Registered number: 00133804

ARCO LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2023

ARCO LIMITED

COMPANY INFORMATION

Directors	T Martin, OBE, JP, DL, MA - Life President - Non-executive Director (resigned 27 September 2023) T G Martin, BA (Hons) – Chair - Non-executive Director S Martin, OBE, DL, MA, FCA - Non-executive Director (resigned 27 September 2023) A G Martin, MB, ChB, BSc, FRCS (Ed), FRCS (Lon), PG Dip Medical Ed - Non-executive Director R Martin, BA – Non-executive Director T R H Lodge, MA (Cantab); FCMA – Senior Independent Non-executive Director K A Appleton, BA (Hons) - Independent Non-executive Director – Chair of Remuneration Committee N J Coxwell, BSc (Hons) - Independent Non-executive Director - Chair of Audit Committee - Chair of ESG Committee G R Bruce, MBA - Chief Executive Officer (appointed 1 December 2022) D Carr, BA (Hons), ACMA – Chief Financial Officer (appointed 19 September 2023) D Evison, BSc (Hons), MBA, ACMA – Executive Managing Director (resigned 30 November 2022) A M J Berger MSc (Hons), – Executive Director (resigned 20 January 2023) H Wright, BA (Hons), ACA – Executive Director (resigned 18 April 2023)
Company secretary	N J Dodds, LLB (Hons)
Registered number	00133804
Registered office	PO Box 21 1 Blackfriargate Hull HU1 1BH
Independent auditors	RSM UK Audit LLP 2 Humber Quays Wellington Street West Hull HU1 2BN
Bankers	HSBC Bank PLC 3-4 Grand Buildings Jameson Street Hull HU1 3JX
	Lloyds Bank PLC 1 Grand Buildings Jameson Street Hull HU1 3JX

ARCO LIMITED

CONTENTS

CHIEF EXECUTIVE'S STATEMENT
FOR THE YEAR ENDED 30 JUNE 2023

Chief Executive's Statement

In December 2022 I was delighted to be appointed CEO of Arco, a unique opportunity to lead a business with incredible heritage, a strong market position and a clear and tangible commitment to sustainability.

I joined at an inflexion point for the business in multiple respects; most significantly, still transitioning from family-run to family-owned and Executive led, whilst also responding to the post-pandemic challenges and macro-economic headwinds.

These challenges can be seen in our financial results for the year ended June 2023, and we must conclude that the focus of the business was stretched whilst responding to the exceptional levels of demand during the pandemic. Nevertheless, Arco remains a fundamentally strong business and a market leading brand that plays a dominant role in a critical and growing sector.

I have been able to see first-hand how the expertise of our people is inherent to our ability to deliver excellent service to both customers and suppliers and our renewed focus on service and efficiency will act as a key enabler to delivering a sector-leading customer experience.

To review and develop our strategy I have listened to the experience within the business, analysed a wealth of data, and augmented the senior leadership team, appointing experienced transformation specialists including a new CFO, COO and CPO. Together we have developed a strategic plan that maps our direction to the end of the decade, 'Destination 2030'.

Destination 2030 is grounded in three key fundamentals:

- Our unrivalled brand heritage and a history of strong product knowledge
- Our safety services expertise and ability to provide our customers with joined-up safety solutions
- Our experience and commitment to sustainability

The initial stage of this plan – Fix the Foundations - will build a strong, profitable platform, upon which we will accelerate growth. We anticipate that this phase will take 18 – 24 months to implement.

The Fix the Foundations phase of the plan will focus on:

- Accelerated transition to a data-driven organisation with dynamic models, driving insight and agility.
- Sales transformation: utilising data to drive performance, customer advocacy and accretive growth.
- Supply Chain transformation: optimising our range and product innovation, driving sector leading service levels, further fostering strategic supply partnerships, while focusing on capital efficiency as we continue to invest for the future.

As this transformation gains traction, we will execute on our strategy to grow share across the safety market. For this second phase - Build for Growth – we are developing a range of strategic options ready for implementation from mid-2024. We expect that by the end of 2024 the bulk of the transformation will be complete, aligning the cost of change with strong performance improvements.

We start our new financial year with our transformation programmes in full swing, our management team embedded, and our organisation focussed on delivery. Early performance is positive and ahead of projections and we remain truly excited about what we can achieve during this chapter of Arco's long and successful history.

Guy Bruce, MBA
Chief Executive Officer

Our Business Model and Strategy

Our purpose is to keep people safe at work, so they return home safely to their families at the end of their working day. Arco is an Expert in Safety, providing a joined-up approach to safety through the provision of appropriate safety equipment, expert knowledge, training and consultancy services to a wide range of Government departments, and public and private sector customers with a focus on high quality and compliance. Our products ensure our customers, from the smallest through to the largest, can meet their moral and legal obligations to protect the safety of their employees.

The Board's objective is to operate a sustainable business, targeting healthy revenue growth and return on sales, building on the values of a family business spanning five generations with its focus on people, community and the highest standards of ethics. All of this is embodied in our core values of respect for people and excellence in reputation.

The Company operates within a Board-approved strategic framework. The strategic framework focusses on delivering integrated safety management solutions through the Group's safety product distribution capabilities, colleague expertise, a network of safety centres and safety stores, and specialist safety services.

Delivery of our strategy will leverage four key strengths:
People – engaged and motivated colleagues who have everything they need to succeed
Expertise – unrivalled expertise in safety, quality and compliance, and end-to-end safety solutions
Sustainability – an unwavering commitment to our people and planet, our customers and communities
Ways of working – streamlined and efficient processes that make it easy to do our jobs brilliantly

During the year, the Board of Directors welcomed Guy Bruce as the new Chief Executive Officer. The Company has undertaken a strategic review under the new CEO to identify key drivers for business performance and growth and during the second half of the year, a new strategic framework was implemented alongside a transformation programme to deliver the requisite business change. It is expected that the transformation programme will stabilise performance during the coming financial year creating a platform for growth.

Business review

The Group delivered sales of £306.7m, down 0.1% on prior year with an operating loss of £10.6m (£3.3m before exceptional items).

The financial results for the year were impacted by certain external factors arising from the post-pandemic and geopolitical landscape, not least inflationary pressures and the company's ability to pass these through to sales prices quickly. The result also reflects costs that are of a non-recurring nature, such as the exceptional items relating to the transformation of the business, disclosed in note 12.

The net cash position at year-end of £2.4m reflected overall business performance. A key focus of the transformation plan is delivery of improved cash generation and working capital management. The Group remains committed to ensuring that cash generation meets all of its requirements including the ongoing commitment to the funding journey plan for the Company's (now closed to new entrants) defined benefit pension scheme. Further details on the Pension Scheme can be found in the Principal Risks section and in the notes to the financial statements at Note 23. The financial forecast of the 3 year strategic plan indicates increasingly strong cash generation from earnings, providing reliable and sustainable resources to grow the business.

The profitability of the product distribution business was significantly impacted by the timing impact of inflationary pressures across the cost base. The strategic review and transformation programme set out specific actions that will increase margins through data led decisions, improved operations, greater supply chain collaboration and more tailored customer account management.

The Group's safety services business again delivered a strong contribution and offers greater margin potential. The Group continues to explore opportunities to invest in growth in the services offering. During the year, the Group's new safety centre at Bracknell began full operation and customers have reacted positively to the enhanced capability that it offers.

The Group believes that there is potential to increase the scope of its contracted offering to its customers, particularly large and strategic accounts. The Bracknell centre, in particular, demonstrates the full breadth of the Group's joined-up safety proposition.

The business remains focussed on quality and compliance, supported by a dedicated sourcing team in Xiamen, China and our own in-house independently accredited UKAS test laboratory. This focus, along with our Safety Services offering, remains a key market differentiator.

Sustainability is becoming increasingly key to customer relationships and opportunities, as well as a potential differentiator. Sustainability is overseen at Board level by an ESG Committee. Further details of our sustainability activities including how we support the communities in which we operate through a range of sponsorships, grants, charitable donations and colleague engagement can be found on our website (www.arco.co.uk/sustainability).

As part of our focus on environmental impact, we are taking steps to reduce our carbon emissions and we provide details of this in our Streamlined Energy and Carbon Report and our Carbon Reduction Plan available at www.arco.co.uk/legal/carbon-reduction-plan). Information on how the Company engages with sustainability stakeholders is set out in the stakeholder engagement section of the Company's s172 Report.

