Company Registration No. 03824626

DYNEX SEMICONDUCTOR LTD

Financial Statements

31 December 2015

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DYNEX SEMICONDUCTOR LTD

CONTENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R D Lockwood
P D Taylor
M A Kempton
P Xu

COMPANY SECRETARY

R D Lockwood

REGISTERED OFFICE

Doddington Road
Lincoln
LN6 3LF

PRINCIPAL BANKER

HSBC Bank Plc
221 High Street
Lincoln
LN1 1TS

AUDITOR

Deloitte LLP
Chartered Accountants and Statutory Auditor
Woodborough Road
Nottingham
NG1 3FG

DIRECTORS REPORT

The directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2015

The following disclosures required by s416(4) of the Companies Act 2006 have been included in the Strategic Report: research and development, principal risks and uncertainties, future prospects and employee information.

OWNERSHIP AND PRINCIPAL ACTIVITIES

The Company is a wholly owned subsidiary of Dynex Power Inc. of Canada. Dynex Power Inc. is quoted on the Toronto Ventures Exchange. Zhuzhou CSR Times Electric Co., Ltd, which is based in Hunan Province in the People's Republic of China, acquired 75% of the common shares of Dynex Power Inc. on 30 October 2008. Zhuzhou CSR Times Electric changed its name to Zhuzhou CRRC Times Electric Co., Ltd ("CRRC Times Electric") on 1 April 2016. CRRC Times Electric is quoted on the Hong Kong Stock Exchange. The ultimate parent company is CRRC Group which is based in Beijing in the People's Republic of China. The ultimate controlling party is the Chinese State-owned Asset Supervision and Administration Commission.

The Company's principal activities are the design, manufacture and sale of high power semiconductors and high power electronic assemblies and the manufacture and sale of high reliability silicon on sapphire integrated circuits. There have not been any significant changes in these activities since the publication of the 2014 Annual Report and Financial Statements. The directors currently have no plans for any changes in the future.

GOING CONCERN

The directors have reviewed their forecasts for the next twelve months from September 2016 onwards, particularly in relation to turnover, profits and cash flow. The Company believes that it has access to adequate liquidity to meet its needs for at least the next twelve months from the date of the financial statements being signed. In the longer term, additional funds may have to be raised to finance growth and capital investment. Based on this review, the directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

DIRECTORS AND THEIR INTERESTS

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

R D Lockwood
P D Taylor
M A Kempton
J Guo (resigned 8th April 2016)
P Xu (appointed 27th May 2016)

The Company is a wholly owned subsidiary and the interests of Company directors are disclosed in the management proxy circular of the immediate parent company, Dynex Power Inc., sent to the shareholders of that company in advance of its AGM and which is filed on the Canadian System for Electronic Document Analysis and Retrieval, which is accessible on www.sedar.com.

ACCOUNTING FRAMEWORK

The company has adopted the Financial Reporting Standard 101 ("FRS101") which was effective from 1 January 2015 and consequently the 2014 comparative financial information has also been prepared in accordance with FRS101.

DIVIDENDS

The directors do not recommend the payment of a dividend (2014: £nil).

DIRECTORS' REPORT (Continued)

AUDITOR

Each of the persons who is a director at the date of approval of this report confirms that:
(1) so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
(2) the director has taken all the steps that he ought to have taken as a director in order to make himself 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 has expressed its willingness to be reappointed for another term and appropriate arrangements have been put in place for it to be deemed reappointed as auditor in the absence of an Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

Bob Lockwood

R D Lockwood

Company Secretary

28 September 2016

DYNEX SEMICONDUCTOR LTD

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

RESEARCH AND DEVELOPMENT

During 2015, Dynex further expanded its research and development activities at its power semiconductor R&D Centre in Lincoln, developing new power products and undertaking research of new power semiconductor technologies to match the future demands of our business and our worldwide customers. The strategic focus of this Centre remains on the technology and semiconductor based products that are required by our customers for high power electronic equipment in low carbon application sectors, with particular focus on railway, electric vehicles, and energy. During 2015, CRRC Times Electric was the main funding body for this activity.

The Centre's R&D team for power semiconductor and automotive assembly has continued to grow in strength as the leading UK industrial high power semiconductor research group, supporting Dynex and CRRC Times Electric in our shared ambition to become one of the top companies in the global high power semiconductor field. Developing new technology and products for the future is the key objective for the R&D Centre, and the R&D team has increased its attendance in key power electronics workshops, seminars and conferences in Europe and China to ensure continued professional development of its workforce as well as seeking and recruiting the best staff from the UK, Europe and China. We have continued to progress several collaborative programmes within the UK and Europe (Innovate UK and Horizon 2020) related to low carbon power electronics, and a number of new collaborative projects have been started. These activities help to keep Dynex at the forefront of high power semiconductor technology.

In the past year, the R&D Centre continued to collaborate successfully with CRRC Times Electric: key projects included the development of 650V, 1200V, 1700V trench gate IGBT and diode chips, 4500V and 6500V high voltage IGBT and diode chips and modules, new generation 1500A/3300V modules, 650V and 1200V modules for electric and hybrid electric vehicles, technical support for the operation and improvement of 8-inch IGBT and diode chip fabrication line in Zhuzhou, China, and design and development of automotive electric vehicle motor controller integrated power units.

We have expanded our knowhow for the precise design and simulation of trench gate IGBT manufacturing processes and products, and successfully applied this to 650V – 1700V devices, achieving production release at 1700V. We have now extended our design and development capability to higher voltages, starting with 3300V. 4500V and 6500V planar DMOS IGBT chips have been developed with higher voltage blocking capability by optimizing the resistivity of silicon wafer, edge termination and by other design enhancements, and module samples have been delivered to customers. Additionally, the high voltage 3300V – 6500V diode designs have been further improved to expand their RBSOA and will soon be moving into production.

Based on utilising the Dynex IGBT and FRD chip packaging capability and the strong competence and intellectual property in converter technology of CRRC Times Electric, we successfully developed an electric vehicle motor controller integrated power unit, which demonstrates a number of benefits for the automotive industry. The design and process for electric vehicle IGBT modules has been developed: module samples have been made, applying an innovative double side cooling, and they have been integrated into automotive power assemblies, demonstrating significant benefits: small, lightweight, flexible to install with high integration and extreme high power density. In supporting this development work, we have established a dedicated test laboratory incorporating a vertically integrated simulation platform of electric vehicle motor system and hardware platform for reliability testing.

In 2016, the R&D Centre will continue to strengthen the links with UK University research groups, European supply chains and customers, many of the above mentioned projects will be continued and expanded and several new projects will be started to support Dynex and CRRC Times Electric technology and product development.

