DYNEX POWER INC.

ANNUAL REPORT 2013

Our objectives are

To grow and develop as a leading manufacturer of high power and high reliability electronic products

Our key values are

Customers

Delivering confidence in our products and services through applying high standards of quality and service whilst maintaining a personal and flexible approach to our customers.

Engineering

Enabling access to the best engineering skills and applying the highest technical standards to our customers' requirements.

Profitability

Sustaining and developing our business through directing efforts into the most profitable sectors of our business.

Integrity

Being honest, straightforward and reliable in dealing with people across all areas of our business.

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This report may contain forward looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Group's business and results of operations. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated. Dynex disclaims any intention or obligation to update or revise any forward looking statement whether as a result of new information, future events or otherwise.

Company Profile

Dynex is one of the world's leading suppliers of specialist, high power semiconductor products. Dynex Semiconductor Limited is its only operating business and is based in Lincoln, England in a facility housing the fully integrated silicon fabrication, assembly and test, sales, design and development operations. The Company designs and manufactures high power bipolar discrete semiconductors, high power insulated gate bipolar transistor (IGBT) modules and die, high power electronic assemblies, and radiation hard silicon-on-sapphire integrated circuits (SOS IC's). Dynex power products are used worldwide in power electronic applications including rail traction motor drives, electric power transmission and distribution, renewable and distributed energy, marine traction motor drives, aerospace, electric vehicles, industrial automation and controls and power supplies. SOS IC products are used in demanding applications in the aerospace industry.

Company Facts

- Dynex Power Inc. was formed in June 1999
- Dynex Semiconductor Limited was formed to acquire the assets of the Lincoln Business Unit in January 2000
- The Lincoln Business Unit was founded in Lincoln England in 1956 and since that time has traded as:

AEI Semiconductors Ltd	(AEI)
Marconi Electronic Devices Ltd	(MEDL)
GEC-Plessey Semiconductors Ltd.	(GPS)

- Zhuzhou CSR Times Electric Co., Ltd acquired 75% of the common shares of Dynex Power Inc. in October 2008
- 329 employees (December 2013)
- ISO9001:2008 and ISO14001:2004 approved
- Further information: www.dynexpower.com

Products

- High power bipolar discrete semiconductors
- High power IGBT modules and die
- High power electronic assemblies and components
- High reliability silicon-on-sapphire integrated circuits

Customers

Our customers are electronic equipment manufacturers and maintenance providers in the following sectors:

- Railway propulsion and on-board systems
- Industrial
  - -Electric power transmission and distribution
  - -Renewable and distributed power
  - -Heavy industries such as steel and mining
  - -Factory automation
- Marine propulsion and on-board systems
- Aircraft power electronic systems
- Space satellite applications
- Electric vehicles

Letter to Shareholders

2013 proved to be a challenging year for Dynex, one that resulted in poor financial performance. Revenue was similar to last year, but profits were adversely affected: firstly and most significantly by one off costs associated with the ramp up of new IGBT products for Chinese rail applications; secondly, by customer reschedules and price erosion in the aftermath of six years of European economic uncertainty since 2008.

The year began with a quarter of low revenue: this was a consequence of a slow recovery of European markets and delays in requirements for China railways. Our fixed production costs were not adequately recovered by this low revenue resulting in poor margins and a net loss. However, revenues in the following quarters were much higher, especially Q4 which delivered a record level of revenue. This growth in revenue was matched by new bookings, with a book to bill ratio of 1.2 for the whole year, leaving the order book at year end 37% higher than at the end of the previous year.

However, this growth in business was not matched by profit performance. Except for the second quarter, the gross margin failed to match expectations. Following a one-off inventory write off and provision in Q4, we are reporting a significant net loss for the year.

In the second half of the year CSR Times Electric increased its demand for IGBT die as the China railway business recovered. However, to remain competitive and underpin future business, Dynex tightened the new IGBT product technical specification. During the ramp up in die production, we encountered problems and yields fell below standard, leading to a slowdown in shipments to our customer. It was necessary to account for the poor yields in Q4 by an inventory write off and provision. This one-off event was reported in our press release of 22nd January 2014.

The whole team at Dynex was disappointed by this and worked diligently and closely with CSR Times Electric to resolve it. Despite this event, we were able to continue to make product to the required specification and shipments were soon restarted. Since the end of the year we have resolved the underlying technical problems and yields have recovered.

The slow recovery of the Chinese rail sector in the first half year, and the subsequent delayed ramp up, resulted in IGBT group revenue falling from $15 million in 2012 to $8.2 million in 2013. This was insufficient to recover the fixed costs of the production lines and contributed to the poor financial result. Following recent corrective actions, and increased IGBT demand from CSR Times Electric, we expect this fall in revenue to be reversed in 2014 and cost recovery to improve.

In the bipolar and power assembly groups, customer reschedules and price erosion have been further major contributors to weaker margins. Following the difficulties experienced in Europe since 2008, our customers have sought to mitigate the impact on their businesses by delaying shipments and by seeking lower cost solutions. To meet this challenge, Dynex is seeking to improve competitiveness by reducing our material costs, by leaner inventory management and by changes to our product mix to higher value business.

Actions were taken in 2013 to offset the loss of IGBT revenue, and as a result we saw a 28% increase in business outside CSR Times Electric. Although this was helped by increased integrated circuit business, the main growth was in the power assembly group which saw revenue growth of 92% in the year. With the recovery of the China IGBT railway business, this bigger power assembly business gives a firm foundation for 2014 and we expect both revenue growth and a return to profitability.

2013 saw the successful completion of our first three year R&D programme with CSR Times Electric. During that time we have successfully completed the introduction of new HVDC thyristors, successfully introduced Dynex IGBTs to metro, locomotive and HVDC in China and supported the development of new IGBT processes and designs for 1700V and 1200V IGBTs in CSR's IGBT wafer fabrication and assembly facility in China. The latter facility will be in production by the end of 2014 and Dynex will see the benefit of that new high volume production line from 2015. Since the year end, Dynex has reached agreement with CSR Times Electric to continue to expand our UK R&D capability over the next three years and extend our products into silicon carbide, electric vehicle and more advanced higher value IGBT sectors.

Management regret the poor financial performance reported in 2013. However, we remain committed and on track, working with CSR Times Electric, to rise to the top league in high power semiconductors. We welcome your continued support and look forward to a bright future.

PDTaylor

Paul Taylor
President and Chief Executive Officer
April 10th, 2014

Review of Operations

Power Semiconductors

At its sole operating facility in Lincoln, England, Dynex designs and manufactures a wide range of high power semiconductors for use in railway equipment, industrial drives, transmission and distribution systems, power generation, aerospace and electric power quality management applications. Power semiconductor manufacturing comprises the Bipolar and IGBT product groups. Revenue for the high power semiconductor operation in 2013 was $27.5 million compared to $33.5 million in 2012. This constitutes 70% of Dynex's total revenue.

The Bipolar product group is still the largest of the Dynex product lines manufacturing a range of products that include fast diodes, fast thyristors, rectifier diodes, gate turn off thyristors, phase control thyristors and transistors. With revenue of $19.3 million, equating to 49% of total Dynex revenue, it achieved a small growth over the previous year of 5%. This growth was attributable to the increase in sales of lower voltage thyristor and diode products into Europe.

A key milestone for the group during 2013 was its re-emergence into the transmission and distribution sector enabling Dynex to supply high voltage thyristors into large HVDC infrastructure projects that transmit power from remote and sometimes inaccessible locations into large cities and urban areas.

The Bipolar group retains the ability to provide high levels of technical support to our customers. The flexibility and willingness to embrace new opportunities gives us a competitive edge for operating in niche and non-standard markets in which our competitors may have chosen not to operate. Our strategy remains one of continuing to utilise our well proven GTO and i^2 technology for unique custom designs or customer specific solutions that fully realises our engineering capability.

IGBT product group revenue in 2013 was $8.2 million compared to $15 million in 2012. It is the second largest of the product lines accounting for 21% of Dynex's turnover. It manufactures a range of IGBT / FRD chips and IGBT and FRD modules for use in such applications as railway equipment, high power motor drives and power electronic management systems. Reduced demand from China for our IGBT and FRD chips and a decline in yields during the fourth quarter explains the decline in revenue compared to 2012. The focus through 2013 has been to channel our engineering resource into improving technical performance to make our products more competitive in the Chinese market. The work carried out gives us good confidence that the dip in revenue in 2013 is a temporary setback with good growth expected for 2014.

Significant progress has been made during 2013 in establishing a custom IGBT module manufacturing capability within the organisation. Strategically, this is an important step forward, allowing us to access new markets and customers that provide us with engineering challenges and opportunities to capitalise on our core strengths of technical innovation. This gives us a strong platform upon which to build as we move into 2014 and beyond.

Dynex engineers continue to work closely with their counterparts at CSR Times Electric to establish a new state of the art 8-inch IGBT wafer fabrication plant in Zhuzhou, China that will be capable of manufacturing 120,000 wafers a year. This new facility continues to be well supported by Dynex engineering with the aim of establishing modern processing techniques to enable manufacturing in one of the largest wafer fabrication facilities in Asia. Completion is planned for the middle of 2014 and once complete will provide the power semiconductor businesses of the CSR Group with two wafer processing plants capable of supplying both low and high voltage chips.

As we enter 2014 we are faced with an increasingly competitive market. The emphasis as we move forward is to investigate new ways of continuously improving product performance while also removing costs from our manufacturing processes. The key objectives are for improved management of the supply chain, leaner and more efficient manufacturing operations, product yield maximisation and the use of alternative materials. Good progress on these issues and growth of the custom module business will ultimately determine our overall success in 2014.

Power Electronic Assemblies

Revenue from the Power Electronic Assemblies products group increased by 92% in 2013 to $7.6 million compared to $4.0 million in 2012. This constitutes 19.5% of the Group's total revenue.

The majority of the Power Electronic Assemblies group revenue has continued to come from the power distribution and transmission sector, and there are continuing orders already booked in this sector for 2014. We expect this to continue throughout 2015 and into 2016. There were also significant business wins for our emerging development work in excitation systems for a number of hydro electric schemes and our SVC products are continuing to attract interest from a number of customers

The Assemblies group have now completed a series of designs for a range of high power test equipment. This represents a significant addition to the product portfolio. One high value contract has already been secured with delivery in 2014 and 2015, with the prospect of further work continuing into 2016. The group believes that sales of test equipment will provide further growth in the coming years.

With projected revenue in 2014 in excess of $9 million this sector of the business continues to show significant growth and potential for the future.

Integrated Circuits

2013 proved to be a much better year than expected for the Integrated Circuit product group. Revenue for the year of $2 million, was only 5% of the total business, but showed an increase of almost 400% compared to the previous year. This was mainly a result of finally obtaining export licences for a large contract. This used most of our inventory leaving very little product to offer in future.

Dynex has ceased to manufacture, or to have the ability to manufacture, any new SOS product for well over 15 years and there is a very small order book going into 2014. However, interest is still being shown for the remaining inventory of two product lines, which should ensure that the group continues to make a small contribution to overall company revenue this coming year.

Research and Development

During 2013, Dynex continued to expand its research and development activities at the 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 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.

The R&D team has continued to grow in strength as the leading industrial high power semiconductor research group in the UK, supporting Dynex in its ambition to become one of the top companies in the global high power semiconductor field. Developing new technology and products for the future is a 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 to ensure continued professional development of its workforce as well as seeking and recruiting the best staff from both the UK and China.

In the past year, the R&D Centre collaborated successfully with CSR Times Electric: key projects included the development of 1500A/3300V and 1200A/4500V high voltage IGBT dies and modules, 2400A/1700V high power IGBT dies and modules, 4500V press pack IGBT dies, a new generation HVDC thyristor technology and technical support for the construction of 8-inch IGBT fabrication facility in Zhuzhou, China.

The R&D Centre, founded in October 2010, is developing greater effectiveness and leadership with improved technologies, facilities and skilled staff. The new product development has been accelerated, including the 1500A/3300V, 1600A/1700V and 1200A/4500V IGBT modules, and these have been completed and put into application successfully in railway systems; 2400A/1700V IGBT module samples have been demonstrated, progressing towards large scale production.

