Strategic Report, Directors' Report and

Financial Statements

for the Year Ended 31 December 2020

for

Dynex Semiconductor Limited

Contents of the Financial Statements for the Year Ended 31 December 2020

Dynex Semiconductor Limited

Company Information for the Year Ended 31 December 2020

DIRECTORS:	M A Kempton L Dawson S A Bailey K Liu R Lyle
REGISTERED OFFICE:	101 Doddington Road Lincoln Lincolnshire LN6 3LF
REGISTERED NUMBER:	03824626 (England and Wales)
SENIOR STATUTORY AUDITOR:	James Sewell BA (Hons) FCA CTA
AUDITORS:	Wright Vigar Limited Statutory Auditors Chartered Accountants & Business Advisers 15 Newland Lincoln Lincolnshire LN1 1XG
BANKERS:	Barclays Bank plc High Street Nottingham NG1 2EN

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report for the year ended 31 December 2020.

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

RESEARCH AND DEVELOPMENT

Despite the uncertainties encountered during 2020, Dynex, supported by its parent company CRRC Times Electric, has continued to heavily invest in the research and development of new core technologies and high-power semiconductor products at its R&D Centre, located in Lincoln, England. The strategic focus remains on developing core technologies to support the requirements of the global high-power semiconductor markets for high power electronic equipment, with particular focus on railway traction, electric vehicle and transmission and distribution.

In early 2020, a restructuring of the R&D team was undertaken to create two clearly defined groups. In addition to the existing R&D activity that focuses on medium to long-term technology development, the New Product Introduction (NPI) team was formed with the aim of reducing the time taken to bring new products to market, while also expanding the existing Dynex product portfolio to support future business growth.

The Company has continued to progress several collaborative programmes within the UK and Europe related to low carbon power electronics, and a number of new collaborative projects have been started with UK University research groups, European supply chains, and customers. These activities help to keep Dynex at the forefront of high-power semiconductor technology. During 2020, six patents have been filed to protect the intellectual property realised in these R&D activities.

The chip development section of the R&D group has continued to develop the next generation high voltage trench gate IGBT silicon chips at 3.3kV, 4.5KV and 6.5kV, aimed at high power applications such as traction and renewable energy, while also developing lower voltage trench gate versions at 750V to 1700V, for electric vehicle motor drives and industrial applications. In addition, the chip design team have increased activity on the development of new silicon carbide (SiC) technologies for improved efficiency and reduced size applications as well as on-chip sensing technologies for temperature and current measurement.

The successful development of these new silicon wafer technologies has enabled the New Product Introduction team to utilise the chip sets in a range of new power modules, which, in conjunction with new advanced module packaging and material technologies will improve module performance, lower cost and enhance reliability. The early indications are that the improved technical performance has advanced to a level where it is greatly improved over previous Dynex designs and makes them attractive alternatives to competitor products. These new trench gate modules will be launched to market during 2021 and are destined to provide Dynex with an improved revenue stream for its module range.

The NPI team will also increase activity in designing custom power module variants to meet specific customer requirements, with a significant increase in engagement already seen in this area.

Significant progress has also been made to align the Dynex IGBT wafer fabrication line to provide increased support for new chip set development and accelerated product introduction plans. The aim has been to decrease batch turnaround times to speed-up prototyping cycles, leading ultimately, to an improvement in the time taken to introduce new products to the market.

During 2020, a strategic review of the Bipolar product range was undertaken to understand future market requirements for the medium to long term. As a result, a cross functional team comprising engineering, production and commercial representatives was established to update the product range in alignment with customer application specifications. Dynex Bipolar products can still offer the most efficient and cost-effective solution in many existing and emerging applications, therefore, the new product introduction team embarked upon a programme to improve product performance through enhanced process tuning. This will better position the product range to meet specific applications as well as reducing manufacturing cost and providing improved data sheets for customers. Ultimately, these actions will future proof the product range and lead to increased sales for the foreseeable future.

FINANCIAL PERFORMANCE

Turnover:
Turnover reduced by 11.5% from £28.6 million in 2019 to £25.3 million in 2020. The decrease in turnover was primarily a result of the COVID-19 pandemic, the market uncertainty that created and a fall in maintenance from customers as their operating services were temporarily reduced or suspended, thus stunting the previous year's growth in the Bipolar area and delaying infrastructure projects that formed part of the growth plan. The gross margin decreased from 16.6% to 6.4% reflecting the contribution impact from reduced sales and product mix. The Company reported a profit before tax of £0.43m in 2020 compared to £0.46 million in 2019.

KEY PERFORMANCE INDICATORS

Gross margins:
Gross margins reflect the revenues for products sold less the direct costs of production, indirect production and overheads costs, and, any costs associated with obsolete inventory.

Gross margins in 2020 showed a reduction compared with the previous year. This was as a consequence of COVID-19 and lower volumes in product manufacturing. With throughput reduced and sales projected to be lower than budget the Company utilised the government Coronavirus Job Retention Scheme therefore, considering the furlough income the Gross Margin would be revised to ~9.7%, only 2.5% below budget.

Other operating expense:
Other operating expense reflects those costs associated with Sales, marketing and administration. These costs decreased in 2020 compared to 2019 by ~£3m. This reduction includes one-off impacts in other income from Coronavirus Job Retention Scheme (CJRS) and an enhanced 3-year retrospective R&D tax claim. The business has also seen lower expenditure as a result of COVID-19, with headcount freezes, employee reductions and business travel. The Company continues to focus on its breakeven point reduction and sizing its business appropriately to its revenue and drive down these costs through a mixture of strategic investment and stringent cost control.

(Loss)/ Profit before tax:
The profit before tax reflects the steps taken by the business during 2020 to manage its cost base, utilise the options provided by the government and adapt quickly to the challenges the pandemic has presented. Other factors impacting profit include the level of other operating expense, net R&D expenditure and other income. In 2020 the Company recorded a profit due to its careful cost control, an increased level and retrospective claim for R&D tax relief, and the utilisation of the CJRS to minimise the impact of absorption from the pandemic generated reduction in throughput and turnover. The Company's perpetual review and challenge to reduce its breakeven point and therefore its sensitivity to volume, will enable the growth in sales to deliver increased profitability

In measuring turnover per full time employee, R&D staff are excluded from the number employed. Expenditure on R&D is an investment in the future of the business and does not contribute to today's revenue. The Turnover per full time employee since 2017 reflects the increases / decreases in turnover and for 2020 reflects the reduction in revenue.

The measurement of the percentage of revenue spent on research and development reflects gross expenditure on research and development as this better reflects the Company's investment in the development of new products and processes. This expenditure is financed by CRRC Times Electric or by grants or by customers. The figure shown in the financial statements for expenditure on R&D is net of such third-party funding. Although, the figures show another substantial decrease in gross expenditure in 2020, a significant proportion is now recognised in cost of sales compared to previous years.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks. Further details of these risks and how they are managed can be found in the section 'Principal Risks and Uncertainties' below. The Company does not use derivative financial instruments as part of its risk management strategy.

PRINCIPAL RISKS AND UNCERTAINTIES

Dynex Semiconductor Limited operates in some highly specialised yet competitive market areas, so recognises the importance of providing high service levels in terms of quality/performance, cost and delivery. New product introduction and continual improvement of existing product capability are essential to ensure Dynex products at least match and ideally exceed those of competitors. For this reason, Dynex continues to invest heavily in Research & Development and New Product Introduction to future proof products and mitigate the risk of any fundamental shift in technologies in the company's markets. The Company works very closely with its Chinese counterpart, Times Semiconductor Company (TSC) from Zhuzhou in Hunan, PRC to ensure the correct priorities are set in developing future technologies.

Strategic Report
for the Year Ended 31 December 2020

Global demand for the supply of high-power semiconductors and electronic assemblies is an uncertainty, but the Company has mitigated this by establishing a Marketing Analysis function to gain a more accurate insight into the future requirements of the markets Dynex operates in. This allows the business to take a proactive approach in focusing on the relevant areas for growth such as, to reduce carbon emissions in support of climate change initiatives, increased power generation capacity from non-fossil fuels, the electrification of transport systems, provision of higher quality electrical energy and advanced power electronic equipment, and improved power transmission and distribution systems. All are examples of the strong market potential for Dynex technologies and provide justification for believing that demand for the Company's products will remain strong. However, a reduction in investment in these activities could have a negative impact on the operational performance of the business.

The Company's manufacturing processes are highly complex and manufacturing efficiency is an important factor in competitiveness and profitability. The business has been investing and continues to invest in new equipment to ensure it remains competitive. Manufacturing yields vary significantly across the product range, depending on the complexity of a particular design and the internal experience in manufacturing that type of product, the quality of the raw materials and bought in components used in manufacture. 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. Dynex seeks to manage these risks by constantly monitoring and seeking to improve its yields through improvements in design, materials and manufacturing processes.

