IFRS 15 to this revenue stream.

**19) Share capital**

	<b>2019</b>	2018
	<b>£'000</b>	£'000
<b>Equity share capital</b>		
33,378,935 (2018: 33,378,935) Ordinary shares of 10p each	<b>3,338</b>	3,338

During the year the Company purchased 1,748,167 (2018: 644,245) ordinary shares to be held in Treasury. The total cost of the shares was £0.3m (2018: £0.3m).

During the year Arden Partners Employee Benefit Trust purchased 830,000 (2018: Nil) ordinary shares to be held in the Trust. The total cost of the shares was £0.1m (2018: £Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

### *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 2019	Weighted Average Exercise price (pence) 2019	Number of Options 2018	Weighted Average Exercise price (pence) 2018
At 1 November	5,005,740	45.9	6,501,788	39.2
Exercised during the year	-	-	(36,250)	(43.5)
Granted during the year	1,083,000	28.5	2,000,000	52.9
Forfeited during the year	(690,740)	(44.8)	(3,459,798)	(37.8)
<b>At 31 October</b>	<b>5,398,000</b>	<b>42.6</b>	5,005,740	45.9

The weighted average market price of the Company's shares at the date of exercise of options in the prior year was 43.5p.

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

	31 October 2019			31 October 2018		
	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	17	75,000	10.0	29
Arden Partners Share Plan 2013	5,323,000	43.03	39	4,930,740	46.47	48
	<b>5,398,000</b>			5,005,740		



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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 2019 are as follows:

	Arden Partners Share Plan 2013	Arden Partners Share Plan 2007
Grant dates	23/07/2013 to 21/12/2018	24/03/2011
Weighted average fair value at grant date <sup>1</sup>	7.44p	44.7p
Average exercise price	43.03p	10.0p
Exercise price range	0p – 53.5p	10.0p
Weighted average share price at date of grant	43.17p	54p
Expected volatility <sup>2</sup>	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)	39	17
Number of options outstanding	5,323,000	75,000
Percentage of options expected to vest	100%	100%
Number of options vested but unexercised	2,628,323	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:

	2019 £’000	2018 £’000
Expensed during the year (equity settled) <i>(included within employee costs as set out in note 5)</i>	145	142

The charge for the year of £145,000 (2018: £142,000) is made up of an expense of £166,000 (2018: £191,000) and an expense reverse on forfeiture of share options of £21,000 (2018: £49,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

### 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 £228,000 (2018: £210,000). Contributions amounting to £28,000 (2018: £50,000) 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	
	2019	2018
	£'000	£'000
Within one year	346	249
Between two and five years	99	25
Greater than five years	-	-
	<b>445</b>	274

### 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 29 to 32. The compensation in total for each category required by IAS 24 is as follows:

	Year ended	Year ended
	31 October	31 October
	2019	2018
	£'000	£'000
Salaries and short term employee benefits	712	483
Pension Contributions	18	9
Social security costs	90	94
Share-based payments	46	60
	<b>866</b>	646

#### Intra-company transactions with wholly owned subsidiaries

Amounts owed to subsidiaries as at 31 October 2019 amounted to £184,000 (2018: £179,000). Amounts owed by subsidiaries as at 31 October 2019 amounted to £188,000 (2018: £188,000). These loans are unsecured and repayable on demand.

### 23) Events after the reporting period

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**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 categorisation of the Group and Company's assets and liabilities analysed by accounting treatment is summarised below:

Group as at 31 October 2019:

	<b>Assets and liabilities held at amortised costs £'000</b>	<b>Fair value through profit or loss £'000</b>	<b>Non-financial instruments and other £'000</b>	<b>Total £'000</b>
<b>Assets</b>				
Property, plant and equipment	-	-	111	111
Deferred tax asset	-	-	2	2
Assets held at fair value through P&L	-	3,043	-	3,043
Trade and other receivables	2,374	-	492	2,866
Cash and cash equivalents	2,538	-	-	2,538
<b>Total assets</b>	<b>4,912</b>	<b>3,043</b>	<b>605</b>	<b>8,560</b>
<b>Liabilities</b>				
Financial liabilities held at fair value	-	(244)	-	(244)
Trade and other payables	(1,497)	-	(761)	(2,258)
<b>Total liabilities</b>	<b>(1,497)</b>	<b>(244)</b>	<b>(761)</b>	<b>(2,502)</b>
<b>Total equity</b>	<b>3,415</b>	<b>2,799</b>	<b>(156)</b>	<b>6,058</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