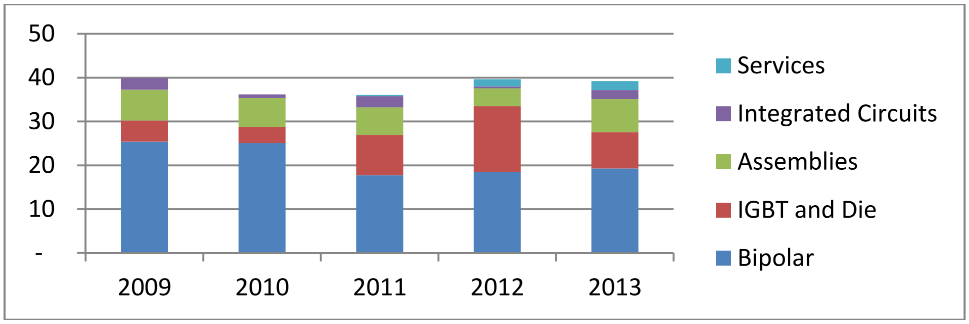
Dynex's latest 1500A/3300V IGBT modules have been redesigned to accommodate more optimized silicon structures and fabrication processes, and incorporate an improved baseplate heatsink contact. These enhanced 3300V IGBT modules have been divided into two categories: "standard" and "low loss". The latter has exceptional SCSOA capability when using the TEG gate drive. It was reliable and robust enough to fulfil the traction application requirements and keep increasing the accumulated safe operating hours in the harshest railway environments in China. Moreover, the HVDC application using the 1500A/3300V IGBT modules is currently being evaluated and all the feedback is positive. 1200A/4500V IGBT modules' qualification have also been completed and transferred to customer trials and the new products are ready to release.

The chip development team started to research and develop trench gate IGBT technology and finished the first version trench gate design. The bipolar team made significant advances in fundamental research such as low temperature bonding on thyristors for HVDC applications.

In developing the technology for supporting the 8-inch IGBT line construction in China, there have been some significant breakthroughs in terms of key technology and process research at Dynex for 1200V and 1700V IGBT and fast recovery diodes (i.e. the high power density, thin wafer and copper technologies). Engineers from CSR Times Electric have been trained comprehensively at Dynex and now they have moved to Zhuzhou to support the process trails and they expect to complete qualification wafers in mid-2014, opening the doors for production later in the year.

In 2014, the RDC will continue to strengthen the link with UK University research groups, European supply chains, and customers and has started several new collaborative programmes within the UK and Europe related to low carbon power electronics.Outside the R&D Centre, the Power Electronic Assemblies capabilities have continued to strengthen with continuing experience in extending the electronic control content in what is being offered. Dynex Assembly R&D is uniquely placed in the UK to provide power electronics experience to research establishments and Universities for bespoke power conversion projects for a wide range of applications such as high energy pulsed power switching and very high voltage DC schemes. The group will continue to develop the range of thermally managed power conversion products as well as the flexible high power test systems to meet both high volume product demands as well as customised bespoke systems required for one off projects. Notably in 2013 the Power Electronic Assembly group embarked upon a major power conversion project utilising the latest supercapacitor technology and will continue to develop applications based upon this experience.

Revenue by product



Sales and Distribution

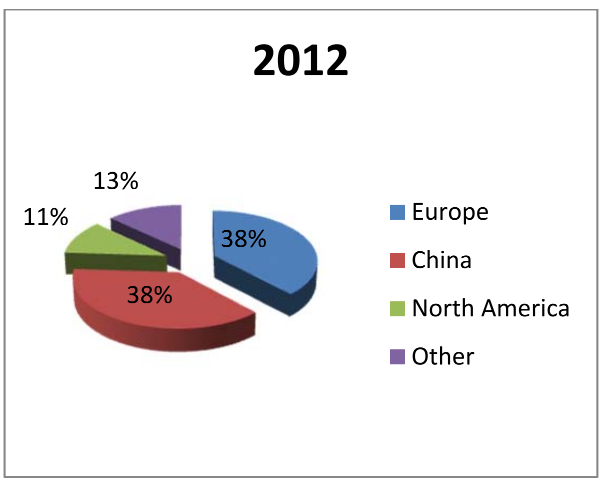
Revenue decreased slightly from $39.6 million in 2012 to $39.2 million in 2013. However, bookings increased significantly from $38.9 million in 2012 to $48.0 million in 2013.

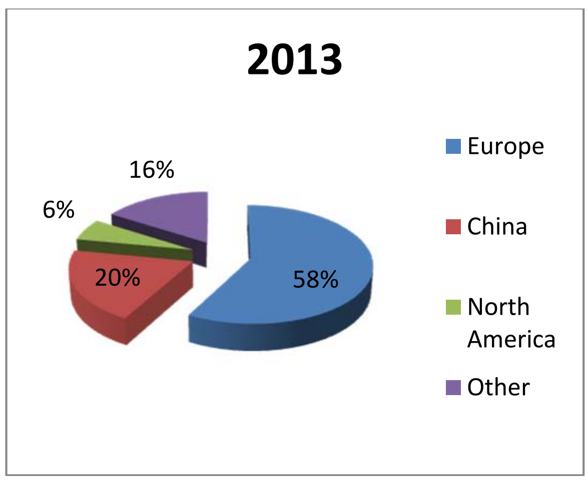
The Bipolar Discrete Group's revenue was at a similar level in 2013 to that reported in 2012. Revenue for Power Electronic Assemblies showed a strong growth over 2012, and bookings showed there will be a strong increase in 2014 as well. IGBT modules and die revenue decreased compared to revenue in 2012 due to low demand in the first half of the year. The situation changed in the second half of the year. Bookings for IGBT modules and die had strong growth compared to the same period of 2012.

Zhuzhou CSR Times Electric remains one of our two major customers and the top two customers accounted for 53% of total revenue.

Looking forward to 2014, the Power Electronic Assembly and IGBT die business is forecast to grow. Revenue of bipolar products will be similar to that in 2013.

Revenue by Region





Management's Discussion & Analysis

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended December 31st, 2013.

This management's discussion and analysis contains certain forward-looking statements that involve a number of risks and uncertainties, including statements regarding the outlook for the Group's business and results of operation. By nature, these risks and uncertainties could cause actual results to differ materially from those indicated.

Introduction to the Dynex Group

Dynex Power Inc. (the "Company") was formed in Ottawa, Canada on June 15th, 1999 and is quoted on the TSX Venture Exchange under the symbol DNX. The Company has one subsidiary, Dynex Semiconductor Limited (the "Subsidiary"), which is wholly owned and based in Lincoln, England. The Company and its Subsidiary (collectively, the "Group") are engaged in the design, manufacture and sale of industrial power equipment.

Apart from a few administrative activities carried out by Dynex Power Inc., all the business of the Group is carried out by Dynex Semiconductor Limited.

In 2008, Zhuzhou CSR Times Electric Co., Ltd ("CSR Times Electric") acquired approximately 75% of the share capital of the Company and thus became the Company's immediate parent company. CSR Times Electric is itself majority owned by the CSR Group which is therefore the Company's ultimate parent company. Both CSR Times Electric and the CSR Group are established in the People's Republic of China and are themselves quoted companies.

Dynex's Business and Strategy

The Group is primarily engaged in the design, manufacture and sale of high power bipolar discrete semiconductors, high power modules (IGBTs) and die and high power electronic assemblies. The Group's aim, working within the Semiconductor Business Unit of CSR Times Electric, is to be recognised as one of the world's leading manufacturers of high power semiconductors.

The Group is also engaged in the manufacture and sale of high reliability integrated circuits. This is no longer regarded by management as a core activity of the Group and so the Group is seeking to maximise the revenue from its remaining inventory of such devices.

The Group also provides advice and assistance, primarily to CSR Times Electric, on matters relating to semiconductor design and manufacture.

All the activities of the Group described above take place in a single factory in Lincoln, England often using common facilities and shared staff. Consequently, the Group regards bipolar discrete, power modules and die, power electronic assemblies, integrated circuits and the provision of advice as separate product groups for revenue analysis but does not regard them as separate operating segments for reporting purposes. The Group does not analyse gross margins, expenses, taxation, net profit or assets by product group.

Due to the nature of silicon wafer fabrication, there is a relatively high level of fixed costs in the business. Consequently, the profitability of the business is particularly responsive to the volume of production and, therefore, the overall level of revenue.

Management does not regard the business as seasonal. In the case of Power Electronic Assemblies and Integrated Circuits, small numbers of large contracts drive revenues in both these segments. The delivery of a large contract in a particular quarter can cause revenue to fluctuate significantly, giving the appearance of seasonality.

Foreign Exchange Rates

Because all of the design, manufacture and sale of products and the provision of advice are carried out by the Subsidiary, all of these transactions are initially recorded in Sterling and have to be translated into Canadian Dollars for inclusion in the Group's financial statements. Consequently, changes in the Sterling/Canadian Dollar exchange rate can have a significant influence on reported results. The following exchange rates have been used in preparing these Consolidated Financial Statements:

	£1 equals
Average rate October to December 2013	C$1.7081
Average rate October to December 2012	C$1.5992
Average rate January to December 2013	C$1.6151
Average rate January to December 2012	C$1.5906
Rate at December 31st, 2013	C$1.7620
Rate at December 31st, 2012	C$1.6085

As illustrated, the Canadian Dollar rate against Sterling for the fourth quarter of 2013 was significantly weaker than the rate in the corresponding quarter of 2012 although the average rate for 2013 was quite similar to the rate for 2012. Consequently, exchange rate movements had a significant impact on reported revenue and expenditure in the quarter but did not have a significant impact on the reported revenue or expenditure for the year.

The Canadian Dollar was approximately 10% weaker against Sterling at December 31st, 2013 compared to the rate at December 31st, 2012.

Review of Operating Results

Objective

The Group's objective over the medium term is to achieve strong revenue growth whilst maintaining a gross profit percentage in the range of 20-25% so as to be able to invest strongly in research and development, cover other administrative expenses, finance charges and tax and provide shareholders with a good return on their investment in the business.

Overview

The current quarter showed a strong increase in revenue over the figure for the corresponding quarter of the preceding year. However, the gross profit percentage declined significantly to 1.1% in the fourth quarter of 2013 compared to 10.7% in the corresponding quarter of the previous year. The decline came as a result of an inventory write off and an inventory provision as reported in a press release issued on 22nd January 2014. As a result of the write off and provision, the Company recorded a net loss of $993,000 for the fourth quarter of 2013 compared to a net profit of $55,000 in the corresponding quarter of the preceding year. Without the inventory write off and provision referred to above, net profit would have been significantly better than in the fourth quarter of 2012.

Revenue for the year was $39.2 million, 1% lower than in the preceding year. The gross profit percentage for the year was 5.0% compared to 17.0% in the preceding year. Without the inventory write off and provision referred to above, the gross profit percentage in 2013 would have been approximately 10.7%. The net loss for the year was $2.4 million compared to a net profit in the preceding year of $1.1 million.

The Company's bookings to billings ratio for the year of 1.2 was higher than the 1.0 achieved in the preceding year.

Revenue

Revenue for the fourth quarter of 2013 was $12.9 million, $2.9 million or 30% higher than in the corresponding quarter of last year. Approximately 30% of this increase was as a result of the fall in the value of the Canadian Dollar. The rest of the change comprised significant increases in revenue from bipolar products, power assemblies and integrated circuits partially offset by reductions in power modules and services.

For the year, revenue of $39.2 million was $381,000 or 1% lower than in the preceding year. For the year, there was a significant increase in revenue from power assemblies and integrated circuits and a smaller increase in bipolar discrete products and services but these increases were completely offset by the reduction in power module revenue. The decline in power module revenue resulted from a slowdown in demand from China railways in the first quarter of the year, exacerbated by overstocking at the end of last year by our parent company and a reduction in deliveries in the fourth quarter following a fall off in yields. Revenues from IGBT's have been recovering in subsequent months but are not yet fully recovered.

Gross Margin

The gross margin was 1.1% of revenue in the fourth quarter of 2013 compared to 10.7% in the corresponding quarter of last year. The Group took a inventory write off and provision of $2.2 million in the fourth quarter. Without that write off and provision, the gross margin would have been approximately 18.5%. At this level the gross margin would still have been below what management would normally expect reflecting the very competitive market currently being faced, but it would have been an improvement over the corresponding quarter of last year. The gross margin is expected to recover in 2014.

For the year, gross margin was 5.0% compared to 17.0% in the previous year. Without the inventory write off and provision referred to above, the gross profit would have been 10.7%. This is below the range of gross profit that management normally expects and reflects the very competitive market in which the Group is competing, the low revenue from IGBT products, and the push back in orders from European bipolar customers. The gross profit is expected to improve in 2014.

Other Income

Other income for the quarter and year consists primarily of the sale of scrap materials. The figures for the current quarter and year and for the corresponding quarter and previous year are not considered material.

Sales and Marketing and Admin Expenses

Management's aim is to reduce the combined sales and marketing and administration expenses as a percentage of revenue through improved efficiency. Such expenses were 7.6% of revenue in the fourth quarter of 2013 compared to 8.0% in the corresponding quarter of last year.

