

Period End: 31 December 2005  
Client name: **DYNEX SEMICONDUCTOR LIMITED**  
Year End: 31 December 2005  
Audit Manager: ANDREW TIMMS  
Typist: CMR  
Date of this draft:

**Company Registration No. 3824626**

**DYNEX SEMICONDUCTOR LIMITED**

**Report and Financial Statements**

**31 December 2005**

# **DYNEX SEMICONDUCTOR LIMITED**

## **REPORT AND FINANCIAL STATEMENTS 2005**

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# **DYNEX SEMICONDUCTOR LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

### **DIRECTORS**

R Lockwood  
D Banks  
D Owen  
K Ralls  
P Taylor

### **SECRETARY**

R Lockwood

### **REGISTERED OFFICE**

Doddington Road  
Lincoln  
LN6 3LF

### **PRINCIPAL BANKERS**

HSBC Bank Plc  
221 High Street  
Lincoln  
LN1 1TS

### **SOLICITORS**

Wilkins Chapman Epton Blades Solicitors  
Bank Street  
Lincoln

### **AUDITORS**

Deloitte & Touche LLP  
Nottingham

# **DYNEX SEMICONDUCTOR LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements of the group for the year ended 31 December 2005.

## **ACTIVITIES**

The principal activity of the group and company during the period was the manufacture and sale of electronic components.

## **REVIEW OF DEVELOPMENTS AND FUTURE PROSPECT**

## **RESULTS AND DIVIDENDS**

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements. The directors do not recommend the payment of a dividend (2004: £Nil).

## **EMPLOYEE INVOLVEMENT**

Where appropriate, employees are consulted about matters which affect the progress of the group and which are of interest and concern to them as employees. Within this framework, emphasis is placed on developing greater awareness of the financial and economic factors which affect the performance of the group.

## **PROVISION FOR DISABLED PEOPLE**

It is the policy of the group to maintain the employment of disabled persons wherever practicable and to ensure appropriate opportunities for their training, career development and promotion.

## **RESEARCH AND DEVELOPMENT**

The group continues to work on a number of R&D projects. Research costs are expensed as incurred. Development costs are expensed as incurred unless they meet the criteria for deferral in accordance with UK GAAP. To date, no development costs have been deferred.

# DYNEX SEMICONDUCTOR LIMITED

## DIRECTORS' REPORT

### DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

R Lockwood  
D Banks  
D Owen  
K Ralls  
R Bertrand (resigned 14 July 2005)  
R Carl (resigned 14 July 2005)  
P Taylor

The company is a wholly owned subsidiary and the interests of group directors are disclosed in the financial statements of the parent company, Dynex Power Inc..

### DIRECTORS' STATEMENT OF RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the company and the group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

### AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors of the company. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors  
and signed on behalf of the Board

R Lockwood      Company Secretary

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DYNEX SEMICONDUCTOR LIMITED**

We have audited the financial statements of Dynex Semiconductor Limited for the year ended 31 December 2005 which comprise the profit and loss account, statement of total recognised gains and losses, the balance sheets, the cash flow statement and the related notes 1 to 28. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 an auditors' report 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.

### **Respective responsibilities of directors and auditors**

As described in the directors' statement of responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company and other members of the group are not disclosed.

We read the directors' report and other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

### **Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, are consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and group as at 31 December 2005 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

### ***Deloitte & Touche LLP***

Chartered Accountants and  
Registered Auditors

Nottingham

# DYNEX SEMICONDUCTOR LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
<b>TURNOVER</b>	2	10,312	10,069
Cost of sales		<u>(8,985)</u>	<u>(9,065)</u>
<b>GROSS PROFIT</b>		1,327	1,004
Distribution costs:			
Sales and marketing costs		(492)	(721)
Administration costs:			
Research and development costs			(607)
Recurring administrative expenses		(244)	(1,895)
Exceptional release of negative goodwill		<u>(945)</u>	-
		<u>(1,189)</u>	<u>(2,502)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		(354)	(2,219)
Interest receivable		7	5
Interest payable	5	<u>(190)</u>	<u>(110)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(537)	(2,324)
Tax on loss on ordinary activities	6	<u>-</u>	<u>(1)</u>
<b>RETAINED (LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>	20,21	<u>(537)</u>	<u>(2,325)</u>

