

Arden Partners plc
Annual Report 2007





Arden Partners plc is an institutional stockbroking company. Its business consists of corporate finance, equity research, equity sales and market making activities. The Group provides broking services to, and advises on, a range of corporate finance transactions for small and medium sized companies in the UK markets.

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Highlights

◆ Turnover	Increase of 18%
◆ Underlying profit before tax*	Increase of 18%
◆ Profit before tax	Increase of 27%
◆ Final dividend	Proposed 4.5p per share

	Year ended 31 Oct 2007	Year ended 31 Oct 2006
Financial		
Turnover	£16.8m	£14.3m
Underlying profit before tax *	£5.5m	£4.7m
Profit before tax	£5.2m	£4.1m
Earnings per share:		
Basic	14.0p	11.0p
Underlying Basic **	15.4p	13.6p
Diluted	13.0p	10.5p
Underlying Diluted **	14.3p	13.0p
Dividend per ordinary share:		
Interim	2.20p	1.75p
Proposed final	4.50p	1.80p
Non-financial		
Funds raised for clients	£205m	£137m
Client brokerships	36	33
Average number of staff	50	44

* Profit before tax as adjusted for the effect of share based payments (FRS 20) and exceptional costs

** Underlying earnings as adjusted for the after-tax effect of share based payments and exceptional costs



Chairman's Statement

I am delighted to report that the Company continues to meet its objectives in growing the business and has achieved a record year. In the light of these strong results the Board has decided to recommend an increase in the anticipated final dividend.

The market is facing difficult times and to have achieved these results under such circumstances speaks volumes for the underlying quality of Arden's business model. Small cap markets in particular have become more difficult as risk aversion has increased amongst investors who have become more selective. I am pleased that we have made a good start to the current financial year and trading to date has given the Board confidence that the Company can grow in challenging conditions.

Since my last statement there have been a number of personnel changes not least the appointment of Jonathan Keeling as Chief Executive Officer ("CEO"). Tony Bartlett stepped down in early January in a scheduled move having fully met his objectives for the Company. I offer him our sincere thanks for his leadership skills whilst CEO and we are delighted that he will be remaining on the Board in a non-executive capacity. Jonathan has been involved with the Company since its inception and I am positive that he will lead continued growth and that he can look forward to the support of all.

We have seen some consolidation moves within our industry and uncertain market conditions will dictate more of the same. The Board will continue to be alert to potential opportunities that arise.

Finally, I would like to say thank you to our staff and our many clients for their contribution in making this another successful year.

Sir David Rowe-Ham

Chairman

8 January 2008



Operational and Financial Review

Growth Continues

Introduction

This has been our first full year as a Public Limited Company and we are pleased to have delivered significant success across each area of our business and to have delivered a record year. This continues the trend since the inception of the business some six years ago. Arden continues to attract new institutional and corporate clients and this remains our strategy for future growth. We have also continued to develop our research-led philosophy and we remain confident that this model minimises business risk in difficult and challenging markets

Financial Review

For the year ended 31 October 2007, turnover rose by 18% to £16.8 million (2006: £14.3 million). Profit before tax increased by 27% to £5.2 million (2006: £4.1 million). Underlying profit before tax increased by 18% to £5.5 million (2006: £4.7 million). Exceptional items in 2007 of £318,000 as reported in our interim release in July relates to costs associated with a potential acquisition which was terminated. Operating profit is stated after charging a provision of £500,000 (2006: £Nil) against certain investments held in the Balance Sheet.

Our concentration on controlling overheads has resulted in an increase in underlying operating margin to 33% (2006: 31%). Basic earnings per share increased by 27% to 14.0p from 11.0p and diluted earnings by 24% to 13.0p from 10.5p. Underlying basic earnings per share (having adjusted for the effects of share based payments and exceptional items) increased by 13% to 15.4p from 13.6p and underlying diluted earnings per share increased by 10% to 14.3p from 13.0p.

As the Chairman has stated, we are delighted by the performance of the Group in what has been difficult market conditions and where across our industry a number of Initial Public Offerings ("IPOs") have been either aborted or delayed. During the year we completed twenty-two transactions of which three were IPOs, twelve were secondary fundraising with the remainder being M&A and pre-IPO based transactions. In total we raised over £205 million for our clients.

The cash balance at the year end was £7.8m. Debtors include £2.2 m in respect of fees on two corporate transactions which were completed in the financial year where the cash was received shortly after the year end.

The Board are proposing a final dividend in respect of the year ended 31 October 2007 of 4.5p (2006: 1.8p) per ordinary share making a total of 6.7p (2006: 3.55p) per ordinary share. An interim dividend of 2.2p (2006: 1.75p) per ordinary share was paid on 4 October 2007. The final dividend will be paid on 11 April 2008 to shareholders on the register of members at 14 March 2008.

Equities Division

This has again been a record year for our Equities Division:

- Turnover 22% up from £6.1 million to £7.4 million

We have continued to improve the quality of our Equities Team in terms of the underlying staff, together with system requirements and our approach to relationship broking. We

continue the search for outstanding candidates to join Arden to further strengthen the quality of our sales and execution capability and the quality of our research product. We are delighted that a number of our analysts have again been rated for their research input to institutional clients.

Corporate Finance Division

The Corporate Finance Team has had another busy year delivering twenty-two transactions of which sixteen involved raising funds:

- Turnover 14% up from £8.2 million to £9.4 million
- Funds raised for clients £205 million (2006: £137 million)

In this financial year we delivered three IPOs in comparison with four last year and whilst this is another indicator of changing market conditions for delivery of new business to the AIM market it also indicates a strength that Arden is not heavily dependent on these transaction flows.

We have to date introduced four Indian focused businesses to the AIM market. The Indian market offers Arden a number of opportunities to see quality companies at an early stage in their cycle and we are keen to develop this market further in balance with UK and European based opportunities.

People

We have continued to invest in our staff whilst maintaining a tight control over our overhead base. This year has seen the introduction of a new long-term incentive share option plan and we have already seen the benefit in the quality of individuals who have joined this year.

I would like to mention Tony Bartlett who has stepped down as CEO having completed his objectives. Tony was instrumental in steering Arden through its own IPO and in its early stages as a PLC and I am grateful for his continued support in his new role.

We have an excellent team at Arden and I should like to thank them for all their achievements and hard work. We remain committed to grow the business and I look forward to their continued support.

