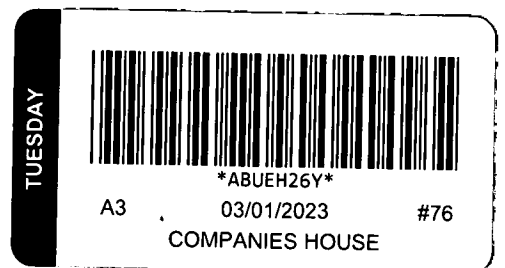


Company Registration No. 05910826 (England and Wales)

Southgate Global Limited

**Annual report and financial statements
for the year ended 31 December 2021**



Southgate Global Limited

Company information

Directors	Alan Jamieson Philip Ellis Luke Haggett	(Appointed 13 August 2021) (Appointed 3 February 2022) (Appointed 14 September 2022)
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Company number	05910826
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Registered office	Sterling House Hamlin Way Hardwick Narrows Industrial Estate Kings Lynn Norfolk PE30 4NG
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Independent auditor	Saffery Champness LLP Westpoint Peterborough Business Park Lynch Wood Peterborough PE2 6FZ
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Southgate Global Limited

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Southgate Global Limited

Strategic report

For the year ended 31 December 2021

The Directors present their Strategic Report for the year ended 31 December 2021 to provide a review of the Company's business, principal risks and uncertainties and performance and position alongside key performance indicators.

a) Development, performance and position

On 13 August 2021 the company's parent, Arpo Global Limited, was acquired by the Southgate Global Holdings Group (SGH), a Group 51% owned by funds managed by Rutland Partners LLP. The other SGH shares are held by former shareholders and Board members.

The Directors are satisfied with the trading results of Southgate Global Limited for the year, having increased its annual turnover by 14% during Covid-19 pandemic conditions worldwide. The Global Pandemic increased demand from the e-commerce businesses which the Company supplies into as customers ordered more on-line which helped increase turnover. There was, however, an adverse impact on supply chains, driving cost and complexity into the business.

On acquisition, management have undertaken a stock rationalisation exercise and as a result have impaired stock by £3.4m for items which they consider are obsolete or no longer core to the business. A more prudent policy against overdue customer receivables has been adopted (resulting in an impairment of £0.4m) and other transformational exceptional costs (amounting to £1.3m) have been incurred in the business. These costs are all considered exceptional costs. Management considers the company is better placed for a strong future as a result of this review and restructuring of operations.

b) Principal risks and uncertainties

There are a number of risks and uncertainties which affect the Company's performance. A risk assessment process is in place and is designed to identify, manage and mitigate business risk. However, it is recognised that to identify, manage and mitigate risks is not the same as to eliminate them entirely.

The Company aims to limit its exposure to any downturn in its traditional trading sector by continuing to diversify its products and activities, identifying opportunities for existing product offerings into new markets and developing new products into new and existing markets.

The Company has a wide range of loyal customers, which helps limit exposure to any material loss of revenue from any one customer, but doesn't protect against falls in the overall market segments the Company operates within.

The Company's exposure to the volatility of exchange rates is mitigated where possible by natural hedging and where possible passing effects through to customers. Since the year end, it has implemented a formal currency hedging policy, engaging with professional advisors.

c) Going concern

Since the acquisition, the slowdown in global trading conditions led to a breach of the banking covenants with the company's lender at 31 December 2021. The company's lender has remained supportive and has agreed to reset the covenants to a level that reflects current trading and future prospects.

The company is actively managing its principal risks as identified above and continues to work very closely with its Shareholders and Bank Lenders, who remain supportive. Consequently, the Directors believe that the company is well placed to manage its business risks successfully and continues to adopt the going concern basis of accounting in preparing the annual Accounts.

Southgate Global Limited

Strategic report (continued)

For the year ended 31 December 2021

d) Financial risk management

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Directors are satisfied that cash levels retained in the business, committed credit facilities and surety lines are more than adequate for future foreseeable requirements.

e) Section 172 disclosures

Overview of how the Board performed its duties:

Shareholder

The significant shareholders are represented by Board members, which allows the directors to liaise directly with shareholders at Board meetings.

