Strategic Report, Directors' Report and

Financial Statements

for the Year Ended 31 December 2022

for

Dynex Semiconductor Limited

Contents of the Financial Statements for the Year Ended 31 December 2022

Dynex Semiconductor Limited

Company Information
for the Year Ended 31 December 2022

DIRECTORS:	M A Kempton L Dawson S A Bailey R Lyle J Gao
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

The directors present their strategic report for the year ended 31 December 2022.

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

RESEARCH AND DEVELOPMENT

Despite the continued business uncertainties during 2022, 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, renewable energy and power transmission and distribution. In addition to these core applications there has also been increased diversification into pulse power and hydrogen generation.

2022 has seen continued activity in fundamental technology research and development, with notable progress in both silicon power chip development as well as power semiconductor module packaging.

The ongoing rollout of the new high voltage trench IGBT range has continued. The 6.5kV devices have been released to production and the 3.3kV and 4.5kV technology platforms have been progressing through final qualification. Particular attention and further development has been placed on the accompanying fast recovery diodes to improve their performance and robustness. This diode performance is critical to delivering the best efficiency to the IGBT modules and also to the robustness under surge conditions. This work is delivering a significant step forward for the Dynex products and when combined with the new trench gate IGBT chips, will result in the most competitive products that Dynex has offered in this area.

Ongoing development into wide bandgap technologies that include Silicon Carbide (SiC) and Gallium Nitride (GaN) chips has further expanded with new team members and progress in the designs. Trench gate SiC MOSFETS for 1200V+ are progressing well with the new designs offering highly competitive performance around manufacturing processes where we already have capabilities. GaN HEMT transistor development is also moving forwards with prototype chips performing well.

These new technologies that deliver higher speed switching and system efficiency require next generation module packages to take advantage of the potential performance gain. Parallel R&D teams focussed on new packaging technologies have progressed the specialised designs so Dynex are well positioned to launch products optimised for these new chips. The new package technologies feature industry leading inductance parameters and power densities. To some extent, they are chip agnostic and can accommodate a range of chip technologies as they become available.

With an ongoing strategy focus of working with key customers to deliver customised module solutions, a number of opportunities have been progressed through 2022 where specifications have been converted to new designs and prototype modules. This activity will develop to become production business in 2023 and continues to be a strong area in growing Dynex business. The flexible UK based manufacturing line in Lincoln is well suited to this kind of activity. These new customer partnerships are in both IGBT module and bipolar areas and 2022 has produced successes in both technology areas.

Many consider the bipolar technologies like thyristors and GTOs to be legacy products that are being replaced by IGBT and newer technologies. However, for some applications they still offer the highest performing solution today. At very high voltages and currents, these technologies are still very important and the bipolar development team have focussed on enhancements for pulse power applications. 2022 has seen the release of the first of these devices with significant orders in a nuclear fusion application. This has become a high focus for Dynex and we consider that it will be a significant area of growth in the coming years.

The New Product Introduction (NPI) team are central in this custom project work. In addition, there has been significant progress in continuous improvement projects. These projects are targeted at changes that improve the product reliability, enhance the manufacturing yields and increase efficiencies and capacity of the assembly and test areas. These activities are critical in enhancing the performance and lifetime of the Dynex products as well as optimising the profitability of the manufacturing facility.

Through collaborative activity with groups of other Dynex business, success was realised in 2021 with securing a new Innovate funded project to design and prototype new high-power systems for specific applications. This development has moved forward significantly in 2022 with a completed power module design utilising SiC MOSFETS. Initial prototypes have been built and delivered to the partners in this project. Further modules will be built in 2023 for a complete system demonstrator and this will move towards a production module specifically for the lead partner in the project. Other ongoing collaborative discussions with businesses on custom products will lead towards significant activity in 2023 for both custom modules and complete power assemblies incorporating these devices.

The Dynex Power Assemblies business unit has also partnered with some new customers in the area of hydrogen electrolysis. The team have developed a complete power supply system that is optimised for driving these electrolysis cells for hydrogen production. This is a modular and scalable solution and is gaining interest from other companies in this market sector. The initial power rating of 300-500kW seems typical of requirements and we have received initial orders for the first systems. This technology will be expanded in 2023 to offer a more standard but customisable platform to this growing market.

The R&D and NPI work during 2022 is increasingly delivering technology and product advancements that closely fit the Dynex strategy moving forward and will continue to be central to the growth and profitability of the Dynex business.

FINANCIAL PERFORMANCE

Turnover:
Turnover increased by 18.6% from £25.1 million in 2021 to £29.8 million in 2022. Turnover was the highest recorded by Dynex and can be attributed to significant growth through our Bipolar business for new projects in sectors such as fusion. The gross margin increased from 9.3% to 11.7%, reflecting the direct cost savings from restructuring, strategic capital investment and the 'cost-outs' the business made during the last two years. The Company reported a profit before tax of £187k in 2022 compared to £153k in 2021.

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 2022 showed an improvement compared with the previous year. This was as a result of increase in revenue, factory throughput, offsetting the increases in material and consumable costs, especially Bipolar, careful overhead expenditure, cross utilisation of employees in the manufacturing areas to improve absorption and stable energy costs through the first three quarters of the financial year from hedged pricing at pre-energy crisis levels.

Other operating expense:
Other operating expense reflects those costs associated with sales, marketing and administration. These costs increased by approximately £1.2m in 2022 compared to 2021. The cost increases were driven out of employment costs, triggered partly by the increase in national insurance contributions, energy, insurance premiums and financing costs, as well as capital lease costs from the nitrogen plant and depreciation from strategic investments into infrastructure especially IT. The business continues to experience increased expenditure as a result of global inflation, post Brexit administration, and business travel post COVID-19. The Company continues to focus on reducing its breakeven point, driving organic growth through strategic partnerships, and driving down costs through a mixture of strategic investment, supply chain analysis and stringent cost control.

Profit before tax:
The profit before tax reflects the steps taken by the business during the past 2-3 years. Despite the unavoidable impacts from post COVID-19, the energy crisis, geo-political factors and global inflation, the business has been able to manage its overall performance by forming collaborations with key partners growing revenue and sharpening up the supply chains to minimise cost increases Other factors impacting profit include the level of other operating expense, net R&D expenditure and other income. In 2022 the Company recorded a profit due to its growth in profitable business lines, careful cost control, improved efficiency of the production areas and the combination of CHP and energy price management. 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.

The Research and Development costs are financed by CRRC Times Semiconductor, by grants or by customers. The figure shown in the financial statements for expenditure on R&D is net of such third-party funding.

