

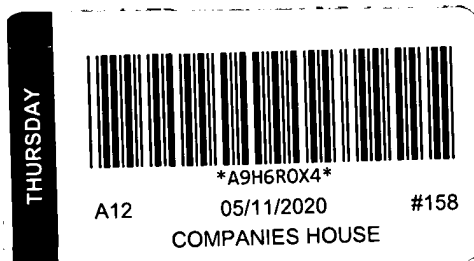
**Southgate Global Limited
(Formerly Southgate Packaging
Limited)**

Annual Report and Financial Statements

Year Ended

31 December 2019

Company Number 05910826



Southgate Global Limited (Formerly Southgate Packaging Limited)

Company Information

Directors	C R Turner M J Turner S R Turner C D McIntyre C Turner D Turner G Turner
Company secretary	S R Turner
Registered number	05910826
Registered office	Hammins Way Hardwick Narrows Industrial Estate Kings Lynn Norfolk PE30 4NG
Independent auditor	BDO LLP Regent House Clinton Avenue Nottingham NG5 1AZ

Southgate Global Limited (Formerly Southgate Packaging Limited)

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Southgate Global Limited (Formerly Southgate Packaging Limited)

Strategic Report For the Year Ended 31 December 2019

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2019.

Principal Activity

The company's principal activity is the innovation and supply of equipment and materials to the industrial packaging and fulfilment sectors.

Business review

The company experienced an increase in turnover of 24%. Some of the factors contributing this growth were increasing its customer base, the acquisition of the Packaging Aids trade and assets in the last quarter and consolidating another group trading entity into the business (TPI Packaging & Industrial) effective 1 January 2019.

Whilst we experienced cost pressures in raw material increases and foreign exchange fluctuation, the company has been able to maintain its margin of 18% (2018 – 18%) due to its global sourcing capabilities and experience of maximising operational efficiencies.

The company has achieved an 75% increase (before tax) in operating profits due to a significant increase in turnover, maintaining margin and tight control of overhead expenses.

Principal risks and uncertainties and use of financial instruments

The directors consider that the company has a similar risk profile to those faced by companies in the sector, principally the commercial risk of not retaining the loyalty of key customers and suppliers. Considerable emphasis is devoted to maintaining service levels with customers and working closely with suppliers on logistical and quality issues to ensure that high levels of performance is achieved.

Whilst the group has been experiencing the effects of the Covid-19 pandemic post year end, this has led to opportunities to bring new products to market and in certain product groups has driven increases in revenue and profitability. Through its involvement in the e-commerce supply chain, the group has benefited from partnerships with key internet-based B2C suppliers of consumer goods. Furthermore, the significant investment in prior years, into building its people, logistic hubs, infrastructure, technology and systems, has enabled the company to be in position to be able to sustain growth in a time of economic uncertainty.

The company does not actively use financial instruments as part of its financial risk management. The company continues to face risks associated with foreign currency rate movements and continually monitors exchange rates to assess the most cost-effective way of mitigating this risk. The company is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through tight credit control procedures.

Financial key performance indicators

In common with the majority of commercial organisations, the group measures its performance in the critical areas of turnover, gross margin, net profit, working capital and cash flow.

Turnover rose by 24%, the gross margin was maintained at 18% in the year (2018 - 18%).

The growth in revenue has enabled the company to have the capabilities to fund its growth in 2019 and for the foreseeable future. There are sufficient cash reserves to meet all its financial commitments.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Strategic Report (continued) For the Year Ended 31 December 2019

Other key performance indicators

The other key performance indicators that the company use is operational (staff retention and motivation) and from a customer service perspective (customer feedback and retention and new customers).

The directors consider that the company has met the KPI targets in the year and look forward to the planned on going development of the business. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

The directors consider that the company has met the KPI targets in the year and look forward to the planned on going development of the business. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Future Developments

Although the pressures on gross profit percentage remain, going forward the company has carried out a strategic review of its business and is confident the company will continue its revenue growth whilst still maintaining current gross profit percentage. This is to be met through a mixture of increasing the customer base and adjustments to the product mix, efficiency savings and through control of overheads.

The company has and continues to invest in research and development to maintain the diversity and quality of its product base.

The directors consider that the company is well placed to take advantage of opportunities in the market as they arise. In particular, the directors consider that the group has a strong customer base and supply chain.

