



28 June 2007

**IPSA Group PLC**

**Interim results for the period to 31 March 2007**

**Chairman's Statement**

**31 March 2007**

I am pleased to report the Company's second interim results since its flotation on the AIM market of the London Stock Exchange.

During the period to 31 March 2007, IPSA substantially completed the construction of the Newcastle combined heat and power plant, the first gas-fired independent power plant ("IPP") in South Africa. In addition the Company successfully listed its shares on ALT<sup>x</sup>, the alternative exchange of the Johannesburg Stock Exchange, the first AIM-quoted company to do so. The Company has seen strong interest in its shares in South Africa as the only listed electric utility. The Group has also been successful in acquiring 500 MW of gas-fired turbines costing €31.2 million (approximately £21.3m), which are intended for the Coega IPP development project. As expected, the Company made a loss during the 6 months to 31 March 2007 amounting to £245,000 (2006: £144,000 loss).

**1) Newcastle CHP**

Construction of the Newcastle combined heat and power plant ("CHP") was substantially completed during the first half of the financial year and commissioning was begun. The plant was officially inaugurated on [16] February by the Mayor of Newcastle. Since 31 March we have commenced production of steam from the project and we are in discussions with commercial banks in South Africa to provide Rand denominated term funding for the Newcastle project in the near future in order to release equity for future developments. To date, the Newcastle project has been funded entirely from equity.

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

Since January 2006 a series of power cuts have made South Africa's predicted shortages of electricity a subject of national political importance. In addition, the country's peak demand reserve margin has dropped to some 1,700 MW, a level substantially below that which would normally be regarded as an adequate margin for safety. In March 2007, IPSA took the

opportunity of acquiring four Fiat Avio turbines at a highly competitive price compared to today's market, which are intended to be installed as part of the first phase of the Coega Project. To help finance the purchase, in April 2007 the Company arranged a US\$20m bridge financing facility for the turbines with Standard Bank PLC, London. These turbines have now enabled IPSA to be in a position to complete the fast track installation of the open cycle phase of the project at the earliest opportunity. The £21.3 million cost of the turbines equates to around US\$80,000 per MW. Further development work such as the environmental studies and engineering studies has been initiated and a site lease is under negotiation. The installed cost of the two generating blocks of the Coega Project, including the recently acquired turbines, is expected to be below US\$250,000 per MW, a level which would generally be considered a competitive price for a large plant. The Group is currently planning on a total of 1,600 MW for the full project. Shareholders will be kept fully informed of developments.

### **3) Indwe IPP, Eastern Cape**

IPSA has announced the anticipated development of mine-mouth clean coal power capacity at the Elitheni coal deposit at Indwe, Eastern Cape. This deposit was one of the first deposits to be worked in South Africa prior to the opening up of the Highveld coal reserves in the region close to Johannesburg in the early 20<sup>th</sup> century.

Initially the Indwe IPP was expected to have an installed capacity of 400 MW. IPSA recently announced its intention to increase the size of the project under development to 500 MW, based on the Elitheni coal reserve potential. Elitheni Coal (Pty.) Ltd, the owner of the mining licence, is 90% owned by Strategic Natural Resources Plc (see note 11).

### **4) Da Gama CHP, Eastern Cape**

IPSA has announced plans to develop an 80 MW CHP, also based on coal to be supplied from the Elitheni mine. The plant is to be located at the Da Gama textile mill, King William's Town, Eastern Cape.

### **5) Black Economic Empowerment**

The Company is committed to spreading the ownership of its equity under the principles of the country's Black Economic Empowerment ("BEE") policy. It is currently in discussions with certain empowerment groups with a view to their taking a significant stake in the Company. The Directors are also committed to protecting the interests of existing shareholders, and it is intended that any investment in the shares of the Company by one or more empowerment groups will be made in the interests of all shareholders going forward.

Separately, we are also pleased to announce that we have received a credible approach from BEE-compliant investors wishing to take a significant equity stake in Newcastle Cogeneration (Pty.) Ltd, the owner of our Newcastle CHP facility.

We must emphasize that all these proposed BEE investments are still in negotiation. There is no guarantee that the proposed investments will be completed as currently envisaged, if at all. In the event they do materialize,

however, the Directors believe that this two-level approach to empowerment, at both the PLC and the project level, will lead to a high level of economic ownership of our developments by broadly-based BEE groups. In our opinion this will be to the benefit of all concerned.

We are very pleased with the progress the Company has made since our last results announcement. The initial 18 MW project at Newcastle, KwaZulu Natal was commissioned and we are excited by the further opportunities that are presenting themselves in South Africa. The country's need for new generating capacity is shown by power shortages in many parts of the country, and we are looking forward to playing a part in meeting that need.

