



4 June 2010

## IPSA GROUP PLC

### Unaudited Interim Results for the Six Month Period to 31 March 2010

#### Chairman's Statement

I am pleased to report the Company's interim results for the six month period to 31 March, 2010. The results are broadly in line with our expectations. The net loss after tax for the half year is £0.83m (2009 half year loss – £3.4m), giving a basic loss per share of 0.87p (2009 half year loss per share 3.8p). The operating loss for the period under review was £1.08m (2009 - £1.2m). During the comparative period in 2009 our South African operations saw some revenues to offset the operating expenses. Unrealised foreign exchange gains during the first half of our current financial year have offset the interest and storage costs incurred.

The last year was a period of continued difficulty in the South African power industry as Eskom struggled to re-arrange its finances and to meet its obligation to sign contracts with independent power producers (IPPs) for the provision of privately generated electricity. Now at last we seem to be sensing the first signs of an integrated energy policy for South Africa which includes IPPs at its heart.

#### 1) Newcastle Cogeneration

IPSA was the first company in South Africa to build a new IPP power plant, yet in spite of that accolade, the gas fired power at Newcastle in KwaZulu Natal remained idle for the whole of the reporting period with its staff on standby to generate in the event that Eskom finalised the Medium Term Power Purchase Programme (MTPPP) tender process which began in September 2008. As at 31 March 2010, no contracts under the MTPPP had been awarded and none have been announced to date. In the meantime IPSA's plant did not run but continued to incur both direct costs of employing staff as well as rent, rates, rates and gas supply liabilities of a normal, fully constructed power plant.

Since the end of the half year, there have been promising signs that the bottleneck in the contracting process between Eskom and the South African electricity regulator, NERSA, has been cleared. In parallel with the planned start up, IPSA is engaging with potential South African lenders for a refinancing of up to US \$20 million of its own inter-company funding of the Newcastle plant, based upon a power purchase agreement under the MTPPP. Financial close is targeted to occur in the current financial year.

#### 2) Coega Fast Track Project, Port Elizabeth

In October 2008, IPSA announced that it had put its four Siemens industrial gas turbines, purchased in 2007 for installation at the IDZ as part of our proposed fast track coastal power plant development at Coega, on the market. To date one turbine is under contract to a company controlled by Peter Earl, IPSA's chief executive, for a project outside South Africa. In March 2010, IPSA announced that it had entered into a marketing agreement with TurboCare SpA and Standard Bank which provided for the marketing of the units as well as a formal standstill arrangement in respect of the amounts due to both these entities now and arising over the period of the agreement.

#### IPSA GROUP PLC

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Registered in England No. 5496202



Early in April 2010, IPSA was informed by the Coega Development Corporation, owners of the IDZ that it had qualified for a new tender at Coega to supply a combined cycle power plant serving the IDZ. A request for proposals will be issued shortly. IPSA is working in partnership with Arcus GIBB (Pty) Limited, the consulting engineers.

**3) Elitheni Clean Coal Holdings**

As previously announced, IPSA has continued to work on the environmental impact assessment for the Indwe based coal fired power development through its wholly owned subsidiary, Elitheni Clean Coal Holdings Limited. IPSA has executed an option to acquire a suitable site adjacent to the Elitheni mine. The Company is now also advancing its planning consents and engineering plans for the first Elitheni Clean Coal unit of up to 250 MW.

On 5 March 2010 the Company entered into an agreement with RAB Energy Fund Limited and certain other investors (together the "Loan Note Holders") to issue £650,000 of unsecured loan notes (the "Loan Notes") to the Loan Note Holders. The proceeds from issuing the Loan Notes are being used for development of the Elitheni coal project at Indwe, South Africa, and for general operational and working capital purposes.

