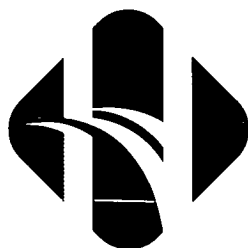


Registration number: 09943751

Cipher Group Limited

Annual Report and Consolidated Financial Statements
for the Year Ended 30 June 2022



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Cipher Group Limited

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Cipher Group Limited

Company Information

Directors P J Drabble
R A Drabble

Company secretary R A Drabble

Registered office Unit C5b
Parkway Industrial Estate
Nunnery Drive
Sheffield
South Yorkshire
S2 1TA

Auditors Hawsons Chartered Accountants
Statutory Auditor
Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

Bankers HSBC plc
Unit 4
Europa Court
Sheffield Business Park
Sheffield
South Yorkshire
S9 1XE

Cipher Group Limited

Strategic Report for the Year Ended 30 June 2022

The directors present their strategic report for the year ended 30 June 2022.

Fair review of the business

The group faced tough trading conditions in the post Covid year with a surplus of stock within the industry as supply chains fulfilled orders placed in the previous year and demand returning to pre Covid levels. Price increases from suppliers and logistics providers throughout the year depressed margins, and full employment within the UK made recruitment and retention of staff a constant challenge. The oversupply of stock into the industry is expected to continue into the next financial year, and although logistics costs are falling, the uncertainty of the UK sterling position will be a significant challenge. The war in Ukraine affected EU sales and supply chains, and will continue to increase uncertainty in the EU in the following year.

Key performance indicators

The group had a tough trading year with sales down by almost 8% and net profit down by around 40%. The reduction in profits was driven by the falling sales in the UK and increased costs from suppliers and logistics companies. Net assets increased by over £900k but with a significant reduction in cash reserves.

Principal risks and uncertainties

The management of the business and the execution of the group's strategy are subject to a number of risks.

The principal business risks and uncertainties facing the group are considered to be:

- The ongoing impact of the oversupply of stock into the industry, and the ongoing impact on supply chains.
- The ongoing uncertainty surrounding the UK & EU economies with the war in Ukraine and global recessions.
- With the vast majority of purchases being made in US Dollars the foreign exchange rate of sterling versus the dollar is an ongoing risk that is partially managed through the use of forward contracts.

Future developments

The company 3 year plan has clear targets to move into new sectors and categories within the angling industry as well as a focus on European expansion.

Approved by the Board on 16-3-23 and signed on its behalf by:



R A Drabble
Company secretary and director

Cipher Group Limited

Directors' Report for the Year Ended 30 June 2022

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2022.

Directors of the group

The directors who held office during the year were as follows:

P J Drabble

R A Drabble - Company secretary and director

Principal activity

The principal activity of the company is property management and acting as holding company for the group. The principal activity of the group is the design and sale of fishing tackle and associated products.

Results and dividends

The results for the group are set out in the financial statements.

The directors do not recommend the payment of a final dividend.

Directors' liabilities

The company has made qualifying third party indemnity provisions for the benefits of its directors which were made during the year and remain in force at the date of this report.

Disclosure of information to the auditor

Each director of the company who held office at the date of the approval of this Annual Report, as set out above, confirms that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Reappointment of auditors

The auditors Hawsons Chartered Accountants are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 16-3-23 and signed on its behalf by:



R A Drabble
Company secretary and director

Cipher Group Limited

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and 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 and the group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited

Opinion

We have audited the financial statements of Cipher Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2022, which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Balance Sheet, the Consolidated Statement of Changes in Equity, the Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the 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 group's and the parent company's affairs as at 30 June 2022 and of the group's 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 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 director's 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 original financial statements were authorised for issue.

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

Other information

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

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

We have nothing to report in this regard.

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited (continued)

Opinion on other matter 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 our knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

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

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited (continued)

The company is subject to laws and regulations that directly and indirectly affect the financial statements. Based on our understanding of the company and the environment it operates within, we determined that the laws and regulations which were most significant included FRS 102, Companies Act 2006 and Health and Safety regulations. We considered the extent to which non-compliance with these laws and regulations might have a material effect on the financial statements, including how fraud might occur. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries to improve the company's result for the period, and management bias in key accounting estimates such as stock provisions.