FINANCIAL PERFORMANCE

As shown in the profit and loss account, the Company's turnover increased by 3% from £23.2 million in 2014 to £23.8 million in 2015. This modest growth in turnover was achieved despite a customer cancelling in January 2015 a contract for £3.5 million which was due for delivery in the first half of the year. The order cancellation followed the product return referred to in the 2014 annual report. Strong growth is still forecast for the medium term. As a result of the improvement in gross margin, Dynex reported a modest profit before tax for the year of £27,000 and a profit after tax of £4,000.

KEY PERFORMANCE INDICATORS

	2015	2014	2013	2012	2011
Turnover (2011=100)	104.5	101.8	106.0	109.3	100.0
Turnover per Full Time Employee excluding R&D staff (£'000)	88.9	78.4	84.9	88.4	82.6
Gross Margin	9.2%	(1.2%)	5.1%	17.0%	23.7%
% Revenue Spent on R&D (Gross)	21.2%	16.5%	13.3%	10.6%	10.2%
Overhead Cost ratio	9.3%	11.9%	8.8%	8.9%	9.8%
Profit /(Loss) before Tax (£'000)	27	(3,453)	(1,959)	991	2,352
Energy Used per £'000 of Revenue (kWhrs/£'000)	1,157.8	1,136.3	1,166.4	1,075.9	1,151.8

The trend in turnover is seen best by setting the first year's turnover to 100 and showing turnover in the succeeding years as an index. Strong growth in turnover was seen between 2011 and 2012, followed by declines in 2013 and 2014 and a return to growth in 2015.

In measuring turnover per full time employee, R&D staff are excluded from the number employed. Expenditure on R&D is an investment in the future of the business and does not contribute to today's revenue. Turnover per full time equivalent employee (excluding R&D staff) had increased strongly in 2012 when revenue grew and then fell back in 2013 as revenue declined. The fall in 2014 was as a result of the contract cancellation and product return referred to above. Turnover per full time equivalent employee improved significantly in 2015 following a reduction in the workforce at the start of the year.

The gross margin in 2011 was in the range targeted by management. The gross margin in 2012 fell slightly below management's target. This reflected management's decision to carry the cost of a workforce able to deal with a significant growth in revenue even though the timing of that growth had been delayed. In 2013 the gross margin declined significantly as a result of increased costs incurred in preparation for growth in revenue which did not take place as early as had been expected and stock write offs and provisions which resulted from contamination and a tightening of the specification of die being supplied to CRRC Times Electric which resulted in some die already manufactured having to be scrapped and a fall in yields of new die. In 2014, a contract cancellation and product return by a major customer resulted in a loss being incurred at the gross margin level. Gross margin recovered significantly in 2015 but is still below the level targeted by management.

The measurement of the percentage of revenue spent on research and development reflects gross expenditure on research and development as this better reflects the Company's investment in the development of new products and processes. Some of this expenditure is financed by CRRC Times Electric or by grants or by customers. The figure shown in the financial statements for expenditure on R&D is net of such third party funding. The figures show a significant increase in gross expenditure, reflecting management's commitment to increase R&D.

The overhead cost ratio covers sales and marketing and general administration costs. The aim here is to drive the ratio down as revenue grows. The increase in 2014 reflects the reduction in revenue following the contract cancellation and product return by a major customer.

Profit before tax was at what management regards as an acceptable level in 2011. The decline in 2012 reflected the fact that the business had prepared for expansion which did not take place as quickly as expected. The loss before tax incurred in 2013 reflected the stock write off and provision referred to above. The loss in 2014 reflected the contract cancellation and product return referred to above. The figure in 2015 reflected a return to profitability after the losses of the previous two years but at a level far below that targeted by management.

KEY PERFORMANCE INDICATORS (Continued)

The manufacture of semiconductors is a major user of energy. Bearing in mind the cost of energy and the general level of concern about carbon emissions, the Company continually seeks ways to be more efficient in its use of electricity and gas. In order to manage total energy usage, the Company monitors energy usage per thousand pounds of revenue. The figures reported clearly show that when revenue increased significantly in 2012, there was an accompanying improvement in this metric. The fall back in performance since then reflects the reduction in revenue reported.

PRINCIPAL RISKS AND UNCERTAINTIES

The Company operates in a competitive market in which the major competition comes from businesses that are much larger than Dynex and which therefore have more resources at their disposal. The purchase in 2008 of a 75% stake in the Company by CRRC Times Electric made the Company part of a larger group. The Company further tries to meet this challenge by ensuring it undertakes sufficient R&D and has continuous improvements in manufacturing to maintain its product quality, product performance and delivery lead time at or ahead of the levels provided by competitors.

A fundamental shift in technologies in the Company's product markets could have a material adverse effect on its competitive position within the industry. Dynex has increased the percentage of revenue spent on R&D in order to mitigate this risk.

The level of worldwide demand for power semiconductors and power semiconductor assemblies is one of the key uncertainties for the Company. Global plans to reduce carbon emissions in response to concerns about climate change, including the increased power generation from non-fossil fuels, the electrification of transport systems and the increased use of advanced power electronic equipment, together with the need for additional power generation capacity and improved power transmission and distribution systems and the increased demand for the supply of high quality electrical energy, provide strong justification for believing that demand for the Company's products will remain strong despite the current economic problems that affect many developed economies. The purchase in 2008 of a 75% stake in the Company by CRRC Times Electric gives the Company improved access to the Chinese market which is less affected by the current economic problems. However, any reduction in investment in these areas would be detrimental to the future of the business.

The Company has based its future business development plans on the assumption that CRRC Times Electric will purchase its IGBT products from Dynex. This is not certain as there are many factors that may prevent CRRC Times Electric purchasing such products. In particular, there is a risk that Dynex IGBT products may prove technically incompatible or not competitive for use in CRRC Times Electric equipment and that may materially reduce the future demand for IGBT products. The Company is working closely with CRRC Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CRRC Times Electric's needs.

The Company has based its future business development plans on the assumption that demand for IGBT products by CRRC Times Electric will at least remain at the current level and will not be significantly affected by world economic uncertainty or by a slowdown in the Chinese economy.

The Company's manufacturing processes are highly complex and manufacturing efficiency is an important factor in the Company's competitiveness and profitability. The Company has been investing and continues to invest in new fabrication equipment to ensure it remains competitive.

The Company's manufacturing yields vary significantly among products, depending on the complexity of a particular product's design and the Company's experience in manufacturing that type of product, the quality of the raw materials and bought in components used in manufacture and the effects of contamination or other difficulties during the semiconductor fabrication process. Deterioration in yields will increase production costs and therefore reduce margins. In addition, failure to meet planning yields may also lead to late deliveries to customers. The Company seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

The Company's business is quite concentrated with over 75% of turnover typically coming from ten or fewer customers. The failure or consolidation of any of these customers around companies owned or supplied by Dynex's major competitors could significantly reduce the opportunities available to the business in future. The acquisition in 2008 of a major stake in the Company by CRRC Times Electric gives the Company a much closer relationship with this entity which has become one of the Company's major customers. The Company has developed and works to a Quality Policy, operated under ISO 9001:2008 in order to ensure it meets its customers' requirements as well as it possibly can. The Company constantly seeks to acquire new customers in order to broaden its customer base.

