DYNEX POWER INC.

ANNUAL REPORT 2015

Our Vision

Dynex, in partnership with CRRC Times Electric, will be a leading international, top three high power semiconductor business.

Our Core values

Continuous Improvement

Our company will strive to ensure that our employee have the skills that will enable them to seek to challenge and improve our working practices in order to exceed our customers' expectations, without compromising on safety or quality.

Engineering Excellence

Our products are world leading and highly engineered and in order to maintain our high standards we ensure that our employees are qualified and operating at the forefront of technology in our sector.

Performance Driven

In maintaining and growing our business we recognise that it is only by doing things well and meeting targets and expectations, that we will increase the financial performance of the business.

Accountability and responsibility

We accept our responsibility to our customers and those that we do business with, to find solutions and achieve results, no matter how challenging the tasks. Our employees will always take personal accountability for our commitments and performance.

Integrity and honesty

In our dealings with customers, suppliers and all outside agencies, we pride ourselves in our honest approach to business. We keep our promises and deal with people and issues promptly and our consultative culture will find the best solutions for all parties.

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

Company Profile

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

Company Facts

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

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

- Zhuzhou CSR Times Electric Co., Ltd acquired 75% of the common shares of Dynex Power Inc. in October 2008. In 2016 this company changed its name to Zhuzhou CRRC Times Electric Co., Ltd.
- 335 employees (December 2015)
- ISO9001:2008, ISO14001:2004 and ISO 50001:2011 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

This has been a year of improvement for Dynex. The start of the year was affected by the adverse impact of the bipolar product cancellation late in the prior year, and by certain technical issues with its new products. As a consequence, in the first quarter, management took the action to adjust Dynex cost base by a redundancy exercise and quickly followed this by an adjustment in management organisation and processes to give greater focus on quality, yield improvement and continuous improvement.

I am pleased to report the success of these management actions. Despite a high loss in the first quarter, resulting from the abovementioned, we have since offset these high losses, and delivered a small net profit. We have seen some growth, overcome the consequences of the bipolar product cancellation, eliminated the previously reported technical and yield difficulties with certain new products, and stabilised the die supply to CSR Times Electric. Furthermore, throughout the year we have sustained our commitment to increase our R&D resources and activities and to the recruitment of new talent, aimed at building a strong foundation for the future.

Revenue for the year was $46.5 million, 10% higher than in the preceding year: this comprised a small increase in Sterling revenue and a weakening of the Canadian Dollar. Net profit for the year was $166,000 compared to a net loss in the preceding year of $5.5 million. The losses incurred in the preceding year were as a result of accounting for the cancelled bipolar contract.

The increased Sterling revenue was due to growth in the revenue for bipolar devices and service income, partly offset by a drop in revenue for sales of power assembly products and integrated circuits. However this drop in power assembly revenue does not reflect a trend. Much power assemblies business in the past has come from large infrastructure projects from around the world. However, in 2015 there was a general slowdown in these large schemes. To overcome the decline in infrastructure demand, the Group has introduced two major areas for development. Firstly, to commercialise and market existing power test equipment designs and secondly to expand the newly created Railways Innovation Unit which is currently offering refurbishment solutions to the rail traction industry. We are also developing strong links with CSR Times Electric to learn from their experience in supplying complete power conversion solutions. Management sees exciting growth prospects for power assemblies and expects 2016 to be a very strong year.

Dynex further expanded its research and development activities and recruited new talent at its R&D Centre in Lincoln, developing new power products and undertaking research of new power semiconductor technologies to match the future demands of our worldwide customers. The strategic focus of this Centre remains on the products that are required for high power electronic equipment, with particular focus on railway, electric vehicles, and energy. One highlight, based on utilising the Dynex IGBT and FRD chip packaging capability and the strong competence in converter technology of CSR Times Electric, is the successful development of an electric vehicle integrated power unit for motor control, which demonstrates a number of innovative benefits for the automotive industry, and is a new foundation technology for future growth in Dynex power assembly business.

For the year, we report a net surplus on research and development costs. This reflects 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 by Dynex, and management's determination to increase investment in product development. Significantly, gross research and development expenditure increased to 21.3% of revenue in the year compared to 15.2% of revenue in the preceding year.

For the outlook for 2016 we remain concerned by a weak market for our existing products, the Company's bookings to billings ratio for 2015 of 0.8 was similar to the preceding year, and in Sterling terms, the order book was lower at the end of 2015 that it had been at the end of 2014. Thus short term growth remains a challenge.

In detail, we expect similar revenue for bipolar discrete devices in 2016 compared to 2015. IGBT die and modules revenue may increase slightly, revenue from power assemblies is also expected to increase slightly, service earnings will be lower. Overall we expect the Group to deliver a small profit for the year.

Thank you for your interest in reading this report, and for your continued support.

Paul Taylor
President and Chief Executive Officer
May 20th, 2016

Review of Operations

Power Semiconductors

Dynex Semiconductor designs and manufactures high power semiconductor products at its facility in Lincoln, England. The Bipolar Discrete product group and the IGBT Power Module product group together form the Power Semiconductor operation. The Bipolar Discrete section produces a range of high power products that include fast diodes, fast thyristors, gate turn off thyristors (GTOs), rectifier diodes, phase control thyristors and transistors, while the IGBT Power Module section manufactures insulated gate bipolar transistor (IGBT) modules, diode modules, IGBT and FRD die. Representing 67% of the company's revenue in 2015, power semiconductors accounted for sales of $30.9 million, an increase of 12% over the previous year.

Accounting for 42% of total revenue, Bipolar Discrete remains the largest of the Dynex product groups with sales of $19.4 million, an increase of 13% over 2014. Typical applications for these products include transmission and distribution systems, railway equipment, electric power quality management, aerospace, power generation, industrial drives and aluminium smelting plants.

Historically, the strength of the Bipolar group has been the ability to provide a high level of technical support and responding with flexibility to a wide spectrum of niche customer requirements. We retain the expertise to provide customised solutions which remain a key objective as we aim to explore unique opportunities in areas in which our competitors choose not to operate. We continue to manufacture a range of mature products such as GTOs and high power transistors alongside our newer i^2 thyristor technology while 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 2015.

The IGBT Power Module product group generated sales of $11.5 million in 2015, an increase of 10% over the previous year. As the second largest of the Dynex product groups it represents 25% of total company sales. These products are typically used in railway equipment, high power motor drives and power electronic management applications. A key focus for the group over the last two years has been the establishment of the IGBT custom module business. This progressed well during 2015 with a strong foundation being formed for the development and manufacture of highly specialised customer specific modules. This is an important strategic growth area for the business as we seek to operate in markets in which our competitors are not represented. The other major priority for the forthcoming year is to grow our market share on the high voltage 3.3kV, 4.5kV and 6.5kV module ranges while ensuring the introduction of new products are developed, qualified and released to market as quickly and efficiently as possible.

The beginning of 2015 saw some re-structuring of the Power Semiconductor Operations group that was geared towards providing a sharper focus on both manufacturing and engineering functions. Good progress has been achieved on both fronts during the last twelve months with a solid platform being created on which to build upon the lean activities already in evidence. As we enter 2016, the outlook suggests the market place will be just as competitive as it has been in recent years, so these lean principles will continue to be utilised to streamline our business and manufacturing processes with significant attention on the reduction of non-value added activity and waste. Engineering, Procurement and Logistics are placing greater emphasis on the re-engineering of materials and the management of the supply chain to reduce the direct material costs across the whole product range. All of these activities will give the necessary improvements in lead time reduction, on time delivery performance and cost effectiveness to meet or exceed the expectations of our customers.