Employees

The Company has a well-developed structure through which it engages with employees via daily Teams forums, regular Management and All Staff Meetings. Operational Board members are based at site and Executive Board members perform regular visits to site throughout the year which provides an opportunity for the Directors to engage directly with employees on a variety of topics.

Customers

Senior business development managers and key employees are in regular contact with our principal customers. In addition, to help directors to understand and monitor the Company's relationship with key customers, reporting by business sector is discussed at the monthly Board meeting, detailing new orders and any customer issues.

Suppliers

Key employees are in regular contact with our principal suppliers and develop and maintain relationships with companies in our supply chain. Any issues for Board consideration are reported and discussed at the monthly Board meetings.

Community and Environment

The Board recognises the importance of leading a company that not only generates value for the shareholder but also contributes to the wider society. We recognise that environmental and climate risks could impact us directly, and we are committed to reducing the environmental impact of our operations and our customers' operations by giving customers the option to purchase environmentally sustainable products and minimising our own environmental footprint where possible.

Culture

The long-standing philosophy commits to carrying out business with the utmost integrity and to the highest ethical standards. Our culture is forged from the development of long-term sustainable business. This not only gives employees the will to excel but also fosters confidence amongst customers, suppliers and other stakeholders.

Southgate Global Limited

Strategic report (continued)

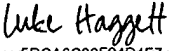
For the year ended 31 December 2021

f) Key performance indicators (KPIs)

The Board uses a number of tools to monitor the Company's performance including a review of key performance indicators on a regular basis across the business. These KPIs evolve as our markets and the economic environment changes to ensure they remain relevant. This allows the underlying performance of the business to be measured and acted upon in a timely manner as required.

On behalf of the board

DocuSigned by:


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Luke Haggett

Director

Date: 23 December 2022.....

Southgate Global Limited

Directors' report

For the year ended 31 December 2021

The directors present their annual report and financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of the company continued to be that of supply of equipment and materials to the industrial packaging and fulfilment sectors.

Results and dividends

The results for the year are set out on page 10.

Ordinary dividends were paid amounting to £398,830. The directors do not recommend payment of a further dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Stephen Turner	(Resigned 13 August 2021)
Charles McIntyre	(Resigned 13 August 2021)
Clive Turner	(Resigned 13 August 2021)
Craig Turner	(Resigned 13 August 2021)
Dale Turner	(Resigned 13 August 2021)
George Turner	(Resigned 13 August 2021)
Marcus Turner	(Resigned 13 August 2021)
Alan Jamieson	(Appointed 13 August 2021)
Philip Ellis	(Appointed 3 February 2022)
Matthew Kember	(Appointed 13 August 2021 and resigned 24 December 2021)
Luke Haggett	(Appointed 14 September 2022)

Auditor

The auditor, Saffery Champness LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Southgate Global Limited

Directors' report (continued)

For the year ended 31 December 2021

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit and loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Information set out in strategic report

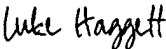
The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

DocuSigned by:


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Luke Haggett

Director

Date: 23 December 2022

Southgate Global Limited

Independent auditor's report

To the members of Southgate Global Limited

Opinion

We have audited the financial statements of Southgate Global Limited (the 'company') for the year ended 31 December 2021 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity 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 Financial Reporting Standard 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 company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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.

Southgate Global Limited

Independent auditor's report (continued)

To the members of Southgate Global Limited

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where 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, 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.

Southgate Global Limited**Independent auditor's report (continued)
To the members of Southgate Global Limited**

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the company by discussions with directors and by updating our understanding of the sector in which the company operates.

Laws and regulations of direct significance in the context of the company include The Companies Act 2006 and UK Tax legislation.

Audit response to risks identified

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of financial statement disclosures. We reviewed the company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

Southgate Global Limited

**Independent auditor's report (continued)
To the members of Southgate Global Limited**

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.