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 operates in some highly specialised and competitive market places. Providing a customer experience that offers highly engineered product, at exceptional levels of quality, with the right combination of cost and delivery performance, is essential for the successful development of the business

Therefore, the Company, in cooperation with their counterparts, Times Semiconductor, based in Zhuzhou City, Hunan Province, China, places a high level of strategic value in the Research and Development of new technologies and products, as well as the continual technical evolution of all existing product families. Management recognises the importance of these factors, so continues to heavily invest in, and prioritise, the activities of Research and Development, New Product Introduction and Process Development to future proof technologies and provide a robust product portfolio that mitigates the risk of significant changes in market requirements. Management also understands that any significant reduction in these activities will have an adverse impact on the operational performance of the business, so, will therefore, continue to invest in the future, to provide the best possible platform for growth.

Dynex takes a proactive approach in understanding the future requirements of customers and the wider market place. In recent years, greater emphasis has been placed on gaining a better understanding of specific customer needs in order to tailor products towards their applications. The global market for power semiconductors and assemblies is ever changing, with new sources of energy generation, improvements in existing power distribution, significant demand for electric vehicles and the advancement of power electronic equipment being examples of the large potential and strong market demand for Dynex products. This market awareness activity has already proved beneficial in identifying new opportunities that are leading to the development of new technologies and hence, new revenue streams. Management consider the market intelligence function to be essential in mitigating future risk, while seeing it as the starting point for the entire business process.

The Company's manufacturing processes are complex, requiring a high level of process control to maximise efficiency and production yields. Deterioration in either will lead to increased production costs, late customer deliveries and reduced margins, that could ultimately affect the overall competitiveness and profitability of the business. To mitigate against these risks, Dynex have continued to invest in production equipment that maximises throughput and improves process variability, while also working with suppliers to ensure the quality requirements for incoming direct materials are successfully achieved. Management closely monitor efficiency, yields and supplier performance, as well as other key performance indicators to minimise any potential risks to operational performance.

Close working relationships with the supply chain are essential for the continued supply of good quality materials used in the manufacture of power semiconductors. Supply chain capability was tested during the pandemic and its aftermath, but largely proved that Dynex strategy of entering into long term supply agreements was the correct course of action. 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 so Dynex will maintain strong supply chain relationships to help minimise the risk of future supply issues.

As many of the Company's costs are fixed, particularly for capital equipment and manufacturing overhead, the operational results are sensitive to variations in manufacturing volumes. This again highlights the importance of market intelligence, the understanding of market requirements and the development of the correct products to help establish strong relationships with new and existing customers that ultimately lead to high utilisation of production capacity. At the same time, the Company continues to closely manage all business expenditure to help minimise these risks. The 100% ownership by CRRC Times Electric enables enhanced strategic alignment and provides Dynex with a strong financial backing putting the business in a much more robust position.

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, and as we enter 2023 never has the global market seen such meteoric increases in the cost of energy, impacting all consumers, domestic and industry alike. The installation of the Combined Heating Power (CHP) plant and the solar panel facility is providing some much-needed relief against these increases, however, the business still anticipates a significant increase through 2023 and beyond. In addition, the global economic climate has changed over the last twelve months, leading to elevated inflation and interest rates which have consequential effects on operational costs. These increases are seen throughout the Company's supply chain as all businesses are compelled to pass the burden on. The Company inevitably expects to recover a proportion through its own pricing models.

Dynex operates a quality management system under the framework of ISO9001-2015, that has been internally developed to ensure it meets the requirements of customers and all other interested parties. The Dynex management team heavily focuses on the continual improvement of all business activity ranging from manufacturing processes to broader business / commercial processes. There is also a keen emphasis on the identification of risks that could adversely affect the business with mitigation plans implemented to minimise negative impacts. In addition, new opportunities are encouraged and regularly reviewed to identify areas of potential growth for the business.

The Company has developed a health and safety plan under the structure of HSG65, that is used to set the highest standards of H&S management, to ensure compliance with all national laws / regulations and strives to eliminate risks to employees, visitors, customers and all interested stakeholders.

An environmental policy under the guidelines of ISO14001 is also utilised by Dynex to ensure compliance to UK laws and regulations. Environmental risks are regularly reviewed by management with improvement plans implemented where necessary to help reduce the carbon footprint of the business.

In addition, the Company operates an energy management system under ISO 50001 in order to minimise the use of energy.

The Company's future success is highly dependent upon its ability to retain and attract talented personnel in all areas of the business, including R&D, product development, engineering, IT, Sales and Marketing, Operations, Management, Finance and Administration. A shortage of the right calibre of employees could be a potential risk to the future of the business, so management seek to ensure that renumeration, employee benefits and general terms and conditions remain competitive to enable the continual building of a high performing culture. Also essential to this, and something considered vital by Dynex management, is the treatment of employees with dignity and respect at all times.

COVID-19

Following on the from the challenges that COVID-19 presented to the business since the start of the pandemic, 2022 was a year of growth, based on the solid foundations of the previous two years consolidation The Company has continuously reassessed its business practices to ensure business continuity and focused on ensuring its manufacturing is uninterrupted in the event of a similar major disruption in the future.

The Directors consider the additional risks directly posed by COVID-19 and determine that given their subsequent actions the impact on its business to be insignificant.

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, which entered into full operation in June 2021. It has also invested in the installation of EV points on site to promote the use of electrical vehicles for its employees. In addition, Dynex also installed a solar facility during 2022 that provides a source of clean, renewable energy that will help to protect the environment. The business continues to explore all possible options for installing further environmentally friendly sources of energy generation.

In support further of climate change, the Company works alongside CRRC Corporation, educational institutes and government funded agencies on projects designed to support hydrogen power supply, 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 challenge energy efficiency standards in power electronic systems and make a positive difference to our customers and our environment 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, 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 actions across these groups are heard at 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 this, 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, NMI, GLLEP 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 2022.

FUTURE PROSPECTS

The directors believe the market for high power semiconductor and power assembly products will continue to grow through 2023, with increasing demand from new sectors such as Power and Hydrogen Generation and developing technology such as SiC and GaN. 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 the past 4 years to be steadily built upon in terms of operational and financial performance for the foreseeable future.

ON BEHALF OF THE BOARD:

M. Kempton
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M A Kempton - Director

Date: 17th May 2023

Dynex Semiconductor Limited

Directors' Report for the Year Ended 31 December 2022

The directors present their report with the financial statements of the company for the year ended 31 December 2022.

PRINCIPAL ACTIVITY

The Company is a wholly owned subsidiary of Dynex Power Inc., which is a wholly owned subsidiary of Zhuzhou CRRC Times Electric Co., Ltd. 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 2021 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 2022.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2022 to the date of this report.

M A Kempton
L Dawson
S A Bailey
R Lyle

Other changes in directors holding office are as follows:

K Liu - resigned 4 March 2022
J Gao - appointed 29 March 2022

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 Oct 2022 until Oct 2023 and is renewed on a rolling basis. At the end of 2022, £1.5m of this facility was unutilised. 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.

