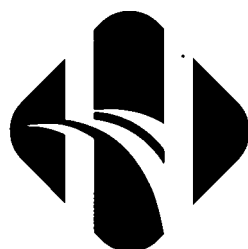
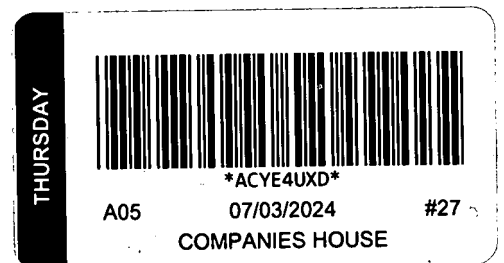


Registration number: 09943751

Cipher Group Limited

Annual Report and Consolidated Financial Statements

for the Year Ended 30 June 2023



Hawsons

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 2023

The directors present their strategic report for the year ended 30 June 2023.

Fair review of the business

The angling industry as a whole continued to face challenging trading conditions throughout the UK and Europe with oversupply of stock a significant problem leading to reduced margins and strain on cashflow as inventories built up. The company reacted to this and made the decision to prioritise cash flow over profit by significantly reducing stock at dramatically reduced margins. In addition, a cost cutting programme was initiated which led to a number of redundancies being made during the year as well as a reduction in the range of product lines and brands offered to the trade. The company sees product innovation as a key factor to future success and continued to invest in this area as well as sales generating initiatives which are now starting to reap rewards within the trade.

Key performance indicators

Group Sales down by 4% and Gross Profit down by 48% due to the sell off of discontinued SKU's and focus on cash retention.

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 ^{23rd January 2024} and signed on its behalf by:

R A Drabble

.....
R A Drabble
Company secretary and director

Cipher Group Limited

Directors' Report for the Year Ended 30 June 2023

The directors present their report and the audited consolidated financial statements for the year ended 30 June 2023.

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 ^{23rd January 2024} and signed on its behalf by:

R A Drabble

.....
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 2023, 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 2023 and of the group's loss 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: 23/1/2024

Cipher Group Limited

Consolidated Statement of Comprehensive Income

for the Year Ended 30 June 2023

	Note	2023 £	2022 £
Turnover	2	15,307,392	15,899,871
Cost of sales		<u>(11,597,633)</u>	<u>(8,874,068)</u>
Gross profit		3,709,759	7,025,803
Distribution costs		(1,084,492)	(1,227,993)
Administrative expenses		(4,380,867)	(4,284,040)
Other operating income		<u>2,504</u>	<u>-</u>
Operating (loss)/profit	3	(1,753,096)	1,513,770
Interest payable and similar charges	6	<u>(108,261)</u>	<u>(7,316)</u>
(Loss)/profit before tax		(1,861,357)	1,506,454
Taxation	7	<u>111,029</u>	<u>(197,717)</u>
(Loss)/profit for the financial year		(1,750,328)	1,308,737
Other comprehensive income			
Foreign currency translation losses		<u>(46,939)</u>	<u>(3,083)</u>
Total comprehensive income for the financial year		<u><u>(1,797,267)</u></u>	<u><u>1,305,654</u></u>
(Loss)/profit attributable to:			
Owners of the company		(1,602,923)	1,195,313
Minority interests		<u>(147,405)</u>	<u>113,424</u>
		<u><u>(1,750,328)</u></u>	<u><u>1,308,737</u></u>
Total comprehensive income attributable to:			
Owners of the company		(1,651,043)	1,193,334
Minority interests		<u>(146,224)</u>	<u>112,320</u>
		<u><u>(1,797,267)</u></u>	<u><u>1,305,654</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 2023