We continue to support organisations that provide essential services to people across the UK and projects that deliver meaningful social impact and value. This includes:

· Partnerships with National Emergencies Trust (NET), Yorkshire Air Ambulance and the Royal Society for the Prevention of Accidents (RoSPA);

· Our partnership with Ron Dearing University Technical College (UTC) in Hull, an Employer-led learning specialising in Engineering, Creative and Technical Digital; and

· Building on existing partnerships such as with employability charities CatZero and Bright Future.

Principal risks and uncertainties

The Board is responsible for keeping under review the adequacy and effectiveness of the Company's internal controls and risk management systems and, pursuant to formal Terms of Reference approved by the Board, has delegated this function to the Audit Committee, chaired by Naomi Coxwell, an independent non-executive Director. Arco's principal risks and associated mitigating actions, as documented within the Company's strategic risk register, are summarised below:

Commercial Risks– UK inflation remains high creating a challenging UK economy. As with all businesses, this economic pressure will present a risk of margin erosion and reduced demand. To mitigate this the business will seek to pass on inflationary impacts (cost of goods and utilities) through selling price increases and drive sales initiatives and cost-out activities.

Financial Risks – Due to the economic outlook and business performance the business has identified two principal financial risks:

- Pension Scheme - The Group operates a defined benefit pension scheme, which is closed to new members and to future accrual. The Board is regularly appraised of the performance of scheme assets and explores opportunities to reduce the liability to the Company and protect the benefits of pension scheme members.

- Liquidity - Liquidity pressures have the potential to increase. To mitigate this the business will continue to focus on working capital management.

Transformation Risks– Arco has commenced a transformation programme to deliver strategic objectives. As with any major change programme, there will be delivery risks, benefits realisation risks and the risk of impacts to colleagues and Arco's corporate culture. These risks will be mitigated by strong programme management and an effective colleague communication programme.

Supply Chain Risks– Arco's global supply chain is subject to various geopolitical risks which could cause operational disruption and financial loss. Trade restrictions, commodity volatility, currency volatility, and increased freight costs are all potential consequences of geopolitical uncertainty. The business mitigates this risk through effective and ongoing supply chain monitoring and management.

People Risks– Recruitment and retention risk has increased post-pandemic due to significant changes to the employment market, including increased hybrid and remote working. The business will continue to benchmark pay and focus on engagement activities to ensure that Arco remains a great place to work.

Operational Risks – As a product distributor, the Group's business model is at risk if its operational infrastructure is not suitable to ensure that the correct products are delivered to the right place, at the right time, and in a cost-efficient manner. The Group regularly reviews the effectiveness of its operations and ensures that these are aligned to customer needs, monitoring customer feedback as appropriate during this process.

Digital Risks – As with all businesses, the risk of an adverse impact from a cyber-attack has increased with the increasing prevalence of such attacks worldwide. Arco has a dedicated cyber security team whose focus is on identifying the policies, processes, and technology that are most appropriate for Arco to address the risks it faces.

Sustainability Risks – If the business fails to act in a responsible and sustainable way there is increased risk from environmental regulation and customer demand for more sustainable business practices. Business practices have been adopted which address key challenges including reducing waste, reducing emissions and further improving the social value delivered by business. In addition, sustainable customer propositions have been developed. The Board actively monitors sustainability risk through the ESG Committee.

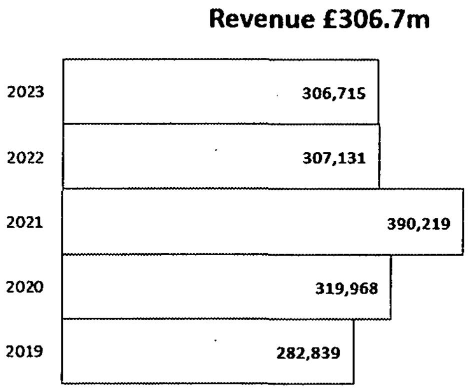
Key performance indicators

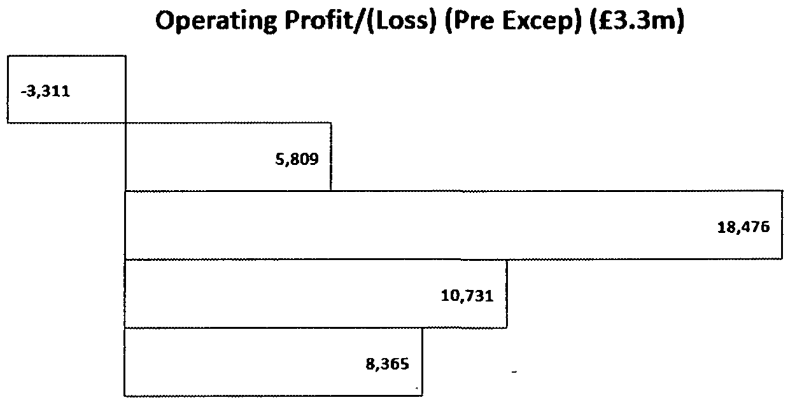
The Board monitors business performance through a range of performance indicators. The KPIs include: -

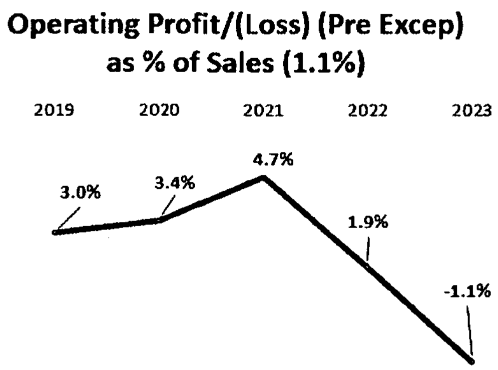
Financial and commercial - revenue, profit, return on capital and cash metrics. In future, these KPIs will be developed to align with the strategy and will reflect the focus on EBITDA and return on capital.

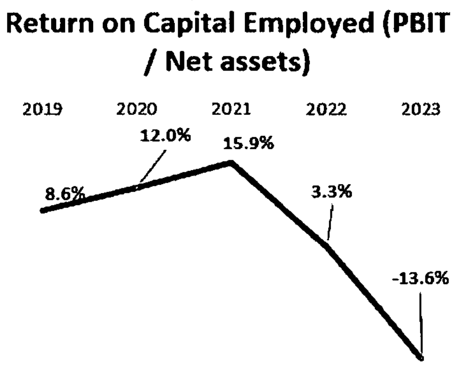
Non-financial –
- Operational KPIs such as delivery performance and availability
- Sustainability KPIs such as carbon emissions
- Compliance KPIs such health and safety, ethical supply chain and product assurance performance
- Customer KPIs such as satisfaction measures

The Group's key financial performance indicators during the year were as follows:









Revenue for the year was £306.7m, a decrease of 0.1% on the previous year, however a 7% increase when compared to the average revenue in the pre-pandemic financial years 2016-2019.

Operating Loss for the year before exceptional items was £3.3m (£10.6m including exceptional items) compared to an operating profit in the previous year of £5.8m. This decline is primarily due to the impact of inflation across the cost base, in combination with the delay of passing these increases through to sales prices and initiating mitigating actions. Exceptional items of £7.3m (see note 12) relate to the transformation of the business. Outside of exceptional costs the business incurred certain non-trading charges including a dilapidation charge of £2.8m, driven by change in estimates (see note 22), a change in valuation of foreign exchange derivatives resulting in a charge of £1.8m and increased amortisation charge of £0.5m relating the development of digital functionality.

The strategic plan and transformation programmes that have been initiated set out clear plans that will restore profitability and return on capital levels to a strong, sustainable level agreed by the Board. The plan targets a return to pre-pandemic profitability within a 3 year horizon.

Statement by the Directors of Arco Limited in performance of their statutory duties in accordance with S172 of the Companies Act 2006

This section describes how the directors have had regard to the matters set out in section 172(1)(a) to (f) Companies Act 2006 in exercising their duty to promote the success of the company for the benefit of its members.

The Board of Directors is made up of non-executive and executive directors, with the non-executive directors being a mix of independent directors and representatives of the Martin Family, the major shareholders of the Company. As a result, a wide range of skills, experience and perspectives are available as the Board fulfils its role in setting the Company's strategic aims and overseeing business performance and risk.

The Board operates a number of sub-committees, chaired by independent non-executive directors, in order to provide more focussed oversight and stakeholder engagement in key aspects of the business. The Audit Committee ensures that the Company's risk management frameworks assess the risks having due regard to the strategic objectives as well as stakeholder interests. The ESG Committee focusses on Arco's sustainability strategy, allowing the Board to engage further with the executive team and colleagues across the business on a topic about which the shareholders, the Company, the Board, our colleagues, and an increasing number of our customers care passionately. The Remuneration Committee provides oversight and guidance to Arco's remuneration strategies across the business as well as having a key role in the approval of senior management remuneration and incentives.