Audit procedures performed by the engagement team included:

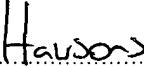
- Discussions with management and those responsible for legal compliance procedures within the company to obtain an understanding of the legal and regulatory framework applicable to the company and how the company complies with that framework, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of Board meetings;
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud and non-compliance with laws and regulations;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to stock provisions;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or posted by senior management.

There are inherent limitations in the audit procedures described above and the more removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to 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 www.frc.org.uk/auditors/audit-assurance/auditor-s-responsibilities-for-the-audit-of-the-fi/description-of-the-auditor-s-responsibilities-for. 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 Bladen (Senior Statutory Auditor)
For and on behalf of Hawsons Chartered Accountants, Statutory Auditor

Pegasus House
463a Glossop Road
Sheffield
South Yorkshire
S10 2QD

Date: 15 March 2023

Cipher Group Limited
Consolidated Statement of Comprehensive Income
for the Year Ended 30 June 2022

	Note	2022 £	2021 £
Turnover	2	15,899,871	17,247,479
Cost of sales		<u>(8,874,068)</u>	<u>(8,592,983)</u>
Gross profit		7,025,803	8,654,496
Distribution costs		(1,227,993)	(852,688)
Administrative expenses		(4,284,040)	(5,271,979)
Other operating income	3	<u>-</u>	<u>31,110</u>
Operating profit	4	1,513,770	2,560,939
Interest payable and similar charges	7	<u>(7,316)</u>	<u>(3,336)</u>
Profit before tax		1,506,454	2,557,603
Taxation	8	<u>(197,717)</u>	<u>(408,075)</u>
Profit for the financial year		1,308,737	2,149,528
Other comprehensive income			
Foreign currency translation gains		<u>(3,083)</u>	<u>(15,718)</u>
Total comprehensive income for the financial year		<u><u>1,305,654</u></u>	<u><u>2,133,810</u></u>
Profit attributable to:			
Owners of the company		1,195,313	1,990,131
Minority interests		<u>113,424</u>	<u>159,397</u>
		<u><u>1,308,737</u></u>	<u><u>2,149,528</u></u>
Total comprehensive income attributable to:			
Owners of the company		1,193,334	1,974,588
Minority interests		<u>112,320</u>	<u>159,222</u>
		<u><u>1,305,654</u></u>	<u><u>2,133,810</u></u>

The above results were derived from continuing operations.

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the Parent Company is not presented as part of these Financial Statements.

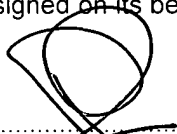
Cipher Group Limited
(Registration number: 09943751)

Consolidated Balance Sheet

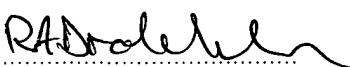
as at 30 June 2022

	Note	2022 £	2021 £
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	840,995	738,118
Current assets			
Stocks	12	6,910,964	2,525,250
Debtors	13	2,669,888	3,220,508
Cash at bank and in hand		1,866,979	5,370,179
		<u>11,447,831</u>	<u>11,115,937</u>
Creditors: Amounts falling due within one year	14	<u>(2,186,868)</u>	<u>(2,810,507)</u>
Net current assets		<u>9,260,963</u>	<u>8,305,430</u>
Total assets less current liabilities		10,101,958	9,043,548
Creditors: Amounts falling due after more than one year	14	(140,630)	-
Provisions for liabilities	15	<u>(71,000)</u>	<u>(66,000)</u>
Net assets		<u><u>9,890,328</u></u>	<u><u>8,977,548</u></u>
Capital and reserves			
Called up share capital	17	99	99
Other reserves		3,825,838	3,825,838
Profit and loss account		<u>5,230,452</u>	<u>4,587,453</u>
Equity attributable to owners of the company		9,056,389	8,413,390
Minority interests		<u>833,939</u>	<u>564,158</u>
Shareholders' funds		<u><u>9,890,328</u></u>	<u><u>8,977,548</u></u>