Power Assemblies

Power assemblies business in the past has tended to come from large power infrastructure projects from around the world. However, in 2015 there was a general slowdown in these large schemes which had the effect of slowing the growth in sales compared to 2014 with total sales for the group of $9.6 million. However this still represents a significant and profitable part of Dynex's business.

The book to bill ratio for the group remained around 1 for the year, indicating the business sustainability for 2016 and with opening orders of $6 million the future for this sector looks stable.

The power assembly engineering team have continued to expand capability to offer additional technical breadth to the products that they can offer and as well as the traditional thermally managed semiconductor solutions, they offer customised power conversion products for high voltage and high current systems for a wide array of industrial applications from high power rectification, high energy discharge pulsed electric field systems, power quality SVC systems to IGBT based inverter products. The group make optimum use of the range of Dynex thyristors, diodes, GTOs and IGBT devices to offer cost effective and highly efficient power assemblies.

The group plans two major areas for development in 2016:

- to commercialise and offer existing test equipment designs to the market. This equipment has been designed and proved over many years within Dynex and we offer routine parametric testers (static and dynamic) for thyristors and high power IGBT modules and a wide range of reliability assessment equipment for assessing device design and longevity
- to expand the new Railways Innovation Unit which is currently offering obsolescence solutions to the traction industry , where the electronics developed 20 – 30 years ago can be superseded by better solutions, offering lifetime extension for the train operating companies as well as better solutions for the railway maintenance teams.

Some advance work from CRRC on remote condition monitoring also offers the opportunity for Dynex to offer maintenance improvement systems and early warning hardware and software which will identify failing components before they interrupt service.

The group are also developing strong links with our colleagues in China to learn from their vast experience in supplying complete power conversion solutions into the Chinese market.

With the combination of old and new product streams we expect 2016 to be a very strong year for the group.

Integrated Circuits

As forecast, sales of Integrated Circuits fell in 2015 and accounted for less than 1% of Group revenue. Last time buy notices have been sent to customers which has generated enquiries about remaining inventory from one or two customers. This may lead to a small amount of revenue in 2016.

Research and Development

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

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

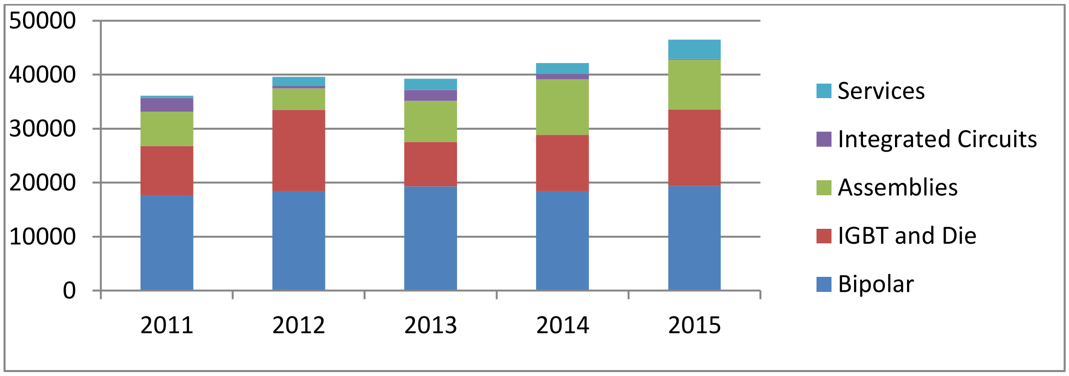
In the past year, the R&D Centre continued to collaborate successfully with CSR Times Electric: key projects included the development of 650V, 1200V, 1700V trench gate IGBT and diode chips, 4500V and 6500V high voltage IGBT and diode chips and modules, new generation 1500A/3300V modules, 650V and 1200V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

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

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

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

Revenue by product



Sales and Distribution

Revenue increased from $42.2 million in 2014 to $46.5 million in 2015.

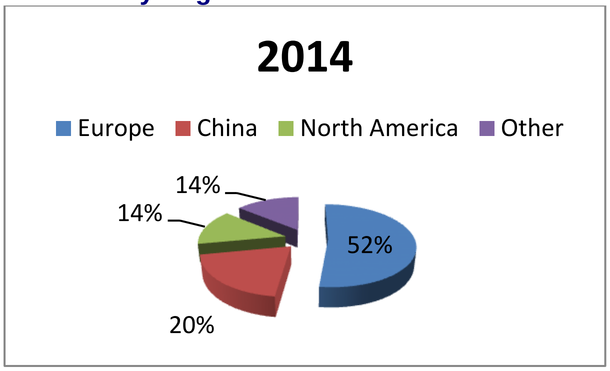
Bipolar and service revenues both grew strongly compared to 2014, whilst power assembly revenues declined slightly compared to the levels reported in 2014.

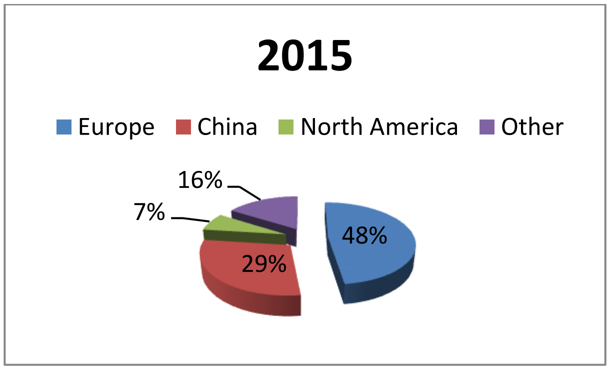
Our immediate parent company, Zhuzhou CSR Times Electric, continued to be our major customer and accounted for in excess of 35% of total revenues.

Looking forward to 2016, module revenue is expected to grow significantly whilst bipolar, power assembly, and service revenue is expected to be at similar levels to 2015.

Key targets for 2016 are to complete new customer programme qualifications for module devices to support business growth and to develop further our customer satisfaction programme and to add additional key customers.

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, 2015.

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. In 2016 CSR Times Electric changed its name to Zhuzhou CRRC Times Electric Co., Ltd. CRRC Times Electric is itself majority owned by CRRC Corporation Limited which is therefore the Company's ultimate parent company. Both CRRC Times Electric and the CRRC Corporation Limited 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 CRRC 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 CRRC 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.

Capital Contribution

In order to help fund the construction of an automotive research laboratory, CSR Times Electric made a capital contribution to Dynex Semiconductor Limited of $1.6 million during the year.

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 2015	C$2.0296
Average rate October to December 2014	C$1.7989
Average rate January to December 2015	C$1.9483
Average rate January to December 2014	C$1.8162
Rate at December 31st, 2015	C$2.0599
Rate at December 31st, 2014	C$1.8060

As illustrated, the Canadian Dollar rate against Sterling for the fourth quarter of 2015 was approximately 13% weaker than the rate in the corresponding quarter of 2014 and the average rate for the whole of 2015 was approximately 7% weaker than the rate in 2014. Consequently, exchange rate movements had a significant impact on the reported revenue or expenditure for the fourth quarter and the year.

The Canadian Dollar was approximately 14% weaker against Sterling at December 31st, 2015 compared to the rate at December 31st, 2014. Consequently, exchange rate movements had a significant impact on the value of assets and liabilities at the end of 2015 compared to balances at the end of 2014.