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES Year ended 31 December 2005

	2005 £'000	2004 £'000
Loss the financial year	(537)	(2,325)
Foreign exchange movement on revaluation of opening reserves	<u>2</u>	<u>1</u>
<b>Total gains and losses recognised since the last annual report and financial statements</b>	<u>(535)</u>	<u>(2,324)</u>



# DYNEX SEMICONDUCTOR LIMITED

## CONSOLIDATED BALANCE SHEET 31 December 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	317	406
<b>CURRENT ASSETS</b>			
Stocks	10	2,959	3,673
Debtors	11	2,982	2,250
Investments – cash deposits	12	4	31
Cash at bank and in hand		158	73
		6,103	6,027
<b>CREDITORS: amounts falling due within one year</b>	13	(4,444)	(4,683)
<b>NET CURRENT ASSETS</b>		1,659	1,344
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		1,976	1,750
<b>CREDITORS: amounts falling due after more than one year</b>	14	(1,516)	(755)
		460	995
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	3,750	3,750
Group profit and loss account	20	(3,290)	(2,755)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>	21	460	995

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

R Lockwood

Director

# DYNEX SEMICONDUCTOR LIMITED

## COMPANY BALANCE SHEET 31 December 2005

	Note	2005 £'000	2004 £'000
<b>FIXED ASSETS</b>			
Tangible fixed assets	8	317	406
Investments	9	5	5
		<u>322</u>	<u>411</u>
<b>CURRENT ASSETS</b>			
Stocks	10	2,959	3,673
Debtors	11	2,963	2,231
Investments – cash deposits	12	4	31
Cash at bank and in hand		155	70
		<u>6,081</u>	<u>6,005</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(4,344)</u>	<u>(4,585)</u>
<b>NET CURRENT ASSETS</b>		<u>1,737</u>	<u>1,420</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		2,059	1,831
<b>CREDITORS: amounts falling due after more than one year</b>	14	<u>(1,516)</u>	<u>(755)</u>
		<u>543</u>	<u>1,076</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	19	3,750	3,750
Profit and loss account	20	(3,207)	(2,674)
<b>TOTAL EQUITY SHAREHOLDERS' FUNDS</b>		<u>543</u>	<u>1,076</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

R Lockwood

Director

# DYNEX SEMICONDUCTOR LIMITED

## CONSOLIDATED CASHFLOW STATEMENT Year ended 31 December 2005

	Note	2005 £'000	2004 £'000
<b>Net cash outflow from operating activities</b>	21	(764)	(1,672)
<b>Returns on investments and servicing of finance</b>			
Interest received		7	5
Interest paid		(190)	(111)
		<u>          </u>	<u>          </u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		(183)	(106)
<b>Taxation</b>			
Tax paid		1	(1)
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(54)	(42)
Receipts from sale of fixed assets		1	5
		<u>          </u>	<u>          </u>
<b>Net cash outflow from capital expenditure and financial investment</b>		(53)	(37)
<b>Cash (outflow)/inflow before financing</b>		(1,000)	(1,816)
Management of liquid resources	23	27	113
		<u>          </u>	<u>          </u>
		(973)	(1,703)
<b>Financing</b>			
Repayments of loans		299	1,646
New loans advanced		761	(1)
Capital element of hire purchase and finance lease		(2)	-
		<u>          </u>	<u>          </u>
<b>Net cash inflow/(outflow) from financing</b>		1,058	1,645
<b>Increase/(decrease) in cash in the year</b>	22,23	<u>          </u>	<u>          </u>
		85	(58)

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

#### **Accounting convention**

The financial statements are prepared under the historical cost convention

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over five years from the year of acquisition. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 230 of the Companies Act 1985.