These financial statements were approved and authorised for issue by the Board on 14-3-23 and signed on its behalf by:



 P J Drabble
 Director



 R A Drabble
 Company secretary and director

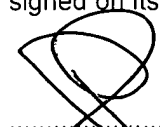
Cipher Group Limited
(Registration number: 09943751)

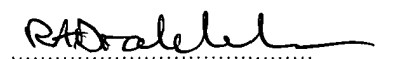
Balance Sheet
as at 30 June 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	10	414,925	424,425
Investments	11	920	920
		<u>415,845</u>	<u>425,345</u>
Current assets			
Debtors	13	230,115	10,000
Cash at bank and in hand		874,755	1,464,299
		<u>1,104,870</u>	<u>1,474,299</u>
Creditors: Amounts falling due within one year	14	<u>(21,857)</u>	<u>(20,833)</u>
Net current assets		<u>1,083,013</u>	<u>1,453,466</u>
Total assets less current liabilities		1,498,858	1,878,811
Provisions for liabilities	15	<u>(12,000)</u>	<u>(12,000)</u>
Net assets		<u>1,486,858</u>	<u>1,866,811</u>
Capital and reserves			
Called up share capital	17	99	99
Profit and loss account		<u>1,486,759</u>	<u>1,866,712</u>
Shareholders' funds		<u>1,486,858</u>	<u>1,866,811</u>

The company made a profit after tax for the financial year of £22,047 (2021 - profit of £768,248).

These financial statements were approved and authorised for issue by the Board on 16-3-23 and signed on its behalf by:


P J Drabble
Director


R A Drabble
Company secretary and director

Cipher Group Limited
Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2022
Equity attributable to the parent company

	Share capital £	Merger reserve £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2021	99	3,825,838	4,587,453	8,413,390	564,158	8,977,548
Profit for the year	-	-	1,195,313	1,195,313	113,424	1,308,737
Exchange differences	-	-	(1,979)	(1,979)	(1,104)	(3,083)
Total comprehensive income	-	-	1,193,334	1,193,334	112,320	1,305,654
Dividends	-	-	(449,485)	(449,485)	-	(449,485)
Increase in non-controlling interest	-	-	(100,850)	(100,850)	157,460	56,610
At 30 June 2022	99	3,825,838	5,230,452	9,056,389	833,939	9,890,328

	Share capital £	Merger reserve £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2020	99	3,825,838	3,085,865	6,911,802	404,937	7,316,739
Profit for the year	-	-	1,990,131	1,990,131	159,397	2,149,528
Exchange differences	-	-	(15,543)	(15,543)	(175)	(15,718)
Total comprehensive income	-	-	1,974,588	1,974,588	159,222	2,133,810
Dividends	-	-	(473,000)	(473,000)	-	(473,000)
At 30 June 2021	99	3,825,838	4,587,453	8,413,390	564,158	8,977,548

The notes on pages 15 to 27 form an integral part of these financial statements.

Cipher Group Limited
Statement of Changes in Equity
for the Year Ended 30 June 2022

	Share capital £	Profit and loss account £	Total £
At 1 July 2021	99	1,866,712	1,866,811
Total comprehensive income	-	22,047	22,047
Dividends	-	(402,000)	(402,000)
At 30 June 2022	<u>99</u>	<u>1,486,759</u>	<u>1,486,858</u>

	Share capital £	Profit and loss account £	Total £
At 1 July 2020	99	1,571,464	1,571,563
Total comprehensive income	-	768,248	768,248
Dividends	-	(473,000)	(473,000)
At 30 June 2021	<u>99</u>	<u>1,866,712</u>	<u>1,866,811</u>

Cipher Group Limited
Consolidated Statement of Cash Flows
for the Year Ended 30 June 2022