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 rise in revenue of $2.6 million or 26% over the figure for the corresponding quarter of the preceding year and a profit of $2.9 million compared to a loss of $4.5 million in the corresponding quarter of the previous year. The level of revenue and the loss incurred in the corresponding quarter of last year were as a result of accounting for a cancelled contract, details of which were set out in the 2014 financial statements.

Revenue for the year was $46.5 million, 10% higher than in the preceding year. Gross profit was equivalent to 10% of revenue in the year, compared to a gross loss in the preceding year. Net profit for the year was $166,000 compared to a net loss in the preceding year of $5.5 million. Here again, the level of revenue and the loss incurred in the preceding year were as a result of accounting for a cancelled contract, details of which were set out in the 2014 financial statements.

The Company's bookings to billings ratio for the year of 0.8 was similar to the ratio achieved in the preceding year.

Revenue

Revenue for the fourth quarter of 2015 was $12.7 million, $2.6 million or 26% higher than in the corresponding quarter of last year. Approximately half of the increase was a result of the movement in exchange rates. Revenue for the fourth quarter of 2014 had been badly affected by the contract cancellation that took place at the end of 2014.

For the year, revenue of $46.5 million was $4.3 million or 10% higher than in the preceding year. The increase was mainly as a result of the weakening of the Canadian Dollar against Sterling. In Sterling terms revenue had risen by approximately 3%.

For the year, there was an increase in revenue from bipolar devices and services but these increases were partially offset by the reduction in power assemblies and integrated circuit revenues.

Gross Margin

The Group reported a gross profit of $4.4 million in the fourth quarter, equivalent to 34% of revenue. In the corresponding quarter of last year, a gross loss of $4.1 million had been reported following the cancellation of a major contract. Without that cancellation a gross profit of $2.8 million or approximately 18.7% of revenue would have been reported. The gross margin is above the level that management would normally expect and reflected unusually high usage of production facilities by the R&D department. The level of recharge to R&D is expected to reduce in the coming quarters.

For the year, a gross profit of $4.7 million was reported, equivalent to 10% of revenue. A gross loss of $441,000 had been reported in 2014 following the contract cancellation that occurred at the end of last year. Without the contract cancellation, a gross profit of approximately $6.5 million, equivalent to 13.7% of revenue would have been reported. The gross profit in 2015 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 6.9% of revenue in the fourth quarter of 2015 compared to 12.6% in the corresponding quarter of last year. Without the contract cancellation referred to above, these costs would have been 8.4% of revenue in the corresponding quarter of last year. The level reported in the fourth quarter of 2015 is probably not sustainable and is expected to increase as a percentage of revenue in the coming quarters.

For the year such expenses were 9.5% compared to 11.8% in the previous year. Without the contract cancellation referred to above, these costs would have been 10.6% of revenue in 2014. Management targets a level of 10% or lower.

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 of $213,000 from research and development activities compared to a net surplus in the corresponding quarter of last year of $404,000.

For the year, the net surplus on research and development was $313,000 compared to a net cost of $98,000 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 21.3% of revenue in the year compared to 15.2% of revenue in the preceding year. The increase reflects management's determination to increase investment in product development.

Finance Costs

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

Finance costs were $244,000 in the fourth quarter of 2015, $50,000 or 25% 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 $777,000 for the year, $52,000 or 7% higher than in the preceding year. The increase reflects an increased level of borrowings during the year compared to borrowings in the preceding year.

Other Gains and Losses

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

Profit/Loss before Tax

The Company recorded a profit before tax of $3.6 million in the fourth quarter of 2015 compared to a loss before tax of $5.2 million in the corresponding quarter of the preceding year Without that contract cancellation in the fourth quarter of last year, a profit before tax of $1.7 million would have been reported.

For the year, there was a profit before tax of $270,000. In the preceding year a loss before tax of $6.5 million had been reported. Without that contract cancellation referred to above, , a small profit before tax would have been reported in 2014.

Tax Expense/Recovery

The Company had a tax expense of $680,000 in the fourth quarter, equivalent to 19% of the profit before tax. The Company had been able to release $734,000, equivalent to 14% of the loss in the corresponding quarter of the preceding year.

For the year, a tax charge of $104,000 equivalent to 38% of the profit before tax was recorded compared to a tax release of $970,000, equivalent to 15% of the loss before tax in the preceding year.

Net Profit/Loss

The Group reported a net profit of $2.9 million in the fourth quarter of 2015 compared to a net loss of $4.5 million in the corresponding quarter of last year. Without the contract cancellation referred to above, net profit for the fourth quarter of last year would have been $1.2 million.

For the year, the Group reported a net profit of $166,000 compared to a net loss of $5.5 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 in 2014.

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 $41.1 million at the end of 2014 to stand at $45.1 million at the end of 2015. The increase was entirely as a result of the weakening of the Canadian Dollar against Sterling. In Sterling terms there had been a slight reduction in net non-current assets.

Working Capital

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

At the end of 2015, working capital stood at $16.3 million compared to $7.6 million at the end of 2014. The level at the end of 2014 was lower than might otherwise have been expected following liabilities and provisions arising from a contract cancellation at the end of 2014.

Net Debt

At the end of 2015, the Group had net debt (borrowings less cash) of $22.9 million. At the end of 2014, it had net debt of $16.3 million. Approximately one third of this increase was as a result of the weakening of the Canadian Dollar against Sterling. The rest of the increase was mainly a result of payments made to a customer following the cancellation of a contract and return of goods at the end of 2014.

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

Equity

Equity increased by $6.1 million since the end of the preceding year. The increase resulted from the net profit of $166,000, an exchange difference on translation of the UK subsidiary of $4.3 million and a capital contribution of $1.6 million.

Gearing

Management monitors closely the Group's gearing ratio (the ratio of net debt, being borrowings less cash balances, to equity). At the end of 2015, the Group had a gearing ratio of 59.5%. At the end of the preceding year, the Group had a gearing ratio of 50.2%. Management does not regard this level of gearing as excessive although in the medium to long term management intends to reduce it.

Borrowing Facilities

Prior to 2014, 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 CRRC Times Electric. The Group had cash balances of $1.4 million at the year end.

Cash Flow

There was an outflow of $775,000 from operating activities in the year. Depreciation of property plant and equipment and amortisation of intangibles totalled $5.5 million. There was an increase in working capital of $6.7 million and a $425,000 provision for slow moving inventory. In the year, $4.0 million has been invested in non-current assets.

The net outflow from operating activities and the investment in intangible assets and property, plant and equipment and interest paid of $867,000 less a capital contribution of $1.6 million resulted in an increase in debt of $4.1 million and increased cash balances of $1.1 million.

