

Cinch Connectivity Solutions Limited

Annual report and financial statements

for the year ended 31 December 2023

Registered number: 02086232

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Cinch Connectivity Solutions Limited**Annual report and financial statements
For the year ended 31 December 2023**

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Cinch Connectivity Solutions Limited

Officers and Professional Advisers

Directors

P Bittner
F Tuweiq
S Martin (resigned 5 April 2024)

Secretary

A Deacon
S Martin (resigned 5 April 2024)

Registered office

11 Bilton Road
Chelmsford
Essex
CM1 2UP

Bankers

Barclays PLC
2 Churchill Place
Canary Wharf
London
E14 5RB

Auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
Priory Place
New London Road
Chelmsford
Essex
CM2 0PP

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 2023.

Review of the business

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

During the year the Company closed and relocated its Sudbury machine shop into our Chelmsford location this along with investment in new machinery will enable significant costs reductions and efficiency improvements.

Turnover for the year was £8.6m (2022: £8.3m). Fibre Optic business increased to £7.3m (2022: £6.7m). Precision Components achieved sales of £1.3m (2022: £1.2m). The net assets of the business increased due to earnings made during the year exceeding dividend payments of £1.3m made to Cinch Connectors Limited. The company maintains a strong order book and as a result expects growth to continue in 2024.

Key performance indicators

Gross margin increased slightly to 42.8% (2022: 41.9%) this due to costs reductions achieved from the business site consolidation and restructuring in the second half of the year.

EBITDA increased to 26.9% from 25.8% due to reduced costs following the site consolidation. 2023 EBITDA was £2.3m (2022: £2.1m) and the company had net assets of £5.0m (2022: £5.0m). This EBITDA was equivalent to 46.0% (2022: 42.0%) 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. The company had no derivatives at the year end (2022: same).

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

Climate change uncertainty

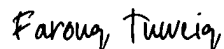
Greenhouse gas ("GHG") emissions have increasingly become the subject of substantial international attention. GHG emission regulations have been promulgated in certain of the jurisdictions in which we sell, and additional GHG requirements are in various stages of development. Such measures could require us to obtain new permits, implement additional pollution control technology, or increase our operating costs. Any additional regulation of GHG emissions, including a cap-and-trade system, technology mandate, emissions tax, reporting requirement or other program, could adversely affect our business. While the uncertainties of climate change legislation are acknowledged the company believes it could expedite equipment replacement and provide new business opportunities.

Future developments

2023 saw the closure and relocation of our Sudbury machine shop into our existing Chelmsford site. During 2024 we will see the full benefit of reduced costs and headcount and along with new equipment purchased in 2023 this will make the whole operation more efficient and productive as well as enabling us to insource further parts and supply the needs of other group companies and expand our Fibre product range. The Company is planning to expand its user base through the appointment of new Distribution channels to fully leverage the significant investments in 2023. 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.

Approved by the Board and signed on its behalf by:



F Tuweiq
Director

Date: 8/8/2024

Cinch Connectivity Solutions Limited

Directors' report

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

Going concern

Having reviewed cash flow forecasts for the company, the directors have a reasonable expectation that the Company have adequate resources to continue in operational existence for at least 12 months from the date of approval of the financial statements. 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 commencing on page 13.

Dividends

Dividends totalling £1,300,000 were paid during the year (2022: £2,050,000). No further dividends are proposed.

Directors

The directors, who served during the year and up to the date of this report, were:

P Bittner
S Martin (resigned 5 April 2024)
F Tuweiq

Directors' indemnities

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.

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the directors 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 auditor is aware of that information.

Auditor

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

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 and profit or loss of the company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

Approved by the Board and signed on its behalf by:



F Tuweiq
Director

Date: 8/8/2024

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

Opinion

We have audited the financial statements of Cinch Connectivity Solutions Limited (the 'company') for the year ended 31 December 2023, which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding 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 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 report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as the cost of living crisis and the inflationary environment, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

In auditing the financial statements, we have concluded that the directors' 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 financial statements are 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.

