Registered in England and Wales
Registered Number: 133804

ANNUAL REPORT AND FINANCIAL STATEMENTS

ARCO LIMITED

30 JUNE 2021

Directors

Non-Executive

T Martin, OBE, JP, DL, MA	
S Martin, OBE, DL, MA, FCA	
T G Martin, BA (Hons)	**Chair**
N A C Hildyard, DL, FCA	*Vice-Chair*
K A Appleton, BA (Hons)	*Independent*
A G Martin, MB, ChB, BSc, FRCS (Ed), FRCS (Lon), PG Dip Medical Ed	
T R H Lodge, MA (Cantab); FCMA	*Independent*
N J Coxwell, BSc (Hons)	*Independent*

Executive

D Evison, BSc (Hons), MBA, ACMA	**Managing Director**
B J I Lawrie, MCIPD	
R Martin, BA	
A M J Berger, MSc	*Appointed 22 October 2020*
H Wright, BA (Hons), ACA	
S Harrison	*Resigned 31 December 2020*

Company Secretary
N J Dodds, LLB (Hons)

Branches of Arco Limited as at 30 June 2021

Aberdeen
Ashton under Lyme
Avonmouth
Basildon
Belfast
Bellshill
Blaydon
Bradford
Bury St Edmunds
Cardiff
Carlisle
Chester
Coventry
Crayford
Darwen
Doncaster
Ellesmere Port
Falkirk
Glasgow
Grimsby
Hedge End
Hull
Irvine
Leeds
Leicester
Liverpool
Longwell Green
Minworth
Northampton
Nottingham
Oldbury
Ossett
Park Royal
Plymouth
Poole
Sheffield
Stockton
Stoke
Swansea
Trafford Park
Warrington
Watford
West Drayton
Workington

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

Other non-trading branches of Arco Limited as at 30 June 2021
Xiamen Representative Office (China)

Trading subsidiaries during the financial year ending 30 June 2021
Arco Safety Limited (Ireland)
Arco Professional Safety Services Limited (UK)

Registered Office:
Arco Limited, PO Box 21, 1 Blackfriargate, Hull, HU1 1BH

Auditors
RSM UK, 2 Humber Quays, Wellington Street West, Hull, HU1 2BN

Bankers
HSBC Bank PLC, 3-4 Grand Buildings, Jameson Street, Hull, HU1 3JX
Lloyds Bank PLC, 1 Grand Buildings, Jameson Street, Hull, HU1 3JX

Company number
133804

The Directors are pleased to present their strategic report on the Group and Company for the year ended 30 June 2021.

Our Business Model and Strategy

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

Our expertise stems from our people; the Company ensures all colleagues have opportunities to learn and develop and for many in the business our Experts framework ensures they follow a pathway to expertise.

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

During the year, the Board agreed a new three-year strategic framework for the Group with a one-year plan for financial year 2021/22, reflecting the need for flexibility in light of the uncertainty posed by the pandemic. The strategic framework builds on investments in recent years and therefore focusses on leveraging the benefits of digital transformation, driving performance through the Group's sector focus, and delivering joined-up safety management solutions. All this is supported by the Group's safety product distribution capabilities, extensive regional portfolio, colleague expertise, and specialist safety services. Further details are set out in the *Directors' Report* on pages 16 to 18.

Review of the business

The year saw continued high demand for PPE to support the response to the Covid-19 pandemic and as a result the Group delivered sales of £390m, a strong 22% growth on the prior year, and an operating profit of £18.9m. The cash position at year-end was also improved as a result of the sell-through of significant amounts of PPE purchased at the end of the previous financial year. This leaves a healthy year-end cash balance of £22.4m after making a material additional contribution to the Group's defined benefit pension scheme, which closed to new members and future accrual in 2010.

These results were the result of the hard work of our colleagues in supporting our existing and new customers, including many individuals working on the front line, to operate through the challenging and unpredictable circumstances. An additional bonus was paid to all colleagues in the year in recognition of their exceptional commitment.

The financial year saw a number of key investments come to fruition to support the Group's longer term strategic objectives.

- the Group's investment in a 20,439 sq metre extension to its distribution centre in Hull proved key in supporting the Group's response to the Covid-19 pandemic after it came online in the months prior to the initial lockdown in the UK in March 2020.
- the Group's new office for Hull based colleagues in the fruit market area of the city progressed and the fit-out has been adapted to support the return of colleagues to the office in a Covid-secure manner. The site of the Company's former offices in Hull is now an integral part of the Highways England road improvement works for the city.
- The Group's significant investment in digital transformation resulted in a new web and e-commerce platform coming online towards the end of the year and after a period of testing, post year-end saw this launched fully across the business.

In addition, the Group has continued to invest in its Safety Services offering with its fourth specialist Safety Centre launching during the year in Linlithgow to enhance its safety services proposition. This additional site will further demonstrate Arco's joined-up approach to safety by providing customers with access to a national network of high-class safety training facilities supported by extensive product expertise and distribution capabilities.

The Group is well positioned to navigate through the challenges of the coming financial year with a strong balance sheet, a reputation as the Expert in Safety, the ability to deliver an integrated safety proposition through the specialist safety services team, and a supply chain able to deliver ethical, compliant and high-quality products. The first phase of investments in digital come online in 2021 and our position as experts in safety continues to make the difference in a marketplace that has seen a worrying increase in sales of non-compliant products and by inexperienced resellers. However, the Company expects performance to ease back considerably from the levels of the year and prior year.

The business continues to focus on quality and compliance, supported by a dedicated sourcing team in Xiamen, China and our own in-house independently accredited UKAS test laboratory. This extended during the financial year to engagement with Members of Parliament, Parliamentary Committees, the Department for Health and Social Care, and NHS Scotland and other significant stakeholders involved in pandemic response and the management of PPE standards. The Group has pledged its support to the Government and other key organisations as they learn lessons from this pandemic response and put in place plans for future crises, and our paper, *Personal Protective Equipment and the Government's Response to the Covid-19 Pandemic*[1], was well received. The Directors believe that Arco is uniquely placed to support this activity, as well as the development of new safety standards, drawing on its deep safety expertise and experience.

The Group continues to support the communities in which we operate through a range of sponsorships, grants, charitable donations and colleague engagement. Our work with the community is supported by our Community Panel, a group of colleagues from across the business who are passionate about ensuring the Group's community engagement is as effective as it can be. Further details of the work of the Panel and Arco's work in our Community Report is available on our website (www.arco.co.uk). Information on how the Company engages with the community is also set out in the stakeholder engagement section of the Company's *s172 Report* on page 6.

Over £800k of value was shared with the communities in which the Group operates over the year including our continued engagement with a number of respected charities providing essential services to people across the UK. This includes:

- our partnerships with Yorkshire Air Ambulance and the Royal Society for the Prevention of Accidents,
- our partnership with Ron Dearing University Technical College in Hull which helps equip the future workforce and has enabled several apprentices to join Arco with skills to support a digital transformation,
- a Covid grant scheme, established in the previous year at the height of the initial Covid impact, allowing colleagues to support their local communities,
- building on partnerships established in the previous year with Headway, as well as other organisations playing a significant role in responding to the Covid crisis,
- new relationships with the Royal British Legion and Refuge; and
- ensuring community organisations and frontline workers were equipped with PPE to enable their ongoing work during the Covid pandemic.

Key Performance Indicators

The Board monitors business performance through a range of performance indicators including: -

- Financial and commercial - revenue, profit, return on capital and cash metrics.
- Non-financial - including colleague and customer satisfaction, accident incident rate, carbon emissions, and product assurance and responsible sourcing measures.

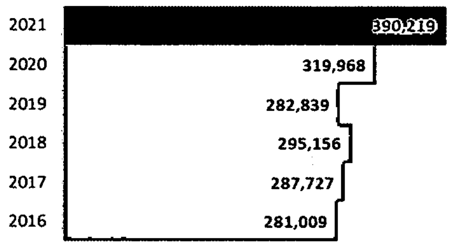
1 https://www.arco.co.uk/103/content/downloads/pdfs/Position%20Paper%20-%20Personal%20Protective%20Equipment%20and%20the%20Governments%20Response%20to%20the%20Covid%2019%20Pandemic.pdf?1608636597546

Key Performance Indicators (continued)

Financial

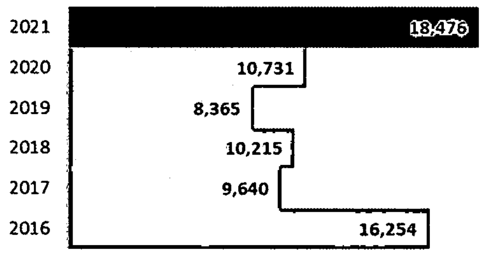
The Group's key financial performance indicators during the year were as follows: -

Revenue £ 390m



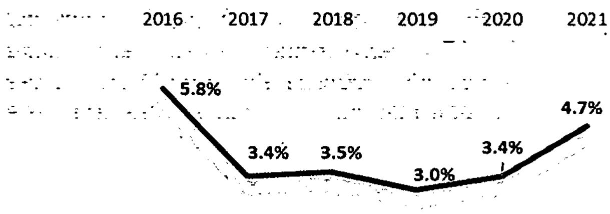
Revenue for the year was £390m, an increase of 22% on the previous year and a 36% increase on the average revenue in the pre pandemic financial years 2016-2019.