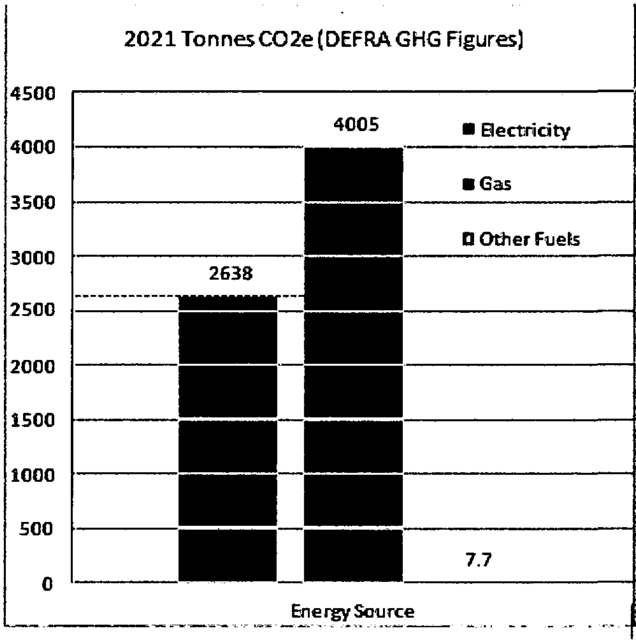
STREAMLINED ENERGY AND CARBON REPORTING
Carbon Dioxide Emissions 2022

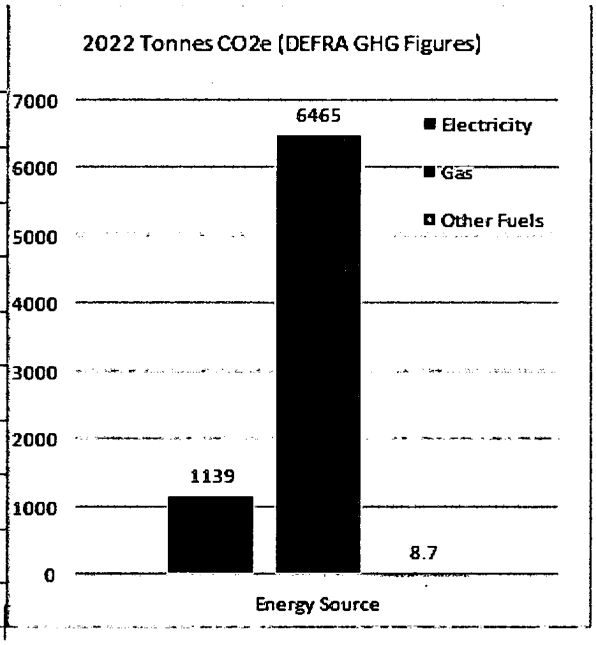
The UK annual quantity of emissions in tonnes of carbon dioxide equivalent resulting from activities for which the group is responsible involving the consumption of gas was 6,465 tonnes using the DEFRA figures.

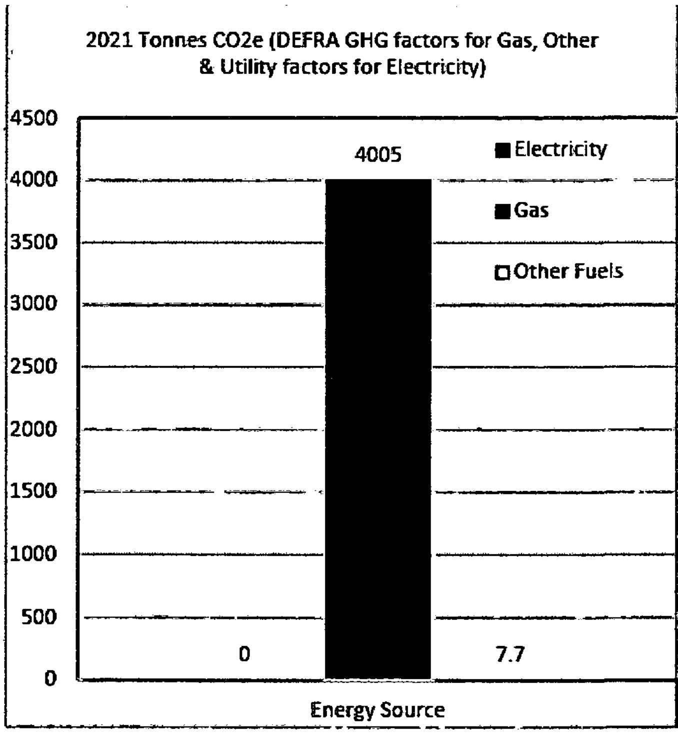
The quantity involving the consumption of fuel for the purposes of transport was 8.4 tonnes using the DEFRA figures.

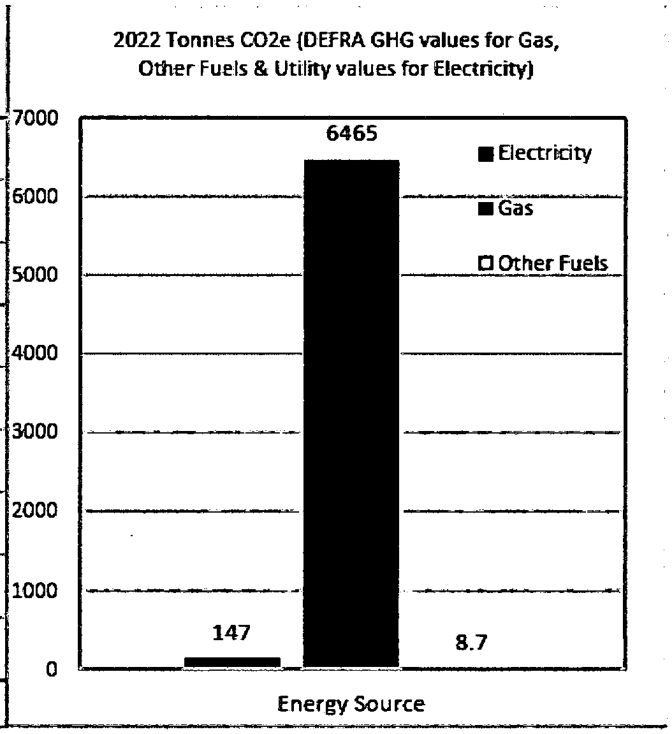
The quantity involving the consumption of fuel for other purposes (gas oil) was 0.3 tonnes using the DEFRA figures.

The quantity involving the purchase of electricity for the group's own use, including for the purposes of transport was 1,139 tonnes using DEFRA figures and 147 tonnes using our utility's fuel disclosure statement. (See statement further down).