	2022 £	2021 £
Cash flows from operating activities		
Profit for the year	1,308,737	2,149,528
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	122,110	96,122
Loss on disposal of tangible assets	5,118	23,668
Finance costs	7,316	3,336
Income tax expense	197,717	408,075
Foreign exchange (gains) / losses	(3,442)	27,811
	<u>1,637,556</u>	<u>2,708,540</u>
Adjustments to cash flow from non-cash items		
(Increase)/decrease in stocks	(4,385,714)	320,876
Decrease/(increase) in debtors	550,620	(652,400)
(Decrease)/increase in creditors	(616,452)	35,278
	<u>(2,451,546)</u>	<u>(306,246)</u>
Cash generated from operations	(2,813,990)	2,412,294
Income taxes paid	(290,163)	(465,483)
Net cash flow from operating activities	<u>(3,104,153)</u>	<u>1,946,811</u>
Cash flows from investing activities		
Acquisitions of tangible assets	(233,316)	(159,547)
Proceeds from sale of tangible assets	3,333	3,250
	<u>(229,983)</u>	<u>(156,297)</u>
Net cash flows from investing activities	<u>(229,983)</u>	<u>(156,297)</u>
Cash flows from financing activities		
Interest paid	(7,316)	(3,336)
Proceeds from issue of ordinary shares, net of issue costs	56,610	-
Proceeds from bank borrowing draw downs	275,000	-
Repayment of bank borrowing	(44,075)	(11,218)
Dividends paid	(449,485)	(473,000)
	<u>(169,266)</u>	<u>(487,554)</u>
Net cash flows from financing activities	<u>(169,266)</u>	<u>(487,554)</u>
Net (decrease)/increase in cash and cash equivalents	(3,503,402)	1,302,960
Cash and cash equivalents at 1 July	5,370,179	4,074,804
Effect of exchange rate fluctuations on cash held	202	(7,585)
Cash and cash equivalents at 30 June	<u>1,866,979</u>	<u>5,370,179</u>

The notes on pages 15 to 27 form an integral part of these financial statements.

Cipher Group Limited
Consolidated Statement of Cash Flows
for the Year Ended 30 June 2022 (continued)

Analysis of changes in net funds

	At 1 July 2021	Cash flows	Other Non-cash changes	At 30 June 2022
	£	£	£	£
Cash and cash equivalents				
Cash at bank and in hand	5,370,179	(3,503,200)	-	1,866,979
	<u>5,370,179</u>	<u>(3,503,200)</u>	<u>-</u>	<u>1,866,979</u>
Borrowings				
Debt due within one year	-	44,075	(134,370)	(90,295)
Debt due after one year	-	(275,000)	134,370	(140,630)
	<u>-</u>	<u>(275,000)</u>	<u>134,370</u>	<u>(90,295)</u>
Total net funds/(debt)	<u>5,370,179</u>	<u>(3,734,125)</u>	<u>-</u>	<u>1,636,054</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022

1 Accounting policies

Statutory information

Cipher Group Limited is a private company, limited by shares, domiciled in England and Wales, company number 09943751. The registered office is at Unit C5b, Parkway Industrial Estate, Nunnery Drive, Sheffield, South Yorkshire, S2 1TA.

Summary of significant accounting policies and key accounting estimates

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

Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. There has been no material departure from this standard.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value. The presentation currency is United Kingdom pounds sterling, which is the functional currency of the company.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2022.

The results of subsidiaries acquired or disposed of during the year are included in the profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the group.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the business combination. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Going concern

After due consideration of all relevant factors, the directors have a reasonable expectation that the company and the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

1 Accounting policies (continued)

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the group's activities. Turnover is shown net of value added tax, returns, rebates and discounts. Income is recognised when goods have been delivered to the customer such that risks and rewards of ownership have transferred to them.

Government grants

Grants that relate to the financing of projects to expand the operations of the business are amortised over the expected useful economic lives of the assets or projects concerned. Grants relating to the revenue expenditure are credited to income where receivable.

Tax

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

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

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the consolidated financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than freehold land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold buildings	2% straight line
Plant and machinery	25% reducing balance
Fixtures and fittings	25% reducing balance
Motor vehicles	25% reducing balance
Computer equipment	25% reducing balance

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

1 Accounting policies (continued)

Business combinations

Business combinations are accounted for using the purchase method. The consideration for each acquisition is measured at the aggregate of the fair values at acquisition date of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquired, plus any costs directly attributable to the business combination. When a business combination agreement provides for an adjustment to the cost of the combination contingent on future events, the group includes the estimated amount of that adjustment in the cost of the combination at the acquisition date if the adjustment is probable and can be measured reliably.