This report was approved by the board on 2 November 2020 and signed on its behalf.



S R Turner
Director

Southgate Global Limited (Formerly Southgate Packaging Limited)

Directors' Report For the Year Ended 31 December 2019

The directors present their report together with the audited financial statements for the year ended 31 December 2019.

Business review

A review of the business and its principal risks and uncertainties is set out in the strategic report on pages 1 to 2 of these financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,948,552 (2018 - £1,131,594).

The directors paid a dividend for the year ended 31 December 2019 of £654,785 (2018 - £485,400).

Directors

The directors who served during the year were:

C R Turner
M J Turner
S R Turner
C D McIntyre
C Turner
D Turner
G Turner

Qualifying third party indemnity provisions

Throughout the year and up to the date of this report the company maintained qualifying third party indemnity insurance for the directors.

Disclosure of information to auditor

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

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

Post balance sheet events

Following the year end the group and company, along with all global businesses, faced the challenges of COVID-19.

The impact of COVID-19 is a non-adjusting post balance sheet event and the directors have carefully considered if the outbreak would result in changes to the recognition or measurement of assets and liabilities recognised in the statement of financial position and are satisfied that there are no material changes to the position reported that should be disclosed.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Directors' Report (continued) For the Year Ended 31 December 2019

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 2 November 2020 and signed on its behalf.



S R Turner
Director

Southgate Global Limited (Formerly Southgate Packaging Limited)

Directors' Responsibilities Statement For the Year Ended 31 December 2019

The directors are responsible for preparing the strategic report, 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 Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these 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; and
- 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.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Independent Auditor's Report to the Members of Southgate Packaging Limited

Opinion

We have audited the financial statements of Southgate Global Limited (formerly Southgate Packaging Limited) ("the company") for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of 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 2019 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Independent Auditor's Report to the Members of Southgate Packaging Limited (continued)

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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 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.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Independent Auditor's Report to the Members of Southgate Packaging Limited (continued)

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.

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.

A further description of our responsibilities for the audit of the financial statements is located at 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.



Gareth Singleton (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Nottingham
United Kingdom

3 November 2020

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Southgate Global Limited (Formerly Southgate Packaging Limited)

Statement of Comprehensive Income For the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	4	33,419,730	26,960,013
Cost of sales		(27,397,323)	(22,139,587)
Gross profit		6,022,407	4,820,426
Administrative expenses		(3,633,296)	(3,458,518)
Operating profit	5	2,389,111	1,361,908
Interest payable and similar charges		(1,681)	(4,496)
Profit before tax		2,387,430	1,357,412
Tax on profit	9	(438,878)	(225,818)
Profit and total comprehensive income for the financial year		1,948,552	1,131,594

There was no other comprehensive income for 2019 (2018 - £Nil).

The notes on pages 12 to 22 form part of these financial statements.

Southgate Global Limited (Formerly Southgate Packaging Limited)
Registered number:05910826

Balance Sheet
As at 31 December 2019

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	11		307,579		549,932
Current assets					
Stocks	12	8,143,819		6,235,253	
Debtors: amounts falling due within one year	13	14,119,817		11,021,277	
Cash at bank and in hand		205,491		502,557	
		<u>22,469,127</u>		<u>17,759,087</u>	
Creditors: amounts falling due within one year	14	<u>(14,845,951)</u>		<u>(11,683,271)</u>	
Net current assets			7,623,176		6,075,816
Total assets less current liabilities			7,930,755		6,625,748
Provisions for liabilities					
Deferred tax	16		(11,240)		-
Net assets			7,919,515		6,625,748
Capital and reserves					
Called up share capital	17		4		4
Profit and loss account	18		7,919,511		6,625,744
Total equity			7,919,515		6,625,748

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2 November 2020.