Many of the Company's expenses, particularly those relating to capital equipment and manufacturing overhead, are relatively fixed, making the Company's results sensitive to reductions in manufacturing volume. The Company seeks to mitigate this risk by establishing strong relationships with existing and new customers and by closely managing all business expenditure. The acquisition in 2008 of a major stake in the Company by CRRC Times Electric, and its subsequent purchase of the remaining shares in 2019 has provided the Company with a much closer relationship with this entity, fostering increased collaboration and strategic alignment; they continue to be one of the Company's major customers. As a consequence, the relationship with CRRC Times Electric provides Dynex with strong financial backing and puts the business in a much more robust position to navigate through the unprecedented difficulties created by the COVID-19 pandemic.

Raw materials such as silicon, neutron transmutation doped ("NTD") silicon, molybdenum, ceramic housings, chemicals, gases and some sub-contract services are critical to the manufacture of high-power semiconductors. The Company seeks to maintain close relationships with key suppliers, entering into long term supply arrangements where appropriate, and by multi sourcing products where possible, in order to ensure continued access to such raw materials.

For some years, the significant short-term variation in electricity costs in the UK has been a risk to the Company's bottom line business performance. Historically, the Company has taken independent professional advice on the purchase of electricity while seeking to enter into long term contracts to reduce the uncertainty about future prices. However, to reduce business exposure to this market volatility, Dynex, through 2020, has installed a Combined Heating Power (CHP) plant to generate its own electricity and provide much needed stability in the cost of utilities. In addition, the Company operates an Energy Management System under ISO 50001 in order to minimise the use of power.

Dynex has developed and works to a Quality Policy, operated under ISO 9001:2015 in order to ensure it meets the requirements of its customers, and to constantly improve all aspects of the business to mitigate against the risk of sub-standard performance.

The Company has a Health and Safety Plan operating to the principles laid down in HSG65 and a formal Environmental Management Plan under ISO 14001 in order to ensure compliance with the relevant regulations and to ensure risks to employees, third parties and the environment are minimised.

While the Company buys raw material from Europe, North America and Asia, the bulk of its costs are incurred in sterling, however, it sells globally with many sales transactions conducted in Euros and US dollars. As a consequence, the Company's results are exposed to fluctuations in exchange rates between these currencies. Management monitors these exposures and regularly reviews the option to hedge but does not believe it would be beneficial at the present time.

Dynex management have assessed the risks to the Company associated with Brexit and have found there to be minimal operational impact in the medium to long-term. There is the possibility that there may be some short-term implications with changes to import, export and border controls, but in the opinion of management, these are expected to only last for a short period and will have no negative material impact on the business in the longer term.

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

COVID-19

Following the World Health Organisation (WHO) officially declaring COVID-19 as a global pandemic on March 11th, 2020, the Management Board initiated its business continuity plan (BCP) with the primary objective of minimising the disruption and impact to its customers, suppliers and employees. A business continuity committee was created, made up of the senior leadership team and key functions to review, assess and implement continuity strategies in accordance with the UK government guidance and protective policies, such as social distancing.

In order to minimise the financial impact to the business, a risk analysis was performed in the event of the worst-case scenario of a full government enforced shutdown. A decision was taken to furlough employees utilising the Coronavirus Job Retention Scheme (CJRS) as well as implementing a more cautious and rigorous approach to our cash flow management. With continued uncertainty and in the long-term interests of the business and its people the Directors made a subsequent decision to conduct a redundancy exercise in July 2020 with 39 employees leaving the business throughout the remainder of the year.

The Directors consider the additional risks posed by COVID-19 and determine that given their subsequent actions the impact on its business to be short-term and manageable. Since the outbreak the Company has continuously reassessed its business practices to ensure business continuity, focusing on ensuring its manufacturing is uninterrupted, minimising site presence, enacting and enforcing all safety guidelines applicable to all working environments. The Directors acknowledge the long-term view remains a challenge and continue to monitor developments and prepare accordingly.

Throughout the pandemic our parent company CRRC, have maintained a constant dialogue with us, providing support, guidance and reassurance, prioritising and providing the extension to the Citibank loan facility, the resolution of intercompany debt and funding agreements, as well providing practical support such as protective equipment and sanitisation.

ENVIRONMENT & CLIMATE CHANGE

The Company believes that protection of the environment and reduction of the carbon footprint is an integral part of good business practice and contributes to the preservation of the environment through an environmental management system. The environmental management system seeks to minimise environmental impacts resulting from the Company's business activities and products. The Company provides education and training to all staff to improve understanding of the environmental management system appropriate to their responsibilities. The Company pursues a course of continual environmental improvement; adopting environmentally friendly technologies to prevent environmental pollution. Objectives and targets in parallel with sound management practices drive continual improvement. The Company minimises pollution by replacing and improving its processes when necessary and recycling and re-using materials where possible. The Company performs a perpetual review of its power generation and monitors the viability for greener energy sources, and has invested in a Combined, Heat & Power (CHP) solution reducing 1.5Mw of grid demand, expected to be in full operation early in 2021. The Company also continues to explore solar PV options in addition to its current installation and is investing in the installation of EV points on site to promote the use of electrical vehicles for its employees.

In support further of climate change the Company works alongside CRRC Corporation, educational institutes and government funded agencies on projects designed to support electrification of vehicles and the decarbonisation of rail.

The Company complies, and will continue to comply, with all applicable legal requirements and with other requirements to which it subscribes which relate to environmental aspects. The Company has introduced an environmental impact assessment process used when introducing new products. The Company will continue to minimise environmental impacts by the recycling of waste products and packaging materials.

s172 STATEMENT

In accordance with section 172 of the Companies Act 2006, each of our directors acts in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. Our directors have regard, amongst other matters, to the:
-likely consequences of any decisions in the long-term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- desirability of the company maintaining a reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The directors also take account of the views and interests of a wider set of stakeholders when making decisions. In line with our strategy, our purpose is to grow and develop as an independent manufacturer of high power and high reliability power products investing and empowering our management to unlock operational improvements to drive value and performance for the benefit of all our stakeholders.

Financial robustness is an important part of this value creation process and we aim to provide a prudent approach to capital allocation that considers working capital requirements, investment, capital expenditure and research and development. For each of these, and all relevant events and circumstances that have arisen during the relevant period are considered, alongside the interests of the Company's stakeholders and its long-term viability. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders and the Board frequently has to make difficult decisions based on competing priorities. By considering the Company's purpose and values, together with its strategic priorities and having a process in place for decision-making, we do, however, aim to balance those different perspectives.

As a company operating on a small footprint the authority for day-to-day management of the company resides with the board in their primary management functions, then engage our Senior Leadership Team (SLT) and managers in setting, approving and overseeing the execution of the strategy and related policies. Management actively encourages smaller representative groups within the business deliberately decentralising and ensuring the voice of the workforce is heard where it is most effective in the business decision making process. Clarity and oversight of all action across these groups are heard at our weekly SLT meetings.

Fostering positive business relationships with key stakeholders, such as customers and suppliers, is also important to the success of the business. As a result, engagement for customers and suppliers is a matter largely delegated to the management teams of each respective area who know the stakeholders best. The board has been, and continues to be, available to support the as and when required. The Company has multiple interactions with many government bodies which are of strategic importance to the Company's long-term success, such as Department of Trade and Industry and the Bank of England. The Company specifically has regular dialogue with various bodies e.g. CBI, MAKE UK, to enable us to thrive in innovation, gain insight and expertise.

In their decision making, the Directors need to have regard to the impact of the Company's operations on the community and environment. Its success is a key contributor to the local economy, providing a vital source of employment in the city of Lincoln often employing multiple members of the same family. It strives to be an employer of choice, offering sustainable long-term employment, opportunity and development for its people. The board plays a constructive role in tackling issues through engagement and investment.

It is important for the long-term future of our business that we protect and enhance the environment. Climate change will affect how much non-renewable energy is available, and stakeholders are rightly concerned about the resilience of supplies and are looking to companies to adapt and take the necessary steps to reduce their climate change risk. We encourage our business to innovate, invest and develop new technologies to solve environmental challenges for our future generations. We are also committed to reducing our carbon footprint and contribution to climate change where economically viable.

The Board recognises that culture, values and standards are key contributors to how a company creates and sustains value over the longer term, and to enable it to maintain a reputation for high standards of business conduct. High standards of business conduct guide and assist in the Board's decision making, and in doing so, help promote the Company's success, recognising, amongst other things, the likely consequences of any decision in the long-term and wider stakeholder considerations. The standards set by the Board mandate certain requirements and behaviours with regards to the activities of the Directors and its employees.

Responsibility for the adoption of policies, practices and initiatives sits with the board, however in certain circumstance this may be delegated to an appointed expert. The Company engages an external audit firm to monitor and verify performance which is conducted in respect of both financial and non-financial performance.