Operating Profit (Pre Excep) £ 18.5m



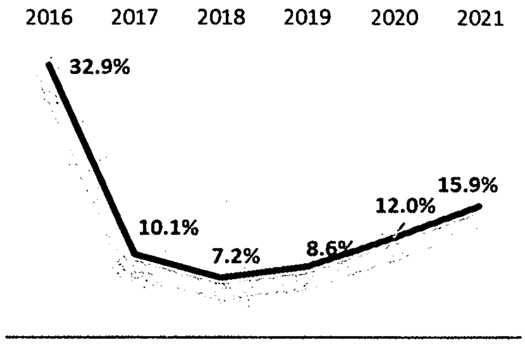
Operating Profit for the year before exceptional income was £18.5m (£18.9m including exceptional income). The benefit of increased demand and consequently revenue, combined with recent capital investments returned the Group to more acceptable profit levels as seen in 2016. Looking forward, however, profit is expected to reduce in line with a re-base of revenue.

Operating Profit (Pre Excep) as % of Sales 4.7%



Operating Profit for the year (excluding exceptional income) represented 4.7% of sales. The Company's strategic objectives are intended to leverage investments in digital capabilities, infrastructure and people to achieve a return on sales position of 5% across the medium term.

Return on Capital Employed (PBIT / Total assets)



Return on capital employed ("ROCE") saw continued improvement from the prior year and finished at 15.9%. This represents a more satisfactory level of return for our shareholders reflecting the significant increase in capital employed as a result of the recent 5-year heavyweight strategic investment program, started in 2016.

Key Performance Indicators (continued)

Financial (continued)

The Company held a cash balance of £22.4m at the end of the year, after investment expenditure of £13.5m, including the construction of the Company's new offices. Inventories normalised over the year, reducing from £60m to £47m.

The Company took the opportunity to utilise the strengthened cash position to make an additional contribution to the defined benefit pension scheme of £3.75m during the year, in addition to the £3.8m contribution that the Company had committed to as part of the funding journey plan for the scheme. Further details on the Pension Scheme can be found in the *Principal Risks* section on pages 13 to 15 and in the notes to the financial statements at Note 20.

Non-Financial

As well as the financial performance indicators detailed, the Group also monitors several non-financial performance indicators to ensure the business remains on track against strategic objectives. In particular, as the safety of colleagues is paramount, the Group monitors a number of KPIs relating to health and safety to ensure that its strong culture of health and safety is maintained, and unavoidable accidents are minimised or avoided.

In a year where so many people were affected by the impact of Covid-19, the Group monitored colleague engagement in particular and the improvement in engagement scores from 70 to 76 is testament to the hard work of all colleagues to keep people safe during the pandemic. The Group aims to maintain engagement at this high level.

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

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

The Board of Directors is made up of non-executive and executive directors, with the non-executive directors being a mix of independent directors and representatives of the Martin Family, the major shareholders of the Company. As a result, a wide range of skills, experience and perspectives are available as the Board fulfils its role in setting the Company's strategic aims and overseeing business performance and risk. The Board operates a number of sub-committees, typically chaired by an independent non-executive director, in order to provide more focussed oversight and stakeholder engagement in key aspects of the business. For example, the Audit Committee ensure that the Company's risk management frameworks assess the risks having due regard to the strategic objectives as well as stakeholder interests.

Sustainability is a key priority for Arco and this year the Board has established an ESG Committee to allow the Board to engage further with the executive team and colleagues across the business on a topic about which the shareholders, the Company, the Board, our colleagues, and an increasing number of our customers care passionately.

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

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

The Board is cognisant of the long-term implications of strategic decisions and takes any decisions having regard to the implications for the business and its stakeholders. The Board acknowledges that the family ownership of the business allows longer-term planning with less need to react to shorter term volatility. During the year, the Board reviewed and approved the Company's updated three-year strategic framework, one-year strategic plan and the annual operating budget. In doing so, the Board balanced the need for continued investment in Arco's capabilities and infrastructure with the risks, in particular, of economic challenges affecting Arco's customer base and industry segments as the UK recovers from the Covid pandemic.

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

During the year, the Board has taken regular feedback from the executive team and colleagues about the ways of working necessitated by the Covid pandemic. The Board has taken colleague and customer feedback into account when considering the development of the Company's new office building in Hull and the plans in place to enable hybrid ways of working beyond the Covid pandemic. The Board believes that this approach will help deliver excellent customer service from an engaged workforce, whilst sustaining the culture and heritage of the business.

Colleague engagement is a major focus for us, as our people are the driving force behind our business. It is important to the directors that our people understand and live our mission of keeping people safe at work. We continually engage with our people and are mindful of what really matters to them.

We communicate the progress of the business and our strategies using digital communications, regular face to face meetings (when the pandemic restrictions permitted this) and through our colleague newsletter. Colleagues have regular opportunity to provide input and feedback via engagement surveys and a formalised half yearly appraisal process. We use change agents from across the business to support significant strategic projects.

The Directors have put in place strong health, safety and environmental policies which are communicated and discussed with colleagues at all levels of the business.

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

Our customers

Meeting the needs of our customers is key for the continuing success of the Company. As a business we look to build strategic partnerships with customers. Our mission of keeping people safe at work is at the core of this and our products and services are delivered to ensure that our customers consider us the expert in safety.

We have dedicated account managers who work closely with our customers to understand their needs, and we provide regular updates regarding our business and products. Frequent voice of customer ("VOC") surveys allow us to identify areas in which we can improve our ability to service our customers. The Board has overseen a significant investment in the Company's digital capabilities, including the transition of the Company's core e-commerce platform. The Board has taken investment decisions based on customer feedback and having regard to the evolution of the Company's trading environment to an increasingly online one. In doing so, the Board has sought to equip Arco with the infrastructure to sustain and grow the business over many years, delivering long term shareholder value.

Our suppliers

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

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

The Board recognises the valuable role strong supplier relationships play in delivering the Company's strategy and has noted the increasing demand from our customers to work with companies who share values in relation to important matters such as the environment, ethical trading and community investment. To ensure that the Company continues to deliver to customer expectations and operates a sustainable business, the Board has approved a new Supplier Code of Conduct and provides information on its website (www.arco.co.uk) addressing both its corporate governance and its approach to sustainability, a key element of which builds on our strong history of managing an ethical supply chain.

Government, Regulators, and Trade Bodies

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

Other External Organisations

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

Our Pension Scheme Members

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

As a result of continued engagement with shareholders and the pension trustees, the Board has committed to significant annual payments to support a journey plan to close the scheme deficit and reduce risk to the Company and protect the benefits of pension scheme members. In addition, during the year, the Board reviewed potential use of surplus cash to de-risk the scheme further and decided to make an additional contribution to accelerate the scheme journey plan. The Board will further review the financial position in the next financial year but intends to consider a further additional contribution if certain financial thresholds are met. The Board believes that managing the pension deficit is key to delivering benefits to pension scheme members and value to shareholders.

Our shareholders

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

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

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

Our communities

Arco operates across the UK and supports the communities in which it operates and supports colleagues within their communities. The Company shares an amount in excess of 1% of annual profits with communities, which includes extensive collaborations at a corporate and colleague level with an array of organisations. Colleague charitable fundraising is matched by the Company and colleagues are supported and encouraged to use 2 days per annum to engage on projects with organisations to create benefit for our communities.

More information on our approach to sustainability and our work in the community is available on our website (www.arco.co.uk), and, in particular, our Arco in the Community Report.

Our Environment

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

More information on our approach to sustainability and our work in the community is available on our website (www.arco.co.uk), and in our *Streamlined Energy and Carbon Reporting* at page 10.

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

Our focus remains that of leading, educating and re-shaping the market. For example, the Board supports colleague engagement with public and private sector organisations to evolve product standards for enhanced user safety. During the year, this work has included changes required as a result of Covid-19 and Brexit.

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

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

The Company operates to a robust corporate governance framework and adopts best practices suited to its status as a family-owned private company such as those set out in the 2018 Wates corporate governance publication.

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

Arco is a fourth-generation owned family business and therefore has long term shareholders who are Board members and active working directors. 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 including the Executive members of the Board liaise with nominated representatives of the family shareholders as well as engaging with forums created by the family shareholders to align their interests and objectives.

On behalf of the Board

D Evison
Managing Director
29 September 2021

Streamlined Energy & Carbon Reporting ("SECR")

Progress over the Year

Arco recognises that a journey to a net zero carbon position for its business is a necessary one but one that requires a clear action plan and ambitious targets. This work is being undertaken by Arco's Sustainability Steering Group, which is overseen and supported by the ESG Committee of the Board. Arco has held ISO14001 certification since 2005 and its ISO14001 Environmental Management System (EMS) provides the framework to monitor and report on energy performance and drive continuous improvement.

