



I P S A

INDEPENDENT POWER SOUTHERN AFRICA

IPSA GROUP PLC

**UNAUDITED INTERIM RESULTS
FOR THE TWELVE MONTH PERIOD
TO 30 SEPTEMBER 2010**

CHAIRMAN'S STATEMENT

I am pleased to report the Company's interim results for the twelve month period to 30 September 2010. This follows the recently announced change in the Company's accounting reference date to 31 March 2011. Full audited accounts will be prepared for the 18 month period to 31 March 2011.

The results are broadly in line with our expectations. The net loss after tax for the period was £1.2m (2009 – £5.5m), giving a basic loss per share of 1.27p (2009 – loss per share 5.92p). The operating loss for the period under review was £2.1m (2009 – £2.2m). Other income (comprising storage costs, a write-back of an overprovision in respect of gas not used and unrealised exchange gains) was £2.1m (2009 – expense of £1.8m) and the net finance expense was £1.2m (2009 – £1.5m).

Revenues of £675k (2009 – £1m) during the period represented a short term supply agreement negotiated with Eskom in 2010 to assist with power supplies during the FIFA World Cup.

NewCogen

During the period ended on 30 September 2010, Newcastle Cogeneration (Pty) Limited ("NewCogen") generated approximately 8,500 MWh of electricity for sale to Eskom between 22 June and 31 August. Sasol Gas supported us with an ad hoc gas contract for the period of the FIFA World Cup, and the plant consumed a little under 130,000 GJ. With a higher gas price and no steam sales, profitability was curtailed, but the operation was cash positive during the period, with a gross operating margin (before staff and other operating costs) of around £145,000 during just over two months of operations.

On 31 August 2010, we announced the signing of the Medium Term Power Purchase Programme ("MTPPP") contract with Eskom and I am pleased that we have finally commenced generation and supply under this contract as of 24 March 2011. Our new gas supplier is Spring Lights Gas (Pty.) Limited, with whom we have entered into a five year contract which will terminate in March 2016 unless extended by mutual agreement.

Margins are expected to suffer as a result of the increase in the oil price, a component of the escalation mechanism in the gas contract. We are

CHAIRMAN'S STATEMENT

considering a hedging contract to help protect against material movements in the price of Brent oil.

In December 2010, Sasol Gas Limited served a summary judgement notification on NewCogen which we announced we would defend vigorously. Discussions with Sasol Gas's attorneys are now ongoing. It is anticipated that the dispute will be sent to arbitration later in the year if it is not settled amicably beforehand.

On 24 March 2011, the NewCogen plant was successfully restarted, following another capital increase of £1m in February this year, which was used to fund the working capital required (principally the security required for the gas supply agreement with Spring Lights) for commencement of operations for power supplied under the MTPPP contract with Eskom. Negotiations to put in place a new long term steam agreement continue in order to maximise revenues from the plant.

The Turbines

A number of indicative offers for all four of our 701 D turbines are under consideration. Although the Marketing Agreement and associated debt standstill agreement entered into in March 2010 terminated on 21 February 2011, IPSA continues to work with both Standard Bank and TurboCare to ensure a disposal of the Turbines with a view to settling its outstanding creditors, including the £16.8m of loan principal and accrued but unpaid interest due to Standard Bank and approximately €16.5 million of loan principal, accrued interest and storage charges due to TurboCare for the refurbishment and storage of the turbines, as soon as possible.

Working capital

In spite of the revenues which will arise from the recommencement of electricity sales and the continuing very strict cost containment measures, the Group's working capital will continue to remain extremely tight until the Company is able to realise cash from the sale of the turbines or secure external funding for the operations in South Africa.

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Other Projects

In spite of the lack of funds available to us to take significant steps towards developing new generation projects, the Directors have continued to maintain an active interest in developing further generation capacity in southern Africa. There are a number of potential opportunities arising, particularly in South Africa, as demand for electricity increases once more as a result of increased mining and other energy intensive manufacturing activities.