Commitments

The Group has capital commitments at the year-end of $1.4 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

	2015 Q4	2015 Q3	2015 Q2	2015 Q1	2014 Q4	2014 Q3	2014 Q2	2014 Q1	2015 FY	2014 FY	2013 FY
Revenue	12,718	12,254	11,994	9,546	10,128	10,410	10,178	11,450	46,512	42,166	39,234
Gross profit/(loss)	4,369	1,081	756	(1,523)	(4,066)	1,174	1,435	1,017	4,683	(441)	1,945
Gross profit %	34.4%	8.8%	6.3%	(16.0%)	(40.1%)	11.3%	14.1%	8.8%	10.1%	(1.0%)	5.0%
Gross R&D %	26.0%	22.1%	16.0%	20.4%	14.5%	15.5%	16.8%	14.1%	21.3%	15.2%	13.2%
Profit/(loss) before tax	3,564	603	(520)	(3,378)	(5,237)	(261)	(387)	(634)	270	(6,518)	(3,394)
Net profit/(loss)	2,884	483	(419)	(2,781)	(4,502)	(222)	(308)	(516)	166	(5,548)	(2,410)
Earnings per Share											
Basic	0.04	0.01	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	0.00	(0.07)	(0.03)
Diluted	0.04	0.01	(0.01)	(0.03)	(0.06)	(0.00)	(0.00)	(0.01)	0.00	(0.07)	(0.03)
Non-current assets	45,100	45,410	43,804	41,942	41,078	41,212	40,345	38,089	45,100	41,078	36,160
Working capital	16,325	12,988	6,734	8,156	7,565	15,687	12,233	16,778	16,325	7,565	17,724
Net debt	22,918	25,065	19,108	19,689	16,260	19,908	15,125	16,908	22,918	16,260	16,836
Equity	38,507	33,333	31,430	30,409	32,383	36,991	37,453	38,059	38,507	32,383	37,048
Dividends	0	0	0	0	0	0	0	0	0	0	0

Selected quarterly and annual financial information is presented above. All figures for each of the four quarters in 2014 and 2015 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 2013, 2014 and 2015 have been prepared in accordance with IFRS and have been audited. All amounts are stated in thousands of Canadian Dollars except for the gross profit percentage and the gross R&D percentage and for earnings per share figures which are stated in Canadian Dollars per share.

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

Annual revenue grew by approximately 7% between 2013and 2014 and by 10% between 2014 and 2015. In both cases the growth was a result of a weakening of the Canadian Dollar. In Sterling terms, revenue has been stable. Quarterly revenue declined between the first quarter of 2014 and the first quarter of 2015 but has recovered in each quarter since then.

The gross profit percentage in 2013 reflected 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 a major contract cancellation. The gross profit percentage recovered significantly in 2015 but is still below the level targeted by management. 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. Gross profit remained negative in the first quarter of 2015 as a result of the very poor revenue figure for the quarter. Gross margin has improved by quarter since then.

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, although the growth shown is exaggerated by the steady weakening of the Canadian Dollar against Sterling.

Working capital levels have increased in recent years and are normally equivalent to between 4 and 5 months revenue reflecting the long production cycle and the fact that an increasing amount of revenue is 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 and the first two quarters of 2015 as a result of the contract cancellation referred to above. It is currently running at around four month's revenue.

Net debt increased significantly over the period. The increase primarily reflects 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 CRRC 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 CRRC 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 CRRC Times Electric equipment and that may materially reduce the future demand for IGBT modules. The Group is working closely with CRRC Times Electric, has set up several joint teams and is increasing its R&D expenditure to ensure that its products are able to meet CRRC Times Electric's needs 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 System under ISO 50001 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 had an obligation to repay a Hong Kong Dollar loan from CSR Times Electric (Hong Kong) Ltd in 2015. A forward contract had been entered into to fix the Sterling cost of repaying this loan. The forward contract was settled at the time of the debt repayment. The Group does not have any other such contracts.

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 2015 the carrying amount of non-current assets was $45.1 million.

Impairment review

Management carries out an impairment review at the end of each reporting period in order to determine whether any impairment of assets has taken place. At December 31st 2015 management determined that no impairment had taken place.

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, 2015 the provision against inventories was $10.7 million and the carrying amount of inventories was $15.2 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, 2015 the provision was $216,000 and the carrying amount of trade receivables was $6.3 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, 2015 the carrying value of provisions was $82,000.

Disclosure Controls

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

Internal Controls

Internal control over financial reporting has been designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with International Financial Reporting Standards. During the year ended December 31st, 2015, 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 $1.0 million 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 $3.3 million of goods and $4.5 million of services to CSR Times Electric, received a contribution towards research and development of $1.7 million and purchased materials and components from them for $645,000. The Group also sold $853,000 of goods to a fellow subsidiary of CSR Times Electric, paid $6,000 in interest on a loan from another fellow subsidiary of CSR Times Electric and provided $440,000 of services to a parent company of CSR Times Electric. The Group also incurred $28,000 of expenses on behalf of CSR Times Electric, which expenses were reimbursed to the Group.

During the year, the Group sold $10.2 million of goods and $6.5 million of services to CSR Times Electric, received a contribution towards research and development of $7.6 million and a capital contribution of $1.6 million, purchased materials and components from them for $4.4 million and paid $179,000 in interest on a loan. The Group also paid $267,000 of expenses on behalf of CSR Times Electric, which were subsequently reimbursed by them. The Group also sold $3.1 million of goods to a fellow subsidiary of CSR Times Electric, paid $67,000 in interest on loans from another fellow subsidiary of CSR Times Electric and provided $440,000 of services to a parent company of CSR Times Electric.

At December 31st, 2015 the Group was owed $5.4 million for goods and services sold to CSR Times Electric and owed them $760,000 for materials and components purchased from them. In addition, the Group had received an advance payment from CSR Times Electric of $4.4 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 $574,000 by a fellow subsidiary which is reported under trade receivables.

At the end of the year, the Group had a loan of $11.1 million from a fellow subsidiary of CSR Times Electric.

The Group paid $1.3 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 $18,000 and during the year for $58,000. At December 31st, 2015, $13,000 was outstanding to this law firm. One of the Company's directors is a partner in this firm.

Outlook

Revenue from bipolar discrete products increased significantly in the fourth quarter of 2015. It is forecast to decline in the first quarter of 2016. Overall, revenue for bipolar discrete devices is forecast to be similar in 2016 to the level it was in 2015.

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 CRRC Times Electric applications. However, this work has taken longer than expected.

Revenue from IGBT modules and die increased by a small amount in the fourth quarter of 2015. Revenue from IGBT modules and die is forecast to decline in the first quarter of 2016 but to be substantially higher in 2016 than it was in 2015.

Revenue from power assemblies declined significantly in the fourth quarter of 2015. It is expected to increase substantially in the first quarter of 2016. It is expected to be at a similar or slightly increased level in 2016 compared to 2015.

Management expects earnings from supplying advice and assistance to CSR Times Electric in 2016 to be significantly below the level reported in 2015.

The Group acts as a distributor for CSR Times Electric power semiconductor products outside of China and North America. Sales of such products increased in 2015 to that reported in 2014. Significant growth in revenue is expected in 2016.

At the end of December 2015, the order book stood at $15.2 million, approximately $1.2 million or 8% higher than at the end of 2014. The increase reflected the 14% weakening in the value of the Canadian Dollar against Sterling. In Sterling terms, the order book was lower at the end of 2015 that it had been at the end of 2014.

Revenue in the fourth quarter of 2015 was $12.7 million. This was slightly higher than the levels in the second and third quarters of 2015 and significantly better than in the first quarter of 2015. Quarterly revenue is expected to be lower than this in the first and second quarter of 2016. The outlook for the third and fourth quarters is currently less certain but management is budgeting for higher revenue in 2016 than that reported in 2015.

The Group reported a quarterly profit after tax in the fourth quarter of 2015 of $2.9 million and for the year of $166,000. The net result in the first quarter of 2015 should be around breakeven. The Group is forecasting a small profit for the year.

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
May 20th, 2016

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
May 20th, 2016	May 20th, 2016

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 is 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, 2015.