#### **Turnover**

The turnover shown in the group profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

#### **Depreciation**

Depreciation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Plant and machinery - 3 to 8 years straight line

#### **Stocks and work in progress**

Stocks are stated at the lower of cost, and net realisable value including the cost incurred in bringing each product to its present location and condition:

Raw materials - purchase cost on a first in first out basis

Work in progress and finished goods - cost of direct material and labour plus attributable overheads based on normal level of activity

#### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

#### **Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 1. ACCOUNTING POLICIES (Continued)

#### Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

The results of overseas operations are translated at the average rates of exchange during the period and their balance sheets at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

#### Revenue recognition

The company recognises revenue for product sales when it has shipped the goods or ownership has been transferred to the customer for goods to be held for future shipment at the customer's request. The company generally allows its customers the right of return only in the case of defective products.

#### Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

### 2. TURNOVER

The turnover is attributable to the one principal activity of the group.

An analysis of turnover is given below:

	2005 £'000	2004 £'000
United Kingdom	1,793	2,671
Europe	4,755	3,927
Rest of the world	3,764	3,471
	<u>10,312</u>	<u>10,069</u>

### 3. OPERATING LOSS

#### Operating loss is stated after charging/(crediting):

	2005 £'000	2004 £'000
Depreciation	143	159
Profit on disposal of fixed assets	(1)	(5)
Auditors' remuneration		
audit services		20
non-audit services		5
Net loss on foreign currency translation	46	46
Research & development expenditure	244	607
Operating leases rentals		
- Land and buildings	255	255
- Other assets	63	63
Redundancy costs	0	612
	<u>          </u>	<u>          </u>

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	<b>2005</b>	<b>2004</b>
	<b>£'000</b>	<b>£'000</b>
<b>Directors' emoluments</b>		
Emoluments receivable		182
Pension contributions to money purchase scheme		7
Compensation for loss of office		28
	<u>          </u>	<u>          </u>
		217
	<u>          </u>	<u>          </u>
<b>Highest paid director</b>		
Total emoluments		101
Pension contributions		4
	<u>          </u>	<u>          </u>
		105
	<u>          </u>	<u>          </u>
	<b>No</b>	<b>No</b>
Number of directors contributing to the defined contribution scheme	2	2
	<u>          </u>	<u>          </u>
	<b>£'000</b>	<b>£'000</b>
<b>Staff costs during the year (including directors)</b>		
Wages and salaries	3,398	4,200
Social security costs	349	420
Pension costs	114	84
	<u>          </u>	<u>          </u>
	3,861	4,704
	<u>          </u>	<u>          </u>
<b>Average number of persons employed</b>	<b>No</b>	<b>No</b>
Production	145	169
Distribution	16	22
Research and development	10	17
Administration	14	15
Management	2	3
	<u>          </u>	<u>          </u>
	187	226
	<u>          </u>	<u>          </u>

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 5. INTEREST PAYABLE

	2005 £'000	2004 £'000
Interest payable on bank borrowings and other loans	110	110

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2005 £'000	2003 £'000
<b>a) Analysis of charge in period</b>		
Corporation tax based on the results for the year at 30%	1	1
<b>Deferred Tax</b>		
Origination and reversal of timing differences	-	-
Adjustment in respect of prior years	-	-
<b>Total tax (credit)/charge for the year</b>	1	1

#### b) Factors affecting the tax charge for the period

The standard rate of current tax for the year, based on the UK standard rate of corporation tax is 30% (2004: 30%). The current tax charge for the year is different to 30% (2004 was also different to 30%) for the following reasons: **THIS NEEDS REWORDING**

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation	(2,324)	(2,324)
Tax on ordinary activities at standard rate	(697)	(697)
<b>Factors affecting charge:</b>		
Disallowable expenses	-	-
Amortisation of negative goodwill	-	-
Capital allowances in excess of depreciation	-	-
Other timing differences	698	698
<b>Current tax charge for year</b>	1	1

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 7. (LOSS)/PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £534,000 (2005: £2,344,000 loss).

