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00133804

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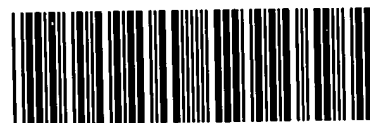
**ARCO LIMITED**

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**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 30 JUNE 2024**

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**ARCO LIMITED**

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**COMPANY INFORMATION**

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<b>Directors</b>	K A Appleton G R Bruce D Carr (appointed 19 September 2023) N J Coxwell T R H Lodge T G Martin A G Martin R Martin T Martin (resigned 27 September 2023) S Martin (resigned 27 September 2023)
<b>Company secretary</b>	H K Haeney (appointed 31 August 2024) N J Dodds (resigned 31 August 2024)
<b>Registered number</b>	00133804
<b>Registered office</b>	PO Box 21 1 Blackfriargate Hull HU1 1BH
<b>Independent auditors</b>	RSM UK Audit LLP 2 Humber Quays Wellington Street West Hull HU1 2BN
<b>Bankers</b>	HSBC Bank PLC 3-4 Grand Buildings Jameson Street Hull HU1 3JX

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**ARCO LIMITED**

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## ARCO LIMITED

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### CHIEF EXECUTIVE'S STATEMENT FOR THE YEAR ENDED 30 JUNE 2024

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#### Chief Executive's Statement

I am very pleased with the progress the business has made in the past 12 months and with the financial results presented in this set of accounts. I am also extremely proud of all our colleagues, who have worked to execute our plans with determination and rigour and in line with our purpose of keeping people safe at work.

One year into our Destination 2030 plan, we have delivered much of what we set out to do in the initial Fix the Foundations phase, with financial results ahead of target. Arco today is a stronger and more disciplined business than it was a year ago, with improved margins, a healthier cash position and extended capabilities to execute the next phase, Build for Growth.

Excluding exceptional costs, the business has moved from a pre-tax loss of £3.1m in FY23 to a £1.3m profit in FY24. This is despite sales 6% lower than FY23, demonstrating the impact of our transformation programme on profitability and the prioritisation of earnings quality.

Through the execution of our plans, we have improved:

- Customer experience, with stronger service metrics driven by product availability.
- Quality of earnings, using data-driven decisions and insight to improve margins.
- Capital efficiency, making more efficient use of resources and building a stronger cash position to move forward with.

We have strengthened supplier relationships, reviewing and rationalising our range. Working with fewer suppliers, but more intensely, we have developed a proposition suited to our customers' needs in a more focused and agile way.

Our colleagues now have more development opportunities at Arco, with internal promotions having increased by over 30%. The gender mix of our colleagues in senior management roles has shifted significantly, reaching an equal balance during the year.

Arco's long-held active engagement in the community and in social value continues, backed by colleague volunteering days and the generation of £38.5m of social value in FY24. We're enormously proud of our partnership with the Mental Health Foundation and the campaign to protect heads inside and out, donating profits from the sale of Arco hard hats.

We further reinforced our commitment to sustainability through significant investment in self-generated renewable power; we have more than doubled our sales of our "responsible choice" product ranges and have made a formal commitment to set a science-based carbon reduction target in FY25. These achievements are reflected in our retention of Eco Vadis Gold status this year.

If last year was about the stabilisation of the business, FY25 is about optimising and investing for growth. It's an important transitional year, during which we will use the platform that we have built and access our available funds to build future growth.

With confidence and cash generation from FY24, we are doubling investment; executing exciting plans to improve our customer value proposition; augmenting with significant developments to our website and ecommerce capabilities; implementing a step change to the Arco-branded product proposition; investing in significant new product introductions that carry category-defining sustainability credentials; and critically, intensifying our overarching brand investment strategy.

In addition, as the market's leader in pioneering safety product solutions, we will add significant strength to our existing credentials through a new state-of-the-art customer innovation and collaboration centre at our National Distribution Centre in Hull.

Our presence across a range of safety services underpins our expertise, diversifies our business model and critically provides a "joined-up" offer for all our customers' safety needs. We will continue to invest in our Arco Professional Safety Services business, introducing new facilities and training propositions.

Whilst we have committed expenditure to back our plans to grow organically, we also see scope to strengthen our business through inorganic growth. Focus areas for potential acquisitions have been identified and we're excited to explore opportunities that present a strong match to those criteria.

Although we fully expect the wider market to have its challenges again in the current year, we are excited about the progress we will make towards long-term growth and the continued development of an even stronger Arco business.

And everything we do will continue to be driven by a single aim: to keep people safe at work.

**Guy Bruce, Chief Executive Officer**

**1 October 2024**

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## ARCO LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

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The directors present their strategic report for the Group and the Company for the year ended 30 June 2024.

#### **Business review**

The Group has made continued progress with the first phase of its transformation plan as noted in the Chief Executive's Statement and has as a consequence delivered improved financial results. Excluding exceptional costs of £8.4m (2023: £7.3m) associated with the transformation plan, the Group achieved profit before tax of £1.3m (2023: loss of £3.1m).

Although total sales of £288.1m were 6.1% below last year, reflecting the challenging nature of the Group's market, a strong focus on quality of earnings drove an improvement in gross profit with gross margin increasing to 23.9% (2023: 22.0%). Overall profitability was further enhanced through effective cost control, particularly on supply chain costs where transformation activity yielded significant benefits in the year.

The Group's product distribution business in particular benefitted from the transformation programme actions discussed in last year's annual report to improve margin, with operational improvements and more tailored customer account management supported by more effective product buying and range management.

The safety services business continues to deliver consistent growth and strong contribution levels. The Group's fifth safety centre at Bracknell, which opened last year, has enabled many more customers to access 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 and underpins the Group's widely recognised safety expertise.

The Group has also maintained its efforts to develop in a sustainable manner, with initiatives such as the introduction of an "all electric" site at Belfast and installation of solar generation capacity at a number of other locations contributing to the reduction in use of fossil-fuel derived energy sources.