Outlook

We have started the new financial year on a positive note with a number of secondary fundraisings and commission levels are satisfactory. The pipeline of potential corporate transactions remains encouraging and a number of these are showing reasonable visibility of delivery, however, we are always mindful of timing and the state of the market. We will continue to grow the client base and believe that our ability to attract and retain high quality individuals will help us to maintain our position as a first class stockbroking business.

Jonathan Keeling
Chief Executive Officer
8 January 2008



Corporate Governance

Introduction

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

The Directors and the Board

Following changes to the Board on 1 January 2008, it currently comprises six Directors, two of whom are Executive and four Non-Executives. The current composition is as follows:

Sir David Rowe-Ham*	Chairman
Jonathan Keeling	Chief Executive Officer
Trevor Norris	Group Finance Director and Company Secretary
Tony Bartlett	Non-Executive
Philip Dayer*	Non-Executive
Grahame Whateley	Non-Executive

(* denotes Independent Non-Executive Director)

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

The Board currently meets monthly and at other times as necessary. The Board is responsible for strategic and major operational issues affecting the Group. It reviews financial performance, monitors regulatory compliance, monitors key performance indicators and will consider ad hoc any matters of significance to the Group including corporate activity.

Re-election of Directors

In accordance with the Company's Articles, and to ensure compliance with the Combined Code, certain of the Directors are required to be re-elected at each Annual General Meeting of the Company. Tony Bartlett, Jonathan Keeling and Grahame Whateley have agreed to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. The Board supports their re-appointment having assessed their performance and value to the Board.

Remuneration Committee

The Remuneration Committee, which comprises the Independent Non-Executive Directors, is chaired by Sir David Rowe-Ham and has responsibility for determining remuneration aspects of Executive Directors. It makes its decisions in consultation with the CEO. No Director plays a part in any decision about their own remuneration. This Committee also reviews bonus and equity arrangements for the Group's other senior employees and in addition has responsibility for supervising the Arden Partners Share Option Scheme and the grant of options under its terms.

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

Audit Committee

The Audit Committee, which comprises the Independent Non-Executive Directors, is chaired by Philip Dayer and has responsibilities including the monitoring and review of:

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

Nominations Committee

The Board is currently of the opinion that given the present size of the Group, it is inappropriate to have an independent Nominations Committee, but will keep this matter under review.

Operations Board

The day to day business is managed by Jonathan Keeling, the CEO, in conjunction with the Heads of Department as follows:

- | | |
|----------------------|-------------------|
| • Richard Day | Corporate Finance |
| • David Larkam | Research |
| • James Reed-Daunter | Sales |
| • Stephen Cooper | Compliance |
| • Trevor Norris | Finance |

Risk

The Operations Board also serves as the Operational Risk Committee ("the ORC") and is charged with monitoring the various risk exposures including those which arise through trading and holding financial instruments. The ORC largely provides the resource for the vetting of prospective clients and proposed transactions.

Internal Control

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

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



Corporate Governance continued

Market risk exposure

The Group is exposed to market risk arising from its short-term positions in predominately market making stocks. The Group manages market risk by establishing individual stock limits and overall trading book limits agreed with the Royal Bank of Scotland, the Group's sponsor into CREST.

Currency risk

The Company does not have any material dealings in foreign currency, the majority of transactions are in UK based equities and hence denominated in sterling. The Company's policy is to minimise exposure to exchange rate movements and to hedge any material exposure in sterling using currency swaps, spot and forward foreign exchange contracts.

Interest rate risk and credit risk are referred to in note 28.

Going Concern

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



Board of Directors

Sir David Rowe-Ham

Independent Chairman and Chairman of Remuneration Committee

Sir David is currently Chairman of Olayan Europe Limited, Peninsula South Asia Investment Co Limited and the Senior Independent Non-Executive Director of Hikma Pharmaceuticals plc. He is a former Chairman of Brewin Dolphin Holdings plc and a former President of The Crown Agents Foundation. Sir David has served on the Boards of a number of companies including Chubb plc, Williams plc and Lloyds Bank plc (London Region) and is a former Lord Mayor of London.

Jonathan Keeling

Chief Executive Officer

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

Trevor Norris

Group Finance Director and Company Secretary

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

Tony Bartlett

Non-Executive Director

Tony was for many years a Senior Director of Beeson Gregory. Initially responsible as Head of Corporate Finance, he was promoted to be the Managing Director of the investment banking business. On the flotation of Beeson Gregory he became a Main Board Director. Tony's background is one of corporate finance having been a Partner at Coopers & Lybrand where he had responsibility for UK plc activities. He also represented Coopers & Lybrand as a Far East and Indian Liaison Partner and was a member of the Council of Partners. Tony joined Arden in January 2004 as Chairman of the Corporate Finance team and was appointed Chief Executive Officer in May 2006. Having overseen the IPO and subsequent management actions, Tony stepped down as CEO on 1 January 2008 and remains as a Non-Executive Director.

Philip Dayer

Independent Director and Chairman of Audit Committee

On qualifying as a Chartered Accountant with Peat, Marwick, Mitchell & Co, Philip pursued a career in investment banking as a Corporate Financier specialising in advising small and mid-market UK companies. He was appointed Advisory Director of Barclays Merchant Bank Limited in 1983 and since then has held the position of Corporate Finance Director with a number of banks including Old Mutual Securities and Hoare Govett Limited. He retired from Hoare Govett Limited in 2004. During 2005 and 2006, Philip was a Financial Consultant to OJSC Rosneft Oil Company, the Russian state-owned oil and gas company, ending on their successful flotation. He is Non-Executive Chairman of Baltic Oil Terminals PLC and County Contact Centres plc and is a Non-Executive Director of Dana Petroleum plc and Aveva Group PLC.

The Board considers Philip to be an Independent Director with recent relevant financial experience as he is a Chartered Accountant.

Grahame Whateley

Non-Executive Director

After qualifying as a surveyor, Grahame formed Castlemore Securities plc over 36 years ago. Its group now has net assets in excess of £250 million. In addition, he is also Chairman of the Cedar Group of companies, which has net assets of £65 million, which he also started over 36 years ago. Grahame is Non-Executive Chairman of Commatech Holdings Limited, Liquidity Limited, and of RDM Group Limited. Formerly the Chairman of Arden Partners, he has been involved with the business since its formation.



Report of the Directors

The Directors present their Annual Report and audited Financial Statements for the financial year ended 31 October 2007.