	Note	2023 £	2022 £
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	793,606	840,995
Current assets			
Stocks	11	5,931,453	6,910,964
Debtors	12	2,472,815	2,669,888
Cash at bank and in hand		<u>1,352,688</u>	<u>1,866,979</u>
		9,756,956	11,447,831
Creditors: Amounts falling due within one year	13	<u>(2,685,911)</u>	<u>(2,186,868)</u>
Net current assets		<u>7,071,045</u>	<u>9,260,963</u>
Total assets less current liabilities		7,864,651	10,101,958
Creditors: Amounts falling due after more than one year	13	(47,590)	(140,630)
Provisions for liabilities	14	<u>(12,000)</u>	<u>(71,000)</u>
Net assets		<u>7,805,061</u>	<u>9,890,328</u>
Capital and reserves			
Called up share capital	16	99	99
Other reserves		3,825,838	3,825,838
Profit and loss account		<u>3,589,660</u>	<u>5,230,452</u>
Equity attributable to owners of the company		7,415,597	9,056,389
Minority interests		<u>389,464</u>	<u>833,939</u>
Shareholders' funds		<u>7,805,061</u>	<u>9,890,328</u>

These financial statements were approved and authorised for issue by the Board on ^{23rd January 2024} 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 2023

	Note	2023 £	2022 £
Fixed assets			
Tangible assets	9	405,425	414,925
Investments	10	<u>920</u>	<u>920</u>
		<u>406,345</u>	<u>415,845</u>
Current assets			
Debtors	12	414,945	230,115
Cash at bank and in hand		<u>443,942</u>	<u>874,755</u>
		858,887	1,104,870
Creditors: Amounts falling due within one year	13	<u>(15,560)</u>	<u>(21,857)</u>
Net current assets		<u>843,327</u>	<u>1,083,013</u>
Total assets less current liabilities		1,249,672	1,498,858
Provisions for liabilities	14	<u>(12,000)</u>	<u>(12,000)</u>
Net assets		<u>1,237,672</u>	<u>1,486,858</u>
Capital and reserves			
Called up share capital	16	99	99
Profit and loss account		<u>1,237,573</u>	<u>1,486,759</u>
Shareholders' funds		<u>1,237,672</u>	<u>1,486,858</u>

The company made a profit after tax for the financial year of £38,814 (2022 - profit of £22,047).

These financial statements were approved and authorised for issue by the Board on ^{23rd January 2024} and signed on its behalf by:


.....
P J Drabble
Director

R A Drabble
.....
R A Drabble
Company secretary and director

Cipher Group Limited
Consolidated Statement of Changes in Equity
for the Year Ended 30 June 2023

Equity attributable to the parent company

	Share capital £	Merger reserve £	Profit and loss account £	Total £	Non-controlling interests £	Total equity £
At 1 July 2022	99	3,825,838	5,230,452	9,056,389	833,939	9,890,328
Loss for the year	-	-	(1,602,923)	(1,602,923)	(147,405)	(1,750,328)
Exchange differences	-	-	(48,120)	(48,120)	1,181	(46,939)
Total comprehensive income	-	-	(1,651,043)	(1,651,043)	(146,224)	(1,797,267)
Dividends	-	-	(288,000)	(288,000)	-	(288,000)
Decrease in non-controlling interest	-	-	298,251	298,251	(298,251)	-
At 30 June 2023	99	3,825,838	3,589,660	7,415,597	389,464	7,805,061

	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	564,159	8,977,549
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

The notes on pages 15 to 28 form an integral part of these financial statements.

Cipher Group Limited
Statement of Changes in Equity
for the Year Ended 30 June 2023

	Share capital £	Profit and loss account £	Total £
At 1 July 2022	99	1,486,759	1,486,858
Total comprehensive income	-	38,814	38,814
Dividends	-	(288,000)	(288,000)
At 30 June 2023	<u>99</u>	<u>1,237,573</u>	<u>1,237,672</u>

	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>

Cipher Group Limited
Consolidated Statement of Cash Flows
for the Year Ended 30 June 2023