Certain raw materials, such as silicon, neutron transmutation doped ("NTD") silicon, molybdenum, ceramic housings, substrates, baseplates, wafer fabrication chemicals and gases, electricity and assembly materials and sub-contract services are critical to the manufacture of high power semiconductors. The Company seeks to maintain close relationships with key suppliers, entering into long term supply arrangements where appropriate and by multi sourcing products where possible, in order to ensure continued access to such raw materials. In the case of electricity, the Company is a major user of electricity and the cost of electricity in the UK is subject to significant short term variation. The Company has developed and operates a formal Energy Management Plan in order to minimize the use of power. The Company takes independent professional advice on the purchase of electricity and seeks to enter into long term contracts to reduce the uncertainty about future prices.

Many of the Company's expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed, making the Company's results extremely sensitive to volume reductions. The Company seeks to manage this risk by maintaining close relationships with its main customers and by seeking new customers. The Company's capability in power assemblies is an important aspect of developing and maintaining such close relationships.

Although the Company buys some materials in continental Europe, the Far East and North America, the bulk of its costs are incurred in sterling. However, it sells into world markets with many sales denominated in euros and US dollars. As a consequence, the Company's results are affected by changes in exchange rates between these currencies. Management monitors these exposures but does not believe that it would be beneficial to hedge them at the present time. The need to undertake such hedging is reviewed from time to time.

The Company's future success depends, in part, upon its ability to attract and retain suitably qualified and experienced personnel in engineering, research and development, operations, production management, sales, marketing, finance, IT and general management. The Company seeks to ensure that its remuneration, employee benefits and general terms and conditions remain competitive to ensure it is able to recruit and retain the people it needs to be competitive.

As part of its manufacturing operations, the Company uses many hazardous chemicals and gases. The Company operates a formal Health and Safety Plan and a formal Environmental Management Plan under ISO 14001 in order to ensure compliance with the relevant laws and regulations and to ensure that the risks to employees, third parties and the environment are minimised.

FUTURE PROSPECTS

The directors believe that the market for high power semiconductor products will grow strongly over the medium term. In addition, the Company expects to be able to generate a significant amount of new business from CRRC Times Electric in future. Consequently, the directors expect revenue and profitability to grow strongly over the medium term.

STRATEGIC REPORT (Continued)

ENVIRONMENT

The Company believes that protection of the environment is an integral part of good business practice and contributes to the preservation of the environment through an environmental management system. The environmental management system seeks to minimise environmental impacts resulting from the Company's business activities and products. The Company provides education and training to all staff to improve understanding of the environmental management system appropriate to their responsibilities. The Company pursues a course of continual environmental improvement; adopting environmentally friendly technologies to prevent environmental pollution. Objectives and targets in parallel with sound management practices drive continual improvement. The Company minimises pollution by replacing and improving its processes when necessary and recycling and re-using materials where possible. The Company complies, and will continue to comply, with all applicable legal requirements and with other requirements to which it subscribes which relate to environmental aspects. The Company has introduced an environmental impact assessment process used when introducing new products. The Company will minimise environmental impacts by the recycling of waste products and packaging materials.

EMPLOYEE INFORMATION

Details of the number of employees and their costs can be found in Note 12 to the Financial Statements.

The Company keeps employees informed on matters relevant to them as employees through regular meetings and discussions. Emphasis is placed on developing greater awareness of the financial and economic factors that affect the performance of the Company.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitude of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that the appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Approved by the Board of Directors
and signed on behalf of the Board

Bob Lockwood

R D Lockwood

Company Secretary

28 September 2016

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and 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 FRS101 "Reduced Disclosure Framework". 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 judgments 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business; and
- provide additional disclosures when compliance with the specific requirements in FRS101 are insufficient to enable the users to understand the impact of particular transactions, other events and conditions of the entity's financial position and financial performance.

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DYNEX SEMICONDUCTOR LIMITED

We have audited the financial statements of Dynex Semiconductor Limited for the year ended 31 December 2015 which comprise the profit and loss account and statement of comprehensive income, the balance sheet, the statement of changes in equity and the related notes 1 to 31. 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 101 "Reduced Disclosure Framework".

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 2015 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and the Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.

Peter Gallimore FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Nottingham, UK
30 September 2016

DYNEX SEMICONDUCTOR LTD

PROFIT & LOSS ACCOUNT AND STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
TURNOVER	6,7	23,835	23,214
Cost of sales		(21,633)	(23,485)
GROSS PROFIT/(LOSS)		2,202	(271)
Other operating expense	8	(1,976)	(2,629)
Other operating income	7,8	42	72
OPERATING PROFIT/(LOSS)		268	(2,828)
Profit/(loss) on sale of tangible fixed assets	8	2	(3)
Other gains and losses	8,9	108	(237)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE INTEREST BEING OPERATING PROFIT/(LOSS)		378	(3,068)
Interest receivable and similar income		-	1
Interest payable and similar charges	8,10	(351)	(386)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	11	27	(3,453)
Tax on profit/(loss) on ordinary activities	14	(23)	538
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		4	(2,915)
Other comprehensive income		-	-
TOTAL COMPREHENSIVE INCOME /(LOSS) FOR THE FINANCIAL YEAR		4	(2,915)

All results are derived from continuing operations.

BALANCE SHEET
At 31 December 2015

	Note	2015 £'000	2014 £'000
FIXED ASSETS			
Intangible assets	15	774	637
Tangible assets	16	21,092	22,084
		21,866	22,721
CURRENT ASSETS			
Stocks	18	7,386	7,990
Debtors	19	6,337	7,419
Cash at bank and in hand		681	490
		14,404	15,899
CREDITORS: amounts falling due within one year	20	(13,604)	(13,993)
NET CURRENT ASSETS		800	1,906
TOTAL ASSETS LESS CURRENT LIABILITIES		22,666	24,627
CREDITORS: Amounts falling due after more than one year	21	(4,323)	(7,189)
PROVISIONS FOR LIABILITIES	24	(40)	(10)
NET ASSETS		18,303	17,428
CAPITAL AND RESERVES			
Called up share capital	25	15,000	15,000
Profit and loss account	26	3,303	2,428
TOTAL SHAREHOLDER'S FUNDS		18,303	17,428

These financial statements of Dynex Semiconductor Limited (company registration number: 03824626) were approved by the Board of Directors and authorised for issue on 28 September 2016.

