DYNEX POWER INC.

ANNUAL REPORT 2014

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.

Table of Contents

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
- 352 employees (December 2014)
- 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

After fighting through more than five years of European economic uncertainty, Dynex entered 2014 with a strong order book and more optimism about the market situation. We had the expectation of increased revenue and a return to profitability. The year largely proceeded as expected. Indeed there was much improvement, significantly in the performance of the Power Assembly and the IGBT product sectors that together show growth in Sterling of 18% year on year. However, in our bipolar group a major cancellation and customer product return at the end of the year completely overshadowed our financial results. As a consequence, whereas we would have been reporting significant revenue growth and a small net profit, reflecting the year on year improvement from a net loss in the preceding year of \$2.4 million, we now report a significant net loss of \$5.5 million.

Dynex first became aware of a potential problem when the customer reported an applications test failure with Dynex components late in November 2014. The components had been thoroughly tested prior to delivery and deliveries had taken place from the third quarter of 2013 through until the fourth quarter of 2014. Although technical solutions were sought by both Dynex and the customer working together, the customer was unable to accommodate such solutions and invoked their right to cancel the supply contract and have the components removed from the application.

The cancellation of the contract resulted in a reduction in revenue of nearly \$5 million and the loss of profit, an inventory provision and a provision for additional costs reduced net profit by approximately \$5.6 million. Although the costs associated with this event are all included in the 2014 financial accounts, there is also an adverse impact on 2015. The cancellation included a major portion of the order book for 2015. It will also have an effect on our cash flow as repayments will be made to the customer during 2015 and also Dynex will be required to rework some products which will take up some production capacity. These consequences will weaken our revenue and our profitability through the year.

Despite this major problem, Dynex has maintained its strong relationship with the affected customer. Dynex continues to trade with them, providing both product and services, into an important and growing market sector.

Throughout 2014, CSR Times Electric continued to provide tangible support to the Company. They provided a \$5.5 million loan, enabling Dynex to purchase new IGBT manufacturing equipment that is now providing better process control capability and increased capacity. They also signed a new three year R&D contract with Dynex to provide continuing support to its R&D activities, and a Technical Support Agreement that will provide Dynex with a continuing revenue stream.

The R&D Centre will continue to concentrate on developing new products and technologies to meet the growing demand for power semiconductor products both in China and the rest of the world. In addition, a new R&D engineering team was introduced to develop power assemblies for use in passenger electric and hybrid electric vehicles.

In order to reduce the cost of the R&D centre for Dynex, and to allow us to gain maximum leverage from the CSR Times Electric funding, we successfully secured \$1.8 million support from the UK Government's Regional Growth Fund. A portion of this grant was taken in 2014. For the year, net expenditure on research and development was significantly reduced, even though the R&D activity expanded, reflecting the success of management in obtaining grants and support from government agencies and CSR Times Electric for the research and development work being carried out.

Management very much regret the adverse impact of the order cancellation on 2014 results, and the consequential effect on 2015. Other than that, performance was much improved over the previous year. Today we are in the process of strengthening our production and quality management functions, improving efficiency, and in planning to expand and further develop our IGBT and Power Assembly product groups, whilst sustaining our bipolar activities.

In terms of performance outlook, we are not planning revenue growth in 2015, although we have that capacity, and our profitability will be adversely affected by the cancellation and the consequential loss of revenue. Our prime focus will be to recover from the impact of the bipolar cancellation and product return, work hard to reduce our production costs, and set the business onto a stronger foundation for the future.

PDTaylor

Paul Taylor
President and Chief Executive Officer
April 27th, 2015

Review of Operations

Power Semiconductors

Dynex designs and manufactures high power semiconductors for customers around the globe including the European, US and the rapidly growing Far Eastern markets. The Power Semiconductor operation is located in Lincoln, England and is comprised of two main product groups: the Bipolar Discrete product group and the IGBT Modules product group. This manufacturing operation produces a range of high power Module and Bipolar discrete products that include insulated gate bipolar transistor (IGBT) and diode modules, IGBT / FRD die, fast diodes, fast thyristors, gate turn off thyristors, rectifier diodes, phase control thyristors and transistors. Representing 69% of the company's business in 2014, the sales of power semiconductors generated revenues of $28.8 million thus delivering a 5% increase over the previous year.

The primary focus for Dynex Bipolar products is in high power applications such as power generation, transmission and distribution, power quality management, rail traction and industrial drives. Sales of Bipolar discrete products in 2014 were $18.4 million, a reduction of 4% on 2013. While it remains the largest of the Dynex product groups accounting for 44% of company revenue, its percentage share of total company sales is down from 49% due to the growth in Module and Power Assembly business. Bipolar sales were set to deliver a strong result and show good growth over recent years until the contract cancellation and product return announced in a press release on 12th February 2015 were accounted for.

The Bipolar group prides itself on providing a high level of technical support to its customers and responding positively to any technical opportunity for new product developments or unique custom designs. We continue to manufacture a range of established and mature products such as GTOs alongside our newer i^2 thyristor technology and the strategy of supporting new and old designs by retaining a broad product base enabled sales of a wide variety of products to our worldwide customers during 2014.

The Module group manufactures a range of high power IGBT and diode modules as well as a range of compatible high voltage IGBT and FRD die. It is the second largest of Dynex product groups delivering sales of $10.4 million, an increase of 27% over 2013. During 2014, the power module group generated sales representing 25% of Dynex overall business revenue. Typical applications for these modules are railway equipment, high power motor drives and power electronic management systems. A significant growth area for the module group in 2014 has been in the sales of custom modules. Dynex R&D and manufacturing groups have worked closely with customers to design and manufacture customer specific modules that provide us with the opportunity to operate in niche markets in which some of our competitors choose not to participate. This custom module capability and the continued focus from R&D on the development of high voltage IGBT and FRD products at voltages of 3.3KV, 4.5KV and 6.5KV provide the group with a strong platform for future growth.

As we enter 2015, efforts are being focused on a number of important areas namely: development of new leading edge high voltage, high performance products with a reduction in the time taken to get them to market; and leaner and improved efficiencies in the manufacturing processes as well as in the supply chain. The market place remains very competitive so every action will be taken to reduce manufacturing costs, improve lead time and maintain on time delivery at a high rate. We also expect to build upon the strong foundation we have with our colleagues in the Semiconductor Business Unit at CSR Times Electric and look forward to further strengthening that partnership to capitalise on business opportunities that are mutually beneficial to both companies.

Power Assemblies

The Power Assemblies sector of the Dynex business has continued to flourish with a highest ever revenue of $10 million in 2014. This constitutes 23% of the Dynex total revenue for the year. The group has continued to concentrate on power quality products, with growth in SVC and VSC products.

The diversification into highly rated power supply products and test equipment has increased the breadth of our engineering talent in the business enabling us to bid for more complicated power management systems.

The order book going into 2015 is strong and we should see another year of sales in the order of the 2014 level. There are a number of new opportunities which we expect to land towards the end of the year which will continue to support the group into 2016.

The additional prospect of new railway traction opportunities and the ambition to support CSR product sales into Europe should realise revenue which will start in 2015 and grow strongly in subsequent years.

Integrated Circuits

As forecast, sales of Integrated Circuits fell in 2014 and accounted for approximately 2% of Group revenue. Management is in the process of closing this part of the business and last time buy notices are being sent to customers. This may generate a small amount of revenue in 2015 but thereafter this product will no longer be available.

Research and Development

During 2014, 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.

This year we expanded our R&D operations: a new team was set up for automotive power assemblies' research and development, we increased our project management resource, and the team for power semiconductor R&D 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 increased its attendance in key power electronics workshops, seminars and conferences in Europe and China to ensure continued professional development of our workforce as well as seeking and recruiting the best staff from the UK, Europe and China.