On the basis of the above, the members of the board consider both individually, and together, that they have acted in a considered way, in good faith, that would be most likely to promote the success of the Company, having regard to the matters set out in section 172(1) (a)-(f) of the Companies Act 2006 when discharging their section 172 duties, in the decisions taken during the year ended 31st December 2019.

EMPLOYEE INFORMATION

Details of the number of employees and their costs can be found in Note 11 to the Financial Statements. The Company keeps employees informed on matters relevant to them as employees through regular meetings and discussions. Emphasis is placed on developing greater awareness of the financial and economic factors that affect the performance of the Company. The Company is committed to equal opportunities for all, free from discrimination and harassment. All job applicants and employees, customers, visitors, or contractors will receive equal treatment regardless of sex, race, disability, sexual orientation, religion or belief, age, marital status, trade union membership, nationality or ethnic or national origins.

Within the Company, applicants and employees will be recruited, selected, trained and promoted on objective grounds. Wherever possible the Company will assist disabled employees to enable them to work for the Company and maximise their contribution and performance.

EVENTS AFTER THE BALANCE SHEET DATE

Please refer to Note 25 to the financial statements.

FUTURE PROSPECTS

The directors believe the market for high power semiconductor and power assembly products will gradually recover through 2021, reaching pre-COVID-19 levels by early 2022. Thereafter, the expectation, based on market information, is for steady growth over the medium term. With the continued support of CRRC Times Electric, the Company heavily invests in the long-term research of cutting-edge high-power semiconductor technologies and the development and introduction of new products that are guided by a more focused market led approach. These new additions will further extend the existing product portfolio and provide a firm platform for modest growth over the short to medium term. Consequently, the directors expect the solid performances of 2019 and 2020 to be steadily built upon in terms of operational and financial performance for the foreseeable future.

ON BEHALF OF THE BOARD:

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M A Kempton - Director

Date: 28 APRIL 2021

Directors' Report for the Year Ended 31 December 2020

The directors present their report with the financial statements of the company for the year ended 31 December 2020.

PRINCIPAL ACTIVITY
The Company is a wholly owned subsidiary of Dynex Power Inc. of Canada. In March 2019, Zhuzhou CRRC Times Electric Co., Ltd ("CRRC Times Electric") acquired the remaining 25% shareholding in Dynex Power Inc giving them 100% ownership. CRRC Times Electric is based in Hunan Province in the People's Republic of China.

CRRC Times Electric is quoted on the Hong Kong Stock Exchange. The ultimate parent company is CRRC Corporation Limited ("CRRC Group"), which is based in Beijing in the People's Republic of China. The ultimate controlling party is the Chinese State-owned Asset Supervision and Administration Commission.

The Company's principal activities are the design, manufacture and sale of high-power semiconductors and high- power electronic assemblies, the business also has a Research & Development business unit employing -20% of the company employee base. There have not been any significant changes in these activities since the publication of the 2019 Annual Report and Financial Statements. The directors currently have no plans for any changes in the future.

DIVIDENDS
No dividends will be distributed for the year ended 31 December 2020.

EVENTS SINCE THE END OF THE YEAR
Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS
The directors shown below have held office during the whole of the period from 1 January 2020 to the date of this report.

M A Kempton
L Dawson
S A Bailey
K Liu
R Lyle

GOING CONCERN
The directors have reviewed their forecasts for the next twelve months from approval of the accounts, particularly in relation to turnover, profits and cash flow. The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company will be able to operate within the level of its current facility of £15m for at least the next twelve months from the date of the financial statements being signed. Management considered financing available to the Company, in the form of a facility from Citibank, which is guaranteed by CRRC Times Electric and was renewed in July 2020 until July 2021 and is renewed on a rolling basis. In April 2020 the facility has been increased by £4m to £15m, of which £2.5m was drawn down in July 2020, leaving £1.5m unutilised. Financing has also been available in the form of a loan from CRRC Times Electric (Hong Kong) Co., Ltd, the previous loan was repaid in full in December 2019 and in January 2020 a replacement loan was issued, this has also been repaid in full in July 2020. In considering the ability of CRRC Times Electric to provide any necessary support to the Company, the directors have reviewed Group performance and assessed their financial strength and obtained an understanding of the Group's strategic and contingent plans. A letter of support, which details the continuing commitment of the Group to ensure sufficient funding for the Company to meet its liabilities as they fall due, was received from CRRC Times Electric and hence the directors concluded that the funds necessary to finance the Company for the next twelve months would remain available.

DIRECTORS INDEMNITY
The Articles of Association of the Company contain a qualifying third-party indemnity in favour of all of the directors of the Company that, subject to law, indemnifies the directors from the assets of the Company against any liability incurred by them in defending any proceedings in which judgement is given in their favour (or otherwise disposed of without any finding or admission of any material breach of duty on their part).

The qualifying third-party indemnity provisions were in place throughout the year and remain in force at the date of this report.

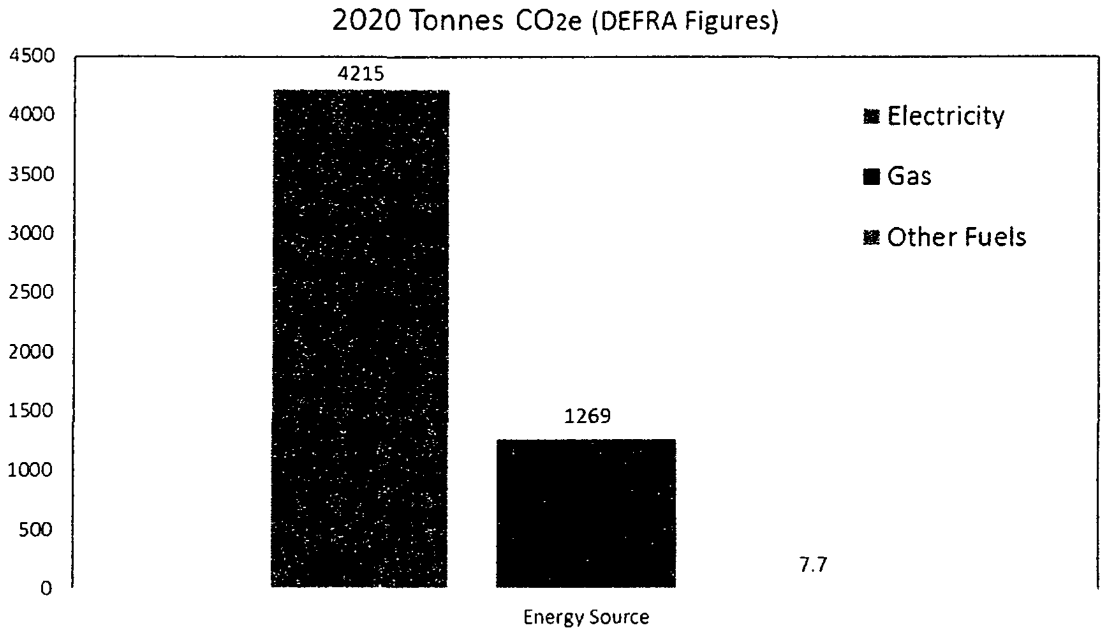
STREAMLINED ENERGY AND CARBON REPORTING
Carbon Dioxide Emissions

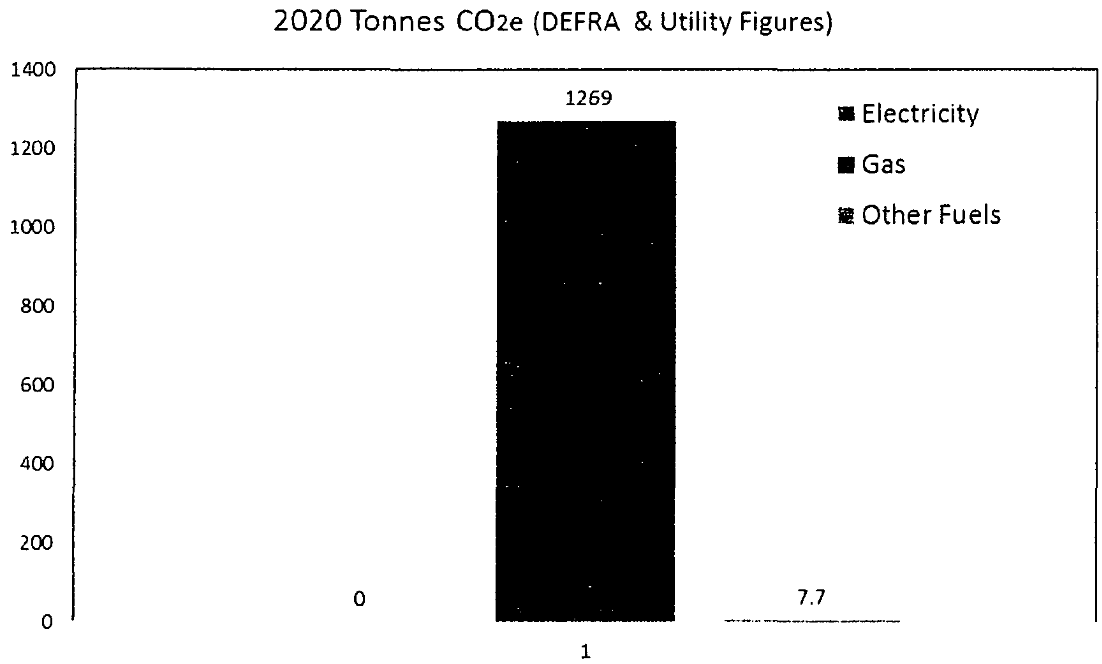
The UK annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the group is responsible involving the consumption of gas was 1,269 tonnes using the DEFRA figures

The quantity involving the consumption of fuel for the purposes of transport was 6 tonnes.

