

Cinch Connectivity Solutions Limited

Annual report and financial statements

for the year ended 31 December 2016

Registered number: 02086232



Cinch Connectivity Solutions Limited

Officers and Professional Advisers

Directors

P Bittner
C Brosious
S Martin

Secretary

S Martin
A Deacon

Registered office

11 Bilton Road
Chelmsford
Essex
CM1 2UP

Bankers

Barclays PLC
Level 28
1 Churchill Place
Canary Wharf
London
E14 5HP

Auditor

Deloitte LLP
Statutory Auditor
Leeds

Cinch Connectivity Solutions Limited

Strategic report

The directors present their strategic report and directors' report on the affairs of the Company together with the audited financial statements for the year ended 31 December 2016.

Review of the business

The principal activity of the Company is the sale and manufacturing of passive electronic components and cable assemblies. The key markets are defence/aerospace, telecommunications, medical and commercial electronics sectors, commercial markets being predominantly serviced by distribution channels.

Turnover for the year was £9.5m (2015: £4.7m). The legacy business experienced a reduction in turnover to £4.5m, this being due to ongoing projects being pushed back to 2017 by the end customer. The Fibreco business acquired on 31 December 2015 showed strong growth with sales of £5.0m (2015: £3.8m). The net assets of the business remained relatively static, with a reduction of £95k noted due to the profit being offset by dividend paid to the Company's parent.

Key performance indicators

Gross margin increased to 40.8% (2015: 35.7%) mostly as a result of higher margins in the acquired Fibreco business.

EBITDA increased from 15.0% to 24.5% again as a result of higher margins in the Fibreco business and efficiencies gained in combining the companies. 2016 EBITDA was £2.3m (2015: £0.7m) and the company had net assets of £2.7m (2015: £2.8m). This EBITDA was equivalent to 85.9% (2015: 24.9%) of the company's net assets. EBITDA is calculated as operating profit, adjusted for depreciation, amortisation, restructuring and severance.

Principal risks and uncertainties

The Company is exposed through the normal course of trading to certain financial risks such as price risk, currency risk and credit risk. The Company does not use derivative financial instruments in the course of its activities, or for speculative purposes.

Price risk

Commodity price risk is currently not seen as a significant issue as the majority of the Company's raw material purchases do not fluctuate significantly as base prices rise and fall. This said the Company does keep a tight control on material costs in order to remain competitive.

Currency risk

The Company is exposed to currency risk through trading with both its customers and suppliers. The Company has a hedging policy to match where possible related income and expense in the same denominated foreign currency.

Credit risk

The Company is exposed to credit risk due to counterparties failing to meet all or part of their obligations. All customers are subject to credit verification and all outstanding balances are monitored on an ongoing basis.

Management is responsible for identification, assessment and control of credit risk and reporting it in accordance with Company policy. The Company's credit risk is spread across a large number of counterparties.

Cinch Connectivity Solutions Limited

Strategic report

Future developments

The Company is currently forecasting continued strong turnover in 2017 for both the legacy Cinch Connectivity Solutions business and the Fibreco product range. Continued coordination with other group companies will provide further business opportunities as the Company takes advantage of a wide pool of resources located throughout the globe.

There are no significant events since the balance sheet date.



S Martin

Director

19 September 2017

Cinch Connectivity Solutions Limited

Directors' report

The Company's principal activities, review of business, risks and uncertainties, key performance indicators and future developments are set out in the Strategic Report on pages 2 and 3.

Going concern

The directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the notes to the financial statements on page 11.

Dividends

A dividend of £1,600,000 was paid to Cinch Connectors Ltd on 28 January 2016 (2015: £Nil).

Directors

The directors, who served during the year and following, were:

P Bittner
C Dunn (resigned 31 May 2017)
S Martin
C Brosious (appointed 31 May 2017)

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

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have expressed their willingness to continue in office as auditor and appropriate arrangements have been put in place for them to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approval of reduced disclosures

The Company, as a qualifying entity, has taken advantage of the disclosure exemptions in FRS 102 paragraph 1.12. The Company's shareholders were notified about the intention to take advantage of the disclosure exemptions in the prior year financial statements and going forwards, and no objections were received. As such the Company continue to adopt the disclosure exemptions where applicable.

Approved by the Board and signed on its behalf by:



S Martin
Director

19 September 2017

Cinch Connectivity Solutions Limited

Directors' responsibilities statement

The directors are responsible 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), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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.

Independent auditor's report to the members of Cinch Connectivity Solutions Ltd

We have audited the financial statements of Cinch Connectivity Solutions Limited for the year ended 31 December 2016 which comprise the profit and loss account, the statement of other comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the members of Cinch Connectivity Solutions Ltd (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 the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report and the Directors' Report.