In the past year, the R&D Centre has collaborated successfully with CSR Times Electric: key projects included the development of trench gate IGBT process and 1700V trench dies, 1,200A/4,500V and 750A/6,500V high voltage IGBT dies and modules, 1,700V SPT+ planar dies and modules, 4,500V press pack IGBT dies, new generation 1,500V/3,300V modules, 650V and 1,200V EV modules and technical support for the construction and operation of 8-inch IGBT fabrication facility in Zhuzhou, China.

The initial design and simulation of the trench gate IGBT was finished in April. Modifications and optimisations were made several times, and trials and research were completed on the trench etching process. Ideal profiles have been achieved and the process has been finalised. Good switching performance was obtained on 1,700V samples.

4,500V and 6,500V IGBT chips have completed development; the 1,200A 4,500V module completed qualification, and was released to the market.

150A/1,700V SPT+ planar-gate IGBT chip was developed, with performance as good as other similar products from the world competitors. These chips were used in 1,600A/1,700V modules which are now successfully applied on Kunming Metro in China.

More than ten new package types of 650V, 1,200V and 1,700V modules completed development, prototypes were built and tests completed. We have developed not only the modules but also processes such as ultrasonic welding, pre-form reflow, soldering layer uniformity control, etc. A fundamental process platform for low-voltage module was built.

A new generation high-voltage IGBT module development was started in 2014. Certain advanced technologies will be applied in this new generation module including rectangular die, packaging structure with insert sliders, low-inductance busbars, backside baseplate mounting and a new soldering process. The performance and reliability of the new modules will be further improved after the development work is finished.

The design and process research for EV/HEV modules was completed. Pin-fin copper baseplate and a multi-laminate shell were firstly investigated and then applied in this project. 800A/650V and 1,200V module prototypes have been built and tested, and samples were delivered to the customer awaiting trials on vehicles.

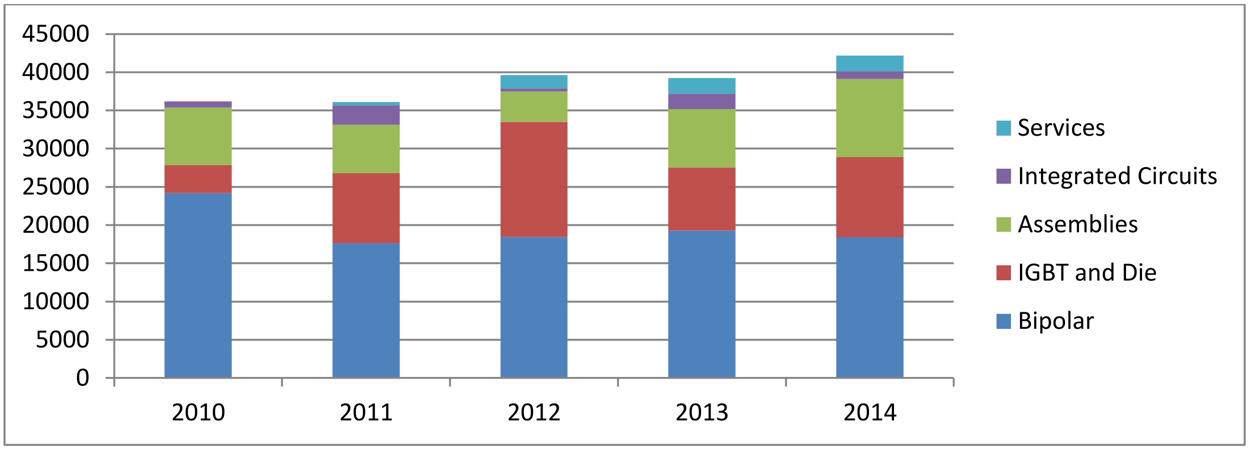
We revised the design of wafer and mask for 3.3kV and 4.5kV asymmetric thyristors, and finished two types of bypass asymmetric thyristor. The 3,300V thyristor has passed 9kV/us dv/dt test which is requested by the customer. A 10kV diode has been developed, and the characterisation and technical specifications have been completed.

We have completed an investigation of the market requirements of EV/HEV inverter/converter, the main market participants, as well as reviewing potential competition and collaboration with them. Additionally, we analysed the current status and future development of an EV/HEV motor controller. The roadmap of future technologies and products for EV/HEV Power

Assemblies was drawn up. Technical communications with certain automotive OEMs were completed, initiating collaborations with them. The first round development of two types of EV inverter has been completed and prototype build is on-going. A complete laboratory from module level to drive system level for EV application has been planned and is under construction. It can conduct Hardware-in-Loop(HiL) simulation, test in both signal level and power stage, and conduct both function test and reliability tests.

In 2015, 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.

Revenue by product



Sales and Distribution

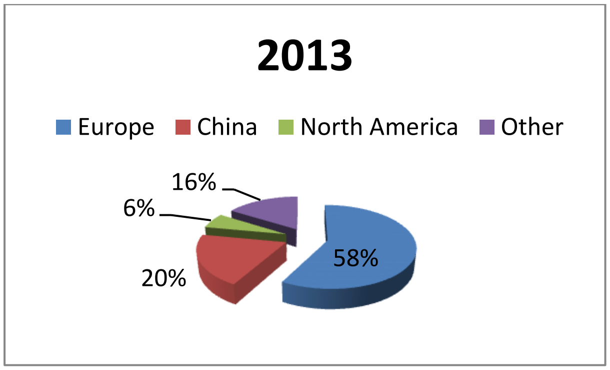
Revenue increased from $39.2 million in 2013 to $42.2 million in 2014.

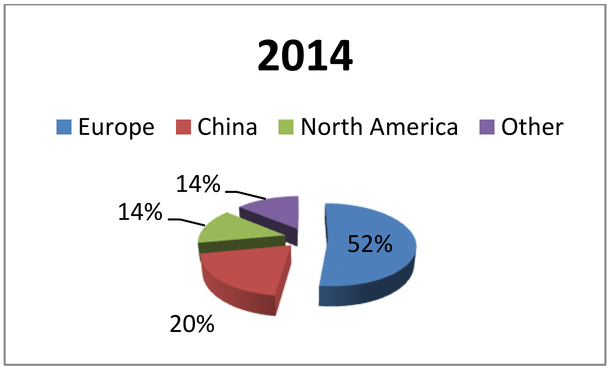
Power assembly revenue and IGBT and die revenue both grew significantly compared to 2013, whilst bipolar revenue and service revenue remained at the same levels as recorded in 2013. As expected, revenue for integrated circuits fell substantially.

Zhuzhou CSR Times Electric remains one of our two major customers and the top two customers accounted for 38% of total revenue.

Looking forward to 2015, IGBT and die revenue is expected to grow significantly whilst bipolar, assembly, integrated circuit and service revenue is expected to be at similar levels to 2014.

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, 2014.

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 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 2014	C$1.7989
Average rate October to December 2013	C$1.7081
Average rate January to December 2014	C$1.8162
Average rate January to December 2013	C$1.6151
Rate at December 31st, 2014	C$1.8060
Rate at December 31st, 2013	C$1.7620

As illustrated, the Canadian Dollar rate against Sterling for the fourth quarter of 2014 was slightly weaker than the rate in the corresponding quarter of 2013 and the average rate for the whole of 2014 was significantly weaker than the rate in 2013. Consequently, exchange rate movements had an impact on reported revenue and expenditure in the quarter and a significant impact on the reported revenue or expenditure for the year.

The Canadian Dollar was approximately 2% weaker against Sterling at December 31st, 2014 compared to the rate at December 31st, 2013.