In the short term, as well as implementing best practice and improvement activities across Arco's estate, Working with iOffset, Arco has offset its Scope 1 and Scope 2 carbon for the year through Verra-certified carbon reduction projects. Arco intends to continue to offset the Scope 1 and Scope 2 carbon in future years at the same time as developing and implementing an action plan to become a net zero business. Arco is also taking steps to accurately record wider Scope 3 emissions to enable offsetting as well as implementing clear reduction initiatives, including through increased engagement with its supply chain.

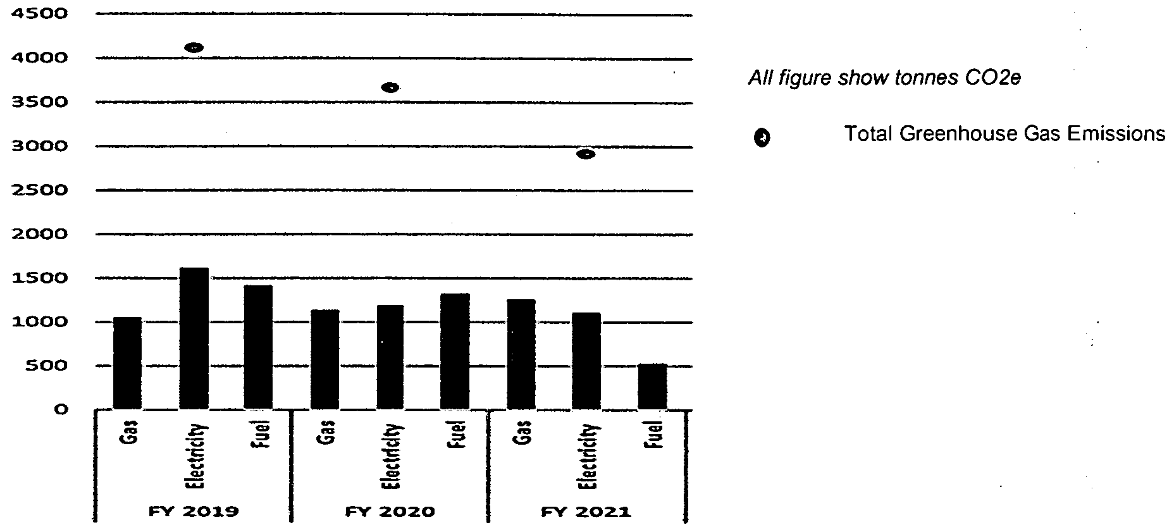
Over the year, a number of new properties have come into Arco's estate including the new head office building at Blackfriargate in Hull. The design and fit out of these properties is undertaken to deliver energy efficiency including use of LED lighting, heat pump technologies for heating and cooling, smart meters and smart controls. The new head office building is rated as BREEAM "Very Good" status, and has improved energy efficiency, incorporating energy efficient glazing, a Chill Beam Cooling system, and intelligent lighting systems.

Arco sources its energy requirements through renewable energy tariffs and takes steps to monitor, control and reduce energy consumption. Arco continually reviews its estate to identify opportunities to improve energy efficiency and implements projects to deliver those improvements. For example, during the year, the Company initiated a full upgrade of the lighting in its original NDC building and a number of retail outlets in order to deliver significantly improved energy performance estimated to save 190 tonnes of carbon annually or 17% of Arco's scope 1 electricity consumption and 6.5% of Arco's overall scope 1 and scope 2 energy footprint. Alongside the new, more efficient NDC2 building which came online in early 2020, this project will materially improve the carbon impact of Arco's distribution and retail facilities.

The Company has also initiated a full review of its company fleet and as a result has taken the opportunity to improve accessibility to electric and hybrid vehicles for its colleagues within the company car scheme. The review will also facilitate changes to Arco's own fleet with the aim of further reducing emissions and Arco's carbon footprint. The Company is also exploring the provision of EV charging infrastructure across its estate.

Arco's Board has created an ESG Committee to support the Group's development of a new sustainability strategy and which oversees and supports the work of an executive-led, cross functional sustainability steering group. The new sustainability governance structure will enable development, monitoring and reporting of clear, stretching energy and carbon reduction targets.

Our Energy Performance



The prior year (FY20) emissions were depressed as a result of the Covid-19 lockdown which, in the final quarter of the year, saw branches closed for a time and significantly less travel. The current year has seen significantly less travel (reflected in the fuel performance). It is recognised that there will be an increase in emissions once the Covid-19 restrictions end, although it is expected that longer-term changes to working patterns will continue to have a beneficial effect on emissions. The Company's planning for carbon reduction continues to take into account a return to a more 'normal' level of emissions once the pandemic restrictions end and reduction initiatives are identified and prioritised accordingly.

	2021	2020	Change		
Scope 1 emissions from gas, transport and other fuel use	1,801	2,349	-548	-23%	▼
Scope 2 emissions from electricity	1,115	1,198	-83	-7%	▼
Scope 3 emissions from indirect sources	7.5	116	-108.5	-94%	▼
Total greenhouse gas emissions	2,923	3,663	-740	-20%	▼
Greenhouse gas emissions per £m sales revenue	**7.5**	**11.5**	**-4.18**	**-36%**	▼

All figure show tonnes CO2e

The scope of this energy and carbon report includes all activities and sites operated and controlled by Arco. All sites and activities take place in the UK. Details of Arco branches are included on page 1.

How we collect data

Energy data has been collected from the following sources:

Data Type	Scope 1 Data Source
Gas Consumption	Kinect online energy portal – collates data from AMRs installed in kWh. Invoices from supplier for those sites not on Kinect platform in kWh.
LPG Consumption	Invoiced LPG as per purchasing records in litres.
Van Fleet Diesel Consumption	Fuel Card monthly invoicing in litres.
Company Car Diesel Consumption	Fuel Card monthly invoicing in litres.
Fuel Oil Consumption	Invoiced Fuel Oil as per purchasing records in litres.
Data Type	Scope 2 Data Source
Electricity Consumption	Kinect online energy portal – collates data from AMRs installed in kWh.

Once the above data was collated, DEFRA's "Greenhouse Gas Reporting - Conversion Factors" have been used to convert all energy units to kWh. DEFRA's Conversion Factors were also utilised to convert the energy, now recorded in kWh, to tCO_2e.

How we verify data

Several processes are in place to ensure data collected is accurate, transparent and auditable. A series of records have been retained which contain the data utilised in this report.

Invoicing for fleet diesel, LPG and fuel oil is managed robustly by the Finance Department, as part of Arco Limited's accounting processes. LPG and fuel oil are purchased in standard size cylinders and containers, no meters are required for monitoring consumption. The use of fuel cards for purchasing diesel ensures company drivers obtain diesel from regulated commercial forecourts.

For those sites which have AMR (Automatic Meter Read) electricity and gas meters installed, consumption is automatically collated by the Kinect online energy portal. Consumption data on the portal is cross-checked to both the relevant invoicing and the consumption data from the previous year, with a ±10% tolerance. Invoice figures, including charges, are also verified by an external third party for accuracy.

For those sites currently without AMR gas meters installed, consumption is verified against invoicing by an external party, including a meter read by the supplier to rectify any estimations during the year, and an internal comparison to consumption data from the previous year, with a ±10% tolerance to account for changing weather conditions. All invoices are sent to Kinect to upload to the system.

An annual ISO 14001 Continuing Assessment is carried out by BSI on site over three days, which independently assures the completeness of our energy data and the effectiveness of the energy performance improvement actions taken.

Energy consumption data is compared to the previous year, as per the ISO 14001 monitoring and measurement process. Energy performance data is reviewed by top management as part of internal communication and Management Review processes.

Validating the Report

This energy and carbon report has been reviewed by independent environment and energy consultants, Environmental Strategies Limited, Company No. 3596465, in accordance with their peer review process for recalculation by a second consultant.

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 Tim Lodge, an independent non-executive Director. In addition, the Board has adopted a formal Risk Appetite Statement which sets out the Group's approach to risk and provides a framework for risk-based decisions.