Simon Hall (Senior Statutory Auditor)
For and on behalf of Saffery Champness LLP

Date: 23 December 2022

**Chartered Accountants
Statutory Auditors**

Westpoint
Peterborough Business Park
Lynch Wood
Peterborough
PE2 6FZ

Southgate Global Limited

Statement of comprehensive income
For the year ended 31 December 2021

	Notes	£	2021 £	£	2020 £
Turnover	3		72,209,273		63,334,974
Cost of sales					
Impairment charge for stock obsolescence	5	(3,612,145)		-	
Excess stock storage charges	5	(489,300)		-	
Total exceptional items		(4,101,445)		-	
Cost of sales (excluding exceptional items)		(57,475,869)		(49,232,948)	
Total cost of sales			(61,577,314)		(49,232,948)
Gross profit			10,631,959		14,102,026
Administrative expenses					
Provision for irrecoverable debtors	5	(384,392)		-	
Restructuring consultancy costs	5	(535,183)		-	
Other restructuring costs	5	(392,092)		-	
Total exceptional items		(1,311,667)		-	
Administrative expenses (excluding exceptional items)		(6,300,257)		(4,245,987)	
Total administrative expenses			(7,611,924)		(4,245,987)
Operating profit	4		3,020,035		9,856,039
Interest receivable and similar income			3,152		-
Interest payable and similar expenses	8		(237,204)		-
Profit before taxation			2,785,983		9,856,039
Tax on profit	9		(352,071)		(1,841,006)
Profit for the financial year			2,433,912		8,015,033

The income statement has been prepared on the basis that all operations are continuing operations.

Southgate Global Limited

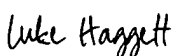
Statement of financial position

As at 31 December 2021

	Notes	£	2021 £	£	2020 £
Fixed assets					
Intangible assets	11		63,249		85,183
Tangible assets	12		475,401		-
			<u>538,650</u>		<u>85,183</u>
Current assets					
Stocks	14	19,533,716		10,223,297	
Debtors	15	32,332,595		17,196,386	
Cash at bank and in hand		712,944		3,723,809	
		<u>52,579,255</u>		<u>31,143,492</u>	
Creditors: amounts falling due within one year	16	(35,817,506)		(16,070,631)	
Net current assets			<u>16,761,749</u>		<u>15,072,861</u>
Total assets less current liabilities			<u>17,300,399</u>		<u>15,158,044</u>
Provisions for liabilities					
Deferred tax liability	18	107,273		-	
		<u>(107,273)</u>		<u>-</u>	
Net assets			<u>17,193,126</u>		<u>15,158,044</u>
Capital and reserves					
Called up share capital	20		4		4
Profit and loss reserves			<u>17,193,122</u>		<u>15,158,040</u>
Total equity			<u>17,193,126</u>		<u>15,158,044</u>

The financial statements were approved by the board of directors and authorised for issue on 23/12/2022 and are signed on its behalf by:

DocuSigned by:



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Luke Haggett

Director

Company Registration No. 05910826

Southgate Global Limited

Statement of changes in equity

For the year ended 31 December 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
Balance at 1 January 2020		4	7,919,511	7,919,515
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	8,015,033	8,015,033
Dividends	10	-	(776,504)	(776,504)
Balance at 31 December 2020		4	15,158,040	15,158,044
Year ended 31 December 2021:				
Profit and total comprehensive income for the year		-	2,433,912	2,433,912
Dividends	10	-	(398,830)	(398,830)
Balance at 31 December 2021		4	17,193,122	17,193,126

Southgate Global Limited

Notes to the financial statements For the year ended 31 December 2021

1 Accounting policies

Company information

Southgate Global Limited is a private company limited by shares incorporated in England and Wales. The registered office is Sterling House, Hamlin Way, Hardwick Narrows Industrial Estate, Kings Lynn, Norfolk, PE30 4NG.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows': Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues': Interest income/expense and net gains/losses for each category of financial instrument;
- Section 33 'Related Party Disclosures': Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of Southgate Global Holdings Limited. These consolidated financial statements are available from Companies House.

1.2 Going concern

Since the acquisition, the slowdown in global trading conditions led to a breach of the banking covenants with the company's lender at 31 December 2021. The company's lender has remained supportive and has agreed to reset the covenants to a level that reflects current trading and future prospects.