Signed on behalf of the Board of Directors

Bob Lockwood

R D LOCKWOOD

DYNEX SEMICONDUCTOR LTD

Director

STATEMENT OF CHANGES IN EQUITY
At 31 December 2015

	Called up share capital £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2014	15,000	5,343	20,343
Loss for the period	-	(2,915)	(2,915)
Other comprehensive income for the period	-	-	
Total comprehensive income for the period	-	(2,915)	(2,915)
Balance at 31 December 2014	15,000	2,428	17,428
Profit for the period	-	4	4
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	4	4
Capital contribution	-	871	871
Balance at 31 December 2015	15,000	3,303	18,303

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2015

1. CORPORATE INFORMATION

Dynex Semiconductor Limited (the "Company") was incorporated on 13th August, 1999 under the Companies Act 1985.

The registered office of the Company is Doddington Road, Lincoln, LN6 3LF.

The Company is engaged in the design and manufacture of industrial power equipment.

The immediate parent company of the Company is Dynex Power Inc. which is established and quoted in Canada. The ultimate parent company of the Company is CRRC Corporation Limited ("CRRC Group"), which is established in The People's Republic of China. The ultimate controlling party is the Chinese State-owned Asset Supervision and Administration Commission based in Beijing in The People's Republic of China.

2. BASIS OF PREPARATION

Accounting framework

The Company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2015 the Company has changed its accounting framework from UK GAAP to FRS 101 as issued by the Financial Reporting Council and has, in doing so, applied the requirements of IFRS 1.6-33 and related appendices. These financial statements were prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. There was no impact on the financial statements of the Company on transition to FRS 101 as indicated in Note 31.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets, remuneration of key management personnel and related party transactions. Where required, equivalent disclosures are given in the group accounts of Dynex Power Inc.. The group accounts of Dynex Power Inc. are available to the public and can be obtained from the Company Secretary.

Going Concern

The Company's business activities are set out in the Directors' Report. The Company's research and development activities, financial performance, key performance indicators, principal risks and uncertainties and future prospects are set out in the Strategic Report.

The Company meets its day to day working capital requirements through a £7 million money market facility and a £1 million overdraft facility provided by its principal banker. Both these facilities are uncommitted and they are due for renewal in November 2016. Both facilities have been guaranteed by Zhuzhou CRRC Times Electric Co., Ltd which is the immediate parent company of Dynex Power Inc.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Company should be able to operate within the level of its current facility. The Company will open renewal negotiations with the bank in due course and has at this stage not sought any written confirmation that the facility will be renewed. However, the Company has held discussion with its bankers about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The directors 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.

2. BASIS OF PREPARATION (continued)

Historical cost convention

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that are within the scope of IAS 17.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. CHANGES IN ACCOUNTING POLICIES

As explained above, the company has adopted FRS 101 for the first time in the current year. As part of this adoption, the following new and revised Standards and Interpretations have been adopted in the current year. The application of these specific Standards and Interpretations has not had a material effect on the company.

Amendments to IAS 1 Presentation of Financial Statements (as part of the Annual Improvements to IFRSs 2009- 2011 Cycle issued in May 2012)

The Annual Improvements to IFRSs 2009 - 2011 have made a number of amendments to IFRSs. The amendments that are relevant to the company are the amendments to IAS 1 regarding when a statement of financial position as at the beginning of the preceding period (third statement of financial position) and the related notes are required to be presented. The amendments specify that a third statement of financial position is required when a) an entity applies an accounting policy retrospectively, or makes a retrospective restatement or reclassification of items in its financial statements, and b) the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The amendments specify that related notes are not required to accompany the third statement of financial position. In the current year, the company has applied IFRSs for the first time (see the discussion above), which has resulted in material effects on the information in the statement of financial position as at 1 January 2014.

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 13 Fair Value Measurement

The company has applied IFRS 13 for the first time in the current year. IFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of IFRS 13 is broad; the fair value measurement requirements of IFRS 13 apply to both financial instrument items and non-financial instrument items for which other IFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). IFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under IFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. IFRS 13 includes extensive disclosure requirements; the Company has taken advantage of the exemption provided under FRS 101 from providing these disclosures. IFRS 13 requires prospective application from 1 January 2014. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. The application of IFRS 13 has not had any material impact on the amounts recognised in the financial statements.

The Company has not implemented the following new and revised accounting pronouncements that have been issued but are not yet effective. The Company has reviewed these pronouncements and determined that the following may have an impact on the Company:

IFRS 9: Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative costs not within the scope of the standard. This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

IFRS 15: Revenue from Contracts with Customers

Issued in May 2014, IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer. The main principle of this standard is that an entity shall recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Application of IFRS 15 is currently mandatory for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively. Early adoption is permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 16: Leases

IFRS 16 which supersedes IAS 17, provides a model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. This new standard is effective on January 1, 2019. The Company is in the process of assessing the impact of this standard on its financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

These financial statements are presented in Pounds Sterling (£), which is the Company's functional and presentation currency.

Items included in the financial statements of the Company are measured using its respective functional currencies and foreign currency transactions are initially recorded in the functional currency by applying the exchange rate ruling at the date of the transaction. At the end of each accounting period monetary items are re-translated using the closing rate. All exchange gains and losses are included in other gains and losses in the profit and loss account. Non-monetary items measured in terms of historical cost are translated at the exchange rate at the date of the transaction and non-monetary items measured in terms of fair value are translated at the exchange rate at the date when the fair value was determined.

Turnover recognition

Turnover is measured at the fair value of the consideration received or receivable.

Turnover from the sale of goods is recognised when the risks and rewards of ownership, including managerial involvement, have transferred to the buyer, the amount of turnover can be measured reliably, it is probable that the economic benefits will flow to the Company and the costs incurred or to be incurred can be measured reliably.

Turnover from the rendering of services is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

Research and development costs

Expenditures on research are recognised as expenses when incurred. Expenditures on development are recognised as an expense when incurred unless the criteria for recognition as an intangible asset under IAS 38 "Intangible Assets" are met. To date, no such costs have been capitalised. Expenditures for research and development equipment are recognised in tangible assets and depreciated over the useful life of the asset.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the grant will be received and all the conditions attached to it will be complied with.

When the grant relates to an asset it is recognised in deferred income and credited to other income on a systematic basis over the useful life of the asset.

When the grant relates to income it is deducted in reporting the related expense on a systematic basis over the periods in which the related costs for which the grant is intended to compensate are incurred.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Pension costs

The Company operates a defined contribution plan in the UK. The Company's obligations under the plan are limited to the amount it agrees to contribute to the scheme. The Company recognises these contributions when incurred as employee benefits.

Borrowing costs

Borrowing costs relating to qualifying assets are capitalised as part of the cost of the asset. All other borrowing costs are recognised in comprehensive income in interest payable and similar charges in the period in which they are incurred.