Arco's principal risks and associated mitigating actions are summarised below:

- Supply Chain Risks - as a product distributor, Arco is reliant on its global supply chain to provide the products it sells to its customers. Additionally, Arco's customer proposition is based on an ethical supply chain that can deliver high quality and compliant products. The supply chain is exposed to an array of risks, each of which is capable of causing operational disruption and financial loss to the Company and which Arco seeks to mitigate at a high level through effective contracting, a supplier code of conduct, a Vendor Ethical Guide, and a range of vendor audits and inspections. These risks include:
    - product quality and compliance- the risk that suppliers provide products or services that do not meet the required standards is mitigated by agreeing clear product specifications which are part of the contractual arrangements in place with suppliers as well as undertaking product review and testing both at source and in the company's UKAS accredited product testing laboratory in the UK.
    - geopolitical uncertainty- trade restrictions, tariff increases, commodity volatility, currency volatility, and increase in freight costs can all result from geopolitical risks, which are mitigated by building strong supplier relationships, multi-sourcing, monitoring sourcing locations and alternative options, and agreeing suitable contractual pricing structures.
    - environmental risks- increasing costs of environmental compliance, changes to product or packaging specifications, and the risk of adverse impact on the environment are potential risks associated with Arco's extensive global supply chain. These risks are mitigated by monitoring emerging legislation, a strong internal focus on sustainability, and effective vendor management.
    - product availability- inability to source the products required by our customers is a risk to our business model and one that has been exacerbated by the impact of Covid-19, Brexit and the ongoing challenges with ocean freight, particularly from Asia. We mitigate this risk with effective planning, sourcing strategies and our ability to knowledgeably engage with customers to identify alternative products where necessary.
    - reputational- Arco's reputation may be adversely affected by the actions or inaction of suppliers, whether deliberate or inadvertent. Arco mitigates this risk through effective vendor approval, regular vendor reviews, monitoring of vendor performance and third-party information on vendors, and use of contracts to manage vendor behaviour where necessary.
- Commercial Risks- Arco is a commercial business and its ability to operate a sustainable profitable business may be impacted by commercial risks that include:
    - Market risk –
        - Covid-19 - following a period when PPE required in response to the Covid-19 pandemic was in short supply, PPE supply capacity has significantly increased with new entrants in both manufacture and distribution. This risks excess product, often of inferior quality, being available in the market and adverse impacts on pricing and margin. Arco has mitigated this risk through controlled buying decisions from approved vendors with whom Arco has long-established relationships, coupled with the establishment of new relationships with vendors that have been assessed for ethics, quality, and capability. Additionally, regular commercial reviews ensure that pricing decisions are taken to maximise profitable sales alongside suitable financial provisions for slower moving items.

        - Economic Downturn - Arco's core market is the UK domestic market and as such a drop in output could pose risks to the Group. The risk of an economic downturn may be increased as a result of specific consequences of Covid-19, the UK exit from the EU, and other significant global events. To mitigate this, performance and liquidity are reviewed routinely, and the Group is well diversified across a number of key sectors in the UK market. Arco's strategic objectives take into account economic risks and seek to offset these by focussing on areas of growth and areas where market share can be increased.

    - Price risk - the Group's ability to achieve competitive pricing is reliant on being able manage costs across its extensive supply chain. Supplier prices, freight costs and commodity costs are monitored and pricing and vendor strategies are in place to mitigate impacts on margins and pricing.

- Financial Risks - like all commercial businesses, Arco faces a range of material financial risks that are constantly monitored and are subject to a range of mitigations.

    - Pension Scheme - the Group operates a defined benefit pension scheme, which is closed to new members and to future accrual, which is currently in deficit. The funding position of the scheme is affected by matters outside the control of the Group such as the investment performance of the scheme and key assumptions, including life expectancy. Arco has previously agreed a funding plan that sees increased company contributions and defined investment guidelines and further mitigated the risk during the financial year through an additional material contribution to the scheme. Willis Towers Watson have been mandated through a fiduciary management agreement to enact these principles. Further details of the scheme are set out in Note 20.

    - Foreign exchange risk – the Group's global supply chain and its Euro denominated distribution business in Ireland, both expose the Group to exchange rate risk on transactions. The Group manages its foreign exchange risk through maintaining a formal hedging policy, regularly reviewing demand, and therefore potential exposures. The Group does not engage in foreign currency speculation. The accounting policy for foreign currencies is set out in note 1 to the financial statements.

    - Credit risk – trade credit insurance policies are in place that require appropriate credit checks on customers before sales orders are processed. There are regular reviews of overdue debts and routine monitoring of credit insurance cover levels.

    - Liquidity risk - the Group maintains finance facilities that are flexible and ensure the Group has sufficient available funds for future growth. Cash flow forecasts are continuously updated and reviewed and focussed commercial plans are implemented where there are material increases in stock holdings (for example, significant spot purchases made during the Covid pandemic to secure PPE in short supply).

- People Risks - To mitigate people risks, Arco invests heavily to ensure that its colleague proposition remains relevant and benchmarks well against peers. Overall colleague engagement is regularly monitored to ensure that Arco continuously improves and meets and maintains its objective of being a great place to work. Arco provides significant learning and development opportunities for colleagues with significant focus on ensuring deep safety expertise is embedded throughout the business. Two principal people risks relevant to Arco's strategy and business model are:

    - Expertise - Arco's commercial objectives are supported by the ability to differentiate from competitors by being an expert in safety. There is a risk that Arco is unable to recruit, retain and/or develop sufficient colleagues with sufficient expertise to drive the continued differentiation.

    - Key Personnel - There is a risk that the business becomes reliant on a small number of key colleagues on specific projects, in specific capabilities or in respect of specific customer relationships, such that key commercial outcomes are at risk should those colleagues no longer be available.

- Operational Risks

  - Health & Safety – Arco's mission is to keep people safe at work and the Group recognises that in order to delivery this mission for its customers, it must first ensure that its own approach to safety remains at the highest standard. Failures in health and safety controls may risk the health and well-being of our colleagues and third parties. In addition, a material adverse safety incident could undermine Arco's reputation and affect its commercial performance. The Group constantly reinforces a culture of safety and deploys its safety expertise towards its colleagues as well as its customers.

  - Operational Infrastructure - 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. The Group identifies and deploys appropriate technology and third-party expertise and capabilities in order to mitigate risks in operational performance.

  - Digital transformation - the Company recognises the risk it faces if it fails to evolve its digital offering to keep pace with customer requirements and competitor offerings. Additionally, significant technology and business change projects carry risks associated with project delivery. To mitigate these risks, digital transformation is a key part of the Company's strategic plans and objectives, delivered with full executive accountability and overseen by the Board, including oversight of keys risks by the Audit Committee of the Board. The digital transformation programme is further mitigated by operating with an agile methodology to deliver technology projects with momentum, avoiding wherever possible large scale technology implementations

  - Cyber Risk - as with all business, the risk of adverse impact from a cyber attack has increased with the increasing prevalence of such attacks worldwide. Arco has a dedicated cyber security team whose focus is on identifying the policies, processes, and technology that are most appropriate for Arco to address the risks it faces. Training is regularly provided to all colleagues on a range of threats.

  - Covid-19 - the Company continues to consider the operational impact of Covid-19 as a key risk for the Company. In particular, the risks include colleague safety and wellbeing, business continuity, and colleague engagement. The Company's SHE team monitors latest Government rules and guidance to ensure that the business complies with legal requirements and operates in a best practice Covid-secure manner. This is supported by regular reviews and audits of the Company's sites.

- Sustainability - Although Arco's business operations are not at direct risk from climate change, the Group recognises that the failure to ensure that the business is a responsible and sustainable one will have a commercial impact as a result of increasing costs and impact of environmental regulation and increasing demand from customers and consumers for more sustainable business practices. Arco believes that these demands are positive ones that business should face into and seeks to mitigate its risks by identifying and adopting business practices that address key challenges including reducing waste, reducing emissions and further improving the social value delivered by business. To provide further impetus to Arco's efforts in this area, the Board has recently created a dedicated Board committee to oversee ESG strategy and the work of an executive-led Sustainability Steering Committee.

On behalf of the Board

D Evison
Managing Director
29 September 2021

The Directors present their report and the audited Group financial statements for the year ended 30 June 2021.

Results and Dividends

The Group's profit after tax for the year ended 30 June 2021 was £14.0m (2020: £11.5m).

After maintaining a consistent dividend for several years, the Directors recommend an adjustment to the dividend to reflect inflationary increases over the years for which the dividend has remained static. The recommended final dividend for the year ended 30 June 2021 is therefore £29.50 per ordinary share, which, after an interim dividend of £20.50 per ordinary share, brings the total dividend per ordinary share for the year ended 30 June 2021 to £50.00 (2020: £41.00) resulting in a total dividend payment in respect of the financial year of £3.2m (2020: £2.6m). Dividend payments made in the financial year total £2.6m (2020: £2.6m).

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.

Branches Outside the UK

A complete list of branches is included on page 1.

Future Developments

The Group's priorities in the coming year are framed by the Group's new three-year Strategic Framework. Our key areas of focus are as follows:

- People – to maintain high levels of engagement from our colleagues to collectively deliver our purpose. The health and wellbeing of colleagues remains at the forefront of our plans
- Expertise – we will continue to drive differentiation through expertise, offering assurance to our customers that our products and services are of the highest quality and fully compliant with UK and EU safety standards. Our safety services training offering enables our colleagues to truly demonstrate expertise
- Sustainability – we will build on our strong ethical trading and community engagement activities. We will also create a framework to ensure that we take further impactful and focussed actions to address the environmental and social challenges within the communities in which we operate
- Reviewing our range, proposition and pricing to meet evolving needs of our customer base
- Driving balanced revenue growth through our sector and regional sales strategies
- Easy and effortless customer experience as reflected in our ambition to continually improve Net Promoter Scores (NPS)
- Building on the digital change program to offer a consistent omni channel approach

Financial Risk Management

The financial risk management objectives and policies of the Group have been discussed within the *Strategic Report* on pages 2 to 15.