The quantity involving the consumption of fuel for other purposes (gas oil) was 1.7 tonnes.

The quantity involving the purchase of electricity for the group's own use, including for the purposes of transport was 4,215 tonnes using DEFRA figures and 0 tonnes using our utility's fuel disclosure statement. (See statement further down)





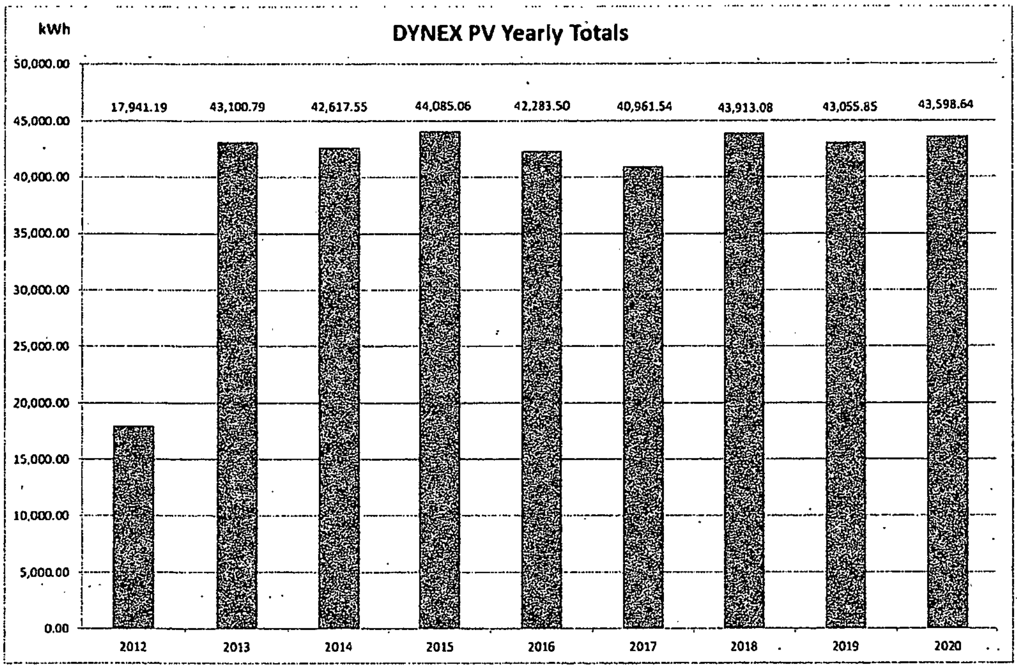
kWh Usage

The aggregated kWh of UK annual energy consumed from activities for which the group is responsible involving combustion of gas was 6,900,356 kWh.

The quantity involving the consumption of fuel for the purposes of transport/other was currently N/A. This only equates to 0.14% of total emissions.

The quantity involving the purchase of electricity by the group for its own use, including for the purposes of transport was 18,103,319 kWh.

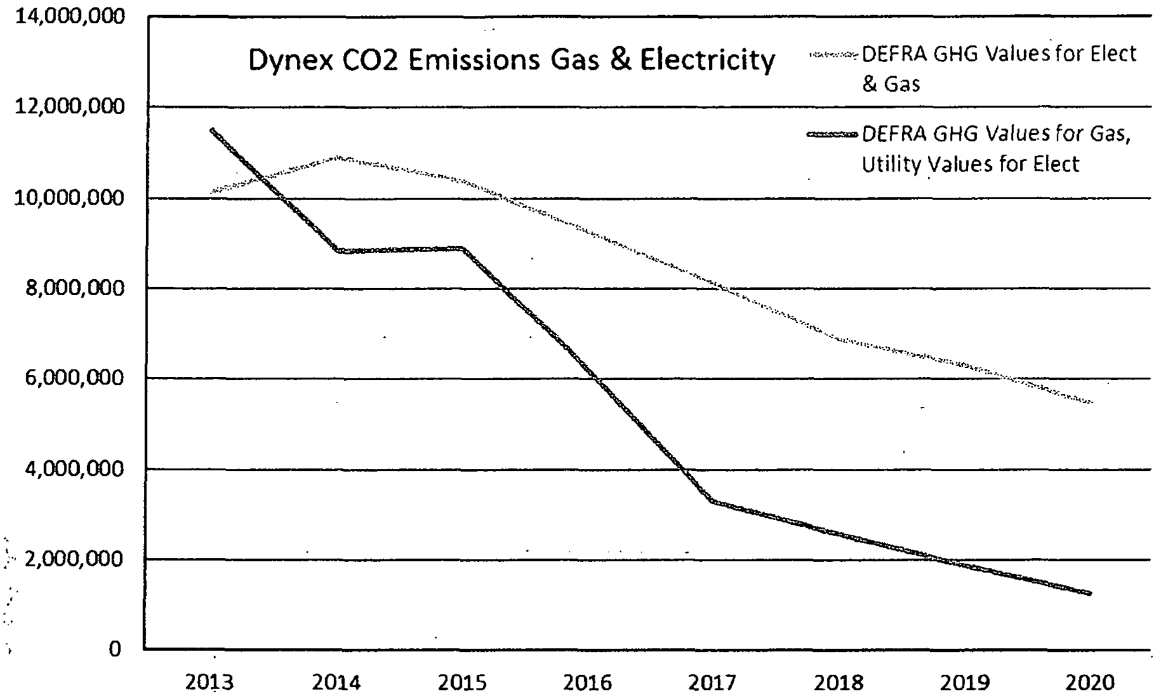
Onsite PV generation generated an additional 43,598 kWh offsetting 10.2 Tonnes CO2e from the grid.



Methodology

Energy consumption is determined from meter readings and invoices received for the given year being assessed. CO2 emissions are determined using the appropriate conversion factor for energy type obtained from UK Government information for company reporting of greenhouse gas emissions alongside fuel disclosure data from our energy suppliers.

The purchase of low carbon energy also improves our overall emissions figure in comparison to the DEFRA GHG data as seen in the following graph and our Utility fuel mix disclosure.

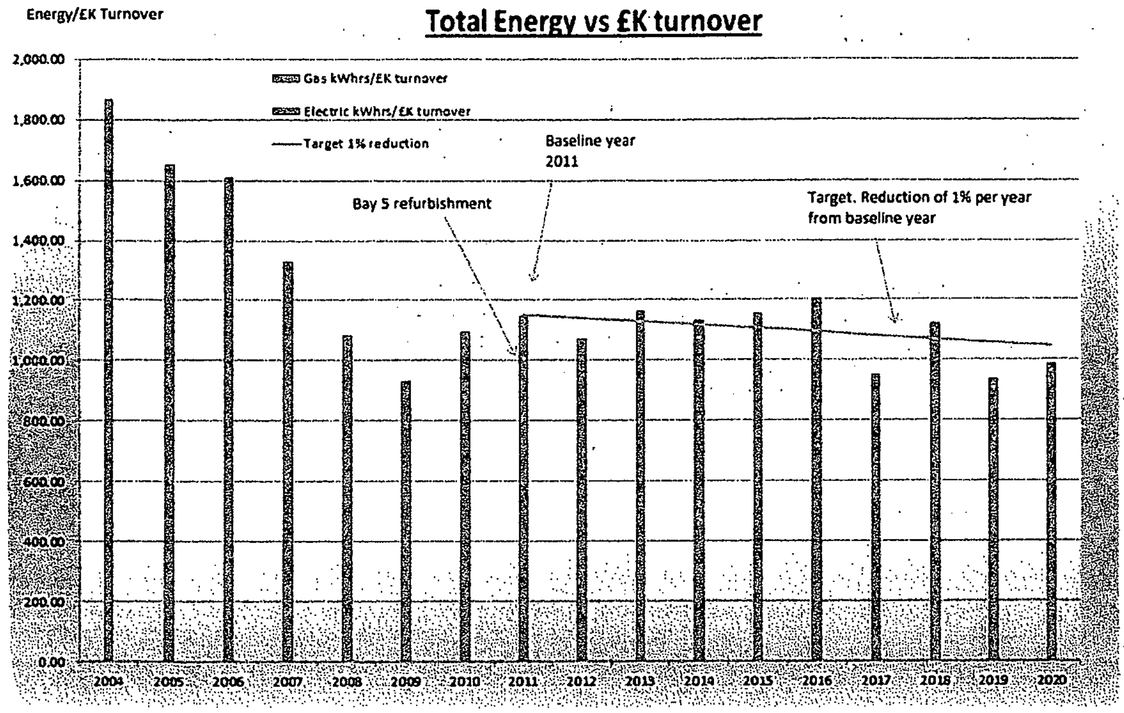


Ratios

In order to effectively manage the energy performance of the Group's facilities, systems, processes and equipment, management have a range of ENPI's for the site, including kWh v £k of turnover, CCA target, alongside a risk & opportunities register.