Principal Activities

The principal activity is that of a research led institutional stockbroking firm. Arden Partners offers institutional agency broking services in small and mid cap stocks together with extensive corporate finance advice to this sector of the stock market.

Business Review and Future Developments

A review of the Group's operations and performance during the financial year, setting out the position at the year end, significant changes during the year and providing an indication of the outlook for the future, is contained in the Operational and Financial Review.

Principal risks and uncertainties

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

Other risks include credit risk and liquidity risk and an explanation of these is set out in note 28 on page 30.

Results and Dividends

The Consolidated Profit and Loss Account for the year is set out on page 13.

The Directors propose to pay a final ordinary dividend of 4.5p per share (2006: 1.8p). This, when taken with the interim dividend of 2.2p per ordinary share paid on 4 October 2007 gives a total dividend of 6.7p per share in respect of the year ended 31 October 2007 (2006: 3.55p).

Directors

The Directors of the Company who held office since 1 November 2005 or were appointed thereafter are as follows:

	Board	Audit Committee	Remuneration Committee
Total number of meetings	12	2	2
• Sir David Rowe-Ham	12	2	2
• Tony Bartlett	12	-	-
• Philip Dayer	12	2	2
• Jonathan Keeling	10	-	-
• Trevor Norris	12	-	-
• Grahame Whateley	12	-	-

Directors' Interest

The interest of current Directors in shares and options are disclosed in the Directors' Remuneration Report set out on pages 9 and 10.

Significant Shareholdings

In addition to the current Directors' interests shown on page 10, the Directors have been notified that the following shareholders had interests in 3% or more of the Company's ordinary share capital at 7 January 2008.

Individuals	%
Richard Day	5.26
James Reed-Daunter	4.75
Robert Griffiths	4.75
Mark Braddock	4.41
Dominic King	4.07
John Gould	4.05
David Larkam	4.05
Ben Thefaut	3.46
Tim Richmond	3.44
John Cassie	3.39

Institutional holders

Universities Superannuation Scheme	8.32
Scottish Widows	7.01
Aegon	5.52
Standard Life Investments	3.55
BlackRock Merrill Lynch	3.23

Share Capital

Information relating to the Company's ordinary share capital is shown in note 17 to the Financial Statements.

Employee Share Trusts

The Group currently operates one Employee Benefit Share Trust, Arden Partners EBT Limited, which administers the Arden Partners plc share schemes as corporate Trustee. At 31 October 2007 the Trust held 669,600 (2006: 669,600) shares at a carrying cost of £0.2 million and a market value of £1.1 million. The Trustees have agreed to hold these shares to satisfy options granted under a share option scheme (the Arden Partners Old Scheme – see page 26) prior to the Company's admission on to AIM.

Employment Policies

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

Charitable and Political Donations

The Group made charitable donations amounting to £5,198 (2006: £2,850) during the year. The Group did not make any political donations. (2006: £Nil).



Report of the Directors continued

Supplier Payment Policy

It is the Company's intention to settle debts with its creditors on a timely basis, taking into consideration the terms and conditions offered by each supplier. The number of supplier days outstanding at the year end, based on the average monthly outstanding Company creditor balances, was 25 days (2006: 39 days).

Directors' and Officers' Liability Insurance

The Company purchases and maintains liability insurance for its Directors and Officers as permitted by the Companies Act 1985.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are contained in note 28 of the Financial Statements.

Auditors

All of the current 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 Stoy Hayward LLP have expressed their willingness to continue in office and pursuant to section 384 (1) of the Companies Act 1985, an ordinary resolution re-appointing them as auditors and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Trevor Norris

Company Secretary
8 January 2008



Directors' Remuneration Report

Introduction

Whilst the Group is not obliged to comply with the Directors' Remuneration Report Regulations 2002, the Directors have agreed to adopt the ethos of those regulations and to disclose information relating to the current Directors. The Report also describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. This Report is not subject to audit and a resolution to approve it will be proposed at the Annual General Meeting of the Company at which the Financial Statements are to be approved.

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 reward structure aims to reconcile the remuneration arrangements of competitors and the merits of other senior Group employees who are not Directors.

The Group operates in the investment banking and equities arena where it is common practice to pay substantial bonuses to those whose performance is outstanding. This compensates for basic salaries which are capped and for the risk of little or no bonus in the event of difficult market conditions.

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 review 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 17 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 may incorporate performance criteria.

Directors' Remuneration

A summary of the total remuneration paid to current Directors is set out below:

	Note	Salary/ Fees £'000	Pension contributions £'000	Annual performance cash bonus £'000	Benefits in kind £'000	Total 2007 £'000	Total 2006 £'000
Executive Directors							
Jonathan Keeling	1	100	209	65	2	376	262
Trevor Norris		100	39	50	2	191	139
Non-Executive Directors							
Sir David Rowe-Ham		50	–	–	–	50	22
Tony Bartlett	2	100	–	75	–	175	77
Philip Dayer		30	–	–	–	30	18
Grahame Whateley		25	–	–	–	25	118
Total		405	248	190	4	847	636

Notes:

- 1) Bonus incorporates an element relating to performance as a senior equity salesman.
- 2) Relates to his services during his term as CEO.



Directors' Remuneration Report continued

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 2007 Number	Percentage interest	31 October 2006 Number
Executive Directors			
Jonathan Keeling	1,173,990	4.75%	1,173,990
Trevor Norris	627,750	2.54%	627,750
Non-Executive Directors			
Sir David Rowe-Ham	30,864	0.13%	30,864
Tony Bartlett	837,000	3.39%	837,000
Philip Dayer	30,864	0.13%	30,864
Grahame Whateley	1,174,010	4.75%	1,174,010

Directors' Interests in Share Options

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

	Note	31 October 2006 Number	Options granted in year Number	31 October 2007 Number
Executive Directors				
Jonathan Keeling		–	–	–
Trevor Norris	1	167,399	–	167,399
Non-Executive Directors				
Tony Bartlett	1	334,798	–	334,798
Totals		502,197	–	502,197

Note:

- 1) These options were granted under the Arden Partners Limited Share Option Scheme ("the Old Scheme") on 24 April 2006, in their capacity as Executive Directors, and no performance criteria are attached to the exercise of these options. These options can not normally be exercised until 24 April 2009 at a price of 47.8p per share and have an expiry date of 24 April 2016. Further details of option schemes are set out in note 17 to the Financial Statements.