Employees

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

To support Arco's objectives, during the year, the Company engaged an external organisation, EY, to undertake a preliminary National Equality Standard (NES) assessment. The NES is widely considered to be the UK's highest benchmark for equality, diversity and inclusion. The Company is committed to continual improvement and the robust NES diagnostic process will help us set a strategy, with clear priorities and targets, to embed diversity and inclusion ambitions across the organisation and throughout our processes with a view to undertaking full NES accreditation.

Directors

The Directors who held office during the year and up to the date of signing the financial statements are disclosed on page 1.

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.

Independent Auditors

RSM were appointed as auditors for the year ended 30 June 2020 and their appointment confirmed at the AGM in October 2020. RSM have expressed their willingness to act as auditors on a continuing basis.

Going Concern

The Group has sufficient financial resources at its disposal and has access to considerable external funding should the need arise. The Group has performed long term forecasting to 2026 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to generate profits and positive cash inflows 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 likely impact of any financial downturn as a result of the Covid-19 pandemic and concluded that any material impact on the Group is likely to be sufficiently mitigated by the strong current position of the Group following its commercial performance during the Covid pandemic and the commercial opportunities available to the Company in its capacity as an industry expert in the supply of PPE and safety knowledge. As such the Group continues to adopt the going concern basis of accounting in preparing these financial statements.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements.
- make judgements and accounting estimates that are reasonable and prudent; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's Auditors are unaware; and

- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's Auditors are aware of that information.

On behalf of the board

D Evison
Managing Director
29 September 2021

ARCO LIMITED AND SUBSIDIARIES
INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF ARCO LIMITED

Opinion

We have audited the financial statements of Arco Limited (the 'parent company') and its subsidiaries (the 'Group') for the year ended 30 June 2021 which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, 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 and of the parent company's affairs as at 30 June 2021 and of its profit 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 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 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.

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 Group 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 Group strategic report and the directors' reports have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Group 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 pages 6 to 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

The extent to which the audit was considered capable of detecting irregularities, including fraud *(continued)*

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 audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is 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, employment law and the Bribery Act 2010. We performed audit procedures to inquire of management and those charged with governance whether the company is in compliance with these law and regulations.

The 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 their business rationale;
- reviewing key control account reconciliations;
- for the adjustments made in relation to significant or unusual transactions, or transactions entered into outside the normal course of business, challenging management's judgements and estimates and reviewing the underlying documentation upon which management have based their judgements.

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.

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.

RSM UK Audit LLP

Peter Adams FCA
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Two Humber Quays
Wellington Street West
Hull
HU1 2BN

29 September 2021

ARCO LIMITED AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £'000	2020 £'000
Turnover	2	390,219	319,968
Cost of Sales		(309,548)	(244,536)
Gross Profit		80,671	75,432
Distribution costs		(30,526)	(32,777)
Administrative expenses		(31,669)	(31,924)
Exceptional income		411	-
Operating Profit	3	18,887	10,731
(Loss) / profit on disposal of tangible asset(s)		(287)	2,888
Profit Before Interest and Taxation		18,600	13,619
Interest receivable and similar income	7	29	58
Interest payable and similar expenses	8	(330)	(582)
Profit Before Taxation		18,299	13,095
Tax on profit	9a,9c	(4,306)	(1,630)
Profit for the financial year		13,993	11,465

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £'000	2020 £'000
Profit for the financial year		13,993	11,465
Other comprehensive income / (expense)			
Remeasurement of net defined benefit obligation		14,274	(1,177)
Deferred tax on defined benefit obligation	9b	(3,569)	224
Tax rate change movement on deferred tax relating to revaluation of pension deficit	9b	1,512	543
Tax rate change movement on derivatives	9b	(13)	-
Purchase of own shares	21	113	-
Current year deferred tax / corporation tax rate		(433)	-
Cash flow hedges		17	140
Deferred tax on cash flow hedge	9b	(63)	(27)
Currency movement on overseas investments		148	36
Other comprehensive income / (expense) for the year, net of tax		11,986	(261)
Total comprehensive income for the year		25,979	11,204

ARCO LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 £'000	2020 £'000
Fixed Assets			
Intangible assets	11	11,002	10,425
Tangible assets	12	51,374	43,830
		62,376	54,255
Current Assets			
Deferred tax (due in greater than one year)	9d	-	3,244
Stocks	14	47,015	60,007
Debtors	15	53,708	70,642
Cash at bank and in hand		22,353	3,984
		123,076	137,877
Creditors – Amounts Falling Due Within One Year			
Trade and other payables	17	66,334	78,607
Net Current Assets		56,742	59,270
Total assets less current liabilities		119,118	113,525
Deferred tax	9d	1,961	-
Provisions for liabilities	18	5,094	3,385
Pension liability	20	3,695	25,191
Net Assets		108,368	84,949
Capital and Reserves			
Called up share capital	21	62	67
Share premium account		31	31
Capital redemption reserve		22	17
Retained earnings		108,253	84,834
Total equity		108,368	84,949

The financial statements on pages 23 to 50 were approved by the Board of Directors on 29 September 2021 and were signed on its behalf by

....
D Evison
Managing Director

ARCO LIMITED AND SUBSIDIARIES
COMPANY STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	2021 £'000	2020 £'000
Fixed Assets			
Intangible assets	11	11,002	10,425
Tangible assets	12	50,722	43,169
Investments	13	14,444	14,444
		76,168	68,038
Current Assets			
Deferred tax (due in greater than one year)	9d	-	3,221
Stocks	14	46,506	59,535
Debtors	15	49,678	65,161
Cash at bank and in hand		17,107	3,020
		113,291	130,937
Creditors – Amounts Falling Due Within One Year			
Trade and other payables	17	67,036	78,904
Net Current Assets		46,255	52,033
Total assets less current liabilities		122,423	120,071
Deferred tax	9d	1,988	-
Provisions for liabilities	18	4,917	3,385
Pension liability	20	3,695	25,191
Net assets		111,823	91,495
Capital and Reserves			
Called up share capital	21	62	67
Capital redemption reserve		22	17
Share premium account		31	31
Retained earnings		111,708	91,380
Total equity		111,823	91,495

The profit of the Company for the financial year is £11,052,000 (2020: £15,037,000).

The financial statements on pages 23 to 50 were approved by the Board of Directors on 29 September 2021 and were signed on its behalf by

....

D Evison
Managing Director

ARCO LIMITED AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

GROUP	Note	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance as at 30 June 2019		67	31	17	76,200	76,315
Profit for the year		-	-	-	11,465	11,465
Other comprehensive expense for the year		-	-	-	(261)	(261)
Total comprehensive income for the year		-	-	-	11,204	11,204
Transactions wholly related to the owners		-	-	-	-	-
Dividend		-	-	-	(2,570)	(2,570)
Balance as at 30 June 2020		67	31	17	84,834	84,949
Profit for the year		-	-	-	13,993	13,993
Other comprehensive income for the year		-	-	-	11,986	11,986
Total comprehensive income for the year			-	-	25,979	25,979
Transactions wholly related to the owners		(5)	-	5	-	-
Dividend			-	-	(2,560)	(2,560)
Balance as at 30 June 2021		62	31	22	108,253	108,368

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2021

COMPANY	Note	Called up share capital	Share premium account	Capital redemption reserve	Retained earnings	Total
		£'000	£'000	£'000	£'000	£'000
Balance as at 1 July 2019		67	31	17	79,209	79,324
Profit for the year		-	-	-	15,037	15,037
Other comprehensive expense for the year		-	-	-	(296)	(296)
Total comprehensive income for the year		-	-	-	14,741	14,741
Transactions wholly related to the owners		-	-	-	-	-
Dividend		-	-	-	(2,570)	(2,570)
Balance as at 30 June 2020		67	31	17	91,380	91,495
Profit for the year		-	-	-	11,052	11,052
Other comprehensive income for the year		-	-	-	11,836	11,836
Total comprehensive income for the year		-	-	-	22,888	22,888
Transactions wholly related to the owners		(5)	-	5	-	
Dividend		-	-	-	(2,560)	(2,560)
Balance as at 30 June 2021		62	31	22	111,708	111,823

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2021

	Note	2021 £'000	2020 £'000
Net cash inflow from operating activities		37,078	7,999
Corporation tax paid		(2,031)	(645)
Net cash generated from operating activities		35,047	7,354
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(11,642)	(9,557)
Payment to acquire intangible fixed assets		(1,827)	(1,397)
Proceeds from sales of tangible fixed assets		-	3,500
Interest received		29	58
Net cash used in investing activities		(13,440)	(7,396)
Cash flow from financing activities			
Redemption of redeemable Ordinary B shares		(930)	-
Purchase of own shares		113	-
Equity dividend paid		(2,560)	(2,570)
Currency movement on overseas investments		148	36
Interest paid		(9)	-
Net cash used in financing activities		(3,238)	(2,534)
Net increase / (decrease) in cash and cash equivalents		18,369	(2,576)
Cash and cash equivalents at the beginning of the year		3,984	6,560
Cash and cash equivalents at the end of the year		22,353	3,984

The analysis and movement in net debt is represented above and comprises cash at bank and in hand. The Group has no borrowings (2020 - £nil).