Exceptional costs during the year primarily related to incremental interim resource to support the execution of transformation plans and costs associated with the closure of retail sites, as detailed in note 12 to the accounts. As the business is now moving beyond the initial 'Fix the Foundations' phase of transformation, the Directors anticipate that the level of future exceptional expenditure will substantially reduce.

Outside of exceptional costs, the Group also recognised a non-trading profit on disposal of a freehold property of £1.1m and a £0.2m credit from revaluation of foreign exchange derivatives (2023: charge of £1.8m).

As noted last year, a key focus of the transformation plan is delivery of improved cash generation and working capital management. A number of initiatives in this area have supported the Group's ability to invest in business development while maintaining a strong closing net cash position of £3.5m (2023: £2.4m).

In addition, in November 2023 the Group secured a £25.0m three year Revolving Credit Facility with its banking partner, providing further resources and investment capability over the medium term as required, although to date the Group has not drawn upon this facility.

The Group remains committed to ensuring that it has sufficient resources to meet all its cash requirements including the ongoing commitment to the funding journey plan for the Company's defined benefit pension scheme (now closed to new entrants). Further details on the Pension Scheme can be found in the Principal Risks section and in note 23 to the accounts.

Under the strategic plan and transformation programmes now in progress, the Group has made encouraging progress towards its goal restoring profitability and return on capital levels to a strong, sustainable level agreed by the Board. The Group continues to target a return to pre-pandemic profitability within a 3 year horizon.

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## ARCO LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

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#### Key performance indicators

The Directors consider that the size and nature of the Group mean that disclosure of additional key performance indicators is not necessary to understand the performance and development of the business. The Board monitors business performance through a range of performance indicators, including:

##### *Financial*

- Revenue
- Operating margins
- EBITDA
- Return on Capital
- Cash

##### *Non-financial*

- Delivery performance and availability
- Carbon emissions
- Customer satisfaction
- Compliance: health and safety, ethical supply chain, product assurance performance

#### 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. The Group's principal risks and associated mitigating actions, as documented within the Company's strategic risk register, are summarised below:

**Commercial Risks**– The UK economy remains challenging. As with all businesses, this economic pressure may 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** – 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. Further details on financial risk management are presented in the Directors' Report.

**Transformation Risks**– Arco has commenced the second phase of its transformation programme. 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 continue to impact all businesses due to changes in the employment market driven by 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 cyberattack has increased with the increasing prevalence of such attacks worldwide. Arco has a dedicated cyber security team and engages with a specialist external cyber security expert to undertake regular penetration and vulnerability scanning to proactively identify and mitigate risks.

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## ARCO LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

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**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.

#### **S172 statement**

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 comprises 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.

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.

Regular stakeholder engagement is fundamental to the Board's decision-making processes in seeking to balance short-term and long-term interests in order to deliver sustainable growth and profitability.

#### **Employees**

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. Further details on colleague engagement are presented in the Directors' Report.

#### **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.

#### **Suppliers**

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.

#### **Government, regulators and trade bodies**

Given 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.

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## ARCO LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 30 JUNE 2024

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#### ***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, with advice from expert advisors and the independent pension trustees, continues to review options to reduce the liability and de-risk the scheme in order to safeguard the accrued benefits of members as well as the Company.

#### ***Community***

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 of its activities through a Social Value framework.

#### ***Environment***

The Company has placed sustainability at the core of its corporate strategy and 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](http://www.arco.co.uk/sustainability)), and in our Streamlined Energy and Carbon Reporting.

#### ***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 is a fifth-generation family-owned 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 liaises 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 1 October 2024 and signed on its behalf.



**D Carr**  
Director

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## ARCO LIMITED

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### DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2024

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The directors present their report and the audited consolidated financial statements for the year ended 30 June 2024.

#### Principal activities

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 £5,504,000 (2023: loss of £8,557,000).

The recommended final dividend for the year 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 2024 to £50 (2023: £50). This results in a total dividend payment in respect of the financial year of £3.1m (2023: £3.1m). Dividend payments made in the financial year totalled £3.1m (2023: £3.1m).

#### 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.

#### 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.

#### Going concern

The Group has in place a £25m Revolving Credit Facility, maturing in November 2026 with the option to extend for two further years. As at the date of this report, the Group has not made any drawings under this facility.

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 2026 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to have sufficient liquidity until at least 2026. 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.

#### Financial risk management

The Group's operations expose it to a number of financial risks, including credit risk, liquidity risk and foreign currency risks:

##### *Credit risk*

The Group assess the creditworthiness of potential new customers before any sales are made and maintains comprehensive credit insurance policies. Customer credit terms and limits are regularly reviewed.

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## ARCO LIMITED

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### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2024

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#### *Foreign currency risk*

The Group purchases some goods denominated in foreign currencies (USD and EUR). To mitigate the cash flow risks associated with exchange rate volatility, the Group makes forward purchases of anticipated currency requirements in line with Group treasury policy. Hedge accounting is not applied to these instruments.

#### *Liquidity risk*

The Group has a three year £25m Revolving Credit Facility in place, providing sufficient available funds for its operations and planned investments.

#### **Engagement with colleagues**

The Group ensures that all colleagues receive relevant updates through regular email newsletters and other digital tools alongside the cascade of information through line managers and team meetings. This includes updates on business developments and financial performance. Colleague engagement with company results is encouraged through a range of performance-linked incentives.

Arco Voice is an employee-led forum made up of a diverse cross section of employee representatives from each business area. The forum meets throughout the year and allows all colleagues the opportunity to help inform decisions and shape the Group's business.

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. The Group encourages an inclusive culture, underpinned by diversity and inclusion policies, with the aim of creating an environment at Arco that supports the diversity of colleague voices.