For the year such expenses were 9.5% compared to 9.6% in the previous year. This reduction continues a long term trend which has seen such costs fall from over 25% of revenue in 2004 to less than 10% of revenue today.

Research and Development Expenses

Management believes that it is important to increase expenditure on research and development so as to maintain the intellectual property of the Group and to be able to offer the best products to the market in order to protect long term profitability. As far as possible, management seeks to fund such expenditure from contributions from its parent company, customers and governmental agencies so that the full burden of such expenditure does not fall to shareholders.

The net expenditure on research and development for the fourth quarter of 2013 was $380,000 which was $80,000 or 17.4% below the figure for the fourth quarter of the previous year.

For the year, net expenditure on research and development was $1.3 million or 1.5% higher than in the preceding year. It represents 3.3% of revenue compared with 3.2% in the preceding year.

However, management believes that the gross expenditure on research and development is a more important indicator of the Group's commitment to product development. Gross research and development expenditure increased to 13.2% of revenue in the year compared to 10.6% of revenue in the preceding year. The increase reflects management's determination to increase investment in product development

Finance Costs

Finance costs for the quarter and year consist of interest on borrowing and leases and fees relating to establishing new borrowing facilities or extending existing facilities.

Finance costs were $136,000 in the fourth quarter of 2013, $32,000 or 31% higher than in the corresponding quarter of last year. The increase reflects an increased level of borrowings during the quarter compared to borrowings in the corresponding quarter of the preceding year.

Finance costs were $516,000 for the year, $158,000 or 44.0% higher than in the preceding year. The increase reflects an increased level of borrowings during the year compared to borrowings in the preceding year.

Other Gains and Losses

Other gains and losses relate to foreign exchange gains and losses and profits or losses on the disposal of property, plant and equipment. Consequently, the figure reported can fluctuate significantly.

Profit/Loss before Tax

The Company recorded a loss before tax of $1.3 million in the fourth quarter of 2013 as a result of the inventory write off and provision referred to above. A small loss before tax had been reported in the corresponding quarter of last year.

For the year, there was a loss before tax of $3.4 million. This was as a result of the poor sales in the first quarter of the year at a time when costs were increasing in anticipation of growth and the inventory write off and provision in the fourth quarter referred to above. A profit before tax of $1.2 million had been recorded in the previous year.

Tax Expense

The Company had a tax release of $331,000 in the fourth quarter, equivalent to 25% of the loss before tax. The Company had been able to release some of its tax provision in the corresponding quarter of the preceding year following a review of additional tax deductions available to it.

For the year, a tax release of 29.0% of the loss before tax was recorded compared to a tax charge of 13.6% in the preceding year. The high level of tax release reflects the reduction in UK statutory tax rate to

23.25%, compared to 24.5% last year, additional deductions in relation to research and development costs and to the benefit of falling tax rates on deferred tax balances. The effective tax rate in both years also reflects the impact of Canadian costs that do not attract usable tax deductions.

Net Profit/Loss

The Group reported a net loss of $993,000 in the fourth quarter of 2013 compared to a net profit of $55,000 in the corresponding quarter of last year. Without the inventory write off and provision referred to above, net profit would have been significantly better than that reported last year.

For the year, the Group reported a net loss of $2.4 million compared to a profit of $1.1 million in the preceding year. The loss reflects the poor revenue in the first quarter of the year and the inventory write off and provision referred to above.

Liquidity & Capital Resources

Objective

The Group's objective is to maintain a strong balance sheet so as to be able to carry out its business efficiently, to be able to grow revenue substantially over the medium term and be in a position to take advantage of market opportunities.

Non-Current Assets

Net property, plant and equipment increased from $33.7 million at the end of 2012 to stand at $36.2 million at the end of 2013. The whole of this increase was a result of the decline in the value of the Canadian Dollar. In Sterling terms there had been a small decline in the value of non-current assets.

Working Capital

The Group aims to optimise the ratio of assets invested in working capital (current assets less cash less trade payables, amounts owing to parent company, other payables and accruals, provisions, and deferred tax liabilities) compared to the revenue of the business.

At the end of 2013, working capital stood at $17.7 million compared to $12.4 million at the end of 2012. Approximately 20% of the increase was a result of the fall in the Canadian Dollar/Sterling exchange rate. The remainder of the increase reflected a $4.4 million increase in trade receivables. This increase reflected longer payment terms being demanded by some major customers and an increase in revenue from parts of the world where longer payment terms (often in conjunction with the use of letters of credit) are expected.

Net Debt

At the end of 2013, the Group had net debt (borrowings less cash) of $16.7 million. At the end of 2012, it had net debt of $9.9 million. Approximately 15% of the increase was a result of the fall in the Canadian Dollar/Sterling exchange rate. The remainder of the increase reflects the increase in trade receivables of $4.4 million referred to above and the need to finance the net loss for the year.

The Group had no off balance sheet financing arrangements at the year end or at the previous year end.

Equity

Equity increased by $765,000 since the end of the preceding year. The increase resulted from an exchange difference on translation of the UK subsidiary of $3.2 million partially offset by the net loss of $2.4 million.

Gearing

Management monitors closely the Group's gearing ratio (the ratio of net debt, being borrowings less cash balances, to equity). At the end of 2013, the Group had a gearing ratio of 45.4%. At the end of the preceding year, the Group had a gearing ratio of 27.2%. Management does not regard this level of gearing as excessive although in the medium to long term management intends to reduce it.

Borrowing Facilities

The Group seeks to have committed facilities sufficient to meet its expected financing needs for the next two years. At the end of 2013, the Group's committed borrowing facilities totalling $12.7 million were fully drawn. The Group also maintains a $5.3 million uncommitted overdraft facility to help with its day-to-day cash management. At the year end $4.8 million of his facility was utilised. The Group had cash balances of $775,000 at the year end.

Cash Flow

There was an outflow of $2.1 million from operating activities in the year. The main constituents of this outflow were the loss before tax net of financing costs of $2.9 million and the increase in working capital of $3.6 million partially offset by a depreciation charge of $3.5 million and an increase in the inventory provision of $947,000.

In the year, $2.9 million has been invested in non-current assets.

The net outflow from operating activities and the investment in intangible assets and property, plant and equipment were funded by the increase in net debt and a reduction in cash balances.

Commitments

The Group has capital commitments at the year end of $1.6 million for intangible assets, manufacturing and research and development equipment.

Contingencies

A number of the Group's products are covered by product warranties of varying duration. The Group provides for claims under such warranties on the basis of past experience. However, actual claims could exceed the amount of this provision. Other than such potential warranty claims, Management is not aware of any contingent liabilities of the Group.

The Group has not issued any guarantees of any third party debts or performance.

Selected Financial Information

	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2012 Q4	2012 Q3	2012 Q2	2012 Q1	2013 FY	2012 FY	2011 FY
Revenue	12,875	9,523	9,959	6,877	9,930	9,307	9,856	10,522	39,234	39,615	36,082
Gross Profit	146	114	1,934	(249)	1,067	1,462	1,569	2,633	1,945	6,732	8,616
Gross profit %	1.1%	1.2%	19.4%	(3.6%)	10.7%	15.7%	15.9%	25.0%	5.0%	17.0%	23.9%
Gross R&D %	11.3%	14.3%	12.0%	17.2%	10.9%	11.8%	10.7%	9.2%	13.2%	10.6%	10.2%
Profit/(loss) before tax	(1,324)	(1,274)	608	(1,404)	(192)	166	226	1,033	(3,394)	1,233	3,458
Net profit/(loss)	(993)	(840)	527	(1,103)	55	109	142	759	(2,410)	1,066	2,710
Earnings per Share											
Basic	(0.01)	(0.01)	0.01	(0.01)	0.00	0.00	0.00	0.01	(0.03)	0.01	0.03
Diluted	(0.01)	(0.01)	0.01	(0.01)	0.00	0.00	0.00	0.01	(0.03)	0.01	0.03
Non-current assets	36,160	33,741	33,072	31,686	33,709	33,476	32,465	30,931	36,160	33,706	30,624
Working capital	17,724	16,965	14,810	14,273	12,428	13,525	12,533	13,194	17,724	12,428	10,754
Net debt	16,836	14,907	12,470	12,311	9,854	11,101	9,004	8,557	16,836	9,854	6,724
Equity	37,048	35,799	35,412	33,648	36,283	35,900	35,994	35,568	37,048	36,283	34,654
Dividends	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly and annual financial information is presented above. All figures for each of the four quarters in 2012 and 2013 have been prepared in accordance with IFRS. These figures have not been audited except for the balance sheet figures for each of the fourth quarters. All figures for the financial year 2011, 2012 and 2013 have been prepared in accordance with IFRS and have been audited. All amounts are stated in thousands of Canadian Dollars except for the gross profit percentage and the gross R&D percentage and for earnings per share figures which are stated in Canadian Dollars per share.

The amounts shown for non-current assets are as disclosed in the appropriate financial statements. Working capital is defined as current assets excluding cash less current liabilities excluding borrowings less non-current liabilities excluding borrowings. Net debt is defined as borrowings less cash. The amounts shown for equity are as disclosed in the financial statements.

Annual revenue grew by approximately 10% between 2011 and 2012 and declined by approximately 1% between 2012 and 2013. Quarterly revenue has remained reasonably steady over the last two years apart from the first and fourth quarters of 2013. In the first quarter of 2013 a slowdown in demand from Chinese railways, overstocking of power modules by the Company's immediate parent company and weak demand and delays in projects experienced by European bipolar customers caused a sharp, short term fall in revenue. In the fourth quarter of 2013, the Group achieved record quarterly revenue from power assemblies, a recovery in die sales to CSR Times Electric and the highest quarterly bipolar revenue since 2010, resulting in strong growth in quarterly revenue.

The gross profit percentage in 2011 was in line with management expectations. The gross profit percentage in 2012 reflected the difficult economic conditions in several of the Group's markets and the extreme price pressures currently being experienced. The gross profit percentage in 2012 was below management expectations. The gross profit percentage in 2013 reflects the very poor revenue figure in the first quarter, the impact of sales of low margin products in the third quarter and the write off of inventory and provisioning of work in progress in the fourth quarter. The gross profit percentage in 2012 reduced quarter by quarter as a result of preparing for future growth and the extremely price competitive nature of the markets at present. In 2013, only in the second quarter did the gross profit percentage reach reasonable levels although still slightly below management's target level. The gross profit percentage in the first quarter of 2013 was impacted by the low sales in the quarter, which has a major impact given the high fixed cost nature of the business. Gross profit percentage in the third quarter reflects the low margins available to the Group in some of its more competitive markets. The low gross profit percentage in the fourth quarter resulted from major inventory write off and provisions against work in progress.

Management regards research and development expenditure as key to the future of the business and seeks to grow the ratio of gross expenditure on research and development to revenue. A steady growth in gross research and development expenditure as a percentage of revenue can be seen in the figures.

The profit before tax reflects the strength of the gross profit in any particular period. The quarterly figures follow the same trend. The net profit reflects the strength of profit before tax in any particular period. The quarterly figures follow the same trend except for the fourth quarter of 2012 where a significant release of the tax provision was possible.

The figures for non-current assets show continued investment throughout the business.

Working capital levels in 2011 and 2012 tended to be equivalent to between three and four months revenue apart from the third quarter of 2012 when poor revenue caused inventory to be more than 4 months revenue. In 2013 the level of working capital has risen as a result of more revenue coming from customers in areas where credit terms are generally longer and payment of receivables is not as prompt.

The level of working capital compared to revenue was particularly high in the first quarter of 2013 as a result of the very low revenue reported in that quarter and was again high due to a lower level of revenue in the third quarter.

The increase in net debt between 2011 and 2012 reflected the high level of capital expenditure and an increase in working capital, offset in part by the retained profit for the year. The increase in net debt between 2012 and 2013 resulted from the large increase in working capital and capital expenditure and the need to finance the loss for the year. The movements from quarter to quarter generally speaking reflect the continued capital investment of the business, continuing increases in working capital levels and, in the first and third quarters of 2013, the need to finance the losses being made.

The change in the equity reflects the comprehensive income in each period.

Risk Management

The Group 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 of a 75% stake in the Company by CSR Times Electric in October 2008 made the Group part of a larger group of companies. The Group further tries to meet this challenge by ensuring it undertakes sufficient R&D and 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 Group's product markets could have a material adverse effect on its competitive position within the industry. Dynex is increasing the gross expenditure on R&D as a percentage of revenue 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 Group. Global plans to reduce carbon emissions in response to concerns about climate change, including 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 Group's products will remain strong in the longer-term despite the current economic problems that affect many developed economies. The purchase of a 75% stake in the Company by CSR Times Electric in October 2008 gives the Group 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 Group has based its future business development plans on the assumption that CSR Times Electric will purchase a substantial portion of its IGBT product requirements from Dynex. This is not certain as there are many factors that could prevent CSR Times Electric purchasing such products. In particular, there is a risk that Dynex IGBT modules may prove technically incompatible or not competitive for use in CSR Times Electric equipment and that may materially reduce the future demand for IGBT modules. The Group is working closely with CSR Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CSR Times Electric's needs and the needs of other power electronic equipment manufacturers both within China and the rest of the world.