We believe that real progress has been made at IPSA since our last results announcement. South Africa needs new generating capacity more than ever as is shown by the current fear of power shortages just as the country's show case football tournament begins. I am pleased to have taken over as chairman of IPSA from Stephen Hargrave just as the first new private power initiatives for two years start to be announced. I am looking forward to making sure that IPSA becomes a leading player in the supply of independent South African power generation capacity in the near future.

**Richard Linnell**

Chairman

3 June 2010



**IPSA GROUP PLC**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
(unaudited)  
for the half year ended 31 March 2010**

	Notes	6 months 31/3/10 £'000	6 months 31/3/09 £'000	12 months 30/9/09 £'000
Revenue	3	-	955	1,039
Cost of sales	4	(501)	(1,663)	(2,227)
Gross loss		(501)	(708)	(1,188)
Administrative expenses		(576)	(492)	(985)
Other income / (expense)	5	743	(1,296)	(1,792)
Finance expense (net)		(496)	(908)	(1,501)
Loss before tax		(830)	(3,404)	(5,466)
Tax expense		=	=	=
Loss after tax		(830)	(3,404)	(5,466)
Other comprehensive income / (expense):				
Exchange differences on translation		(346)	(250)	(1,108)
Total comprehensive income / (expense) attributable to equity interests		(1,176)	(3,654)	(6,574)
Loss per ordinary share (basis, diluted and headline)	6	0.87p	3.80p	5.92p



**IPSA GROUP PLC**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (unaudited)  
at 31 March 2010**

	Notes	31/3/10 £'000	30/9/09 £'000	31/3/09 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible	7	625	666	708
Property, plant and equipment	8	<u>14,481</u>	<u>13,978</u>	<u>12,217</u>
		<u>15,106</u>	<u>14,644</u>	<u>12,925</u>
<b>Current assets</b>				
Assets held for resale	9	31,629	32,253	32,639
Trade and other receivables		2,238	2,380	290
Cash and cash equivalents		318	136	865
		<u>34,185</u>	<u>34,769</u>	<u>33,794</u>
<b>Total assets</b>		<u>49,291</u>	<u>49,413</u>	<u>46,719</u>
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent:</b>				
Share capital		1,900	1,900	1,900
Share premium account		26,027	26,027	26,003
Foreign currency reserve		(1,908)	(1,562)	(704)
Retained loss		<u>(14,624)</u>	<u>(13,794)</u>	<u>(11,732)</u>
<b>Total equity</b>		<u>11,395</u>	<u>12,571</u>	<u>15,467</u>
<b>Current liabilities</b>				
Trade and other payables		6,010	5,540	3,618
Supplier loan	10	14,189	14,013	11,529
Bank loan	11	16,400	15,997	15,000
Loan note	12	650	-	-
Other borrowings		<u>647</u>	<u>1,292</u>	<u>1,105</u>
		<u>37,896</u>	<u>36,842</u>	<u>31,252</u>
<b>Total equity and liabilities</b>		<u>49,291</u>	<u>49,413</u>	<u>46,719</u>



**IPSA GROUP PLC**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)  
for the half year ended 31 March 2010**

	Share Capital	Share Premium Account	Foreign Currency Reserve	Profit and Loss Reserve	Total Equity
	£'000	£'000	£'000	£'000	£'000
At 1.10.08	1,792	25,267	(454)	(8,328)	18,277
Issue of shares net of issue costs	108	736	-	-	844
Total recognised expense for the period	=	=	(250)	(3,404)	(3,654)
At 31.3.09	1,900	26,003	(704)	(11,732)	15,467
Adjustment to share issue Costs	-	24	-	-	24
Total recognised expense for the period	=	=	(858)	(2,062)	(2,920)
At 30.9.09	1,900	26,027	(1,562)	(13,794)	12,571
Total recognised expense for the period	=	=	(346)	(830)	(1,176)
At 31.3.10	<u>1,900</u>	<u>26,027</u>	<u>(1,908)</u>	<u>(14,624)</u>	<u>11,395</u>