The Group ensures that applications for employment from disabled persons are given fair consideration based on their skills and qualifications. Disabled applicants and existing colleagues are supported by making reasonable adjustments to recruitment, workplace and work practices to ensure they have equal access to opportunities, training and career development.

By fostering an inclusive and supportive work environment, the Group aims to ensure that all colleagues, including those with disabilities, are empowered to achieve their full potential and contribute meaningfully to the success of the Group.

#### **Streamlined Energy & Carbon Reporting ("SECR")**

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 FY24 this includes Head Office at Blackfriargate Hull, the National Distribution Centre, ARCO stores nationwide and Safety Services locations.

#### *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.

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<sub>2</sub>e.

#### *Intensity Ratio*

The Group has elected to report total tonnes of CO<sub>2</sub>e per total £m sales per its audited accounts.

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**ARCO LIMITED**

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**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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; ISO 14001 audits of data and monitoring systems by accredited certification body BSI; independent consultant review by Environmental Strategies Limited.

**Carbon reporting for the period 1 July 2023 – 30 June 2024**

		2024	2023
<b>Energy consumption used to calculate emissions</b>	<i>kWh</i>	<b>13,177,845</b>	<b>16,532,448</b>
Scope 1	<i>tCO<sub>2</sub>e</i>	1,624	2,232
Scope 2	<i>tCO<sub>2</sub>e</i>	929	1,009
Scope 3	<i>tCO<sub>2</sub>e</i>	146	152
<b>Total Gross CO<sub>2</sub>e</b>	<i>tCO<sub>2</sub>e</i>	<b>2,699</b>	<b>3,393</b>
<b>Intensity ratio: total tCO<sub>2</sub>e / total £m sales</b>		<b>9.36</b>	<b>11.28</b>

Scope 1: Emissions from combustion of gas at Group-operated sites and combustion of fuel for transport and site purposes

Scope 2: Emissions from purchased electricity

Scope 3: Emissions from business travel in employee-owned vehicles where the Group repaid mileage claims

Energy and carbon reporting includes Scope 1 carbon emissions associated with all sites and vehicles operational in FY24, 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 FY24; 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.

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 continues to benefit from in-year and previous investment in energy efficiency, including LED lighting retrofit, monitoring and targeting of energy use across our portfolio. We have continued to purchase renewable energy backed by certificates of origin and have progressed our plans to consolidate safety store sites. The introduction of an "all electric site" at Belfast has reduced Arco's use of fossil-fuel derived sources of energy.

As part of our low carbon transition plan, we have installed new solar generation capacity at several sites including Bracknell, Eccleshall, Linlithgow and the National Distribution Centre (1 Megawatt).

In pursuance of its 'Science Based' Carbon Reduction Target, in 2024 – 2025 Arco will install 26 EV charging points, and continue its progress in switching 'grey' and owned fleet to electric and hybrid traction.

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## ARCO LIMITED

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### DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 30 JUNE 2024

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#### Overseas branches

In addition to a subsidiary company based in the Republic of Ireland (Arco Safety Limited), the Company operates its Xiamen Representative Office, a non-trading branch in China. All other activities and operations of the Group are based in the United Kingdom.

#### 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 group and company financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practices (United Kingdom standards and applicable law). 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.

#### 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.

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**ARCO LIMITED**

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**DIRECTORS' REPORT (continued)  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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 1 October 2024 and signed on its behalf.



**D Carr**  
Director

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## ARCO LIMITED

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### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARCO LIMITED

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#### Opinion

We have audited the financial statements of ARCO Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2024 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 2024 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.

#### 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.

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## ARCO LIMITED

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

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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.

#### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 9, 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

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## ARCO LIMITED

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

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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.

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 operate 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.

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**ARCO LIMITED**

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

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**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.



**Peter Adams FCA (Senior Statutory Auditor)**

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

Chartered Accountants

Two Humber Quays

Wellington Street West

Hull

HU1 2BN

1 October 2024

**ARCO LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2024**

	Note	2024 £000	2023 £000
Turnover	4	288,117	306,715
Cost of sales		(219,390)	(239,346)
<b>Gross profit</b>		<u>68,727</u>	<u>67,369</u>
Distribution costs		(33,327)	(35,466)
Administrative expenses		(34,453)	(35,818)
<b>Operating profit / (loss) before exceptionals</b>		<u>948</u>	<u>(3,915)</u>
Exceptional other operating costs		(8,406)	(7,270)
Profit on disposal of tangible assets		1,065	604
<b>Operating loss</b>	5	<u>(6,394)</u>	<u>(10,581)</u>
Interest (payable) / receivable	9	(699)	168
<b>Loss before taxation</b>		<u>(7,093)</u>	<u>(10,413)</u>
Tax on loss	10	1,589	1,856
<b>Loss for the financial year</b>		<u><u>(5,504)</u></u>	<u><u>(8,557)</u></u>
Currency movement on overseas investments		1	(1)
Actuarial losses on defined benefit pension scheme		(5,800)	(18,857)
Deferred tax based on defined benefit obligation		1,450	4,661
<b>Other comprehensive loss for the year</b>		<u>(4,349)</u>	<u>(14,197)</u>
<b>Total comprehensive loss for the year</b>		<u><u>(9,853)</u></u>	<u><u>(22,754)</u></u>
<b>Loss for the year attributable to:</b>			
Owners of the parent Company		(5,504)	(8,557)
		<u><u>(5,504)</u></u>	<u><u>(8,557)</u></u>

The notes on pages 26 to 55 form part of these financial statements.