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

Other information

The other information comprises the information included in Strategic report and the Directors' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the Strategic report and the Directors' 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 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 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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and 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.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the industry in which it operates. We determined that the following laws and regulations were most significant: UK GAAP (FRS 102), Companies Act 2006 and the relevant tax compliance regulations in the jurisdictions in which the company operates;
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management. We corroborated our inquiries through our review of board minutes;
- We enquired of management, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated this through our review of professional fees incurred during the year;
- We made specific enquiries of key personnel outside the finance department to determine whether there were fraud risk factors arising from the company's day to day operations;
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls and through manipulation of accounting estimates. Audit procedures performed by the audit engagement team included:
 - Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
 - Challenging assumptions and judgements made by management in making its significant accounting estimates;
 - Identifying and testing journal entries, in particular any large or unusual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
 - Assessing the extent of compliance with certain significant laws and regulations that may have an effect on the determination of the accounts and disclosures in the financial statements.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
 - Knowledge of the industry in which the client operates; and
 - Understanding of the legal and regulatory requirements specific to the entity including the provisions of the applicable legislation, the regulators rules and related guidance, including guidance issued by relevant authorities that interprets those rules, the applicable statutory provisions.

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Archie Rwavazhinji
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Chelmsford

Date: 8/8/2024

Cinch Connectivity Solutions Limited

Profit and loss account

For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Turnover	3	8,589	8,333
Cost of sales		(4,915)	(4,840)
Gross profit		3,674	3,493
Administrative expenses		(1,915)	(1,656)
Operating profit		1,759	1,837
Finance costs	4	(1)	(6)
Profit before taxation	5	1,758	1,831
Tax on profit	9	(454)	(312)
Profit for the financial year attributable to the equity shareholders of the Company		<u>1,304</u>	<u>1,519</u>

All activities derive from continuing operations.

There were no elements of other comprehensive income or expense for either year other than those stated in the profit and loss account. Accordingly a statement of other comprehensive income is not presented.

Cinch Connectivity Solutions Limited

Balance sheet

At 31 December 2023

	Note	2023 £'000	2023 £'000
Fixed assets			
Intangible assets	11	341	435
Tangible assets	12	1,833	745
		<u>2,174</u>	<u>1,180</u>
Current assets			
Stocks	13	1,749	1,470
Debtors: amounts falling due within one year	14	1,563	1,384
Cash at bank and in hand		1,050	2,073
		<u>4,362</u>	<u>4,927</u>
Creditors: amounts falling due within one year	15	<u>(1,149)</u>	<u>(998)</u>
Net current assets		<u>3,213</u>	<u>3,929</u>
Total assets less current liabilities		5,387	5,109
Creditors: amounts falling due after more than one year	16	(40)	(45)
Provisions for liabilities	17	<u>(299)</u>	<u>(20)</u>
Net assets		<u>5,048</u>	<u>5,044</u>
Capital and reserves			
Called-up share capital	18	2	2
Share premium account		3,250	3,250
Profit and loss account		1,796	1,792
Shareholders' funds		<u>5,048</u>	<u>5,044</u>

The financial statements of Cinch Connectivity Solutions Limited (registered number 02086232) were approved by the board of directors and authorised for issue on 8/8/2024. They were signed on its behalf by:

Farouq Tuweiq

F Tuweiq
Director

The notes on pages 13 to 28 form part of these financial statements.

Cinch Connectivity Solutions Limited

Statement of changes in equity For the year ended 31 December 2023

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total £'000
At 1 January 2022	2	3,250	2,323	5,575
Profit for the financial year and total comprehensive income	-	-	1,519	1,519
Dividends paid (note 20)	-	-	(2,050)	(2,050)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2022	2	3,250	1,792	5,044
Profit for the financial year and total comprehensive income	-	-	1,304	1,304
Dividends paid (note 20)	-	-	(1,300)	(1,300)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2023	<u>2</u>	<u>3,250</u>	<u>1,796</u>	<u>5,048</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies

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

a. General information and basis of accounting

Cinch Connectivity Solutions Limited is a private company, limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act 2006. 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 and 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 and the requirements of the Companies Act 2006.