The company is actively managing its principal risks as identified above and continues to work very closely with the Group's Shareholders and Bank Lenders, who remain supportive. Consequently, the Directors believe that the company is well placed to manage its business risks successfully and continues to adopt the going concern basis of accounting in preparing the annual Accounts.

Southgate Global Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021****1 Accounting policies (continued)****1.3 Turnover**

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.4 Intangible fixed assets - goodwill

Goodwill represents the excess of the fair value of the consideration over the fair value of the identifiable assets and liabilities acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is considered to have a finite useful life and is amortised on a systematic basis over its expected life, which is 10 years.

1.5 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Customer lists & intellectual property	10% straight line
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1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and equipment	15% reducing balance
Fixtures and fittings	15%-33% reducing balance
Motor vehicles	25% reducing balance

Southgate Global Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

1 Accounting policies (continued)

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

1.7 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1.8 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to net realisable value.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

1.9 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method 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. Financial assets classified as receivable within one year are not amortised.

Southgate Global Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021**

1 Accounting policies (continued)***Basic financial liabilities***

Basic financial liabilities, including 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 payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

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. Amounts payable 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.

1.11 Equity instruments

Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

1.12 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

1.13 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

1.14 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Southgate Global Limited**Notes to the financial statements (continued)****For the year ended 31 December 2021**

1 Accounting policies (continued)**1.15 Leases**

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leases asset are consumed.

1.16 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Recoverability of amounts due from group undertakings

Due to the materiality of the relevant balances, the directors highlight that recoverability of inter-company balances is a significant judgement. However, the directors have considered whether any indicators of impairment exist and have no concerns in this regard.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Measurement of provision for bad and doubtful debts

The directors credit check, measure and review debtors on a regular basis and consider all debtors fully recoverable, other than those which have been provided against in these financial statements.

Southgate Global Limited

Notes to the financial statements (continued)

For the year ended 31 December 2021

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Stock provisions

As set out in note 5 during the year the directors have reviewed (and continue to review) the company's product range for obsolescence and saleability, and have revised estimates of net realisable values. On this basis, the directors believe that carrying amounts of stocks are fully recoverable and that sales prices exceed carrying amounts.

3 Turnover and other revenue

	2021	2020
	£	£
Other significant revenue		
Interest income	3,152	-
	<u>3,152</u>	<u>-</u>
	2021	2020
	£	£
Turnover analysed by geographical market		
United Kingdom	50,359,288	48,526,365
Rest of Europe	18,913,964	13,554,423
Rest of the world	2,936,021	1,254,186
	<u>72,209,273</u>	<u>63,334,974</u>

4 Operating profit

	2021	2020
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange differences apart from those arising on financial instruments measured at fair value through profit or loss	649,199	(132,262)
Fees payable to the company's auditor for the audit of the company's financial statements	35,250	12,500
Depreciation of owned tangible fixed assets	229,437	-
Amortisation of intangible assets	21,934	222,396
Impairment of stocks recognised or reversed	1,038,602	148,216
Operating lease charges	70,000	40,000
	<u>2,044,422</u>	<u>310,350</u>

Southgate Global Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

5 Exceptional costs

Following the sale of the business on 13 August 2021, the company undertook a full review of its product offering and processes, leading to the recognition of various exceptional costs presented in the income statement.

Included in the impairment charge for stock obsolescence are amounts of £679,850 that relate to stocks held at 31 December 2020 that were determined by management at the previous reporting date to have a net realisable value in excess of their carrying amounts but which relate to stock lines which will no longer be sold following a rationalisation undertaken as part of that review.

Included in the provision for irrecoverable debtors are amounts of £57,861 that relate to trade debtors recognised at 31 December 2020 which the directors have determined should prudently be provided for as part of the review.

Other restructuring costs relate to ex gratia payments to former employees, audit costs in relation to accounting for the structuring and certain other immaterial expenses.