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

The Group's manufacturing yields vary significantly among products, depending on the complexity of a particular product's design and the Group'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 Group seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

The Group'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 of a major stake in the Company by CSR Times Electric in October 2008 has given the Group a much closer relationship with this entity which has become one of the Group's major customers. The Group 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 Group constantly seeks to acquire new customers 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 Group 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 Group is a major user of electricity and the cost of electricity in the UK is subject to significant short term variation. The Group has developed and operates a formal Energy Management Plan in order to minimise the use of power. The Group 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 Group's expenses, particularly those relating to capital equipment and manufacturing overheads, are relatively fixed, making the Group's results extremely sensitive to volume reductions. The Group seeks to manage this risk by maintaining close relationships with its main customers and by seeking new customers. The Group's capability in power electronic assemblies is an important aspect of developing and maintaining such close relationships.

The Group's operating business is in Lincoln, England and the majority of its assets, liabilities, revenue, expenses and cash flows take place in and are recorded in Sterling. These values have to be translated to Canadian Dollars for inclusion in the consolidated financial statements of the Company.

Movements in the Canadian Dollar-Sterling exchange rate directly affect such values. The

Company does not generally hedge such exposures, believing that its shareholders have taken a positive decision to invest in a business operating out of the UK.Although the Group 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 US dollars and Euros. As a consequence, the Group'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 Group'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 Group 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 Group uses many hazardous chemicals and gases. The Group operates a formal Health and Safety Plan compliant with UK Health and Safety Executive guidance note HSG65 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.

Financial Instruments & Other Instruments

The Group has an obligation to repay a Hong Kong Dollar loan from CSR Times Electric (Hong Kong) Ltd in 2015. A forward contract has been entered into to fix the Sterling cost of repaying this loan.

Critical Accounting Judgements and Estimates

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting 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 non-current assets

Management determines the estimated useful lives of its non-current assets based on historical experience of the actual lives of non-current assets of similar nature and functions and reviews these estimates at the end of each reporting period. At December 31st 2013 the carrying amount of non-current assets was $36.2 million.

Provisions against inventories

Management reviews the condition of inventories at the end of each reporting period and recognises a provision for slow-moving and obsolete items of inventory when they are no longer suitable for use or sale.

Management's estimate of the net realisable value of inventories is based primarily on sales prices in the forward order book and current market conditions.

At December 31st, 2013 the provision against inventories was $5.4 million and the carrying amount of inventories was $12.3 million.

Impairment of trade receivables

Management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of each customer and reviews these estimates at the end of each reporting period. At December 31st, 2013 the provision was $198,000 and the carrying amount of trade receivables was $10.2 million.

Provisions

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 reporting period. At December 31st, 2013 the carrying value of provisions was $255,000.

Disclosure Controls

Disclosure controls and procedures have been designed to provide reasonable assurance that all relevant information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, on a timely basis so that appropriate decisions can be made regarding public disclosure.

Internal Controls

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. During the year ended December 31st, 2013, there have been no changes in the design of the Group's internal controls over financial reporting that has materially affected, or is reasonably likely to affect materially the Group's internal control over financial reporting.

Government Assistance

The Group received $104,000 in grants during the year from the European Union and the UK Government to assist in its research and development activities and grants of $5,000 from the UK Government to purchase equipment.

Outstanding Share Data

As of the date of this Management's Discussion and Analysis, the Company has 80,509,047 common shares outstanding. The Company has no options to purchase shares outstanding.

Related Party Transactions

During the fourth quarter of 2013, the Group sold $1.8 million of goods and $264,000 of services to CSR Times Electric, received a contribution towards research and development of $1.1 million and purchased materials and components from them for $1.0 million. The Group also sold $241,000 of goods to a fellow subsidiary of CSR Times Electric, paid $10,000 in interest on a loan from another fellow subsidiary of CSR Times Electric and provided $111,000 of services to a parent company of CSR Times Electric. During the year, the Group sold $6.3 million of goods and $1.4 million of services to CSR Times Electric, received a contribution towards research and development of $3.8 million and purchased materials and components from them for $3.4 million. The Group also sold $2.0 million of goods to a fellow subsidiary of CSR Times Electric, paid $45,000 in interest on a loan from another fellow subsidiary of CSR Times Electric and provided $212,000 of services to a parent company of CSR Times Electric.

At December 31st, 2013 the Group was owed $2.5 million for goods and services sold to CSR Times Electric and owed them $1.5 million for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $281,000 towards future research and development expenditure and for technical support for the construction of an 8-inch wafer fabrication facility in China which is reported as part of other payables and accruals. The Group was also owed $87,000 by a fellow subsidiary which is reported under trade receivables and $13,000 from a parent company of CSR Times Electric.

At the end of the year, the Group had a loan of $1.1 million from a fellow subsidiary of CSR Times Electric.

The Group paid $1.0 million in compensation during the year to its key management personnel. Of this amount, $10,000 was outstanding at the year end. This had all been paid prior to the financial statements being approved.

The Group purchased services from a law firm in Canada during the quarter for $16,000 and during the year for $71,000. At December 31st, 2013, $18,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Subsequent Events

In March 2014, the Company signed a new three year agreement with CSR Times Electric on the funding of the R&D Centre in Lincoln. It is estimated that the cost of the R&D Centre will be approximately $36.4 million over the next three years with CSR Times Electric funding 80% and Dynex funding 20% of the cost. Under the agreement, CSR Times Electric has made an advanced payment of approximately $7.3 million.

In March 2014, the Company also signed a new three year Technical Support Agreement with CSR Times Electric. It is estimated that over the period CSR Times Electric will pay approximately $4.7 million for technical support. Under the agreement, CSR Times Electric has made an advanced payment of approximately $900,000.

In March 2014, the Company received a loan of approximately $5.5 million from CSR Times Electric to enable it to purchase new manufacturing equipment that would provide better process control capability and would increase capacity. The loan is denominated in Chinese Yuan and is repayable between December 2016 and December 2018 and carries interest of 5% per annum.

In April 2014, the Company announced that it had secured support of approximately $1.8 million from the UK Government's Regional Growth Fund. The funding is linked to safeguarding existing jobs and creating 27 new positions over the next five years in the Company's R&D Centre in Lincoln, England.

Outlook

Revenue from bipolar discrete products increased significantly in the fourth quarter of 2013 to its highest level since 2010. It is forecast to decrease slightly in the first quarter of 2014 but will still remain at a high level. Overall, revenue for bipolar discrete devices is forecast to be slightly lower in 2014 than it was in 2013.

The project to expand the capacity and capability of the IGBT wafer fabrication facility was completed in 2011. Work continues on qualifying parts made on the new lines for use, particularly in CSR Times Electric applications. However, this work has taken longer than expected.

As reported in a press release issued on January 22nd, 2014, the Group had been experiencing below standard IGBT die yields in the fourth quarter of 2013. Yields have improved in 2014.

Despite these problems, revenue from IGBT modules and die improved substantially in the fourth quarter of 2013. Revenue figures from the fourth quarter of 2013 are forecast to be repeated in the first quarter of 2014 and are forecast to be substantially higher in 2014 than they were in 2013.

Revenue from power assemblies reached an all time record in the fourth quarter of 2013 and is expected to remain at our about the same level throughout 2014.

Management expects earnings from supplying advice and assistance to CSR Times Electric in each quarter of 2014 to remain similar or slightly below that reported in the fourth quarter of 2013.

There is continuing demand for the dwindling inventory of the Group's integrated circuit products. Sales of such products increased significantly in 2013. However, given the small amount of inventory remaining, revenue is forecast to fall in 2014.

The Group acts as a distributor for CSR Times Electric power semiconductor products outside of China and North America. Sales of such products have grown over the last three years and are forecast to grow further in 2014.

At the end of December 2013, the order book stood at $27.9 million, some $7.5 million or 37% higher than at the end of 2012.

Revenue in the fourth quarter of 2013 was $12.9 million. This was significantly higher than the first three quarters of 2013 and accounted for nearly one third of total revenue in 2013. Quarterly revenue is expected to be lower than this in each quarter in 2014. Nevertheless, revenue for the year is expected to be higher in 2014 than it was in 2013.

The Group reported a quarterly loss after tax in the fourth quarter of 2013 of $993,000 and for the year of $2.4 million. The net result in the first quarter of 2014 should be much better although it is possible that a small loss may be reported. The Group is forecast to return to profitability in the second quarter and for the year as a whole.

Additional Information

Additional information relating to the Company is available on SEDAR at www.sedar.com

Bob Lockwood

Bob Lockwood.
Vice President and Chief Financial Officer
April 10th, 2014

Management's Responsibility for the Consolidated Financial Statements

The management of Dynex Power Inc. (the "Company") is responsible for the accompanying consolidated financial statements and other information included in this annual report. The financial statements have been prepared in conformity with International Financial Reporting Standards, as issued by the International Accounting Standards Board, using the best estimates and judgments of management, where appropriate. Information presented elsewhere in this annual report is consistent with that in the financial statements.

The Company's board of directors is responsible for ensuring that management fulfils its responsibilities in respect of financial reporting and internal control.

The Audit Committee of the board of directors meets periodically with management and the Company's independent auditors to discuss auditing matters and financial reporting issues. In addition, the Audit Committee approves the interim consolidated financial statements and recommends to the board of directors the approval of the annual consolidated financial statements and the annual appointment of the independent auditors. The board of directors has approved the information contained in the accompanying consolidated financial statements.

Paul Taylor President & Chief Executive Officer	Bob Lockwood Vice President & Chief Financial Officer
April 10th, 2014	April 10th, 2014

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting.

Internal control over financial reporting is a process that was designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Dynex Power Inc. (the "Company"); (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures of the Company are being made only in accordance with authorizations of management of the Company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of its system of internal control over financial reporting and concluded that the Company's internal control over financial reporting was effective as of December 31st, 2013.

Paul Taylor President & Chief Executive Officer	Bob Lockwood Vice President & Chief Financial Officer
April 10th, 2014	April 10th, 2014

Independent Auditor's Report

To the Shareholders of
Dynex Power Inc.

We have audited the accompanying consolidated financial statements of Dynex Power Inc., which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dynex Power Inc. as at December 31, 2013, and 2012 its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants

April 30th, 2014
Ottawa, Ontario.

DYNEX POWER INC.
Consolidated Statement of Comprehensive Income in Canadian Dollars
Year Ended December 31st, 2013

	Note	**2013**	2012
		$	$
Revenue	6, 7	**39,233,990**	39,614,604
Cost of sales		**(37,288,693)**	(32,882,715)
Gross profit		**1,945,297**	6,731,889
Other income	7	**72,003**	78,918
Sales and marketing expenses		**(920,737)**	(850,212)
Administration expenses		**(2,798,394)**	(2,963,990)
Research and development expenses	10	**(1,293,518)**	(1,274,940)
Finance costs	8	**(515,515)**	(357,959)
Other gains and (losses)	9	**116,893**	(131,084)
Profit/(loss) before tax	10	**(3,393,971)**	1,232,622
Income tax income/(expense)	11	**984,227**	(167,086)
Net profit/(loss)		**(2,409,744)**	1,065,536
Other Comprehensive Income			
Items that may be reclassified subsequently to net profit/loss			
Exchange differences on translation of foreign operations (net of tax of $nil)		**3,175,197**	562,770
Total Comprehensive Income for the year		**765,453**	1,628,306
Earnings/(loss) per share			
Basic	12	**(0.03)**	0.01
Diluted	12	**(0.03)**	0.01

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 27 to 61.