Cancellation of a Sales Contract

In late November 2014, a customer reported a problem in equipment undergoing application tests that contained Dynex components. Following further investigation, the customer issued a notice in late December 2014 giving Dynex 90 days to resolve the issue. The component being supplied had been thoroughly tested prior to delivery and deliveries had taken place from the third quarter of 2013 through until the fourth quarter of 2014. Dynex engineers were confident that a technical solution of the application problem could be found. However, in early January 2015, the customer contacted Dynex to invoke their right to cancel the supply contract and have the components removed from the application.

In addition to the impact on the 2014 results, the customer has also cancelled a related contract that had already been placed for deliveries in 2015.

In the press release accompanying the third quarter results, the Company had indicated that it expected revenue to increase significantly in the fourth quarter and the business to return to profitability. Prior to accounting for this contract cancellation, that had indeed been the case with record quarterly revenues and a strong profit for the quarter.

The cancellation of the contract resulted in a reduction in revenue in the quarter of nearly $5 million and the loss of profit, inventory provision and provision for additional costs that the Company will have to bear will reduce net profit for the quarter by approximately $5.6 million.

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 reduction in revenue over the figure for the corresponding quarter of the preceding year and a loss of $4.1 million compared to a small gross profit of $146,000 in the corresponding quarter of the previous year. The decline in revenue and the gross loss were as a result of accounting for the cancelled contract referred to above. Without the contract cancellation revenue would have risen by 17% and a gross profit of $2.8 million would have been reported. As a result of the contract cancellation, the Company recorded a net loss of $4.5 million for the fourth quarter of 2014 compared to a net loss of $993,000 in the corresponding quarter of the preceding year. Without the contract cancellation referred to above, net profit would have been $1.1 million in the fourth quarter of 2014.

Revenue for the year was $42.2 million, 7% higher than in the preceding year. A gross loss, equivalent to 1% of revenue, compared to a 5% gross profit margin in the preceding year. Without the contract cancellation referred to above, the gross profit percentage in 2014 would have been approximately 13.7%. The net loss for the year was $5.5 million compared to a net loss in the preceding year of $2.4 million. Without the contract cancellation referred to above, a small net profit would have been reported in 2014.

The Company's bookings to billings ratio for the year of 0.8 was lower than the 1.2 achieved in the preceding year. The bookings to billings ratio was significantly affected by the cancellation of the contract for deliveries in 2015 referred to above.

Revenue

Revenue for the fourth quarter of 2014 was $10.1 million, $2.8 million or 21% lower than in the corresponding quarter of last year. The decrease was a result of the contract cancellation referred to above.

For the year, revenue of $42.2 million was $2.9 million or 7% higher than in the preceding year. The increase was a result of the weakening of the Canadian Dollar against Sterling. In Sterling terms revenue had fallen by approximately 4%. The decrease was a result of the contract cancellation referred to above. For the year, there was a significant increase in revenue from modules and power assemblies and a smaller increase in services but these increases were partially offset by the reduction in integrated circuit revenues and a small decline in bipolar revenues.

Gross Margin

The Group reported a gross loss of $4.1 million in the fourth quarter, equivalent to 40% of revenue. The contract cancellation referred to above resulted in a loss of revenue of $5.0 million and gross loss of $6.9 million. Without that cancellation a gross profit of $2.8 million or approximately 18.7% of revenue would have been reported. At this level, the gross margin would still have been slightly below what management would normally expect reflecting the very competitive market currently being faced, but it would have been a significant improvement over recent quarters.

For the year, a gross loss of $441,000 was reported, equivalent to 1% of revenue. Without the contract cancellation referred to above, a gross profit of $6.5 million, equivalent to 13.7% of revenue would have been reported compared to 5.0% in the previous year. This is below the range of gross profit that management normally expects and reflects the very competitive market in which the Group is competing.

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 12.6% of revenue in the fourth quarter of 2014 compared to 7.6% in the corresponding quarter of last year. Without the contract cancellation referred to above, these costs would have been 8.4% of revenue. The increase represented an increase in expenditure in these areas in anticipation of further growth next year.

For the year such expenses were 11.8% compared to 9.5% in the previous year. Without the contract cancellation referred to above, these costs would have been 10.6% of revenue. The increase represented an increase in expenditure in these areas in anticipation of further growth next year.

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.

In the fourth quarter of the year, the Group recorded a net surplus from research and development activities as certain grants were released to Comprehensive Income. This compared with a net cost in the corresponding quarter of last year of $380,000.

For the year, net expenditure on research and development was $98,000 compared to $1.3 million in the preceding year. The figure for the current year reflected the success of management in obtaining grants and support from CSR Times Electric and government agencies for the research and development work being carried out.

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 15.2% of revenue in the year compared to 13.2% of revenue in the preceding year. The figure for the current year would have been 13.6% before the contract cancellation referred to above. 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 $195,000 in the fourth quarter of 2014, $59,000 or 43% 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 $726,000 for the year, $211,000 or 41% 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.

Loss before Tax

The Company recorded a loss before tax of $5.2 million in the fourth quarter of 2014 as a result of the contract cancellation referred to above. Without that contract cancellation, a profit before tax of $1.7 million would have been reported. A loss before tax of $1.3 million had been reported in the corresponding quarter of last year.

For the year, there was a loss before tax of $6.5 million. This was as a result of the contract cancellation referred to above. Without that contract cancellation, a small profit before tax would have been reported. A loss before tax of $3.4 million had been recorded in the previous year.

Tax Release

The Company had a tax release of $734,000 in the fourth quarter, equivalent to 14% of the loss before tax. The Company had been able to release $330,000, equivalent to 25% of the loss in the corresponding quarter of the preceding year.

For the year, a tax release of $970,000 equivalent to 15% of the loss before tax was recorded compared to a tax release of $984,000, equivalent to 29% of the loss before tax in the preceding year. The lower level of tax release reflects additional tax expenses following a change in the way tax incentives for research and development are recorded.

Net Loss

The Group reported a net loss of $4.5 million in the fourth quarter of 2014 compared to a net loss of $993,000 in the corresponding quarter of last year. Without the contract cancellation referred to above, net profit for the quarter would have been $1.2 million.

For the year, the Group reported a net loss of $5.5 million compared to a net loss of $2.4 million in the preceding year. The loss reflects the contract cancellation referred to above. Without that contract cancellation, the Group would have reported a small net profit.

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 non-current assets increased from $36.2 million at the end of 2013 to stand at $41.1 million at the end of 2014. The increase reflected investment in process equipment purchased to improve product quality.

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 2014, working capital stood at $7.6 million compared to $17.7 million at the end of 2013. Approximately 80% of the reduction was a result of advance payments received from CSR Times Electric under R&D and Technical Support Agreements.

Net Debt

At the end of 2014, the Group had net debt (borrowings less cash) of $16.3 million. At the end of 2013, it had net debt of $16.8 million.

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

Equity

Equity reduced by $4.7 million since the end of the preceding year. The reduction resulted from the net loss of $5.5 million partially offset by an exchange difference on translation of the UK subsidiary of $883,000.

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 2014, the Group had a gearing ratio of 50.2%. At the end of the preceding year, the Group had a gearing ratio of 45.4%. Management does not regard this level of gearing as excessive although in the medium to long term management intends to reduce it.

Borrowing Facilities

In previous years, the Group sought to have committed facilities sufficient to meet its expected financing needs for the next two years. However, the Group now uses uncommitted facilities which are cheaper and more flexible than committed facilities. Management believes these facilities are unlikely to be withdrawn by the bank providing them in view of the bank's relationship with CSR Times Electric. The Group had cash balances of $895,000 at the year end.