All the same, the way forward for the private power sector in South Africa continues to remain unclear. A tender for baseload power plants was announced by Eskom in 2008 and IPSA was pre-qualified for the process. In addition, in April 2010, IPSA pre-qualified for a proposed development at the Coega development zone. However, little progress has been made on either project. As a result of the delays in defining the baseload programme, IPSA terminated the coal contract for the proposed plant at Indwe in October 2010.

Conclusion

This period has been eventful. I am pleased that I can report the restarting of the cogeneration plant at Newcastle and the commencement of supply to Eskom under the medium term power purchase contract. This has not been an easy time for the Directors or the staff and stakeholders of NewCogen. I warmly thank them for their continued support and hard work to get us past this hugely important milestone, which is a very significant achievement both in terms of the development of the Group and the electricity sector in South Africa.

Richard Linnell

Chairman

30 March 2011

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the 12 month period ended 30 September 2010 (unaudited)

	Notes	12 months to 30.9.10 unaudited £'000	12 months to 30.9.09 audited £'000
Revenue	3	675	1,039
Cost of sales	4	(1,657)	(2,227)
Gross loss		(982)	(1,188)
Administrative expenses		(1,126)	(985)
Operating loss		(2,108)	(2,173)
Other income/(expense)	5	2,107	(1,792)
Finance expense (net)		(1,207)	(1,501)
Loss before tax		(1,208)	(5,466)
Tax expense		–	–
Loss after tax		(1,208)	(5,466)
Loss per ordinary share (basic, diluted and headline)	6	(1.27p)	(5.92p)
Other comprehensive			
Exchange differences on translation of foreign operation		(382)	(1,108)
Total comprehensive loss attributable to equity shareholders		(1,590)	(6,574)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 September 2010 (unaudited)

	Notes	30.9.10 unaudited £'000	30.9.09 audited £'000
Assets			
Non-current assets			
Intangible	7	583	666
Property, plant and equipment	8	13,656	13,978
		14,239	14,644
Current assets			
Trade and other receivables		2,154	2,380
Cash and cash equivalents		258	136
		2,412	2,516
Non-current assets classified as assets held for sale	9	31,629	32,253
Total assets		48,280	49,413
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital		1,900	1,900
Share premium account		26,027	26,027
Foreign currency reserve		(1,944)	(1,562)
Profit and loss reserve		(15,002)	(13,794)
Total equity		10,981	12,571
Current liabilities			
Trade and other payables	10	19,502	19,553
Borrowings	11	17,797	17,289
		37,299	36,842
Total equity and liabilities		48,280	49,413

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

for the twelve month period ended 30 September 2010 (unaudited)

	12 months to 30.9.10 unaudited £'000	12 months to 30.9.09 audited £'000
Loss for the period	(1,208)	(5,466)
Add back net finance expense	1,207	1,501
Adjustments for:		
Depreciation	807	813
Amortisation of intangible	83	84
Translation and unrealised exchange gains	(1,770)	(4,296)
Change in trade and other receivables	96	(925)
Change in trade and other payables	(49)	7,195
Cash used in operations	(834)	(1,094)
Interest paid	(61)	(81)
Net cash used in operations	(895)	(1,175)
Cash flows from investing activities		
Purchase of plant and equipment	–	(30)
Deposit (non refundable) on asset held for resale	624	–
	624	(30)
Cash flow from financing activities		
Loan note issued	650	–
Other loans received	367	618
Other loans repaid	(624)	(550)
Issue of shares (net of costs)	–	868
	393	936
Increase/(decrease) in cash and cash equivalents	122	(269)
Cash and cash equivalents at start of period	136	405
Cash and cash equivalents at end of period	258	136

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the twelve month period ended 30 September 2010 (unaudited)

	Share Capital £'000	Share Premium Account £'000	Foreign Currency Reserve £'000	Profit and Loss Reserve £'000	Total Equity £'000
At 1.10.09	1,900	26,027	(1,562)	(13,794)	12,571
Total recognised expense for the period	-	-	(382)	(1,208)	(1,590)
At 30.9.10	1,900	26,027	(1,944)	(15,002)	10,981

NOTES TO THE UNAUDITED INTERIM STATEMENT

for the twelve month period ended 30 September 2010

1. Basis of preparation

These condensed consolidated 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 sections 489(2) or (3) of the Companies Act 2006. The financial information contained in this interim statement has been prepared in accordance with all relevant International Financial Reporting Standards (“IFRS”) in force and expected to apply to the Group’s results for the 18 month period ending 31 March 2011 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 are set out in the Group’s financial statements for the year ended 30 September 2009.