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars
Year Ended December 31st, 2013

	Note	**2013**	2012
		$	$
NON-CURRENT ASSETS			
Intangible assets	13	**671,297**	-
Property, plant and equipment	14	**35,489,047**	33,706,294
Derivative financial instruments	15	**-**	2,228
Total non-current assets		**36,160,344**	33,708,522
CURRENT ASSETS			
Inventories	16	**12,285,323**	10,954,012
Trade receivables	17	**10,239,680**	5,297,728
Amounts owing from parent company		**2,487,898**	2,776,110
Prepayments, deposits and other receivables	18	**589,109**	255,847
Tax recoverable		**139,320**	124,292
Cash		**775,071**	2,206,430
Total current assets		**26,516,401**	21,614,419
CURRENT LIABILITIES			
Trade payables		**2,788,598**	1,151,054
Amounts owing to parent company		**1,504,288**	267,349
Other payables and accruals	19	**2,384,332**	3,171,809
Borrowings	20	**10,450,622**	6,547,631
Provisions	22	**17,620**	237,548
Total current liabilities		**17,145,460**	11,375,391

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars (continued)
Year Ended December 31st, 2013

	Note	2013 $	2012 $
NON-CURRENT LIABILITIES			
Borrowings	20	**7,160,584**	5,512,391
Provisions	22	**236,970**	212,804
Derivative financial instruments	15	**23,288**	-
Deferred tax liabilities	23	**1,062,486**	1,939,851
Total non-current liabilities		**8,483,328**	7,665,046
NET ASSETS		**37,047,957**	36,282,504
EQUITY			
Share capital	24	**37,096,192**	37,096,192
(Accumulated deficit)/retained profit		**(1,868,823)**	540,921
Exchange fluctuation reserve		**1,820,588**	(1,354,609)
TOTAL EQUITY		**37,047,957**	36,282,504

These financial statements should be read in conjunction with the notes set out on pages 27 to 61.

Paul Taylor
Director
April 10th, 2014

Bob Lockwood
Director
April 10th, 2014

DYNEX POWER INC.
Consolidated Statement of Changes in Equity in Canadian Dollars
Year Ended December 31st, 2013

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2012	37,096,192	(524,615)	(1,917,379)	34,654,198
Total comprehensive income for the year	-	1,065,536	562,770	1,628,306
At December 31st, 2012	37,096,192	540,921	(1,354,609)	36,282,504
Total comprehensive income for the year	-	**(2,409,744)**	**3,175,197**	**765,453**
At December 31st, 2013	**37,096,192**	**(1,868,823)**	**1,820,588**	**37,047,957**

These financial statements should be read in conjunction with the notes set out on pages 27 to 61.

DYNEX POWER INC.
Consolidated Statement of Cash Flows in Canadian Dollars
Year Ended December 31st, 2013

	Note	2013	2012
		$	$
CASH FLOW FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(3,393,971)**	1,232,622
Finance costs recognised in profit before tax		**515,515**	357,959
Investment income recognised in profit before tax		**(174)**	(1,091)
Non cash interest on derivative financial instrument		**-**	(4,850)
Amortization of intangible assets		**12,361**	-
Depreciation of property, plant and equipment		**3,515,541**	2,968,982
Loss on disposal of property, plant and equipment		**19,955**	24,070
Provision for slow moving and obsolete inventory		**947,311**	(272,587)
Non cash movement in provisions		**(51,258)**	-
Movements in working capital	27	**(3,640,327)**	(1,625,179)
Income taxes (paid)/received		**(3,919)**	174,208
Net cash generated by operating activities		**(2,078,966)**	2,854,134
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets and property, plant & equipment		**(2,872,469)**	(5,440,790)
Interest received		**174**	1,091
Net cash used in investing activities		**(2,872,295)**	(5,439,699)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from issue of equity shares			-
Payment for share issue costs			-
Proceeds from borrowings		**10,965,878**	2,244,134
Repayments of borrowings		**(6,901,437)**	(123,673)
Interest paid		**(379,640)**	(317,679)
Payments for other finance costs		**(96,833)**	(30,359)
Net cash generated by financing activities		**3,587,968**	1,772,423
NET DECREASE IN CASH		**(1,363,293)**	(813,142)
Cash at beginning of year		**2,206,430**	3,028,599
Effect of foreign currency translation on cash		**(68,066)**	(9,027)
CASH AT END OF YEAR		**775,071**	2,206,430

All operating cash flows derive from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 27 to 61.

1. CORPORATE INFORMATION

Dynex Power Inc. (the "Company") was formed on June 15th, 1999 under the laws of Canada by the amalgamation of GLG Dynex Power Inc. and Dynex Power Inc. GLG Dynex Power Inc. had been incorporated under the laws of Canada on February 19th, 1996. The former Dynex Power Inc. had been incorporated under the laws of Canada in the name of DPI Technologies Inc. on February 11th, 1998 and changed its name to Dynex Power Inc. on June 4th, 1999.

The registered office of the Company is 515 Legget Drive, Suite 800, Kanata, Ontario, K2K 3G4.

The Company and its subsidiary (collectively the "Group") are engaged in the design and manufacture of industrial power equipment.

The immediate parent company of the Group is Zhuzhou CSR Times Electric Co. Ltd ("CSR Times Electric") and the ultimate parent company of the Group is CSR Group, which are both 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

Statement of compliance

These consolidated financial statements of the Group were prepared in accordance with International Financial Reporting Standards ("IFRS"). The accounting policies of the Company are based on the IFRS applicable as at December 31st, 2013 and encompass individual IFRS, International Accounting Standards ("IAS") and interpretations made by the International Financial Reporting Interpretations Committee ("IFRIC") and the Standing Interpretations Committee ("SIC"). The policies set out below were consistently applied to all the periods presented.

These consolidated financial statements have been prepared on a going concern basis under the historical cost convention, unless otherwise noted. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

All figures are in Canadian Dollars ("$") which is the Company's functional currency except as otherwise stated. The functional currency of the Company's subsidiary, Dynex Semiconductor Limited, is British Pounds.

3. CHANGES IN ACCOUNTING POLICIES

The following new or revised accounting pronouncements have been implemented since the Company last issued an annual report:

IFRS 7 *Financial Instruments: Disclosures*

The amendments to IFRS 7 *Financial Instruments: Disclosures* require information about all recognised financial instruments that are set off in accordance with paragraph 42 of IAS 32 Financial Instruments: Presentation. The amendments also require disclosure of information about recognised financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The IASB believes that these disclosures will allow financial statement users to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with an entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 7 *Financial Instruments: Disclosures* (continued)

The amendments were applicable to annual periods beginning on or after January 1, 2013 and interim periods within those periods. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

IFRS 10 *Consolidated Financial Statements*

IFRS 10 was effective for the period that begins on or after January 1, 2013. IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 replaces the consolidation requirements in SIC-12 Consolidation-Special Purpose Entities and IAS 27 *Consolidated and Separate Financial Statements*. The application of IFRS 10 did not have a material impact on the amounts recognized in the consolidated financial statements.

IFRS 11 *Joint Arrangements*

IFRS 11 was effective for the period that begins on or after January 1, 2013. IFRS 11 was issued by the IASB in May 2011. IFRS 11 provides a view of joint arrangements based on the rights and obligations of the arrangement, rather than its legal form. IFRS 11 requires the use of the equity method of accounting for interests in joint ventures, except for joint operations, thereby eliminating the proportionate consolidation method. The application of IFRS 11 did not have a material impact on the amounts recognized in the consolidated financial statements.

IFRS 12 *Disclosure of Interests in Other Entities*

IFRS 12 was effective for the period that begins on or after January 1, 2013. IFRS 12 was issued by the IASB in May 2011. IFRS 12 incorporates the disclosure requirements for all strategic investments including interests in subsidiaries, joint arrangements, and associates as well as unconsolidated structured entities. The application of IFRS 12 did not have a material impact on the amounts recognized in the consolidated financial statements.

IFRS 13 *Fair Value Measurement*

IFRS 13 was effective for the period that begins on or after January 1, 2013. IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. IFRS 13 does not determine when an asset, a liability or an entity's own equity instrument is measured at fair value. Rather, the measurement and disclosure requirements of IFRS 13 apply when another IFRS requires or permits the item to be measured at fair value (with limited exceptions). The application of IFRS 13 did not have a material impact on the amounts recognized in the consolidated financial statements.

IAS 1 *Presentation of Financial Statements: Other Comprehensive Income*

On June 16, 2011, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, which require entities preparing financial statements in accordance with IFRS to group together items within OCI that may be reclassified to the profit or loss section of the income statement and to separately group together items that will not be reclassified to the profit or loss section of the income statement. The amendments also reaffirm existing requirements that profit or loss and OCI should be presented as either a single statement or two consecutive statements. The amendments are effective for financial years commencing on or after July 1, 2012. The amendment did not have a material impact on the Company's consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES (continued)

IAS 27 *Separate Financial Statements*

IAS 27 *Separate Financial Statements* replaced the existing IAS 27 *Consolidated and Separate Financial Statements*. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. IAS 27 requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9. IAS 27 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

IAS 28 *Investments in Associates and Joint Ventures*

IAS 28 *Investments in Associates and Joint Ventures* was amended in 2011, and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted. The adoption of this standard did not have a material impact on the Company's consolidated 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 hosts not within the scope of the standard. IFRS 9 does not have a mandatory effective date; the impact of this ongoing project will be assessed by the Company as remaining phases of the project are complete.

Amendments to IAS 32 *(Offsetting Financial Assets and Financial Liabilities)*

Amendments to IAS 32 F*inancial Instruments: Presentation* clarify certain aspects because of diversity in application of the requirements on offsetting financial assets and financial liabilities and focuses on four main areas:

- the meaning of 'currently has a legally enforceable right of set-off';
- the application of simultaneous realisation and settlement;
- the offsetting of collateral amounts;
- the unit of account for applying the offsetting requirements.

IAS 32 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

IFRIC 21 Levies

Provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain.

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRIC 21 Levies (continued)

The Interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. It provides the following guidance on recognition of a liability to pay levies:

- The liability is recognised progressively if the obligating event occurs over a period of time;
- If an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached.

IFRIC 21 is effective for annual periods beginning on or after January 1, 2014.

IAS 36 Impairment of Assets ("IAS 36")

In May 2013, the IASB amended IAS 36 to clarify the requirement to disclose information about the recoverable amount of assets for which an impairment loss has been recognized or reversed. The IAS 36 amendments will be applied retrospectively for annual periods beginning on or after January 1, 2014.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dynex Semiconductor Limited, a limited liability company registered in England & Wales and located in Lincoln, England. Intra-group balances, transactions, income and expenses have been eliminated in full.

Foreign currency translation

These consolidated financial statements are presented in Canadian Dollars, which is the Company's functional and presentation currency. The functional currency for the subsidiary, being the currency of the primary economic environment in which the entity operates, is British Pounds (£).

Items included in the financial statements of each entity are measured using their respective functional currencies and foreign currency transactions are initially recorded in the functional currency of each entity by applying the exchange rate ruling at the date of the transaction. At the end of each reporting period monetary items are re-translated using the closing rate. All exchange gains and losses are included in other gains and losses in comprehensive income. 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.

At the end of each reporting period the results and financial position of the subsidiary are translated into the Group's presentation currency. Assets and liabilities are translated at the closing rate. Income and expenses are translated using the average rate for the reporting period, as an approximation to the exchange rate at the date of each transaction. All exchange gains and losses on translation are included in other comprehensive income and accumulated in the exchange fluctuation reserve.

Revenue recognition

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Revenue 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 revenue can be measured reliably, it is probable that the economic benefits will flow to the Group and the costs incurred or to be incurred can be measured reliably.

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, when it is probable that the economic benefit will flow to the Group and the stage of completion and the costs incurred or to be incurred can be measured reliably at the end of the reporting period. Revenue from time and material contracts 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 property, plant and equipment and amortised 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.

Retirement benefits

The Company’s subsidiary operates a defined contribution plan in the UK. The Group’s obligations under the plan are limited to the amount it agrees to contribute to the scheme. The Group 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 finance costs 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income taxes (continued)

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 reporting 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 reporting 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.

Property, plant and equipment

Property, plant and equipment is 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	3-8 years
Clean-rooms	20 years
Buildings	40 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Impairment of non-current assets

The carrying amounts of intangible assets and property, plant and equipment are reviewed at the end of each reporting 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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-current assets (continued)

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.

Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. Raw materials are valued using standard costs that accurately reflect 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.

The Group's management reviews the condition of inventories at the end of each reporting period and recognises a provision for slow-moving and obsolete items of inventory 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.

Cash

Cash comprises cash on hand and demand deposits.

Financial instruments

Trade receivables, amounts owing from parent company, other receivables and cash are all 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, trade receivables, amounts owing from parent company and cash are measured at fair value. As these assets are all short-term with no stated interest rate they continue to be valued at the original invoice amounts or the original amount deposited at the bank rather than being discounted. Fair value approximates amortised cost.

Financial assets are assessed at the end of each reporting 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 comprehensive income to finance costs.

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Trade payables, amounts owing to parent company, certain other payables and accruals (amounts due to pension schemes and to trade unions) and borrowings 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, trade payables, amounts owing to parent company and certain other payables and accruals (amounts due to pension schemes and to trade unions) are measured at fair value. As these liabilities are all short-term liabilities with no stated interest rate they continue to be to be valued at the original invoice amounts. After initial recognition, 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 cost. Any gains or losses are credited in comprehensive income to finance costs.