Cash Flow

There was an inflow of $10.5 million from operating activities in the year. The loss before tax of $6.5 million was more than offset by a $4.9 million inventory provision, a $1.6m increase in provisions and a depreciation charge of $4.4 million. There were cash inflows during the year from a $7.8 million increase in other payments and accruals, mainly relating to advance payments from CSR Times Electric under R&D and Technical Support Agreements, and a reduction in accounts receivable of $4.7 million partially offset by an increase in gross inventories of $6.8 million.

In the year, $8.6 million has been invested in non-current assets.

The net inflow from operating activities and the investment in intangible assets and property, plant and equipment were used to cover interest expenses and enabled the Group to report a small reduction in debt and a small increase in cash balances.

Commitments

The Group has capital commitments at the year end of $1.7 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

	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2013 Q4	2013 Q3	2013 Q2	2013 Q1	2014 FY	2013 FY	2012 FY
Revenue	10,128	10,410	10,178	11,450	12,875	9,523	9,959	6,877	42,166	39,234	39,615
Gross profit/(loss)	(4,066)	1,174	1,435	1,017	146	114	1,934	(249)	(441)	1,945	6,732
Gross profit %	(40.1%)	11.3%	14.1%	8.8%	1.1%	1.2%	19.4%	(3.6%)	(1.0%)	5.0%	17.0%
Gross R&D %	14.5%	15.5%	16.8%	14.1%	11.3%	14.3%	12.0%	17.2%	15.2%	13.2%	10.6%
Profit/(loss) before tax	(5,237)	(261)	(387)	(634)	(1,324)	(1,274)	608	(1,404)	(6,518)	(3,394)	1,233
Net profit/(loss)	(4,502)	(222)	(308)	(516)	(993)	(840)	527	(1,103)	(5,548)	(2,410)	1,066
Earnings per Share											
Basic	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.07)	(0.03)	0.01
Diluted	(0.06)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	0.01	(0.01)	(0.07)	(0.03)	0.01
Non-current assets	41,078	41,212	40,345	38,089	36,160	33,741	33,072	31,686	41,078	36,160	33,706
Working capital	7,565	15,687	12,233	16,778	17,724	16,965	14,810	14,273	7,565	17,724	12,428
Net debt	16,260	19,908	15,125	16,908	16,836	14,907	12,470	12,311	16,260	16,836	9,854
Equity	32,383	36,991	37,453	38,059	37,048	35,799	35,412	33,648	32,383	37,048	36,283
Dividends	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 2013 and 2014 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 2012, 2013 and 2014 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 declined by approximately 1% between 2012 and 2013 but grew by 7.5% between 2013 and 2014. 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 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 loss in 2014 reflected the contract cancellation referred to above. Without that contract cancellation, gross profit would have been at a similar level to that seen in 2012. 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 a major inventory write off and provisions against work in progress. The gross profit percentage had been recovering in 2014 until the fourth quarter when the contract cancellation referred to above resulted in a large gross loss.

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 annual 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.

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

Working capital levels in 2012 tended to be equivalent to between three and four months revenue In 2013 and 2014 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 dropped significantly in the fourth quarter of 2014. The reduction was mainly as a result of the contract cancellation referred to above.

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. 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. 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 2014 the carrying amount of non-current assets was $41.1 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, 2014 the provision against inventories was $10.5 million and the carrying amount of inventories was $14.4 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, 2014 the provision was $173,000 and the carrying amount of trade receivables was $9.0 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, 2014 the carrying value of provisions was $1.9 million.

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, 2014, 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 $825,000 in grants during the year from the European Union and the UK Government to assist in its research and development activities and grants of $6,000 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 2014, the Group sold $1.7 million of goods and $733,000 of services to CSR Times Electric, received a contribution towards research and development of $1.6 million, purchased materials and components from them for $779,000 and paid $102,000 in interest on a loan. The Group also sold $1.3 million of goods to a fellow subsidiary of CSR Times Electric, paid $12,000 in interest on a loan from another fellow subsidiary of CSR Times Electric and provided $252,000 of services to a parent company of CSR Times Electric.

During the year, the Group sold $6.2 million of goods and $1.7 million of services to CSR Times Electric, received a contribution towards research and development of $5.5 million, purchased materials and components from them for $3.1 million and paid $247,000 in interest on a loan. The Group also paid $265,000 of expenses on behalf of CSR Times Electric, which were subsequently reimbursed by them. The Group also sold $2.7 million of goods to a fellow subsidiary of CSR Times Electric, paid $39,000 in interest on a loan from another fellow subsidiary of CSR Times Electric and provided $252,000 of services to a parent company of CSR Times Electric.

At December 31st, 2014 the Group was owed $2.8 million for goods and services sold to CSR Times Electric and owed them $668,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $6.9 million towards future research and development expenditure and for technical support for the operation of an 8-inch wafer fabrication facility in China which is reported as part of other payables and accruals. The Group was also owed $1.3 million by a fellow subsidiary which is reported under trade receivables.

At the end of the year, the Group had a loan of $5.8 million from CSR Times Electric and a loan of $1.2 million from a fellow subsidiary of CSR Times Electric.

The Group paid $1.1 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 $17,000 and during the year for $79,000. At December 31st, 2014, $11,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Subsequent Events

In January 2015, the Group received notification that a customer was invoking their right to cancel a contract under which the Group had delivered products between the third quarter of 2013 and the fourth quarter of 2014. The Group has adjusted the financial statements for 2014 to take account of the contract cancellation and related costs.

In March 2015, the Group replaced its $5.4 million committed term loan and $5.4 million overdraft facility with a $9.0 million uncommitted money market facility and $1.8 million overdraft facility. The new facilities offer cheaper financing and greater flexibility. The new facilities are supported by CSR Times Electric.

Outlook

Revenue from bipolar discrete products decreased significantly in the fourth quarter of 2014 as a result of the contract cancellation referred to above. It is forecast to return to a more normal level in the first quarter of 2015. Overall, revenue for bipolar discrete devices is forecast to be slightly higher in 2015 than it was in 2014.

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.

Revenue from IGBT modules and die improved substantially in the fourth quarter of 2014. Revenue from IGBT modules and die is forecast to decline in the first quarter of 2015 but to be substantially higher in 2015 than they were in 2014.

Revenue from power assemblies reached an all time record in the fourth quarter of 2014. It is expected to decline substantially in the first quarter of 2015. It is expected to show a small overall decline in 2015 compared to 2014.

Management expects earnings from supplying advice and assistance to CSR Times Electric in each quarter of 2015 to remain similar or slightly below that reported in the fourth quarter of 2014.

Sales of the Group's integrated circuit products declined in 2014 and the Group has announced a last time buy for the remaining stock of such parts, after which the product will no longer be available.

The Group acts as a distributor for CSR Times Electric power semiconductor products outside of China and North America. Sales of such products were at a similar level in 2014 to that reported in 2013. Significant growth in revenue is expected in 2015.

At the end of December 2014, the order book stood at $14.0 million, some $13.9 million or 50% lower than at the end of 2013.

Revenue in the fourth quarter of 2014 was $10.1 million. This was a similar level to the first three quarters of 2014 despite the contract cancellation referred to above. Quarterly revenue is expected to be lower than this in the first quarter of 2015 but to recover in the second quarter. The outlook for the third and fourth quarters is currently less certain.

The Group reported a quarterly loss after tax in the fourth quarter of 2014 of $4.5 million and for the year of $5.5 million. The net result in the first quarter of 2015 should be much better although a loss is expected for the quarter. The Group is forecast to be at or close to break even for the year as a whole with a return to profitability in 2016.

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 27th, 2015

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
PDTaylor	Bob Lockwood
April 27th, 2015	April 27th, 2015

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. 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, 2014.

