
Registration number: 09943751

Cipher Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2020



Cipher Group Limited

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Cipher Group Limited

Company Information

Directors	P J Drabble 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 2020

The directors present their strategic report for the year ended 30 June 2020.

Fair review of the business

The results for the company are detailed in the financial statements.

The trading companies continue to grow in a sector that has strengthened during the coronavirus crisis. An increase in the numbers of anglers participating in the sport as other leisure options have been restricted has had a positive impact in the trading conditions in the UK and Europe. The challenge for the industry is to retain the anglers when conditions return to a more normal state. Supply chains will be under pressure in the short to medium term as suppliers in the Far East and logistics organisations adapt to the volatile demand patterns. The retail sector has undergone significant consolidation in the UK which is expected to continue at a reduced rate in the medium term. Recruitment, retention and integration of staff in a growing business will be a continuing challenge for the company which the management is driving through clear planning and communication supported by expert consultants when required.

Key performance indicators

The trading companies that are owned by Cipher Group Limited had strong trading years with sales up by 20% and net profit up by over 250%. The increase in profits was driven by the increased sales in both UK & Europe. Net assets increased by over £1m with a significant increase in cash reserves.

Principal risks and uncertainties

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

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

- The ongoing impact of the coronavirus epidemic worldwide with its potential impact on consumer spending habits, supply chain logistics and underlying economic trading conditions.
- Although well positioned to manage the impact of Brexit with a dedicated operation in mainland Europe, the uncertainty surrounding the split of the UK from the EU could negatively affect the trading conditions in the UK.
- With the vast majority of purchases being made in US Dollars the fx rate of sterling versus the dollar is an ongoing risk that is partially managed through the use of forward contracts.

Future developments

The 3 year company 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 5.1.21 and signed on its behalf by:



R A Drabble
Director

Cipher Group Limited

Directors' Report for the Year Ended 30 June 2020

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2020.

Directors of the group

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

P J Drabble

R A Drabble

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 5.1.21 and signed on its behalf by:



R A Drabble
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

Qualified 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 2020, 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 2020 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 qualified opinion on financial statements

An overseas subsidiary undertaking took advantage of exemption from audit for the period ended 30 June 2019. We were unable to obtain sufficient audit evidence for the comparative amounts of that entity consolidated into the comparative information. Consequently, we were unable to determine whether any adjustments to the comparative information were necessary.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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 qualified opinion.

Key audit matters

Except for the matter described in the basis for qualified opinion section, we have determined that there are no key audit matters to be communicated in our report.

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 group's or the parent 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's or the parent company's ability to continue as a going concern. For example, it is difficult to evaluate all of the potential implications of the current COVID-19 outbreak on the group's trade, employees, customers, suppliers and the wider economy.

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited (continued)

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. 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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning comparative amounts in a subsidiary undertaking included in the consolidated financial statements. We have concluded that where the other information refers to the consolidated comparative amounts or changes between consolidated comparative amounts and the amounts for the period ended 30 June 2020, it may be materially misstated for the same reason.

Opinion on other matter prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to comparative amounts in the overseas subsidiary referred to above:

- we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept.

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

- adequate accounting records have not been kept by the parent company; or
- 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.

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.

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited (continued)

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Cipher Group Limited

Independent Auditor's Report

to the Members of Cipher Group Limited (continued)

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.

Hawsons

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: *18 January 2021*

Cipher Group Limited
Consolidated Statement of Comprehensive Income
for the Year Ended 30 June 2020

	Note	2020 £	2019 £
Turnover	2	12,109,949	10,102,402
Cost of sales		<u>(6,337,121)</u>	<u>(5,526,910)</u>
Gross profit		5,772,828	4,575,492
Distribution costs		(793,332)	(668,943)
Administrative expenses		(3,563,057)	(3,279,730)
Other operating income	3	<u>109,004</u>	<u>18,907</u>
Operating profit	4	1,525,443	645,726
Interest payable and similar charges	7	<u>(6,088)</u>	<u>(13,764)</u>
Profit before tax		1,519,355	631,962
Taxation	8	<u>(245,691)</u>	<u>(144,506)</u>
Profit for the financial year		1,273,664	487,456
Other comprehensive income			
Foreign currency translation gains		<u>4,562</u>	<u>-</u>
Total comprehensive income for the financial year		<u><u>1,278,226</u></u>	<u><u>487,456</u></u>
Profit attributable to:			
Owners of the company		1,183,026	461,133
Minority interests		<u>90,638</u>	<u>26,323</u>
		<u><u>1,273,664</u></u>	<u><u>487,456</u></u>
Total comprehensive income attributable to:			
Owners of the company		1,187,543	461,133
Minority interests		<u>90,683</u>	<u>26,323</u>
		<u><u>1,278,226</u></u>	<u><u>487,456</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 2020