Along with our ISO50001 &ISO14001 accreditation, that covers all of the utilities and our 21 waste and reclaim streams.

Note CCA & Turnover graphs include PV electricity.



Measures taken to improve efficiency

The site has had a team of people working on energy projects since before the onset of the first CCA agreement.

This can be seen in the previous Energy v Turnover graph, many of these improvements are documented in our energy projects and opportunities register.

Projects include: 2 port speed and temperature control, along with free cooling on chiller circuits. More efficient chillers. Inverters for all AHU fans & pumps. Onsite N2 generation. Extensive BMS (Building Management System) control. Onsite metering system, PV on our RDC building. LED lighting replacement program, Approx. 37% and 982 fittings completed to the end of 2020.

We are currently replacing our 3 main boiler plants circa 1980's with a new central plant to be hooked up to our CHP installation. This should see a good improvement of efficiency on gas usage for heating /dehumidification alongside the re use of heat from the CHP.

Reporting limitations

Insufficient data to accurately report all types of fuel usage (petrol & diesel), although this part estimated total figure for transport equates to 0.14% is well under the 2% de minimis for emissions.

Although we have just over 100 meters on site, not all of them are on our now obsolete metering system as some are manual reads, to cover the site effectively we would need around 300 meters to give a real-time split of the various services. Work is ongoing with our current BMS upgrade and moving forward we hope to migrate our existing & future metering to it.

Age of the site and systems integration with upgrades is always an issue.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS
So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS
The auditors, Wright Vigar Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

M Kempton
....
M A Kempton - Director

Date: 28 April 2021

Statement of Directors' Responsibilities for the Year Ended 31 December 2020

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

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

Report of the Independent Auditors to the Members of
Dynex Semiconductor Limited

Opinion
We have audited the financial statements of Dynex Semiconductor Limited (the 'company') for the year ended 31 December 2020 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:
- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information in the Strategic Report, the Directors' Report and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Report of the Independent Auditors to the Members of Dynex Semiconductor Limited

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

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

Auditors' responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our work is performed to include an assessment of the susceptibility of the entity's financial statements to material misstatement, including the risk of fraud. We plan our work to gain an understanding of the significant laws and regulations that are of significance to the entity and perform our work to ensure that the entity is complying with its legal and regulatory framework.

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

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

Wright Vigar Limited

James Sewell BA (Hons) FCA CTA (Senior Statutory Auditor)
for and on behalf of Wright Vigar Limited
Statutory Auditors
Chartered Accountants & Business Advisers
15 Newland
Lincoln
Lincolnshire
LN1 1XG

28 April 2021

Income Statement
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
TURNOVER	4	25,305	28,612
Cost of sales		23,685	23,860
GROSS PROFIT		1,620	4,752
Other operating expense		1,762	3,848
		(142)	904
Other operating income		943	50
OPERATING PROFIT		801	954
Interest payable and similar expenses	6	376	499
PROFIT BEFORE TAXATION	7	425	455
Tax on profit	8	185	(97)
PROFIT FOR THE FINANCIAL YEAR		240	552

The notes form part of these financial statements

Other Comprehensive Income
for the Year Ended 31 December 2020

	Notes	2020 £'000	2019 £'000
PROFIT FOR THE YEAR		240	552
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		240	552

The notes form part of these financial statements

Balance Sheet
31 December 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS					
Owned					
Intangible assets	11		793		593
Tangible assets	12		13,028		13,522
Right-of-use					
Tangible assets	12, 18		486		658
			14,307		14,773
CURRENT ASSETS					
Stocks	13	7,811		8,895	
Debtors	14	6,824		8,292	
Cash at bank		5,124		856	
		19,759		18,043	
CREDITORS					
Amounts falling due within one year	15	22,288		21,094	
NET CURRENT LIABILITIES			(2,529)		(3,051)
TOTAL ASSETS LESS CURRENT LIABILITIES			11,778		11,722
CREDITORS					
Amounts falling due after more than one year	16		(241)		(377)
PROVISIONS FOR LIABILITIES	19		(658)		(706)
NET ASSETS			10,879		10,639
CAPITAL AND RESERVES					
Called up share capital	20		15,000		15,000
Retained earnings	21		(4,121)		(4,361)
SHAREHOLDERS' FUNDS			10,879		10,639

The financial statements were approved by the Board of Directors and authorised for issue on 28 APRIL 2021 and were signed on its behalf by:

M A Kempton - Director

The notes form part of these financial statements

Dynex Semiconductor Limited

Statement of Changes in Equity
for the Year Ended 31 December 2020

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2019	15,000	(4,913)	10,087
Changes in equity			
Total comprehensive income	-	552	552
Balance at 31 December 2019	15,000	(4,361)	10,639
Changes in equity			
Total comprehensive income	-	240	240
Balance at 31 December 2020	15,000	(4,121)	10,879

The notes form part of these financial statements

1. **CORPORATE INFORMATION**

Dynex Semiconductors Limited (the "Company"), a private company limited by shares, was incorporated on 13 August 1999 under the Companies Act 2006 and registered in England and Wales. The registered office of the Company is Doddington Road, Lincoln, LN6 3LF.

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

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

2. **ACCOUNTING POLICIES**

Basis of preparation
Accounting framework

These financial statements were prepared in accordance with FRS102 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

As permitted by FRS101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, impairment of assets, financial instruments, remuneration of key management personnel and the requirements of the second sentence of paragraph 110 and paragraph 113(a), 114, 115, 118, 119 (a) to (c), 120 to 127 and 129 of IFRS15 Revenue from contracts with Customers; the requirements of paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

The policies set out below were consistently applied to all periods presented except in the case of IFRS16 Leases, where the transition provisions of IFRS16 allows an entity not to restate comparatives. Where required, equivalent disclosures are given in the group accounts of Zhuzhou CRRC Times Electric Co. Ltd ("Zhuzhou") an intermediate holding company, which holds Dynex Power Inc, and CRRC Group. Refer to the notes to the accounts where the financial statements of Zhuzhou and CRRC Group can be obtained as Dynex Power Inc financial statements are not publicly available.

Going Concern

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

As noted in the directors report the directors have reviewed their forecasts for the next twelve months from the date of approval of the accounts particularly in relation to turnover, profits and cash flow. The Company's forecasts and projections, taking account of reasonable possible changes in trading performance, show that the Company will be able to operate within the level of its current facility of £15m for at least the next twelve months from the date of the financial statements being signed. Management considered financing available to the Company, in the form of a facility from Citibank, which is guaranteed by CRRC Times Electric and was renewed in July 2020 until July 2021 and is renewed on a rolling basis. In April 2020 the facility has been increased by £4m to £15m, of which £2.5m was drawn down in July 2020, leaving £1.5m unutilised. Financing has also been available in the form of a loan from CRRC Times Electric (Hong Kong) Co., Ltd, the previous loan was repaid in full in December 2019 and in January 2020 a replacement loan was issued, this has also been repaid in full in July 2020. In considering the ability of CRRC Times Electric to provide any necessary support to the Company, the directors have reviewed Group performance and assessed their financial strength and obtained an understanding of the Group's strategic and contingent plans. A letter of support, which details the continuing commitment of the Group to ensure sufficient funding for the Company to meet its liabilities as they fall due, was received from CRRC Times Electric and hence the directors concluded that the funds necessary to finance the Company for the next twelve months would remain available.

continued...

2. **ACCOUNTING POLICIES - continued**

Historical cost convention

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on fair value of the consideration given in exchange for the goods and services. The principal accounting policies adopted are set out below. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for leasing transactions that ar within the scope of IFRS16.

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 101 "Reduced Disclosure Framework":

- the requirements of paragraph 24(6) of IFRS 6 Exploration for and Evaluation of Mineral Resources;
- the requirements of IAS 7 Statement of Cash Flows.