Paul Taylor President & Chief Executive Officer	Bob Lockwood Vice President & Chief Financial Officer
PDTaylor	Bob Lockwood
April 27th, 2015	April 27th, 2015

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, 2014 and 2013, 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, 2014, and 2013 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, 2015
Ottawa, Ontario.

DYNEX POWER INC.
Consolidated Statement of Comprehensive Income in Canadian Dollars
Year Ended December 31st, 2014

	Note	**2014**	2013
		$	$
Revenue	6,7	**42,166,004**	39,233,990
Cost of Sales		**(42,607,212)**	(37,288,693)
Gross Profit		**(441,208)**	1,945,297
Other income	7	**133,146**	72,003
Sales and maarketing expenses		**(1,208,148)**	(920,737)
Administration expenses		**(3,778,654)**	(2,798,394)
Research and development expenses	10	**(97,598)**	(1,293,518)
Finance costs	8	**(726,127)**	(515,515)
Other (losses) and gains	9	**(399,303)**	116,893
Loss before tax	10	**(6,517,892)**	(3,393,971)
Income tax recovery	11	**970,075**	984,227
Net loss		**(5,547,817)**	(2,409,744)
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)		**882,823**	3,175,197
Total Comprehensive (Loss)/ Income for the year		**(4,664,994)**	765,453
Loss per share			
Basic	12	**(0.07)**	(0.03)
Diluted	12	**(0.07)**	(0.03)

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 26 to 57.

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars
Year Ended December 31st, 2014

	Note	**2014**	2013
		$	$
NON-CURRENT ASSETS			
Intangible assets	13	**1,150,380**	671,297
Property, plant and equipment	14	**39,883,946**	35,489,047
Derivative financial instruments	15	**43,624**	-
Total non-current assets		**41,077,950**	36,160,344
CURRENT ASSETS			
Inventories	16	**14,428,876**	12,285,323
Trade receivables	17	**9,048,235**	10,239,680
Amounts owing from parent companies	30	**2,764,112**	2,487,898
Prepayments, deposits and other receivables	18	**1,096,467**	589,109
Tax recoverable		**2,965**	139,320
Cash		**894,609**	775,071
Total current assets		**28,235,264**	26,516,401
CURRENT LIABILITIES			
Trade payables		**7,073,578**	2,788,598
Amounts owing to parent company	30	**667,817**	1,504,288
Other payables and accruals	19	**10,156,373**	2,384,332
Borrowings	20	**4,171,108**	10,450,622
Provisions	22	**1,824,060**	17,620
Total current liabilities		**23,892,936**	17,145,460

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars (continued)
Year Ended December 31st, 2014

	Note	**2014** $	2013 $
NON-CURRENT LIABILITIES			
Borrowings	20	**12,983,135**	7,160,584
Provisions	22	**54,180**	236,970
Derivative financial instruments	15	**-**	23,288
Deferred tax liabilities	23	**-**	1,062,486
Total non-current liabilities		**13,037,315**	8,483,328
NET ASSETS		**32,382,963**	37,047,957
EQUITY			
Share capital	24	**37,096,192**	37,096,192
Accumulated deficit		**(7,416,640)**	(1,868,823)
Foreign currency translation reserve		**2,703,411**	1,820,588
TOTAL EQUITY		**32,382,963**	37,047,957

These financial statements should be read in conjunction with the notes set out on pages 26 to 57.

PDTaylor

Bob Lockwood

Paul Taylor
Director
April 27th, 2015

Bob Lockwood
Director
April 27th, 2015

DYNEX POWER INC.
Consolidated Statement of Changes in Equity in Canadian Dollars
Year Ended December 31st, 2014

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2013	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
Total comprehensive loss for the year	-	(5,547,817)	882,823	(4,664,994)
At December 31st, 2014	**37,096,192**	**(7,416,640)**	**2,703,411**	**32,382,963**

These financial statements should be read in conjunction with the notes set out on pages 26 to 57.

DYNEX POWER INC.
Consolidated Statement of Cash Flows in Canadian Dollars
Year Ended December 31st, 2014

	Note	2014 $	2013 $
CASH FLOW FROM OPERATING ACTIVITIES			
Loss before tax		**(6,517,892)**	(3,393,971)
Finance costs recognised in loss before tax		**726,127**	515,515
Investment income recognised in loss before tax		**(2,444)**	(174)
Amortization of intangible assets	13	**120,546**	12,361
Depreciation of property, plant and equipment	14	**4,380,245**	3,515,541
Loss on disposal of property, plant and equipment		**5,710**	19,955
Provision for slow moving and obsolete inventory		**4,903,255**	947,311
Non cash movement in provisions		**35,705**	(51,258)
Movements in working capital	27	**6,787,902**	(3,640,327)
Income taxes received/(paid)		**23,402**	(3,919)
Net cash generated/(used) by operating activities		**10,462,556**	(2,078,966)
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets and property, plant & equipment		**(8,635,658)**	(2,872,469)
Interest received		**2,444**	174
Net cash used in investing activities		**(8,633,214)**	(2,872,295)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**10,950,723**	10,965,878
Repayments of borrowings		**(11,934,564)**	(6,901,437)
Interest paid		**(689,889)**	(379,640)
Payments for other finance costs		**(40,824)**	(96,833)
Net cash (used)/generated by financing activities		**(1,714,554)**	3,587,968
NET INCREASE/(DECREASE) IN CASH		**114,788**	(1,363,293)
Cash at beginning of year		**775,071**	2,206,430
Effect of foreign currency translation on cash		**4,750**	(68,066)
CASH AT END OF YEAR		**894,609**	775,071

All operating cash flows derive from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 26 to 57.

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, 2014 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:

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.

3. CHANGES IN ACCOUNTING POLICIES (continued)

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

IAS 32 amendments have to be applied retrospectively for periods beginning on or after January 1, 2014. The amendment did not have a material impact on the Company's consolidated financial statements.

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.

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 has been applied for annual periods beginning on January 1, 2014. The interpretation did not have a material impact on the Company's consolidated financial statements.

IAS 36 Impairment of Assets

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 has been applied retrospectively for annual periods beginning on January 1, 2014. The amendment did not have a material impact on the Company's consolidated financial statements.

The following statements will be implemented in the future:

IFRS 9 Financial Instruments

IFRS 9 was issued by the International Accounting Standards Board ("IASB") in November 2009 and October 2010 and will replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Two measurement categories continue to exist to account for financial liabilities in IFRS 9, fair value through profit or loss ("FVTPL") and amortized cost. Financial liabilities held-for-trading are measured at FVTPL, and all other financial liabilities are measured at amortized cost unless the fair value option is applied. The treatment of embedded derivatives under the new standard is consistent with IAS 39 and is applied to financial liabilities and non-derivative costs not within the scope of the standard. 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 completed This IFRS, which is to be applied retrospectively, is effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.
.
IFRS 15: Revenue from Contracts with Customers

Issued in May 2014, IFRS 15 establishes principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows

3. CHANGES IN ACCOUNTING POLICIES (continued)

IFRS 15: Revenue from Contracts with Customers(continued)

arising from a contract with a customer. The main principle of this standard is that an entity shall recognize revenue to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Adoption of this IFRS is mandatory for annual reporting periods beginning on or after January 1, 2018, with earlier adoption permitted. The Company is in the process of assessing the impact of this standard on its financial statements.

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 foreign currency translation reserve.

Revenue recognition

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

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible Assets (continued)

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 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

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 intangible assets or 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.

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key Judgements (continued)

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 assemblies.

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.

Details of the estimated useful lives are provided in Note 4. At December 31st, 2014 the carrying amount of intangible assets and property, plant and equipment was $41,034,326 (2013 - $36,160,344).