1. Accounting policies

Statement of compliance

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 1 Blackfriargate, Hull, HU1 1BH. The registered number of the Company is 133804.

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

The Group's financial statements have been prepared in compliance with the Companies Act and FRS 102 as it applies to the financial statements of the Group for the year ended 30 June 2021.

a) Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated:

b) Basis of accounting

These financial statements have been prepared on the going concern basis, under the historical cost convention except for certain financial assets and financial liabilities held at fair value through profit and loss, in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

c) Critical judgements

(i) Pension and other post-employment benefits

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

(ii) Taxation

The Group establishes provisions based on reasonable judgement for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. 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.

1. Accounting policies (continued)

d) 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 note 18. The provisions are based on historical experience and management's best knowledge at the time and are reviewed at each balance sheet date. The actual costs and timing of future cash flows are dependent on future events. Any difference between expectations and the actual future liability will be accounted for in the period when such determination is made.

(ii) Stock provisions

Stock provisions are disclosed in note 14. 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.

e) Going Concern

The Group has sufficient financial resources at its disposal and has access to considerable external funding should the need arise. The Group performs weekly short-term cashflow forecasting and quarterly long-term forecasting to determine its future profitability and cashflows. In addition, the Group has performed long term forecasting to 2026 to determine its future profitability and cashflows: these forecasts indicate the Group will continue to generate profits and positive cash inflows 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 likely impact of the end of the Covid-19 pandemic and has concluded that any material impact on the Group as a result of any associated economic slowdown is likely to be sufficiently mitigated by increased demand in the Company's capacity as an industry expert in the supply of PPE and safety knowledge. As such the Group continues to adopt the going concern basis of accounting in preparing these financial statements.

f) Exemptions for qualifying entities under FRS 102

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

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

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

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

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

1. Accounting policies (continued)

g) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and each of its subsidiary undertakings for the year ended 30 June 2021. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

Group reconstructions are accounted for by using the merger accounting method. Under this method the results and cash flows of all the combining entities are brought into the combined entity's consolidated financial statements from the date on which the combination occurred, adjusted to achieve uniformity of accounting policies. The carrying amounts of the acquired entity's assets and liabilities are not adjusted to fair value.

h) Foreign currency

(i) *Functional and presentation currency*

The Group's presentation currency is pound sterling (rounded in thousands).

The Company's functional and presentation currency is pound sterling.

(ii) *Transactions and balances*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the closing rate. Non-monetary items measured at historical cost are translated using 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 the consolidated income statement.

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet. The exchange difference arising on the retranslation of opening net assets are recognised in the 'Other comprehensive income' and then it is taken directly to reserves. Foreign exchange gains and losses resulting from foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investments in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

i) Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, including forward currency contracts and options to hedge its exposure to the financial risks of changes in foreign exchange rates. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date and are subsequently measured at fair value at each balance sheet date.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity. Amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects the income statement.

1. Accounting policies (continued)

i) Derivative financial instruments and hedge accounting (continued)

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting or the ineffective portion of financial instruments that are designated and effective as hedges are recognised in the income statement as they are incurred.

j) Turnover

Turnover is recognised to the extent that the Group obtains the right to consideration in exchange for its performance and knowledge, i.e. the risks and reward of ownership of the goods have passed to the buyer or the services have been delivered. It is measured at the fair value of the consideration received, excluding discount, rebate, and other sales taxes and duty.

k) Employee benefit

The Group provides a range of benefits to colleagues, including paid holiday arrangements, defined contribution and defined benefit pension plans.

(i) Short term benefits

Short term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

The Company operates two pension plans, incorporating defined contribution and defined benefit pension scheme.

(ii) Defined contribution pension scheme

The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

(iii) Defined benefit pension scheme

The Group operates a defined benefit plan for certain colleagues but is closed to new members and future accrual. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including 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 reporting date less the fair value of the plan assets at the reporting date.

The defined benefit obligation is calculated using the projected unit credit method. The Group engages independent actuaries to conduct a full actuarial valuation 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 the estimated period of the future payments ('discount rate').

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

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

1. Accounting policies (continued)

k) Employee benefit (continued)

(iii) Defined benefit pension scheme (continued)

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 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 "interest payable and similar expense".

l) Taxation

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively.

Current or deferred taxation assets and liabilities are not discounted.

(i) Current tax

Current tax is the amount of income tax payable in respect of the taxable income for the year or prior years. Tax is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the period end.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

The charge for taxation is based on the income for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more, or a right to pay less, tax in the future have occurred at the balance sheet date, with the following exceptions:

- Provision is made for gains on disposal of fixed assets that have been rolled over into replacement assets only where, at the balance sheet date, there is a commitment to dispose of the replacement assets.

- Deferred tax assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

1. Accounting policies (continued)

m) 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.

n) 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.

o) 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.

1. Accounting policies (continued)

p) Leased assets

At inception the Group assesses agreements that transfer the right to use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

(i) Operating leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Rentals payable under operating leases are charged to the consolidated income statement on a straight-line basis over the period of the lease.

(ii) Lease incentives

Incentives received to enter into an operating lease are credited to the consolidated income statement, to reduce the lease expense, on a straight-line basis over the period of the lease.

The Group has taken advantage of the exemption in respect of lease incentives on leases in existence on the date of transition to FRS 102 (1 July 2014) and continues to credit such lease incentives to the consolidated statement of income over the period to the first review date on which the rent is adjusted to market rates.

q) Investments in subsidiaries

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

r) Stocks

Stocks are valued at the lower of cost and estimated selling price less cost to complete and sell, with due allowance for any obsolete or slow moving items. Net realisable value is based on the estimated selling price less any further costs expected to be incurred in the sales process.

Cost is determined on the first-in, first-out (FIFO) method. Cost includes the purchase price, including taxes and duties and transport and handling directly attributable to bringing the inventory to its present location and condition.

s) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

t) Financial Instruments

The Group has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

(i) Financial assets

Basic financial assets, including trade and other debtors and cash and bank balances are initially recognised at transaction price, 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.

Such assets are subsequently carried at amortised cost using the effective interest method.

1. Accounting policies (continued)

t) Financial Instruments (continued)

(i) Financial assets (continued)

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the consolidated statement of income.

If there is decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the consolidated income statement.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

(ii) Financial liabilities

Basic financial liabilities, including trade and other creditors and loans from fellow Group companies, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

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

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

Derivatives, including forward foreign exchange contracts, are not basic financial instruments.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless they are included in a hedging arrangement.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

(iii) Offsetting

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

u) 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.

1. Accounting policies (continued)

v) Exceptional income

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are items that are material either because of their size or their nature, or that are non-recurring are considered as exceptional items and are presented within the line items to which they best relate.

2. Turnover by market / category

Analysis of turnover by market area

	2021 £'000	2020 £'000
United Kingdom	359,992	301,553
Other countries	30,227	18,415
	390,219	319,968

Analysis of turnover by category

	2021 £'000	2020 £'000
Sale of goods	380,521	310,565
Services	9,698	9,403
	390,219	319,968

3. Operating Profit

Operating profit is stated after (charging)/crediting:

	2021 £'000	2020 £'000
Depreciation of owned assets	(4,094)	(3,951)
Goodwill amortisation	-	(977)
Software amortisation	(963)	(2,603)
Research and development credits (RDEC)	225	-
Job Retention Scheme ("JRS") Grants	-	1,800
Foreign exchange gains	389	523
Share based payment	(930)	-
Operating lease rentals		
- land and buildings	(4,024)	(3,793)
- other (cars and vans)	(1,613)	(1,713)
Operating lease income	132	36
Fees payable to the Company's auditors for the audit of the Parent Company and the Group's consolidated financial statements	(75)	(73)
Fees payable to the Company's auditors for the audit of the Group's subsidiaries	(20)	(20)

4. Employee Costs

	Group	
	2021	2020
	£'000	£'000
Wages and salaries	51,287	47,810
Social security costs	3,851	4,120
Other pension costs	3,167	3,173
Share based payments	930	-
	59,235	55,103

	Company	
	2021	2020
	£'000	£'000
Wages and salaries	45,585	41,413
Social security costs	3,368	3,529
Other pension costs	2,824	2,782
Share based payments	930	-
	52,707	47,724

Other Group pension costs of £3,167,000 (2020: £3,173,000) and Company £2,824,000 (2020: £2,782,000) are solely in respect of the defined contribution scheme.