S R Turner
Director

The notes on pages 12 to 22 form part of these financial statements.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Statement of Changes in Equity For the Year Ended 31 December 2019

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2019	4	6,625,744	6,625,748
Comprehensive income for the year			
Profit for the year	-	1,948,552	1,948,552
Total comprehensive income for the year	-	1,948,552	1,948,552
Contributions by and distributions to owners			
Dividends	-	(654,785)	(654,785)
Total transactions with owners	-	(654,785)	(654,785)
At 31 December 2019	4	7,919,511	7,919,515

Statement of Changes in Equity For the Year Ended 31 December 2018

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 1 January 2018	4	5,979,550	5,979,554
Comprehensive income for the year			
Profit for the year	-	1,131,594	1,131,594
Total comprehensive income for the year	-	1,131,594	1,131,594
Contributions by and distributions to owners			
Dividends	-	(485,400)	(485,400)
Total transactions with owners	-	(485,400)	(485,400)
At 31 December 2018	4	6,625,744	6,625,748

The notes on pages 12 to 22 form part of these financial statements.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

1. General information

Southgate Global Limited (formerly Southgate Packaging Limited) is a private company limited by shares and incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Arpo Global Limited as at 31 December 2018 and these financial statements may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.3 Going concern

At the time of approval of the financial statements there are unprecedented levels of uncertainty related to the impact of COVID-19 on all businesses including the company. However, through the period to date the company has been reassured with the level of trading which has continued at and above pre-covid levels. Through its involvement in the e-commerce supply chain which has had a significant increase in demand, the company has benefited from partnerships with key internet-based B2C suppliers of consumer goods. Furthermore, the significant investment in prior years, into building its people, logistic hubs, infrastructure, technology and systems, has enabled the company to be in position to be able to sustain growth in a time of economic uncertainty, with employees operating in a covid safe environment. At the date of approval of the financial statements the relationship with all key customers are strong and orders remain in line with target. The group and company have low levels of debt and based on their experience of the lock down period and up to the point of approval of the financial statements the directors are satisfied that the group and company can respond to all realistic downside scenarios.

Whilst the directors note the possible impact of COVID-19 on future activities and cash flows this is not considered to give rise to a material uncertainty given the factors noted above and the currently available cash balances. On this basis the directors consider that it is appropriate to prepare the financial statements on the going concern basis.

2.4 Turnover

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

Sale of goods

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

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

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the statement of comprehensive income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Goodwill	-	10% straight line
Customer list	-	10% straight line
Intellectual property	-	10% straight line

2.6 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost is based on the cost of purchase on a first in first out basis.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

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

2.9 Financial instruments

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

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

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.9 Financial instruments (continued)

net basis or to realise the asset and settle the liability simultaneously.

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

The company's functional currency and presentational currency is GBP.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the statement of comprehensive income.

2.12 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.13 Current and deferred taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

2. Accounting policies (continued)

2.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

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

In the process of applying the company's accounting policies, the company is required to make certain judgements, estimates and assumptions that it believes are reasonable based on the information available. The significant judgements relate to the following:

Intangible fixed assets

Intangible fixed assets are amortised over the useful lives of the assets. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are reviewed annually for continued appropriateness. The carrying values are tested for impairment when there are indications that the value of the assets might be impaired. When carrying out impairment tests these would be based upon future discounted cash flow forecasts and these would be based upon management judgement. Future events could cause the assumptions to change and this could have an adverse effect on the future results of the company. The carrying amount of intangible fixed assets is included in note 11.

Stock

The directors assess if the net realisable value of the stock is less than the carrying value by reference to post year end sales and order book. The age of the stock is also taken into account when stock provisions are calculated. The carrying amount of stock is included in note 12.

Trade debtors

The estimates and assumptions used in assessing the recoverability of trade debtors consist of reviewing the payment history and credit status of customers, the age of the debt and payment terms. The carrying amount of trade debtors is included in note 13.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

4. Turnover

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	27,577,450	23,353,856
Rest of Europe	5,787,043	3,584,918
Rest of the world	55,237	21,239
	<u>33,419,730</u>	<u>26,960,013</u>

5. Operating profit

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

	2019 £	2018 £
Research & development charged as an expense	4,252	3,228
Amortisation of intangible fixed assets, including goodwill	242,353	242,342
Exchange differences	41,988	17,709
	<u>248,593</u>	<u>263,279</u>

6. Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates for the audit of the company's annual financial statements	<u>12,500</u>	<u>10,000</u>

7. Employees

Employee costs are borne by the parent company, Arpo Global Limited. Southgate Global Limited (formerly Southgate Packaging Limited) paid a management charge to the fellow group company for services received by relevant employees during the year.

8. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	<u>145,477</u>	<u>132,689</u>

In the current and prior year directors remuneration is paid by another group company. The amount disclosed above is the amount apportioned for services to this company.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

9. Taxation

	2019 £	2018 £
Corporation tax		
Current tax on profits for the year	427,638	292,108
Adjustments in respect of previous periods	-	(66,290)
Total current tax	<u>427,638</u>	<u>225,818</u>
Deferred tax		
Origination and reversal of timing differences	11,240	-
Total deferred tax	<u>11,240</u>	<u>-</u>
Taxation on profit on ordinary activities	<u>438,878</u>	<u>225,818</u>
Factors affecting tax charge for the year		

The tax assessed for the year is lower than (2018 - lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>2,387,430</u>	<u>1,357,412</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	453,612	257,908
Effects of:		
Non-tax deductible amortisation of goodwill and impairment	46,047	34,200
Adjustments to tax charge in respect of prior periods	-	(66,290)
Other differences leading to an increase (decrease) in the tax charge	12,316	-
Group relief	(73,097)	-
Total tax charge for the year	<u>438,878</u>	<u>225,818</u>

Factors that may affect future tax charges

There are no factors that may affect future tax charges.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

10. Dividends

	2019 £	2018 £
Final dividend declared of £163,696 (2018 - £121,350) per share	<u>654,785</u>	<u>485,400</u>

11. Intangible assets

	Customer Lists & Intellectual Property £	Goodwill £	Total £
Cost			
At 1 January 2019	219,344	2,204,229	2,423,573
At 31 December 2019	<u>219,344</u>	<u>2,204,229</u>	<u>2,423,573</u>
Amortisation			
At 1 January 2019	90,293	1,783,348	1,873,641
Charge for the year	21,934	220,419	242,353
At 31 December 2019	<u>112,227</u>	<u>2,003,767</u>	<u>2,115,994</u>
Net book value			
At 31 December 2019	<u>107,117</u>	<u>200,462</u>	<u>307,579</u>
At 31 December 2018	<u>129,051</u>	<u>420,881</u>	<u>549,932</u>

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

12. Stocks

	2019 £	2018 £
Finished goods and goods for resale	<u>8,143,819</u>	<u>6,235,253</u>

A stock provision of £10,883 (2018 - £76,819) has been recognised as an expense in the year.

There is not a material difference between book value and replacement cost in 2019 or 2018.

13. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	7,608,574	6,785,343
Amounts owed by group undertakings	5,778,046	3,758,264
Other debtors and prepayments	733,197	477,670
	<u>14,119,817</u>	<u>11,021,277</u>

The impairment loss recognised in statement of comprehensive income for the year in respect of bad and doubtful trade debtors was £671 (2018 - £5,255).

14. Creditors: amounts falling due within one year

	2019 £	2018 £
Other loans	-	10,269
Trade creditors	4,406,477	2,976,460
Amounts owed to group undertakings	9,666,366	8,086,961
Corporation tax	289,183	59,162
Other creditors	483,925	550,419
	<u>14,845,951</u>	<u>11,683,271</u>

Other loans are unsecured.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

15. Loans

Analysis of the maturity of loans is given below:

	2019 £	2018 £
Amounts falling due within one year		
Other loans	-	10,269

16. Deferred taxation

	2019 £
Charged to profit or loss	(11,240)
At end of year	(11,240)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Other timing differences	(11,240)	-

17. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
4 ordinary shares of £1 each	4	4

18. Reserves

The company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Profit and loss account

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

Southgate Global Limited (Formerly Southgate Packaging Limited)

Notes to the Financial Statements For the Year Ended 31 December 2019

19. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

20. Controlling party

The company is a wholly owned subsidiary of Arpo Global Limited. The parent undertaking of the largest and smallest group for which consolidated financial statements are prepared is Arpo Global Limited. The address of Arpo Global Limited's registered office is Hamlin Way, Kings Lynn, Norfolk, PE20 4NG.

Arpo Global Limited is controlled by members of the Turner family. No one individual has a controlling interest.

21. Post balance sheet events

Following the year end the group and company, along with all global businesses, faced the challenges of COVID-19.

The impact of COVID-19 is a non-adjusting post balance sheet event and the directors have carefully considered if the outbreak would result in changes to the recognition or measurement of assets and liabilities recognised in the statement of financial position and are satisfied that that there are no material changes to the position reported that should be disclosed.