Matters on which we are required to report by exception

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

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



Scott Bayne FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Statutory Auditor

Leeds, UK

19 September 2017

Cinch Connectivity Solutions Limited

Profit and loss account

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Turnover	3	9,527	4,673
Cost of sales		(5,635)	(3,004)
Gross profit		3,892	1,669
Administrative expenses		(1,707)	(1,265)
Operating profit		2,185	404
Finance costs (net)	4	(613)	-
Profit on ordinary activities before taxation	5	1,572	404
Tax on profit on ordinary activities	9	(67)	(117)
Profit for the financial year attributable to the equity shareholders of the Company		1,505	287

All activities derive from continuing operations.

Statement of other comprehensive income

There were no elements of other comprehensive income or expense for either period other than those stated in the Profit & Loss account. Accordingly a statement of Other Comprehensive Income is not presented.

The accompanying notes form an integral part of the financial statements.

Cinch Connectivity Solutions Limited

Balance sheet

As at 31 December 2016

	Note	2016 £'000	2015 £'000
Fixed assets			
Intangible assets	11	993	1,087
Tangible assets	12	608	692
		<u>1,601</u>	<u>1,779</u>
Current assets			
Stocks	13	2,180	1,467
Debtors: amounts falling due within one year	14	1,125	2,897
Cash at bank and in hand		2,377	672
		<u>5,682</u>	<u>5,036</u>
Creditors: amounts falling due within one year	15	<u>(4,499)</u>	<u>(3,931)</u>
Net current assets		<u>1,183</u>	<u>1,105</u>
Total assets less current liabilities		<u>2,784</u>	<u>2,884</u>
Creditors: amounts falling due after more than one year	16	<u>(70)</u>	<u>(75)</u>
Net assets		<u>2,714</u>	<u>2,809</u>
Capital and reserves			
Called-up share capital	18	1	1
Profit and loss account		2,713	2,808
Shareholders' funds		<u>2,714</u>	<u>2,809</u>

The financial statements of Cinch Connectivity Solutions Limited (registered number 02086232) were approved by the board of directors and authorised for issue on 19 September 2017. They were signed on its behalf by:



S Martin
Director

Cinch Connectivity Solutions Limited

Statement of changes in equity

For the year ended 31 December 2016

	Called-up share capital £	Profit and loss account £	Total £
At 1 January 2015	1	2,521	2,522
Profit for the financial year and total comprehensive income	-	287	287
At 31 December 2015	1	2,808	2,809
Profit for the financial year and total comprehensive income	-	1,505	1,505
Total comprehensive income	-	4,313	4,314
Dividends paid on equity shares (note 20)	-	(1,600)	(1,600)
At 31 December 2016	1	2,713	2,714

Cinch Connectivity Solutions Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and to the preceding year.

a. General information and basis of accounting

Cinch Connectivity Solutions Limited is a company incorporated in the United Kingdom under the Companies Act. The address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the strategic report on pages 2 to 3.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council.

The functional currency of Cinch Connectivity Solutions Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Cinch Connectivity Solutions Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements. Cinch Connectivity Solutions Limited is consolidated in the financial statements of its parent, Bel Fuse Inc, which may be obtained at 206 Van Vorst Street, Jersey City, New Jersey 07302-4421. Exemptions have been taken in these separate Company financial statements in relation to share-based payments, financial instruments, related party transactions, presentation of a cash flow statement and remuneration of key management personnel.

b. Going concern

The current economic conditions create uncertainty over the demand for the Company's products and the cost of the Company's raw materials. The Company's forecasts, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate without the need for further facilities.

The directors therefore have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

c. Intangible fixed assets

Goodwill on historical acquisitions is amortised over a period of 20 years which is the estimated useful economic life. Provision is made for any impairment.

Cinch Connectivity Solutions Limited

Notes to the financial statements

For the year ended 31 December 2016

1. Accounting policies (continued)

d. *Tangible fixed assets*

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Office Equipment 3-5 years

Fixtures & Fittings 10 years /termination of building lease

Plant and machinery 10 years

No depreciation is charged on assets under construction until such time as they are ready for use. At which point they are transferred to the appropriate fixed asset classification and depreciated in line with the rates above.

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

e. *Financial instruments*

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) *Financial assets and liabilities*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

- (a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
- (b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
- (c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
- (d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
- (e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit

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Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

d. Financial instruments (continued)

- (f) deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
- (g) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that are classified as payable or receivable within one year on initial recognition and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

f. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the FIFO (first-in, first-out) method. Provision is made for obsolete, slow-moving or defective items where appropriate.

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Notes to the financial statements For the year ended 31 December 2016

1. Accounting policies (continued)

g. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at amortised cost, the amount of impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

h. Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amount that can be deducted for tax for an asset that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax.

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing difference and it is probable that it will not reverse in the foreseeable future.