	2023 £	2022 £
Cash flows from operating activities		
(Loss)/profit for the year	(1,750,328)	1,308,737
Adjustments to cash flows from non-cash items		
Depreciation and amortisation	136,985	122,110
Loss on disposal of tangible assets	1,751	5,118
Finance costs	108,261	7,316
Income tax expense	(111,029)	197,717
Foreign exchange movements	(46,632)	(3,442)
	(1,660,992)	1,637,556
Adjustments to cash flow from non-cash items		
Decrease/(increase) in stocks	979,511	(4,385,714)
Decrease in debtors	385,240	550,620
Increase/(decrease) in creditors	122,571	(616,452)
Cash generated from operations	(173,670)	(2,813,990)
Income taxes paid	(336,656)	(290,163)
Net cash flow from operating activities	(510,326)	(3,104,153)
Cash flows from investing activities		
Acquisitions of tangible assets	(95,814)	(233,316)
Proceeds from sale of tangible assets	4,579	3,333
Net cash flows from investing activities	(91,235)	(229,983)
Cash flows from financing activities		
Interest paid	(96,194)	(7,316)
Proceeds from issue of ordinary shares, net of issue costs	-	56,610
Proceeds from bank borrowing draw downs	562,018	275,000
Repayment of bank borrowing	(90,186)	(44,075)
Dividends paid	(288,000)	(449,485)
Net cash flows from financing activities	87,638	(169,266)
Net decrease in cash and cash equivalents	(513,923)	(3,503,402)
Cash and cash equivalents at 1 July	1,866,979	5,370,179
Effect of exchange rate fluctuations on cash held	(368)	202
Cash and cash equivalents at 30 June	1,352,688	1,866,979

Cipher Group Limited

Consolidated Statement of Cash Flows

for the Year Ended 30 June 2023 (continued)

Analysis of changes in net funds

	At 1 July 2022	Cash flows	Other Non-cash changes	At 30 June 2023
	£	£	£	£
Cash and cash equivalents				
Cash at bank and in hand	1,866,979	(513,923)	(368)	1,352,688
	1,866,979	(513,923)	(368)	1,352,688
Borrowings				
Other borrowings	-	(562,018)	-	(562,018)
Debt due within one year	(90,295)	90,186	(93,040)	(93,149)
Debt due after one year	(140,630)	-	93,040	(47,590)
	(230,925)	(471,832)	-	(702,757)
Total net funds	1,636,054	(985,755)	(368)	649,931

The notes on pages 15 to 28 form an integral part of these financial statements.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023

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 2023.

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 2023 (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 2023 (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

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 2023 (continued)

2 Revenue

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

	2023	2022
	£	£
United Kingdom	8,865,565	9,493,815
Rest of Europe	6,388,292	6,341,815
Rest of the World	53,535	64,241
	<u>15,307,392</u>	<u>15,899,871</u>

3 Operating (loss)/profit

Arrived at after charging/(crediting):

	2023	2022
	£	£
Depreciation expense	136,985	122,110
Foreign exchange losses/(gains)	864,153	(680,059)
Operating lease expense - property	287,600	281,848
Operating lease expense - plant and machinery	152,851	113,173
Loss on disposal of property, plant and equipment	1,751	5,118
Auditor's remuneration	<u>11,250</u>	<u>10,600</u>

4 Staff costs

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

	2023	2022
	£	£
Wages and salaries	2,201,939	2,268,603
Social security costs	276,451	312,963
Pension costs, defined contribution scheme	<u>161,722</u>	<u>163,222</u>
	<u>2,640,112</u>	<u>2,744,788</u>

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

	2023	2022
	No.	No.
Directors and administration	15	10
Sales	29	35
Distribution	<u>22</u>	<u>27</u>
	<u>66</u>	<u>72</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

5 Directors' remuneration

The directors' remuneration for the year was as follows:

	2023 £	2022 £
Remuneration	28,139	31,348
Contributions paid to money purchase schemes	80,000	65,000
	<u>108,139</u>	<u>96,348</u>

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

	2023 No.	2022 No.
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

6 Interest payable and similar expenses

	2023 £	2022 £
Interest on bank overdrafts and borrowings	93,479	7,308
Invoice finance charges	9,043	-
Other interest payable	5,739	8
	<u>108,261</u>	<u>7,316</u>

7 Taxation

Tax charged/(credited) in the income statement

	2023 £	2022 £
Current taxation		
UK corporation tax	(37,555)	50,828
UK corporation tax adjustment to prior periods	(17,852)	5,515
	(55,407)	56,343
Foreign tax	3,378	136,374
Total current income tax	(52,029)	192,717
Deferred taxation		
Arising from origination and reversal of timing differences	(59,000)	5,000
Tax (receipt)/expense in the income statement	<u>(111,029)</u>	<u>197,717</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

7 Taxation (continued)

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2022 - lower than the standard rate of corporation tax in the UK) of 19% (2022 - 19%).

