



# **An unchanged strategy**

## **Managing Director's Report**

Financial year 2010 was a year that presented a broad mix of challenges and achievements for Sundermann Water Power. Despite continued volatility and ongoing uncertainty across the global economy, SWP delivered a reasonable operational and financial performance. It is our consistent and long-term strategy of continued focus on developing the Sundermann Turbine to commercialisation that underpinned our ability to overcome the challenges during the year. Our most precious asset, the SWP patent, has successfully continued on its journey throughout many countries gaining the various approvals. The patent has met with some challenges but I am pleased to report that we have to date overcome these.

From a business point of view it was a very difficult year however I am still encouraged by the company's performance, which is testament to our focus on creating shareholder value in the long term. While government stimulus measures generally supported a gradual return to normalised global trade, the improvement in the developed economies was from a low base. We believe that the recovery momentum of the major economies will remain uncertain as the impact of fiscal and monetary stimuli fades. Therefore, we are still cautious in our short-term view of being able to attract significant investment for the next phase of the company growth.

We are one of a hand full of companies in Australia that has focused on capturing the energy of free flowing water whether it be tidal, canal or river flow. Over the last 12 months we have managed to attract very good interest from not only Australia but more significantly at an international level. The Board decision to focus on developing the SWP turbine power system for use in rivers and canals certainly heightened interest. This decision was the result of a great deal of research which clearly indicated a large market potential for the river/canal applications over the tidal options previously considered. This meant that our focus was diverted to a smaller more cost effective prototype device for use in fresh water over salt water thus reducing development and material costs dramatically.

The results and data collected of the prototype testing at San Remo in late 2009 proved invaluable for SWP and special thanks must be rendered to Vic Nikolsky, Brian Drummond and Fred Sundermann for their invaluable contributions. With the data collected SWP continued to make significant progress in the turbine development, partnering initially with the engineering company GHD we set about designing the final prototype. This design work was then progressed to our second engineering design partner EDR who offered the additional design expertise for the main turbine and gearbox development. At the time of writing this report these works are all but completed thus allowing SWP to progress to the construction stage.

A thank you must be extended to departing directors Alex Moule, Vic Nikolsky and Geoff Park for their support and guidance whilst they were on the Board of SWP. Also, a very special thank you is extended to Anne Hallam who dedicated countless hours in assisting with the administration of the company, great job Anne.

We only earn the right to grow this business if we can do it in a sound manner and in a way that demonstrates our unqualified commitment to working with integrity. I believe it is worth reiterating that growth underpinned by demonstrating our Charter values can only be achieved through leadership commitment and operating discipline. I want to take this opportunity to sincerely thank our stakeholders for their efforts in responding to the accountabilities articulated in our operating model. It is our responsibility to not only preserve, but enhance and increase the value of that legacy.

Our Company has a clear strategy for growing our value, within a disciplined framework, and using prudent decision-making.

**Ed Gibson** - Managing Director