Approval

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

Sir David Rowe-Ham

Chairman of the Remuneration Committee
8 January 2008



Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The following statement, which should be read in conjunction with the Report of the Independent Auditor set out on page 12, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the Independent Auditor in relation to the Financial Statements.

The Directors are responsible for preparing the Annual Report and the Financial Statements. The Directors have chosen to prepare Financial Statements for the Company and Group in accordance with applicable law and UK Generally Accepted Accounting Practice.

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company and Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial Statements are published on the Company's website in accordance with legislation in the UK 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 and extends to the ongoing integrity of the Financial Statements contained therein.



Report Of The Independent Auditor to the Shareholders of Arden Partners plc

We have audited the Group and Company Financial Statements (the "Financial Statements") of Arden Partners plc for the year ended 31 October 2007 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those Financial Statements. We also report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Highlights, the Report of the Directors, the Chairman's Statement, the Operational and Financial Review, the Corporate Governance Statement, the Directors' Biographies and the Directors' Remuneration Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Group's affairs as at 31 October 2007 and of its profit for the year then ended;
- the Company Financial Statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 October 2007;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the Financial Statements.

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants and Registered Auditors
London
8 January 2008



Consolidated Profit And Loss Account

For the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Turnover	2	16,774	14,274
Administrative expenses		(12,071)	(10,392)
Operating profit	3	4,703	3,882
Interest receivable and similar income		461	206
Interest payable and similar charges	7	(3)	(38)
Profit on ordinary activities before taxation		5,161	4,050
Taxation on profit on ordinary activities	8	(1,704)	(1,489)
Profit on ordinary activities after taxation	18	3,457	2,561
Earnings per share			
Basic	9	14.0p	11.0p
Diluted	9	13.0p	10.5p

Note - All results are in respect of continuing activities.



Consolidated Statement Of Total Recognised Gains And Losses

For the year ended 31 October 2007

	2007	2006
	£'000	£'000
Profit the financial year and total recognised gains and losses for the financial year	3,457	2,561
Prior year adjustment – preference share dividend	–	(337)
Total gains and losses recognised since last financial statements	3,457	2,224



Consolidated Balance Sheet

At 31 October 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	10		512		388
Current assets					
Long market making positions and similar investments	12	2,009		1,800	
Market debtors	13	6,114		6,094	
Other debtors	14	3,639		1,075	
Debtors		9,753		7,169	
Cash at bank and in hand	15	7,855		8,260	
		19,617		17,229	
Creditors: amounts falling due within one year	16	(9,798)		(9,828)	
Net current assets			9,819		7,401
Total assets less current liabilities			10,331		7,789
Capital and reserves					
Called up share capital	17		2,470		2,470
Share premium account	18		2,646		2,646
Employee Benefit Trust Reserve	18		(200)		(200)
Profit and loss account	18		5,415		2,873
Shareholders' funds	19		10,331		7,789

The Financial Statements were approved by the Board of Directors and authorised for issue on 8 January 2008.

Trevor Norris
Group Finance Director

Philip Dayer
Chairman of Audit Committee



Company Balance Sheet

At 31 October 2007

	Note	2007 £'000	2007 £'000	2006 £'000	2006 £'000
Fixed assets					
Tangible assets	10		512		388
Fixed asset investments	11		–		–
			512		388
Current assets					
Long market making positions and similar investments	12	2,009		1,800	
Market debtors	13	6,114		6,094	
Other debtors	14	3,639		1,075	
Debtors		9,753		7,169	
Cash at bank and in hand	15	7,855		8,260	
		19,617		17,229	
Creditors: amounts falling due within one year	16	(9,798)		(9,828)	
Net current assets			9,819		7,401
Total assets less current liabilities			10,331		7,789
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Called up share capital	17		2,470		2,470
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Employee Benefit Trust reserve	18		(200)		(200)
Profit and loss account	18		5,415		2,873
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Trevor Norris
Group Finance Director

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Consolidated Cash Flow Statement

For the year ended 31 October 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from trading results	23	2,339	4,218
Exceptional cash flow – flotation costs		(318)	(613)
Net cash inflow from operating activities		2,021	3,605
Returns on investments and servicing of finance	24	458	(176)
Taxation	24	(1,575)	(1,800)
Capital expenditure and financial investment	24	(360)	(315)
Dividends paid (equity)		(949)	(400)
Cash inflow before use of liquid resources and financing		(405)	914
Management of liquid resources	24	(1,393)	1,026
Financing	24	–	1,731
Increase in cash	25	(1,798)	3,671

Notes to the Consolidated and Company Financial Statements

1) Accounting Policies

The Group Financial Statements have been prepared under the historical cost convention and are in accordance with applicable UK accounting standards.

Accounting period

These Financial Statements represent the year ended 31 October 2007.

The following principal accounting policies have been applied:

Consolidated financial statements

The Group Financial Statements consolidate the results of Arden Partners plc and its subsidiary undertakings as at 31 October 2007, using the acquisition method of accounting. The Company has taken advantage of the exemption allowed under Section 230 of the Companies Act 1985 and has not presented its own Profit and Loss Account in these Financial Statements. The Company's profit for the year after tax was £3.5 million (2006: £2.6 million).

Turnover and revenue recognition

Turnover represents the net profit of shares traded on a principal basis, commissions and fees earned from trading shares on an agency basis, together with fees derived from corporate finance activities and broking services.

The Company recognises revenue at the point of completing an assignment to the extent that it has obtained the right to consideration through performance of its services to clients. Where the consideration includes financial instruments or other non-cash items, revenue is measured at fair value using an appropriate valuation method and taken to turnover with a corresponding asset being carried forward in the Balance Sheet as current asset investments.

Contingent revenue is not recognised until contingent events have been satisfied.

Investments

Investments are held at cost less provision for impairment. Where investment assets are received as revenue consideration the fair value of the assets at the date of receipt is treated as cost.

Market making positions

Long and short positions arising from market making activity are carried at cost, in either current assets or creditors, with resultant realised profits and losses being included in turnover. Unsettled trades arising from market making are included within market debtors or creditors.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by shareholders at an Annual General Meeting. Dividends unpaid at the Balance Sheet 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.

Tangible Fixed Assets

Tangible fixed assets are stated at cost, net of depreciation and impairment in value.

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

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

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- the recognition of deferred tax assets is limited to the extent that the Company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.