The Board operates to high standards of corporate governance through a governance framework in which decisions are taken to deliver long term value and appropriately manage risk for the benefit of stakeholders as a whole.

(a) The likely consequences of any decisions in the long term.

The Board is cognisant of the long-term implications of strategic decisions and takes any decisions having regard to the implications for the business and its stakeholders. The Board acknowledges that the family ownership of the business allows longer-term planning with less need to react to shorter term volatility. During the year, the Board has reviewed and approved, a new strategic plan following a strategic review by the new CEO. The Board had due regard to the need for Arco to have long term sustainable financial performance.

(b) The interests of the Company's employees.

As well as ensuring colleague engagement and the employee proposition was fully integrated into strategic planning, the Board oversaw the appointment of a new People Director, reviewed and approved updated pay and bonus principles, and has received updates on plans to evolve colleague benefit options. The Board has been particularly concerned about the impact of cost of living increases on colleagues and factored this into its deliberations.

The Board receives regular updates on colleague engagement as colleagues are the driving force of Arco. It is important to the directors that our people understand and live our mission of keeping people safe at work. We continually engage with our people and are mindful of what really matters to them. We communicate the progress of the business and our strategies through various communication channels and this is supported, where appropriate by the Board.

The Directors have put in place strong health, safety and environmental policies which are communicated and discussed with colleagues at all levels of the business. The Board receives regular updates on H&S matters.

(c) The need to foster the Company's business relationships with suppliers, customers and others.

Our customers

Meeting the needs of our customers is key for the continuing success of the Company. As a business we look to build strategic partnerships with customers. Our mission of keeping people safe at work is at the core of this and our products and services are delivered to ensure that our customers consider us the expert in safety. The Board receives regular insight on our customers including through voice of customer ("VOC") surveys.

Our suppliers

Arco suppliers play a key role in our commitment to excellence and keeping people safe at work. We work with our suppliers to ensure the highest standards for quality, ethics and service and this culture extends across our full global supply base. Through our audits, and in conjunction with external organisations and our team in Xiamen, China, we ensure product compliance and the highest ethical standard in our supply chain.

Arco ensures that supplier engagement is continual, ensuring that two-way feedback can deliver improved standards, innovation, process efficiencies and continual improvement opportunities for products and business practices. By sharing insights and expertise we ensure that we have the high-quality products our customers require.

The Board recognises the valuable role strong supplier relationships play in delivering the Company's strategy and has noted the increasing demand from our customers to work with companies who share values in relation to important matters such as the environment, ethical trading and community investment. During the year, the Board, via the ESG Committee, has received updates on the increasing engagement with our supply chain on compliance and sustainability topics in particular.

Government, Regulators, and Trade Bodies

Give the products and services we supply, we work closely with organisations such as the British Safety Industry Federation ("BSIF"), Health & Safety Executive ("HSE"), Office for Product Safety & Standards ("OPSS") The Board consider these relationships as key to the Company's strategy of being the 'Expert in Safety' to whom customers turn for their safety equipment and services.

Other External Organisations

Arco has worked with the Ethical Trade Initiative ("ETI") since 2007 to support efforts to improve standards across the globe. As part of our environmental and social initiatives we have also developed relationships with organisations such as The Waste and Resources Action Programme (in relation to their SCAP 2020, and Textiles 2030 initiatives), Social Value UK, Bright Future, and Social Enterprise UK. These relationships are important to Arco as they support our objective of being a trusted sustainable business partner for our customers to ensure long-term value creation.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

Our Pension Scheme Members

Arco's defined benefit pension scheme is now closed to new entrants and future accrual but, in common with many defined benefit schemes, constitutes a significant liability, and therefore risk, to the Company. The Board is regularly appraised of the performance of scheme assets and explores opportunities to reduce the liability and de-risk the scheme in order to safeguard the accrued benefits of members as well as the Company.

As a result of continued engagement with shareholders and the pension trustees, the Board has committed to significant annual payments to support a journey plan to close the scheme deficit and reduce risk to the Company and protect the benefits of pension scheme members. The Board continually reviews options to further de-risk the pension scheme through reviews and recommendations from the Audit Committee and advice from expert advisers and the pension trustees.

Our shareholders

As a family-owned business, the Board engages extensively with shareholders in relation to the vision and strategic direction of the business, as well as the Company's attitude to risk. The Directors recognise the family's risk appetite in relation to their shareholder investment and ensure that the Group's finances are managed accordingly. There is commitment to delivering consistent dividends, rather than maximising shareholder distributions.

Arco's shareholders expect the business to be run in a fair and ethical manner, which has the safety and wellbeing of our people at its heart, and the Board takes a lead role in ensuring that Arco's values and culture are aligned to this.

(d) The impact of the Company's operations on the community and the environment

Our communities

Arco operates across the UK and supports the communities in which it operates and supports colleagues within their communities. The Company continues a long history of community engagement with extensive collaborations at a corporate and colleague level with an array of organisations. The Board

has received updates about how the Company is increasingly measuring the impact o its activities through a Social Value framework.

More information on our approach to sustainability and our work in the community is available on our website (www.arco.co.uk/sustainability).

Our Environment

The Company is fully aware of its role in helping the world meet the UN Sustainable Development Goals and delivering on the commitments in the Paris Climate Change Agreement and has placed sustainability at the core of its corporate strategy. The Company has implemented a governance framework to ensure environmental issues are properly addressed, that ambitious targets are set, and that performance is monitored. This is overseen by the ESG Committee of the Board.

More information on our approach to sustainability and our work in the community is available on our website (www.arco.co.uk/sustainability), and in our Streamlined Energy and Carbon Reporting.

GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

(e) The desirability of the Company maintaining a reputation for high standards of business conduct.

Our focus remains that of leading, educating and re-shaping the market. For example, the Board supports colleague engagement with public and private sector organisations to evolve product standards for enhanced user safety.

Our commitment to ethics, integrity and keeping people safe at work is the foundation of our Company and it drives everything that we do. We have a strong commitment to compliance and an outstanding reputation for doing business in an ethical and fair way. Our work on the Modern Slavery Act with the Ethical Trade Initiative, supply chain assurance and our investment in product compliance is born from our commitment to ethical and fair trading.

Our culture, policies and procedures highlight our expectation that each colleague will act ethically and promote our culture of integrity. All colleagues and directors must comply with our code of ethics and company policies.

The Company operates to a robust corporate governance framework and adopts best practices suited to its status as a family-owned private company.

(f) The need to act fairly as between members of the Company

Arco is a fourth-generation owned family business and therefore has long term shareholders who are Board members. This involvement ensures that the interests of all members are considered and addressed effectively and assists in alignment between the Board and the members. The Board liaise with nominated representatives of the family shareholders as well engaging with the Family Council, a forum created by the family shareholders to align their interests and objectives.

This report was approved by the board on 3 October 2023 and signed on its behalf.

D Carr
Director

DIRECTORS REPORT
FOR THE YEAR ENDED 30 JUNE 2023

The directors present their report and the financial statements for the year ended 30 June 2023.

Directors' responsibilities statement

The directors are responsible for preparing the Group strategic report, the Directors' report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, 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 Group 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DIRECTORS REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

Principal activity

The Group principally operates as a distributor of PPE and a provider of safety knowledge, services and training. Further details of the Company's business model and strategy are set out in the Strategic Report.

Results and dividends

The loss for the year, after taxation, amounted to £8,557,000 (2022 - profit £1,766,000).

The recommended final dividend for the year ended 30 June 2023 is £25 per ordinary share, which, after an interim dividend of £25 per ordinary share, brings the total dividend per ordinary share for the year ended 30 June 2023 to £50 (2022 £50). This results in a total dividend payment in respect of the financial year of £3.1m (2022: £3.1m). Dividend payments made in the financial year total £3.1m (2022 £3.4m).

Branches of Arco Limited as at 30 June 2023

Aberdeen	Hull
Ashton under Lyme	Irvine
Avonmouth	Leeds
Basildon	Minworth
Belfast	Northampton
Blaydon	Nottingham
Bury St Edmunds	Oldbury
Cardiff	Sheffield
Carlisle	Stockton
Crayford	Stoke
Darwen	Trafford Park
Doncaster	Warrington
Ellesmere Port	Watford
Glasgow	West Drayton
Hedge End	

In addition, Arco Professional Safety Services Limited operates through Safety Centres at: Warrington, Eccleshall, Bracknell and Linlithgow.