The functional and presentational 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 ultimate parent, Bel Fuse Inc, which may be obtained at 300 Executive Drive, Suite 300, West Orange NJ 07052, USA.

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

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

These exemptions have been applied as the company is a qualifying entity and the shareholders of the company have been notified and no objection has been made to the use of the exemptions.

b. Going concern

The current economic conditions create uncertainty over the cost of the Company's raw materials, however demand for our products continues to be strong. 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 at least 12 months from the date of approval of the financial statements. 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 2023

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 and fittings	5 years / termination of building lease
Plant and machinery	10 years

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

The company has elected to apply the provisions of Section 11 “Basic Financial Instruments” of FRS 102 to all of its financial instruments. Financial instruments are recognised in the company's Statement of Financial Position when the company becomes party to the contractual provisions of the instrument. Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other receivables, cash and bank balances, are initially measured at their transaction price including transaction costs and are subsequently carried at their amortised cost using the effective interest method, less any provision for impairment, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial. The company's cash and cash equivalents, trade and most other receivables due within the operating cycle fall into this category of financial instruments.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting date. Financial assets are impaired when events, subsequent to their initial recognition, indicate the estimated future cash flows derived from the financial asset(s) have been adversely impacted. The impairment loss will be the difference between the current carrying amount and the present value of the future cash flows at the asset(s) original effective interest rate. If there is a favourable change in relation to the events surrounding the impairment loss then the impairment can be reviewed for possible reversal. The reversal will not cause the current carrying amount to exceed the original carrying amount had the impairment not been recognised. The impairment reversal is recognised in the profit or loss.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

e. *Financial instruments (continued)*

Financial liabilities

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 the deduction of all its liabilities. Basic financial liabilities, which include trade and other payables and other loans are initially measured at their transaction price after transaction costs. When this constitutes a financing transaction, whereby the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Discounting is omitted where the effect of discounting is immaterial. Debt instruments are subsequently carried at their amortised cost using the effective interest rate method. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if the payment is due within one year. If not, they represent non-current liabilities. Trade payables are initially recognised at their transaction price and subsequently are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Creditors

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

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.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

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.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

h. 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. This is from the principal activity of manufacture and delivery of connectivity solutions and fibre optic connectors and cable assemblies. Turnover from the sale of goods is recognised when the goods are either despatched or physically delivered to the customer, dependent on agreed sales terms. Where payments are received from customers in advance of goods or services provided, the amounts are recorded as deferred income and included as part of creditors due within one year or creditors due after one year as appropriate.

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.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

1. Accounting policies (continued)

l. Leases

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.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are recognised at their fair value at inception of the lease. These assets are depreciated on a straight line basis over the useful life of the asset. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

m. Share-based payment

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

Sources of estimation - Stock provision

Stock is held for a significant length of time due to the nature of the products and the types of sales orders in existence. Management review sales orders and forecasts in applying their judgement as to the requirement to provide against stock value. As such there is inherent estimation in management's assessment of the recoverability of stock value through sale and thereby in management's assessment of the need to provide against the cost held. At 31 December 2023 the stock provision was £0.5m (2022: £0.4m). The provision is determined by reference to considerations of obsolescence and demand. Whilst stocks are considered to hold value for a number of years due to the nature of the company's operating cycle, a sensitivity of the provision for any stocks held for which levels are in excess of 24 months demand where these were fully written off would impact the provision through an increase by £0.1m (2022: £0.1m).

There are no critical accounting judgements to be disclosed.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

3. Turnover

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

	2023 £’000	2022 £’000
Turnover:		
RF Cable Assembly & Passive Components	62	347
Fibre Optic Cable Assembly and Active Components	7,258	6,741
Precision Engineered Components	1,269	1,245
	<u>8,589</u>	<u>8,333</u>

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

	2023 £’000	2022 £’000
Turnover:		
United Kingdom	3,045	3,420
Rest of Europe	4,649	3,898
USA	391	321
Rest of World	504	694
	<u>8,589</u>	<u>8,333</u>

4. Finance costs

	2023 £’000	2022 £’000
Interest expense - non-affiliates	<u>1</u>	<u>6</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