Notes to the Consolidated and Company Financial Statements continued

Leased assets

Assets acquired under finance leases where the Group has substantially all the risks and rewards of ownership are capitalised. The outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the Profit and Loss Account on a straight-line basis over the period of the lease.

Pension costs

Contributions to defined contribution pension schemes are charged to the Profit and Loss Account in the period in which they become payable.

Employee Benefit Trust

The Arden Partners Employee Benefit Trust ("the EBT") was set up to provide a vehicle to purchase and sell shares in the Company obviating the need for the Company to repurchase legally its own shares.

In accordance with FRS 5 and UITF 38, assets and liabilities of the EBT are recognised as assets and liabilities of the Company and an employee benefit trust reserve has been created to represent the cost of shares acquired. Payments and receipts by the Trust on the purchase and sale of the Company's own shares are reported directly in the reconciliation of movement in shareholders' funds.

Arden Partners EBT Limited is a wholly owned subsidiary of Arden Partners plc and its sole activity is as Corporate Trustee for the Arden Partners Employee Benefit Trust.

Financial instruments

Financial instruments are measured initially and subsequently at cost. Short-term debtors and creditors have been excluded from the financial instrument disclosures in note 28.

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.

IFRS

It is a requirement that all AIM quoted companies adopt International Financial Reporting Standards ("IFRS") for reporting their results for financial years beginning on or after 1 January 2007. Both the Group's April 2008 interim results and October 2008 full year results will therefore be presented under IFRS. This is purely an accounting change and will not affect the Group's business operations or underlying cash flows.

The implications of the transition to IFRS for the Group are currently being reviewed, the most significant impact on the financial statement as a result of adopting IFRS is considered to be the Fair value accounting requirements of financial assets and liabilities that the Group have historically recorded at cost. These assets and liabilities are long and short market making positions and current asset investments.

2) Turnover

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

	2007	2006
	£'000	£'000
Commission and market making	7,396	6,082
Corporate finance	9,378	8,192
	16,774	14,274

The Directors are of the opinion that there are only two business segments and that business resources can not be readily allocated to segments for the purposes of deriving either profit or net assets.



Notes to the Consolidated and Company Financial Statements continued

3) Operating Profit

	2007	2006
	£'000	£'000
This is arrived at after charging:		
Depreciation of tangible fixed assets	236	145
Hire of other assets - operating leases on land and buildings	181	214
Exceptional expenses:		
Aborted transaction charges	318	–
Costs of flotation	–	613
Auditor's remuneration:		
Audit services:		
Company	44	43
Subsidiaries	1	1
Tax services	19	17
Payroll and pension services	12	6
Corporate finance services:		
Included within exceptional expenses	110	75
Deducted from share premium reserve	–	6
Share based payments (FRS 20)	34	17
Provision for permanent diminution in investments	500	–

4) Dividends

	2007	2006
	£'000	£'000
Interim paid of 2.2p (2006: 1.75p) per share	543	400
Final dividend proposed for the year of 4.5p (2006: 1.8p) per share	1,112	445
Total for the financial year	1,655	845

The proposed final dividend has not been accrued for as the dividend was declared after the Balance Sheet date.

5) Employees

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

	2007	2006
	£'000	£'000
Wages and salaries	3,568	2,881
Incentive payments	2,150	2,267
Share-based payments (see note 17 for further details)	34	17
Social security costs	737	655
Other pension costs	631	313
	7,120	6,133

The average number of employees (including Directors) during the year in the Company and the Group was 50 (2006: 44) of which 43 (2006: 37) are front-office and the remainder are administration.



Notes to the Consolidated and Company Financial Statements continued

6) Directors' Remuneration

	2007	2006
	£'000	£'000
Directors' emoluments	599	1,695
Company contributions to money purchase pension schemes	248	112

Comparative numbers in respect of 2006 include a number of Directors who resigned prior to the Company's admission to AIM in July 2006. There were 2 Directors in the defined contribution pension schemes during the year (2006: 13).

The total amount payable to the highest paid Director in respect of emoluments was £376,000 (2006: £262,000). Company pension contributions of £209,000 (2006: £12,000) 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 9 and 10.

7) Interest Payable and Similar Charges

	2007	2006
	£'000	£'000
Bank loans and overdrafts	3	–
Dividend on preference share capital	–	38
	3	38

8) Taxation on Profit on Ordinary Activities

	2007	2006
	£'000	£'000
UK Corporation tax		
Current tax on profits of the year	1,721	1,513
Adjustment in respect of previous periods	2	(16)
Total current tax	1,723	1,497
Deferred tax		
Origination and reversal of timing differences	(9)	(8)
Adjustment in respect of previous periods	(10)	–
Taxation on profit on ordinary activities	1,704	1,489

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

Notes to the Consolidated and Company Financial Statements continued

	2007	2006
	£'000	£'000
Profit on ordinary activities before tax	5,161	4,050
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2006 - 30%)	1,548	1,215
Effect of:		
Expenses not deductible for tax purposes	163	290
Depreciation in excess of capital allowances	8	(16)
Adjustment to tax charge in respect of previous periods	2	(16)
Other short-term timing differences	2	23
Current year tax charge	1,723	1,496

9) 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 the appropriate tax treatment.

	Year ended 31 October 2007		Year ended 31 October 2006	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
Basic Earnings	14.0	3,457	11.0	2,561
Add: FRS 20 share-based payments	0.1	34	–	17
Add: Aborted acquisition costs	1.3	318	–	–
Add: FRS 25 flotation costs	–	–	2.6	613
Underlying Basic Earnings	15.4	3,809	13.6	3,191
Diluted Earnings	13.0	3,457	10.5	2,561
Add: FRS 20 share-based payments	0.1	34	–	17
Add: Aborted acquisition costs	1.2	318	–	–
Add: FRS 25 flotation costs	–	–	2.5	613
Underlying Diluted Earnings	14.3	3,809	13.0	3,191

	Year ended 31 October 2007	Year ended 31 October 2006
	Number	Number
Denominator		
Weighted average number of shares in issue for Basic Earnings calculation	24,701,872	23,382,745
Weighted average dilution for outstanding share options	1,941,819	1,098,373
Weighted average number for Diluted Earnings calculation	26,643,691	24,481,118

Notes:

- On 21 September 2007, 800,000 options were issued under the auspice of the Arden Partners Share Plan 2007 (a long-term incentive plan). 750,000 of these have performance targets which began on 1 November 2007 and which therefore have an effective exercise date beyond 31 October 2010. Accordingly, these options have been excluded from the weighted average calculation for diluted earnings and no FRS 20 charge is made to the Profit and Loss Account.
- These accounts include a £500,000 provision for a permanent diminution against current asset investments. Should earnings per share be adjusted to take account of this adjustment basic and diluted earnings figures would be as follows:



Notes to the Consolidated and Company Financial Statements continued

9) Earnings per share (continued)

	Year ended 31 October 2007		Year ended 31 October 2006	
	Pence per Share	Numerator £'000	Pence per Share	Numerator £'000
Underlying Basic Earnings per above	15.4	3,809	13.6	3,191
Add: After tax effect for the provision for permanent diminution in current asset investments	1.4	350	–	–
Underlying Basic Earnings having adjusted for provision for permanent diminution	16.8	4,159	13.6	3,191
Diluted Earnings per above	14.3	3,809	13.0	3,191
Add: After tax effect for the provision for permanent diminution in current asset investments	1.3	350	–	–
Underlying Diluted Earnings having adjusted for provision for permanent diminution	15.6	4,159	13.0	3,191

10) Tangible Fixed Assets

Company and Group

	Improvements to leasehold buildings £'000	Fixtures fittings and equipment £'000	Total £'000
Cost			
At 1 November 2006	117	686	803
Additions	116	244	360
At 31 October 2007	233	930	1,163
Depreciation			
At 1 November 2006	89	326	415
Provided for the year	40	196	236
At 31 October 2007	129	522	651
Net book value			
At 31 October 2007	104	408	512
At 31 October 2006	28	360	388



Notes to the Consolidated and Company Financial Statements continued

11) Fixed Asset Investments

Company

	Group undertakings
	£
Cost	
At 1 November 2006 and 31 October 2007	2

The Company owns the whole of the issued share capital of Arden Partners Nominees Limited, a company registered in England. The Company's sole activity is the holding of investments for clients of Arden Partners plc. The Company has not traded and at 31 October 2007 its net assets were £2 (2006: £2)

The Company also owns the whole of the issued share capital of Arden Partners EBT Limited, a Company registered in England. The Company's sole activity is as corporate trustee for the Arden Partners Employee Benefit Trust. At 31 October 2007 its net assets were £39,000 (2006: £12,000)

12) Long Market Making Positions and Similar Investments

Group and Company

	2007	2006
	£'000	£'000
Long market making positions	1,617	1,218
Current asset investments	392	582
	2,009	1,800

At 31 October 2007 the market value of the current asset investments was £2,167,000 (2006: £1,150,000).

13) Market debtors

Group and Company

	2007	2006
	£'000	£'000
Commission debtors	412	184
CREST settlement debtors	5,702	5,910
	6,114	6,094

All amounts shown under Market debtors fall due for payment within one year.



Notes to the Consolidated and Company Financial Statements continued

14) Other Debtors

Group and Company

	2007	2006
	£'000	£'000
Accounts receivable	1,768	403
Other debtors	216	166
Prepayments and accrued income	1,603	473
Deferred taxation	52	33
	3,639	1,075

Except for deferred tax, all amounts shown under other debtors fall due for payment within one year.

Group and Company

	Deferred taxation £'000
At 1 November 2006	33
Credited to Consolidated Profit and Loss Account	19
At 31 October 2007	52

Deferred taxation

	2007	2006
	£'000	£'000
Accelerated capital allowances	(6)	(14)
Sundry timing differences	58	47
	52	33

15) Cash at Bank and in Hand

Group and Company

	2007	2006
	£'000	£'000
Cash and bank balances	3,300	5,098
Call deposits	4,555	3,162
	7,855	8,260

Notes to the Consolidated and Company Financial Statements continued

16) Creditors: Amounts falling due within one year

Group and Company

	2007	2006
	£'000	£'000
Short market making positions	16	214
CREST settlement creditors	5,169	5,148
Trade creditors	324	435
Corporation tax	806	677
Other taxation and social security	217	288
Other creditors	206	156
Accruals and deferred income	3,060	2,910
	9,798	9,828

17) Share Capital

	Authorised		Allotted, called up and fully paid	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Equity share capital				
40,000,000 Ordinary shares of 10p each	4,000	4,000	–	–
24,701,872 Ordinary shares of 10p each	–	–	2,470	2,470

Options over the Company's shares outstanding

	31 October 2007		Number of shares	31 October 2006		
	Number of shares	Option Price (p)		Option Price (p)	Date first exercisable	Expiry Date
Arden Partners Old Scheme	2,632,352	47.8	2,958,780	47.8	25/4/2009	25/4/2016
Arden Partners Share Plan 2007	800,000	10.0	–	–	20/9/2010	20/9/2017
Outstanding at the end of the year	3,432,352		2,958,780			
Exercisable at the year end	–		–			
Not exercisable at the year end	3,432,352		2,958,780			
Outstanding at the end of the year	3,432,352		2,958,780			



Notes to the Consolidated and Company Financial Statements continued

17) Share Capital (continued)

The movement and weighted average exercise prices of share options are as follows:

	Number of Options 2007	Weighted Average Exercise price (p) 2007	Number of Options 2006	Weighted Average Exercise price (p) 2006
At 1 November 2006	2,958,780	47.8	-	-
Exercised during the year	-	-	-	-
Granted during the year	800,000	10.0	2,958,780	47.8
Lapsed during the year	(326,428)	(47.8)	-	-
At 31 October 2007	3,432,352	39.0	2,958,780	47.8

Share-based payments

The share options granted under the Arden Partners Share Plan 2007 during the year are equity settled options. The vesting condition for all options requires the option holders to still be in the employment of the Company at the exercise date.

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. 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.