The Company's management reviews intangible assets and property, plant and equipment for evidence of impairment. At December 31st, 2014 management determined that no impairment indications were identified relating to intangible assets or property, plant and equipment.

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, 2014 the carrying amount of inventories was $14,428,876 (2013 - $12,285,323) and the provision for slow-moving and obsolete items of inventory was $10,480,576 (2013 - $5,434,626).

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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, 2014 the carrying amount of trade receivables was $9,048,235 (2013 - $10,239,680) and the provision for impairment of trade receivables was $173,447 (2013 - $197,760).

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, 2014 the carrying value of provisions was $1,878,240 (2013 - $254,590). 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.

Revenue by geographic area

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

Canada	**2,943,251**	147,570
United Kingdom	**8,237,454**	12,432,494
China	**8,319,828**	8,009,265
France	**4,630,138**	4,611,628
Other(None > 10%)	**18,035,333**	14,033,033
	42,166,004	39,233,990

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, 2014 the Group had two customers accounting for more than 10% of revenue, generating $10,862,011 (CSR Times Electric) and $5,246,355 respectively (2013 – two customers accounting for more than 10% of revenue, generating $10,806,779 and $9,919,180 (CSR Times Electric) respectively).

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.

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

	2014	2013
Revenue:	**$**	$
Sale of goods	**40,119,349**	37,195,802
Rendering of services	**2,046,655**	2,038,188
	42,166,004	39,233,990
Other Income:		
Sale of scrap materials	**108,447**	63,283
Bank interest income	**301**	175
Other interest income	**2,143**	-
Government grants	**5,761**	5,123
Other income	**16,494**	3,422
	133,146	72,003

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2014	2013
	$	$
Interest on bank borrowings	**389,870**	354,420
Interest on other borrowings	**286,500**	45,058
Interest on finance leases	**8,932**	19,203
Other finance costs	**40,825**	96,834
	726,127	515,515

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

9. OTHER LOSSES AND GAINS

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

	2014	2013
	$	$
Foreign exchange (loss)/gain	**(393,593)**	136,848
Loss on disposal of property, plant and equipment	**(5,708)**	(19,955)
	(399,301)	116,893

10. LOSS BEFORE TAX

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

	2014	2013
	$	$
Cost of inventories sold	**40,560,556**	35,250,505
Staff costs (including director's remuneration):		
Wages and salaries	**17,588,870**	14,170,873
Other benefits	**939,382**	593,812
Minimum lease payments for plant and machinery under operating leases	**268,013**	348,652
Foreign exchange differences (net)	**393,593**	(136,846)
Amortization of intangible assets	**120,546**	12,361
Depreciation of items of property, plant and equipment:		
Manufacturing	**3,726,005**	3,053,035
Other	**654,240**	462,506
Research and development expenses (before government grants and contribution from CSR Times Electric)	**6,414,436**	5,187,803
Contribution from CSR Times Electric	**(5,491,830)**	(3,790,539)
Government grants:		
Research and development	**(825,008)**	(103,746)
Property plant and equipment	**(5,761)**	(5,123)
Provision for obsolete inventories	**4,903,255**	947,311

In late November 2014, a customer reported a problem in equipment undergoing application tests that contained Dynex components. Following further investigation, the customer issued a notice in late December 2014 giving Dynex 90 days to resolve the issue. The component being supplied had been thoroughly tested prior to delivery and deliveries had taken place from the third quarter of 2013 through until the fourth quarter of 2014. Dynex engineers were confident that a technical solution of the application problem could be found. However, in January 2015, the customer contacted Dynex to invoke their right to cancel the supply contract and have the components removed from the application.

The cancellation of the contract resulted in a reduction in revenue of nearly $5 million and a provision for additional costs of $1.8 million. After taking a tax credit of $1.2 million, the contract cancellation resulted in a negative impact on the net results of $5.6 million.

11. INCOME TAX RECOVERY

The major components of the income tax recovery are as follows:

	2014	2013
	$	$
Current tax expense	**117,942**	987
Deferred tax recovery relating to:		
Origination and reversal of temporary differences	**(994,619)**	(846,534)
Changes in tax rates	**(93,398)**	(138,680)
Total deferred tax recovery	**(1,088,017)**	(985,214)
Total income tax recovery	**(970,075)**	(984,227)

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

	2014	2013
	$	$
Loss before tax	**(6,517,892)**	(3,393,971)
Expected tax credit at Canadian Statutory rate	**(1,727,241)**	(899,402)
Factors affecting charge:		
Income not subject to tax	**(27,944)**	(93,094)
Expenses for which tax relief not available	**72,796**	-
Different tax rate for subsidiary operating in other jurisdiction	**311,327**	104,639
Unused tax losses and tax offsets not recognised as deferred tax assets	**207,543**	46,192
Impact of reduction in tax rates	**93,398**	(143,548)
Under provision at start of year	**99,060**	-
Other differences	**986**	986
	(970,075)	(984,227)

The Canadian statutory tax rate is 26.5% (2013 – 26.5%). The United Kingdom statutory tax rate is 23.25% (2013 – 24.5%).

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Loss per share calculations are based on:

	2014	2013
	$	$
Loss:		
Loss attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**(5,547,817)**	(2,409,744)
Shares:		
Weighted average number of ordinary shares outstanding during the period used in the basic earnings per share	**80,509,047**	80,509,047
Weighted average number of ordinary shares outstanding during the period used in the diluted earnings per share	**80,509,047**	80,509,047

For the year ended December 31st, 2014 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 (2013 – nil).

13. INTANGIBLE ASSETS

	2014	2013
	$	$
Cost		
At Beginning of Year	**684,279**	-
Additions	**583,834**	667,014
Net exchange difference	**15,600**	17,265
At End of Year	**1,283,713**	684,279
Depreciation		
At Beginning of Year	**12,982**	-
Charge for the year	**120,546**	12,361
Net exchange difference	**(195)**	621
At End of Year	**133,333**	12,982
Carrying value at year end	**1,150,380**	671,297

Intangible assets relate to software.

The carrying value of intangible assets pledged as security is $nil (2013 - $nil)

At December 31st, 2014 the Group has commitments for the purchase of intangible assets of $31,000 (2013 - $0.2 million).

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & Machinery	Assets under construction	Total
	$	**$**	**$**	**$**	**$**
Cost					
At January 1st, 2013	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
Additions	-	-	1,309,975	6,682,986	7,992,961
Reclassifications	-	-	7,276,205	(7,276,205)	-
Disposals	-	-	(92,460)	-	(92,460)
Net exchange difference	77,491	128,295	1,059,445	(34,450)	1,230,781
At December 31st, 2014	**3,180,651**	**5,265,926**	**51,756,234**	**719,035**	**60,921,846**
Depreciation					
At January 1st, 2013	-	136,520	11,275,402	-	11,411,922
Charge for the year	-	117,351	3,398,190	-	3,515,541
Eliminated on disposal	-	-	(29,503)	-	(29,503)
Net exchange difference	-	23,706	1,379,851	-	1,403,557
At December 31st, 2013	-	277,577	16,023,940	-	16,301,517
Charge for the year	-	131,965	4,248,280	-	4,380,245
Eliminated on disposal	-	-	(27,435)	-	(27,435)
Net exchange difference	-	6,193	377,380	-	383,573
At December 31st, 2014	**-**	**415,735**	**20,622,165**	**-**	**21,037,900**
Carrying value					
At December 31st, 2014	**3,180,651**	**4,850,191**	**31,134,069**	**719,035**	**39,883,946**
At December 31st, 2013	3,103,160	4,860,054	26,179,129	1,346,704	35,489,047

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of property, plant and equipment pledged as security is $39,883,946 (2013 - $35,489,047) (Note 20).