**ARCO LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2024**

	Note	2024 £000	2023 £000
<b>Fixed assets</b>			
Intangible assets	13	7,031	6,849
Tangible assets	14	44,404	46,637
		<u>51,435</u>	<u>53,486</u>
<b>Current assets</b>			
Stocks	16	32,329	42,801
Debtors: amounts falling due within one year	17	57,359	52,992
Cash at bank and in hand	18	3,648	3,428
		<u>93,336</u>	<u>99,221</u>
Creditors: amounts falling due within one year	19	(58,344)	(55,593)
<b>Net current assets</b>		<u>34,992</u>	<u>43,628</u>
<b>Total assets less current liabilities</b>		<u>86,427</u>	<u>97,114</u>
<b>Provisions for liabilities</b>			
Other provisions	22	(5,710)	(5,765)
		<u>(5,710)</u>	<u>(5,765)</u>
<b>Net assets excluding pension liability</b>		<u>80,717</u>	<u>91,349</u>
Pension liability		(15,970)	(13,639)
<b>Net assets</b>		<u><u>64,747</u></u>	<u><u>77,710</u></u>

**ARCO LIMITED**  
**REGISTERED NUMBER: 00133804**

**CONSOLIDATED BALANCE SHEET (continued)**  
**AS AT 30 JUNE 2024**

	Note	2024 £000	2023 £000
<b>Capital and reserves</b>			
Called up share capital		63	63
Share premium account	27	31	31
Capital redemption reserve	27	22	22
Profit and loss account	27	64,631	77,594
<b>Equity attributable to owners of the parent Company</b>		<u>64,747</u>	<u>77,710</u>

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 1 October 2024.



**D Carr**  
Director

The notes on pages 26 to 55 form part of these financial statements.

**ARCO LIMITED**

**COMPANY BALANCE SHEET  
AS AT 30 JUNE 2024**

	Note	2024 £000	2023 £000
<b>Fixed assets</b>			
Intangible assets	13	6,980	6,849
Tangible assets	14	42,422	44,393
Investments	15	14,444	14,444
		63,846	65,686
<b>Current assets</b>			
Stocks	16	31,705	42,118
Debtors: amounts falling due within one year	17	58,308	53,155
Cash at bank and in hand	18	1,697	-
		91,710	95,273
Creditors: amounts falling due within one year	19	(69,504)	(63,352)
		22,206	31,921
<b>Net current assets</b>		22,206	31,921
<b>Total assets less current liabilities</b>		86,052	97,607
<b>Provisions for liabilities</b>			
Other provisions	22	(4,975)	(5,198)
		(4,975)	(5,198)
<b>Net assets excluding pension liability</b>		81,057	92,409
Pension liability		(15,970)	(13,639)
<b>Net assets</b>		65,107	78,770

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**ARCO LIMITED**  
**REGISTERED NUMBER: 00133804**

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**COMPANY BALANCE SHEET (continued)**  
**AS AT 30 JUNE 2024**

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	Note	2024 £000	2023 £000
<b>Capital and reserves</b>			
Called up share capital		63	63
Share premium account	27	31	31
Capital redemption reserve	27	22	22
Profit and loss account		64,991	78,654
		<u>65,107</u>	<u>78,770</u>

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.

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**D Carr**  
Director

The notes on pages 26 to 55 form part of these financial statements.

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**ARCO LIMITED**

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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2024**

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	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2023	63	31	22	77,594	77,710
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(5,504)	(5,504)
Other comprehensive loss	-	-	-	(4,349)	(4,349)
<b>Total comprehensive loss for the year</b>	-	-	-	(9,853)	(9,853)
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(3,110)	(3,110)
<b>At 30 June 2024</b>	<b>63</b>	<b>31</b>	<b>22</b>	<b>64,631</b>	<b>64,747</b>

**ARCO LIMITED**

**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
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(8,557)	(8,557)
Other comprehensive loss	-	-	-	(14,197)	(14,197)
<b>Total comprehensive loss for the year</b>	-	-	-	(22,754)	(22,754)
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(3,127)	(3,127)
<b>Total transactions with owners</b>	-	-	-	(3,127)	(3,127)
<b>At 30 June 2023</b>	<u>63</u>	<u>31</u>	<u>22</u>	<u>77,594</u>	<u>77,710</u>

**ARCO LIMITED**

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2024**

	Called up share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total equity
	£000	£000	£000	£000	£000
At 1 July 2023	63	31	22	78,654	78,770
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(6,204)	(6,204)
Other comprehensive loss	-	-	-	(4,349)	(4,349)
<b>Total comprehensive loss for the year</b>	-	-	-	(10,553)	(10,553)
<b>Contributions by and distributions to owners</b>					
Dividends: Equity capital	-	-	-	(3,110)	(3,110)
Total transactions with owners	-	-	-	(3,110)	(3,110)
<b>At 30 June 2024</b>	<b>63</b>	<b>31</b>	<b>22</b>	<b>64,991</b>	<b>65,107</b>

ARCO LIMITED

**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
<b>Comprehensive income for the year</b>					
Loss for the year	-	-	-	(9,505)	(9,505)
Other comprehensive loss	-	-	-	(14,196)	(14,196)
Total comprehensive loss for the year	-	-	-	(23,701)	(23,701)
Contributions by and distributions to owners					
Dividends: Equity capital	-	-	-	(3,127)	(3,127)
<b>Total transactions with owners</b>	-	-	-	(3,127)	(3,127)
<b>At 30 June 2023</b>	<u>63</u>	<u>31</u>	<u>22</u>	<u>78,654</u>	<u>78,770</u>

**ARCO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2024**

	2024 £000	2023 £000
<b>Cash flows from operating activities</b>		
Loss for the financial year before taxation	(7,093)	(10,413)
<b>Adjustments for:</b>		
Amortisation of intangible assets	3,139	2,559
Impairment of intangible assets	-	1,300
Impairment of investments	-	100
Depreciation of tangible assets	4,433	4,439
Gain on tangible and intangible asset disposals	(1,065)	(604)
Interest paid	699	77
Interest received	-	(245)
Decrease in stocks	10,472	1,615
(Increase)/decrease in debtors	(1,329)	7,266
Increase/(decrease) in creditors	3,612	(7,882)
(Decrease)/increase in provisions	(54)	3,120
Additional defined benefit pension contributions	(4,084)	(5,217)
Corporation tax received/(paid)	(4)	(79)
Research and development credits receivable	-	6
<b>Net cash generated from operating activities</b>	<b>8,726</b>	<b>(3,958)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(3,522)	(1,118)
Purchase of tangible fixed assets	(2,235)	(2,095)
Sale of tangible and intangible fixed assets	1,302	652
Interest received	-	245
<b>Net cash from investing activities</b>	<b>(4,455)</b>	<b>(2,316)</b>