Income taxes

Income taxes are accounted for using the liability method. Income tax expense comprises current and deferred taxes and is included in profit for the period unless it relates to items recognised outside of profit or loss, in which case it is recognised in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the accounting period.

Deferred tax assets and liabilities are recognised for temporary differences between the carrying value of an asset or liability in the financial statements and its tax base and measured using the tax rates for the periods in which the differences are expected to reverse that have been enacted or substantively enacted by the end of the accounting period. Deferred tax assets for the benefits of tax losses, tax credits and other deductible temporary differences available to be carried forward to future years are recognised when management believes it is probable that they will be realised.

Intangible Assets

Intangible assets comprise business systems and simulation software and are recorded at cost less accumulated amortization and accumulated impairment losses.

Amortization begins when the asset becomes available for use and ceases when the asset is disposed of or when no future benefits are expected from its use or disposal.

Amortization is calculated using the straight-line method over the anticipated useful lives of the assets. The estimated useful life of intangible assets is 3- 6 years.

Tangible Assets

Tangible assets are recorded at cost less accumulated depreciation and accumulated impairment losses.

Depreciation begins when the asset becomes available for use and ceases when the asset is disposed of or when no future benefits are expected from its use or disposal.

Depreciation is calculated using the straight-line method over the anticipated useful lives of the assets. The estimated useful lives are as follows:

Equipment	2-25 years
Equipment under capital leases	8-12 years
Clean-rooms	20 years
Buildings	40 years

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Tangible Assets (continued)

When parts of a tangible asset have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Impairment of Intangible and Tangible Assets

The carrying amounts of intangible and tangible assets are reviewed at the end of each accounting period to determine whether there is any indication those assets may be impaired. Where an indication of impairment exists, the asset's recoverable amount is estimated.

The asset's recoverable amount is the higher of the asset's or cash generating unit's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. Recoverable amount is determined for an individual asset unless the asset does not generate cash flows that are largely independent of those from other assets or groups of assets, in which case it is determined for the cash generating unit to which the asset belongs.

An impairment loss is only recognised if the recoverable amount of an asset is less than its carrying value and is charged to profit and loss in the period in which it arises. To date, no such impairment losses have been recognised.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recorded at the fair value of the leased property or, if lower, the present value of the minimum lease payments, both determined at the inception of the lease and are included in intangible or tangible assets in the balance sheet. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. The corresponding liability is included in borrowings.

The minimum lease payments are apportioned between the finance charge and the reduction of the liability and allocated to each period using the effective interest method so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Stocks

Stocks are valued at the lower of cost and net realisable value using the first-in first-out cost formula. Raw materials are valued at their purchase cost. Work in progress and finished goods are valued using the standard cost of direct materials and labour plus allocated overheads. Standard costs take into account normal levels of materials, labour, efficiency and capacity utilisation and are reviewed regularly. Purchase price and other variances are expensed as they arise.

The Company's management reviews the condition of stocks at the end of each accounting period and recognises a provision for slow-moving and obsolete items of stock when they are no longer suitable for use or sale. Net realisable value is estimated based on the selling price less any costs to completion and disposal costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash

Cash comprises cash on hand and demand deposits.

Financial instruments

Debtors are classified as loans and receivables; that is non-derivative financial assets with fixed or determinable payments that are not quoted on any active market.

When initially recognised, debtors are measured at fair value. As these assets are all short-term with no stated interest rate they are valued at the original invoice amounts less payments received rather than being discounted. Fair value approximates amortised cost.

Financial assets are assessed at the end of each accounting period to determine whether there is any objective evidence of impairment. Where such evidence exists, a provision is made for the loss in value and charged in the profit and loss account to other operating expense.

Financial assets are recognised on the trade date. Financial assets are derecognised when the rights to receive cash flows from the asset have expired.

At the present time, the Company does not have any financial assets classified as held for trading, available for sale or held to maturity. The Company has not designated any financial assets upon initial recognition at fair value through profit or loss.

Creditors are all classified as other liabilities; that is non-derivative financial liabilities with fixed or determinable payments that are not quoted on any active market.

When initially recognised, creditors are measured at fair value. When these liabilities are short-term liabilities with no stated interest rate they continue to be to be valued at the original invoice amounts less amounts paid. After initial recognition, all interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at proceeds received less payments made. Any gains or losses are credited in profit and loss account to interest payable and similar charges.

Financial liabilities are recognised on the trade date. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

At the present time, the Company does not have any financial guarantee contracts or financial liabilities designated upon initial recognition as at fair value through profit or loss.

Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised is the best estimate of the expenditure required to settle the present obligation at the end of the accounting period taking into account the risks and uncertainties surrounding the obligation.

Provisions are reviewed at the end of each accounting period and adjusted to reflect the current best estimate of the expected future cash flows.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of financial statements requires the Company's management to make judgements and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements and the reported amounts of revenue and expenses during the accounting period presented. However actual results could differ from the estimates made by management requiring a material adjustment to the carrying values of assets and liabilities in the future.

Key Judgements

Going Concern

The Company's management has judged that the accounts should be prepared on a going concern basis.

Functional currency

The Company's management has judged that the functional currency of the Company is Pounds Sterling.

Cash-generating units

For the purposes of impairment reviews, the Company's management has judged that the business has one cash-generating unit.

Depreciation methods

The Company's management believes that the lives of production equipment are not limited by units of production and that the performance of the equipment does not deteriorate significantly over time. Consequently, Company management has therefore judged that a straight line depreciation policy is the most appropriate.

Capitalisation of development costs

The Company carries out significant research and development work. Research activities generally relate to background work that seeks to give the Company a better understanding of how semiconductor performance, applications and robustness can be improved. Under IFRS, research costs cannot be capitalised and so costs relating to research activities are always expensed. Development activities relate to the design and development or improvement of the Company's products and so can be considered for capitalisation. To date, the Company's design and development work has enabled the Company to remain competitive but has not generated an intangible asset with a definable economic benefit and so, to date, no such costs have been capitalised.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the accounting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Anticipated useful lives of intangible and tangible assets

The Company's management determines the estimated useful lives of its intangible and tangible assets based on historical experience of the actual lives of intangible and tangible assets of similar nature and functions and reviews these estimates at the end of each accounting period.

Details of the estimated useful lives are provided in Note 4. At December 31st, 2015 the carrying amount of intangible and tangible assets was £21.9 million (2014 - £22.7 million).

The Company's management reviews intangible and tangible assets for evidence of impairment. At December 31st, 2015 management determined that no impairment indications were identified relating to intangible and tangible assets.

Impairment reviews

In carrying out impairment reviews, the Company's management has to determine an appropriate terminal growth rate for the business and discount rate to use in the calculation. Company management has determined a terminal growth rate of 3.5% and a discount rate of 15% in carrying out this review.

