

The Balance Sheet -- Flow v £'s

Christmas Past

The Congleton Hydro project actually began several years ago, when a group of local retirees while taking a convivial pint (or two) in The Young Pretender Pub in Congleton came up with the idea that Havannah Weir offered the perfect opportunity for a Hydro Power scheme, that would generate green energy and provide the opportunity for our modern day "Last of the Summer Wine" group to potentially generate some funds for local causes.

Their natural curiosity and considerable engineering experience encouraged them to make a grant application to the Regional Communities Energy Fund for approx. £17,000. This enabled a structured feasibility study to be undertaken, which looked at how such a scheme could be designed and constructed along with some initial financial estimates of cost and income. From day one the scheme was conceived as a Community project with the core objective being to raise funds for Community activities.

The outcome of the feasibility study indicated that such a scheme could be viable and encouraged by this a loan application was made to the Rural Community Energy Fund (administered by the Department For Environment, Food & Rural Affairs and the Department of Energy and Climate Change) for a loan to enable further additional basic start up tasks to be undertaken. Armed with the successful granting of the loan of some £56,000 (this WRAP loan was only repayable, along with a 45% premium, if the project was ever to go ahead with the reasonable prospect of generating sufficient funds to enable repayment to actually take place) these tasks which included the original purchase of land, consultancy fees and further design studies to assess the potential of such a scheme were undertaken over a period of some 3 years.

Christmas Present

The results of the Consultancy process and Design studies, plus discussions with parties who may be interested in purchasing any generated electricity, led to the decision to undertake the Project provided sufficient finance could be raised to allow project construction to be undertaken and completed, as well as allowing the original WRAP loan and premium to be repaid.

This is where you, our investors, came to the rescue. We believed that we needed to raise capital of some £731,000 to allow the construction of all necessary civil, mechanical, electrical cabling works and the purchase of the Archimedes Screw to take place.

In the end we raised some £762,000 of share capital, £705,000 from private investors in tranches from investment of £100 to £30,000 and £57,000 from the Co-operative share booster fund. Imagine this amount as a bucket full of water; the trick is how to transfer this into a slightly smaller bucket (the project cost budget) such that when the project is

complete, there is still a small amount of water left in our original bucket (our project contingency); in that way we know that we have completed the project within our financial limitations.

However, projects do not often run to starting assumptions as factors that were perhaps not considered in original projections or (in the case of Civil work) ground conditions differ from what could reasonably have been ascertained at the quotation stage. This is where our main bucket springs a leak, and we start to lose our surplus water (the contingency). The Project team takes steps (via meetings with the Contractors as the Project progresses) to minimize the leakage, while looking to raise extra finance through applying for further available Grant packages; and Congleton Hydro has received an additional £16,534 of grant funding to date.

As we approach Christmas, civil works are well underway, cable laying is substantially complete, and the Archimedes Screw has been delivered. Build completion is currently scheduled for end of January 2021. Electricity Generation will then hopefully commence in April and we will start to earn money with which to repay our commitments to you the Shareholders, and to make contributions to Community projects.

Christmas Future

Once electricity generation commences, we will earn revenue from two sources ; 1) a Feed in Tariff (FIT) at a rate of 8 pence per kwh and which is linked to RPI; and 2) the sale of electricity to a local firm on the Eaton Bank trading estate at a commercial rate of 12p per kwh.

The FIT scheme is a government backed initiative which offered cash payments to businesses that *produce* electricity from renewable resources such as solar, hydro or wind. FIT income is guaranteed by Government for **20** years from start of generation. The local firm then *takes* this electricity and pays the commercial rate. RPI is assumed to increase at 2.5% per year.