The net book value of plant and machinery includes $40,539 (2013 - $487,688) in respect of assets held under hire purchase agreements which are accounted for as finance leases. The depreciation charge for the year includes $156,905 (2013 - $85,563) in respect of these assets.

At December 31st, 2014 the Group has commitments for the purchase of property, plant and equipment of $1.7 million (2013 - $1.6 million).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2014	2013
	$	$
Forward Exchange Contracts	**43,624**	(23,288)
	43,624	(23,288)
Included in the financial statements as:		
Non-Current Assets	**43,624**	-
Non-Current Liabilities	**-**	(23,288)
	43,624	(23,288)

The Group has a forward exchange contract to purchase HK$ 8million for £637,450 on September 4th 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

	2014	2013
	$	$
Raw materials	**4,322,798**	4,200,874
Work in progress	**9,224,907**	7,478,976
Finished goods	**881,171**	605,473
	14,428,876	12,285,323

At December 31st, 2014 the carrying value of inventory carried at net realizable value was $124,036 (2013 - $325,000).

At December 31st, 2014 the amount of inventory expected to be recovered after more than twelve months was $547,000 (2013 - $439,000).

17. TRADE RECEIVABLES

	2014	2013
	$	$
Trade receivables	**9,221,682**	10,437,440
Less bad debt provision	**(173,447)**	(197,760)
	9,048,235	10,239,680

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 made a net recovery of bad debts.

The ageing of the Group's trade receivables at December 31st, 2014 and 2013, net of the provision for impairment is as follows:

	2014	2013
	$	$
Not yet overdue	**7,946,144**	8,993,327
Less than one month overdue	**799,957**	1,051,239
Between one and two months overdue	**258,877**	93,500
Greater than two months overdue	**43,257**	101,614
	9,048,235	10,239,680

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:

	2014	2013
	$	$
At January 1st	**197,760**	210,274
Impairment losses recognised	**3,931**	6,758
Amounts recovered	**(40,544)**	(34,261)
Net exchange difference	**12,300**	14,989
At December 31st	**173,447**	197,760

Included in the provision for impairment are individually impaired assets of $147,464 (2013 - $153,680) 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	2014	2013
		$	$
Due from fellow group subsidiaries	30	**1,274,822**	87,409

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

	2014	2013
	$	$
Prepayments	**262,349**	232,258
Deposits and other receivables	**834,118**	356,851
	1,096,467	589,109

Deposits and other receivables mainly comprises receivables for research and development tax credits, value added tax and government grants.

19. OTHER PAYABLES AND ACCRUALS

	2014	2013
	$	$
Accruals	**1,092,600**	1,041,574
Advance payments received	**8,493,569**	846,206
Deferred income	**5,537**	10,990
Other	**564,667**	485,562
	10,156,373	2,384,332

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	**2014**	2013
		$	$
CSR Times Electric	30	**6,916,861**	280,539

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

	2014	2013
	$	$
Secured at amortised cost:		
Bank overdrafts	**831,379**	4,397,089
Bank loans	**9,053,462**	11,231,117
Finance lease	**37,018**	499,782
	9,921,859	16,127,988
Unsecured at amortised cost:		
Other loans	**7,232,384**	1,483,218
	17,154,243	17,611,206
Current portion	**4,171,108**	10,450,622
Non-current portion	**12,983,135**	7,160,584
	17,154,243	17,611,206

(i) The Group has a bank loan for $5,418,000 (2013 - $5,286,000) under a five year term loan facility which is repayable in four equal six-monthly repayments between October 2016 and April 2018. The loan bears interest at UK base rate plus 2.25% giving an effective interest rate of 2.75%. The facility is 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, 2014 these assets have a carrying value of $59,370,498 (2013 - $53,018,082).

20. BORROWINGS (continued)

(ii) The Group has a bank loan for $506,989 (2013 - $659,712) 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 $677,331(2013 - $724,268).

(iii) The Group has a bank overdraft of $831,379 (2013 - $4,397,089) under an approved overdraft facility of $5,418,000 (2013 - $5,286,000) 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 $3,128,474 (2013 - $4,796,398). 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 $8,030,842 (2013- $7,963,214). At December 31st 2013, the Group was in breach of the covenants on this loan and, as a result, it was reclassified as a short term loan at that time. The Group is not in breach of any covenants at December 31st 2014.

(v) The Group has a bank loans for $nil (2013 - $489,007) which was 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 bills receivable to which they related which have a carrying value of $nil (2013 - $483,492).

(vi) The finance leases are secured by the equipment leased which has a carrying value of $40,539 (2013 - $487,688).

(vii) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $1,194,859 (2013 - $1,099,900). The loan bears interest at 3.25% and is repayable on September 7th, 2015 (Note 30).

(viii) The Group has an unsecured loan from CSR Times Electric for $5,787,504 (2013 - $nil) which was received on March 10th 2014. The loan bears interest at 5% and is repayable in five semi-annual payments between December 2016 and December 2018.

(ix) The Group has an unsecured interest free loan from an unrelated party for $250,021 (2013 - $383,318). The loan is repayable in quarterly instalments between December 2013 and September 2015.

21. OBLIGATIONS UNDER FINANCE LEASES

Finance leases relate to manufacturing equipment 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	
	2014	2013	**2014**	2013
	$	$	**$**	$
Not later than one year	**44,508**	472,239	**37,018**	463,667
Later than one year and not later than five years		37,368		36,115
	44,508	509,607	**37,018**	499,782
Less future finance charges	**(7,490)**	(9,824)	-	-
Present value of minimum lease payments	**37,018**	499,783	**37,018**	499,782

	2014	2013
	$	$
Included in financial statements as:		
Current borrowings	**37,018**	463,667
Non-current borrowings	**-**	36,115
	37,018	499,782

22. PROVISIONS

	Note	**2014** $	2013 $
Provision for Settlement	10	**1,806,000**	-
Warranties		**18,060**	17,620
Removal costs of equipment		**54,180**	236,970
		1,878,240	254,590
Current portion		**1,824,060**	17,620
Non-current portion		**54,180**	236,970
		1,878,240	254,590

The movements in provisions are as follows:

	Provision for settlement $	Warranties $	Removal of equipment $	Total $
At January 1st, 2014	-	17,620	236,970	254,590
Additional provisions	1,806,000	(7,100)	35,705	1,834,605
Amounts utilised			(223,312)	(223,312)
Amounts reversed		-	-	-
Net exchange difference		7,540	4,817	12,357
At December 31st, 2014	**1,806,000**	**18,060**	**54,180**	**1,878,240**

Following cancellation of a contract (Note 10), the Group provided for additional costs it would incur under a Settlement Agreement with the customer.

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. Some of this equipment was removed in 2014. The timing of the remaining outflows is uncertain as the Group has no current plans to remove these items of equipment.