5. Employee Numbers

The monthly average number of persons employed by the Group, including Directors, during the year was as follows:

	Group	
	2021	2020
	No	No
Management and administration	255	304
Production, distribution and sales	1,388	1,368
	1,643	1,672

	Company	
	2021	2020
	No	No
Management and administration	242	269
Production, distribution and sales	1,232	1,217
	1,474	1,486

6. Remuneration of Directors

	2021	2020
	£'000	£'000
Remuneration	3,303	2,854
Share based payments	930	-
Aggregate amounts receivable under long term incentive schemes	-	-
Company contributions paid to money purchase pension schemes	4	-
	4,237	2,854

	2021	2020
	No	No
Members of money purchase pension schemes	1	-

6. Remuneration of Directors (continued)

The amounts in respect of the highest paid Director are as follows:

	2021 £'000	2020 £'000
Remuneration (including amounts receivable under long term incentive schemes and, in respect of 2021, share based payments)	1,196	721

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:

	2021 £'000	2020 £'000
Salaries and other short-term benefits	5,433	4,228
Post-employment benefits	32	466
	5,465	4,694

7. Interest Receivable and Similar Income

	2021 £'000	2020 £'000
Interest earned on bank deposits	29	58

8. Interest Payable and Similar Expenses

	2021 £'000	2020 £'000
Interest expense on bank overdrafts	9	-
Net interest expense on defined benefit scheme	321	582
	330	582

9. Tax on Profit

a) Tax on income

	2021 £'000	2020 £'000
Current tax		
UK Corporation tax on profits for the year	1,769	1,206
Foreign tax charge	368	51
Adjustments in respect of previous periods	(469)	(16)
Total current tax	1,668	1,241
Deferred Tax		
Originating and reversal of timing differences	1,739	(78)
Charge to pension liability	-	596
Adjustments in respect of previous periods	432	45
Impact of change in tax rate	467	(174)
Total deferred tax	2,638	389
Total tax	4,306	1,630

9. Tax on Profit (continued)

b) Tax (expense) / income included in other comprehensive income

	2021 £'000	2020 £'000
Deferred tax – impact of rate change on derivatives	(13)	-
Current year deferred tax on actuarial (gain) / loss - pension scheme	(3,569)	224
Current year deferred tax on derivatives	(63)	(27)
Impact of change in tax rate	1,512	543
Current year deferred tax / corporation tax rate	(433)	-
	(2,566)	740

c) Factors Affecting the Tax Charge for the Year

The tax assessed on the income for the year is higher (2020: lower) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2021 £'000	2020 £'000
Profit before tax	18,299	13,095
Profit multiplied by standard rate of Corporation Tax in the UK of 19% (2020: 19%)	3,477	2,488
Income not subject to tax	-	(1,073)
Expenses not deductible for tax purposes (inc goodwill amortisation)	387	759
Depreciation on assets not qualifying for capital allowances	-	(85)
Deferred tax rate difference	665	-
Impact of changes in tax rate	-	(220)
Impact of overseas tax rate	(186)	(106)
Adjustments to prior year – current tax	(469)	29
Adjustments to prior year – deferred tax	432	-
Utilisation of losses brought forward	-	(162)
Tax charge for year	4,306	1,630

d) Deferred tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
The deferred tax liability consists of:				
Accelerated capital allowances	(1,236)	(689)	(1,263)	(702)
Other timing differences	205	296	205	286
Hedging investments	-	(41)	-	(41)
Rolled over capital gains	(1,854)	(1,112)	(1,854)	(1,112)
Total deferred tax liability	(2,885)	(1,546)	(2,912)	(1,569)

9. Tax on Profit (continued)

d) Deferred tax (continued)

Deferred Tax Asset on Defined Benefits Pension Scheme for Group and Company:	2021 £'000	2020 £'000
As at 1 July	4,790	4,619
Movement to income statement	(1,373)	(596)
Movement within consolidated statement of comprehensive income	(2,493)	767
As at 30 June	924	4,790

Total deferred tax

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Accelerated capital allowances and other timing differences	(2,885)	(1,546)	(2,912)	(1,569)
Employee benefit provision	924	4,790	924	4,790
	(1,961)	3,244	(1,988)	3,221

The Company has historically made significant taxable income in each financial year and forecasts to continue to do so. It is reasonable to expect and forecast that future taxable income will arise against which the deferred tax asset can be recovered.

e) Changes in tax rate

Changes to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2020 (on 17 March 2020) and Finance Bill 2016. This maintained the main rate of corporation tax at 19% for future periods. The Finance Bill 2021 (on 3 March 2021) increased the main rate of corporation tax to 25% with effect from 1 April 2023. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

10. Dividends

	2021 £'000	2020 £'000
Declared and paid during the year:		
Ordinary shares (£41 per share) (2020: £41 per share)	2,560	2,570
Final proposed dividend for 2021 agreed post balance sheet date Ordinary shares (£29.50 per share, total dividend for the year £50.00)	1,845	1,285

11. Intangible Assets

	Goodwill £'000	Software £'000	Total £'000
Group			
Cost			
At 1 July 2020	9,738	19,270	29,008
Additions	-	1,540	1,540
At 30 June 2021	9,738	20,810	30,548
Accumulated Amortisation			
At 1 July 2020	9,738	8,845	18,583
Charge for year	-	963	963
At 30 June 2021	9,738	9,808	19,546
Net Book Value			
30 June 2021	-	11,002	11,002
30 June 2020	-	10,425	10,425

	Total £'000
Company	
Cost	
At 1 July 2020	19,270
Additions	1,540
At 30 June 2021	20,810
Accumulated Amortisation	
At 1 July 2020	8,845
Charge for year	963
At 30 June 2021	9,808
Net Book Value	
30 June 2021	11,002
30 June 2020	10,425

12. Tangible Assets

	Freehold property £'000	Leasehold property £'000	Motor vehicles £'000	Plant & fittings £'000	Total £'000
Group					
Cost					
At 1 July 2020	35,135	8,558	134	31,634	75,461
Additions	9,842	970	-	828	11,640
Disposals	-	-	-	(2)	(2)
At 30 June 2021	44,977	9,528	134	32,460	87,099
Accumulated Depreciation					
At 1 July 2020	3,407	5,359	111	22,754	31,631
Charge for year	1,355	522	19	2,198	4,094
Disposals	-	-	-	-	-
At 30 June 2021	4,762	5,881	130	24,952	35,725
Net Book Value					
30 June 2021	40,215	3,647	4	7,508	51,374
30 June 2020	31,728	3,199	23	8,880	43,830
Company					
Cost					
At 1 July 2020	35,070	7,972	134	30,403	73,579
Additions	9,725	970	-	812	11,507
Disposals	-	-	-	(2)	(2)
At 30 June 2021	44,795	8,942	134	31,213	85,084
Accumulated Depreciation					
At 1 July 2020	3,394	5,161	111	21,744	30,410
Charge for year	1,304	499	18	2,131	3,952
Disposals	-	-	-	-	-
At 30 June 2021	4,698	5,660	129	23,875	34,362
Net Book Value					
30 June 2021	40,097	3,282	5	7,338	50,722
30 June 2020	31,676	2,811	23	8,659	43,169

Land held at a cost of £2.1m (2020: £2.4m) is included within Group and Company freehold property.

Assets under construction to the value of £nil (2020: £3.9m) is included within freehold property net book value. Additions in respect of the asset under construction amount to £nil (2020: £3.6m).

13. Investments

Company	Subsidiary Undertakings £'000
Shares at cost:	
At 1 July 2020	21,116
Additions	-
At 30 June 2021	21,116
Provision against investment	
At 1 July 2020	6,672
Charge for the year	-
At 30 June 2021	6,672
Net book value	
At 30 June 2020	14,444
At 30 June 2021	14,444

A detailed listing of all subsidiaries and related undertakings is shown in note 27 on page 50.

14. Stocks

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Goods for resale	47,015	60,007	46,506	59,535

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 £285,712,000 (2020: £219,660,000) and for Company is £263,053,000 (2020: £207,273,000).

Inventories are stated after provisions for impairment in the Group of £13,134,000 (2020: £9,517,000) and Company £12,981,000 (2020: £9,380,000).

15. Debtors

	Group		Company	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Trade debtors	48,984	68,961	45,795	63,522
Other debtors	-	7	-	-
Derivatives	466	213	466	213
Corporation tax	945	-	300	-
Prepayments and accrued income	3,313	1,461	3,117	1,426
	53,708	70,642	49,678	65,161

Trade debtors within the Group are stated after provisions for impairment of £1,526,000 (2020: £1,756,000) and Company £1,100,000 (2020: £1,305,000).