## IPSA GROUP PLC

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT (unaudited) for the half year ended 31 March 2010

	6 months 31/3/10 £'000	6 months 31/3/09 £'000	12 months 30/9/09 £'000
Loss for the period	(830)	(3,404)	(5,466)
Add back net finance expense	496	908	1,501
Adjustments for:			
Depreciation	392	348	813
Amortisation of intangible	42	42	84
Translation and unrealised exchange gains	(1,165)	(1,215)	(4,296)
Change in trade and other receivables	142	1,164	(925)
Change in trade and other payables	<u>524</u>	<u>2,262</u>	<u>7,195</u>
Cash (used in) / generated from operations	(399)	105	(1,094)
Interest paid – net	(58)	(40)	(81)
Net cash (used in) / generated from operations	<u>(457)</u>	<u>65</u>	<u>(1,175)</u>
Cash flows from investing Activities			
Purchase of plant and Equipment	(11)	(26)	(30)
Additions to assets held for resale	-	(386)	-
	<u>(11)</u>	<u>(412)</u>	<u>(30)</u>
Cash flow from financing Activities			
Loan note issued	650	-	-
Other loans	-	513	68
Issue of shares (net of costs)	-	<u>294</u>	<u>868</u>
	<u>650</u>	<u>807</u>	<u>936</u>
Increase / (decrease) in cash and cash equivalents	182	460	(269)
Cash and cash equivalents at start of period	<u>136</u>	<u>405</u>	<u>405</u>
Cash and cash equivalents at end of period	<u>318</u>	<u>865</u>	<u>136</u>



## IPSA GROUP PLC

### Notes to the unaudited Interim Statement for the half year ended 31 March 2010

#### 1. Basis of preparation

The interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 30 September 2009 were derived from the statutory accounts for that year which have been delivered to the Registrar of Companies. Those accounts which contained an unqualified audit report, with an emphasis of matter paragraph on going concern, did not contain any statements under section 237(2) or (3) of the Companies Act 1985. The financial information contained in this interim statement has been prepared in accordance with all relevant International Reporting Standards ('IFRS') in force and expected to apply to the Group's results for the year ending 30 September 2010 and on interpretations of those Standards released to date.

#### 2. Accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the Group's IFRS accounting policies. These policies were set out in the Group's Financial Statements for the year ended 30 September 2009.

#### 3. Revenue

The Company's subsidiary in South Africa commenced selling steam in September 2007 and electricity in October 2007. As explained in detail in the financial statements to 30 September 2009, sales of electricity and steam have been temporarily suspended pending the application and prospective grant of an electricity supply contract.

#### 4. Cost of sales

Cost of sales comprises routine plant maintenance and depreciation and, in the prior periods, the cost of gas consumed and plant operating costs.

5. Other income / (expense)	6 months	6 months	12 months
	31/3/10	31/3/09	30/9/09
	£'000	£'000	£'000
Exchange gains / (losses) <sup>1</sup>	282	(1,469)	(1,414)
Exchange gains <sup>2</sup>	901	1,081	3,352
Storage costs <sup>3</sup>	(440)	-	(762)
Gas – take or pay <sup>4</sup>	=	(908)	(2,968)
Total	<u>743</u>	<u>(1,296)</u>	<u>(1,792)</u>

<sup>1</sup>Exchange gains / (losses) arising on the € denominated amount owing to Turbocare in respect of the refurbishment costs of the 4 Siemens gas turbines which were originally acquired for the Coega project and are now held as an 'asset held for resale'

<sup>2</sup>Exchange gains arising in the Company's subsidiary on sterling denominated loans from the Company which have funded the construction of the generating plant in South Africa

<sup>3</sup>Storage costs in respect of the storage of the 4 Siemens gas turbines pending their sale (see note 9 below)

<sup>4</sup>The 'take-or-pay' gas contract was terminated by Sasol in July 2009. During prior periods the charge represents the difference between the minimum offtake level required under the 'take-or-pay' contract and the gas actually used since for certain periods the plant in Newcastle was unable to operate due to the absence of a electricity offtake agreement.