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**ARCO LIMITED**

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**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 30 JUNE 2024**

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	2024 £000	2023 £000
<b>Cash flows from financing activities</b>		
Dividends paid	(3,110)	(3,127)
Interest paid	(84)	(77)
Net cash used in financing activities	<u>(3,194)</u>	<u>(3,204)</u>
Net increase/(decrease) in cash and cash equivalents	1,077	(9,478)
<b>Cash and cash equivalents at beginning of year</b>	2,436	11,914
<b>Cash and cash equivalents at the end of year</b>	<u><u>3,513</u></u>	<u><u>2,436</u></u>
Cash and cash equivalents at the end of year comprise:		
<b>Cash at bank and in hand</b>	3,648	3,428
<b>Bank overdrafts</b>	(135)	(992)
	<u><u>3,513</u></u>	<u><u>2,436</u></u>

The notes on pages 26 to 55 form part of these financial statements.

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## ARCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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#### 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.

#### 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 in place a £25m Revolving Credit Facility, maturing in November 2026 with the option to extend for two further years. As at the date of this report, the Group has not made any drawings under this facility.

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 2026 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to have sufficient liquidity until at least 2026. 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.

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## ARCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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#### 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;
- iii) from the requirement to disclose the key management personnel compensation in total as required by paragraph 33.7 of FRS 102; and
- iv) from the requirement to disclose transactions with other group entities as required by paragraph 33.9 of FRS 102.

#### 2.5 Foreign currency translation

##### Functional and presentation currency

The Company's functional and presentational currency is GBP and all values are rounded to the nearest one thousand except when otherwise indicated.

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

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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## 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 2022 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.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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**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 FRS102 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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.

**2.13 Valuation of investments**

Investments in subsidiaries are measured at cost less accumulated impairment.

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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.

**2.16 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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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.

**2.20 Provisions for liabilities**

Provisions are recognised when an event has taken place that gives rise to a legal or constructive obligation, a transfer of economic benefits is probable and a reliable estimate can be made.

Provisions are measured as the best estimate of the amount required to settle the obligation, taking into account the related risks and uncertainties. Increases in provisions are generally charged as an expense to profit or loss.

**2.21 Financial instruments**

The Group has elected to apply the provisions of Section 11 "Basic Financial Instruments" of FRS 102 to all of its financial instruments.

*The Group has elected to apply the recognition and measurement provisions of IFRS 9 Financial Instruments (as adopted by the UK Endorsement Board) with the disclosure requirements of Sections 11 and 12 and the other presentation requirements of FRS 102.*

Financial instruments are recognised in the Group's Balance sheet when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

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## ARCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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#### **Basic financial assets**

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest.

Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables due with the operating cycle fall into this category of financial instruments.

#### **Other financial assets**

Other financial assets, which includes investments in equity instruments which are not classified as subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the recognised transaction price. Such assets are subsequently measured at fair value with the changes in fair value being recognised in the profit or loss. Where other financial assets are not publicly traded, hence their fair value cannot be measured reliably, they are measured at cost less impairment.

#### **Impairment of financial assets**

Financial assets are assessed for indicators of impairment at each reporting date.

Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate.

If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

#### **Financial liabilities**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instruments any contract that evidences a residual interest in the assets of the Group after the deduction of all its liabilities.

Basic financial liabilities, which include trade and other payables, bank loans, other loans and loans due to fellow group companies are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial.

Debt instruments are subsequently carried at their amortised cost using the effective interest rate method.

Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

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## ARCO LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

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#### Other financial instruments

Derivatives, including forward exchange contracts, futures contracts and interest rate swaps, are not classified as basic financial instruments. These are initially recognised at fair value on the date the derivative contract is entered into, with costs being charged to the profit or loss. They are subsequently measured at fair value with changes in the profit or loss.

Debt instruments that do not meet the conditions as set out in FRS 102 paragraph 11.9 are subsequently measured at fair value through the profit or loss. This recognition and measurement would also apply to financial instruments where the performance is evaluated on a fair value basis as with a documented risk management or investment strategy.

#### 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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to the accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

#### 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 relative to the ongoing activity of the group.

#### 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.

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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

**(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 postemployment benefits**

The cost of defined benefit pension plans and other postemployment 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 noncurrent 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:

	2024 £000	2023 £000
Sale of goods	275,135	296,415
Services	12,982	10,300
	<u>288,117</u>	<u>306,715</u>

Analysis of turnover by country of destination:

	2024 £000	2023 £000
United Kingdom	281,525	300,772
Other countries	6,592	5,943
	<u>288,117</u>	<u>306,715</u>

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**5. Operating loss**

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

	2024 £000	2023 £000
Research and development credits (RDEC)	127	6
Exchange differences	322	65
Other operating lease rentals - land and buildings	(3,966)	(4,515)
Other operating lease rentals - other (cars and vans)	(2,009)	(1,589)
Operating lease income	8	56
Depreciation of owned assets	(4,433)	(4,439)
Software amortisation	(3,139)	(2,559)
Fees payable to the Company's auditors for the audit of the Parent Company and the Group's consolidated financial statements	(104)	(100)
Fees payable to the Company's auditors for the audit of the Group's subsidiaries	<u>(30)</u>	<u>(29)</u>

**6. Employees**

Staff costs including directors' remuneration, were as follows:

	Group 2024 £000	Group 2023 £000
Wages and salaries	54,021	47,352
Social security costs	4,163	4,362
Other pension costs	3,332	3,358
	<u>61,516</u>	<u>55,072</u>

Other Group pension costs of £3,332,000 (2023: £3,358,000) 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 2024 No.	Group 2023 No.
Management and administration	221	234
Production, distribution and sales	1,130	1,355
	<u>1,351</u>	<u>1,589</u>

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**7. Directors' remuneration**

	2024 £000	2023 £000
Remuneration	2,355	2,507
Company contributions to defined contribution pension schemes	22	4
Compensation for loss of office	12	100
	<u>2,389</u>	<u>2,611</u>

The highest paid director received remuneration of £757,000 (2023 - £636,000).