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Notes to the financial statements **For the year ended 31 December 2016**

1. Accounting policies (continued)

g. Taxation (continued)

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to property, plant and equipment measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense or income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: a) the Company has a legally enforceable right to set off current tax assets against current tax liabilities; and b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

i. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

j. Defined contribution pension scheme

For defined contribution pension schemes, the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between the contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet.

k. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

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Notes to the financial statements **For the year ended 31 December 2016**

1. Accounting policies (continued)

l. Leases

The Company as lessee

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

m. Share-based payment

The Company grants to its employees rights to equity instruments of Bel Fuse Inc, its parent company. The required disclosures are therefore included in Bel Fuse Inc consolidate financial statements.

A liability equal to the portion of the goods or services received is recognised at the current fair value determined at each balance sheet date for cash-settled share-based payments.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At each balance sheet date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The directors do not consider there to be any key sources of estimation uncertainty or critical judgements in applying the Company's accounting policies.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2016

3. Turnover and revenue

An analysis of the Company's turnover by class of business is set out below.

	2016 £'000	2015 £'000
Turnover:		
RF Cable Assembly & Passive Components	1,365	1,859
Fibre Optic Cable Assembly and Active Components	6,680	1,405
Commercial Cable Assembly and Connectors	1,482	1,409
	<u>9,527</u>	<u>4,673</u>

An analysis of the Company's turnover by geographical market is set out below.

	2016 £'000	2015 £'000
Turnover:		
United Kingdom	3,131	2,116
Rest of Europe	4,159	1,816
USA	409	356
Rest of World	1,828	385
	<u>9,527</u>	<u>4,673</u>

4. Finance costs (net)

	2016 £'000	2015 £'000
Amounts payable to group undertakings	15	-
Foreign exchange loss on Intragroup loan	598	-
	<u>613</u>	<u>-</u>

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Notes to the financial statements For the year ended 31 December 2016

5. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging / (crediting):

	2016 £'000	2015 £'000
Depreciation of tangible fixed assets (note 12)	135	103
Amortisation of intangible assets (note 11)	94	93
Operating lease rentals – land and buildings	92	92
Operating lease rentals – other	20	26
Foreign exchange (gain) / loss	(15)	20
Restructuring & severance Expenses	11	102
Cost of stock recognised as an expense	3,869	2,158
Impairment of stock recognised as an expense	128	60

Restructuring & severance expenses are costs incurred to accommodate and acquire the business of Fibreco Ltd.

6. Auditor's remuneration

Fees payable to Deloitte LLP and their associates for the audit of the company's annual accounts were £43,000 (2015: £25,100).

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

7. Staff numbers and costs

The average monthly number of employees (including executive directors) was:

	2016 Number	2015 Number
Production	39	17
Distribution	6	5
Sales	6	8
Administration	5	6
	<u>56</u>	<u>36</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements **For the year ended 31 December 2016**

7. Staff numbers and costs (continued)

Their aggregate remuneration comprised:

	2016 £'000	2015 £'000
Wages and salaries	1,430	873
Social security costs	135	77
Other pension costs (see note 21)	49	33
	<u>1,614</u>	<u>983</u>

8. Directors' remuneration and transactions

All directors holding office during 2016 are remunerated by other group companies and it is not possible to allocate the remuneration across group companies (2015: same).

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Notes to the financial statements For the year ended 31 December 2016

9. Tax on profit on ordinary activities

The tax charge comprises:

	2016 £'000	2015 £'000
Current tax on profit on ordinary activities		
UK corporation tax	70	108
Adjustments in respect of prior years		
UK corporation tax	(1)	(4)
Total current tax	<u>69</u>	<u>104</u>
Deferred tax		
Origination and reversal of timing differences	(3)	4
Effect of changes in tax rate on opening liability	-	(2)
Adjustment in respect of previous periods	1	11
Total deferred tax (see note 17)	<u>(2)</u>	<u>13</u>
Total tax on profit on ordinary activities	<u><u>67</u></u>	<u><u>117</u></u>

The difference between the total tax charge shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	<u>1,572</u>	<u>404</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25 per cent (2015: 21.80 per cent)	314	82
Effects of:		
- Expenses not deductible for tax purposes	23	23
- Share option timing differences	7	3
- Tax rate changes	-	2
- Group relief/other reliefs	(277)	-
- Adjustments to tax charge in respect of previous periods	-	7
Total tax charge for period	<u><u>67</u></u>	<u><u>117</u></u>

Increase/reductions in the UK corporation tax rate to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective 1 April 2020) was announced in the Budget on 16 March 2016. This will reduce the company's future current tax charge accordingly.