Provisions against stocks

Management estimates the net realisable value of stocks based primarily on sales prices in the forward order book and current market conditions. Stock obsolescence is provided for if raw materials, work in progress or finished goods have not moved in twelve months unless the Company has orders or a realistic expectation of orders for those parts. At December 31st, 2015 the carrying amount of stocks was £7.4 million (2014 - £8.0 million) and the provision for slow-moving and obsolete items of stock was £5.6 million (2014 - £5.8 million).

Impairment of trade debtors

The Company's management determines the estimated recoverability of trade debtors based on the evaluation and ageing of debtors, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each accounting period. At December 31st, 2015 the carrying amount of debtors was £2.9 million (2014 - £4.5 million) and the provision for impairment of debtors was £105,000 (2014 - £96,000).

Provisions

The Company's management determines the best estimate of provisions based on experience of similar transactions and, in some cases, reports from independent experts and reviews them at the end of each accounting period. At December 31st, 2015 the carrying value of provisions was £40,000 (2014 - £10,000).

6. TURNOVER BY BUSINESS CLASS

For management purposes the Company's activities are attributable to a single business class, engaged in the design and manufacture of industrial power equipment. Consequently, the Company does not present any business class information.

7. TURNOVER AND OTHER OPERATING INCOME

Turnover by geographic market

The location of the customer determines the geographic market for revenue.

	2015	2014
	£'000	£'000
United Kingdom	4,271	4,510
China	6,916	4,580
France	1,926	2,548
Other(None > 10%)	10,722	11,576
	23,835	23,214

Analysis of turnover

An analysis of the Company's turnover and other operating income is as follows:

	2015	2014
Revenue:	£'000	£'000
Sale of goods	22,013	22,084
Rendering of services	1,822	1,130
	23,835	23,214
Other operating income:		
Sale of scrap materials	33	61
Government grants	3	3
Other income	6	8
	42	72

8. CHANGES TO THE ANALYSIS OF EXPENSES FOLLOWING TRANSITION TO FRS 101

Following the transition to FRS 101, the analysis of expenses in the 2014 accounts has been changed in the comparative figures for 2014 set out in these accounts. Details of these changes are set out in Note 31

9. OTHER GAINS AND LOSSES

An analysis of the Company's other gains and losses is as follows:

	2015	2014
	£'000	£'000
Foreign exchange gain/(loss)	108	(237)

10. INTEREST PAYABLE AND SIMILAR CHARGES

An analysis of interest payable and similar charges is as follows:

	2015	2014
	£'000	£'000
Interest on bank borrowings	172	204
Interest on other borrowings	159	144
Interest on finance leases	11	5
Other finance costs	9	33
	351	386

All interest on other borrowings relates to interest on loans from related parties.

Other finance costs consist of arrangement and other fees relating to bank borrowings and facilities.

11. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

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

	2015	2014
	£'000	£'000
Cost of inventories sold	19,891	22,334
Staff costs (including director's remuneration):	10,563	10,095
Operating lease rentals	238	242
Foreign exchange differences (net)	(108)	237
Amortization of intangible assets	87	66
Depreciation of items of property, plant and equipment:		
Manufacturing	2,368	2,052
Other	345	360
Research and development expenses (before government grants and contribution from CRRC Times Electric)	5,047	3,831
Contribution from CRRC Times Electric	(4,659)	(3,026)
Government grants:		
Research and development	(532)	(456)
Research and development tax credit	(250)	(300)
Property plant and equipment	(3)	(3)
Fees payable to the Company's auditors:		
For audit services	60	42
For tax services	41	78
For other compliance work	-	-
For other services	7	55
Total for all non audit services	48	133
Provision for obsolete inventories	(727)	2,196

12. STAFF COSTS

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

	2015	2014
Production	228	253
Sales and distribution	19	20
Research and development	56	45
Administration	25	20
Management	8	8
	336	346

Their aggregate remuneration comprised:

	2015	2014
	£'000	£'000
Wages and salaries	9,356	8,950
Social security costs	892	847
Pension costs	315	298
	10,563	10,095

13. DIRECTORS' REMUNERATION

Details of directors' emoluments and the highest paid director are as follows:

	2015	2014
	£'000	£'000
Directors' emoluments		
Emoluments	426	421
Pension contributions to money purchase schemes	18	18
	444	439

	2015	2014
	£'000	£'000
Highest paid director		
Emoluments	150	150
Pension contributions to money purchase schemes	7	7
	157	157

14. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

The tax charge comprises:

	2015	2014
	£'000	£'000
UK corporation tax	51	65
Deferred tax - prior year adjustment	(67)	-
Deferred tax - current year charge	39	(603)
Total tax on profit/(loss) on ordinary activities	23	(538)

The charge/(recovery) for the year can be reconciled to the profit in the profit and loss account as follows:

	2015	2014
	£'000	£'000
Profit/(loss) on ordinary activities before tax	27	(3,453)
Tax on profit/(loss) on ordinary activities at UK corporation tax rate of 20.25% (2014: 21.5%)	5	(742)
Factors affecting charge:		
Expenses for which tax relief not available	34	97
Tax on R&D tax credit	51	-
(Over)/under provision at start of year	(67)	55
Change in deferred tax rate	-	52
	23	(538)

In the 2014 Budget, issued on 19 March 2014, the Chancellor announced a reduction in the main rate of corporation tax to 20% with effect from 1 April 2015. Accordingly the current tax rate for the year of 20.25% is a blended rate of 21% up to 1 April 2015 and 20% from 1 April 2015 to 31 December 2015.

In November 2015, the Government enacted the Finance (No 2) Act 2015, which reduces the standard rate of corporation tax from its current level of 20% to 19% from April 2017 and 18% from April 2020. As these changes had been substantially enacted at the balance sheet date, the deferred tax assets and liabilities included in these financial statements have been calculated using these rates based on when the temporary differences are expected to reverse.

15. INTANGIBLE ASSETS

	£'000
Cost	
At 1 January 2014	388
Additions	322
At 31 December 2014	710
Additions	224
At 31 December 2015	934
Depreciation	
At 1 January 2014	7
Charge for the year	66
At 31 December 2014	73
Charge for the year	87
At 31 December 2015	160
Net book value	
At 31 December 2014	637
At 31 December 2015	774

Intangible assets relate to software.