Paul Taylor President & Chief Executive Officer	Bob Lockwood Vice President & Chief Financial Officer
PDTaylor	Bob Lockwood
May 20th, 2016	May 20th, 2016

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, 2015 and 2014, and the consolidated statements of profit (loss) and other 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, 2015, and 2014 its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants

May 20th, 2016
Ottawa, Canada

DYNEX POWER INC.
Consolidated Statement of Profit (Loss) and Other Comprehensive Income in Canadian Dollars
Year Ended December 31st, 2015

	Note	2015	2014
		$	$
Revenue	6,7	**46,512,345**	42,166,004
Cost of Sales		**(41,829,244)**	(42,607,212)
Gross Profit/(Loss)		**4,683,101**	(441,208)
Other income	7	**81,043**	133,146
Sales and marketing expenses		**(1,169,003)**	(1,208,148)
Administration expenses		**(3,270,465)**	(3,778,654)
Research and development surplus/(expenses)	10	**313,235**	(97,598)
Finance costs	8	**(776,920)**	(726,127)
Other gains and (losses)	9	**408,747**	(399,303)
Profit/(Loss) before Tax	10	**269,738**	(6,517,892)
Income tax (expense)/ recovery	11	**(103,574)**	970,075
Net Profit/(Loss)		**166,164**	(5,547,817)
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)		**4,316,103**	882,823
Total Comprehensive Income/(Loss) for the Year		**4,482,267**	(4,664,994)
Profit/(Loss) per Share			
Basic	12	**0.00**	(0.07)
Diluted	12	**0.00**	(0.07)

All results are derived from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 25 to 57.

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars
As at December 31st, 2015

	Note	**2015**	2014
		$	$
NON-CURRENT ASSETS			
Intangible assets	13	**1,594,142**	1,150,380
Property, plant and equipment	14	**43,447,376**	39,883,946
Deferred tax asset	23	**57,838**	-
Derivative financial instruments	15	**-**	43,624
Total non-current assets		**45,099,356**	41,077,950
CURRENT ASSETS			
Inventories	16	**15,215,237**	14,428,876
Trade receivables	17	**6,334,417**	9,048,235
Amounts owing from parent company	30	**5,445,377**	2,764,112
Prepayments, deposits and other receivables	18	**1,236,102**	1,096,467
Tax recoverable		**3,382**	2,965
Cash		**1,410,547**	894,609
Total current assets		**29,645,062**	28,235,264
CURRENT LIABILITIES			
Trade payables		**2,371,233**	7,073,578
Amounts owing to parent company	30	**760,062**	667,817
Other payables and accruals	19	**8,695,638**	10,156,373
Borrowings	20	**15,423,684**	4,171,108
Provisions	22	**20,599**	1,824,060
Total current liabilities		**27,271,216**	23,892,936

DYNEX POWER INC.
Consolidated Statement of Financial Position in Canadian Dollars (continued)
As at December 31st, 2015

	Note	**2015** $	2014 $
NON-CURRENT LIABILITIES			
Borrowings	20	**8,904,800**	12,983,135
Provisions	22	**61,797**	54,180
Total non-current liabilities		**8,966,597**	13,037,315
NET ASSETS		**38,506,605**	32,382,963
EQUITY			
Share capital	24	**37,096,192**	37,096,192
Accumulated deficit		**(5,609,101)**	(7,416,640)
Foreign currency translation reserve		**7,019,514**	2,703,411
TOTAL EQUITY		**38,506,605**	32,382,963

These financial statements should be read in conjunction with the notes set out on pages 25 to 57.

Paul Taylor
Director
May 20th, 2016

Bob Lockwood
Director
May 20th, 2016

DYNEX POWER INC.
Consolidated Statement of Changes in Equity in Canadian Dollars
Year Ended December 31st, 2015

	Share Capital	Retained Profit/ (Deficit)	Foreign Currency Translation Reserve	Total Equity
	$	$	$	$
At January 1st, 2014	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
Total comprehensive income for the year	-	166,164	4,316,103	4,482,267
Capital Contribution		1,641,375		1,641,375
At December 31st, 2015	**37,096,192**	**(5,609,101)**	**7,019,514**	**38,506,605**

These financial statements should be read in conjunction with the notes set out on pages 25 to 57.

DYNEX POWER INC.
Consolidated Statement of Cash Flows in Canadian Dollars
Year Ended December 31st, 2015

	Note	**2015** $	2014 $
CASH FLOW FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**269,738**	(6,517,892)
Finance costs recognised in loss before tax		**776,920**	726,127
Investment income recognised in loss before tax		**-**	(2,444)
Amortization of intangible assets	13	**169,288**	120,546
Depreciation of property, plant and equipment	14	**5,282,462**	4,380,245
(Gain) Loss on disposal of property, plant and equipment		**(3,361)**	5,710
Provision for slow moving and obsolete inventory		**(424,680)**	4,903,255
Non cash movement in provisions		**-**	35,705
Movements in working capital	27	**(6,742,646)**	6,787,902
Income taxes (paid)/received		**(102,545)**	23,402
Net cash generated/(used) by operating activities		**(774,824)**	10,462,556
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for intangible assets and property, plant & equipment		**(4,001,881)**	(8,635,658)
Interest received		**-**	2,444
Proceeds from the sale of fixed assets		**5,167**	-
Net cash used in investing activities		**(3,996,714)**	(8,633,214)
CASH FLOW FROM FINANCING ACTIVITIES			
Capital contribution		**1,641,375**	-
Proceeds from borrowings		**38,484,089**	10,950,723
Repayments of borrowings		**(33,352,566)**	(11,934,564)
Interest paid		**(866,577)**	(689,889)
Payments for other finance costs		**-**	(40,824)
Net cash generated/(used) by financing activities		**5,906,321**	(1,714,554)
NET INCREASE IN CASH		**1,134,783**	114,788
Cash at beginning of year		**894,609**	775,071
Effect of foreign currency translation on cash		**(618,845)**	4,750
CASH AT END OF YEAR		**1,410,547**	894,609

All operating cash flows derive from continuing operations.

These financial statements should be read in conjunction with the notes set out on pages 25 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 CRRC Times Electric Co. Ltd ("CRRC Times Electric") and the ultimate parent company of the Group is CRRC Corporation Limited ("CRRC 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, 2015 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 Company has not implemented the following new and revised accounting pronouncements that have been issued but are not yet effective. The Company has reviewed these pronouncements and determined that the following may have an impact on the Company:

IFRS 9: Financial Instruments

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

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

IFRS 16: Leases

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 (£).

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation (continued)

Items included in the financial statements of the Company and its subsidiary 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 the statement of profit (loss). 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 at the contractual rates as labour hours are delivered and direct expenses are incurred.

Research and development costs

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

Government grants

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

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

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

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

The 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, other receivables and cash are measured at fair value. As these assets are all short-term with no stated interest rate they are valued at the original invoice amounts or the original amount deposited at the bank less payments received 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 the statement of profit (loss) to administration expenses.

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 less amounts paid. 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 proceeds received less payments made. Any gains or losses are credited in the statement of profit (loss) 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 two cash-generating units: semiconductor devices and power 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, 2015 the carrying amount of intangible assets and property, plant and equipment was $45,041,518 (2014 - $41,034,326).

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

Impairment reviews

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

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, 2015 the carrying amount of inventories was $15,215,237 (2014 - $14,428,876) and the provision for slow-moving and obsolete items of inventory was $10,698,325 (2014 - $10,480,576).

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, 2015 the carrying amount of trade receivables was $6,334,417 (2014 - $9,048,235) and the provision for impairment of trade receivables was $216,428 (2014 - $173,447).