Other non-trading branches of Arco Limited as at 30 June 2023	
Xiamen Representative Office	(China)
Trading subsidiaries during the financial year ending 30 June 2023	
Arco Safety Limited	(Ireland)
Arco Professional Safety Services Limited	(UK)

DIRECTORS REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

Engagement with colleagues

Arco recognises that businesses that are diverse in age, gender identity, race, sexual orientation, physical or mental ability, ethnicity, and perspective are proven to be better companies. Creating an environment at Arco where everyone, from any background, can do their best work is our aim and we encourage a culture where colleagues can be themselves inside and outside of work. Our culture is an inclusive one that supports the diversity of colleague voices. The Group has a diversity and inclusion policy in place to ensure that equal opportunities are in place for all colleagues.

Directors' and Officers' Liability Insurance and Indemnities

The company has granted an indemnity to each of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third-party indemnity provision remains in force as at the date of this report.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are disclosed on the company information page at the front of the accounts.

Streamlined Energy & Carbon Reporting ("SECR")

ARCO takes action to improve company energy efficiency every year as part of its drive for continual improvement in both energy performance and in the delivery of its ISO 14001 Environmental Management System (EMS). Certification to ISO 14001 was first awarded in 2005 by BSI, and has been held continuously since this date. New ARCO buildings are designed with energy efficiency at the forefront, including LED lighting, heat pump technologies for heating and cooling, smart meters and smart controls. The scope of this energy and carbon report includes all activities and sites operated and financially controlled by ARCO. All sites and activities take place in the UK. For the 2022 – 2023 financial year this includes Head Office at Blackfriargate Hull, the National Distribution Centre, ARCO stores nationwide and Safety Services locations.

Energy and carbon reporting includes Scope 1 carbon emissions associated with all sites and vehicles operational in 2022-23, regardless of when the site or vehicle was added to the portfolio during the year; Scope 2 carbon emissions associated with all sites operational in 2022-23; and Scope 3 emissions associated with car hire and staff claiming fuel spend for use of their employee-owned vehicle for business purposes. No energy types are excluded.

Methodology for collection of Data

An evidence-based methodology was adopted in accordance with BS EN ISO 14064-3:2019, Section 4.3, and matched that being utilised in the current Energy Saving Opportunities Scheme (ESOS) compliance audit, which is based on BS EN 16247-1:2012. Verifiable data has been collected from the following sources: monthly billing by utility suppliers based on actual kWh AMR and estimates via the Kinect platform; meter readings collected by facilities engineers; direct half hourly electricity data and AMR gas data via the Kinect platform; gas oil, burning oil and LPG purchasing records; The Mileage Company (TMC) portal summary records of fuel use via fuel card purchases and associated business and private mileage; fuel forecourt receipts for fuel use in hire cars and employee-owned vehicles; mileage totals by those staff claiming a business expense. In addition, relevant sections of the GHG Reporting Protocol – Corporate Guidance (Chapters 6, 9, 10) and UK Government Environmental Reporting Guidelines, March 2019, have been utilised to structure this report.

UK Government GHG Conversion Factors for Company Reporting 2023 were used to convert all energy units to kWh, all mileage units to kWh and finally kWh to tCO_2e.

Intensity Ratio

ARCO have chosen to report total tonnes of CO_2e per total £m sales revenue. The turnover figure is taken from our audited accounts.

Data Verification

A number of internal processes are in place to ensure data collected is accurate, transparent and auditable, including utility invoice checking by third party; verification of the Kinect online energy portal via invoice checking, and comparison to previous years' totals with a ±10% tolerance for investigation; monthly reconciliation of fuel card invoicing and TMC portal; ongoing anomaly identification by TMC for mileage claimed by staff; accounting checks for fuel receipts; LPG and gas oil bulk tank meters; ISO 14001 audits of data and monitoring systems by accredited certification body BSI. A series of records have been retained which contain the data utilised in this report.

This energy and carbon report has been verified by independent environment and energy consultants, Environmental Strategies Limited, Company No. 3596465, in accordance with their peer review process.

Reporting for the period 1 July 2022 – 30 June 2023

	Current Year FY23	Prior Year FY22+
Energy consumption used to calculate emissions (kWh)	16,532,448	17,050,775
Emissions from combustion of gas tCO2e (Scope 1)	1,282	1,457
Emissions from combustion of fuel for transport & site purposes tCO2e (Scope 1)	950	812
Emissions from business travel in employee-owned vehicles *where company repaid mileage claims tCO2e (Scope 3)*	152	79
Emissions from purchased electricity tCO2e (Scope 2, location based)	1,009	1,029
Total gross CO2e based on above (tCO2e)	**3,393**	**3,377**
Intensity ratio: total tCO2e / total £m sales revenue	**11.28**	**10.98**

* UK GHG Emission and Energy Data

+ Prior year is re-stated following resolution of an automated gas meter error, resulting in re-allocation of consumption to prior year.

In the period covered by the report ARCO has purchased its electrical energy from renewable sources, backed by Renewable Energy Guarantees of Origin (REGOs) via EDF and Drax.

Energy Efficiency Action

Arco's continued purchase of renewable energy, the consolidation of safety store sites, and the introduction of new all "electric sites" at Bracknell and Watford has reduced Arco's dependence on fossil fuel derived sources of energy. This is intended to deliver continued reductions in emissions from gas and electricity consumption.

In particular, feasibility studies for solar installations, including structural surveys and a G99 application (Hull NDC), have been completed at several larger sites including Bracknell, Eccleshall and the National distribution centre (NDC).

Additional electric vehicle charge points have been installed at our new state of the art training and safety store located at Bracknell to support the shift in company car fleet to electric vehicles.

In FY2024, ARCO intends to:-

- continue to work towards their 2030 Scope 1 & Scope 2 emissions reduction target and its net zero carbon emissions 2045 target. A commitment to setting an approved science-based target has been made and work already commenced to engage our supply chain in the journey.
- identify additional energy savings measures to reduce energy consumption, particularly on sites that have seen increased usage post-pandemic, and utilising recommendations in Arco's latest ESOS report.
- leverage energy savings and carbon reductions from new solar-ready all-electric stores;
- continue to electrify its fleet, which will offset the increased carbon footprint created as colleague travel patterns normalise following the pandemic;
- utilise clear corporate KPIs intended to drive down carbon emissions in both Scopes 1 & 2, as well as Scope 3.
- Undertake a Carbon reduction programme of information instruction and training for all sites.

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

Going concern

The Group has sufficient financial resources at its disposal and has access to considerable external funding should the need arise. The Group performs weekly short-term cashflow forecasting and quarterly long-term forecasting to determine its future profitability and cashflows. In addition, the Group has performed long term forecasting to 2025 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to have sufficient liquidity until at least 2025. The directors have reviewed these and expect the Group to continue in operational existence for the foreseeable future.

In particular, the Directors have considered the potential impact of severe but plausible scenarios associated with a decline in performance and economic slowdown and has concluded that sufficient options are available to mitigate any material liquidity risk arising from these scenarios. As such, the Group continues to adopt the going concern basis of accounting in preparing these financial statements.

Auditors

The auditors, RSM UK Audit LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 3 October 2023 and signed on its behalf.

D Carr
Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED

Opinion

We have audited the financial statements of Arco Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, the consolidated balance sheet, the company balance sheet, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 30 June 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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, 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED (CONTINUED)

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 their 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED (CONTINUED)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED (CONTINUED)

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from external tax advisors.

The most significant laws and regulations that have an indirect impact on the financial statements are those in relation to health and safety regulations and employment law. We performed audit procedures to inquire of management and those charged with governance whether the group is in compliance with these law and regulations.