5. Profit before taxation

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

	2023 £'000	2022 £'000
Depreciation of tangible fixed assets (note 12)	252	183
Depreciation of tangible fixed assets held under hp (note 12)	-	31
Amortisation of intangible assets (note 11)	94	93
Operating lease rentals – land and buildings	206	228
Operating lease rentals – other	3	4
Foreign exchange loss/(gain)	20	(60)
Severance	80	3
Restructuring	126	-
(Gain)/loss on disposal of fixed assets (note 12)	(57)	-
	<u> </u>	<u> </u>

6. Auditor's remuneration

Fees payable to Grant Thornton UK LLP and their associates for the audit of the Company's annual financial statements were £24,062 (2022: £22,280).

7. Staff numbers and costs

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

	2023 Number	2022 Number
Production	36	42
Distribution	3	4
Sales	9	10
Administration	6	6
	<u> </u>	<u> </u>
	54	62

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	2,044	2,128
Social security costs	214	225
Other pension costs	123	133
	<u> </u>	<u> </u>
	2,381	2,486

8. Directors' remuneration

All directors holding office during 2023 and 2022 are remunerated by other group companies and it is not possible to allocate the remuneration across group companies.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

9. Tax on profit

The tax charge comprises:

	2023 £'000	2022 £'000
Current tax on profit		
UK corporation tax	175	352
Adjustments in respect of previous periods	-	(1)
Total current tax	<u>175</u>	<u>351</u>
Deferred tax		
Origination and reversal of timing differences	235	(30)
Adjustment in respect of previous periods	29	1
Effect of changes in tax rates	15	(10)
Total deferred tax (see note 17)	<u>279</u>	<u>(39)</u>
Total tax on profit	<u><u>454</u></u>	<u><u>312</u></u>

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

	2023 £'000	2022 £'000
Profit before tax	<u>1,758</u>	<u>1,831</u>
Tax on profit at average UK corporation tax rate of 23.52 per cent (2022: 19.00 per cent)	414	348
Effects of:		
- Expenses not deductible for tax purposes	33	1
- Share option timing differences	(19)	-
- Income not taxable	(18)	(28)
- Tax rate changes	15	(9)
- Adjustment from previous periods	29	-
Total tax charge for year	<u><u>454</u></u>	<u><u>312</u></u>

The Finance Act 2021 was substantively enacted in May 2021 and has increased the corporation tax rate from 19% to 25% with effect from 1 April 2023 on profits over £250,000. The rate for small profits under £50,000 will remain at 19%. When the Company's profits fall between £50,000 and £250,000, the lower and upper limits, it will be able to claim an amount of marginal relief providing a gradual increase in corporation tax rate. The deferred taxation balances have been measured using the rates expected to apply in the reporting periods when the timing differences reverse.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

10. Share-based payments

The Company grants to its employees' rights to equity instruments of Bel Fuse Inc, its ultimate parent company. The required disclosures are therefore included in Bel Fuse Inc's consolidated financial statements. The Company provides common stock awards to certain officers, directors, and key employees. The Company grants these awards, at its discretion, from the shares available under the Program. Prior to 2023 Shares were awarded to an individual every 4 years and earned in 25% increments on the second, third, fourth and fifth anniversaries of the award and are distributed provided the employee has remained employed by the Company through such anniversary dates; otherwise, the unearned shares are forfeited. From 2023 shares are awarded on an annual basis and vested equally over 3 years. Cinch Connectivity Solutions Limited 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 assets

	Goodwill £'000
Cost	
At 1 January 2023 and 31 December 2023	1,987
Amortisation	
At 1 January 2023	1,552
Charge for the year	94
At 31 December 2023	1,646
Net book value	
At 31 December 2023	341
At 31 December 2022	435

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

12. Tangible assets

	Plant and machinery £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 January 2023	2,509	1,101	3,610
Additions	921	435	1,356
Disposals	(328)	(139)	(467)
At 31 December 2023	<u>3,102</u>	<u>1,397</u>	<u>4,499</u>
Depreciation			
At 1 January 2023	1,926	939	2,865
Charge for the year	204	48	252
Disposals	(318)	(133)	(451)
At 31 December 2023	<u>1,812</u>	<u>854</u>	<u>2,666</u>
Net book value			
At 31 December 2023	<u>1,290</u>	<u>543</u>	<u>1,833</u>
At 31 December 2022	<u>583</u>	<u>162</u>	<u>745</u>

The net book value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts.