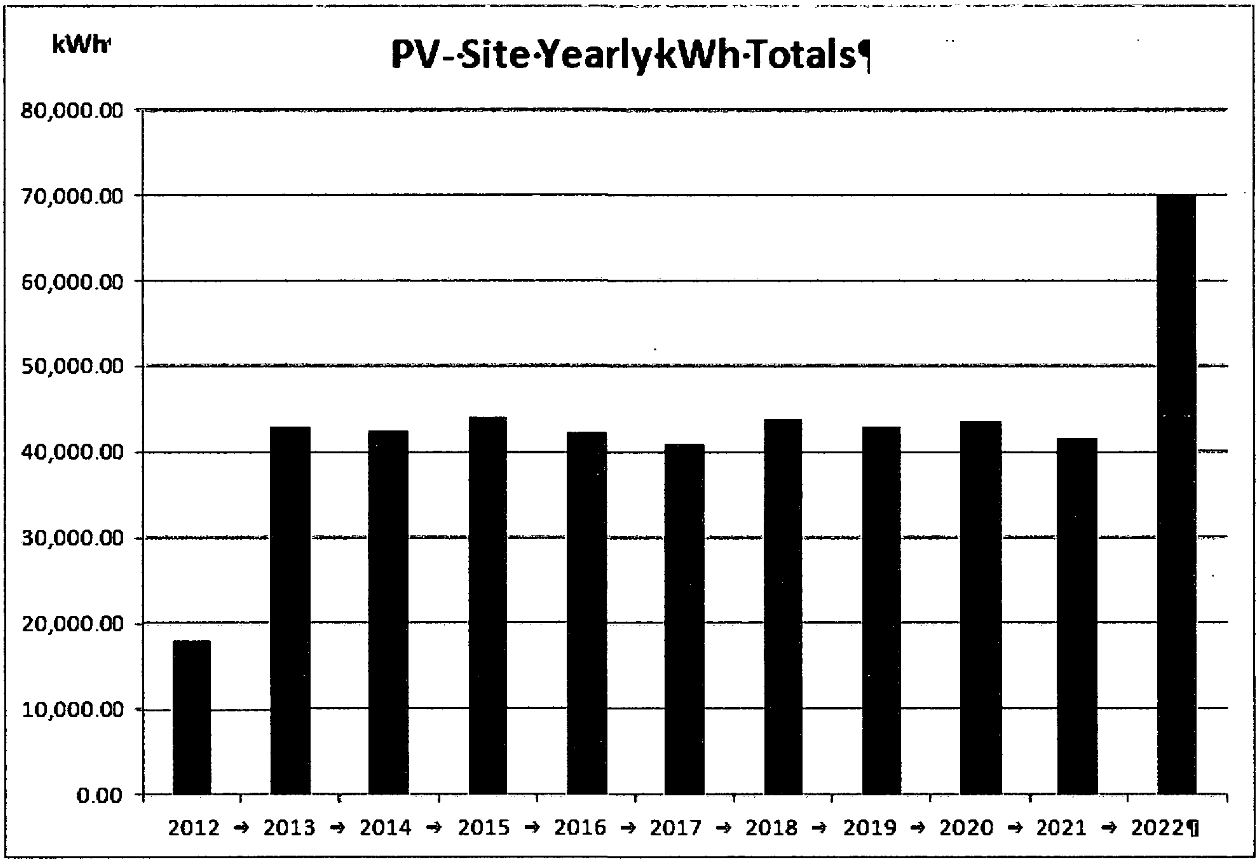
kWh Usage 2022

The aggregated kWh of UK annual energy consumed from activities for which the group is responsible involving combustion of gas was 35,415,316 kWh. (2021 - 21,864,533 kWh).

The quantity involving the consumption of fuel for the purposes of transport/other was N/A. As a cost percentage this only equates to (0.11% DEFRA) (0.13% Utility) of total emissions. (2021 - (0.12% DEFRA) (0.19% Utility)).

The quantity involving the purchase of electricity by the group for its own use, including for the purposes of transport was 5,892,291.1 kWh. (2021 - 12,422,937.4 kWh).

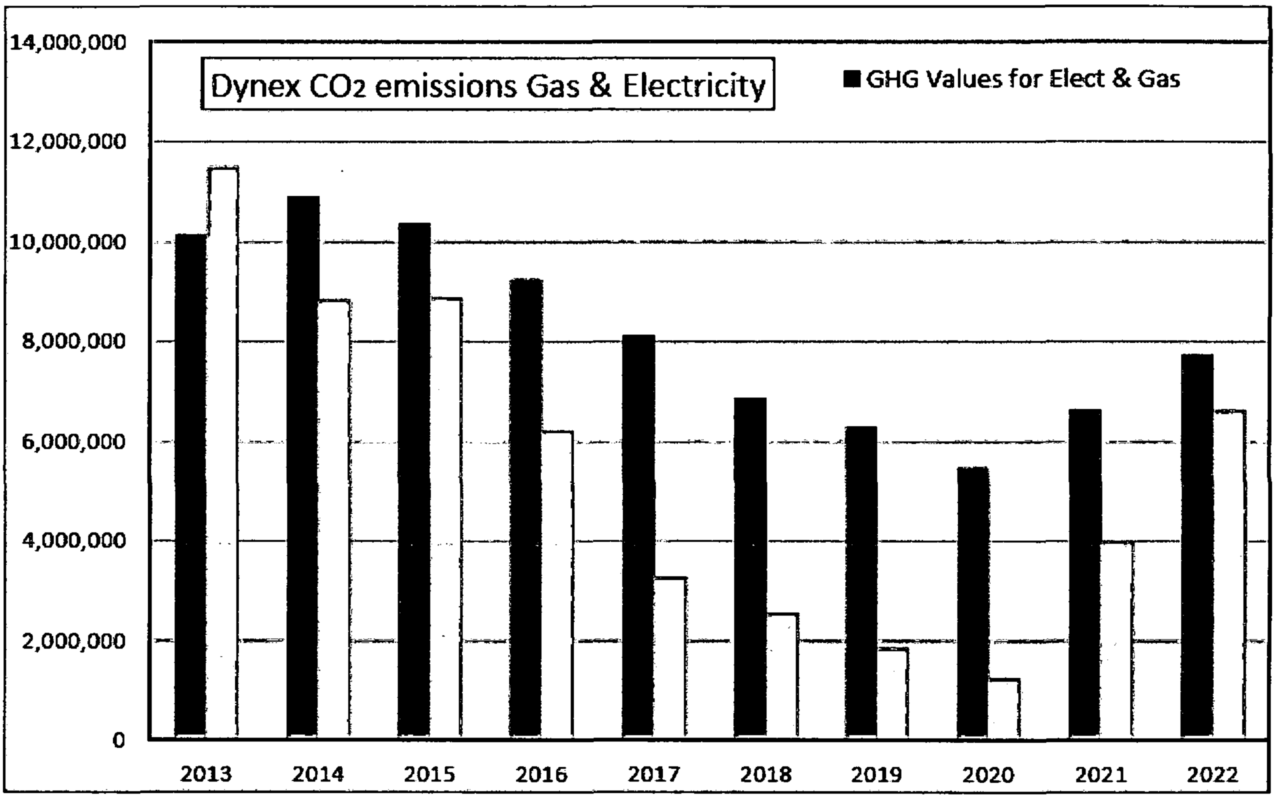
Onsite PV generation generated an additional 69,986.4 kWh offsetting 13.5 tonnes CO_2e from the grid. Since installation we have generated 473,107 kWh and offset 157.4 tonnes of CO_2e.