Group as at 31 October 2018:

	Assets and liabilities held at amortised costs £'000	Fair value through profit or loss £'000	Non- financial instruments and other £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	104	104
Deferred tax asset	-	-	8	8
Assets held at fair value	-	3,981	-	3,981
Available for sale financial assets	-	-	520	520
Trade and other receivables	-	-	2,873	2,873
Cash and cash equivalents	4,667	-	-	4,667
<b>Total assets</b>	<b>4,667</b>	<b>3,981</b>	<b>3,505</b>	<b>12,153</b>
<b>Liabilities</b>				
Financial liabilities held at fair value	-	(59)	-	(59)
Trade and other payables	(1,889)	-	(981)	(2,870)
<b>Total liabilities</b>	<b>(1,889)</b>	<b>(59)</b>	<b>(981)</b>	<b>(2,929)</b>
<b>Total equity</b>	<b>2,778</b>	<b>3,922</b>	<b>2,524</b>	<b>9,224</b>

Company as at 31 October 2019:

	Assets and liabilities held at amortised costs £'000	Fair value through profit or loss £'000	Non- financial instruments and other £'000	Total £'000
<b>Assets</b>				
Property, plant and equipment	-	-	111	111
Deferred tax asset	-	-	2	2
Investments in subsidiary undertakings	-	-	325	325
Assets held at fair value through P&L	-	3,043	-	3,043
Trade and other receivables	2,562	-	492	3,054
Cash and cash equivalents	2,204	-	-	2,204
<b>Total assets</b>	<b>4,766</b>	<b>3,043</b>	<b>930</b>	<b>8,739</b>
<b>Liabilities</b>				
Financial liabilities held at fair value	-	(244)	-	(244)
Trade and other payables	(1,681)	-	(761)	(2,442)
<b>Total liabilities</b>	<b>(1,681)</b>	<b>(244)</b>	<b>(761)</b>	<b>(2,686)</b>
<b>Total equity</b>	<b>3,085</b>	<b>2,799</b>	<b>169</b>	<b>6,053</b>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

Company as at 31 October 2018:

	<b>Assets and liabilities held at amortised costs £'000</b>	<b>Fair value through profit or loss £'000</b>	<b>Non-financial instruments and other £'000</b>	<b>Total £'000</b>
<b>Assets</b>				
Property, plant and equipment	-	-	104	104
Deferred tax asset	-	-	8	8
Assets held at fair value	-	3,981	-	3,981
Available for sale financial assets	-	-	520	520
Trade and other receivables	-	-	3,061	3,061
Cash and cash equivalents	4,658	-	-	4,658
<b>Total assets</b>	<b>4,658</b>	<b>3,981</b>	<b>3,693</b>	<b>12,332</b>
<b>Liabilities</b>				
Financial liabilities held at fair value	-	(59)	-	(59)
Trade and other payables	(2,068)	-	(981)	(3,049)
<b>Total liabilities</b>	<b>(2,068)</b>	<b>(59)</b>	<b>(981)</b>	<b>(3,108)</b>
<b>Total equity</b>	<b>2,590</b>	<b>3,922</b>	<b>2,712</b>	<b>9,224</b>

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 £12,000 in the loss shown in the Consolidated Statement of Comprehensive Income. In the year ended 31 October 2018 a 10% movement in the all share AIM index would have increased or decreased the profit before taxation by approximately £27,000. A 10% equity price movement is considered reasonable by the Board as this represents the annual movement in the AIM All-Share Index.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### ***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 2019, the profit before taxation would have been increased by approximately £13,000 / decreased by £7,000. In the year ended 31 October 2018 a 0.5% movement in rates would have increased the profit before taxation by approximately £31,000 / decreased by £18,000. A 0.5% interest rate movement is considered reasonable by the Board and represents their assessment of reasonably possible change in interest rates.

Fixed rate cash financial assets of £2,000,000 (2018: £4,500,000) comprise sterling cash deposits at an average rate of 0.30% (2018: 0.30%). 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 2019 in respect of US\$17,000 (£13,000). There was a currency exposure for the Group and the Company at 31 October 2018 of US\$19,000 (£15,000). 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 (2018: £2,000).

The Group and Company had an aggregate currency exposure at 31 October 2019 in respect of EU€28,000 (£24,000). There was a currency exposure for the Group and the Company at 31 October 2018 of EU€24,000 (£21,000). 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 (2018: £2,000).