Changes in accounting policies and adoption of new and revised standards
At the date of authorisation of these financial statements, the following Standards and Interpretations relevant to the Company which have not been applied in these financial statements were in issue but are not yet effective:

IFRS 17 Insurance Contracts
Amendments to IFRS 9 Prepayment Features with Negative Compensation
Amendments to IAS 28 Long-term Interests in Associates and Joint Venture
Annual Improvements to IFRS Standards 2018-2020 Cycle - Amendments to IFRS 9 Financial Instruments, IAS 41 Agriculture, IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, and IAS 23 Borrowing Costs
Amendments to IAS 19 Employee Benefits- Plan Amendment, Curtailment or Settlement
IFRS 10 Consolidated Financial Statements and IAS 28 (amendments)- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.
IAS 1 - Classification of Liabilities as Current or Non-Current
Amendments to IAS 37 Costs of fulfilling a contract

It is expected that the impact of changes arising on the adoption of the other standards would not be material.

Summary of significant accounting policies

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

The Company recognises revenue based on the transaction price allocated to such performance obligations when a performance obligation is satisfied i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to a customer. The transaction price is based on the value agreed with the customer by means of contact or an order acknowledgment issued in response to their purchase order. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Company to the customer. Transaction price refers to the consideration that the Company is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Company expects to return to the customer.

The Company recognises turnover based on the contractual shipping terms, i.e. for Delivered at place, they are recognised when goods are delivered, while for ex works, revenue is recognised when the goods are collected from the production facility.

When the Company collects amounts of sold goods or services in advance from the customer, the Company will firstly recognise the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations.

continued...

2. **ACCOUNTING POLICIES - continued**

Returns, refunds and other obligations
The Company provides a standard warranty of 12 months on products supplied. Any items returned under warranty are examined and if it is deemed to be a failure under warranty a replacement part or credit is offered. Credits are generally reflected against revenue.

Foreign currency translation
These financial statements are presented in Pounds Sterling (£). Foreign currency transactions are recorded by applying the exchange rate ruling at the date of the transaction. At the end of each accounting period monetary items are re-translated using the closing rate. All exchange gains and losses are included in other gains and losses in the profit and loss account. Non-monetary items measured in terms of historical cost are translated at the exchange rate at the date of the transaction and non-monetary items measured in terms of fair value are translated at the exchange rate at the date when the fair value was determined.

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

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

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

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

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

When the grant relates to expenditure 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.

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

Amortisation 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. Amortisation is calculated using the straight-line method over the useful lives of the assets. The estimated useful life of intangible assets is 3-8 years. The amortisation is included in the Other operating expense line.

Financial instruments
Financial assets and financial liabilities are recognised in the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument. All recognised financial assets that are within the scope of IFRS9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

IFRS9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,

2) Impairment of financial assets, and

3) General hedge accounting.

continued...

2. **ACCOUNTING POLICIES - continued**

For classification and measurement of financial assets, the new standards for financial instrument require that the financial assets should be classified into three categories: "financial assets measured at amortised cost", "financial assets at fair value through other comprehensive income (FVTOCI)" and "financial assets at fair value through profit or loss (FVTPL)" based on characteristics of contractual cash flows and business models for the enterprise to manage these assets. The Company measures its financial assets at amortised cost.

For impairment of financial assets, the new standards for financial instruments on impairment are applicable to financial assets measured at amortised cost and at FVTOCI, lease receivables, contract assets, etc. The new standards for financial instruments require adoption of the expected credit losses model to replace the original credit-impaired model. The new impairment model requires the credit loss allowance to be made based on the expected credit losses within 12 months or during the whole life according to whether the credit risks of relevant items have been significantly increased since initial recognition. If the trade receivables, contract assets and lease receivables have a simplified method, it is allowed to recognise impairment allowances for the expected credit losses during the whole life.

The Company does not apply hedge accounting.

Financial Instruments: Credit risk

The Company measures loss provision based on the amount equal to the lifetime ECL for all the contractual assets and trade receivables arising from the transactions under revenue standards. In assessing whether the credit risk has increased significantly since initial recognition, the Company compares the risk of a default occurring on the financial instrument as the reporting date with the risk of a default occurring on the financial instrument as the date of initial recognition. In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

1) Whether internal price indicator resulted from change in credit risk has changed significantly;

2) if the existing financial instruments are derived into or issued as new financial instruments at the balance sheet date, whether interest rates or other terms of the above financial instruments have changed significantly (including harsher contractual terms, increase in collaterals or higher yield rate etc);

3) Whether external credit rating of the financial instruments has actually changed significantly or is expected to change significantly;

4) Whether expected detrimental changes in the business, financial and economic conditions of the borrower which will affect the borrower's ability to perform repayment obligations have changed significantly;

5) Whether the actual or expected operating results of the borrower have changed significantly;

6) Whether the credit risk of other financial instruments issued by the same borrower has increased significantly;

7) Whether supervisory, economic or technical environment for the borrower has significant detrimental changes;

8) Whether the economic motive that will lower the borrower's repayment based on contractual stipulation has changed significantly;

9) Whether the borrower's expected performance and repayment activities have changed significantly;

10) Whether the contract payment is overdue.

The Company determined that credit risk of trade receivables has not increased significantly since initial recognition based on past experience of right off of bad debts and is exposed to a lower credit risk. Trade receivables are regarded to have a relatively low credit risk provided that:

1) The financial instrument has a low default risk,

2) the borrower has strong ability to perform its contractual cash flow obligation within a short term, and

3) it may not reduce the ability of the borrower to perform its contractual cash obligation even though the economic situation and operating environment are changed adversely within a relatively long term.

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence of credit-impairment includes observable data about the following events:

continued...

2. **ACCOUNTING POLICIES - continued**

1) Significant financial difficulty of the issuer or obligor;

2) A breach of contract by the borrower, such as default or delinquency in interest or principal payments;

3) The lender of the borrower, for economic of contractual reasons relating the the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;

4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;

5) Whether the contract payment is overdue significantly.

Financial Instruments - Expected Credit loss:
As part of the Company's credit risk management, the Company evaluates the expected credit losses of trade receivables using aging information to indicate repayment risks and also assess the ability of customers to pay as payments fall due. The Company uses this data and prior experience to determine bad debt provisions required.

Financial Instruments - Recognition and de-recognition
Financial assets are recognised on the trade date. Financial assets are derecognised when the rights to receive cash flows from the asset have expired. Financial liabilities are recognised on the trade date. Financial liabilities are derecognised when the obligation under the liability is discharged or cancelled or expires.

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

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

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

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

Freehold buildings	40 years
Plant & machinery	2-25 years

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

continued...

2. **ACCOUNTING POLICIES - continued**

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

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

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

Leases

The Company as lessee
The Company assesses whether a contract is or contains a lease, at inception of the contract and recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Lease liabilities due within one year are included within Creditors: amounts falling due within one year and lease liabilities due after more than one year are included within Creditors: amounts falling due after more than one year on the balance sheet and the amounts are disclosed separately in the related notes.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective rate of the modification.

The Company did not make any such adjustments during the periods presented.

continued...

2. **ACCOUNTING POLICIES - continued**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Right-of-use assets are presented as a separate line in the balance sheet.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Tangible Asset's' policy.

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

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

Cash
Cash comprises cash on hand and demand deposits.

Financial Instruments

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

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

Financial assets are assessed at the end of each accounting period to determine whether there is any objective evidence of impairment. Where no such evidence exists, a provision is made for the loss in value and charged in the profit and loss account to other operating expense.

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

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

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

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

continued...

2. **ACCOUNTING POLICIES - continued**

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

Provisions

Provisions are recognised when the Company has a present obligation, legal or constructive, as a result of a previous event, if it is probable that the Company will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each accounting period and adjusted to reflect the current best estimate of the expected future cash flows.

Taxation

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

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

Deferred tax assets and liabilities are recognised for temporary differences between the carrying value of an asset or liability in the financial statements and its tax base and measured using the tax rates for the periods in which the differences are expected to reverse that have been enacted or substantively enacted by the end of the accounting period. Deferred tax assets for the benefit 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.

Leases

Leases are recognised as finance leases. The lease liability is initially recognised at the present value of the lease payments which have not yet been made and subsequently measured under the amortised cost method. The initial cost of the right-of-use asset comprises the amount of the initial measurement of the lease liability, lease payments made prior to the lease commencement date, initial direct costs and the estimated costs of removing or dismantling the underlying asset per the conditions of the contract.

Where ownership of the right-of-use asset transfers to the lessee at the end of the lease term, the right-of-use asset is depreciated over the asset's remaining useful life. If ownership of the right-of-use asset does not transfer to the lessee at the end of the lease term, depreciation is charged over the shorter of the useful life of the right-of-use asset and the lease term.

3. **CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

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

Following are the key critical judgements:

Capitalisation of development costs

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

There are no key sources of estimation uncertainty at the end of the reporting period.