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:

	2024 £000	2023 £000
Salaries and other short term benefits	1,187	2,678
	<u>1,187</u>	<u>2,678</u>

**9. Interest (payable) / receivable**

	2024 £000	2023 £000
Net interest (payable) / receivable on defined benefit scheme	(615)	245
Bank interest (payable)	(84)	(77)
	<u>(699)</u>	<u>168</u>

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ARCO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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10. Taxation

	2024 £000	2023 £000
<b>Corporation tax</b>		
Current year tax charge	(17)	-
Adjustments in respect of previous periods	(49)	35
Foreign tax charge	15	44
	<u>(51)</u>	<u>79</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(1,171)	(1,877)
Adjustment in respect of previous periods	(367)	(58)
	<u>(1,538)</u>	<u>(1,935)</u>
<b>Taxation credit on profit loss on ordinary activities</b>	<u>(1,589)</u>	<u>(1,856)</u>

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ARCO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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10. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is higher (2023 - lower) the applicable standard rate of corporation tax in the UK of 25% (2023 – 20.5%). The differences are explained below:

	2024 £000	2023 £000
Loss on ordinary activities before tax	<u>(7,093)</u>	<u>(10,413)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 25% (2023 – 20.5%)	(1,773)	(2,134)
<b>Effects of:</b>		
Fixed asset timing differences	99	-
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	137	662
R&D expenditure credits	(17)	6
Chargeable gains / (losses)	261	-
Adjustments to tax charge in respect of prior periods	(49)	(23)
Deferred tax rate difference	(367)	(338)
Movement in deferred tax not recognised	137	-
Impact of overseas tax rate	(17)	(29)
<b>Total tax charge for the year</b>	<u>(1,589)</u>	<u>(1,856)</u>

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**11. Dividends**

	2024 £000	2023 £000
Ordinary:		
Interim paid - £25 (2023: £25)	1,555	1,563
Final paid - £25 in relation to FY24 (FY23: £25)	1,555	1,564
	<u>3,110</u>	<u>3,127</u>

The recommended final dividend for the year 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 2024 to £50 (2023: £50). This results in a total dividend payment in respect of the financial year of £3.1m (2023: £3.1m). Dividend payments made in the financial year totalled £3.1m (2023: £3.1m).

**12. Exceptional items**

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

	2024 £000	2023 £000
Incremental interim resources required to execute transformation plan	5,179	3,130
Restructuring costs	3,227	2,535
Financing arrangements	-	205
Impairment of intangible assets	-	1,300
Impairment of unlisted investment	-	100
	<u>8,406</u>	<u>7,270</u>

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

Restructuring costs comprise redundancy and the closure of retail stores, including onerous lease provisions, accelerated strip out costs and store inventory impairments incurred as part of the transformation programme.

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ARCO LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024

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13. Intangible assets

Group

	Computer software £000
<b>Cost</b>	
At 1 July 2023	22,569
Additions	3,522
Disposals	(3,440)
Reclassification between assets	(3,503)
At 30 June 2024	<u>19,148</u>
<b>Amortisation</b>	
At 1 July 2023	15,720
Charge for the year on owned assets	3,139
On disposals	(3,230)
Reclassification between assets	(3,512)
At 30 June 2024	<u>12,117</u>
<b>Net book value</b>	
At 30 June 2024	<u><u>7,031</u></u>
At 30 June 2023	<u><u>6,849</u></u>

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**13. Intangible assets (continued)****Company**

	Computer software £000
<b>Cost</b>	
At 1 July 2023	22,569
Additions	3,522
Disposals	(3,440)
Reclassification between assets	(3,697)
At 30 June 2024	<u>18,954</u>
<b>Amortisation</b>	
At 1 July 2023	15,720
Charge for the year on owned assets	3,139
On disposals	(3,230)
Reclassification between assets	(3,655)
At 30 June 2024	<u>11,974</u>
<b>Net book value</b>	
At 30 June 2024	<u><u>6,980</u></u>
At 30 June 2023	<u><u>6,849</u></u>

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**14. Tangible fixed assets**

**Group**

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 July 2023	47,162	9,869	33,632	134	90,797
Additions	56	166	2,013	-	2,235
Disposals	(696)	(1,475)	(6,256)	(37)	(8,464)
Reclassification between assets	(1,372)	(97)	796	-	(673)
At 30 June 2024	<u>45,150</u>	<u>8,463</u>	<u>30,185</u>	<u>97</u>	<u>83,895</u>
<b>Depreciation</b>					
At 1 July 2023	8,944	6,548	28,534	134	44,160
Charge for the year on owned assets	2,209	575	1,649	-	4,433
Disposals	(696)	(1,450)	(6,254)	(37)	(8,437)
Reclassification between assets	(218)	(234)	(213)	-	(665)
At 30 June 2024	<u>10,239</u>	<u>5,439</u>	<u>23,716</u>	<u>97</u>	<u>39,491</u>
<b>Net book value</b>					
At 30 June 2024	<u><u>34,911</u></u>	<u><u>3,024</u></u>	<u><u>6,469</u></u>	<u><u>-</u></u>	<u><u>44,404</u></u>
At 30 June 2023	<u><u>38,218</u></u>	<u><u>3,321</u></u>	<u><u>5,098</u></u>	<u><u>-</u></u>	<u><u>46,637</u></u>