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, 2013	(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)
Recognised in profit or loss	(106,017)	-	1,325,905	(131,871)	1,088,017
Net exchange difference	(64,266)	2,200	34,955	1,580	(25,531)
At December 31st, 2014	**(2,693,468)**	**90,300**	**2,656,987**	**(53,819)**	**-**

The Company has an aggregate temporary difference of $3.9 million (2013 - $8.2 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:

	$
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**
2034	**298,000**
no expiry date	**43,000**
	4,500,000

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, 2013 and 2014	**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 (2013 – 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 & 2014	**-**	**-**

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25. FINANCIAL INSRUMENTS AND RISK MANAGMENT

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

December 31st, 2014	**Carrying Value**	**Fair Value**
	$	**$**
Financial Assets:		
Trade receivables	**9,048,235**	**9,048,235**
Amounts owing from parent company	**2,764,112**	**2,764,112**
Deposits and other receivables included in prepayments, deposits and other receivables	**834,118**	**834,118**
Cash	**894,609**	**894,609**
	13,541,074	**13,541,074**
Financial Liabilities:		
Trade payables	**7,073,578**	**7,073,578**
Amounts owing to parent company	**667,817**	**667,817**
Other items included in other payables and accruals	**564,667**	**564,667**
Current borrowings	**4,171,108**	**4,163,102**
Non-current borrowings	**12,983,135**	**12,759,356**
	25,460,305	**25,228,520**

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	10,450,622	10,410,517
Non-current borrowings	7,160,584	6,868,225
	22,389,654	22,057,190

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% (2013: 0% 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, 2014 the split of financial instruments by currency is as follows (all figures are stated in Canadian Dollar equivalents):

	C$	GBP	Euro	US$	JPY	HKD	CNY	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables		5,935	2,532	581				9,048
Other receivables		834						834
Amounts owing from parent company		2,764						2,764
Tax recoverable		3						3
Cash	131	4	390	369			1	895
Trade payables	(21)	(6,895)	(114)	(26)	(17)			(7,073)
Other payables	(1)	(532)	(32)					(565)
Current borrowings		(2,976)				(1,195)		(4,171)
Non-current borrowings		(7,195)					(5,788)	(12,983)
Amounts owing to parent company	(247)	(421)						(668)
	(138)	**(8,479)**	**2,776**	**924**	**(17)**	**(1,195)**	**(5,787)**	**(11,916)**

A 10% increase (decrease) in the value of Sterling against the Euro, US Dollar and Chinese Yuan at the end of the year would have (decreased) increased net loss for the year by approximately $209,000. 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 approximately $330,000. 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 approximately $500,000.

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.

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.

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 $3.2 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 increased (decreased) net loss for the year by approximately $525,000. 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 $9.0 million of trade receivables (2013 - $10.2 million) $2.8 million of amounts owing from parent company (2013 - $2.5 million), $0.8 million of deposits and other receivables (2013 - $0.4 million) and $0.9 million of cash (2013 - $0.8 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 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 $13.5 million (2013 - $14.0 million), being the carrying value of trade receivables, amounts owing from parent company, deposits and other receivables and cash.

Liquidity risk

The Group generally makes one major payment run each week. At December 31st, 2014 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 $5.4 million overdraft facility with its main banker which is used to manage day to day requirements. At December 31st, 2014 $831,000 (2013 - $4.4 million) of this facility was being utilised. In relation to long term debt, management believes it can reborrow or repay all these facilities as they fall due out of its cash flow. At the present time the Group is committed to approximately $1.7 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:

	2014	2013
	$	$
Current borrowings	**4,171,108**	10,450,622
Non-current borrowings	**12,983,135**	7,160,584
Less Cash	**(894,609)**	(775,071)
Net debt	**16,259,634**	16,836,135
Shareholders' equity	**32,382,963**	37,047,957
Net gearing ratio	50.2%	45.4%

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:

	2014	2013
	$	$
(Increase) in inventories	**(6,772,189)**	(1,057,600)
Decrease (increase) in trade receivables	**1,472,039**	(4,153,499)
(Increase) in prepayments, deposits & other receivables	**(503,914)**	(260,791)
(Increase) decrease in amounts owing from parent company	**(209,286)**	497,548
Increase in trade payables	**4,298,314**	1,346,185
Increase (decrease) in other payables & accruals	**7,813,036**	(993,221)
Increase (decrease) in provisions	**1,575,588**	(167,550)
(Decrease) increase in amounts owing to parent company	**(885,686)**	1,148,601
	6,787,902	(3,640,327)

28. PENSIONS

The Group incurred expenses of $541,111 (2013 - $368,521) with respect to the defined contribution pension plan.

At December 31st, 2014 $90,612 was outstanding to the pension plan (2013 - $64,650) and is included in other payables and accruals. This amount was paid in January 2015.

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, 2014 and 2013 the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2014	2013
	$	$
Not later than one year	**450,858**	366,452
Later than one year and not later than five years	**59,679**	63,764
	510,537	430,216

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:

		2014	2013
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**6,155,939**	6,280,319
Rendering of services	(iii)	**1,707,566**	1,430,333
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**5,491,830**	3,790,539
Reimbursed expenses	(v)	**264,538**	146,353
Purchases of materials and components	(i) (vi)	**3,058,882**	3,444,018
Interest expense	(vii)	**246,851**	-
Transactions with CSR Corporation Ltd:			
Rendering of services	(viii)	**252,056**	211,781
Transactions with fellow group			
Sale of goods	(ix)	**2,746,450**	1,996,747
Interest expense	(x)	**39,026**	45,058
Transactions with key management			
Short term employment benefits		**1,025,725**	983,664
Post-employment benefits		**39,279**	34,207
Total compensation		**1,065,004**	1,017,871
Transactions with other parties:			
Legal fees and expenses	(xi)	**78,862**	70,660

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		2014	2013
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**2,764,112**	2,474,748
Amounts owing to parent company	(i) (vi)	**667,817**	1,504,288
Other payables and accruals	(iii) (iv)	**6,916,861**	280,539
Borrowings	(vii)	**5,787,504**	-
Balances with CSR Corporation Ltd			
Amounts owing from parent company	(viii)	**-**	13,150
Balances with fellow group subsidiaries:			
Trade receivables	(ix)	**1,274,822**	87,409
Trade payables	(x)	**39,150**	-
Borrowings	(x)	**1,194,859**	1,099,900
Balances with key management personnel:			
Other payables and accruals	(xii)	**10,000**	10,000
Balances with other parties:			
Trade payables	(xi)	**5,650**	12,753
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 and parts of Asia. The parts are sold to the distributor at the market price less a discount to cover the cost of the work carried out by the party handling the distribution.

(ii) 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 February 7th, 2014 the Group signed a new 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$ 4.6 million over a three year period commencing from January 2014. CSR Times Electric paid in advance 20% of their contribution.

(iv) On February 7th, 2014 the Group signed a new 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$36.0 million over a three year period commencing from January 2014, 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 20% 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) On March 10th, 2014 the Group was provided with a loan for approximately $5.5 million by CSR Times Electric to purchase equipment. The loan bears interest at 5% and is due to be repaid between December 2016 and December 2018.

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

(ix) 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.

(x) On September 7th, 2012 the Group was provided with a loan for approximately $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.

(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.

(xii) Balances with key management personnel comprise directors' fees payable to two non-executive directors. The directors' fees are paid half yearly in arrears. The balances were paid in full in April 2015.

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. The loan from CSR Times Electric (Hong Kong) Co., Ltd is recorded as a current liability. The loan from CSR Times Electric is recorded as a non-current liability.

31. EVENTS AFTER THE REPORTING PERIOD

In January 2015, the Group received notification that a customer was invoking their right to cancel a contract under which the Group had delivered products between the third quarter of 2013 and the fourth quarter of 2014 (see Note 10). The Group has adjusted these financial statements to take account of the contract cancellation and related costs.

In March 2015, the Group replaced its $5.4 million committed term loan and $5.4 million overdraft facility with a $9.0 million uncommitted money market facility and $1.8 million overdraft facility. The new facilities offer cheaper financing and greater flexibility. The new facilities are supported by CSR Times Electric.

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 27th, 2015.

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

Transfer Agent

Computershare Trust Company of Canada

Registered Office

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Senior Officers, VP's & Senior Managers

Paul Taylor
President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

George Guo
Sales & Marketing Director

Mark Kempton
Production Manager

Bill McGhie
Power Assemblies Business Manager

Andy Dai
Technology Manager

Vincent Li
Technology Manager

Stephen Murphy
Quality Manager

Su Bailey
HR Manager

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