	2023 £'000	2022 £'000
Plant and machinery	<u>-</u>	<u>177</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

13. Stocks

	2023	2022
	£'000	£'000
Raw materials and consumables	651	532
Work in progress	866	672
Finished goods and goods for resale	232	266
	<u>1,749</u>	<u>1,470</u>

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

14. Debtors: amounts falling due within one year

	2023	2022
	£'000	£'000
Trade debtors	1,221	1,090
Amounts owed by group undertakings	71	143
Prepayments and accrued income	159	137
Corporation tax	112	14
	<u>1,563</u>	<u>1,384</u>

Amounts owed by group undertakings are for the sale of goods and internal recharges of administrative costs repayable on 30 day end of month terms. The amounts are unsecured and interest free.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

15. Creditors: amounts falling due within one year

	2023 £'000	2022 £'000
Obligations under finance leases	-	46
Trade creditors	452	505
Amounts owed to group undertakings	68	84
Other taxation and social security	85	58
VAT	45	25
Accruals and deferred income	499	280
	<u>1,149</u>	<u>998</u>

The amounts owed to group undertakings are for the purchase of goods and internal recharges of administrative costs repayable on 30 day end of month terms. The amounts are unsecured and interest free. Creditors include net obligations under finance lease and hire purchase contracts which are secured against the assets of £0k (2022: £46k).

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

	2023 £'000	2022 £'000
Accruals and deferred income	40	45
	<u>40</u>	<u>45</u>

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

17. Provisions for liabilities

Deferred tax

Deferred tax is provided as follows:

	2023 £'000	2022 £'000
Accelerated capital allowances	301	21
Other timing differences	(2)	(1)
Provision for deferred tax	<u>299</u>	<u>20</u>

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 year:

	2023 £'000	2022 £'000
Provision at start of year	20	58
Other - rounding	-	1
Deferred tax credit to profit and loss account for the year	250	(39)
Adjustment in respect of prior years	29	-
Provision at end of year	<u>299</u>	<u>20</u>

18. Called-up share capital and reserves

	2023 £'000	2022 £'000
Allotted, called-up and fully-paid		
2,000 ordinary shares of £1 each	<u>2</u>	<u>2</u>

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

The Company's other reserves are as follows:

The share premium reserve contains the premium arising on issue of equity shares, net of issue expenses.

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

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

19. Financial commitments

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

	2023		2022	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	-	-	-	3
- between one and five years	-	1	-	1
	<u>-</u>	<u>1</u>	<u>-</u>	<u>4</u>

Total future minimum lease payments under non-cancellable finance leases and hire purchase contract are as follows:

	2023 £'000	2022 £'000
- within one year	-	46
	<u>-</u>	<u>46</u>

20. Dividends paid

	2023 £'000	2022 £'000
Dividends paid to Cinch Connectors Limited of £650 per share (2022 – £1,025)	1,300	2,050
	<u>1,300</u>	<u>2,050</u>

21. Related party transactions

The Company has taken advantage of the exemption granted in section 33 of Financial Reporting Standard 102 not to disclose related party transactions with other wholly owned group companies.

There were no other related party transactions.

Cinch Connectivity Solutions Limited

Notes to the financial statements For the year ended 31 December 2023

22. Immediate and ultimate parent

The immediate parent undertaking of the company is Cinch Connectors Limited (registered number: 02178707), a company incorporated in England and Wales. The immediate parent's registered office is: Shireoaks Road, Worksop, Nottinghamshire, S80 3HA.

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 financial statements of this group are available to the public and may be obtained from its registered office: Bel Fuse Inc, 300 Executive Drive, Suite 300, West Orange NJ 07052, USA.