The group audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to;

- on a sample basis testing manual journal entries and other adjustments and evaluating the business rationale;
- in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgments and estimates applied;
- Reviewing key control account reconciliations.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED (CONTINUED)

Use of our report

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

Pete Adams

Peter Adams FCA *(Senior Statutory Auditor)*

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

2 Humber Quays

Wellington Street West

Hull

HU1 2BN

Date 3/10/23

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2023

	Note	2023 £000	2022 £000
Turnover	4	306,715	307,131
Cost of sales		(239,346)	(240,188)
Gross profit		67,369	66,943
Distribution costs		(35,466)	(31,621)
Administrative expenses		(35,818)	(29,513)
Profit on disposal of tangible assets		604	-
Exceptional other operating costs	12	(7,270)	(2,228)
Operating (loss)/profit		(10,581)	3,581
Interest receivable and similar income	9	168	25
(Loss)/profit before taxation		(10,413)	3,606
Tax on (loss)/profit	10	1,856	(1,840)
(Loss)/profit for the financial year		(8,557)	1,766
Currency movement on overseas investments		(1)	(177)
Actuarial losses on defined benefit pension scheme		(18,857)	(3,945)
Deferred tax based on defined benefit obligation		4,661	986
Other comprehensive loss for the year		(14,197)	(3,136)
Total comprehensive loss for the year		(22,754)	(1,370)
(Loss)/profit for the year attributable to:			
Owners of the parent Company		(8,557)	1,766
		(8,557)	1,766

The notes on pages 33 to 65 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2023

	Note		2023 £000		2022 £000
Fixed assets					
Intangible assets	13		6,849		9,590
Tangible assets	14		46,637		49,028
Investments	15		-		100
			53,486		58,718
Current assets					
Stocks	16	42,801		44,416	
Debtors	17	52,992		57,204	
Cash at bank and in hand	18	3,428		11,914	
		99,221		113,534	
Creditors: amounts falling due within one year	19	(55,593)		(62,472)	
Net current assets			43,628		51,062
Total assets less current liabilities			97,114		109,780
Provisions for liabilities					
Deferred taxation	21	-		(3,544)	
Other provisions	22	(5,765)		(2,645)	
			(5,765)		(6,189)
Net assets excluding pension liability			91,349		103,591
Pension liability			(13,639)		-
Net assets			77,710		103,591

CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2023

	Note	2023 £000	2022 £000
Capital and reserves			
Called up share capital		63	63
Share premium account	27	31	31
Capital redemption reserve	27	22	22
Profit and loss account	27	77,594	103,475
Equity attributable to owners of the parent Company		77,710	103,591

The financial statements were approved and authorised for issue by the board and were signed on its behalf on **3 October 2023**

D Carr
Director

The notes on pages 33 to 65 form part of these financial statements.

ARCO LIMITED
REGISTERED NUMBER: 00133804

COMPANY BALANCE SHEET
AS AT 30 JUNE 2023

	Note		2023 £000		2022 £000
Fixed assets					
Intangible assets	13		6,849		9,590
Tangible assets	14		44,393		48,249
Investments	15		14,444		14,544
			65,686		72,383
Current assets					
Stocks	16	42,118		43,797	
Debtors	17	53,155		57,119	
Cash at bank and in hand	18	-		10,483	
		95,273		111,399	
Creditors: amounts falling due within one year	19	(63,352)		(72,190)	
Net current assets			31,921		39,209
Total assets less current liabilities			97,607		111,592
Provisions for liabilities					
Deferred taxation	21	-		(3,564)	
Other provisions	22	(5,198)		(2,430)	
			(5,198)		(5,994)
Net assets excluding pension liability			92,409		105,598
Pension liability			(13,639)		-
Net assets			78,770		105,598

COMPANY BALANCE SHEET (CONTINUED)
AS AT 30 JUNE 2023

	Note	2023 £000	2022 £000
Capital and reserves			
Called up share capital		63	63
Share premium account	27	31	31
Capital redemption reserve	27	22	22
Profit and loss account carried forward		78,654	105,482
		78,770	105,598

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 3 October 2023

D Carr
Director

The notes on pages 33 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2022	63	31	22	103,475	103,591
Comprehensive income for the year					
Loss for the year	-	-	-	(8,557)	(8,557)
Other comprehensive loss	-	-	-	(14,197)	(14,197)
Other comprehensive loss for the year	-	-	-	(14,197)	(14,197)
Total comprehensive loss for the year	-	-	-	(22,754)	(22,754)
Dividends: Equity capital	-	-	-	(3,127)	(3,127)
Total transactions with owners	-	-	-	(3,127)	(3,127)
At 30 June 2023	63	31	22	77,594	77,710

The notes on pages 33 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2021	63	31	22	108,253	108,369
Comprehensive income for the year					
Profit for the year	-	-	-	1,766	1,766
Other comprehensive loss	-	-	-	(3,136)	(3,136)
Other comprehensive loss for the year	-	-	-	(3,136)	(3,136)
Total comprehensive loss for the year	-	-	-	(1,370)	(1,370)
Dividends: Equity capital	-	-	-	(3,408)	(3,408)
Total transactions with owners	-	-	-	(3,408)	(3,408)
At 30 June 2022	63	31	22	103,475	103,591

The notes on pages 33 to 65 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2023

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2022	63	31	22	105,482	105,598
Comprehensive income for the year					
Loss for the year	-	-	-	(9,505)	(9,505)
Other comprehensive loss	-	-	-	(14,196)	(14,196)
Other comprehensive loss for the year	-	-	-	(14,196)	(14,196)
Total comprehensive loss for the year	-	-	-	(23,701)	(23,701)
Dividends: Equity capital	-	-	-	(3,127)	(3,127)
Total transactions with owners	-	-	-	(3,127)	(3,127)
At 30 June 2023	63	31	22	78,654	78,770

The notes on pages 33 to 65 form part of these financial statements.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2022

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2021	63	31	22	111,708	111,824
Comprehensive income for the year					
Profit for the year	-	-	-	147	147
Other comprehensive loss	-	-	-	(2,965)	(2,965)
Other comprehensive loss for the year	-	-	-	(2,965)	(2,965)
Total comprehensive loss for the year	-	-	-	(2,818)	(2,818)
Dividends: Equity capital	-	-	-	(3,408)	(3,408)
Total transactions with owners	-	-	-	(3,408)	(3,408)
At 30 June 2022	63	31	22	105,482	105,598

The notes on pages 33 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2023

	2023 £000	2022 £000
Cash flows from operating activities		
(Loss)/profit for the financial year	(10,413)	3,606
Adjustments for:		
Amortisation of intangible assets	2,559	2,053
Impairment of intangible assets	1,300	-
Impairment of Investments	100	-
Depreciation of tangible assets	4,439	4,563
Gain on tangible asset disposals	(604)	-
Interest paid	77	-
Interest received	(245)	(25)
Decrease in stocks	1,615	2,599
Decrease/(increase) in debtors	7,266	(3,495)
(Decrease) in creditors	(7,881)	(3,931)
Increase/(decrease) in provisions	3,120	(2,449)
Defined benefit pension OCI in excess of balance sheet movement	(5,217)	(7,640)
Corporation tax (paid)/received	(79)	729
Research and development credits receivable	6	69
Net cash used in operating activities	(3,957)	(3,921)

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

	2023 £000	2022 £000
Cash flows from investing activities		
Purchase of intangible fixed assets	(1,118)	(641)
Purchase of tangible fixed assets	(2,095)	(2,217)
Sale of tangible fixed assets	652	-
Purchase of unlisted and other investments	-	(100)
Interest received	245	25
Net cash from investing activities	(2,316)	(2,933)
Cash flows from financing activities		
Dividends paid	(3,127)	(3,408)
Interest paid	(77)	-
Currency movement on overseas investments	(1)	(177)
Net cash used in financing activities	(3,205)	(3,585)
Net (decrease) in cash and cash equivalents	(9,478)	(10,439)
Cash and cash equivalents at beginning of year	11,914	22,353
Cash and cash equivalents at the end of year	2,436	11,914
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	3,428	11,914
Bank overdrafts	(992)	-
	2,436	11,914

The notes on pages 33 to 65 form part of these financial statements.

1. General information

Arco Limited is a private company limited by shares and it is incorporated and domiciled in England, United Kingdom. The address of its registered office is PO Box 21, 1 Blackfriargate, Hull, HU1 1BH. The registered number of the Company is 00133804.

There has been no change to our principal activities. We continue to build upon our reputation as experts in safety; supplying and servicing a wide range of businesses in the UK, Ireland and the rest of the world through our Export division.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements.

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Going concern

The Group has sufficient financial resources at its disposal and has access to considerable external funding should the need arise. The Group performs weekly short-term cashflow forecasting and quarterly long-term forecasting to determine its future profitability and cashflows. In addition, the Group has performed long term forecasting to 2025 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to have sufficient liquidity until at least 2025. The directors have reviewed these and expect the Group to continue in operational existence for the foreseeable future.

2. Accounting policies (continued)

In particular, the Directors have considered the potential impact of severe but plausible scenarios associated with a decline in performance and economic slowdown and has concluded that sufficient options are available to mitigate any material liquidity risk arising from these scenarios. As such the Group continues to adopt the going concern basis of accounting in preparing these financial statements.