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

The Group has a forward exchange contract that is designated as a hedging instrument in an effective hedge.

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

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 property, plant and equipment in the statement of financial position. 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.

Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Group 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 reporting period taking into account the risks and uncertainties surrounding the obligation.

Provisions are reviewed at the end of each reporting 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 Group'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 reporting 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 Group's management has judged that the accounts should be prepared on a going concern basis.

Functional currency

The Group's management has judged that the functional currency of the Company is the Canadian Dollar.

Cash-generating units

For the purposes of impairment reviews, the Group's management has judged that the business has three cash-generating units: bipolar discrete; power module; and power electronic assembly equipment.

Depreciation methods

The Group'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, Group management has therefore judged that a straight line depreciation policy is the most appropriate.

Capitalisation of development costs

The Group carries out significant research and development work. Research activities generally relate to background work that seeks to give the Group 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 Group's products and so can be considered for capitalisation. To date, the Group's design and development work has enabled the Group 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.

Estimation uncertainty

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting 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 assets and property, plant and equipment

The Group's management determines the estimated useful lives of its intangible assets and property, plant and equipment based on historical experience of the actual lives of intangible assets and property, plant and equipment of similar nature and functions and reviews these estimates at the end of each reporting period.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Details of the estimated useful lives are provided in Note 4. At December 31st, 2013 the carrying amount of intangible assets and property, plant and equipment was $36,160,344 (2012 - $33,706,294).

The Company's management reviews intangible assets and property, plant and equipment for evidence of impairment. At December 31st, 2013 management determined that no intangible assets or property, plant and equipment were impaired.

Provisions against inventories

Management estimates the net realisable value of inventories based primarily on sales prices in the forward order book and current market conditions. Inventory obsolescence is provided for if raw materials, work in progress or finished goods have not moved in twelve months unless the Group has orders or a realistic expectation of orders for those parts. At December 31st, 2013 the carrying amount of inventories was $12,285,323 (2012 - $10,954,012) and the provision for slow-moving and obsolete items of inventory was $5,434,626 (2012 - $4,043,814).

Impairment of trade receivables

The Group's management determines the estimated recoverability of trade receivables based on the evaluation and ageing of trade receivables, including the current creditworthiness and the past collection history of the customers and reviews these estimates at the end of each reporting period. At December 31st, 2013 the carrying amount of trade receivables was $10,239,680 (2012 - $5,297,728) and the provision for impairment of trade receivables was $197,760 (2012 - $210,274).

Provisions

The Group'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 reporting period. At December 31st, 2013 the carrying value of provisions was $254,590 (2012 - $450,352). Details of the provisions are set out in Note 22.

6. OPERATING SEGMENT INFORMATION

IFRS 8 "Operating Segments" defines an operating segment as (a) a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance and (c) for which discrete financial information is available.

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

6. OPERATING SEGMENT INFORMATION (continued)

Revenue by geographic area

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

	2013	2012
	$	$
Canada	**147,570**	486,077
United Kingdom	**12,432,494**	4,449,879
China	**8,009,265**	14,890,832
France	**4,611,628**	3,957,699
United States of America	**2,039,554**	4,041,480
Germany	**1,131,258**	3,086,442
Other (None > 10%)	**10,862,221**	8,702,195
	39,233,990	39,614,604

Property, plant and equipment by geographic area

The location of property, plant and equipment determines the geographic areas.

All property, plant and equipment is located in the UK.

Major customers

For the year ended December 31st, 2013 the Group had two customers accounting for more than 10% of revenue, generating $10,806,779 and $9,919,181 (CSR Times Electric) respectively (2012 – one customer (CSR Times Electric) accounting for more than 10% of revenue, generating $17,735,687).

7. REVENUE AND OTHER INCOME

Revenue on sale of goods and services

Revenue on the sale of goods represents the net invoiced value of goods sold less trade discounts and allowance for returns and excludes sales tax.

Revenue for services is recognised at the contractual rates as labour hours are delivered and direct expenses are incurred.

7. REVENUE AND OTHER INCOME (continued)

Revenue on sale of goods and services(continued)

An analysis of the Group's revenue and other income is as follows:

	2013	2012
Revenue:	**$**	$
Sale of goods	**37,195,802**	37,888,528
Rendering of services	**2,038,188**	1,726,076
	39,233,990	39,614,604
Other Income:		
Sale of scrap materials	**63,283**	70,739
Bank interest income	**175**	415
Other interest income	**-**	675
Government grants	**5,123**	5,045
Other income	**3,422**	2,044
	72,003	78,918

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2013	2012
	$	$
Interest on bank borrowings	**354,420**	299,931
Interest on other borrowings	**45,058**	10,157
Interest on finance leases	**19,203**	35,488
Interest on derivatives	**-**	4,850
Other finance costs	**96,834**	30,360
	515,515	380,786
Less amounts capitalised at a rate of 2.75%	**-**	(22,827)
	515,515	357,959

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

9. OTHER GAINS AND LOSSES

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

	2013	2012
	$	$
Foreign exchange gain (loss)	**136,848**	(107,014)
Profit/(loss) on disposal of property, plant and equipment	**(19,955)**	(24,070)
	116,893	(131,084)

10. PROFIT/ LOSS BEFORE TAX

Profit/loss before tax from continuing operations is stated after charging/(crediting):

	2013	2012
	$	$
Cost of inventories sold	**35,250,505**	31,156,639
Staff costs (including director's remuneration):		
Wages and salaries	**14,170,873**	13,332,886
Other benefits	**593,812**	552,131
Minimum lease payments under operating leases:		
Land and buildings	**-**	23,244
Plant and equipment	**348,652**	313,033
Foreign Exchange differences (net)	**(136,848)**	107,014
Amortization of intangible assets charged to:		
Research and development	**4,040**	-
Administration	**8,321**	-
Depreciation of items of property, plant and equipment charged to:		
Cost of sales	**3,053,035**	2,734,541
Overheads	**462,506**	234,442
Research and development expenses (before government grants and contribution from CSR Times Electric)	**5,187,803**	4,202,570
Contribution from CSR Times Electric	**(3,790,539)**	(2,816,688)
Government grants:		
Research and development	**(103,746)**	(110,942)
Property plant and equipment	**(5,123)**	(5,045)
Provision for obsolete inventories	**947,311**	(272,588)

11. INCOME TAX EXPENSE/(INCOME)

The major components of the income tax expense/(income) are as follows:

	2013	2012
	$	$
Current tax expense	**987**	305
Deferred tax expense (income) relating to:		
Origination and reversal of temporary differences	**(846,534)**	323,454
Changes in tax rates	**(138,680)**	(156,673)
Total deferred tax expense/(income)	**(985,214)**	166,781
Total income tax expense/(income)	**(984,227)**	167,086

The income tax expense reported differs from the amount computed by applying the Canadian statutory tax rate to profits before income taxes for the following reasons:

	2013	2012
	$	$
Profit/(loss) before tax	**(3,393,971)**	1,232,622
Expected tax charge/(credit) at Canadian statutory rates	**(899,402)**	315,699
Factors affecting charge:		
Income not subject to tax	**(93,094)**	(123,917)
Expenses for which tax relief not available	**-**	20,653
Different tax rate for subsidiary operating in other jurisdiction	**104,639**	(23,069)
Unused tax losses and tax offsets not recognised as deferred tax assets	**46,192**	93,371
Impact of reduction in tax rates	**(143,548)**	(156,673)
(Over)/under provision at start of year	**-**	24,939
Other differences	**986**	16,083
	(984,227)	167,086

The Canadian statutory tax rate is 26.5% (2012 – 26.5%). The United Kingdom statutory tax rate is 23.25% (2012 – 24.5%).

12. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Earnings per share calculations are based on:

	2013	2012
	$	$
Earnings/(Loss):		
Profit/(loss) attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(2,409,744)**	1,065,536
Shares:		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share calculation	**80,509,047**	80,509,047
Shares that could be issued on exercise of options	**-**	143,989
Shares that would be repurchased out of proceeds of option exercises	**-**	(126,486)
Weighted average number of ordinary shares outstanding during the period used in the diluted earnings per share calculation	**80,509,047**	80,526,550

For the year ended December 31st, 2013 the number of shares that could potentially dilute basic earnings per share in the future but which were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive was nil (2012 – nil).

13. INTANGIBLE ASSETS

	2013	2012
	$	$
Cost		
At Beginning of Year	-	-
Additions	667,014	-
Reclassifications	-	-
Disposals	-	-
Net exchange difference	17,265	-
At End of Year	684,279	-
Depreciation		
At Beginning of Year	-	-
Charge for the year	12,361	-
Reclassifications	-	-
Eliminated on disposal	-	-
Net exchange difference	621	-
At End of Year	12,982	-
Carrying value at year end	671,297	-

Intangible assets relate to software.

The carrying value of intangible assets pledged as security is $476,138 (2012 - $nil) (Note 20).

At December 31st, 2013 the Group has commitments for the purchase of intangible assets of $0.2 million (2012 - $nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & Machinery	Assets under construction	Total
	$	$	$	$	$
Cost					
At January 1st, 2012	2,787,031	3,013,009	30,909,336	2,233,446	38,942,822
Additions	-	-	636,780	4,909,358	5,546,138
Reclassifications	-	1,606,498	4,171,643	(5,778,141)	-
Disposals	-	-	(69,282)	-	(69,282)
Net exchange difference	45,792	70,549	560,500	21,697	698,538
At December 31st, 2012	2,832,823	4,690,056	36,208,977	1,386,360	45,118,216
Additions	-	-	1,398,672	804,220	2,202,892
Reclassifications	-	-	1,007,443	(1,007,443)	-
Disposals	-	-	(49,458)	-	(49,458)
Net exchange difference	270,337	447,575	3,637,435	163,567	4,518,914
At December 31st, 2013	**3,103,160**	**5,137,631**	**42,203,069**	**1,346,704**	**51,790,564**
Depreciation					
At January 1st, 2012	-	41,789	8,277,433	-	8,319,222
Charge for the year	-	93,008	2,875,975	-	2,968,983
Eliminated on disposal	-	-	(45,212)	-	(45,212)
Net exchange difference	-	1,723	167,206	-	168,929
At December 31st, 2012	-	136,520	11,275,402	-	11,411,922
Charge for the year	-	117351	3,398,190	-	3,515,541
Eliminated on disposal	-	0	(29,503)	-	(29,503)
Net exchange difference	-	23706	1,379,851	-	1,403,557
At December 31st, 2013	-	**277,577**	**16,023,940**	-	**16,301,517**
Carrying value					
At December 31st, 2013	**3,103,160**	**4,860,054**	**26,179,129**	**1,346,704**	**35,489,047**
At December 31st, 2012	2,832,823	4,553,536	24,933,575	1,386,360	33,706,294

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of property, plant and equipment pledged as security is $35,489,047 (2012 - $33,706,294) (Note 20).

The net book value of plant and machinery includes $487,688 (2012 - $238,309) in respect of assets held under hire purchase agreements which are accounted for as finance leases. The depreciation charge for the year includes $85,563 (2012 - $80,378) in respect of these assets.

At December 31st, 2013 the Group has commitments for the purchase of property, plant and equipment of $1.6 million (2012 - $0.4 million).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2013	2012
	$	$
Forward Exchange Contracts	**(23,288)**	2,228
	(23,288)	2,228
Included in the financial statements as:		
Non-Current Assets	-	2,228
Non-Current Liabilities	**(23,288)**	-
	(23,288)	**2,228**

The Group has a forward exchange contract to purchase HK$ 8million for £637,450 on 4 September 2015. This is designated as a hedge for the HK$ 8million loan from CSR Times Electric (Hong Kong) Co., Ltd (Note 20). The value of the derivative represents the difference between the exchange rate between the two currencies at the year-end and the exchange rate in the forward contract.

16. INVENTORIES

	2013	2012
	$	$
Raw materials	**4,200,874**	3,376,097
Work in progress	**7,478,976**	6,784,230
Finished goods	**605,473**	793,685
	12,285,323	10,954,012

At December 31st, 2013 the carrying value of inventory carried at net realizable value was $325,000 (2012 - $987,000).

At December 31st, 2013 the amount of inventory expected to be recovered after more than twelve months was $439,000 (2012 - $578,000).

17. TRADE RECEIVABLES

	2013	2012
	$	$
Trade receivables	**10,437,440**	5,508,002
Less bad debt provision	**(197,760)**	(210,274)
	10,239,680	5,297,728

The Group's maximum exposure to credit risk in relation to trade receivables is equal to the carrying value of trade receivables. The Group does not hold any collateral or other credit enhancements as security over these balances. The majority of the Group's trade receivables are due from customers with whom the Group has had a business relationship for many years. Over the last five years the Group has suffered bad debt losses of less than $150,000.