3. Revenue

The Company’s subsidiary in South Africa, Newcastle Cogeneration (Proprietary) Ltd (“NewCogen”) 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 were temporarily suspended, save for a short period during the World Cup, pending the application and prospective grant of an electricity supply contract. As set out in the Chairman’s statement, a long term supply contract was awarded in August 2010 and following agreement of a gas supply contract in February 2011, electricity generation has recently recommenced.

4. Cost of sales

Cost of sales comprises cost of gas, routine plant maintenance, depreciation and other direct costs.

5. Other income/(expense)

	12 months 30.9.10 £'000	12 months 30.9.09 £'000
Exchange gains/(losses) ¹	689	(1,414)
Exchange gains ²	1,081	3,352
Storage costs ³	(905)	(762)
Gas – take or pay ⁴	1,242	(2,968)
Total	2,107	(1,792)

¹Exchange 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’;

²Exchange gains arising in the Company’s subsidiary (“NewCogen”) on sterling denominated loans from the Company which have funded the construction of the generating plant in South Africa;

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

⁴The ‘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. The credit in the current period represents the write-back of over-provisions in prior periods.

NOTES TO THE UNAUDITED INTERIM STATEMENT
for the twelve month period ended 30 September 2010

6. Loss per share

	12 months 30.9.10	12 months 30.9.09
Average number of shares in issue during the period	95.0m	92.3m
Loss for the period	£1.208m	£5.466m
Loss per ordinary share (basic, diluted and headline)	1.27p	5.92p

7. Intangible

The intangible non-current asset represents the fair value of the steam supply contract owned by Newcogen.

8. Property, plant and equipment

Property, plant and equipment comprises the electricity generating plant in South Africa owned by Newcogen.

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 5 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 provided for a

standstill agreement whereby Turbocare and Standard Bank (see notes 10a and 11a below) undertook that they would not take proceedings against the Company to recover debts owed to them and that they would not enforce any security rights they may have during the term of the agreement. This agreement terminated on 31 January 2011 but has been informally extended pending the outcome of current negotiations with parties interested in acquiring the turbines.

10. Trade and other payables

Trade and other payables includes:

- a) An amount of £14.2m (2009 – £14m) 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 entered into a standstill agreement (now terminated) 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.
- b) An amount of £3.6m (2009 – £4.3m) claimed by Sasol against the Company's subsidiary, Newcogen. The claim is being disputed and the parties expect to refer the claim to arbitration proceedings later in the year if settlement is not achieved before then. The claim relates to amounts invoiced by Sasol prior to the termination of the gas supply agreement by Sasol in 2009.

11. Borrowings

Included within borrowings are the following loans:

- a) Amount due to Standard Bank – £16.8m, including interest (2009 – £16m). In March 2008, the Company obtained a bank loan of £15m from Standard Bank to finance the final instalment payment

NOTES TO THE UNAUDITED INTERIM STATEMENT
for the twelve month period ended 30 September 2010

for the purchase of the 4 Siemens gas turbines. The loan was originally repayable in September 2009 but had been extended (now terminated), as set out in note 9 above, under the standstill agreement between the Company, Turbocare and Standard Bank.

b) Loan note – £672k, including interest (2009 – nil). On 5 March 2010, the Company issued a £650k unsecured loan note, with interest payable at 6%. The loan note was originally 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 repayment date has been extended to 30 April 2011. The loan note holders were 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.

c) Other loans – £1m, including interest (2009 – £1.3m), comprising unsecured loans, with interest rates of between 5% and 12%, repayable within 12 months.

12. The Board of Directors approved this interim statement on 30 March 2011. This interim statement has not been audited.

13. Copies of this announcement 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 AltX market of the Johannesburg Stock Exchange in October 2006.

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