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2021 Number	2020 Number
Directors	5	-
Warehouse and admin	65	-
	<hr/>	<hr/>
Total	70	-
	<hr/> <hr/>	<hr/> <hr/>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	3,126,952	-
Social security costs	302,466	-
Pension costs	55,919	-
	<hr/>	<hr/>
	3,485,337	-
	<hr/> <hr/>	<hr/> <hr/>

Southgate Global Limited**Notes to the financial statements (continued)****For the year ended 31 December 2021****6 Employees (continued)**

From 1 January 2021 employee remuneration is recognised within the profit and loss account of Southgate Global Limited. Previously, employee remuneration was recognised within the profit and loss account of Arpo Global Limited, and a management charge was paid by Southgate Global Limited to the fellow group company for services received by relevant employees during the year.

7 Directors' remuneration

	2021	2020
	£	£
Remuneration for qualifying services	195,081	158,112
Company pension contributions to defined contribution schemes	10,000	-
	<u>205,081</u>	<u>158,112</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 1 (2020 - 0).

From 1 January 2021 director remuneration is recognised within the profit and loss account of Southgate Global Limited. Previously, director remuneration was recognised within the profit and loss account of Arpo Global Limited, and a management charge was paid by Southgate Global Limited to the fellow group company for services received by relevant employees during the year.

8 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	237,204	-
	<u>237,204</u>	<u>-</u>

Southgate Global Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

9 Taxation

	2021	2020
	£	£
Current tax		
UK corporation tax on profits for the current period	358,280	1,852,246
Adjustments in respect of prior periods	(113,482)	-
	<u>244,798</u>	<u>1,852,246</u>
Deferred tax		
Origination and reversal of timing differences	107,273	(12,562)
Changes in tax rates	-	1,322
	<u>107,273</u>	<u>(11,240)</u>
Total tax charge	<u>352,071</u>	<u>1,841,006</u>

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021	2020
	£	£
Profit before taxation	<u>2,785,983</u>	<u>9,856,039</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	529,337	1,872,647
Tax effect of expenses that are not deductible in determining taxable profit	28,507	-
Adjustments in respect of prior years	(113,482)	-
Effect of change in corporation tax rate	-	1,322
Group relief	(369,653)	(20,401)
Permanent capital allowances in excess of depreciation	(6,495)	-
Other differences leading to an increase (decrease) in the tax charge	283,857	(12,562)
	<u>352,071</u>	<u>1,841,006</u>

Southgate Global Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021**10 Dividends**

	2021	2020
	£	£
Final paid	398,830	776,504

11 Intangible fixed assets

	Goodwill	Customer lists & intellectual property	Total
	£	£	£
Cost			
At 1 January 2021 and 31 December 2021	2,204,229	219,344	2,423,573
Amortisation and impairment			
At 1 January 2021	2,204,229	134,161	2,338,390
Amortisation charged for the year	-	21,934	21,934
At 31 December 2021	2,204,229	156,095	2,360,324
Carrying amount			
At 31 December 2021	-	63,249	63,249
At 31 December 2020	-	85,183	85,183

Southgate Global Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

12 Tangible fixed assets

	Plant and Fixtures and equipment		Motor vehicles	Total
	£	£	£	£
Cost				
Additions	37,712	150,285	-	187,997
Transfers	77,222	418,627	20,992	516,841
At 31 December 2021	114,934	568,912	20,992	704,838
Depreciation and impairment				
At 1 January 2021	-	-	-	-
Depreciation charged in the year	29,080	192,089	8,268	229,437
At 31 December 2021	29,080	192,089	8,268	229,437
Carrying amount				
At 31 December 2021	85,854	376,823	12,724	475,401
At 31 December 2020	-	-	-	-

Transfers during the year represent transfers of tangible fixed assets from group undertakings.

13 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Address	Class of shares held	% Held	
			Direct	Indirect
Southgate Packaging Limited	1	Ordinary	100.00	-
Packer Industrial Limited	1	Ordinary	100.00	-
Penguin Hygiene Limited	1	Ordinary	100.00	-

Registered office addresses (all UK unless otherwise indicated):

- 1 Sterling House, Hamlin Way, Hardwick Narrows Industrial Estate, Kings Lynn, PE30 4NG

Southgate Global Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

14 Stocks

	2021	2020
	£	£
Finished goods and goods for resale	19,533,716	10,223,297

There is not a material difference between book value and replacement cost in the current or prior year.

Impairment losses in relation to provisions against stocks are disclosed in note 5.