The differences are reconciled below:

	2023 £	2022 £
(Loss)/profit before tax	<u>(1,861,357)</u>	<u>1,506,454</u>
Corporation tax at standard rate	(353,658)	286,226
Expenses not deductible in determining taxable profit	248	195
Effect of foreign tax rates	25,662	19,915
Adjustment for prior periods	(17,852)	5,515
Effect of accelerated capital allowances	(13,573)	(1,214)
Effect of unrelieved tax losses carried forward	254,739	-
Adjustment for research and development tax credit	-	(97,717)
Other tax effects	<u>(6,595)</u>	<u>(15,203)</u>
Total tax (credit)/charge	<u>(111,029)</u>	<u>197,717</u>

Deferred tax

Group

Deferred tax assets and liabilities

	Liability £
2023	
Difference between accumulated depreciation and tax written down value	45,277
Short term timing differences	(22,376)
Contingent property gains	12,000
Losses	<u>(22,901)</u>
	<u>12,000</u>

	Liability £
2022	
Difference between accumulated depreciation and tax written down value	59,810
Short term timing differences	(810)
Contingent property gains	12,000
Losses	<u>-</u>
	<u>71,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

7 Taxation (continued)

Company

Deferred tax assets and liabilities

	Liability £
2023	
Contingent property gains	<u>12,000</u>
2022	
Contingent property gains	<u>12,000</u>

Factors affecting future tax charges

The UK trading subsidiary has tax losses carried forward of £1.43m.

8 Intangible assets

Group

	Goodwill £
Cost or valuation	
At 1 July 2022	<u>8</u>
At 30 June 2023	<u>8</u>
Amortisation	
At 1 July 2022	<u>8</u>
At 30 June 2023	<u>8</u>
Carrying amount	
At 30 June 2023	<u>-</u>
At 30 June 2022	<u>-</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

9 Tangible assets

Group

	Freehold Land and buildings £	Fixtures and fittings £	Plant and machinery £	Computer equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 July 2022	475,000	447,067	251,271	190,850	115,634	1,479,822
Additions	-	49,393	51	44,658	1,712	95,814
Disposals	-	-	(29,420)	(1,300)	(7,000)	(37,720)
Foreign exchange movements	-	94	7	74	189	364
At 30 June 2023	<u>475,000</u>	<u>496,554</u>	<u>221,909</u>	<u>234,282</u>	<u>110,535</u>	<u>1,538,280</u>
Depreciation						
At 1 July 2022	60,075	187,693	193,761	141,258	56,040	638,827
Charge for the year	9,500	77,475	13,784	15,163	21,063	136,985
Eliminated on disposal	-	-	(26,166)	(1,097)	(4,127)	(31,390)
Foreign exchange movements	-	56	6	56	134	252
At 30 June 2023	<u>69,575</u>	<u>265,224</u>	<u>181,385</u>	<u>155,380</u>	<u>73,110</u>	<u>744,674</u>
Carrying amount						
At 30 June 2023	<u>405,425</u>	<u>231,330</u>	<u>40,524</u>	<u>78,902</u>	<u>37,425</u>	<u>793,606</u>
At 30 June 2022	<u>414,925</u>	<u>259,374</u>	<u>57,510</u>	<u>49,592</u>	<u>59,594</u>	<u>840,995</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

9 Tangible assets (continued)

Company

	Freehold Land and buildings £
Cost or valuation	
At 1 July 2022	475,000
At 30 June 2023	475,000
Depreciation	
At 1 July 2022	60,075
Charge for the year	9,500
At 30 June 2023	69,575
Carrying amount	
At 30 June 2023	405,425
At 30 June 2022	414,925

10 Investments

Company

	2023 £	2022 £
Investments in subsidiaries	920	920

Subsidiaries

	£
Cost or valuation	
At 1 July 2022 and at 30 June 2023	920
Carrying amount	
At 30 June 2023	920
At 30 June 2022	920

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

10 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	
			2023	2022
Subsidiary undertakings				
Cipher International Limited	England and Wales	A Ordinary shares	94.8%	90%
Cipher Europe s.r.o	Slovakia	Ordinary	93.3%	93.3%

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.