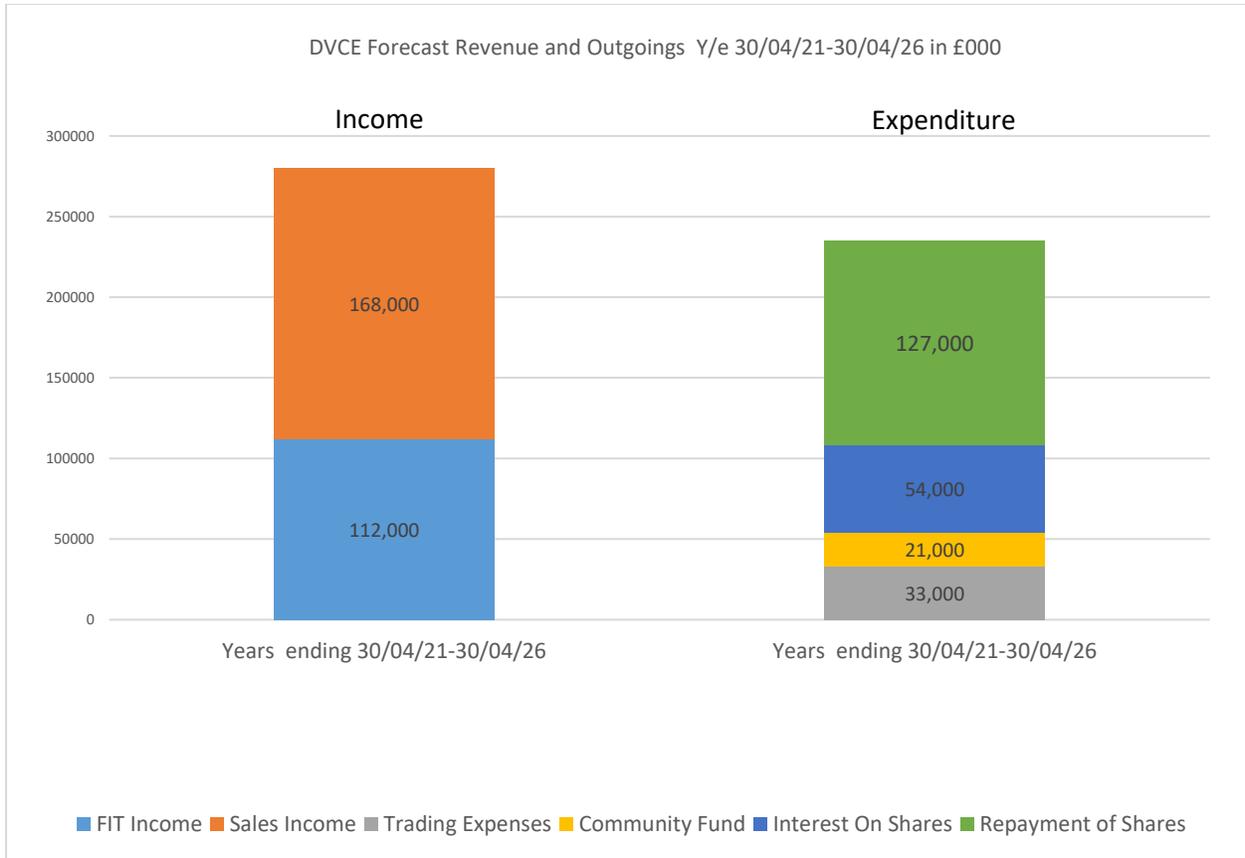
Direct sales of electricity to the local firm are expected last for **30** years (as stated the FIT scheme only runs for 20 years).

Generation is expected to last for 30 years and the sales above, are based on achieving an operational capacity of 260,000 kWh Per year.

Shareholders have made a long-term investment with the expectation that, once the scheme is built and operating profitably, they will each year receive a return and a proportion of their capital repaid. We are aiming for a long-term return of around 4%, over a 24year period commencing with the first interest and capital repayment taking place by the 30th April 2023. This is because the first year's generation (year ending 31/12/21) will be used to build up cash reserves to enable subsequent Capital and interest payments to be made. The second year's generation and accounts for year ended 31/12/22 will need to be approved by the AGM held in March 2023, and it is from these earnings that the repayments will first be made. For every £1,000 invested, the project plans to return £1,695 in total by the end of April 2046; probably a better return

than that which the Government will be able to offer on the debt issued to cover the nation's COVID related expenditure.

Below is a graph showing the Congleton Hydro Project's currently forecast Income generation against its expenditure for the first 5 years of generation



Finally, if our forecast income and expenditure targets are met, the Project will have repaid £1,293,209 to its shareholders in capital and interest, and will have made charitable contributions of over £140,000, all thanks to **your** support of the project.

Now the legal bit -please note the rider that these forecasts are projections based on our current knowledge and cannot be considered binding or enforceable; sorry!