<b>6. Loss per share</b>	<b>6 months 31/3/10</b>	<b>6 months 31/3/09</b>	<b>12 months 30/9/09</b>
Average number of shares in issue during the period	95.0m	89.6m	92.3m
Loss for the period	£0.830m	£3.404m	£5.466m
Loss per ordinary share (basic, diluted and headline)	0.87p	3.80p	5.92p

### **7. Intangible**

The intangible non-current asset represents the fair value of the steam supply contract owned by Newcastle Cogeneration (Proprietary) Limited.

### **8. Property, plant and equipment**

Property, plant and equipment comprises the electricity generating plant in South Africa owned by Newcastle Cogeneration (Proprietary) Ltd.

### **9. Assets held for resale**

The 4 Siemens gas turbines are owned by the Company and are for sale. The turbines were originally acquired for the Coega project in South Africa but in view of the delay in the project, the Board decided that it would be in the best interest of shareholders to sell the turbines.

In December 2009, a conditional contract was entered into for the disposal of one turbine and a non-refundable deposit of US\$1m was received by way of set-off against a loan from Independent Power Corporation PLC. This deposit has been deducted from the cost of the turbines.

On 5th March 2010, the Company entered into an agency agreement with Standard Bank and Turbocare in respect of the marketing of the 4 Siemens gas turbines and the distribution of the proceeds received in connection with the sale. The agreement also provides for a standstill agreement whereby Turbocare and Standard Bank (see 10 and 11 below) have undertaken that they will not take proceedings against the Company to recover debts owed to them and that they will not enforce any security rights they may have during the term of the agreement. This agreement terminates on 31 January 2011 or earlier in the event that Standard Bank and Turbocare are paid all sums due to them prior to that date or at Standard Bank's election after 30 November 2010 in the event that a sale has not been secured.

### **10. Supplier loan**

This represents an amount of €15.9m owing to Turbocare, the supplier of the 4 Siemens gas turbines, in respect of the refurbishment and storage of the turbines, plus interest. As set out in note 9 above, the Company, Turbocare and Standard Bank have entered into a standstill agreement with respect to the payment of the amounts owing and also an agreement covering the marketing of the turbines and the distribution of the sale proceeds.

### **11. Bank loan**



In March 2008, the Company obtained a bank loan of £15m from Standard Bank to finance the final instalment payment for the purchase of the 4 Siemens gas turbines. The loan was originally repayable in September 2009 but has been extended, as set out in note 9 above, under the standstill agreement between the company, Turbocare and Standard Bank until at least 30 November 2010.

## 12. Loan note

On 5th March 2010, the Company issued a £650k unsecured loan note, with interest payable at 6%. The loan note is repayable by 31 January 2011 or the earlier of a change of control of the Company or the sale of two of the steam turbines or a full or partial sale of certain plant and equipment in South Africa. The loan note holders have also been issued warrants over 6.5m ordinary shares exercisable between the repayment date and 30 months thereafter at the lower of 19 pence per share and the price at which any future ordinary shares are issued prior to such exercise.

13. The Board of Directors approved this interim statement on 3 June 2010. This interim statement has not been audited.

14. Copies of this statement are being sent to all shareholders on the register at today's date. Copies may be obtained from the Company's registered office, 5th Floor, Prince Consort House, Albert Embankment, London SE1 7TJ.

## About IPSA:

IPSA Group PLC is a British company established to develop power generation projects in southern Africa. It is managed by a team with a strong track record in developing power projects worldwide and with considerable experience in Southern Africa.

IPSA floated on the AIM market of the London Stock Exchange in September 2005 and obtained a dual listing on the Alt<sup>x</sup> market of the Johannesburg Stock Exchange in October 2006.

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