### 8. TANGIBLE FIXED ASSETS

#### Group and company

	<b>Plant and machinery £'000</b>
<b>Cost</b>	
At 1 January 2005	2,846
Additions	54
Disposals	(1)
	<hr/>
At 31 December 2005	2,899
	<hr/>
<b>Depreciation</b>	
At 1 January 2005	2,440
Charge for the year	143
Disposals	(1)
	<hr/>
At 31 December 2005	2,582
	<hr/>
<b>Net book value</b>	
At 31 December 2005	317
	<hr/> <hr/>
At 31 December 2004	406
	<hr/> <hr/>
<b>Company</b>	
<b>Cost</b>	
At 1 January 2005	2,837
Additions	54
Disposals	(1)
	<hr/>
At 31 December 2005	2,890
	<hr/>
<b>Depreciation</b>	
At 1 January 2005	2,431
Charge for the year	143
Disposals	(1)
	<hr/>
At 31 December 2005	2,573
	<hr/>
<b>Net book value</b>	
At 31 December 2005	317
	<hr/> <hr/>
At 31 December 2004	406
	<hr/> <hr/>



# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 9. INVESTMENTS

Company	Group companies £'000
<b>Cost</b>	
At 1 January 2005 and 31 December 2005	5
<b>Net book value</b>	
At 31 December 2005	5
At 31 December 2004	5

The group investment is a 100% ownership of the ordinary share capital in Dynex SARL, a company incorporated in France, whose principal activity is to act as a sales agent for Dynex Semiconductor Limited in France.

### 10. STOCKS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Raw materials and consumables	618	711	618	711
Work in progress	1,902	2,449	1,902	2,449
Finished goods	439	513	439	513
	<u>2,959</u>	<u>3,673</u>	<u>2,959</u>	<u>3,673</u>

### 11. DEBTORS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	2,603	1,946	2,603	1,946
Other debtors	125	19	106	-
Prepayments and accrued income	254	285	254	285
	<u>2,982</u>	<u>2,250</u>	<u>2,963</u>	<u>2,231</u>

### 12. INVESTMENTS – CASH DEPOSITS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Cash deposits with terms in excess of seven days	4	31	4	31

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Bank loans	1,297	1,304	1,296	1,304
Other loans	694	273	694	273
Trade creditors	1,282	1,677	1,266	1,613
Intercompany balances	105	220	232	295
HP and finance leases	-	2	-	2
Other taxes & social security	125	106	115	96
Other creditors	158	134	103	76
Accruals and deferred income	783	967	637	926
	<u>4,444</u>	<u>4,683</u>	<u>4,344</u>	<u>4,585</u>

### 14. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Other loans	<u>1,516</u>	<u>755</u>	<u>1,516</u>	<u>755</u>

### 15. BORROWINGS

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
<b>Analysis of repayments:</b>				
Bank loans				
In one year or less or on demand	1,297	1,304	1,297	1,304
Other loans				
In one year or less or on demand	694	273	694	273
In more than one year but not more than two years	1,142	699	1,142	699
In more than two years but not more than five years	374	56	374	56
	<u>3,507</u>	<u>2,332</u>	<u>3,507</u>	<u>2,332</u>

The loans are secured by a fixed and floating charge on the assets of the company.

### 16. PENSIONS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. The balance due to the scheme at the year end was £ (2004: £76,000).

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 17. DEFERRED TAXATION

There was no charge or credit for deferred tax during the year. The company has no material provided deferred tax. The company has unrelieved trading losses carried forward of £ (2004 £1.3m). The company has no other material unrecognised deferred tax liabilities or assets. No deferred tax asset has been recognised in respect of these losses since the directors do not anticipate taxable profits arising in the immediate future.