15 Debtors

	2021	2020
	£	£
Amounts falling due within one year:		
Trade debtors	17,002,580	14,659,334
Amounts owed by group undertakings	12,895,911	-
Other debtors	2,274,132	2,537,052
Prepayments and accrued income	159,972	-
	<u>32,332,595</u>	<u>17,196,386</u>

Amounts due from group undertakings are unsecured, interest free and repayable on demand.

16 Creditors: amounts falling due within one year

	Notes	2021	2020
		£	£
Bank loans	17	13,226,412	-
Trade creditors		11,170,946	7,103,963
Amounts owed to group undertakings		3,435,148	2,735,072
Corporation tax		2,219,078	2,153,976
Other taxation and social security		1,921,553	78,610
Accruals and deferred income		3,844,369	3,999,010
		<u>35,817,506</u>	<u>16,070,631</u>

Amounts due to group undertakings are unsecured, interest free and repayable on demand.

Southgate Global Limited

Notes to the financial statements (continued)
For the year ended 31 December 2021

17 Loans and overdrafts

	2021	2020
	£	£
Bank loans	13,226,412	-
	<u>13,226,412</u>	<u>-</u>
Payable within one year	13,226,412	-
	<u>13,226,412</u>	<u>-</u>

Bank loans represent invoice discounting facilities, which are secured by fixed and floating charges over the assets of the company.

During the year, a lender made available to the company a receivables facility and an inventory facility. Under the terms of these facilities, the lender advances monies to the company up to an agreed percentage of the amounts of trade debtors and stocks respectively. The limit of the inventory facility is £8,000,000 and the limit of the receivables facility is £22,000,000. The interest rate in respect of the inventory facility is the base rate plus 3% per annum. The facilities are secured by fixed and floating charges over the assets of the company.

As disclosed in note 1.2, since the acquisition, the slowdown in global trading conditions led to a breach of the banking covenants with the company's lender at 31 December 2021. The company's lender has remained supportive and has agreed to reset the covenants to a level that reflects current trading and future prospects.

18 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities	Liabilities
	2021	2020
	£	£
Balances:		
Accelerated capital allowances	108,324	-
Other timing differences	(1,051)	-
	<u>107,273</u>	<u>-</u>

Southgate Global Limited

Notes to the financial statements (continued) For the year ended 31 December 2021

18 Deferred taxation (continued)

	2021
	£
Movements in the year:	
Liability at 1 January 2021	-
Charge to profit or loss	107,273
	<u>107,273</u>
Liability at 31 December 2021	<u>107,273</u>

19 Retirement benefit schemes

	2021	2020
	£	£
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	55,919	-
	<u>55,919</u>	<u>-</u>

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

20 Share capital

	2021	2020	2021	2020
	Number	Number	£	£
Ordinary share capital				
Issued and fully paid				
Ordinary shares of £1 each	4	4	4	4
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

21 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2021	2020
	£	£
Within one year	140,000	-
Between two and five years	490,000	-
	<u>630,000</u>	<u>-</u>

Southgate Global Limited**Notes to the financial statements (continued)
For the year ended 31 December 2021****22 Ultimate controlling party**

The immediate parent company of Southgate Global Limited is Arpo Global Limited. The parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is Southgate Global Holdings Limited. The address of Southgate Global Holdings Limited is Sterling House, Hamlin Way, Hardwick Narrows Industrial Estate, King's Lynn, United Kingdom, PE30 4NG. Copies of group financial statements can be obtained at Companies House, Cardiff.

Following a change in ownership in August 2021, the entity is controlled by Rutland Fund III. There is no one ultimate controlling party.

23 Related party transactions**Transactions with related parties**

During the year the company entered into the following transactions with related parties:

	2021
	£
Alcides LLP (an LLP in which Mr. Jamieson has an interest) - consulting fees	11,250
Rent paid to related parties	70,000
	<u> </u>

Other information

The Chairman and Director, Alan Jamieson, has an equity interest in the company through his subscription for B Ordinary shares in Southgate Global Holdings Limited on the date of his appointment as director. He has a service contract with the company for his remuneration. Other than as disclosed for Mr Jamieson, there have been no other related party transactions with the directors.