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, 2015 the carrying value of provisions was $82,396 (2014 - $1,878,240).

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.

	2015	2014
	$	$
Canada	**265,980**	2,943,251
China	**13,610,860**	8,319,828
United Kingdom	**8,260,892**	8,237,454
France	**3,757,717**	4,630,138
Other(None > 10%)	**20,616,896**	18,035,333
	46,512,345	42,166,004

6. OPERATING SEGMENT INFORMATION (continued)

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, 2015 the Group had two customers accounting for more than 10% of revenue, generating $20,147,004 (CRRC Group) and $5,120,553 respectively (2014 – two customers accounting for more than 10% of revenue, generating $10,862,011 (CRRC Group) and $5,246,355 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:

	2015	2014
Revenue:	**$**	$
Sale of goods	**42,901,628**	40,119,349
Rendering of services	**3,610,717**	2,046,655
	46,512,345	42,166,004
Other Income:		
Sale of scrap materials	**63,095**	108,447
Bank interest income	**-**	301
Other interest income	**144**	2,143
Government grants	**5,806**	5,761
Other income	**11,998**	16,494
	81,043	133,146

8. FINANCE COSTS

An analysis of finance costs is as follows:

	2015	2014
	$	$
Interest on bank borrowings	**260,333**	389,870
Interest on other borrowings	**403,163**	286,500
Interest on finance leases	**97,815**	8,932
Other finance costs	**15,609**	40,825
	776,920	726,127

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

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

9. OTHER GAINS AND LOSSES

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

	2015	2014
	$	$
Foreign exchange gain/(loss)	**405,386**	(393,595)
Gain/(loss) on disposal of property, plant and equipment	**3,361**	(5,708)
	408,747	(399,303)

10. PROFIT BEFORE TAX

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

	2015	2014
	$	$
Cost of inventories sold	**38,198,344**	40,560,556
Staff costs (including director's remuneration):		
Wages and salaries	**19,760,505**	17,588,870
Other benefits	**926,249**	939,382
Minimum lease payments for plant and machinery under operating leases	**158,756**	268,013
Foreign exchange differences (net)	**(405,386)**	393,595
Amortization of intangible assets	**169,288**	120,546
Depreciation of items of property, plant and equipment:		
Manufacturing	**4,611,853**	3,726,005
Other	**670,609**	654,240
Research and development expenses (before government grants and contribution from CSR Times Electric)	**9,866,167**	6,414,436
Contribution from CSR Times Electric	**(9,147,615)**	(5,491,830)
Government grants:		
Research and development	**(1,031,787)**	(825,008)
Property plant and equipment	**(5,806)**	(5,761)
Provision for obsolete inventories	**(424,680)**	4,903,255

11. INCOME TAX EXPENSE/RECOVERY

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

	2015	2014
	$	$
Current tax expense	**102,748**	117,942
Deferred tax recovery relating to:		
Origination and reversal of temporary differences	**826**	(994,619)
Changes in tax rates		(93,398)
Total deferred tax expense/(recovery)	**826**	(1,088,017)
Total income tax expense/(recovery)	**103,574**	(970,075)

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

	2015	**2014**
	$	**$**
Profit/(loss) before tax	**269,738**	**(6,517,892)**
Expected tax expense/(recovery) at Canadian Statutory rate	**71,481**	**(1,727,241)**
Factors affecting charge:		
Income not subject to tax	**(19,933)**	**(27,944)**
Expenses for which tax relief not available	**80,445**	**72,796**
Different tax rate for subsidiary operating in other jurisdiction	**(23,422)**	**311,327**
Unused tax losses and tax offsets not recognised as deferred tax assets	**27,830**	**207,543**
Impact of reduction in tax rates	**0**	**93,398**
(Over)/under provision at start of year	**(54,393)**	**99,060**
Other differences	**21,566**	**986**
	103,574	**(970,075)**

The Canadian statutory tax rate is 26.5% (2014 – 26.5%). The United Kingdom statutory tax rate is 20.25% (2014 – 21.5%).

12. PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS

Profit per share calculations are based on:

	2015	2014
	$	$
Profit:		
Profit attributable to ordinary equity holders used in both basic and diluted earnings per share calculations	**166,164**	(5,547,817)
Shares:	**Nos**	Nos
Weighted average number of ordinary shares outstanding during the period used in both the basic and diluted earnings per share calculation	**80,509,047**	80,509,047

For the years ended December 31st, 2015 and 2014 there were no shares or other instruments outstanding that would have a dilutive effect on profit or loss per share.

13. INTANGIBLE ASSETS

	2015	2014
	$	$
Cost		
At Beginning of Year	**1,283,713**	684,279
Additions	**445,900**	583,834
Net exchange difference	**195,363**	15,600
At End of Year	**1,924,976**	1,283,713
Depreciation		
At Beginning of Year	**133,333**	12,982
Charge for the year	**169,288**	120,546
Net exchange difference	**28,213**	(195)
At End of Year	**330,834**	133,333
Carrying value at year end	**1,594,142**	1,150,380

Intangible assets relate to software.

The carrying value of intangible assets pledged as security is $nil (2014 - $nil)

At December 31st, 2015 the Group has commitments for the purchase of intangible assets of $20,000 (2014 - $31,000).

14. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant & Machinery	Assets under construction	Total
	$	$	$	$	$
Cost					
At January 1st, 2014	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
Additions	-	-	1,091,327	2,267,405	3,358,732
Reclassifications	-	66,930	1,059,565	(1,126,495)	-
Disposals	-	-	(126,069)	-	(126,069)
Net exchange difference	447,158	741,319	7,309,716	251,267	8,749,460
At December 31st, 2015	**3,627,809**	**6,074,175**	**61,090,773**	**2,111,212**	**72,903,969**
Depreciation					
At January 1st, 2014	-	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
					-
Charge for the year	-	141,704	5,140,758	-	5,282,462
Eliminated on disposal	-	-	(124,262)	-	(124,262)
Net exchange difference	-	66,560	3,193,933	-	3,260,493
At December 31st, 2015	**-**	**623,999**	**28,832,594**	**-**	**29,456,593**
Carrying value					
At December 31st, 2015	**3,627,809**	**5,450,176**	**32,258,179**	**2,111,212**	**43,447,376**
At December 31st, 2014	3,180,651	4,850,191	31,134,069	719,035	39,883,946

The carrying value of property, plant and equipment pledged as security is $43,447,376 (2014 - $39,883,946) (Note 20).

14. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book value of plant and machinery includes $206,396 (2014 - $40,539) in respect of assets held under hire purchase agreements which are accounted for as finance leases. The depreciation charge for the year includes $47,835 (2014 - $156,905) in respect of leased assets.

At December 31st, 2015 the Group has commitments for the purchase of property, plant and equipment of $1.4 million (2014 - $1.7 million).

15. DERIVATIVE FINANCIAL INSTRUMENTS

	2015	2014
	$	$
Forward Exchange Contracts	-	43,624
	-	43,624
Included in the financial statements as:		
Non-Current Assets	-	43,624
Non-Current Liabilities	**-**	-
	-	43,624

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

16. INVENTORIES

	2015	2014
	$	$
Raw materials	**4,032,660**	4,322,798
Work in progress	**9,403,386**	9,224,907
Finished goods	**1,779,191**	881,171
	15,215,237	14,428,876

At December 31st, 2015 the carrying value of inventory carried at net realisable value was $140,001 (2014 - $124,036).