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.

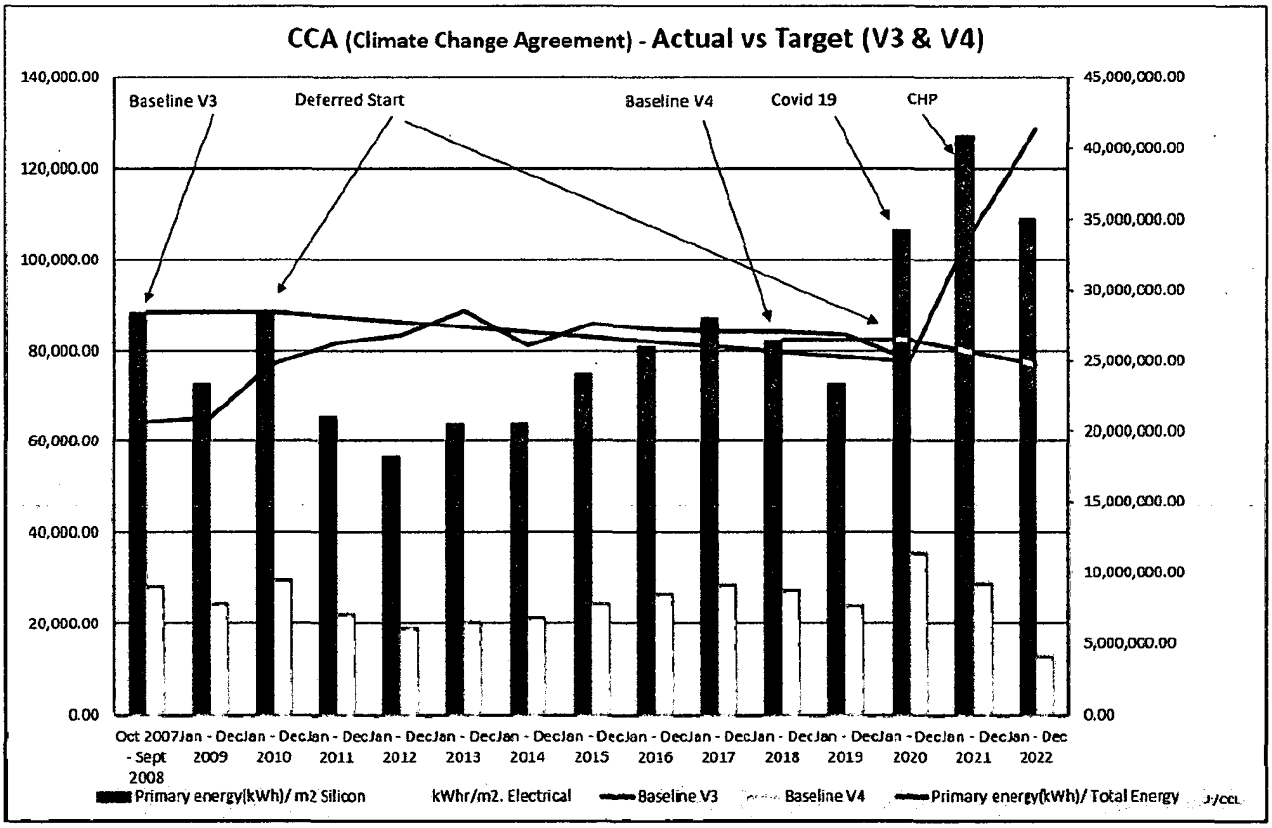


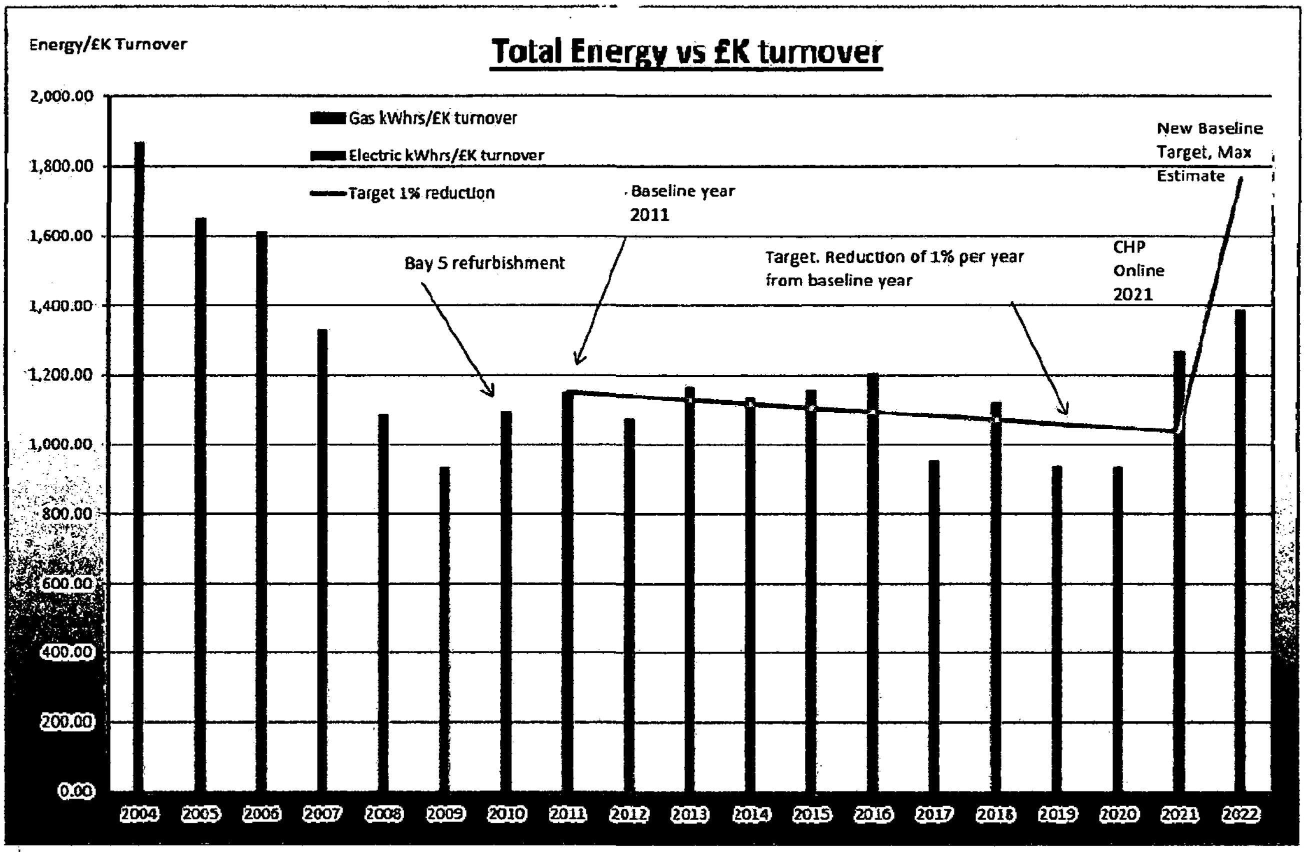
Ratios

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 (22) 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 and more efficient motors. Onsite N2 generation. Extensive BMS (Building Management System) control. Onsite metering system, PV systems on appropriate roofs, LED lighting replacement and PIR control. N2 cabinet storage monitoring and control.

Dynex Semiconductor Limited

Directors' Report
for the Year Ended 31 December 2022

In 2022

LED lighting replacement program, Approx. 49.77% and 1,307 fittings completed to the end of 2022.

Installation of hot water heating systems to use more of the waste heat from the CHP, replacing electric heating.

Commissioned another more efficient chiller for our Bay 4/PCW system.

Nearing completion of our boiler plant installation with control wiring and BMS integration work ongoing. The CHP plant has now run mostly without issues for a year and more of the waste heat is now being utilised.
The AMM boilers have been removed and that system has been connected to our existing Bay 5 heating circuit.

Our grid electricity is no longer zero carbon, although significantly lower than the DEFRA rate.

Trials on widening the Bay 5 wafer fab humidity and temperature bandwidth settings, has shown no significant change to production. Various areas have now been adjusted accordingly.

No change to our EV points, 10,779 kWh for the year avoiding 6,035kg of CO2e.

Ongoing replacement of factory roofs, this involves over cladding the existing roof and adding further insulation in the process. This will help with heat loss in the winter and mitigate some heat gain in the summer.

5 additional PV systems have been installed and completed at the end of 2022, increasing our PV total on site to just over 300kW.

Going forward

Due to the energy mix change due to CHP, the target of energy vs turnover needs to be re-evaluated/split to give a new baseline and an achievable target reduction as individual utilities. The 2022 figure fell well below the expected maximum due to various changes mentioned previously and requires more data before an appropriate target can be set.

As the majority of the gas is now being used for CHP, there is little scope for any significant reduction. Electricity on the other hand will still see a reduction with ongoing projects like LED lighting and removing electric heating to be replaced with water circuits using more of the waste heat.

Reporting limitations

Insufficient data to accurately report all types of fuel usage (petrol, diesel & fuel oil), although this part estimated total figure for transport equates to (0.11% DEFRA) (0.13% Utility) 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: 17th May 2023

Statement of Directors' Responsibilities for the Year Ended 31 December 2022

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 2022 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 2022 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.

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. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

In identifying and assessing risk of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We plan our work to gain an understanding of the significant laws and regulations that are of significance to the entity and the sector in which they operate. We perform our work to ensure that the entity is complying with its legal and regulatory framework.