Goodwill

Goodwill arising on the acquisition of an entity represents the excess of the cost of acquisition over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is held in the currency of the acquired entity and revalued to the closing rate at each reporting period date. Goodwill is amortised over its useful life. In the current period, purchased goodwill on business acquisitions was written off immediately due to it being a trivial amount with no material carrying value.

Investments

Investments in equity shares which are publicly traded or where the fair value can be measured reliably are initially measured at fair value, with changes in fair value recognised in profit or loss. Investments in equity shares which are not publicly traded and where fair value cannot be measured reliably are measured at cost less impairment.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

Stocks

Stock is valued at the lower of cost and net realisable value, after due regard for obsolete and slow moving stocks. Net realisable value is based on selling price less anticipated costs to completion and selling costs.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Dividends

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the reporting period in which the dividends are declared.

Defined contribution pension obligation

The group operates a defined contribution pension scheme. Contributions payable to the scheme are charged to the profit and loss account in the period to which they relate.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Where shares are issued, any component that creates a financial liability of the company is presented as a liability in the balance sheet. The corresponding dividends relating to the liability component are charged as interest expense in the statement of comprehensive income.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

2 Revenue

The analysis of the group's turnover for the year by market is as follows:

	2022 £	2021 £
United Kingdom	9,493,815	10,657,892
Rest of Europe	6,341,815	6,523,139
Rest of the World	64,241	66,448
	<u>15,899,871</u>	<u>17,247,479</u>

3 Other operating income

The analysis of the group's other operating income for the year is as follows:

	2022 £	2021 £
Miscellaneous other operating income	<u>-</u>	<u>31,110</u>

4 Operating profit

Arrived at after charging/(crediting):

	2022 £	2021 £
Depreciation expense	122,110	96,122
Foreign exchange (gains)/losses	(680,059)	410,429
Operating lease expense - property	281,848	219,604
Operating lease expense - plant and machinery	113,173	60,560
Loss on disposal of property, plant and equipment	5,118	23,668
Auditor's remuneration	<u>10,600</u>	<u>10,000</u>

5 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2022 £	2021 £
Wages and salaries	2,268,603	2,362,662
Social security costs	312,963	243,938
Pension costs, defined contribution scheme	163,222	129,424
	<u>2,744,788</u>	<u>2,736,024</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

5 Staff costs (continued)

The average number of persons employed by the group (including directors) during the year, analysed by category was as follows:

	2022 No.	2021 No.
Directors and administration	10	10
Sales	35	30
Distribution	27	25
	<u>72</u>	<u>65</u>

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2022 £	2021 £
Remuneration	31,348	12,484
Contributions paid to money purchase schemes	65,000	55,034
	<u>96,348</u>	<u>67,518</u>

During the year the number of directors who were receiving benefits and share incentives was as follows:

	2022 No.	2021 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

7 Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and borrowings	7,308	3,336
Other interest charges	8	-
	<u>7,316</u>	<u>3,336</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

8 Taxation

Tax charged/(credited) in the income statement

	2022 £	2021 £
Current taxation		
UK corporation tax	187,202	381,291
UK corporation tax adjustment to prior periods	5,515	(216)
	<u>192,717</u>	<u>381,075</u>
Deferred taxation		
Arising from origination and reversal of timing differences	5,000	27,000
Tax expense in the income statement	<u>197,717</u>	<u>408,075</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - lower than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £	2021 £
Profit before tax	<u>1,506,454</u>	<u>2,557,603</u>
Corporation tax at standard rate	286,226	485,945
Expenses not deductible in determining taxable profit	195	705
Effect of foreign tax rates	19,915	43,455
Deferred tax expense relating to changes in tax rates or laws	-	11,850
Contingent property gains	-	3,000
Adjustment for prior periods	5,515	(216)
Effect of accelerated capital allowances	(1,214)	5,805
Adjustment for research and development tax credit	(97,717)	(83,871)
Unrealised profit on inter-group transactions	<u>(15,203)</u>	<u>(58,598)</u>
Total tax charge	<u>197,717</u>	<u>408,075</u>