At December 31st, 2015 the amount of inventory expected to be recovered after more than twelve months was $829,000 (2014 - $547,000).

17. TRADE RECEIVABLES

	2015	2014
	$	$
Trade receivables	**6,550,845**	9,221,682
Less bad debt provision	**(216,428)**	(173,447)
	6,334,417	9,048,235

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, 2015 and 2014, net of the provision for impairment is as follows:

	2015	2014
	$	$
Not yet overdue	**5,527,795**	7,946,144
Less than one month overdue	**354,623**	799,957
Between one and two months overdue	**252,931**	258,877
Greater than two months overdue	**199,068**	43,257
	6,334,417	9,048,235

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:

	2015	2014
	$	$
At January 1st	**173,447**	197,760
Impairment losses recognised	**19,265**	3,931
Amounts recovered	**(8,167)**	(40,544)
Net exchange difference	**31,883**	12,300
At December 31st	**216,428**	173,447

Included in the provision for impairment are individually impaired assets of $186,948 (2014 - $147,464) 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	**2015**	2014
		$	$
Due from related parties	30	**377,547**	1,274,822

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

	2015	2014
	$	$
Prepayments	**322,460**	262,349
Deposits and other receivables	**913,642**	834,118
	1,236,102	1,096,467

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

19. OTHER PAYABLES AND ACCRUALS

	2015	2014
	$	$
Accruals	**2,082,224**	1,092,600
Advance payments received	**5,981,450**	8,493,569
Other	**631,964**	570,204
	8,695,638	10,156,373

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	**2015**	2014
		$	$
CRRC Group	30	**4,398,352**	6,916,861

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

20. BORROWINGS

	Note	**2015**	2014
		$	$
Secured at amortised cost:			
Bank overdrafts	(i)	**671,586**	831,379
Bank loans	(ii), (iii), (iv)	**12,204,827**	9,053,462
Finance leases	(v) and 21	**206,396**	37,018
		13,082,809	9,921,859
Unsecured at amortised cost:			
Other loans	(vi), (vii), (viii)	**11,245,675**	7,232,384
		24,328,484	17,154,243
Current portion		**15,423,684**	4,171,108
Non-current portion		**8,904,800**	12,983,135
		24,328,484	17,154,243

(i) The Group has a bank overdraft of $671,586 (2014 - $831,379) under an approved overdraft facility of $2,060,000 (2014 - $5,418,000) 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 (ii) below.

20. BORROWINGS (continued)

(ii) The Group has an uncommitted money market facility from a bank for $10,299,500 which was fully drawn at the end of 2015. The money market facility was established in 2015 and replaced a term loan of $5,418,000 at the end of 2014 which was repayable in four equal six-monthly repayments between October 2016 and April 2018. The repayment date and the interest on the money market facility is set at the time drawings are made and varies depending on the length of the drawing. The rate on drawings at the end of 2015 was 2.7% (the rate on the term loan was 2.75%) and the drawings were all repayable during January 2016. The facility, like the term loan it replaced, 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, 2015 these assets have a carrying value of $63,594,044 (2014 - $59,370,498).

(iii) The Group has a bank loan for $376,057 (2014 - $506,989) 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 $644,063(2014 - $677,331).

(iv) The Group has a bank loan for $1,529,270 (2014 - $3,128,474). The loan bears interest at LIBOR plus 2.30% and is repayable in equal 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 $9,077,987 (2014- $8,030,842).

(v) The finance leases are secured by the equipment leased which has a carrying value of $147,126 (2014 - $40,539).

(vi) The Group has an unsecured loan from a fellow subsidiary of CSR Times Electric for $11,123,460. The loan bears interest at 4% per annum and is repayable in nine equal biannual repayments between June 2016 and June 2020. The loan replaced a previous loan from the same fellow subsidiary of CSR Times Electric for $1,194,859 which bore interest at 3.25% and which was repaid in 2015 and a loan from CSR Times Electric (see (vii) below).

(vii) The Group had an unsecured loan from CSR Times Electric for $5,787,504 at the end of 2014 which bore interest at 5%. This loan was repaid in 2015 (see (vi) above).

(viii) The Group has an unsecured interest free loan from an unrelated party for $122,216 (2014 - $250,021). The loan is repayable in quarterly instalments between July 2014 and October 2016.

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	
	2015	2014	**2015**	2014
	$	$	**$**	$
Not later than one year	**132,559**	44,508	**117,801**	37,018
Later than one year and not later than five years	**93,657**	-	**88,595**	-
	226,216	44,508	**206,396**	37,018
Less future finance charges	**(19,820)**	(7,490)	-	-
Present value of minimum lease payments	**206,396**	37,018	**206,396**	37,018

	2015	2014
	$	$
Included in financial statements as:		
Current borrowings	**117,801**	37,018
Non-current borrowings	**88,595**	-
	206,396	37,018

22. PROVISIONS

	2015	2014
	$	$
Provision for Settlement	**-**	1,806,000
Warranties	**20,599**	18,060
Removal costs of equipment	**61,797**	54,180
	82,396	1,878,240
Current portion	**20,599**	1,824,060
Non-current portion	**61,797**	54,180
	82,396	1,878,240

The movements in provisions are as follows:

	Provision for settlement	Warranties	Removal of equipment	Total
	$	**$**	**$**	**$**
At January 1st, 2015	1,806,000	18,060	54,180	1,878,240
Additional provisions	-	-	-	-
Amounts utilised	(1,965,238)		-	(1,965,238)
Amounts reversed		-	-	-
Net exchange difference	159,238	2,539	7,617	169,394
At December 31st, 2015	**-**	**20,599**	**61,797**	**82,396**

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 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. The timing of these outflows is uncertain as the Group has no current plans to remove these items of equipment.

The Group had a provision for costs it would incur under a Settlement Agreement following the cancellation of a contract in 2014. The provision was fully utilised during the year and no further costs are expected to arise under the Settlement Agreement.

23. DEFERRED TAX ASSETS

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, 2014	(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)	-
Recognised in profit or loss	133,851		(233,546)	72,401	(27,294)
Net exchange difference	(370,797)	12,695	440,644	2,590	85,132
At December 31st, 2015	**(2,930,414)**	**102,995**	**2,864,085**	**21,172**	**57,838**

The Company has an aggregate temporary difference of $8.3 million (2014 - $3.9 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 which management sees no prospect of utilising and for which, therefore, no deferred tax asset has been recognised. These tax losses 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**
2035	**100,000**
no expiry date	**43,000**
	4,600,000

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, 2014 and 2015	**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 (2014 – 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. There are currently no options outstanding.

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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, 2015	**Carrying Value**	**Fair Value**
	$	**$**
Financial Assets:		
Trade receivables	**6,334,417**	**6,334,417**
Amounts owing from parent company	**5,445,377**	**5,445,377**
Deposits and other receivables included in prepayments, deposits and other receivables	**913,642**	**913,642**
Cash	**1,410,547**	**1,410,547**
	14,103,983	**14,103,983**
Financial Liabilities:		
Trade payables	**2,371,233**	**2,371,233**
Amounts owing to parent company	**760,062**	**760,062**
Other items included in other payables and accruals	**8,695,638**	**8,695,638**
Current borrowings	**15,423,684**	**15,193,201**
Non-current borrowings	**8,904,800**	**8,709,481**
	36,155,417	**35,729,615**

December 31st, 2014	Carrying Value	Fair
	$	$
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

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

All financial assets are classified as loans and receivables.