## 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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**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:

	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
<i>Held for trading:</i>		
Long market making equity positions	2,851	2,851
<i>Derivative financial assets:</i>		
Warrants	192	192
<b>Total assets held at fair value through P&amp;L</b>	<b>3,043</b>	<b>3,043</b>

The ageing of trade receivables at the previous reporting date was:

	31 October 2018 £'000
Not past due	789
Past due 31-60 days	97
Past due 61-90 days	5
Past due 91-120 days	179
Past due 121+ days	142
Provisions	(166)
<b>Total</b>	<b>1,046</b>

Movement in provision:

	31 October 2018 £'000
Opening balance	20
Amounts released	-
Amounts written off	(20)
Increase in provision	166
<b>Closing balance</b>	<b>166</b>

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**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; and
- 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.

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

**Group as at 31 October 2019**

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 - 2 Years</b>	<b>Between 2 - 5 Years</b>	<b>Over 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities at fair value through profit and loss	244	-	-	-	-
Trade and other payables	1,456	41	-	-	-
	<b>1,700</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Group as at 31 October 2018**

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 - 2 Years</b>	<b>Between 2 - 5 Years</b>	<b>Over 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities at fair value through profit and loss	59	-	-	-	-
Trade and other payables	1,850	39	-	-	-
	<b>1,909</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

**Company as at 31 October 2019**

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 - 2 Years</b>	<b>Between 2 - 5 Years</b>	<b>Over 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities at fair value through profit and loss	244	-	-	-	-
Trade and other payables	1,640	41	-	-	-
	<b>1,884</b>	<b>41</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Company as at 31 October 2018**

	<b>Up to 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 - 2 Years</b>	<b>Between 2 - 5 Years</b>	<b>Over 5 years</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Financial liabilities at fair value through profit and loss	59	-	-	-	-
Trade and other payables	2,029	39	-	-	-
	<b>2,088</b>	<b>39</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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 2018 and 2019 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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### 24.6 *Fair value estimation*

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the year ended 31 October 2019

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 2019**

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Assets</b>				
Long market making positions	2,851	-	-	<b>2,851</b>
Warrants	-	-	192	<b>192</b>
	2,851	-	192	<b>3,043</b>
<b>Liabilities</b>				
Short market making equity positions	244	-	-	<b>244</b>

**Group and Company as at 31 October 2018**

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

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

	31 October 2019 £'000	31 October 2018 £'000
At 1 November	<b>337</b>	245
Long market making positions	<b>(242)</b>	242
Net unrealised profit recognised in Statement of Comprehensive Income	<b>97</b>	-
Net unrealised loss recognised in Statement of Comprehensive Income	-	(150)
<b>At 31 October</b>	<b>192</b>	337

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 October 2019

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, in the prior year the position was classified as level 3 within the fair value hierarchy but once the shares were restored the position was classified as level 1 within the hierarchy.

### 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.

	<b>Fair value as at 31 October 2019 £'000</b>	<b>Valuation Technique</b>	<b>Unobservable input</b>	<b>Range</b>
Options	<b>192</b>	Black-Scholes Model	Historical Volatility	35-110%
	<b>192</b>			

### 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 £17,000 / decrease of £17,000 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:-

	<b>31 October 2019</b>
Entity Name	Arden Partners plc
Nature of Activities	Institutional Stockbroker
Geographic Location	UK
Turnover (£'000)	6,627
Average number of employees	50
Loss before tax (£'000)	2,558
Corporation tax paid	-
Public subsidies received	-

## CORPORATE INFORMATION

<b>Company Secretary</b>	Steven Douglas 5 George Road Edgbaston Birmingham B15 1NP
<b>Company Number</b>	04427253
<b>Nominated Advisor</b>	GCA Altium Limited 1 Southampton Street London WC2R 0LR
<b>Registrar</b>	Link Asset Services The Registry 34 Beckenham Road Beckenham BR3 4TU
<b>Lawyers</b>	BDB Pitmans LLP 50 Broadway Westminster London SW1H 0BL
<b>Auditors</b>	BDO LLP 150 Aldersgate Street Barbican London EC1A 4AB
<b>Bankers</b>	HSBC Bank plc 1 <sup>st</sup> Floor 60 Queen Victoria Street London EC4N 4TR
<b>Registered Office</b>	5 George Road Edgbaston Birmingham B15 1NP







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