16. TANGIBLE ASSETS

	Freehold Land £'000	Freehold Buildings £'000	Plant & Machinery £'000	Assets under construction £'000	Total £'000
Cost					
At January 1st, 2014	1,761	2,916	23,841	875	29,393
Additions	-	-	719	3,672	4,391
Reclassifications	-	-	4,038	(4,038)	-
Disposals	-	-	(51)	-	(51)
At December 31st, 2014	1,761	2,916	28,547	509	33,733
Additions	-	-	539	1,182	1,721
Reclassifications	-	33	633	(666)	-
Disposals	-	-	(62)	-	(62)
At December 31st, 2015	**1,761**	**2,949**	**29,657**	**1,025**	**35,392**
Depreciation					
At January 1st, 2014	-	158	9,094	-	9,252
Charge for the year	-	73	2,340	-	2,413
Eliminated on disposal	-	-	(16)	-	(16)
At December 31st, 2014	-	231	11,418	-	11,649
					-
Charge for the year	-	72	2,641	-	2,713
Eliminated on disposal	-	-	(62)	-	(62)
At December 31st, 2015	**-**	**303**	**13,997**	**-**	**14,300**
Net book value					
At December 31st, 2014	1,761	2,685	17,129	509	22,084
At December 31st, 2015	1,761	2,646	15,660	1,025	21,092
Leased assets included above					
At December 31st, 2014	-	-	22	-	22
At December 31st, 2015	-	-	141	-	141

The carrying value tangible fixed assets pledged as security is £21.0 million (2014 £22.1m). In addition, the Company's obligations under finance leases are secured by the lessors' title to the leased assets.

17. CAPITAL COMMITMENTS

Capital commitments are as follows:

	2015	2014
	£'000	£'000
Contracted for but not provided for:		
intangible assets	56	4
tangible assets	1,069	964
	1,125	968

18. STOCKS

	2015	2014
	£'000	£'000
Raw materials	2,007	2,393
Work in progress	4,573	5,193
Finished goods	806	404
	7,386	7,990

The Company's stocks have been pledged as security.

19. DEBTORS

	2015	2014
	£'000	£'000
Trade debtors	2,891	4,504
Amounts owed by fellow group undertakings	2,828	2,335
VAT	50	117
Other debtors	374	266
Prepayments and accrued income	194	197
	6,337	7,419

All debtors are due within one year.

Other debtors include an amount of £28,000 (2015 - £ nil) relating to deferred tax. The balance is made up of unrelieved losses of £1,390,000 and unrelieved provisions of £60,000 less accelerated capital allowances of £1,422,000.

The Company's debtors have been pledged as security.

20. CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015	2014
	£'000	£'000
Bank loans and overdrafts	6,171	1,548
Amounts borrowed from group undertakings	1,200	662
Obligations under finance leases and hire purchase contracts	57	20
Other loans	59	79
Trade creditors	1,141	1,340
Amounts owed to group undertakings	818	873
Other taxation and social security	257	262
Other creditors	5	6
Government grants	751	339
Accruals and deferred income	3,097	8,814
Defined contribution pension scheme accrual	48	50
	13,604	13,993

The company has granted a fixed and floating charge on its assets of £31.0 million (2014 - £33.2m) to secure bank loans and overdrafts.

21. CREDITORS – AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2015	2014
	£'000	£'000
Bank loans	80	3,925
Obligations under finance leases and hire purchase contracts	43	-
Other loans	-	59
Amounts borrowed from group undertakings	4,200	3,205
Other creditors	-	-
	4,323	7,189

The company has granted a fixed and floating charge on its assets of £31.0 million (2014 - £33.2m) to secure bank loans.

22. BORROWINGS

Borrowings are repayable as follows:

	2015	2014
	£'000	£'000
Bank loans and overdrafts:		
Between one and two years	80	1,595
Between two and five years	-	2,330
	80	3,925
On demand or within one year	6,171	1,548
	6,251	5,473
Amounts borrowed from group undertakings		
Between one and two years	1,200	1,282
Between two and five years	3,000	1,923
	4,200	3,205
On demand or within one year	1,200	662
	5,400	3,867
Finance leases		
Between one and two years	43	-
Between two and five years	-	-
	43	-
On demand or within one year	57	20
	100	20
Borrowings including finance leases		
Between one and two years	1,323	2,877
Between two and five years	3,000	4,253
	4,323	7,130
On demand or within one year	7,428	2,230
	11,751	9,360

23. OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases are as follows:

	Minimum lease payments	
	2015	2014
	£'000	£'000
Amounts payable under finance leases		
Within one year	62	20
Between one and five years	45	-
	107	20
Less future finance charges	(7)	-
Present value of lease obligations	100	20

	Present value of minimum lease payments	
	2015	2014
	£'000	£'000
Amounts payable under finance leases		
Within one year	57	20
Between one and five years	43	-
Present value of lease obligations	100	20
Analysed as:		
Amounts due for settlement within 12 months	57	20
Amounts due for settlement after 12 months	43	-
	100	20

The average lease term is 30 months. For the year ended 31 December 2015 the average effective borrowing rate was 5% (2014 6%). All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Company's lease obligations is approximately equal to their carrying value.

The Company's obligations under finance leases are secured by the lessor's rights over the leased assets.

Finance leases relate to manufacturing equipment with lease terms of between one and seven years. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

24. PROVISIONS

The movements in provisions are as follows:

	Deferred Tax £'000	Warranties £'000	Removal of equipment £'000	Total £'000
At January 1st, 2014	603	10	125	738
Charged to profit and loss	-	-	-	-
Utilisation of provision	(603)	-	(125)	(728)
At December 31st, 2014	-	10	-	10
Charged to profit and loss	-	-	30	30
At December 31st, 2015	**-**	**10**	**30**	**40**

The Company generally provides a one year warranty to customers on products under which faulty goods are repaired or replaced. The amount of the provision is based on past levels of repairs and returns.

The Company has contractual obligations for the removal of certain items of equipment from the Company's site in Lincoln, England. The provision is based on the contractual obligations. The timing of these outflows is uncertain as the Company has no current plans to remove these items of equipment.

25. CALLED UP SHARE CAPITAL

The Company's authorised share capital is as follows:

	2015 £'000	2014 £'000
Authorised	15,000	15,000
Alloted, called-up and fully paid		
15,000,000 shares of £1 each	15,000	15,000

The Company has no issued and outstanding preferred shares.

26. PROFIT AND LOSS ACCOUNT

	£'000
At January 1st, 2014	5,343
Net loss for the year	(2,915)
At December 31st, 2014	2,428
Net profit for the year	4
Capital contribution	871
At December 31st, 2015	3,303

27. OPERATING LEASE COMMITMENTS

At December 31st 2015, the Company had outstanding commitments for minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	2014
	£'000	£'000
Within one year	226	250
Between one and five years	109	33
After more than five years	-	-
	335	283

All operating lease commitments relate to plant and equipment.

28. PENSIONS

The Company incurred expenses of £315,000 (2014 - £298,000) with respect to the defined contribution pension plan.

At December 31st, 2015 £48,000 was outstanding to the pension plan (2014 - £50,000) and is included in other payables and accruals. This amount was paid in January 2016.