The assumptions underlying the calculations within Black-Scholes were as follows:

	Arden Partners Share Plan 2007
Fair value at measurement date	147.7p
Exercise price	10.0p
Stock Price at date of grant	162p
Expected volatility	30%
Option life (in years)	3
Dividend yield	4%
Risk free interest rate	5.75%

The total expenses recognised for the period arising from share based payments are as follows:

	2007	2006
	£'000	£'000
Expensed during the year (equity settled)		
<i>(included within employee costs as set out in note 5)</i>	34	17

Notes to the Consolidated and Company Financial Statements continued

18) Reserves

Group and Company

	Share Premium £'000	Employee Benefit Trust reserve £'000	Profit and Loss account £'000
At 1 November 2006	2,646	(200)	2,873
Dividends paid	–	–	(949)
Profit for the year	–	–	3,457
Share-based payments	–	–	34
At 31 October 2007	2,646	(200)	5,415

19) Reconciliation of Movements in Shareholders' Funds

Group and Company

	2007 £'000	2006 £'000
Profit for the year	3,457	2,561
Reinstatement of share-based payments expense	34	17
Issue of shares net of flotation costs	–	2,831
Creation of capital redemption reserve on repayment of preference shares	–	(900)
Capitalisation of redemption reserve	–	900
Equity dividends paid	(949)	(400)
Shares purchased by EBT	–	(200)
Net additions to shareholders' funds	2,542	4,809
Opening shareholders' funds	7,789	2,980
Closing shareholders' funds	10,331	7,789

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 amounted to £631,000 (2006: £313,000). Contributions amounting to £161,000 (2006: £156,000) were payable to schemes and are included in creditors.

21) Commitments Under Operating Leases

The Company and Group had annual commitments under non-cancellable operating leases as set out below:

	2007 £'000	Land and buildings 2006 £'000
Operating leases which expire after five years	181	160



Notes to the Consolidated and Company Financial Statements continued

22) Related Party Disclosures

There are no related party transactions requiring disclosure.

23) Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	2007	2006
	£'000	£'000
Operating profit	4,703	3,882
Exceptional costs	318	613
Operating profit pre-exceptional	5,021	4,495
Depreciation of tangible fixed assets	236	145
Increase in long market making positions and similar investments	(209)	(1,052)
Increase in debtors	(2,584)	(801)
(Decrease)/increase in creditors	(159)	1,414
Share-based payments	34	17
Net cash inflow from Operating Activities	2,339	4,218

24) Analysis of Cash Flows for headings netted in the Cash Flow Statement

	2007	2006
	£'000	£'000
Returns on investment and servicing of finance		
Interest received	461	199
Interest paid	(3)	(375)
	458	(176)
Taxation		
Corporation tax paid	(1,575)	(1,800)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(360)	(315)
Management of liquid resources		
(Increase)/decrease in call deposits	(1,393)	1,026
Financing		
Issue of ordinary shares	–	3,000
Expenses of share issue	–	(169)
Redemption of preference shares	–	(900)
Employee Benefit Trust share purchase	–	(200)
	–	1,731

Notes to the Consolidated and Company Financial Statements continued

25) Reconciliation of Net Cash Flow to Movement in Net Funds

	2007	2006
	£'000	£'000
(Decrease)/increase in cash	(1,798)	3,671
Cash outflow from changes in debt	–	900
Cash (inflow)/outflow from changes in liquid resources	1,393	(1,026)
Movement in net funds	(405)	3,545
Opening net funds	8,260	4,715
Closing net funds	7,855	8,260

26) Analysis of Net Funds

	At 31	At 1
	October	November
	2007	2006
	£'000	£'000
Cash at bank and in hand	3,300	5,098
Other liquid resources	4,555	3,162
Net Funds	7,855	8,260

27) Post Balance Sheet Events

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

28) Financial Instruments

Management of financial risks:

The Group's financial risks consist mainly of:

- **Market risk**
The Group's major financial risk arises from its short-term positions in predominately market making stocks. The Group manages market risk by establishing individual stock limits and overall trading book limits agreed with the Royal Bank of Scotland, the Group's sponsor into CREST.
- **Currency exposure**
The Company does not have any material dealings in foreign currency, the majority of transactions are in UK based equities and hence denominated in sterling. The Company's policy is to minimise exposure to exchange rate movements and to hedge any material exposure in sterling using currency swaps, spot and forward foreign exchange contracts.

Financial Assets:

The Group's financial assets, excluding market and other short-term debtors, consist mainly of:

- **Long market making positions**
Long market making positions arise on a daily basis as a result of the Group's activities and are stated at cost in accordance with the Accounting Policy as set out on page 18.
- **Current asset investments**
These comprise warrants or shares granted to the Group as part of fee arrangements on corporate finance transactions. These are held at cost less any impairment. Cost is determined by reference to an appropriate valuation model.



Notes to the Consolidated and Company Financial Statements continued

28) Financial Instruments (continued)

- Call deposits

Where cash surpluses arise in the short-term, interest at fixed rates above LIBID is earned on Call Deposits placed with reputable banks.

Financial Liabilities:

Other than market and other short-term creditors there are no other financial liabilities.

Interest rate of financial assets:

Fixed rate cash financial assets of £4,555,000 (2006: £3,162,000) comprise sterling cash deposits on money markets at an average rate of 5.55% (2006: 4.91%). Remaining cash was held on current accounts attracting interest based on LIBID. Other financial assets do not have maturity dates and do not currently attract interest.

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities as at 31 October 2007 and 31 October 2006.

Group and Company

	2007		2006	
	Book Value £'000	Fair Value £'000	Book Value £'000	Fair Value £'000
Financial assets				
Long market making positions and similar investments	2,009	2,167	1,800	2,375
Cash (Sterling)	7,816	7,816	8,260	8,260

The fair value of long market making positions and similar investments is determined by reference to market bid and offer prices.

Principal Risks and uncertainties

The principal risks and uncertainties facing the Group and the steps taken to mitigate the effects are as follows:

Market risk

Adverse market conditions may have a significant negative effect on revenues and profitability. The Group mitigates some of this risk by targeting revenues across a number of sectors of the market and, by careful control of overheads.

Underwriting activities, credit risks and exposure to losses

Underwriting equity issues involves both regulatory and financial risks. The Group could incur losses if it is unable to resell securities it has committed to purchase or if it is forced to liquidate its commitment at less than the agreed purchase price. The Group mitigates this risk through a careful vetting and underwriting process to ensure that such positions are managed.

The Group may also be subject to substantial liabilities for omissions or misstatements in prospectuses and other communications with respect to equity offerings and may be exposed to litigation or claims arising from such offerings, from negligent advice or from omissions in general. Such risks are mitigated from the adoption of a corporate finance manual which sets out clear and precise policies and procedures to be adopted in the management of corporate transactions.

Third parties that owe the Group money, securities or other assets may not perform their obligations to the Group, due to operational failure, lack of liquidity, bankruptcy or otherwise. The Group mitigates this risk through the vetting process which identifies all counterparties and on which the Group carries out appropriate money laundering checks and credit checks.