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	9	-	-
Tangible assets	10	704,545	1,558,530
		<u>704,545</u>	<u>1,558,530</u>
Current assets			
Stocks	13	2,846,126	3,068,834
Debtors	14	2,568,108	1,949,872
Cash at bank and in hand		4,074,804	1,618,392
		<u>9,489,038</u>	<u>6,637,098</u>
Creditors: Amounts falling due within one year	15	<u>(2,830,168)</u>	<u>(1,767,813)</u>
Net current assets		<u>6,658,870</u>	<u>4,869,285</u>
Total assets less current liabilities		<u>7,363,415</u>	<u>6,427,815</u>
Creditors: Amounts falling due after more than one year	15	(7,676)	(285,767)
Provisions for liabilities	16	<u>(39,000)</u>	<u>(30,000)</u>
Net assets		<u>7,316,739</u>	<u>6,112,048</u>
Capital and reserves			
Called up share capital	18	99	99
Other reserves		3,825,838	3,825,838
Profit and loss account		<u>3,085,865</u>	<u>1,968,322</u>
Equity attributable to owners of the company		6,911,802	5,794,259
Minority interests		<u>404,937</u>	<u>317,789</u>
Total equity		<u>7,316,739</u>	<u>6,112,048</u>

These financial statements were approved and authorised by the Board on 5.1.21 and signed on its behalf by:



P J Drabble
Director



R A Drabble
Director

The notes on pages 16 to 28 form an integral part of these financial statements.

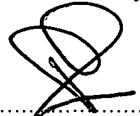
Cipher Group Limited
(Registration number: 09943751)


Balance Sheet
as at 30 June 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	434,625	1,285,625
Investments	11	920	920
		<u>435,545</u>	<u>1,286,545</u>
Current assets			
Debtors	14	288,509	357,179
Cash at bank and in hand		880,682	276,229
		1,169,191	633,408
Creditors: Amounts falling due within one year	15	(24,173)	(105,497)
Net current assets		<u>1,145,018</u>	<u>527,911</u>
Total assets less current liabilities		1,580,563	1,814,456
Creditors: Amounts falling due after more than one year	15	-	(274,775)
Provisions for liabilities	16	(9,000)	-
Net assets		<u>1,571,563</u>	<u>1,539,681</u>
Capital and reserves			
Called up share capital	18	99	99
Profit and loss account		1,571,464	1,539,582
Total equity		<u>1,571,563</u>	<u>1,539,681</u>

The company made a profit after tax for the financial year of £101,882 (2019 - profit of £123,734).

These financial statements were approved and authorised by the Board on 5.1.21 and signed on its behalf by:


.....
P J Drabble
Director


.....
R A Drabble
Director

Cipher Group Limited
Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2020

Equity attributable to the parent company

	Share capital £	Merger reserve £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2019	99	3,825,838	1,968,322	5,794,259	317,789	6,112,048
Profit for the year	-	-	1,183,026	1,183,026	90,638	1,273,664
Exchange differences	-	-	4,517	4,517	45	4,562
Total comprehensive income	-	-	1,187,543	1,187,543	90,683	1,278,226
Dividends	-	-	(70,000)	(70,000)	(3,535)	(73,535)
At 30 June 2020	99	3,825,838	3,085,865	6,911,802	404,937	7,316,739

	Share capital £	Merger reserve £	Profit and loss account £	Total £	Non- controlling interests £	Total equity £
At 1 July 2018	99	3,825,838	1,557,189	5,383,126	294,484	5,677,610
Profit for the year	-	-	461,133	461,133	26,323	487,456
Exchange differences	-	-	-	-	517	517
Total comprehensive income	-	-	461,133	461,133	26,840	487,973
Dividends	-	-	(50,000)	(50,000)	(3,535)	(53,535)
At 30 June 2019	99	3,825,838	1,968,322	5,794,259	317,789	6,112,048

The notes on pages 16 to 28 form an integral part of these financial statements.
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Cipher Group Limited
Statement of Changes in Equity
for the Year Ended 30 June 2020