Deferred tax

Group

Deferred tax assets and liabilities

2022	Liability £
Difference between accumulated depreciation and tax written down value	59,810
Employer's overpaid/(unpaid) pension contributions	(810)
Contingent property gains	<u>12,000</u>
	<u>71,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

8 Taxation (continued)

	Liability £
2021	
Difference between accumulated depreciation and tax written down value	44,320
Employer's overpaid/(unpaid) pension contributions	9,680
Contingent property gains	<u>12,000</u>
	<u>66,000</u>

Company

Deferred tax assets and liabilities

	Liability £
2022	
Contingent property gains	<u>12,000</u>

	Liability £
2021	
Contingent property gains	<u>12,000</u>

Factors affecting future tax charges

UK corporation tax is currently charged at a rate of 19%. The 2021 Finance Act included an announcement that corporation tax rates will rise to 25% from 1 April 2023.

Consequently, the current rate has been applied in the measurements of the corporation tax assets and liabilities as at 30 June 2022, whilst deferred tax has been provided at 25%, being the rate at which timing differences are expected to reverse.

9 Intangible assets

Group

	Goodwill £
Cost or valuation	
At 1 July 2021	<u>8</u>
At 30 June 2022	<u>8</u>
Amortisation	
At 1 July 2021	<u>8</u>
At 30 June 2022	<u>8</u>
Carrying amount	
At 30 June 2022	<u>-</u>
At 30 June 2021	<u>-</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

10 Tangible assets

Group

	Freehold Land and buildings £	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 July 2021	475,000	224,006	251,272	182,394	124,369	1,257,041
Additions	-	223,043	-	8,360	1,913	233,316
Disposals	-	-	-	-	(10,675)	(10,675)
Foreign exchange movements	-	18	(1)	96	27	140
At 30 June 2022	475,000	447,067	251,271	190,850	115,634	1,479,822
Depreciation						
At 1 July 2021	50,575	141,665	174,087	121,472	31,124	518,923
Charge for the year	9,500	46,019	19,675	19,776	27,140	122,110
Eliminated on disposal	-	-	-	-	(2,224)	(2,224)
Foreign exchange movements	-	9	(1)	10	-	18
At 30 June 2022	60,075	187,693	193,761	141,258	56,040	638,827
Carrying amount						
At 30 June 2022	414,925	259,374	57,510	49,592	59,594	840,995
At 30 June 2021	424,425	82,341	77,185	60,922	93,245	738,118

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

10 Tangible assets (continued)

Company

	Freehold Land and buildings £
Cost or valuation	
At 1 July 2021	475,000
At 30 June 2022	475,000
Depreciation	
At 1 July 2021	50,575
Charge for the year	9,500
At 30 June 2022	60,075
Carrying amount	
At 30 June 2022	414,925
At 30 June 2021	424,425

11 Investments

Company

	2022 £	2021 £
Investments in subsidiaries	920	920

Subsidiaries

	£
Cost or valuation	
At 1 July 2021 and at 30 June 2022	920
Carrying amount	
At 30 June 2022	920
At 30 June 2021	920

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

11 Investments (continued)

Details of undertakings

Details of the investments (including principal place of business of unincorporated entities) in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Undertaking	Country of incorporation	Holding	Proportion of voting rights and shares held	
			2022	2021
Subsidiary undertakings				
Cipher International Limited	England and Wales	A Ordinary shares	90%	93%
Cipher Europe s.r.o	Slovakia	Ordinary	97.6%	97.6%

The principal activity of Cipher International Limited is the design and sale of fishing tackle products and accessories.

The principal activity of Cipher Europe s.r.o is the sale of fishing tackle products and accessories.

The registered office address for Cipher International Limited is Unit C5b, Parkway Industrial Estate, Nunnery Drive, Sheffield, South Yorkshire, S2 1TA.

The registered office address for Cipher Europe s.r.o is Aupark Tower, Einsteinova 24, Bratislava 85101, Slovakia. Cipher Europe s.r.o is a subsidiary of Cipher International Limited.