Notes to the Consolidated and Company Financial Statements continued

Regulatory regime

The regulatory regime applicable to companies such as the Company is under regular review and future changes made by a regulatory body could impose a greater burden on the Company with consequential additional costs. Under such circumstances, the Company can only continue to monitor the regulatory regime and to be aware of the potential impact of any such changes.



Corporate Information

Company Secretary and Registered Office

Trevor Norris
Arden House
Highfield Road
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B15 3DU

Direct line : 0121 423 8990
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Company Number

4427253

Corporate Brokers

Altium Capital Limited
30 St James's Square
London
SW1Y 4AL

Financial PR Advisor

Buchanan Communications
45 Moorfields
London
EC2Y 9AE

Registrar

Capita IRG Plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Lawyers

Eversheds LLP
Senator House
85 Queen Victoria Street
London
EC4V 4JL

Auditors

BDO Stoy Hayward LLP
55 Baker Street
London
W1U 3LL

Bankers

Royal Bank of Scotland plc
City of London Commercial Banking Centre
7th Floor
280 Bishopsgate
London EC2M 4RB

HSBC Bank plc
130 New Street
Birmingham
B2 4JU



Notice of Meeting

Notice is hereby given that the Annual General Meeting of Arden Partners plc ("the Company") will be held at 45 Moorfields, London, EC2Y 9AE on 7 April 2008 at 11.00 a.m. for the following purposes:

Ordinary Business

1. To receive and adopt the Company's Financial Statements for the year ended 31 October 2007, together with the Directors' Report, Directors' Remuneration Report and Report of the Independent Auditor on those Financial Statements.
2. To declare a final dividend for the year ended 31 October 2007 of 4.5p per ordinary share of 10p each in the Company, to be paid on 11 April 2008 to members whose names appear on the register of members at the close of business on 14 March 2008.
3. To re-elect Mr Anthony David Bartlett as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
4. To re-elect Mr Jonathan Blanshard Keeling as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
5. To re-elect Mr John Grahame Whateley as a Director, who is retiring by rotation in accordance with the Company's Articles of Association.
6. To reappoint BDO Stoy Hayward LLP as auditors to the Company, to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at which the Financial Statements are laid and to authorise the Directors to fix their remuneration.

To transact any other ordinary business of the Company.

Special Business

As special business, to consider and, if thought fit, pass the following resolutions which will be proposed as to resolution number 7 as an ordinary resolution and as to resolutions numbered 8 and 9 as special resolutions:

7. That, subject to and in accordance with Article 16 of the Articles of Association of the Company, the Directors of the Company be generally and unconditionally authorised in accordance with section 80 of the Companies Act 1985 (in substitution for any existing authority to allot relevant securities) to exercise all the powers of the Company to allot relevant securities (within the meaning of such section) up to a maximum aggregate nominal value of £823,395, such authority to expire on the earlier of the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of the passing of this resolution, but so that the Company may before such expiry make offers or agreements which would or might require relevant securities of the Company to be allotted after such expiry, and the Directors may allot relevant securities in pursuance of such offers or agreements as if the authority conferred by this resolution had not expired.
8. That, subject to the passing of resolution 7 as set out in the notice of this meeting, and in accordance with Article 17 of the Articles of Association of the Company, the Directors be empowered pursuant to section 95 of the Companies Act 1985 to allot equity securities (as defined in section 94 of the Companies Act 1985) for cash pursuant to the general authority as if section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this power shall be limited to allotments of equity securities:
 - (a) in connection with or pursuant to an offer of such securities by way of rights, open offer or other pre-emptive offer to the holders of ordinary shares in the Company and other persons entitled to participate therein in proportion (as nearly as practicable) to their respective holdings, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory authority or any stock exchange in any territory; and
 - (b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £123,509,

and such power shall expire on the earlier of the conclusion of the next Annual General Meeting of the Company or fifteen months from the date of the passing of this resolution, provided that the Company may before such expiry make



an offer or agreement which would or might require equity securities to be allotted after such expiry, and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred by this resolution had not expired.

9. That, with effect from the passing of this resolution, the regulations contained in the document produced to this meeting and for the purpose of identification signed by the Chairman of the meeting are approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing Articles of Association of the Company.

Registered office:
Arden House
Highfield Road
Edgbaston
Birmingham
B15 3DU

By order of the Board
Trevor Norris
Company Secretary
8 January 2008

Notes

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies (who need not be a member of the Company) to attend and to vote instead of the member. Completion and return of a form of proxy will not preclude a member from attending and voting at the meeting in person, should he subsequently decide to do so.
2. In order to be valid, any form of proxy and power of attorney or other authority under which it is signed, or a notarially certified or office copy of such power of authority, must reach the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours (excluding any part of a day which is a non-working day) before the time of the meeting or of any adjournment of the meeting.
3. As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share register at 11.00 a.m on 5 April 2008 in order to be entitled to attend and vote at the Annual General Meeting. Such shareholders may only cast votes in respect of shares held at such time. Changes to entries in the register after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.
4. Copies of the service contracts and letters of appointment of each of the Directors of the Company together with the Register of Directors' Interests will be available for inspection at the registered office of the Company during usual business hours on any weekday (Saturday and public holidays excluded) and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting.
5. Biographical details of each Director who is being proposed for re-appointment or re-election by shareholders, including their membership of Board Committees, can be accessed via the Arden Partners website www.arden-partners.co.uk under Investor Relations - Board Members and Committees.
6. The Directors have no present intention of exercising either the allotment authority under resolution 7 or the disapplication of pre-emption rights authority under resolution 8.
7. A copy of the Company's existing Articles of Association (the "Existing Articles") and a copy marked to show the differences between the existing Articles of Association and those proposed to be adopted pursuant to resolution 9 (the "Proposed Articles") will be available for inspection at the Company's registered office during usual business hours from the date of this notice until the date of the Annual General Meeting and at the place of the Annual General Meeting from at least 15 minutes prior to and until the conclusion of the Annual General Meeting. The Proposed Articles have been updated to reflect those parts of the Companies Act 2006 (the "New Act") that have already come into force. Further sections of the New Act are expected to come into force later this year and next year. As and when such legislative changes are implemented, the Board will determine whether any further updates to the articles of association are required to be made.





www.arden-partners.co.uk

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