2.4 Exemptions for qualifying entities under FRS 102

FRS 102 allows a qualifying entity certain disclosure exemptions, if certain conditions, have been complied with. A qualifying entity is defined as a member of a Group that prepares publicly available financial statements, which give a true and fair view, in which that member is consolidated. Arco Limited can take these exemptions for standalone financial statements.

As a qualifying entity, the Company has taken advantage of the following exemptions:

i) from the requirement to prepare a statement of cash flows as required by paragraph 3.17(d) of FRS 102;

ii) from the requirement to present a reconciliation of the number of shares outstanding at the beginning and end of the period as required by paragraph 4.12(a)(iv) of FRS 102; and

iii) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated statement of comprehensive income within 'finance income or costs'. All other foreign exchange gains and losses are presented in profit or loss within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on

2. Accounting policies (continued)
2.5 Foreign currency transactions (continued)

translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.6 Turnover

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when all of the following conditions are satisfied:

- the Group has transferred the significant risks and rewards of ownership to the buyer;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 July 2020 to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.8 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

2. Accounting policies (continued)

2.9 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

Defined benefit pension plan

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the Balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in profit or loss as employee costs, except where included in the cost of an asset, comprises:

a) the increase in net pension benefit liability arising from employee service during the period; and

b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in profit or loss as a 'finance expense'.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

2. Accounting policies (continued)

2.10 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.11 Exceptional items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence such as the cost of major restructuring.

2.12 Impairment of fixed assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

2. Accounting policies (continued)

2.13 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.14 Intangible assets

Computer software is stated at cost less accumulated amortisation and accumulated impairment losses. Software is amortised over its estimated useful life, of between three and five years, on a straight line basis. Where factors, such as technological advancement or changes in market price, indicate that residual value or useful life have changed, the residual value, useful life or amortisation rate are amended prospectively to reflect the new circumstances.

The assets are reviewed for impairment if the above factors indicate that the carrying amount may be impaired.

2.15 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes the original purchase price, costs directly attributable to bringing the asset to its working condition for its intended use, dismantling and restoration costs

The cost of fixed assets is written off over their expected useful lives as follows:

Freehold property - 20 years

Leasehold property - 2 to 20 years

Plant, fixtures and fittings - 3 to 10 years

Motor vehicles - 5 years

In the absence of a full professional valuation the Directors are unable to quantify the value of land included in freehold property. They are of the opinion, however, that such value would not be significant in relation to the building content. Accordingly, the total value of freehold property is subject to depreciation.

Where land is acquired separately the asset is held at cost.

Repairs, maintenance and minor inspection costs are expensed as incurred.

Tangible assets are derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the consolidated income statement.

2. Accounting policies (continued)

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Business combination and goodwill

Business combinations are accounted for by applying the purchase method.

The cost of a business combination is the fair value of the consideration given, liabilities incurred or assumed and of equity instruments issued plus the costs directly attributable to the business combination. Where control is achieved in stages the cost is the consideration at the date of each transaction.

Goodwill recognised represent the excess of the fair value and directly attributable costs of the purchase consideration over the fair values to the Groups' interest in the identifiable net assets, liabilities and contingent liabilities acquired.

Positive goodwill arising on acquisition is capitalised, classified as an asset on the balance sheet and amortised on a straight-line basis over its useful economic life. It is annually reviewed for the impairment of events or changes in circumstances indicate that the carrying value may not be recoverable.

2.18 Investments in subsidiaries

In the Parent Company financial statements, investments in subsidiaries are accounted for at cost less provision for impairment.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2. Accounting policies (continued)

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

2.21 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Consolidated statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the balance sheet date.

2. Accounting policies (continued)

2.21 Financial instruments (continued)

Financial assets and liabilities are offset and the net amount reported in the Balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

2.22 Related party transactions

The Company has taken advantage of the exemption, as provided by paragraph 33.1A of FRS 102 on the grounds that it is a wholly owned subsidiary of a Group headed by Arco Limited, whose financial statements are publicly available. Hence, it does not disclose transactions with members of the same Group that are wholly owned. The Company discloses transactions with related parties which are not wholly owned within the same Group.

2.23 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 the shareholders at an annual general meeting.

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Critical judgements

(i) Taxation and Deferred Taxation

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

(ii) Exceptional Items

Management judgement is required to determine the amount of exceptional items to be recognised under the Group's policy. These are items considered to be material and exceptional in nature as they are non-recurring and are significant in size respective to the ongoing activity of the group.

3. Judgments in applying accounting policies and key sources of estimation uncertainty (continued)

Significant accounting estimates

(i) Provisions

Information about provisions and contingencies, which are considered to have a risk of material adjustment in the next financial period due to the assumptions and estimations used, are disclosed in the notes to the accounts. The provisions are based on historical experience and management's best knowledge at the time and are reviewed at each balance sheet date. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(ii) Stock provisions

Stock provisions are disclosed in the notes to the accounts. Arco group entities assess at each reporting date whether any inventories are impaired comparing the carrying amount of each item of stock with its selling price less costs to complete and sell. The provisions are based on management's best knowledge at the time and are reviewed at each balance sheet date. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(iii) Pension and other post-employment benefits

The cost of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and the long-term nature of these plans are subject to significant uncertainty. In determining the appropriate assumptions, management seeks guidance from its professional advisors in determining the appropriate discount rates and inflation assumptions. The mortality rate is based on publicly available mortality tables for the specific country. Future salary increases and pension increases are based on expected future inflation rates. The reporting of an accounting surplus on the Group's defined benefit plans is based on a judgement on the Group's ability to recover the surplus in the long term according to the rules of the scheme.

(iv) Impairment of non-current assets

The Group tests annually whether non-current assets have suffered any impairment in accordance with the requirements of FRS 102 Section 27, Impairment of Assets. The recoverable value of intangibles and property, plant and equipment is assessed to ensure that the carrying value is not greater than the future economic benefit. These calculations require the use of estimates, in particular future profit forecasts.

4. Turnover

An analysis of turnover by class of business is as follows:

	2023 £000	2022 £000
Sale of goods	296,415	297,064
Services	10,300	10,067
	306,715	307,131

Analysis of turnover by country of destination:

	2023 £000	2022 £000
United Kingdom	300,772	300,527
Other countries	5,943	6,604
	306,715	307,131

5. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2023 £000	2022 £000
Research and development credits (RDEC)	6	62
Exchange differences	65	317
Other operating lease rentals - land and buildings	(4,515)	(3,829)
Other operating lease rentals - other (cars and vans)	(1,589)	(1,155)
Operating lease income	56	113
Depreciation of owned assets	(4,439)	(4,563)
Software amortisation	(2,559)	(2,053)
Fees payable to the Company's auditors for the audit of the Parent Company and the Group's consolidated financial statements	(100)	(75)
Fees payable to the Company's auditors for the audit of the Group's subsidiaries	(29)	(20)

6. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2023 £000	Group 2022 £000
Wages and salaries	47,352	46,710
Social security costs	4,362	4,115
Other pension costs	3,358	3,209
	55,072	54,034

Other Group pension costs of £3,358,000 (2022: £3,209,000) are solely in respect of the defined contribution scheme.

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2023 No.	Group 2022 No.
Management and administration	234	244
Production, distribution and sales	1,355	1,389
	1,589	1,633

7. Directors' remuneration

	2023	2022
	£000	£000
Remuneration	2,507	2,009
Share based payments	-	-
Company contributions to defined contribution pension schemes	4	4
Compensation for loss of office	100	560
	2,611	2,573

The highest paid director received remuneration of £636,000 (2022 - £599,000).

As a result of ongoing board succession planning, certain payments to directors are categorised for accounting purposes as compensation for loss of office.