11 Stocks

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Finished goods and goods for resale	5,931,453	6,910,964	-	-

12 Debtors

	Group		Company	
	2023	2022	2023	2022
	£	£	£	£
Trade debtors	1,883,838	2,050,629	-	-
Amounts owed by group undertakings	-	-	414,945	230,115
Other debtors	234,056	475,327	-	-
Prepayments	166,754	143,932	-	-
Income tax asset	188,167	-	-	-
	<u>2,472,815</u>	<u>2,669,888</u>	<u>414,945</u>	<u>230,115</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

13 Creditors

	Group 2023 £	2022 £	Company 2023 £	2022 £
Due within one year				
Bank borrowings	93,149	90,295	-	-
Other borrowings	562,018	-	-	-
Trade creditors	739,011	1,290,680	-	-
Social security and other taxes	608,816	370,366	-	-
Other payables	412,838	41,471	-	-
Accruals	270,079	193,538	15,560	14,457
Income tax liability	-	200,518	-	7,400
	<u>2,685,911</u>	<u>2,186,868</u>	<u>15,560</u>	<u>21,857</u>
Due after one year				
Bank borrowings	<u>47,590</u>	<u>140,630</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. Other borrowings comprise 150 day trade loans at various rates of interest.

14 Deferred tax and other provisions

Group

	Deferred tax £
At 1 July 2022	71,000
Charge to profit and loss	<u>(59,000)</u>
At 30 June 2023	<u>12,000</u>

Company

	Deferred tax £
At 1 July 2022 and 30 June 2023	<u>12,000</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

15 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 £161,722 (2022 - £163,222).

Contributions totalling £6,017 (2022 - £7,970) were payable to the scheme at the end of the year and are included in creditors.

16 Share capital

Allotted, called up and fully paid shares

	2023		2022	
	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.

17 Dividends

Interim dividends paid

	2023	2022
	£	£
Interim dividend of £7,200 (2022 - £9,300) per each A Ordinary share of £1 each	288,000	372,000
Interim dividend of £Nil (2022 - £750) per each B Ordinary share of £1 each	-	30,000
Interim dividend of £Nil (2022 - £61) per each Ordinary share of €1 each	-	47,485
	<u>288,000</u>	<u>449,485</u>

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

18 Obligations under leases and hire purchase contracts

Group

Operating leases

The total of future minimum lease payments is as follows:

	2023 £	2022 £
Not later than one year	368,004	336,193
Later than one year and not later than five years	888,750	355,615
Later than five years	-	6,585
	<u>1,256,754</u>	<u>698,393</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £440,451 (2022 - £395,021).

19 Commitments

Group

Capital commitments

The total amount contracted for but not provided in the financial statements was £124,407 (2022 - £Nil).

20 Related party transactions

Group

During the period, the group was charged rent amounting to £80,000 (2022 - £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. At the balance sheet date, the group owed £88,750 (2022 - £40,000) to the Cipher Small Self Administered Scheme.

Company

During the period, the company received rental income amounting to £39,896 (2022 - £40,000) and interest on intercompany loans of £9,641 (2022 - £115) from Cipher International Limited, a subsidiary undertaking. At the balance sheet date, the company was owed £414,945 (2022 - £230,115) by Cipher International Limited.

Cipher Group Limited

Notes to the Financial Statements for the Year Ended 30 June 2023 (continued)

21 Financial instruments

Group

Derivatives

A proportion of the group's purchases are denominated in US dollars. As a result, the group is subject to foreign currency exchange risk due to exchange rate movements. The group seeks to reduce this by entering into forward currency contracts. At 30 June 2023, the outstanding contracts for US dollars mature at various dates within 30 months of the year end. The group is committed to buy \$6.4m 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\$ and EUR:US\$.

The change in fair value recognised in profit and loss in the year on derivative financial instruments was an exchange rate loss of £437,030 (2022 - gain of £469,722). This amount is recognised within cost of sales.