All financial liabilities are classified as other 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 4.3% (2014: 0% and 5.5%) being the Group's current estimated borrowing rate for loans and finance leases with similar terms and conditions.

Market risk

The Group is exposed to foreign currency fluctuations. At December 31st, 2015 the split of financial instruments by currency is as follows (all figures are stated in Canadian Dollar equivalents):

	C$	GBP	Euro	US$	Total
	$'000	$'000	$'000	$'000	$'000
Trade receivables		5,012	1,036	286	6,334
Amounts owing from parent		5,056		389	5,445
Other receivables	20	894			914
Cash	7	4	1,071	328	1,410
Trade payables	(20)	(2,351)			(2,371)
Amounts owing to parent company		(760)			(760)
Other payables	(278)	(8,382)	(36)		(8,696)
Current borrowings		(15,424)			(15,424)
Non-current borrowings		(8,905)			(8,905)
	(271)	**(24,856)**	**2,071**	**1,003**	**(22,053)**

A 10% increase (decrease) in the value of Sterling against the Euro and US Dollar at the end of the year would have (decreased) increased net profit for the year by approximately $300,000. 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 (decreased) increased net profit for the year by approximately $750,000. A 10% increase (decrease) in the average value of Sterling against the US Dollar during the year would have (decreased) increased net profit for the year by approximately $450,000.

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 major exposure to two separate currencies that have in the past moved in opposite directions provides sufficient protection. The need to actively hedge these exposures using derivative instruments is kept under review.

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

A 10% increase (decrease) in the average value of Sterling against the Dollar would have increased (decreased) net profit for the year by approximately $30,000. 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 (decrease) increase net profit by approximately $120,000 in the year.

Credit risk

The Group is exposed to credit risk in relation to the $6.3 million of trade receivables (2014 - $9.0 million) $5.4 million of amounts owing from parent company (2014 - $2.8 million), $0.8 million of deposits and other receivables (2014 - $0.8 million) and $1.4 million of cash (2014 - $0.9 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 $14.1 million (2014 - $13.5 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, 2015 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 $10.3 million money market facility and a $2.1 million overdraft facility with its main banker which are used to manage day to day requirements. At December 31st, 2015 the money market facility was fully utilized and $671,586 of the overdraft facility was being utilised (2014 - $831,000 under a $5.4 million overdraft facility). 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 $1.4 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:

	2015	2014
	$	$
Current borrowings	**15,423,684**	4,171,108
Non-current borrowings	**8,904,800**	12,983,135
Less Cash	**(1,410,547)**	(894,609)
Net debt	**22,917,937**	**16,259,634**
Shareholders' equity	**38,506,605**	32,382,963
Net gearing ratio	59.5%	50.2%

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

27. MOVEMENTS IN WORKING CAPITAL

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

	2015	2014
	$	$
(Increase) in inventories	**1,530,590**	(6,772,189)
Decrease (increase) in trade receivables	**3,642,831**	1,472,039
(Increase) in prepayments, deposits & other receivables	**46,798**	(503,914)
(Increase) decrease in amounts owing from parent company	**(2,368,392)**	(209,286)
Increase in trade payables	**(5,119,088)**	4,298,314
Increase (decrease) in other payables & accruals	**(2,452,777)**	7,813,036
Increase (decrease) in provisions	**(1,965,232)**	1,575,588
(Decrease) increase in amounts owing to parent company	**(57,376)**	(885,686)
	(6,742,646)	6,787,902

28. PENSIONS

The Group incurred expenses of $613,924 (2014 - $541,111) with respect to the defined contribution pension plan.

At December 31st, 2015 $98,428 was outstanding to the pension plan (2014 - $90,612) and is included in other payables and accruals. This amount was paid in January 2016.

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 four years.

At December 31st, 2015 and 2014 the Group had total future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	2014
	$	$
Not later than one year	**466,496**	450,858
Later than one year and not later than five years	**218,033**	59,679
	684,529	510,537

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 CRRC Times Electric Co., Ltd, its directors and their immediate families and CRRC Corporation and all of its affiliates as related parties.

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

		2015	2014
		$	$
Transactions with CSR Times Electric:			
Sale of goods	(i) (ii)	**10,105,985**	6,155,939
Rendering of services	(iii)	**2,879,883**	1,707,566
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	(iv)	**9,147,615**	5,491,830
Reimbursed expenses	(v)	**266,793**	264,538
Purchases of materials and components	(i) (vi)	**4,414,838**	3,058,882
Interest expense	(vii)	**189,937**	246,851
Capital contribution		**1,594,755**	-
Transactions with CRRC Corporation Limited			
Rendering of services	(viii)	**439,939**	252,056
Transactions with fellow group subsidiaries:			
Sale of goods	(ix)	**3,102,662**	2,746,450
Interest expense	(x)	**210,288**	39,026
Transactions with key management personnel:			
Short term employment benefits		**1,299,001**	1,025,725
Post-employment benefits		**46,919**	39,279
Total compensation		**1,345,920**	1,065,004
Transactions with other parties:			
Legal fees and expenses	(xi)	**57,675**	78,862

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

		2015	2014
		$	$
Balances with CSR Times Electric:			
Amounts owing from parent company	(i) - (v)	**5,445,377**	2,764,112
Amounts owing to parent company	(i) (vi)	**760,062**	667,817
Other payables and accruals	(iii) (iv)	**4,398,352**	6,916,861
Borrowings	(vii)	**-**	5,787,504
Balances with fellow group subsidiaries:			
Trade receivables	(ix)	**377,547**	1,274,822
Trade payables	(x)	**-**	39,150
Borrowings	(vii)	**11,123,460**	1,194,859
Balances with key management personnel:			
Other payables and accruals	(xii)	**10,000**	10,000
Balances with other parties:			
Trade payables	(xi)	**7,776**	5,650
Other payables and accruals	(xi)	**5,200**	5,200

(i) CSR Times Electric is the Group's main distributor for high power semiconductors in The People's Republic of China and the Group is CSR Times Electric's main distributor for high power semiconductors in Europe 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 was estimated that the costs for the project would be $ 4.6 million over a three year period commencing from January 2014. CSR Times Electric paid in advance 25% 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 was estimated that the costs of the joint research and development would be $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 25% of their contribution.

30. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

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

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

(vii) On August 13th, 2015 the Group was provided with a loan for approximately $12.1 million by CSR Times Electric (Hong Kong) Co., Ltd, a fellow subsidiary of CSR Times Electric, which bears interest at 4% per annum and is repayable in 10 biannual instalments between December 2015 and June 2020. Part of the loan was used to repay a previous loan of approximately $5.5 million from CSR Times Electric that bore interest at 5% and was due to be repaid between December 2016 and December 2018. Part of the loan was used to repay another loan from CSR Times Electric (Hong Kong) Co., Ltd (see (x) below).

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

(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 bore interest at 3.25% per annum and was due to be repaid on September 7th, 2015. This loan was repaid in August 2015 (see (vii) above).

(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 February 2016.

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 apart from the loans from CSR Times Electric and CSR Times Electric (Hong Kong) Co., Ltd which are recorded as a non-current liability.

31. 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 May 20th, 2016.

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

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UK – Deloitte LLP

Transfer Agent

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Legal Counsel

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President & CEO

Bob Lockwood
VP Finance, CFO & Co. Secretary

Mark Kempton
Operations Director

Sky Xu
Sales & Marketing Director

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Power Assemblies Business Manager

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Technology Manager

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