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Notes to the financial statements

For the year ended 31 December 2016

10. Share-based payments

The Company grants to its employees rights to equity instruments of Bel Fuse Inc, its parent company. The required disclosures are therefore included in Bel Fuse Inc's consolidate financial statements. Cinch Connectivity Solutions Ltd measures its share-based payment expense as a proportion of the expense recognised for the entire share-based payment scheme based on the number of employees participating in the scheme.

11. Intangible fixed assets

	Goodwill £'000
Cost	
At 1 January 2016 & 31 December 2016	1,987
Amortisation	
At 1 January 2016	900
Charge for the year	94
At 31 December 2016	994
Net book value	
At 31 December 2016	993
At 31 December 2015	1,087

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Notes to the financial statements For the year ended 31 December 2016

12. Tangible fixed assets

	Plant and machinery £'000	Fixtures, fittings & Office Eq. £'000	Assets in course of construction £'000	Total £'000
Cost				
At 1 January 2016	907	825	-	1,732
Additions	27	17	9	53
Disposals	(7)	-	-	(7)
At 31 December 2016	<u>927</u>	<u>842</u>	<u>9</u>	<u>1,778</u>
Depreciation				
At 1 January 2016	655	385	-	1,040
Charge for the year	45	90	-	135
Disposals	(5)	-	-	(5)
At 31 December 2016	<u>695</u>	<u>475</u>	<u>-</u>	<u>1,170</u>
Net book value				
At 31 December 2016	<u>232</u>	<u>367</u>	<u>9</u>	<u>608</u>
At 31 December 2015	<u>252</u>	<u>440</u>	<u>-</u>	<u>692</u>

13. Stocks

	2016 £'000	2015 £'000
Raw materials and consumables	1,566	1,147
Work in progress	73	55
Finished goods and goods for resale	541	265
	<u>2,180</u>	<u>1,467</u>

The directors consider the net book value of stocks to be the same as their replacement cost.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2016

14. Debtors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade debtors	1,009	1,114
Amounts owed by group undertakings	35	1,676
VAT	33	58
Prepayments and accrued income	48	49
	<u>1,125</u>	<u>2,897</u>

Amounts owed by group undertakings are unsecured; interest free and repayable on demand.

15. Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	509	266
Amounts owed to group undertakings	3,647	3,308
Corporation tax	70	139
Deferred tax (note 17)	10	12
Other taxation and social security	35	40
Accruals and deferred income	228	166
	<u>4,499</u>	<u>3,931</u>

The amounts owed to group undertakings in 2016 include loan notes of £3,431k charged at 1 month LIBOR dollar rates. The remainder of the balance is unsecured, interest free and repayable on demand.

16. Creditors: amounts falling due after more than one year

	2016 £'000	2015 £'000
Accruals and deferred income	70	75
	<u>70</u>	<u>75</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2016

17. Provisions for liabilities

Deferred tax

Deferred tax is provided as follows:

	2016 £'000	2015 £'000
Accelerated capital allowances	12	14
Other timing differences	(2)	(2)
Provision for deferred tax	10	12

Deferred tax assets and liabilities are offset only where the Company has a legally enforceable right to do so and where the assets and liabilities relate to income taxes levied by the same taxation authority on the same taxable entity or another entity within the Company.

Deferred tax movements during the current and prior period:

	2016 £'000	2015 £'000
Provision at start of period	12	(27)
Adjustment in respect of prior years	1	11
Deferred tax charge to income statement for the period	(3)	2
Movement arising from the acquisition of business	-	26
Provision for deferred tax	10	12

18. Called-up share capital and reserves

	2016 £'000	2015 £'000
Allotted, called-up and fully-paid 1000 ordinary shares of £1 each	1	1

The Company has one class of ordinary shares which carry no right to fixed income.

The Company's other reserves are as follows:

The profit and loss reserve represents cumulative profits and losses, net of dividends paid.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2016

19. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2016		2015	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	93	15	92	20
- between one and five years	373	4	321	19
- after five years	31	-	122	-
	<u>497</u>	<u>19</u>	<u>535</u>	<u>39</u>

20. Dividends Paid

	2016 £'000	2015 £'000
Dividends paid to Cinch Connectors Ltd (£1,600 per share)	<u>1,600</u>	<u>-</u>

21. Employee benefits

Defined contribution schemes

The Company operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the period ended 31 December 2016 was £49k (2015: £33k).

22. Controlling party

The immediate parent undertaking of the company is Cinch Connectors Ltd, a company incorporated in England and Wales.

The ultimate parent undertaking of the Company, and the ultimate controlling party, is Bel Fuse Inc, a company incorporated in New Jersey. The smallest and the largest group in which the results of the Company are consolidated is that headed by Bel Fuse Inc. The consolidated accounts of this group are available to the public and may be obtained from Bel Fuse Inc, 206 Van Vorst Street, Jersey City, New Jersey 07302-4421.