The ageing of the Group's trade receivables at December 31st, 2013, net of the provision for impairment is as follows:

	2013	2012
	$	$
Not yet overdue	**8,993,327**	4,088,660
Less than one month overdue	**1,051,239**	770,741
Between one and two months overdue	**93,500**	255,281
Greater than two months overdue	**101,614**	183,046
	10,239,680	5,297,728

The Group has no amounts whose terms have been renegotiated that would otherwise have been past due or impaired.

The movements in the provision for impairment are as follows:

	2013	2012
	$	$
At January 1st	**210,274**	180,101
Impairment losses recognised	**6,758**	32,276
Amounts recovered	**(34,261)**	-
Net exchange difference	**14,989**	(2,103)
At December 31st	**197,760**	210,274

Included in the provision for impairment are individually impaired assets of $153,680 (2012 - $159,959) which have been provided in full. The Group does not hold any collateral or other credit enhancements as security over these balances.

17. TRADE RECEIVABLES (continued)

The amounts due from related parties of the Group included in trade receivables are as follows:

	Note	**2013**	2012
		$	$
Due from fellow group subsidiaries	30	**87,409**	295,526
		87,409	295,526

The balances above from related parties are unsecured, interest-free and repayable on similar credit terms to those offered to third parties.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2013	2012
	$	$
Prepayments	**232,258**	184,427
Deposits and other receivables	**356,851**	71,420
	589,109	255,847

Deposits and other receivables mainly comprises receivables for value added tax and government grants.

19. OTHER PAYABLES AND ACCRUALS

	2013	2012
	$	$
Accruals	**1,041,574**	1,122,724
Payments in advance	**846,206**	1,480,386
Deferred income	**10,990**	15,134
Other	**485,562**	553,565
	2,384,332	3,171,809

Other consists mainly of payroll taxes and pension contributions (Note 28).

19. OTHER PAYABLES AND ACCRUALS (continued)

The amounts due to related parties of the Group included in other payables and accruals are as follows:

	Note	2013 $	2012 $
CSR Times Electric	30	**280,539**	1,453,182
Fellow group subsidiaries	30	-	2,196
		280,539	1,455,378

The balances above due to related parties are unsecured and interest-free. They relate mainly to payments received in advance against future expenditure of the Group and any amounts unutilised become repayable at the end of the projects

20. BORROWINGS

	Note	2013 $	2012 $
Secured at amortised cost:			
Bank overdrafts		**4,397,089**	-
Bank loans		**11,231,117**	10,796,252
Finance lease	21	**499,782**	236,204
		16,127,988	11,032,456
Unsecured at amortised cost:			
Other loans	30	**1,483,218**	1,027,566
		17,611,206	12,060,022
Current portion		**10,450,622**	6,547,631
Non-current portion		**7,160,584**	5,512,391
		17,611,206	12,060,022

(i) The Group had a bank loan for $nil (2012 - $4,825,500) under a three year revolving credit facility which expired in May 2013. The loan was fully repaid on May 13th 2013 when this facility was replaced by a new five year term loan facility. Under the new facility the Group has a bank loan of $5,286,000 (2012 - $nil) which is repayable in four equal six-monthly repayments between October 2016 and April 2018. The current loan bears interest, and the loan it replaced bore interest, at UK base rate plus 2.25% giving an effective interest rate of 2.75%. This loan is subject to certain financial covenants calculated in reference to the most recent published audited accounts of Dynex Semiconductor Limited, which as at the date of these financial statements, are the December 31, 2012 financial statements. Any potential covenant breach based on the published audited accounts of Dynex Semiconductor Limited for the year ended December 31, 2013 has not yet been assessed. The current facility is, and the facility it replaced was, secured by a first charge on property, plant and equipment (excluding the freehold land & buildings and equipment under leases and chattel mortgages) and current assets. At December 31st, 2013 these assets have a carrying value of $53,018,082 (2012 - $46,642,975).

20. BORROWINGS (continued)

(ii) The Group has a bank loan for $659,712 (2012 - $nil) which was received on September 19th, 2013. The loan bears interest at an effective interest rate of 4.3% per annum and is repayable in monthly instalments between October 2013 and September 2017. The loan is secured by a chattels mortgage on equipment with a carrying value of $724,268 (2012 - $nil)

(iii) The Group has a bank overdraft of $4,397,089 (2012 - $nil) under an approved overdraft facility of $5,286,000 (2012 - $1,608,500) which is repayable on demand. The overdraft bears interest at UK base rate plus 2.32% on balances up to the approved overdraft limit and at the bank's standard interest rate on balances over the approved limit. The overdraft facility is secured under the same charge as in (i) above.

(iv) The Group has a bank loan for $4,796,398 (2012 - $5,970,752). The loan bears interest at LIBOR plus 2.30% and is repayable in quarterly instalments between February 2013 and August 2016. The loan is secured by a fixed charge on the freehold land and buildings which have a carrying value of $7,963,214 (2012- $7,386,359). At December 31st 2013, the Group was in breach of the covenants on this loan and, as a result, it has been reclassified as a short term loan in the Consolidated Statement of Financial Position.

(v) The Group has bank loans for $489,007 (2012 - $nil) which were received on November 8th, 2013 when the Group discounted certain bills of exchange receivable for immediate funds with recourse. The loans bear interest at rates between 2.71% per annum and 2.85% per annum and are repayable between January 2014 and March 2014 when the bills mature. The loans are secured against the bill receivable to which they relate which have a carrying value of $483,492 (2012 - $nil).

(vi) The finance leases are secured by the equipment leased which has a carrying value of $487,688 (2012 - $238,309).

(vii) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $1,099,900 (2012 - $1,027,566). The loan bears interest at 3.25% and is repayable on September 7th, 2015 (Note 30).

(viii) The Group has an unsecured interest free loan from an unrelated party for $383,318 (2012 - $nil). The loan is repayable in quarterly instalments between December 2013 and September 2015.

21. OBLIGATIONS UNDER FINANCE LEASES

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

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	**2013**	2012
	$	$	**$**	$
Not later than one year	**472,239**	149,276	**463,667**	129,930
Later than one year and not later than five years	**37,368**	115,241	**36,116**	106,274
	509,607	264,517	**499,783**	236,204
Less future finance charges	**(9,824)**	(28,313)	-	-
Present value of minimum lease payments	**499,783**	236,204	**499,783**	236,204

	2013	2,012
	$	$
Included in the financial statements as:		
Current borrowings	**463,667**	129,930
Non-current borrowings	**36,115**	106,274
	499,782	236,204

22. PROVISIONS

	2013	2012
	$	$
Warranties	**17,620**	237,548
Removal costs of equipment	**236,970**	212,804
	254,590	450,352
Current portion	**17,620**	237,548
Non-current portion	**236,970**	212,804
	254,590	450,352

The movements in provisions are as follows:

	Warranties	Removal of equipment	Total
	$	**$**	**$**
At January 1st, 2013	237,548	212,804	450,352
Amounts utilised	(170,807)	-	(170,807)
Amounts reversed	(51,258)	-	(51,258)
Net exchange difference	2,137	24,166	26,303
At December 31st, 2013	**17,620**	**236,970**	**254,590**

The Group 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 Group has legislative and contractual obligations for the removal of certain items of equipment from the Group's site in Lincoln, England. The provision is based on the contractual obligations and quotes for removal costs from independent third parties. The timing of these outflows is uncertain as the Group has no current plans to remove these items of equipment. The Group provides a bank guarantee of $184,110 to the UK Government for the costs of removal required by legislation.

23. DEFERRED TAX LIABLITIES

An analysis of the movement in deferred tax assets/(liabilities) is as follows:

	Property, plant and equipment $	Inventories $	Unused tax losses $	Other temporary differences $	Total $
At January 1st, 2012	(2,190,576)	98,906	332,721	19,782	(1,739,167)
Recognised in profit or loss	107,364	(7,794)	(272,149)	5,798	(166,781)
Net exchange difference	(32,560)	1,376	(3,229)	510	(33,903)
At December 31st, 2012	(2,115,772)	92,488	57,343	26,090	(1,939,851)
Recognised in profit or loss	(190,557)	(12,253)	1,143,618	44,406	985,214
Net exchange difference	(216,856)	7,865	95,166	5,976	(107,849)
At December 31st, 2013	**(2,523,185)**	**88,100**	**1,296,127**	**76,472**	**(1,062,486)**

The Company has an aggregate temporary difference of $8.2 million (2012 - $7.3 million) relating to the investment in its subsidiary for which a deferred tax liability has not been recognised because the Company controls the reversal of the liability and it is expected that it will not reverse in the foreseeable future.

The Group has unused tax losses and tax credits in Canada for which no deferred tax asset has been recognised which expire as follows:

	$
2014	**498,000**
2025	**260,000**
2026	**514,000**
2027	**938,000**
2028	**522,000**
2029	**534,000**
2030	**434,000**
2031	**370,000**
2032	**300,000**
2033	**287,000**
no expiry date	**43,000**
	4,700,000

24. SHARE CAPITAL

Authorised:

An unlimited number of common shares.
An unlimited number of preferred shares issuable in series.

Issued:

There was no movement in the Company's issued and outstanding share capital.

	No of shares	$
At December 31st, 2012 and 2013	**80,509,047**	**37,096,192**

The Company has no issued and outstanding preferred shares.

The common shares have no par value.

Independent directors' share plan

The Independent Directors' Share Plan was adopted by the Board and shareholders in 2002. Under the plan, directors who are not employees are entitled to receive some or all of their remuneration in the form of common shares. When taking their fees in this way, the issue price of the shares is taken as the average trading price of the first 20 days of the year to which the fees relate. The Plan does not meet the current requirements of the Exchange and so will require amendment before any further shares can be issued. In November 2008 the Board indicated that for the time being it did not intend to issue any further shares under the Plan and is therefore not intending to amend the Plan to meet the current requirements of the Exchange.

Stock option plan

A total of 2,657,316 (2012 – 2,657,316) of the common shares of the Company outstanding from time to time are reserved for the issuance of options pursuant to the Company's stock option plan. Generally, options granted under the plan vest evenly over a three-year period commencing one year from the date of grant and expire five years from the date of the grant. All outstanding options vested in full in October 2008 when CSR Times Electric purchased the majority of the shares of the Company. Options are not assignable and cannot be settled in cash. The movements in stock options are summarised below:

	Number of Options	Weighted Average Exercise Price $
At January 1st, 2013	50,000	0.30
Expired	(50,000)	0.30
At December 31st, 2013	**-**	**-**

At December 31st, 2013 the Company has no outstanding stock options.

25. FINANCIAL INSRUMENTS AND RISK MANAGMENT

The carrying amounts and fair values of financial assets and liabilities are as follows:

December 31st, 2013	**Carrying Value**	**Fair Value**
	$	**$**
Financial Assets:		
Trade receivables	**10,239,680**	**10,239,680**
Amounts owing from parent company	**2,487,898**	**2,487,898**
Deposits and other receivables included in prepayments, deposits and other receivables	**356,851**	**356,851**
Cash	**775,071**	**775,071**
	13,859,500	**13,859,500**
Financial Liabilities:		
Trade payables	**2,788,598**	**2,788,598**
Amounts owing to parent company	**1,504,288**	**1,504,288**
Other items included in other payables and accruals	**485,562**	**485,562**
Current borrowings	**7,398,370**	**7,385,795**
Non-current borrowings	**10,212,836**	**9,892,946**
	22,389,654	**22,057,189**

December 31st, 2012	Carrying Value	Fair Value
	$	$
Financial Assets:		
Trade receivables	5,297,728	5,297,728
Amounts owing from parent company	2,776,110	2,776,110
Deposits and other receivables included in prepayments, deposits and other receivables	71,420	71,420
Cash	2,206,430	2,206,430
	10,351,688	10,351,688
Financial Liabilities:		
Trade payables	1,151,054	1,151,054
Other items included in other payables	553,565	553,565
Current borrowings	6,547,631	6,554,353
Non-current borrowings	5,512,391	5,519,819
Amounts owing to parent company	267,349	267,349
	14,031,990	14,046,140

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

All financial assets are classified as loans and receivables.

All financial liabilities are classified as financial liabilities at amortised cost.

The fair value of trade receivables, amounts owing from parent company, deposits and other receivables, cash, trade payables, amounts owing to parent company, other payables and accruals and bank overdrafts approximates their carrying value because of the short maturity of these instruments.

The fair value of current and non-current borrowings excluding the bank overdrafts is determined using the present value of future cash flows under current financing agreements, based on a current interest rate of between 0% and 5.5% (2012: 4% and 5.5%) being the Group's current estimated borrowing rate for finance leases with similar terms and conditions.