	Share capital	Profit and loss account	Total
	£	£	£
At 1 July 2019	99	1,539,582	1,539,681
Profit for the year	-	101,882	101,882
Total comprehensive income	-	101,882	101,882
Dividends	-	(70,000)	(70,000)
At 30 June 2020	99	1,571,464	1,571,563

	Share capital	Profit and loss account	Total
	£	£	£
At 1 July 2018	99	1,465,848	1,465,947
Profit for the year	-	123,734	123,734
Total comprehensive income	-	123,734	123,734
Dividends	-	(50,000)	(50,000)
At 30 June 2019	99	1,539,582	1,539,681

Cipher Group Limited
Consolidated Statement of Cash Flows
for the Year Ended 30 June 2020

	2020 £	2019 £
Cash flows from operating activities		
Profit for the year	1,273,664	487,456
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	102,025	113,188
(Profit)/loss on disposal of tangible assets	(28,690)	1,146
Finance costs	6,088	13,764
Income tax expense	245,691	144,506
	<u>1,598,778</u>	<u>760,060</u>
Adjustments to cash flow from non-cash items		
Decrease/(increase) in stocks	222,708	(732,291)
Increase in debtors	(618,236)	(156,088)
Increase in creditors	922,778	202,630
Cash generated from operations	2,126,028	74,311
Income taxes paid	(15,964)	(97,006)
Net cash flow from operating activities	<u>2,110,064</u>	<u>(22,695)</u>
Cash flows from investing activities		
Acquisitions of tangible assets	(82,241)	(35,048)
Proceeds from sale of tangible assets	866,000	-
Acquisition of intangible assets	(8)	-
Net cash flows from investing activities	<u>783,751</u>	<u>(35,048)</u>
Cash flows from financing activities		
Interest paid	(6,088)	(13,764)
Repayment of bank borrowing	(359,241)	(80,172)
Dividends paid	(73,535)	(53,535)
Net cash flows from financing activities	<u>(438,864)</u>	<u>(147,471)</u>
Net increase/(decrease) in cash and cash equivalents	2,454,951	(205,214)
Cash and cash equivalents at 1 July	1,618,392	1,823,606
Effect of exchange rate fluctuations on cash held	1,461	-
Cash and cash equivalents at 30 June	<u><u>4,074,804</u></u>	<u><u>1,618,392</u></u>

Cipher Group Limited

Consolidated Statement of Cash Flows

for the Year Ended 30 June 2020 (continued)

Analysis of changes in net funds

	At 1 July 2019	Net cash flows	At 30 June 2020
	£	£	£
Cash and cash equivalents			
Cash at bank and in hand	1,618,392	2,456,412	4,074,804
Borrowings			
Debt due within one year	(84,692)	81,150	(3,542)
Debt due after one year	(285,767)	278,091	(7,676)
	(370,459)	359,241	(11,218)
Total net funds	1,247,933	2,815,653	4,063,586

The notes on pages 16 to 28 form an integral part of these financial statements.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020

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.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 30 June 2020.

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, including the current COVID-19 pandemic, 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 2020 (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.

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

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.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

1 Accounting policies (continued)

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

Basic financial instruments are recognised at amortised cost, except for investments in non-convertible preference and non-puttable ordinary shares which are measured at fair value, with changes recognised in profit or loss. Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

2 Revenue

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

	2020 £	2019 £
United Kingdom	7,656,425	7,025,362
Rest of Europe	4,415,217	3,039,876
Rest of the World	38,307	37,164
	<u>12,109,949</u>	<u>10,102,402</u>

3 Other operating income

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

	2020 £	2019 £
Government grants - employment support grants	88,832	-
Miscellaneous other operating income	20,172	18,907
	<u>109,004</u>	<u>18,907</u>

4 Operating profit

Arrived at after charging/(crediting):

	2020 £	2019 £
Depreciation expense	102,017	113,188
Amortisation expense	8	-
Foreign exchange losses/(gains)	3,136	(53,840)
Operating lease expense - property	203,814	88,017
Operating lease expense - plant and machinery	60,102	35,002
(Profit)/loss on disposal of property, plant and equipment	(28,690)	1,146
Auditor's remuneration	9,000	6,500

5 Staff costs

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

	2020 £	2019 £
Wages and salaries	1,801,055	1,628,968
Social security costs	321,112	291,878
Pension costs, defined contribution scheme	65,301	124,555
	<u>2,187,468</u>	<u>2,045,401</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (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:

	2020 No.	2019 No.
Administration and support	7	8
Production	21	22
Sales	30	29
	<u>58</u>	<u>59</u>

6 Directors' remuneration

The directors' remuneration for the year was as follows:

	2020 £	2019 £
Remuneration	182,948	206,119
Contributions paid to money purchase schemes	38,584	97,360
	<u>221,532</u>	<u>303,479</u>

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

	2020 No.	2019 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid director:

	2020 £	2019 £
Remuneration	96,474	106,049
Company contributions to money purchase pension schemes	<u>18,584</u>	<u>52,360</u>

7 Interest payable and similar expenses

	2020 £	2019 £
Interest on bank overdrafts and borrowings	3,294	13,764
Other interest charges	2,794	-
	<u>6,088</u>	<u>13,764</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

8 Taxation

Tax charged/(credited) in the income statement:

	2020 £	2019 £
Current taxation		
UK corporation tax	236,691	166,476
UK corporation tax adjustment to prior periods	-	(9,970)
	<u>236,691</u>	<u>156,506</u>
Deferred taxation		
Arising from origination and reversal of timing differences	9,000	(12,000)
Tax expense in the income statement	<u>245,691</u>	<u>144,506</u>

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are reconciled below:

	2020 £	2019 £
Profit before tax	<u>1,519,355</u>	<u>631,962</u>
Corporation tax at standard rate	288,677	120,073
Effect of revenues exempt from taxation	(5,605)	-
Expenses not deductible in determining taxable profit	3,906	423
Effect of foreign tax rates	26,720	-
Deferred tax expense relating to changes in tax rates or laws	-	2,649
Contingent property gains	9,000	-
Adjustment for prior periods	-	(9,970)
Effect of accelerated capital allowances	5,902	5,225
Effect of unrelieved tax losses carried forward	-	25,428
Adjustment for research and development tax credit	(79,038)	(76,995)
Unrealised profit on inter-group transactions	<u>(3,871)</u>	<u>77,673</u>
Total tax charge	<u>245,691</u>	<u>144,506</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

8 Taxation (continued)

Deferred tax

Group

Deferred tax assets and liabilities

2020

	Liability £
Difference between accumulated depreciation and tax written down value	34,000
Employer's unpaid pension contributions	(4,000)
Contingent property gains	9,000
	<u>39,000</u>

2019

	Liability £
Difference between accumulated depreciation and tax written down value	33,313
Employer's unpaid pension contributions	(3,313)
Contingent property gains	-
	<u>30,000</u>

Company

Deferred tax assets and liabilities

2020

	Liability £
Contingent property gains	<u>9,000</u>

9 Intangible assets

Group

Cost or valuation

Additions acquired separately

At 30 June 2020

Amortisation

Amortisation charge

At 30 June 2020

Carrying amount

At 30 June 2020

At 30 June 2019

Goodwill £

8
<u>8</u>
8
<u>8</u>
-
<u>-</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

10 Tangible assets

Group

	Freehold land and buildings £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Plant and machinery £	Total £
Cost or valuation						
At 1 July 2019	1,375,000	202,681	43,404	178,666	286,341	2,086,092
Additions	-	36,696	7,000	16,224	22,321	82,241
Disposals	(900,000)	(19,739)	(16,194)	(2,107)	-	(938,040)
Foreign exchange movements	-	457	966	659	2,326	4,408
At 30 June 2020	<u>475,000</u>	<u>220,095</u>	<u>35,176</u>	<u>193,442</u>	<u>310,988</u>	<u>1,234,701</u>
Depreciation						
At 1 July 2019	89,375	150,327	22,969	109,322	155,569	527,562
Charge for the year	15,500	20,948	8,350	21,147	36,072	102,017
Eliminated on disposal	(64,500)	(19,118)	(15,339)	(1,773)	-	(100,730)
Foreign exchange movements	-	749	35	162	361	1,307
At 30 June 2020	<u>40,375</u>	<u>152,906</u>	<u>16,015</u>	<u>128,858</u>	<u>192,002</u>	<u>530,156</u>
Carrying amount						
At 30 June 2020	<u>434,625</u>	<u>67,189</u>	<u>19,161</u>	<u>64,584</u>	<u>118,986</u>	<u>704,545</u>
At 30 June 2019	<u>1,285,625</u>	<u>52,354</u>	<u>20,435</u>	<u>69,344</u>	<u>130,772</u>	<u>1,558,530</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