8. Key management compensation

Key management includes members of senior management but does not include amounts for directors included above. The compensation paid or payable to key management for employee services is shown below:

	2023	2022
	£000	£000
Salaries and other short term benefits	2,678	2,940
Post employment benefits	-	-
	2,678	2,940

9. Interest receivable/payable

	2023	2022
	£000	£000
Net interest income on defined benefit scheme	245	2
Bank interest (payable)/receivable	(77)	23
	168	25

10. Taxation

	2023 £000	2022 £000
Corporation tax		
Current tax on profits for the year	-	155
Adjustments in respect of previous periods	35	(956)
Foreign tax charge	44	72
	79	(729)
Total current tax	79	(729)
Deferred tax		
Origination and reversal of timing differences	(1,877)	2,512
Adjustment in respect of previous periods	(58)	57
Total deferred tax	(1,935)	2,569
Taxation on (loss)/profit on ordinary activities	(1,856)	1,840

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2022 - higher than) the standard rate of corporation tax in the UK of 20.5% (2022 - 19%). The differences are explained below:

	2023 £000	2022 £000
(Loss)/profit on ordinary activities before tax	(10,413)	3,606
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.5% (2022 - 19%)	(2,134)	685
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	662	221
Adjustments to tax charge in respect of prior periods	(23)	404
Deferred tax rate difference	(338)	603
Impact of overseas tax rate	(29)	(38)
R&D expenditure credits	6	(35)
Total tax charge for the year	(1,856)	1,840

11. Dividends

	2023 £000	2022 £000
Ordinary shares	3,127	3,408
	3,127	3,408

12. Exceptional items

	2023 £000	2022 £000
Exceptional restructuring costs	7,270	2,228
	7,270	2,228

The Group has incurred exceptional restructuring costs during the period of £7,270,000 related to the execution of transformation plans. The costs are summarised as follows:

- Costs of incremental interim resources required to execute the transformation plan. (£3,130,000)
- Transformation costs related to redundancy and the closure of retail stores, including onerous lease provisions, accelerated strip out costs and store inventory impairments. (£2,534,000)
- Costs related to new financing arrangements. See section 2.3 of the Accounting policies for further information. (£205,000)
- Impairment of intangible assets. Further details are included within note 13. (£1,300,000)
- Impairment of unlisted investments. Further details are included within note 15. (£100,000)

These costs are considered to be material and exceptional in nature as they are non-recurring and are significant in size respective to the ongoing expenses of the group.

13. Intangible assets

Group

	Computer software £000
Cost	
At 1 July 2022	21,451
Additions	1,118
At 30 June 2023	22,569
Amortisation and impairment	
At 1 July 2022	11,861
Charge for the year on owned assets	2,559
Impairment charge	1,300
At 30 June 2023	15,720
Net book value	
At 30 June 2023	6,849
At 30 June 2022	9,590

As part of the Group's restructure plans, the Directors performed a review of the operating effectiveness of the Group's software platforms. This review identified elements of the Group's software platforms that had indicators of impairment due to technological advances and will be replaced earlier than expected. An impairment of £1.3m has been identified along with a reduced economic life which is applied prospectively. The impairment charge has been included in exceptional costs as detailed in note 12.

13. Intangible assets (continued)

Company

	Computer software £000
Cost	
At 1 July 2022	21,451
Additions	1,118
At 30 June 2023	22,569
Amortisation and impairment	
At 1 July 2022	11,861
Charge for the year	2,559
Impairment charge	1,300
At 30 June 2023	15,720
Net book value	
At 30 June 2023	6,849
At 30 June 2022	9,590

14. Tangible fixed assets

Group

	Freehold property £000	Leasehold property £000	Plant and fittings £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 July 2022	45,599	10,300	33,283	134	89,316
Additions	1,563	18	514	-	2,095
Disposals	-	(449)	(165)	-	(614)
At 30 June 2023	47,162	9,869	33,632	134	90,797
Depreciation					
At 1 July 2022	6,786	6,393	26,975	134	40,288
Charge for the year on owned assets	2,158	560	1,721	-	4,439
Disposals	-	(405)	(162)	-	(567)
At 30 June 2023	8,944	6,548	28,534	134	44,160
Net book value					
At 30 June 2023	38,218	3,321	5,098	-	46,637
At 30 June 2022	38,813	3,907	6,308	-	49,028

14. Tangible fixed assets (continued)

Company

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
Cost or valuation					
At 1 July 2022	45,226	9,714	31,945	134	87,019
Additions	36	18	319	-	373
Disposals	-	(449)	(165)	-	(614)
At 30 June 2023	45,262	9,283	32,099	134	86,778
Depreciation					
At 1 July 2022	6,658	6,159	25,819	134	38,770
Charge owned for the year	2,003	560	1,619	-	4,182
Disposals	-	(405)	(162)	-	(567)
At 30 June 2023	8,661	6,314	27,276	134	42,385
At 30 June 2023	36,601	2,969	4,823	-	44,393
At 30 June 2022	38,568	3,555	6,126	-	48,249

15. Fixed asset investments

Group

	Unlisted investments £000
Cost or valuation	
At 1 July 2022	100
At 30 June 2023	100
Impairment	
Charge for the year	100
At 30 June 2023	100
Net book value	
At 30 June 2023	-
At 30 June 2022	100

15. Fixed asset investments (continued)

Company

	Investments in subsidiary companies £000	Unlisted investments £000	Total £000
Cost or valuation			
At 1 July 2022	21,116	100	21,116
At 30 June 2023	21,116	100	21,216
Impairment			
At 1 July 2022	6,672	-	6,672
Charge for the year	-	100	100
At 30 June 2023	6,672	100	6,772
Net book value			
At 30 June 2023	14,444	-	14,444
At 30 June 2022	14,444	100	14,544

15. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Arco Safety Limited - Registered in Eire	Suite 3, One Earlsfort Centre, Earlsfort Terrace, Dublin 2	Ordinary	100%
Arco Professional Safety Services Limited - Registered in England	Unit 5, Raleigh Hall Industrial Estate, Eccleshall, Stafford, ST21 6JL	Ordinary	100%
Dormant companies registered in England - Confined Spaces Training Services Limited Arco Hollman Nicholls Limited Arco Humberside Limited Arco Group Limited Arco Central Limited, Arco West Midlands Limited Arco Tyne & Wear Limited Arco (GB) Limited Arco Holdings Limited Arco Cleveland Limited Arco MTM Limited Melrite (Industrial Supplies) Limited Safestyle Workwear Limited Safety Navigator Limited Commercial Debt Recovery Services Limited CSTS Inspection Body Limited Total Access (UK) Limited Hose, Ducting & Fittings Limited Arc Associates UK Ltd	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH	Ordinary	100%
Dormant companies registered in Northern Ireland - Occupational Safety Services Limited Gilpins the Shop for Men Limited Arco Gilpins Limited	7 Trench road, Mallusk, Newtonabbey, Co Antrim, BT36 4TY	Ordinary	100%
Dormant companies registered in Scotland - Arco Atholl Limited W Walker & Sons (Safety) Limited.	Unit 3, Watt Street, Kingston Bridge Trading Estate, Glasgow. G5 8RR	Ordinary	100%

16. Stocks

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Finished goods and goods for resale	42,801	44,416	42,118	43,797
	42,801	44,416	42,118	43,797

In the opinion of the Directors, there is no significant difference between the replacement costs of stock and the value stated in the balance sheet.

The amount of inventories recognised as an expense during the year for the Group is £227,225,000 (2022: £198,718,000) and for Company is £219,936,000 (2022: £191,337,000).

Inventories are stated after provisions for impairment in the Group of £5,985,000 (2022: £8,316,000) and Company £5,813,000 (2022: £8,207,000).

17. Debtors

Debtors: Amounts due within one year	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Trade debtors	47,248	50,755	44,322	47,646
Amounts owed by group undertakings	-	-	3,209	3,209
Corporation tax	35	1,954	-	1,811
Prepayments and accrued income	2,656	2,963	2,471	2,921
Financial instruments	-	1,532	-	1,532
	49,939	57,204	50,002	57,119
Debtors: Amounts due after one year				
Deferred taxation	3,053	-	3,153	-

Trade debtors within the Group are stated after provisions for impairment of £1,471,000 (2022: £1,220,000) and Company £1,149,000 (2022: £875,000).

Amounts owed by subsidiary undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

18. Cash and cash equivalents

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Cash at bank and in hand	3,428	11,914	-	10,483
Less: bank overdrafts	(992)	-	(992)	-
	2,436	11,914	(992)	10,483

19. Creditors: Amounts falling due within one year

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Bank overdrafts	992	-	992	-
Trade creditors	40,026	48,849	39,059	47,818
Amounts owed to group undertakings	-	-	10,737	12,071
Other taxation and social security	6,871	5,485	6,127	4,859
Accruals and deferred income	7,437	8,138	6,170	7,442
Financial instruments	267	-	267	-
	55,593	62,472	63,352	72,190

20. Financial instruments

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Financial assets				
Derivative financial instruments measured at fair value through profit or loss	-	1,532	-	1,532
Financial liabilities				
Derivative financial instruments measured at fair value through profit or loss	267	-	267	-

All other assets and liabilities in the balance sheet are measured at amortised cost.