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**14. Tangible fixed assets (continued)**

**Company**

	Freehold property £000	Long-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Total £000
<b>Cost or valuation</b>					
At 1 July 2023	45,262	9,283	32,099	134	86,778
Additions	-	166	1,951	-	2,117
Disposals	(696)	(1,475)	(6,256)	(37)	(8,464)
Reclassification between assets	(1,890)	489	1,078	-	(323)
At 30 June 2024	<u>42,676</u>	<u>8,463</u>	<u>28,872</u>	<u>97</u>	<u>80,108</u>
<b>Depreciation</b>					
At 1 July 2023	8,661	6,314	27,276	134	42,385
Charge for the year on owned assets	2,003	575	1,525	-	4,103
Disposals	(696)	(1,450)	(6,254)	(37)	(8,437)
Reclassification between assets	(340)	-	(25)	-	(365)
At 30 June 2024	<u>9,628</u>	<u>5,439</u>	<u>22,522</u>	<u>97</u>	<u>37,686</u>
<b>Net book value</b>					
At 30 June 2024	<u>33,048</u>	<u>3,024</u>	<u>6,350</u>	<u>-</u>	<u>42,422</u>
At 30 June 2023	<u>36,601</u>	<u>2,969</u>	<u>4,823</u>	<u>-</u>	<u>44,393</u>

During the year there was a reclassification to align between tangible fixed assets and intangible assets within cost and accumulated depreciation. There is no overall impact on reporting net book value.

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**15. Fixed asset investments**

<b>Company</b>	<b>Investments in subsidiary companies £000</b>	<b>Unlisted investments £000</b>	<b>Total £000</b>
<b>Cost or valuation</b>			
At 1 July 2023	21,116	100	21,216
At 30 June 2024	<u>21,116</u>	<u>100</u>	<u>21,216</u>
<b>Impairment</b>			
At 1 July 2023	6,672	100	6,772
At 30 June 2024	<u>6,672</u>	<u>100</u>	<u>6,772</u>
<b>Net book value</b>			
At 30 June 2024	<u>14,444</u>	<u>-</u>	<u>14,444</u>
At 30 June 2023	<u>14,444</u>	<u>-</u>	<u>14,444</u>

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**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 %
<i>Dormant companies registered in England -</i> 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 %
<i>Dormant companies registered in Northern Ireland -</i> Occupational Safety Services Limited Gilpins the Shop for Men Limited Arco Gilpins Limited	7 Trench road, Mallusk, Newtonabbey, Co Antrim, BT36 4TY	Ordinary	100 %
<i>Dormant companies registered in Scotland -</i> Arco Atholl Limited W Walker & Sons (Safety) Limited.	Unit 3, Watt Street, Kingston Bridge Trading Estate, Glasgow. G5 8RR	Ordinary	100 %

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

**16. Stocks**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Finished goods and goods for resale	32,329	42,801	31,705	42,118
	<u>32,329</u>	<u>42,801</u>	<u>31,705</u>	<u>42,118</u>

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 £169,435,000 (2023: £227,225,000) and for Company is £166,120,000 (2023: £219,936,000).

Inventories are stated after provisions for impairment in the Group of £5,447,000 (2023: £5,985,000) and Company £5,326,000 (2023: £5,813,000).

**17. Debtors**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Trade debtors	45,859	47,248	42,655	44,322
Amounts owed by group undertakings	-	-	4,361	3,209
Corporation tax	173	35	266	-
Prepayments and accrued income	5,076	2,656	4,652	2,471
Deferred taxation	6,041	3,053	6,164	3,153
Financial instruments	210	-	210	-
	<u>57,359</u>	<u>52,992</u>	<u>58,308</u>	<u>53,155</u>

Trade debtors within the Group are stated after provisions for impairment of £1,225,000 (2023: £1,471,000) and Company £958,000 (2023: £1,149,000).

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

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Cash and cash equivalents**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Cash at bank and in hand	3,648	3,428	1,697	-
Less: bank overdrafts	(135)	(992)	(135)	(992)
	<u>3,513</u>	<u>2,436</u>	<u>1,562</u>	<u>(992)</u>

**19. Creditors: Amounts falling due within one year**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Bank overdrafts	135	992	135	992
Trade creditors	42,308	40,026	40,588	39,059
Amounts owed to group undertakings	-	-	14,796	10,737
Other taxation and social security	6,201	6,871	5,411	6,127
Accruals and deferred income	9,398	7,437	8,272	6,170
Financial instruments	302	267	302	267
	<u>58,344</u>	<u>55,593</u>	<u>69,504</u>	<u>63,352</u>

**20. Financial instruments**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
<b>Financial assets</b>				
Derivative financial instruments measured at fair value through profit or loss	<u>210</u>	<u>-</u>	<u>210</u>	<u>-</u>
<b>Financial liabilities</b>				
Derivative financial instruments measured at fair value through profit or loss	<u>302</u>	<u>267</u>	<u>302</u>	<u>267</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
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**21. Deferred tax**

**Group**

	2024 £000	2023 £000
At beginning of year	3,053	(3,544)
Credit to profit or loss	1,538	1,936
Credit to other comprehensive income	1,450	4,661
<b>At end of year</b>	<b>6,041</b>	<b>3,053</b>

**Company**

	2024 £000	2023 £000
At beginning of year	3,153	(3,564)
Charged to profit or loss	1,561	2,056
Charged to other comprehensive income	1,450	4,661
<b>At end of year</b>	<b>6,164</b>	<b>3,153</b>