### 18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005, the group and company had annual commitments under non-cancellable operating leases as set out below:

Group and company	2005		2004	
	Land and buildings £'000	Other items £'000	Land and buildings £'000	Other items £'000
<b>Operating leases which expire:</b>				
Within one year	-	51	-	-
Within two to five years	-	-	-	58
After five years	240	-	240	-
	<u>240</u>	<u>51</u>	<u>240</u>	<u>58</u>

### 19. CALLED UP SHARE CAPITAL

	2005 £'000	2004 £'000
<b>Authorised</b>		
4,000,000 ordinary shares of £1 each	<u>4,000</u>	<u>4,000</u>
<b>Allotted and fully paid</b>		
3,750,000 ordinary shares of £1 each	<u>3,750</u>	<u>3,750</u>
		<b>Profit and loss account £'000</b>
<b>Group</b>		
Opening balance		(2,755)
Loss for the year		(537)
Foreign exchange movement on revaluation of opening reserves		2
Balance carried forward		<u>(3,290)</u>
<b>Company</b>		
Opening balance		(2,674)
Loss for the year		(533)
Balance carried forward		<u>(3,207)</u>

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS

Year ended 31 December 2005

### 20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005 £'000	2004 £'000
<b>Loss for the financial year</b>	(537)	(2,325)
Foreign exchange movement on revaluation of opening reserves	2	1
New share capital subscribed	-	1,000
Opening shareholders' equity funds	995	2,319
<b>Closing shareholders' equity funds</b>	<u>460</u>	<u>995</u>

### 21. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2005 £'000	2004 £'000
Operating loss	(354)	(2,219)
Depreciation	143	159
Profit on disposal of tangible fixed assets	(1)	(5)
Decrease/(increase) in stocks	713	(263)
Increase/(decrease) in debtors	(733)	103
Decrease/(increase) in creditors	(532)	636
Decrease in provisions	-	(83)
	<u>(764)</u>	<u>(1,672)</u>

### 22. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005 £'000	2004 £'000
Decrease in cash in the year	85	(58)
Management of liquid resources	(27)	(113)
Net cash inflow from bank loans	(299)	(891)
Cash outflow in respect of hire purchase and finance leases	2	1
Net cash inflow from other long-term creditors	(761)	(755)
<b>Change in net debt resulting from cash flows</b>	<u>(1,000)</u>	<u>(1,816)</u>
Non cash movement (see note 20)	-	1,000
<b>Change in net debt</b>	<u>(1000)</u>	<u>(816)</u>
Net debt at start of year	<u>(2,450)</u>	<u>(1,634)</u>
<b>Net debt at end of year</b>	<u><u>(3,450)</u></u>	<u><u>(2,450)</u></u>

# DYNEX SEMICONDUCTOR LIMITED

## NOTES TO THE ACCOUNTS Year ended 31 December 2005

### 23. ANALYSIS OF NET DEBT

	At 1 January 2005 £'000	Cash flow £'000	Non Cash Movements £'000	At 31 December 2005 £'000
Cash at bank and in hand	73	85	-	158
Liquid resources	31	(27)	-	4
		<u>58</u>		
Debt due within one year	(1,797)	(299)	-	(2,096)
Debt due after one year	(755)	(761)	-	(1,516)
Finance leases	(2)	2	-	-
		<u>(1,058)</u>		
<b>Total</b>	<u>(2,450)</u>	<u>(1,000)</u>	<u>-</u>	<u>(3,450)</u>

### 24. RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption from related party disclosures in accordance with Paragraph 3(c) of Financial Reporting Standards No. 8.

### 25. ULTIMATE PARENT COMPANY

The parent undertaking and ultimate controlling party of the smallest and largest group of which the company is a member is Dynex Power Inc., a company incorporated in Canada. Group accounts are available from the Company Secretary, Doddington Road, Lincoln LN6 3LF.