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4. TURNOVER

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	2020 £'000	2019 £'000
CRRC Group	10,365	12,746
External Customers	14,940	15,866
	25,305	28,612

An analysis of turnover by geographical market is given below:

	2020 £'000	2019 £'000
United Kingdom	742	3,190
China	9,825	8,730
France	4,037	3,752
USA	1,518	2,797
Other (None > 10%)	9,183	10,143
	25,305	28,612

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

	2020 £'000	**2019 £'000**
Revenue		
Sale of goods	18,904	22,121
Rendering of services	6,401	6,491
	25,305	28,612
Other operating income:		
Insurance claim	-	19
Furlough Scheme	825	-
Sale of scrap metals	20	25
Asset Rental	97	-
Other	1	5
	943	49

continued...

5. **EMPLOYEES AND DIRECTORS**

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

	2020 No.	2019 No.
Production	187	209
Sales & Distribution	24	24
Research & Development	48	53
Administration	24	27
Management	4	4
	288	317

The aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	10,042	10,816
Social security costs	935	1.103
Pensions costs	437	460
	11,414	12,379

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

	2020 £'000	2019 £'000
Directors' emoluments		
Emoluments	516	888
Pension contributions to money purchase schemes	20	41
Loss of office compensation	-	-
	536	929

	2020 £'000	2019 £'000
Highest paid director		
Emoluments	135	447
Pension contributions to money purchase schemes	5	23
	140	470

Contributions are made by the Company to a money purchase pension scheme for five directors (2019: six) and to a defined benefit scheme in respect of nil directors (2019:nil).

In 2020 one of the directors' remuneration (2019: one) are borne by other companies in the group, and the rest remunerated by the Company.

For the directors who resigned during the year, there was no compensation payment made or due.

continued...

6. INTEREST PAYABLE AND SIMILAR EXPENSES

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

	2020 £'000	2019 £'000
Interest on bank borrowings	293	320
Interest on other borrowings	49	131
Interest on finance leases	34	48
	376	499

Interest on other borrowings includes £38,000 (2019 : £120,000) relating to interest on loans from related parties.

7. PROFIT BEFORE TAXATION

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

	2020 £'000	2019 £'000
Cost of inventories sold	20,493	20,488
Staff costs (including director's remuneration)	11,414	12,379
Foreign exchange differences (net)	128	(44)
Amortisation of intangible assets:		
-owned assets	360	238
Depreciation of property, plant & equipment		
-owned assets	2,253	2,493
Depreciation of right-of-use assets	293	305
R & D expenses (before government grants and contribution from CRRC)	2,828	4,287
Contribution from CRRC Times Electric	(2,827)	(3,521)
Government Grants		
Research and development	(33)	(124)
Research and development tax credit	(1248)	(501)
Fees payable to the Company's auditors		
For audit services	30	138
For other audit related services	-	8
For tax compliance services	7	13
For other tax services	-	16
Total for all non audit services	4	29
Provision for obsolete inventories	597	287

Fees paid to the company's auditor for other audit related services are in relation to R&D Grant audits. Fees paid to the company's auditor for other tax services are in relation to R&D claim audits.

The contribution from CRRC Times Electric is towards R&D expenses.

continued...

8. TAXATION

The tax (recovery)/charge comprises:

	2020 £'000	2019 £'000
UK corporation tax	237	63
Deferred tax - current year tax charge	(52)	(160)
Total tax on profit/(loss)	185	(97)

the charge for the year can be reconciled to the loss in the profit and loss account as follows:

	2020	2019
Profit/(loss) before tax	425	455
Tax on profit at UK corporation tax rate of 19% (2019 : 19%)	113	87
Factors affecting charge:		
Expenses for which tax relief not available	-	24
Income not subject to tax	-	-
Reduction in tax rates	50	(9)
Unused tax losses and tax offsets not recognised as deferred tax asset	(281)	(220)
Over provision at start of year	66	21
Tax charge on R&D	237	
Total income tax (recovery)/charge	185	(97)

In the prior year the deferred tax balance had been measured at 17% due to an announcement made by the Government. This was rescinded in the UK budget on 11 March 2020, it was announced that the reduction would not occur. This impacted the current year deferred tax as this will need to be measured at 19%.

9. OTHER GAINS & LOSSES

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

	2020 £'000	2019 £'000
Foreign Exchange gain/(loss)	(128)	44
Total Gains & Losses	(128)	44

10. SALE OF FIXED ASSETS

An analysis of the company's sale of fixed assets is as follows:

	2020 £'000	2019 £'000
Loss on sale of tangible fixed assets	(9)	(33)
Total loss on sale of fixed assets	(9)	(33)

continued...

11. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2020	1,401
Additions	532
Disposals	(7)
Reclassification/transfer	28
At 31 December 2020	1,954
AMORTISATION	
At 1 January 2020	808
Amortisation for year	399
Eliminated on disposal	(46)
At 31 December 2020	1,161
NET BOOK VALUE	
At 31 December 2020	793
At 31 December 2019	593

12. TANGIBLE FIXED ASSETS

	Freehold property £'000	Freehold Land £'000	Plant and machinery £'000	Assets under construction £'000	Totals £'000
COST					
At 1 January 2020	2,924	1,761	34,139	302	39,126
Additions	11	-	609	1,316	1,936
Disposals	-	-	(81)	-	(81)
Reclassification/transfer	-	-	243	(271)	(28)
At 31 December 2020	2,935	1,761	34,910	1,347	40,953
DEPRECIATION					
At 1 January 2020	592	-	24,354	-	24,946
Charge for year	74	-	2,472	-	2,546
Eliminated on disposal	-	-	(53)	-	(53)
At 31 December 2020	666	-	26,773	-	27,439
NET BOOK VALUE					
At 31 December 2020	2,269	1,761	8,137	1,347	13,514
At 31 December 2019	2,332	1,761	9,785	302	14,180

The right-of-use assets under IFRS16 are disclosed further down in the financial statement's, see note 18.

13. STOCKS

	2020 £'000	2019 £'000
Raw materials	2,094	2,825
Work-in-progress	4,540	4,393
Finished goods	1,177	1,677
	7,811	8,895

continued...

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Trade debtors	2,647	2,144
Amounts owed by group undertakings	1,905	4,304
Other debtors	1,452	969
VAT	474	439
Prepayments and accrued income	346	436
	6,824	8,292

Amounts owed by group undertakings are in the normal course of business and are trading balances payable on demand with the exception of its immediate parent. The amounts due from group undertakings include £724,000 (2019 - £706,000) due from its immediate parent which is in relation to recoverable expenses.

The Company's maximum exposure to credit risk in relation to trade receivables is equal to the carrying value of trade receivables. The Company does not hold any collateral or other credit enhancements as security over these balances. The majority of the Company's trade receivables are due from customers with whom the Company has had a business relationship for many years. As part of the Company's credit risk management, the Company evaluates the expected credit losses of trade receivables using ageing information to indicate repayment risks and also assess the ability of customers to pay as payments fall due. The Company uses this data and prior experience to determine bad debt provisions required.

Other debtors consist of accrued income for R&D tax credits and grants.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020	2019
	£'000	£'000
Bank loans and overdrafts (see note 17)	13,500	11,000
Other loans (see note 17)	3	-
Leases (see note 17)	261	291
Trade creditors	1,341	1,578
Amounts owed to group undertakings	4,805	4,513
Social security and other taxes	25	280
Other creditors	20	3
Pension commitments	78	78
Deferred income	90	1,408
Accruals	2,165	1,943
	22,288	21,094

Deferred income includes £309 (2019 - £795,000) in respect of related party balances.

Amounts owed to group undertakings namely our intermediate parent are in the normal course of business and are trading balances payable on demand.

Interest accrued of £689,000 (2019 - £651,000) is included owed to CRRC Times Electric.

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020	2019
	£'000	£'000
Leases (see note 17)	241	377

continued...

17. FINANCIAL LIABILITIES - BORROWINGS

	2020 £'000	2019 £'000
Current:		
Bank loans	13,500	11,000
Other loans	3	-
Leases (see note 18)	261	291
	13,764	11,291

	2020 £'000	2019 £'000
Non-current:		
Leases (see note 18)	241	377

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	Totals £'000
Bank loans	13,500	-	13,500
Other loans	3	-	3
Leases	261	241	502
	13,764	241	14,005

(i) The Company has a bank loan of £13.5 million (2019 - £11.0 million) under an uncommitted revolving loan facility, which in April 2020 was increased to £15m. The repayment date and the interest on drawings under the facility are set at the time each drawing is made and varies depending on the length of the drawing. The rate on drawings at the end of 2020 was 2.7% (2019- 2.7%). The facility matures in July 2021. Renewals occur on a rolling basis. The facility is guaranteed by CRRC Times Electric, the immediate parent company of Dynex Power Inc for a period of one year from 23 July 2020 and is renewed on an annual basis. CRRC Times Electric has also confirmed to continue to guarantee the loan facility as long as the Company requires this.

