



Chairman's Report

The year under review has offered some challenges for Sundermann Water Power Limited (SWP).

As previously reported, we have been in a long association with an engineering company in Germany called Steinhardt GmbH Wassertechnik. Our focus has been on:

1. Building a penultimate prototype(s) for scientific testing in a laboratory.
2. Making subsequent design changes and getting a commercial model ready for market.
3. Negotiating a Licence Agreement with the company for sale of the turbine in a defined geographic area in Western Europe.

Our primary goal is to get verified, third party acknowledgment of the power output of the turbine and then get it to market via a distribution deal in the EU but success so far has been delayed on all fronts and their progression is sequential. There have been internal matters (such as ill health and travel) within Steinhardt GmbH Wassertechnik which have resulted in absences for the Managing Director. Secondly, the testing facilities did not have the correct testing equipment and a long delay occurred whilst measuring devices were procured.

The tests have not been optimal with insufficient head of water available to really assess the turbine. The data shows an efficiency of the turbine of 35-40%. We believe that we can improve the level by another 10% by revising the design as we must reach efficiency of 50% or over to compete on the market. The design modifications that need to be made have been suggested by Fred Sundermann to resolve the technical issues.

We have asked for a timeline for the testing of a commercial model turbine and await that response. The Licence Agreement has been delayed due to translation difficulties from the legal jargon prevalent in our system to German. It too is being finalised and we await Steinhardt's comments. Regardless, it cannot be ratified until all parties are happy with the commercial model's status and efficacy in producing the required power outputs and reliability.

We remain focused on progressing the Steinhardt collaboration to a commercial model for sale in the EU. Alongside this, we are always looking for other non-competing partnerships across the globe. We will continue to use limited funds to protect the IP and secure further patents and create shareholder value in the long term.

Enquiries regarding Fred Sundermann's health have been made and we thank those involved for their concern. Fred has suffered intermittent bouts of ill health over the last 6 months but remains well, is fully undertaking his role as Chairman and remains as voracious as ever in his determination to finalise the turbine and get it to market.

There are aspects of the above which we cannot detail due to their commercial sensitivity and we always need to balance this with our need to keep shareholders informed of developments. We hope to be in a situation where information can flow more freely once the final hurdles are overcome.

Our Board remains dedicated to the company's progression and development. It is perhaps sometimes unrecognised that they are not paid fees and do not get reimbursed for expenses or travel. My own visit to Germany to discuss designs last year was at my personal expense.

Importantly, Sundermann continues to operate on a very tight financial basis but remains solvent and additional injections of funds have been made by me as Chairman to ensure this situation remains. Thank you to my fellow directors and Fiona Sundermann for their hard work during this reporting period. I would like to also thank Anne Hallam for her dedication to the company and support to the Board on all accounting, taxation and audit matters which is very much appreciated.

Fred Sundermann

Fred Sundermann
Chairman, Sundermann Water Power Limited