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries to the management and people charged with governance.

We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:

- Substantive procedures performed in accordance with the ISAs (UK).
- Challenging assumptions and judgments made by management in its significant accounting estimates.
- Identifying and testing journal entries, in particular material journal entries and an assessment of year end journals.
- Assessing the extent of compliance with the relevant laws and regulations.

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
Wright Vigar Limited (May 25, 2023 17:06 GMT+1)

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

Date: 17 May 2023

Dynex Semiconductor Limited

Income Statement
for the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
TURNOVER	4	29,788	25,115
Cost of sales		26,297	22,787
GROSS PROFIT		3,491	2,328
Other operating expense		2,957	2,234
		534	94
Other operating income		157	382
OPERATING PROFIT		691	476
Interest payable and similar expenses	6	504	323
PROFIT BEFORE TAXATION	7	187	153
Tax on profit	8	132	67
PROFIT FOR THE FINANCIAL YEAR		55	86

The notes form part of these financial statements

Dynex Semiconductor Limited

Other Comprehensive Income
for the Year Ended 31 December 2022

	Notes	2022 £'000	2021 £'000
PROFIT FOR THE YEAR		55	86
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		55	86

The notes form part of these financial statements

Dynex Semiconductor Limited (Registered number: 03824626)

Balance Sheet
31 December 2022

	Notes	2022 £'000	2022 £'000	2021 £'000	2021 £'000
FIXED ASSETS					
Owned					
Intangible assets	11		767		735
Tangible assets	12		11,884		12,607
Right-of-use					
Tangible assets	12, 18		1,073		360
			13,724		13,702
CURRENT ASSETS					
Stocks	13	10,293		9,068	
Debtors	14	8,294		7,530	
Cash at bank		2,599		3,349	
		21,186		19,947	
CREDITORS					
Amounts falling due within one year	15	22,385		21,923	
NET CURRENT LIABILITIES			(1,199)		(1,976)
TOTAL ASSETS LESS CURRENT LIABILITIES			12,525		11,726
CREDITORS					
Amounts falling due after more than one year	16		(836)		(141)
PROVISIONS FOR LIABILITIES	19		(669)		(620)
NET ASSETS			11,020		10,965
CAPITAL AND RESERVES					
Called up share capital	20		15,000		15,000
Retained earnings	21		(3,980)		(4,035)
SHAREHOLDERS' FUNDS			11,020		10,965

The financial statements were approved by the Board of Directors and authorised for issue on 17th May 2023 and were signed on its behalf by:

M. Kempton

....

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 2022

	Called up share capital £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2021	15,000	(4,121)	10,879
Changes in equity			
Total comprehensive income	-	86	86
Balance at 31 December 2021	15,000	(4,035)	10,965
Changes in equity			
Total comprehensive income	-	55	55
Balance at 31 December 2022	15,000	(3,980)	11,020

The notes form part of these financial statements

1. CORPORATE INFORMATION

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

2. ACCOUNTING POLICIES

Basis of preparation
Accounting framework

These financial statements were prepared in accordance with FRS101 (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. 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.

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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 October 2022 until October 2023 and is renewed on a rolling basis. At the end of 2022, £1.5m of this facility was unutilised. 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.