29. RELATED PARTY TRANSACTIONS AND BALANCES

The Company's management regards the senior managers of Dynex Semiconductor Limited and their immediate families, Dynex Power Inc., the members of the board of directors of Dynex Power Inc. and their immediate families, Dynex Power's immediate parent company, Zhuzhou CRRC Times Electric Co., Ltd, its directors and their immediate families and CRRC Corporation and all of its affiliates as related parties.

The Company had the following material transactions and balances with related parties other than the senior management of Dynex Semiconductor Limited, Dynex Power Inc. and the board of directors of Dynex Power Inc. :

		2015	2014
		£'000	£'000
Transactions with CRRC Times Electric:			
Sale of goods	(i) (ii)	5,151	3,385
Rendering of services	(iii)	1,438	942
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	4,659	3,026
Reimbursed expenses	(v)	136	145
Purchases of materials and components	(i) (vi)	2,285	1,685
Interest expense	(vii)	100	123
Capital contribution		871	-
Transactions with CRRC Corporation Limited			
Rendering of services	(viii)	136	140
Transactions with fellow group subsidiaries:			
Sale of goods	(ix)	1,583	1,516
Interest expense	(x)	106	22

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		2015	2014
		£'000	£'000
Balances with CRRC Times Electric:			
Amounts owed by fellow group undertakings	(i) - (v)	2,644	1,644
Amounts borrowed from fellow group undertakings	(vii)	-	3,205
Amounts owing to fellow group undertakings	(i) (vi)	369	873
Balances with fellow group subsidiaries:			
Amounts owed by fellow group undertakings	(ix)	184	691
Amounts borrowed from fellow group undertakings	(vii) (x)	5,400	662

(i) CRRC Times Electric is the Company's main distributor for high power semiconductors in The People's Republic of China and the Company is CRRC Times Electric's main distributor for high power semiconductors in Europe and parts of Asia. The parts are sold to the distributor at the market price less a discount to cover the cost of the work carried out by the party handling the distribution.

(ii) CRRC Times Electric uses the Company to buy certain raw materials and to provide IGBT die and module products for its own use and to construct certain pieces of equipment for use in its IGBT assembly and test facility in Zhuzhou, China.

(iii) On February 7th, 2014 the Company signed a new agreement with CRRC Times Electric for the research and development centre to provide technical support to CRRC Times Electric for its 8 inch wafer fabrication facility in China. Under the new agreement it was estimated that the costs for the project would be £2.6 million over a three year period commencing from January 2014. CRRC Times Electric paid in advance 25% of their contribution.

(iv) On February 7th, 2014 the Company signed a new agreement with CRRC Times Electric to share the costs of carrying out research and development projects for high power semiconductor devices at the Company's premises in Lincoln, England. Under the new agreement it was estimated that the costs of the joint research and development would be £19.9 million over a three year period commencing from January 2014, and it is agreed that CRRC Times Electric will provide funding of 80% of the costs and the Company will contribute 20%. CRRC Times Electric paid in advance 25% of their contribution.

(v) From time to time the Company pays incidental expenses in the UK on behalf of CRRC Times Electric. These costs are reimbursed in full.

(vi) The Company uses CRRC Times Electric to make purchases of materials and components for it in China.

(vii) On August 13th, 2015 the Company was provided with a loan for £6 million by CRRC Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CRRC Times Electric, which bears interest at 4% per annum and is repayable in 10 biannual instalments between December 2015 and June 2020. Part of the loan was used to repay a previous loan of approximately £3.2 million from CRRC Times Electric that bore interest at 5% and was due to be repaid between December 2016 and December 2018. Part of the loan was used to repay another loan from CRRC Times Electric (Hong Kong) Co., Ltd (see (x) below).

(viii) The Company provides management training courses to CRRC Corporation Limited.

(ix) In 2011, the Company appointed Times Electric USA LLC, a fellow subsidiary of CRRC Times Electric, to act as the Company's main distributor for high power semiconductors in North, Central and South America.

29. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(x) On September 7th, 2012 the Company was provided with a loan for approximately £639,000 by CRRC Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CRRC Times Electric to purchase equipment. The loan bore interest at 3.25% per annum and was due to be repaid on September 7th, 2015. This loan was repaid in August 2015 (see (vii) above).

Advances to and from the parent company are recorded at fair value. All amounts due to and from related parties are recorded as current liabilities and current assets since they are due upon demand or on the basis of normal creditor terms apart from the loans from CRRC Times Electric and CRRC Times Electric (Hong Kong) Co., Ltd which are recorded as a non-current liability.

30. CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent company is CRRC Corporation, a company incorporated in The People's Republic of China. CRRC Corporation is the parent company of the largest group that prepares group accounts which includes the Company. The smallest group which prepares group accounts that include the Company is Dynex Power Inc., a company incorporated in Canada. Copies of CRRC Corporation accounts and the Dynex Power Inc. accounts are available from The Company Secretary, Dynex Semiconductor Limited, Doddington Road, Lincoln LN6 3LF, UK. The Company's ultimate controlling party is the State-owned Asset Supervision and Administration Commission of The People's Republic of China based in Beijing.

31. TRANSITION TO FRS 101

This is the first year that the Company has presented its financial statements under FRS 101 (Financial Reporting Standard 101) issued by the Financial Reporting Council. The last financial statements under a previous GAAP (UK GAAP) were for the year ended 31 December 2014 and the date of transition to FRS 101 was, therefore, 1 January 2014.

There were no adjustments to equity or total comprehensive income arising from the transition.

31. TRANSITION TO FRS 101 (continued)

In its accounts for 2014, the Company analysed its expenses as follows:

	2014
	£'000
Sales and marketing costs	(666)
Research and development costs	(49)
Other administrative expenses	(2,104)
	(2,819)

In its accounts for 2015, prepared in accordance with FRS 101, these costs have been reported as:

	2014
	£'000
Other operating expenses	(2,629)
Other operating income	72
Loss on sale of tangible fixed assets	(3)
Other gains and losses	(237)
Interest payable and similar charges	(22)
	(2,819)

The amount of £22,000, previously reported as part of Other administrative expenses in the 2014 Accounts which is now being reported as part of Interest payable and similar charges in the comparative figures in the 2015 Accounts, relates to bank charges.

Following the transition to FRS 101, the amount of £56,000 reported as Other creditors in the 2014 Accounts is now reported as £6,000 Other creditors and £50,000 Defined contribution pension scheme accrual in the comparative figures in the 2015 Accounts.

Following the transition to FRS 101, the amounts of £5,460,000 reported as Accruals and deferred income and £3,693,000 reported as Payments on account by fellow group undertakings in the 2014 Accounts are now reported as £339,000 Government grants and £8,814,000 Accruals and deferred income in the comparative figures in the 2015 Accounts.