(ii) Included in lease liabilities are leases which are secured by the equipment leased which has a carrying value of £26,000 (2019 - £95,000).

(iii) The Company has an unsecured interest free loan from an unrelated party for £3,000 (2019 - £nil).

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18. LEASING

Right-of-use assets

Tangible fixed assets

	2020 £'000	2019 £'000
COST		
At 1 January 2020	948	895
Additions	132	78
Disposals	(18)	(25)
	1,062	948
DEPRECIATION		
At 1 January 2020	290	10
Charge for year	293	305
Eliminated on disposal	(7)	(25)
	576	290
NET BOOK VALUE	486	658

Lease liabilities

Minimum lease payments fall due as follows:

	2020 £'000	2019 £'000
Gross obligations repayable:		
Within one year	261	291
Between one and five years	241	377
	502	668
Finance charges repayable:		
Net obligations repayable:		
Within one year	261	291
Between one and five years	241	377
	502	668

continued...

18. LEASING - continued

The Company has rental agreements for certain items of equipment. This includes a nitrogen generation plant which has been rented since 2006. The plant is subject to 12 months' notice before removal and there are no current plans to give notice. In determining the lease ter over which the lease liability is recognised the Company considers it is reasonably certain the lease will continue until the end of 2022.

Other items leased include production equipment, motor vehicles, IT equipment and software, and temporary buildings.

The majority analysis of lease liabilities is provided in other notes to the financial statements.

The total cash outflow for leases is £326,000 (2019: £334,000).

The amounts recognised in profit or loss for leases are as follows:

	2020 £'000	2019 £'000
Depreciation expense on right-of-use assets:		
Buildings	44	44
Plant & machinery	235	241
Software	20	20
Interest expense on lease liabilities	32	48
Expense relating to short term leases	6	2
Operating lease rentals	-	-

The average lease term is 46 months. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Company's obligations under leases which transfer ownership of the underlying asset to the Company are secured by the lessor's rights over the leased assets. Details of the amounts secured are provided in other notes to the financial statements.

19. PROVISIONS FOR LIABILITIES

	Deferred Tax £'000	Other Provisions £'000
Balance at January 2020	627	78
Provided during year	-	5
Credit to Income statement during year	(52)	-
Balance as at 31 December 2020	575	83

The Company has unused tax losses in the UK of £9.6 million (2019 - £9.6 million), unused R&D tax credit of £342,000 (2019 - £342,000) and deferred tax on stock provision £43,000 (2019 - £43,000) which are available to carry forward and have no expiry date.

The other provision relates to warranties £53,000 (2019 - £48,000), removal of equipment £30,000 (2019 - £30,000).

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

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

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20. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2020 £'000	2019 £'000
15,000,000	Ordinary	£1	15,000	15,000

The Company had no issued and outstanding preferred shares.

21. **RESERVES**

	Retained earnings £'000
At 1 January 2020	(4,361)
Profit for the year	240
At 31 December 2020	(4,121)

22. **PENSION COMMITMENTS**

The Company incurred expenses of £437,000 (2019 - £460,000) with respect to the defined contribution pension plan. At 31 December 2020, £78,000 was outstanding to the pension plan (2019 - £78,000) and is included in Creditors - amounts falling due within one year. The amount was paid in January 2021.

23. **CAPITAL COMMITMENTS**

Capital commitment are as follows:

	2020 £'000	**2019 £'000**
Contracted but not provided for:		
Intangible assets	366	550
Tangible assets	561	182
	927	732

continued...

24. RELATED PARTY BALANCES

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

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

	2020 £'000	2019 £'000
Transactions with CRRC Times Electric:		
Sale of goods	803	1,402
Rendering of services	5,707	4,670
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenses	2,827	3,521
Reimbursed expenses	-	3
Purchases of materials and components	2,347	2,949
Capital contribution	-	79
Transactions with CRRC Corporation Ltd:		
Rendering of services	-	85
Transactions with fellow group subsidiaries:		
Sale of goods	3,856	5,141
Rendering of services	15	1,448
Interest expense	38	120
Reimbursed expenses	-	272
Balances with Dynex Power Inc:		
Amounts owed by group undertakings	724	706
Balances with CRRC Times Electric:		
Amounts owed by group undertakings	432	2,651
Amounts owed to group undertakings	4,805	4,514
Deferred income	-	795
Balances with fellow group subsidiaries:		
Amounts borrowed by group undertakings	750	-
Amounts owed by group undertakings	1	947
Accruals	689	651

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

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

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(iii) On April 4th, 2017 the Company signed a new agreement with CRRC Times Electric to provide technical support to CRRC Times Electric for its 8-inch wafer fabrication facility in China and to share the costs of carrying out research and development projects for high power semiconductor devices at the Company's premises in Lincoln, England. Under the new agreement it was estimated that the costs for the technical support would e £7.2 million and the total costs of the joint research and development, of which TEG would contribute 80% of the costs and the Company will contribute 20%, would be £17.2m over a three-year period commencing January 2017. CRRC Times Electric paid £1.8 million in advance being 25% of its estimated contribution for 2019. From 1 January 2019 TEG agreed to increase its contribution to the joint costs of research and development costs from 80% to 100%.

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

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

(vi) In December 2019 the Company received a capital contribution from CRRC Times Electric.

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

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

(ix) CRRC (Hong Kong) Co. Ltd, a subsidiary of CRRC Group, purchases IGBT die from the Company.

(x) On October 8th, 2017 the Company signed an agreement with Zhuzhou CRRC Times Electric UK Innovation Centre ("TEIC"), a branch of CRRC Times Electric, to provide technical support for its automotive assemblies' development project at the Company's premises in Lincoln, England. Under the agreement it was estimates that the cots for the project would be £2.1 million over a 12-month period commencing January 2018. This agreement was renewed in 2019 for an eight-month period with estimated project costs of £1.4m, 25% payable in advance.

(xi) In 2018 the Company provided administrative and technical support to TEIC in preparations for the transfer of its automotive assemblies' development project from the Company to the new branch. This transfer took place in 2019. The Company continues to provide support to TEIC.

(xii) On 13 August 2015 the Company was provided with a loan for £6 million by CRRC Times Electric (Hong Kong) Co. Ltd, a fellow subsidiary of CRRC Times Electric, which bears interest at 4% per annum and is repayable in 10 biannual instalments between December 2015 and June 2020. The loan was repaid in full on 30 December 2019. Accrued interest on this loan is reported as part of accruals.

(xiii) The Company incurred costs on behalf of CRRC Times Electric in respect of their other UK subsidiary Soil Machine Dynamics Ltd. he Group reimbursed these costs in full.

(xiv) The balance represents amounts paid by the Company on behalf of Dynex Power Inc, its immediate parent.

Advances to and from the parent company are recorded at amortised cost. 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 loan from CRRC Times Electric (Hong Kong) Co. Ltd, of which £nil (2018 - £2.4 million) is recorded in current liabilities and £nil (2018 - £0.6 million) is recorded in non-current liabilities.

25. EVENTS AFTER THE REPORTING PERIOD

With the unprecedented magnitude and duration of the global COVID-19 pandemic in 2020, economies are experiencing conditions often associated with a significant economic downturn. These circumstances are highly dependent on variables beyond the Company's control and that are difficult to predict.
On 1st July 2020, the Company also announced that due to the economic impact COVID-19 has had on the business that the projected sales for 2020 is insufficient to support the current cost base and regrettably would be making up to 40 jobs redundant, to ensure sustainability in the short and long-term.
Amongst others, the uncertainties that may impact on the below balance sheet items in the future reporting periods:

- Impairment of intangible, tangible and right of use assets (notes 14,15 and 16)
- Provisioning of stock (note 18)
- Recoverability of Trade and Other receivables (note 19)
- Provisions (note 24)

It is not currently possible to make a quantified estimate of this potential impact.

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26. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the Company's ultimate parent company is CRRC Corporation, a company incorporated in The People's Republic of China. CRRC Corporation is the parent company of the largest group that prepares group accounts which includes the Company. The smallest group which prepares group accounts that include the Company is Zhuzhou CRRC Times Electric Co. Ltd ("Zhuzhou") an intermediate holding company, which holds Dynex Power Inc, incorporated in The People's Republic of China with a registered office at Shidai Road, Shifeng District, Zhuzhou, Hunan, China. Copies of Zhuzhou and CRRC Corporation financial statements are available from The Company Secretary, Dynex Semiconductor Limited, Doddington Road, Lincoln LN6 3LF, UK. The registered office of Dynex Power Inc is 515 Legget Drive, Suite 800, Kanata, Ontario, K2K 3G4. The registered office of CRRC Corporation is No 16-5 Xisihuan Zhonglu, Haidan District, Beijing 100038, China.

The Company's ultimate controlling party is the State-owned Asset Supervision and Administration Commission of The People's Republic of China based in Beijing.