12 Stocks

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Finished goods and goods for resale	6,910,964	2,525,250	-	-

13 Debtors

	Group		Company	
	2022 £	2021 £	2022 £	2021 £
Trade debtors	2,050,629	3,051,022	-	-
Amounts owed by group undertakings	-	-	230,115	10,000
Other debtors	475,327	10,960	-	-
Prepayments	143,932	158,526	-	-
	<u>2,669,888</u>	<u>3,220,508</u>	<u>230,115</u>	<u>10,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

14 Creditors

	Group 2022 £	2021 £	Company 2022 £	2021 £
Due within one year				
Bank loans and overdrafts	90,295	-	-	-
Trade creditors	1,290,680	1,075,889	-	-
Social security and other taxes	370,366	757,291	-	-
Other payables	41,471	31,507	-	-
Accruals	193,538	647,856	14,457	13,456
Income tax liability	200,518	297,964	7,400	7,377
	<u>2,186,868</u>	<u>2,810,507</u>	<u>21,857</u>	<u>20,833</u>
Due after one year				
Bank loans and overdrafts	<u>140,630</u>	<u>-</u>	<u>-</u>	<u>-</u>

Bank borrowings are secured by fixed and floating charges over the assets of the UK subsidiary company and by a General Letter of Pledge and a Composite Company Unlimited Multilateral Guarantee given by Cipher Group Limited and Cipher International Limited. Loans are repayable in instalments over three years from the date of the drawdown and interest is charged at 3.03% per annum subject to movements in the Bank of England Base Rate.

15 Deferred tax and other provisions

Group	Deferred tax £
At 1 July 2021	66,000
Charge to profit and loss	<u>5,000</u>
At 30 June 2022	<u>71,000</u>
Company	Deferred tax £
At 1 July 2021 and 30 June 2022	<u>12,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

16 Pension and other schemes

Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £163,222 (2021 - £129,424).

Contributions totalling £7,970 (2021 - £23,805) were payable to the scheme at the end of the year and are included in creditors.

17 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No.	£	No.	£
Ordinary shares of £1 each	19	19	19	19
A Ordinary shares of £1 each	40	40	40	40
B Ordinary shares of £1 each	40	40	40	40
	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>

All classes of shares rank pari-passu in all respects.

18 Dividends

Interim dividends paid

	2022 £	2021 £
Interim dividend of £9,300 (2021 - £10,825) per each A Ordinary share of £1 each	372,000	433,000
Interim dividend of £750 (2021 - £1,000) per each B Ordinary share of £1 each	30,000	40,000
Interim dividend of £61 (2021 - £Nil) per each Ordinary share of £1 each	<u>47,485</u>	<u>-</u>
	<u>449,485</u>	<u>473,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2022 (continued)

19 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	336,193	308,055
Later than one year and not later than five years	355,615	510,890
Later than five years	6,585	-
	<u>698,393</u>	<u>818,945</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £395,021 (2021 - £280,164).

20 Related party transactions

During the period, the group paid rent amounting to £80,000 (2021 - £80,000) to the Cipher Small Self Administered Scheme in respect of a lease of premises from which the group operates in the United Kingdom.

21 Financial instruments

Group

Derivatives

A proportion of the group's purchases are denominated in US dollars and Chinese Yuan. As a result, the group is subject to foreign exchange risk due to exchange rate movements. The group seeks to reduce this by entering into forward currency contracts. At 30 June 2022, the outstanding contracts for US dollars all mature within 6 months of the year end, whilst the outstanding contracts for the Yuan mature up to 30 months after the balance sheet date. The group is committed to buy \$5,575,706 and RMB29,889,750 for a fixed sterling amount. The forward contracts are measured at fair value, using observable inputs. The key assumptions used in the valuing of the derivatives are the forward exchange rates for GBP:US\$, GBP:RMB, EUR:US\$ and EUR:RMB.

The change in fair value recognised in profit and loss in the year on derivative financial instruments was an exchange rate gain of £469,722 (2021 - £Nil). This amount is recognised in cost of sales.