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Accelerated capital allowances	(1,727)	(1,910)	(1,604)	(1,810)
Tax losses carried forward	5,187	3,191	5,187	3,191
Defined benefit pension scheme	3,993	3,356	3,993	3,356
Other timing differences	442	270	442	270
Rolled over capital gains	(1,854)	(1,854)	(1,854)	(1,854)
	<b>6,041</b>	<b>3,053</b>	<b>6,164</b>	<b>3,153</b>

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**NOTES TO THE FINANCIAL STATEMENTS  
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**22. Other provisions**

**Dilapidations and onerous leases**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
At beginning of year	5,122	2,645	4,555	2,430
Charge to profit or loss	206	2,829	154	2,477
Utilised in year	(2,158)	(352)	(2,158)	(352)
<b>At end of year</b>	<b><u>3,170</u></b>	<b><u>5,122</u></b>	<b><u>2,551</u></b>	<b><u>4,555</u></b>

**Restructuring and other provisions**

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
At beginning of year	643	-	643	-
Charge to profit or loss	1,890	643	1,774	643
Utilised in year	(643)	-	(643)	-
Re-classification from accruals	650	-	650	-
<b>At end of year</b>	<b><u>2,540</u></b>	<b><u>643</u></b>	<b><u>2,424</u></b>	<b><u>643</u></b>

**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.

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**23. Pension arrangements (continued)**

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 2024 the Company contributed £4,087,000 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:

	2024 £000	2023 £000
<b>Reconciliation of present value of plan liabilities</b>		
At the beginning of the year	122,657	146,067
Interest cost	6,331	5,230
Actuarial (gains)/losses	2,448	(20,200)
Benefits paid	(6,405)	(8,440)
<b>At the end of the year</b>	<u><b>125,031</b></u>	<u><b>122,657</b></u>

Composition of plan assets:

	2024 £000	2023 £000
<b>The major categories of the scheme assets are as follows:</b>		
Return seeking - Private equity	39,624	43,378
Return seeking – Global equities	5,709	-
Matching assets - LDI	30,063	35,450
Matching assets - Liquidity funds	14,687	13,121
Matching assets – Downside risk	2,523	-
Matching assets - Secure income	15,602	16,847
Cash	853	222
<b>Total plan assets</b>	<u><b>109,061</b></u>	<u><b>109,018</b></u>

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2024**

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**23. Pension arrangements (continued)**

	2024 £000	2023 £000
Fair value of plan assets	109,061	109,018
Present value of plan liabilities	(125,031)	(122,657)
<b>Net pension scheme liability</b>	<u>(15,970)</u>	<u>(13,639)</u>

The (charge)/credit to the profit or loss is as follows:

	2024 £000	2023 £000
Interest on obligation	(615)	245
<b>Total</b>	<u>(615)</u>	<u>245</u>

Reconciliation of fair value of plan assets were as follows:

	2024 £000	2023 £000
Opening fair value of scheme assets	109,018	150,195
Interest income on plan assets	5,716	5,474
Return on scheme assets	(3,352)	(42,195)
Contributions by employer	4,084	3,984
Benefits paid	(6,405)	(8,440)
	<u>109,061</u>	<u>109,018</u>

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. Pension arrangements (continued)**

	2024 £000	2023 £000
<b>Analysis of actuarial loss recognised in Other Comprehensive Income</b>		
Loss / (return) on scheme assets (excluding amount included in net interest expense)	3,352	42,196
Actuarial (gains) / losses - arising from changes in financial assumptions	2,850	(23,945)
Actuarial (gains) / losses - arising from changes in demographic assumptions	(1,130)	(1,924)
Actuarial (gains) / losses - experience loss / (gain)	728	6,658
Derecognition of surplus	-	(4,128)
	5,800	18,857

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

	2024 %	2023 %
Discount rate	5.1	5.3
Revaluation of deferred pensions (before 2030) - benefits in excess of GMP	2.6	2.6
Revaluation of deferred pensions (from 2030 onwards) - benefits in excess of GMP	3.4	3.4
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	3.2
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	2.6
Increases for pensions in payment (from 2030 onwards) - benefits accrued after June 2002	3.4	3.4
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	3.4
Inflation assumption - RPI (from 2030 onwards)	3.4	3.4
Inflation assumption - CPI (before 2030)	2.6	2.6
Inflation assumption - CPI (from 2030 onwards)	3.4	3.4

**ARCO LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**23. Pension arrangements (continued)**

	2024 (%)	2023 (%)
Mortality rates: life expectancy		
- for a male aged 65 now	86.1	86.2
- at 65 for a male aged 45 now	87.1	87.2
- for a female aged 65 now	88.4	88.6
- at 65 for a female member aged 45 now	89.6	89.8
	<b>2024</b>	<b>2023</b>
	<b>£000</b>	<b>£000</b>
<b>The return on scheme assets was:</b>		
Interest income	5,716	5,475
(loss) / return on scheme assets (excluding amount included in net interest expense)	(3,352)	(42,195)
	<b>2,364</b>	<b>(36,720)</b>
<b>Total return on scheme assets</b>		

**24. Commitments under operating leases**

At 30 June 2024 the Group and the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	Group 2024 £000	Group 2023 £000	Company 2024 £000	Company 2023 £000
Not later than 1 year	5,390	4,439	4,819	4,095
Later than 1 year and not later than 5 years	15,634	13,388	14,533	12,917
Later than 5 years	16,799	19,054	16,741	18,890
	<b>37,823</b>	<b>36,881</b>	<b>36,093</b>	<b>35,902</b>

**25. Other financial commitments**

At 30 June 2024 the Group had contracted for future capital expenditure to the sum of £0.2m (2023 - £0.7m).

At 30 June 2024 the Group had contracted for future forward contracts in relation to currency hedging to the sum of £16.9m (2023: £15.7m).

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**ARCO LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**26. Share capital**

	2024 £000	2023 £000
<b>Authorised, allotted, called up and fully paid</b>		
Ordinary shares of £1.00 each	<u>63</u>	<u>63</u>

**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.