10 Tangible assets (continued)

Company

	Freehold land and buildings £
Cost or valuation	
At 1 July 2019	1,375,000
Disposals	<u>(900,000)</u>
At 30 June 2020	<u>475,000</u>
Depreciation	
At 1 July 2019	89,375
Charge for the year	15,500
Eliminated on disposal	<u>(64,500)</u>
At 30 June 2020	<u>40,375</u>
Carrying amount	
At 30 June 2020	<u>434,625</u>
At 30 June 2019	<u>1,285,625</u>

11 Investments

Company

	2020 £	2019 £
Investments in subsidiaries	<u>920</u>	<u>920</u>

Subsidiaries

Cost or valuation

At 1 July 2019 and at 30 June 2020	<u>920</u>
------------------------------------	------------

Carrying amount

At 30 June 2020	<u>920</u>
At 30 June 2019	<u>920</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (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	
			2020	2019
Subsidiary undertakings				
Cipher International Limited	England and Wales	A Ordinary shares	93%	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 Business combinations

On 5 November 2019, the subsidiary undertaking, Cipher International Limited, acquired the trade and assets of Frenzee Limited.

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below:

	Book value 2020 £	Fair value 2020 £
Assets and liabilities acquired		
Stocks	375,473	375,473
Tangible assets	14,519	14,519
Total identifiable assets	389,992	389,992
Goodwill	8	8
Total consideration	390,000	390,000
Satisfied by:		
Cash consideration	390,000	390,000

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

13 Stocks

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Finished goods and goods for resale	<u>2,846,126</u>	<u>3,068,834</u>	<u>-</u>	<u>-</u>

14 Debtors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Trade debtors	2,423,729	1,834,120	-	-
Amounts owed by group undertakings	-	-	288,509	357,179
Other debtors	28,276	1,050	-	-
Prepayments	<u>116,103</u>	<u>114,702</u>	<u>-</u>	<u>-</u>
	<u>2,568,108</u>	<u>1,949,872</u>	<u>288,509</u>	<u>357,179</u>

15 Creditors

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Due within one year				
Bank loans and overdrafts	3,542	84,692	-	80,924
Trade creditors	1,265,576	901,007	-	-
Social security and other taxes	737,384	237,650	-	-
Other payables	157,781	247,141	-	-
Accruals	283,473	135,638	12,347	-
Income tax liability	<u>382,412</u>	<u>161,685</u>	<u>11,826</u>	<u>24,573</u>
	<u>2,830,168</u>	<u>1,767,813</u>	<u>24,173</u>	<u>105,497</u>
Due after one year				
Bank loans and overdrafts	<u>7,676</u>	<u>285,767</u>	<u>-</u>	<u>274,775</u>

United Kingdom bank loan liabilities comprise amounts due to HSBC plc which are secured by a fixed and floating charge over the assets of the company. The liability was repaid during the year.

Overseas loan liabilities are repayable by instalments and are secured over the assets to which the loan relates.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

16 Deferred tax and other provisions

Group

	Deferred tax £
At 1 July 2019	30,000
Charge to profit and loss	<u>9,000</u>
At 30 June 2020	<u><u>39,000</u></u>

Company

	Deferred tax £
Charge to profit and loss	<u>9,000</u>
At 30 June 2020	<u><u>9,000</u></u>

17 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 £65,301 (2019 - £124,555).

Contributions totalling £25,334 (2019 - £24,633) were payable to the scheme at the end of the year and are included in creditors.

18 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £1 each	<u>99</u>	<u>99</u>	<u>99</u>	<u>99</u>

19 Dividends

Interim dividends paid

	2020 £	2019 £
Interim dividend of £707.07 (2019 - £505.05) per each Ordinary share of £1 each	70,000	50,000
Interim dividend of £50.50 per each Minority Interest in Ordinary B shares of £1 each in subsidiary company	<u>3,535</u>	<u>3,535</u>
	<u><u>73,535</u></u>	<u><u>53,535</u></u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2020 (continued)

20 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2020 £	2019 £
Not later than one year	311,794	314,781
Later than one year and not later than five years	1,271,807	1,034,676
Later than five years	<u>389,288</u>	<u>577,641</u>
	<u>1,972,889</u>	<u>1,927,098</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £263,916 (2019 - £123,019).

21 Related party transactions

During the period, the group paid rent amounting to £60,000 (2019 - £nil) to the Cipher Small Self Administered Scheme in respect of a lease of premises from which the group operates in the United Kingdom.