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 are 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 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:

Amendments to IAS 1	Classification of Liabilities as Current or Non-Current
Amendments to IAS 1	Non-Current Liabilities with Covenants
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback

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

continued...

2. **ACCOUNTING POLICIES - continued**

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 for the sale of goods or services in advance from the customer, the Company will firstly recognise the amounts as a liability and then transfer to revenue upon 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 at 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 write 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	8-40 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 – Financial Assets and Liabilities

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.

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

continued...

2. **ACCOUNTING POLICIES - continued**

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.

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 enabled 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.

continued...

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:

	2022 £'000	2021 £'000
CRRC Group	8,845	8,137
External Customers	20,943	16,978
	29,788	25,115

An analysis of turnover by geographical market is given below:

	2022 £'000	2021 £'000
United Kingdom	1,092	1,735
China	8,548	7,846
France	2,494	1,957
USA	3,922	1,791
Other (None > 10%)	13,732	11,786
	29,788	25,115

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

	2022 £'000	2021 £'000
Revenue		
Sale of goods	21,061	18,021
Rendering of services	8,727	7,094
	29,788	25,115
Other operating income:		
Rebates	-	54
Furlough Scheme	-	177
Sale of scrap metals	44	52
Asset Rental	97	98
Other	16	1
	157	382

continued...

5. EMPLOYEES AND DIRECTORS

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

	2022 No.	2021 No.
Production	175	164
Sales & Distribution	24	22
Research & Development	45	46
Administration	25	22
Management	4	4
	273	258

The aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	9,614	8,900
Social security costs	1,071	878
Pensions costs	536	411
	11,221	10,189

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

	2022 £'000	2021 £'000
Directors' emoluments		
Emoluments	561	544
Pension contributions to money purchase schemes	28	20
	589	564

	2022 £'000	2021 £'000
Highest paid director		
Emoluments	186	150
Pension contributions to money purchase schemes	10	6
	196	156

Contributions are made by the Company to a money purchase pension scheme for 5 directors (2021: 5) and to a defined benefit scheme in respect of nil directors (2021:nil).

In 2022 one of the directors' remuneration (2021: one) are borne by other companies in the group, and the rest remunerated by the Company.

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6. INTEREST PAYABLE AND SIMILAR EXPENSES

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

	2022 £'000	2021 £'000
Interest on bank borrowings	423	233
Interest on other borrowings	8	56
Interest on finance leases	73	34
	504	323

Interest on other borrowings includes £nil (2021: £nil) relating to interest on loans from related parties.

7. PROFIT BEFORE TAXATION

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

	2022 £'000	2021 £'000
Cost of inventories sold	21,950	19,534
Staff costs (including director's remuneration)	11,221	10,189
Foreign exchange differences (net)	59	(161)
Amortisation of intangible assets:		
-owned assets	433	445
Depreciation of property, plant & equipment		
-owned assets	1,947	2,101
Depreciation of right-of-use assets	368	290
R & D expenses (before government grants and contribution from CRRC)	1,789	1,422
Contribution from CRRC Times Electric	(1,400)	(981)
Government Grants		
Research and development	(211)	(119)
Research and development tax credit	(437)	(568)
Fees payable to the Company's auditors		
For audit services	34	31
For other audit related services	-	-
For tax compliance services	8	7
For other tax services	-	-
Total for all non audit services	5	5
Provision for obsolete inventories	-	-

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:

	2022 £'000	2021 £'000
UK corporation tax	83	108
Deferred tax - current year tax charge	49	(41)
Total tax on profit/(loss)	132	67

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

	2022	2021
Profit/(loss) before tax	187	153
Tax on profit at UK corporation tax rate of 19% (2021: 19%)	36	29
Factors affecting charge:		
Income not subject to tax	(4)	-
Expenses not deductible for tax	8	-
Unused tax losses and tax offsets not recognised as deferred tax assets	(196)	(41)
Impact on deferred tax balances of change in corporation tax rate from 19% to 25% (effective 1 April 2023)	140	-
Under provision in prior years	65	-
Tax charge on R&D	83	79
Total income tax (recovery)/charge	132	67

The deferred tax balance has been measured at 25%.

9. OTHER GAINS & LOSSES

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

	2022 £'000	2021 £'000
Foreign Exchange gain/(loss)	(59)	161
Total Gains & Losses	(59)	161

10. SALE OF FIXED ASSETS

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

	2022 £'000	2021 £'000
Gain/loss on sale of tangible fixed assets	34	(16)
Gain/loss on sale of intangible fixed assets	20	-
Total gain/(loss) on sale of fixed assets	54	(16)

continued...

11. INTANGIBLE FIXED ASSETS

	Computer software £'000
COST	
At 1 January 2022	2,340
Additions	446
Disposals	(22)
Reclassification/transfer	19
At 31 December 2022	2,783
AMORTISATION	
At 1 January 2022	1,605
Amortisation for year	433
Eliminated on disposal	(22)
At 31 December 2022	2,016
NET BOOK VALUE	
At 31 December 2022	767
At 31 December 2021	735

12. TANGIBLE FIXED ASSETS

	Buildings £'000	Freehold Land £'000	Plant and machinery £'000	Assets under construction £'000	Totals £'000
COST					
At 1 January 2022	2,952	1,761	36,696	1,118	42,527
Additions	38	-	1,514	892	2,444
Disposals	-	-	(817)	-	(817)
Reclassification/transfer	167	-	1,477	(1,630)	14
At 31 December 2022	3,157	1,761	38,870	380	44,168
DEPRECIATION					
At 1 January 2022	741	-	28,819	-	29,560
Charge for year	83	-	2,232	-	2,315
Eliminated on disposal	-	-	(697)	-	(697)
Reclassification/transfer	-	-	33	-	33
At 31 December 2022	824	-	30,387	-	31,121
NET BOOK VALUE					
At 31 December 2022	2,333	1,761	8,483	380	12,957
At 31 December 2021	2,211	1,761	7,877	1,118	12,967

The above reclassifications relate to assets in which the construction has been completed and are therefore ready to use, subsequently these assets are depreciated from that date.

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

13. STOCKS

	2022 £'000	2021 £'000
Raw materials	3,061	2,102
Work-in-progress	5,765	5,696
Finished goods	1,467	1,270
	10,293	9,068

continued...

14. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2022 £'000	2021 £'000
Trade debtors	4,645	3,385
Amounts owed by group undertakings	1,166	1,482
Other debtors	1,340	1,410
VAT	817	486
Prepayments and accrued income	326	767
	8,294	7,530

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 £730,000 (2021 - £727,000) 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

	2022 £'000	2021 £'000
Bank loans and overdrafts (see note 17)	13,500	13,500
Other loans (see note 17)	2	3
Leases (see note 17)	284	237
Trade creditors	873	880
Amounts owed to group undertakings	5,141	4,815
Social security and other taxes	24	24
Other creditors	11	7
Pension commitments	96	71
Deferred income	64	296
Accruals	2,390	2,090
	22,385	21,923

Deferred income includes £nil (2021 - £158,000) 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 (2021 - £689,000) is included owed to CRRC Times Electric.