Market risk

The Group is exposed to foreign currency fluctuations. At December 31st, 2013 the split of financial instruments by currency is as follows:

	C$	GBP	Euro	US$	HKD	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables	-	7,186	1,535	1,518	-	10,239
Other receivables	3	273	81	-	-	357
Amounts owing from parent company	-	2,684	-	(196)	-	2,488
Tax recoverable	1	138	-	-	-	139
Cash	17	42	234	482	-	775
Trade payables	(19)	(2,235)	(426)	(109)	-	(2,789)
Other payables	-	(452)	(33)	-	-	(485)
Current borrowings	-	(7,398)	-	-	-	(7,398)
Non-current borrowings	-	(9,113)	-	-	(1,100)	(10,213)
Amounts owing to parent company	-	(3)	(592)	(909)	-	(1,504)
	2	(8,878)	799	786	(1,100)	(8,391)

A 10% increase (decrease) in the value of Sterling against the Euro and US Dollar at the end of the year would have increased (decreased) net loss for the year by approximately $159,000. The Group does not hedge these exposures, as the net exposure is quite small, but it keeps the need to monitor them under review.

A 10% increase (decrease) in the average value of Sterling against the Euro during the year would have increased (decreased) net loss for the year by $340,000. A 10% increase (decrease) in the average value of Sterling against the US Dollar during the year would have increased (decreased) net loss for the year by $270,000.

The Group's exposure to the Hong Kong Dollar relates to a loan from CSR Times Electric (Hong Kong) Ltd. The cost of repaying this loan in Sterling has been hedged through a forward contract.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Market risk (continued)

Management monitors these exposures but to date has not generally used derivative instruments to hedge them as it believes that the netting of such exposures in each currency and the exposure to two separate currencies that have in the past moved in opposite directions provides sufficient protection. The need to actively hedge these exposures using derivative instruments is kept under review.

A 10% increase (decrease) in the value of the Dollar against Sterling at the end of the year would have decreased (increased) other comprehensive income by approximately $3.7 million. The Group does not hedge this exposure as a matter of principle, believing that an investor in the Company has made a positive decision to invest in a UK based operating business.

A 10% increase (decrease) in the average value of Sterling against the Dollar would have decreased (increased) net loss for the year by $220,000. The Group does not hedge this exposure as a matter of principle, believing that an investor in the Company has made a positive decision to invest in a UK based operating business.

The Group is exposed to interest rate risk on its debt which was borrowed on variable rate terms. A one percentage point increase (decrease) in Sterling interest rates would increase (decrease) net loss by approximately $120,000 in the year.

Credit risk

The Group is exposed to credit risk in relation to the $10.2 million of trade receivables (2012 - $5.3 million) $2.5 million of amounts owing from parent company (2012 - $2.8 million), $0.4 million of deposits and other receivables (2012 - $0.1 million), $0.1 million of tax recoverable (2012 - $0.1 million) and $0.8 million of cash (2012 - $2.2 million). The Group does not hold any collateral or other credit enhancements as security over these assets.

Credit risk in relation to trade receivables is discussed in Note 17.

The majority of deposits and other receivables relates to amounts owed by the British Government.

The Group does not anticipate any problems in collecting the amount owing from the parent company.

The income tax recoverable is due from the British Government.

The cash is held by the Group's bankers. Over the last five years, the Group has not suffered any loss in relation to cash held by bankers.

The Group's maximum exposure to credit risk is $14.0 million (2012 - $10.8 million) , being the carrying value of trade receivables, amounts owing from parent company, deposits and other receivables, tax recoverable and cash.

Liquidity risk

The Group generally makes one major payment run each week. At December 31st, 2013 none of the Group's trade payables was overdue by more than one week. The vast majority of trade payables fall due for payment within one month. Accrued liabilities are generally due after more than one month and in many cases it may not be possible to determine the contractual date for payment.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Liquidity risk (continued)

The Group seeks to ensure that it has adequate access to liquidity to meet all its obligations as they fall due. The Group has a $5.3 million (£3 million) overdraft facility with its main banker which is used to manage day to day requirements. At December 31st, 2013 $4.4 million (2012 - $nil) of this facility was being utilised. In relation to long term debt, management believes it can repay all these facilities as they fall due out of its cash flow. At the present time the Group is committed to approximately $1.6 million of capital expenditure which will be paid for out of cash flow and the facilities referred to above.

26. CAPITAL MANAGEMENT

The Group considers that its capital consists of shareholders' equity. The Group's primary objectives when managing capital are to safeguard its ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholder value. The Group monitors its net gearing ratio, which is net debt expressed as a percentage of shareholders' equity. Net debt includes interest bearing bank and other borrowings less cash. The Group's net gearing ratio is calculated as follows:

	2013	2012
	$	$
Current borrowings	**7,398,370**	6,547,631
Non-current borrowings	**10,212,836**	5,512,391
Less Cash	**(775,071)**	(2,206,430)
Net debt	**16,836,135**	9,853,592
Shareholders' equity	**37,047,957**	36,282,504
Net gearing ratio	**45.4%**	27.2%

The Group is not subject to any externally imposed capital requirements.

27. MOVEMENTS IN WORKING CAPITAL

An analysis of the Group's movements in working capital is as follows:

	2013	2012
	$	$
(Increase) decrease in inventories	**(1,057,600)**	396,678
(Increase) in trade receivables	**(4,153,499)**	(943,103)
(Increase) decrease in prepayments, deposits & other receivables	**(260,791)**	218,789
Decrease (increase) in amounts owing from parent company	**497,548**	(339,739)
Increase (decrease) in trade payables	**1,346,185**	(121,823)
(Decrease) in other payables & accruals	**(993,221)**	(831,372)
(Decrease) increase in provisions	**(167,550)**	43,879
Increase (decrease) in amounts owing to parent company	**1,148,601**	(48,488)
	(3,640,327)	(1,625,179)

28. PENSIONS

The Group incurred expenses of $368,521 (2012 - $335,519) with respect to the defined contribution pension plan.

At December 31st, 2013 $64,650 was outstanding to the pension plan (2012 - $52,387) and is included in other payables and accruals. This amount was paid in January 2014.

29. OPERATING LEASE COMMITMENTS

The Group leases certain of its property, plant and equipment under operating lease arrangements, with lease terms that range from approximately one to five years.

At December 31st, 2013 the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2013	2012
	$	$
Not later than one year	**366,452**	325,219
Later than one year and not later than five years	**63,764**	87,729
	430,216	412,948

30. RELATED PARTY TRANSACTIONS AND BALANCES

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

The Group had the following material transactions and balances with related parties.

		2013	2012
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**6,280,319**	13,360,764
Rendering of services	(iii)	**1,430,333**	1,239,029
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**3,790,539**	2,816,689
Reimbursed expenses	(v)	**146,353**	367,563
Purchases of materials and components	(i) (vi)	**3,444,018**	2,133,276
Transactions with CSR Corporation Ltd:			
Rendering of services	(vii)	**211,781**	130,079
Transactions with fellow group subsidiaries:			
Sale of goods	(viii)	**1,996,747**	3,005,815
Interest expense	(ix)	**45,058**	10,157
Transactions with key management personnel:			
Short term employment benefits		**983,664**	1,166,879
Post-employment benefits		**34,207**	34,204
Total compensation		**1,017,871**	1,201,083
Transactions with other parties:			
Legal fees and expenses	(xi)	**70,660**	68,169

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		2013	2012
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**2,474,748**	2,767,521
Amounts owing to parent company	(i) (vi)	**1,504,288**	267,349
Other payables and accruals	(iii) (iv)	**280,539**	1,453,182
Balances with CSR Corporation Ltd			
Amounts owing from parent company	(vii)	**13,150**	8,589
Balances with fellow group subsidiaries:			
Trade receivables	(viii)	**87,409**	295,526
Borrowings	(ix)	**1,099,900**	1,027,566
Other payables and accruals	(ix)	**-**	2,196
Balances with key management			
Other payables and accruals	(x)	**10,000**	129,145
Balances with other parties:			
Trade payables	(xi)	**12,753**	5,650
Other payables and accruals	(xi)	**5,200**	5,200

(i) CSR Times Electric is the Group's main distributor for high power semiconductors in The People's Republic of China and the Group is CSR Times Electric's main distributor for high power semiconductors in Europe. 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) CSR Times Electric uses the Group 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 September 27th, 2011 the Group signed an agreement with CSR Times Electric for the research and development centre to provide technical support to CSR Times Electric for its 8 inch wafer fabrication facility in China. Under the new agreement it is estimated that the costs for the project will be C$ 2.8 million over a three year period commencing from January 2011. CSR Times Electric paid in advance 20% of their contribution.

(iv) On September 9th, 2010 the Group signed an agreement with CSR Times Electric to share the costs of carrying out research and development projects for high power semiconductor devices at the Group's premises in Lincoln, England. Under the new agreement it is estimated that the costs of the joint research and development will be C$12.5 million over a 40 month period, and it is agreed that CSR Times Electric will provide funding of 80% of the costs and the Group will contribute 20%. CSR Times Electric paid in advance 25% of their contribution.

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

(vii) The Group provides management training courses to CSR Corporation Ltd, a subsidiary of the ultimate parent company of CSR Times Electric.

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

(ix) On September 7th, 2012 the Group was provided with a loan for approximately C$1 million by CSR Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CSR Times Electric to purchase equipment. The loan bears interest at 3.25% per annum and is due to be repaid on September 7th, 2015.

(x) Balances with key management personnel comprise directors fees payable to two non-executive directors and in 2012 annual bonuses payable to senior managers of the Group. The directors' fees are paid half yearly in arrears. The balances were paid in full during the first quarter of 2014.

(xi) The Company retains a business law firm in Canada to provide legal services and advice. One of the Company's directors is a partner of this firm.

Advances to and from the parent company are recorded at fair value. The directors' fees and other related party amounts are recorded at the negotiated amounts. 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 except for the loan from CSR Times Electric (Hong Kong) Co., Ltd which is recorded as a non-current liability.

31. EVENTS AFTER THE REPORTING PERIOD

In March 2014, the Company signed a new three year agreement with CSR Times Electric on the funding of the R&D Centre in Lincoln. It is estimated that the cost of the R&D Centre will be approximately $36.4 million over the next three years with CSR Times Electric funding 80% and Dynex funding 20% of the cost. Under the agreement, CSR Times Electric has made an advanced payment of approximately $7.3 million.

In March 2014, the Company also signed a new three year Technical Support Agreement with CSR Times Electric. It is estimated that over the period, CSR Times Electric will pay approximately $4.7 million for technical support. Under the agreement, CSR Times Electric has made an advanced payment of approximately $900,000.

In March 2014, the Company received a loan of approximately $5.5 million from CSR Times Electric to enable it to purchase new manufacturing equipment that would provide better process control capability and would increase capacity. The loan is denominated in Chinese Yuan and is repayable between December 2016 and December 2018 and carries interest of 5% per annum.

In April 2014, the Company announced that it had secured support of approximately $1.8 million from the UK Government's Regional Growth Fund. The funding is linked to safeguarding existing jobs and creating 27 new positions over the next five years in the Company's R&D Centre in Lincoln, England.

32. APPROVAL OF THE FINANCIAL STATEMENTS

These consolidated financial statements were approved by the board of directors of Dynex Power Inc. and authorised for issue on April 10th, 2014.

Corporate Information

Board of Directors

Li Donglin (1) (3)
Chairman

Paul Taylor (1)
Director, President & CEO

Bob Lockwood (1)
Director, VP Finance, CFO & Co. Secretary

Debbie Weinstein (1) (2)
Director

David Banks (1) (2) (3)
Director

Liu Ke'an (1) (3)
Director

Richard Wu (1) (2)
Director

George Guo (1)
Director

(1) Member of the Governance Committee
(2) Member of Audit Committee
(3) Member of Compensation Committee

Stock Exchange Listing

Toronto Ventures Exchange
Symbol: DNX

Auditors

Canada – Deloitte LLP
UK – Deloitte LLP

Legal Counsel

LaBarge Weinstein Professional Corporation
Ottawa, Ontario

Transfer Agent
Computershare Trust Company of Canada

Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

Mark Kempton
Operations Director

George Guo
Sales & Marketing Director

Bill McGhie
Power Electronic Assemblies Business Manager

Andy Dai
Technology Director

Dynex Locations

Dynex Power Inc.
Doddington Road
Lincoln, LN6 3LF
England

Telephone +44 1522 500500
Fax +44 1522 500660

Dynex Semiconductor Limited
Doddington Road
Lincoln, LN6 3LF
England

Telephone +44 1522 500500
Fax +44 1522 500660

Registered Office

Dynex Power Inc.
C/o LaBarge Weinstein
515 Legget Drive, Suite 800
Kanata
Ontario
K2K 3G4