21. Deferred taxation

Group

	2023 £000	2022 £000
At beginning of year	(3,544)	(1,961)
Charged to profit or loss	1,936	(2,569)
Charged to other comprehensive income	4,661	986
At end of year	3,053	(3,544)

Company

	2023 £000	2022 £000
At beginning of year	(3,564)	(1,988)
Charged to profit or loss	2,056	(2,562)
Charged to other comprehensive income	4,661	986
At end of year	3,153	(3,564)

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Accelerated capital allowances	(1,910)	(1,593)	(1,810)	(1,613)
Tax losses carried forward	3,191	-	3,191	-
Defined benefit pension scheme	3,356	-	3,356	-
Other timing differences	270	(97)	270	(97)
Rolled over capital gains	(1,854)	(1,854)	(1,854)	(1,854)
	3,053	(3,544)	3,153	(3,564)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

22. Provisions - dilapidations and onerous leases

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
At 1 July 2022	2,645	5,094	2,430	4,917
Charged to profit or loss	2,829	162	2,477	162
Utilised in year	(352)	(2,611)	(352)	(2,649)
At 30 June 2023	5,122	2,645	4,555	2,430

Following the closure of retail stores in the year, the Directors engages with a real estate expert to update the estimates used in the calculation of the provision. This review led to a material change in estimated dilapidation provision. The cash outflows related to the restoration of properties, covered by the dilapidation provision, generally occurs at or near the end of the respective lease terms.

Restructuring and other provisions	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
At 1 July 2022	-	-	-	-
Charged to profit or loss	643	-	643	-
Utilised in year	-	-	-	-
At 30 June 2023	643	-	643	-

The restructuring provision represents managements best estimate of the present value of expected future costs associated with the restructuring plan. The cash outflows related to restructuring provision are expected to be incurred in the next financial year.

23. Pension arrangements

The Group operates a Defined benefit pension scheme (The Arco Stakeholder Pension Plan) in addition the group also operated the Arco Group Pension and Life Assurance Scheme, which offers a defined benefit arrangement.

The Arco Stakeholder Pension Plan provides the framework under which colleagues can arrange personal pension plans with Legal and General. Both the colleague and Company contribute to these plans.

The Company sponsors Arco Group Pension and Life Assurance Scheme, a funded defined benefit pension scheme in the UK. The Scheme is set up on a tax relieved basis as a separate trust independent of the Company and is supervised by independent trustees. The Trustees are responsible for ensuring that the correct benefits are paid, that the Scheme is appropriately funded and that Scheme assets are appropriately invested.

The Scheme is subject to regular actuarial valuations with interim actuarial valuations being carried out each year. These actuarial valuations are carried out in accordance with the requirements of the Pensions Act 2004 and so include deliberate margins for prudence. The Trustees are required to use prudent assumptions to value the liabilities and costs of the Scheme whereas the accounting assumptions must be best estimates.

The Scheme closed to future accrual on 6 April 2010 and members no longer pay contributions to the Scheme. Company contributions after this date are used to fund any deficit in the Scheme as determined by regular actuarial valuations. Over the year to 30 June 2023 the Company contributed £3,984,000 to the Scheme in line with the Schedules of Contributions in force over the period.

Responsibility for making good any deficit within the Scheme lies with the Company.
Results for the interim valuation were completed as at 5 April 2023. The results of that valuation have been projected to 30 June 2023 with an approximate allowance for any changes in membership since that date and using the assumptions set out below. The figures in the following disclosure were measured using the Projected Unit Method.

Reconciliation of present value of plan liabilities:

	2023 £000	2022 £000
Reconciliation of present value of plan liabilities		
At the beginning of the year	146,067	184,020
Interest cost	5,230	3,436
Actuarial gains	(20,200)	(35,011)
Benefits paid	(8,440)	(6,378)
At the end of the year	122,657	146,067

23. Pension arrangements (continued)

Composition of plan assets:

	2023 £000	2022 £000
The major categories of the scheme assets are as follows:		
Return seeking - diversified growth	-	1,295
Return seeking - private equity	43,378	65,606
Matching assets - LDI	35,450	56,500
Matching assets - Liquidity funds	13,121	7,329
Matching assets - Secure income	16,847	18,929
Cash	222	536
Total plan assets	109,018	150,195

	2023 £000	2022 £000
Fair value of plan assets	109,018	150,195
Present value of plan liabilities	(122,657)	(146,067)
Derecognition of surplus	-	(4,128)
Net pension scheme liability	(13,639)	-

The amounts recognised in profit or loss are as follows:

	2023 £000	2022 £000
Interest on obligation	245	2
Total	245	2

23. Pension arrangements (continued)

Reconciliation of fair value of plan assets were as follows:

	2023 £000	2022 £000
Opening fair value of scheme assets	150,195	180,325
Interest income on plan assets	5,474	3,438
Actuarial losses	(42,195)	(34,827)
Contributions by employer	3,984	7,637
Benefits paid	(8,440)	(6,378)
	109,018	150,195

	2023 £000	2022 £000
Analysis of actuarial loss recognised in Other Comprehensive Income		
Return on scheme assets (excluding amount included in net interest expense)	42,196	34,828
Actuarial gains - arising from changes in financial assumptions	(23,945)	(40,151)
Actuarial (gains) / losses - arising from changes in demographic assumptions	(1,924)	909
Actuarial losses - experience loss	6,658	4,231
Derecognition of surplus	(4,128)	4,128
	18,857	3,945

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

23. Pension arrangements (continued)

Principal actuarial assumptions at the Balance sheet date (expressed as weighted averages):

	2023 %	2022 %
Discount rate	5.3	3.7
Revaluation of deferred pensions (before 2030) - benefits in excess of GMP	2.6	2.5
Revaluation of deferred pensions (from 2030 onwards) - benefits in excess of GMP	3.4	3.3
Increase for pensions in payment (before 2030) - benefits accrued before February 2000	3.6	3.6
Increase for pensions in payment (from 2030 onwards) - benefits accrued before February 2000	3.6	3.6
Increases for pensions in payment (before 2030) - benefits accrued prior to June 2002 and after February 2020	3.2	3.6
Increases for pensions in payment (from 2030 onwards) - benefits accrued prior to June 2002 and after February 2020	3.6	3.6
Increases for pensions in payment (before 2030) - benefits accrued after June 2002	2.6	3.3
Increases for pensions in payment (from 2030 onwards) - benefits accrued after June 2002	3.4	3.3
Proportion of members opting for early retirement	90	90
Proportion of members commuting pension for cash	100	100
Proportion of members married at retirement	80	80
Inflation assumption - RPI (before 2030)	3.4	3.3
Inflation assumption - RPI (from 2030 onwards)	3.4	3.3
Inflation assumption - CPI (before 2030)	2.6	2.5
Inflation assumption - CPI (from 2030 onwards)	3.4	3.3
Mortality rates		
- for a male aged 65 now	86.2	86.1
- at 65 for a male aged 45 now	87.2	87.3
- for a female aged 65 now	88.6	88.8
- at 65 for a female member aged 45 now	89.8	90

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2023

23. Pension arrangements (continued)

	2022 £000	2021 £000
The return on scheme assets was:		
Interest income	5,475	3,438
Return on scheme assets (excluding amount included in net interest expense)	(42,195)	(34,828)
Total return on scheme assets	(36,720)	(31,390)

24. Commitments under operating leases

At 30 June 2023 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2023 £000	Group 2022 £000	Company 2023 £000	Company 2022 £000
Not later than 1 year	4,439	4,884	4,095	4,406
Later than 1 year and not later than 5 years	13,388	14,335	12,917	13,504
Later than 5 years	19,054	23,081	18,890	22,830
	36,881	42,300	35,902	40,740

25. Other financial commitments

At 30 June 2023 the Group had contracted for future capital expenditure to the sum of £0.7m (2022 - £1.8m).

At 30 June 2023 the Group had contracted for future forward contracts in relation to currency hedging to the sum of £15.7m (2022: £20.6m).

26. Share capital

	2023 £000	2022 £000
Authorised, allotted, called up and fully paid		
Ordinary shares of £1.00 each	63	63

27. Reserves

Share premium account

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

Capital redemption reserve

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

28. Related party transactions

The Company has taken advantage of the exemption as per paragraph 33.1A of FRS 102 and has therefore not disclosed transactions or balances with entities which form part of the Group (or investees of the Group qualifying as related parties).

29. Ultimate controlling party

In the Directors' opinion, the Company has no ultimate controlling party. The Company is the parent undertaking of the largest and smallest Group in which the financial statements of the Company are consolidated. Copies of the financial statements are publicly available from the Registrar of Companies in the UK.