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

16. Financial instruments

	Note	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Financial assets					
Financial assets measured at fair value					
Derivative financial instruments		466	213	466	213
Financial assets measured at amortised costs					
Trade debtors	15	48,984	68,961	45,795	63,522
Other debtors	15	-	7	-	-
		48,984	68,968	45,795	63,522
Financial liabilities measured at amortised cost					
Trade creditors	17	47,494	59,687	46,777	56,445
Amounts owed to subsidiary undertakings		-	-	6,882	5,671
		47,494	59,687	53,659	62,116

17. Trade and other payables

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade creditors	47,494	59,687	46,777	56,445
Other taxation and social security	6,143	6,318	5,565	5,195
Accruals and deferred income	11,947	12,434	10,986	11,060
Amounts owed to group undertakings	-	-	3,708	5,671
Corporation tax	750	168	-	533
	66,334	78,607	67,036	78,904

18. Provisions for Liabilities

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
At 1 July 2020	3,385	3,451	3,385	3,451
Charge in the year	2,027	274	1,850	274
Utilised in year	(318)	(340)	(318)	(340)
At 30 June 2021	5,094	3,385	4,917	3,385

The provision for liabilities relates to property costs and obligations to a supplier.

19. Reconciliation of Profit before Taxation to Net Cash Inflow from Operating Activities

	2021 £'000	2020 £'000
Profit before taxation	18,299	13,095
Profit on sale of fixed assets	-	(2,888)
Impairment of intangible asset	287	-
Interest receivable	(29)	(58)
Other finance income and charges	330	582
Depreciation of tangible fixed assets	4,094	3,951
Amortisation of intangible fixed assets	963	3,580
Research and development credits receivable	225	-
Share based payment	930	-
Decrease / (increase) in stocks	12,992	(21,177)
Decrease / (increase) in debtors	17,907	(11,038)
(Decrease) / increase in creditors	(13,086)	25,624
Increase in provisions for liabilities	1,709	66
Contributions to pension scheme	(7,543)	(3,738)
Net cash inflow from operating activities	37,078	7,999

20. Pension Arrangements

During the year, Arco Limited operated the Arco Stakeholder Pension Plan, which is a defined contribution arrangement and in addition Arco also operated the Arco Group Pension and Life Assurance Scheme (GPLA), 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 GPLA Defined Benefit Scheme

The GPLA scheme is funded and the assets are held by Trustees separately from the assets of the Company. Contributions to the scheme are based on the results of regular actuarial reviews of the scheme's financial position which are undertaken by an independent and professionally qualified actuary. The scheme is now closed to new members and in April 2010 the scheme closed to future accrual. However, transitional arrangements were in place for those who were within 3 years of their expected retirement date. The employer contributed £7,543,000 in 2021 (2020: £3,738,000).

a)- The amounts recognised in the statement of comprehensive income are as follows:

	2021 £'000	2020 £'000
Return on scheme assets (excluding net interest expense)	(5,230)	18,409
Actuarial gains / (losses)	19,504	(19,586)
	14,274	(1,177)

b) The other finance charge is:

	2021 £'000	2020 £'000
Interest on obligation	(3,053)	(4,300)
Expected return on scheme assets	2,732	3,718
	(321)	(582)

20. Pension Arrangements (continued)

c) Details of the amounts recognised in the balance sheet are set out below:

	2021 £'000	2020 £'000
Present value of funded obligations	(184,020)	(206,603)
Fair value of scheme assets	180,325	181,412
Deficit	(3,695)	(25,191)

The principal actuarial assumptions used at the balance sheet date are:

	2021	2020
Discount rate at end of year	1.9%	1.5%
Inflation assumption – RPI (before 2030)	3.2%	2.9%
Inflation assumption – RPI (from 2030 onwards)	3.1%	2.9%
Inflation assumption – CPI (before 2030)	2.2%	2.0%
Inflation assumption – CPI (from 2030 onwards)	3.0%	2.0%
Revaluation of deferred pension (before 2030 / from 2030 onwards)		
- Benefits in excess of GMP	2.2%/3.0%	2.0%
Increase for pensions in payment (before 2030 / from 2030 onwards)		
- Benefits accrued prior to June 2002	3.5%/3.4%	3.4%
- Benefits accrued after June 2002	3.2%/3.1%	2.9%
Proportion of members opting for early retirement	90%	90%
Proportion of members commuting pension for cash[1]	100%	100%
Proportion of members married at retirement	80%	90%
Expected age of death of current pensioner at age 65:		
Male aged 65 at the year end	86.4	86.9
Female aged 65 at the year end	88.9	88.8
Expected age of death of future pensioner at age 65:		
Male aged 45 at year end	87.4	87.9
Female aged 45 at the year end	90.0	90.0

[1] Members are generally able to commute up to 25% of the value of their benefits as cash on retirement

d) Changes in the present value of the defined benefit obligation are as follows:

	2021 £'000	2020 £'000
Opening defined benefit obligation	206,603	191,227
Interest expense	3,053	4,300
Actuarial (gains) / losses	(19,504)	19,586
Benefits paid	(6,132)	(8,510)
Closing defined benefit obligation	184,020	206,603

20. Pension Arrangements (continued)

e) Changes in the fair value of scheme assets are as follows

	2021 £'000	2020 £'000
Opening fair value of scheme assets	181,412	164,057
Interest income	2,732	3,718
Return on plan assets excluding interest income	(5,230)	18,409
Employer contribution	7,543	3,738
Benefits paid	(6,132)	(8,510)
Fair value of scheme assets at end of year	180,325	181,412

f) Fair value of plan assets

	2021	2020	2021 £'000	2020 £'000
Return seeking assets	40%	51%	72,466	92,550
Matching assets	58%	48%	103,700	87,947
Cash	2%	1%	4,159	915
			180,325	181,412

21. Called up share capital

	Allotted, issued, called up and fully paid 2021 £'000	2020 £'000
62,531 (2020: 62,828) Ordinary shares of £1 each	62	62
Nil (2020: 5,000) Ordinary "B" shares of £1 each	-	5
	62	67

During the year,

- the Company acquired 162 shares which were immediately cancelled. In addition, 135 shares held in treasury were cancelled. No further shares are held in treasury.
- all B Shares in issue were redeemed pursuant to the Company's Articles of Association. As a result, no further B Shares are in issue.

22. 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 nominal value of shares repurchased by the Company.

23. Operating Lease Commitments

At 30 June 2021 the Company and Group had the following total lease payments under non-cancellable operating lease for each of the following periods:

	Other		Land and Buildings	
Payment due	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Not later than one year	718	879	3,789	3,504
Later than one year and not later than five years	955	1,163	12,610	7,709
Later than five years	-	-	20,912	12,515
	1,673	2,042	37,311	23,728

At 30 June 2021 the Company and Group had the following total lease income under non-cancellable operating lease for each of the following periods:

	Land and Buildings	
Receipt due	2021	2020
	£'000	£'000
Not later than one year	34	132
Later than one year and not later than five years	-	24
Later than five years	-	-
	34	156

24. Financial Commitments

At 30 June 2021 the Group had contracted for future capital expenditure to the sum of £1.5m (2020 - £11.7m).

At 30 June 2021 the Group had contracted for future forward contracts in relation to currency hedging to the sum of £35.9m (2020: £34.2m).

25. 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).

26. 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.

27. Subsidiaries and Related Undertakings

Name of Company	Country of Incorporation	Nature	Direct/ Indirect	Interest	Registered Office
Arco Safety Limited	Eire	Safety distributor	Direct	100%	Suite 3, One Earlsfort Centre, Earlsfort Terrace, Dublin 2
Arco Professional Safety Services Limited	England	Safety provider	Direct	100%	Unit 5, Raleigh Hall Industrial Estate, Eccleshall, Stafford, ST21 6JL
Confined Spaces Training Services Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Occupational Safety Services Limited	Northern Ireland	Dormant	Direct	100%	7 Trench Road, Mallusk, Newtonabbey, Co Antrim, BT36 4TY
Gilpins the Shop for Men Limited	Northern Ireland	Dormant	Indirect	100%	7 Trench Road, Mallusk, Newtonabbey, Co Antrim, BT36 4TY
Arco Gilpins Limited	Northern Ireland	Dormant	Direct	100%	7 Trench Road, Mallusk, Newtonabbey, Co Antrim, BT36 4TY
Arco Hollman Nicholls Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Humberside Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Group Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Central Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco West Midlands Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Tyne & Wear Limited	England	Dormant	Indirect	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco (GB) Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Holdings Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Cleveland Limited	England	Dormant	Direct	50%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco MTM Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Arco Atholl Limited	Scotland	Dormant	Direct	100%	Unit 3, Watt Street, Kingston Bridge Trading Estate, Glasgow, G5 8RR
W Walker & Sons (Safety) Limited	Scotland	Dormant	Direct	100%	Unit 3, Watt Street, Kingston Bridge Trading Estate, Glasgow, G5 8RR
Melrite (Industrial Supplies) Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Total Access (UK) Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Safestyle Workwear Limited	England	Dormant	Indirect	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Safety Navigator Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
Commercial Debt Recovery Services Limited	England	Dormant	Direct	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH
CSTS Inspection Body Limited	England	Dormant	Indirect	100%	PO Box 21, 1 Blackfriargate, Hull, HU1 1BH