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

	2022 £'000	2021 £'000
Leases (see note 17)	836	141

17. FINANCIAL LIABILITIES - BORROWINGS

	2022 £'000	2021 £'000
Current:		
Bank loans	13,500	13,500
Other loans	2	3
Leases (see note 18)	284	237
	13,786	13,740

continued...

17. **FINANCIAL LIABILITIES - BORROWINGS - continued**

	2022 £'000	2021 £'000
Non-current:		
Leases (see note 18)	836	141

Terms and debt repayment schedule

	1 year or less £'000	1-2 years £'000	Totals £'000
Bank loans	13,500	-	13,500
Other loans	2	-	2
Leases	284	836	1,120
	13,786	836	14,622

(i) The Company has a bank loan of £13.5 million (2021 - £13.5 million) under a £15m uncommitted revolving loan facility. 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 2022 was 5.7% (2021 - 2.7%). The facility matures in November 2023. 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 31 October 2022 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 £Nil (2021 - £nil).

(iii) The Company has an unsecured loan from an unrelated party for £2,000 (2021 - £3,000), which bears interest at 3% (2021: 3.5%).

18. **LEASING**

Right-of-use assets

Tangible fixed assets

	2022 £'000	2021 £'000
COST		
At 1 January 2022	1,041	1,062
Additions	1,190	166
Disposals	(595)	(154)
Transfer to ownership	-	(33)
	1,636	1,041
DEPRECIATION		
At 1 January 2022	681	576
Charge for year	368	290
Eliminated on disposal	(486)	(152)
Transfer to ownership	-	(33)
	563	681
NET BOOK VALUE	1,073	360

continued...

18. **LEASING - continued**

Lease liabilities

Minimum lease payments fall due as follows:

	2022 £'000	2021 £'000
Net obligations repayable:		
Within one year	284	237
Between one and five years	836	141
	1,120	378

The Company has rental agreements for certain items of equipment. This includes a nitrogen generation plant which has been rented since 2006. The lease was terminated in 2022 and the company entered into a new lease for a term of 5 years.

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 £376,000 (2021: £313,000).

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

	2022 £'000	2021 £'000
Depreciation expense on right-of-use assets:		
Buildings	-	30
Plant & machinery	368	243
Software	-	15
Interest expense on lease liabilities	73	27
Profit on termination of right-of-use assets	(37)	-

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.

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19. PROVISIONS FOR LIABILITIES

	Deferred Tax £'000	Other Provisions £'000
Balance at January 2021	534	86
Provided during year	49	-
Credit to Income statement during year	-	-
Balance as at 31 December 2021	583	86

The Company has unused tax losses in the UK of £8.2 million (2021 - £10.5 million), unused R&D tax credit of £868,000 (2021 - £675,000) and deferred tax on stock provision £62,000 (2021 - £43,000) which are available to carry forward and have no expiry date.

The other provision relates to warranties £56,000 (2021 - £56,000), and the removal of equipment £30,000 (2021 - £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.

20. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:

Number:	Class:	Nominal value:	2022 £'000	2021 £'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 2022	(4,035)
Profit for the year	55
At 31 December 2022	(3,980)

22. PENSION COMMITMENTS

The Company incurred expenses of £536,000 (2021 - £411,000) with respect to the defined contribution pension plan. At 31 December 2022, £96,000 was outstanding to the pension plan (2021 - £71,000) and is included in Creditors - amounts falling due within one year. The amount was paid in January 2023.

23. CAPITAL COMMITMENTS

Capital commitment are as follows:

	2022 £'000	2021 £'000
Contracted but not provided for:		
Intangible assets	4	6
Tangible assets	1,419	385
	1,423	391

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:

	Notes	2022 £'000	2021 £'000
Transactions with CRRC Times Electric:			
Sale of goods	i-ii	766	1,250
Purchases of materials and components	iii	5,603	4,706
Transactions with fellow group subsidiaries:			
Sale of goods	ix, xii	247	382
Rendering of services	iv, vi-vii, x	7,832	6,506
Amounts in respect of jointly funded research and development activity which is accounted for as a reduction in research and development expenditure	v	1,400	981
Rental income	xi	97	97
Balances with Dynex Power Inc:			
Amounts owed by group undertakings	xiv	730	727
Balances with CRRC Times Electric:			
Amounts owed by group undertakings	i-ii	233	721
Amounts owed to group undertakings	iii	5,141	4,815
Deferred income	ii	-	8
Balances with fellow group subsidiaries:			
Amounts owed by group undertakings	iv-xii	203	34
Accruals	xiii	689	689
Accrued income	iv, vii	12	460
Payments in advance	iv, vii	-	149

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

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

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

(iv) The Company provides technical support and research and development services to CRRC Times Semiconductor ("TESC"), which is a subsidiary of CRRC Times Electric, for its 8-inch wafer fabrication facility and products in China. TESC pays 25% of the estimated costs for the year when the agreement is signed and the remaining cost is paid quarterly in arrears. The agreement is renewed annually from 1 January to 31 December

(v) The Company shares the costs of research and development with TESC, for new product introductions for manufacture by the Company at its site in Lincoln, UK. The agreement is renewed annually from 1 January to 31 December. For 2022 the share of costs provided by TESC was 100% (2021: 100%).

continued...

24. RELATED PARTY BALANCES - continued

(vi) The Company receives a fee from TESC to provide additional IGBT process support.

(vii) The Company provides market support services to TESC which includes sales and marketing, procurement, finance and administrative services. The agreement is renewed annually from 1 January to 31 December.

(viii) From time to time the Company pays incidental expenses in the UK on behalf of TESC. These costs are re-imbursed in full.

(ix) Times Electric LLC, a fellow subsidiary of CRRC Times, acts as a distributor for the Company for high power semiconductors in North, Central and South America.

(x) The Company provides equipment, facilities and administrative support to Zhuzhou CRRC Times Electric UK Innovation Centre ("TEIC"), a branch of CRRC Times Electric, at its premises in Birmingham, UK.

(xi) The Company rents equipment to TEIC.

(xii) From time to time, the Company sells high power semiconductors to Soil Machine Dynamics Ltd, a fellow subsidiary of CRRC Times Electric.

(xiii) in 2015 the Company was provided with a loan by CRRC Times Electric (Hong Kong) Co. Ltd, which bore interest at 4% per annum. The loan was repaid in full in 2019. Accrued interest on this loan is reported as part of accruals.

(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.

25. 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.