Stephen Hargrave  
Chairman

**Consolidated Income Statement for six months ended 31 March 2007  
(unaudited)**

	Notes	<b>6 months to 31.3.07 £'000</b>	<b>6 months to 31.3.06 £'000</b>
Administrative expenses		(435)	(121)
Other expense	4	(54)	(69)
Exchange gains		198	-
Finance income		<u>46</u>	<u>46</u>
Loss before tax		(245)	(144)
Tax expense		<u>-</u>	<u>-</u>
Loss for the period		<u>(245)</u>	<u>(144)</u>
Loss per ordinary share – basic	5	0.37p	0.27p
Loss per ordinary share – diluted	5	0.37p	0.27p

**Statement of Recognised Income and Expense (unaudited)**

	<b>6 months to 31.3.07 £'000</b>	<b>6 months to 31.3.06 £'000</b>
Loss for the period	(245)	(144)
Exchange difference on translation	<u>13</u>	<u>2</u>
Total recognized loss for the period	<u>(232)</u>	<u>(142)</u>

**Consolidated Balance Sheet (unaudited)**

	Notes	<b>31.3.07</b> <b>£'000</b>	<b>30.9.06</b> <b>£'000</b>	<b>31.3.06</b> <b>£'000</b>
<b>Assets</b>				
Non-current assets:				
Intangible	6	833	833	833
Property, plant and equipment	7	<u>30,403</u>	<u>5,601</u>	<u>5,207</u>
		<u>31,236</u>	<u>6,434</u>	<u>6,040</u>
Current assets:				
Trade and other receivables	8	736	196	489
Cash and cash equivalents		<u>2,240</u>	<u>526</u>	<u>1,539</u>
		<u>2,976</u>	<u>722</u>	<u>2,028</u>
Total assets		<u>34,212</u>	<u>7,156</u>	<u>8,068</u>
<b>Equity and liabilities</b>				
Equity attributable to equity holders of the parent:				
Share capital	9	1,522	1,093	1,093
Share premium account	9	17,498	6,640	6,640
Foreign currency reserve		(438)	(451)	2
Retained loss		<u>(1,272)</u>	<u>(1,027)</u>	<u>(144)</u>
Total equity		17,310	6,255	7,591
Current liabilities:				
Trade and other payables	10	<u>16,902</u>	<u>901</u>	<u>477</u>
Total equity and liabilities		<u>34,212</u>	<u>7,156</u>	<u>8,068</u>

## Consolidated Cash Flow Statement (unaudited)

	Notes	6 months to 31.3.07 £'000	6 months to 31.3.06 £'000
Net cash outflow from operating activities (see below)		(363)	(133)
Cash flows from investing activities:			
Interest received		46	46
Deposit paid	8	(535)	-
Payment of deferred consideration		-	(400)
Purchase of plant and equipment	7	(8,721)	(5,207)
		<u>(9,210)</u>	<u>(5,561)</u>
Cash flows from financing activities:			
Issue of shares (net of costs)	9	<u>11,287</u>	<u>7,233</u>
		<u>11,287</u>	<u>7,233</u>
Increase in cash and cash equivalents		<u>1,714</u>	<u>1,539</u>
Reconciliation and analysis of change in net funds			
Increase in cash during the period		1,714	1,539
Cash and cash equivalents at start of period		<u>526</u>	=
Cash and cash equivalents at end of period		<u>2,240</u>	<u>1,539</u>
Reconciliation of loss before tax to net cash outflow from operating activities:			
Loss for the period		(245)	(144)
Changes in working capital:			
Decrease (increase) in debtors		7	(420)
(Decrease) / increase in creditors		(79)	477
Deduct: Interest received		(46)	(46)
Net cash outflow from operating activities		<u>(363)</u>	<u>(133)</u>

## Notes to the unaudited financial statements

1. The unaudited financial information set out above does not constitute Statutory Accounts within the meaning of Section 240 of the Companies Act 1985.
2. The Company was incorporated on 1 July 2005. On 20 September 2005 the Company acquired 100% of the share capital of Blazeway Engineering Limited, a company incorporated in England and Wales. Blazeway Engineering Limited owns 100% of the share capital of Newcastle Cogeneration (Proprietary) Limited, a company incorporated in the Republic of South Africa.
3. The unaudited financial information has been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards as issued by the International Accounting Standards Board.
4. Other expense in the unaudited consolidated income statement represents costs associated with listing the Company's shares on the Alt<sup>x</sup> market of the Johannesburg Stock Exchange (2006 - AIM market).
5. The loss per ordinary share has been calculated on the loss for the period of £245,000 divided by the weighted average number of ordinary shares in issue during the period from 1 October 2006 to 31 March 2007 (67,093,195).
6. The intangible non-current asset represents the fair value of the supply contract owned by Newcastle Cogeneration (Proprietary) Limited.
7. Property, plant and machinery represents construction in progress in Newcastle Cogeneration (Proprietary) Limited (£9.1m) and four Fiat Avio turbines which were acquired on 9 March 2007 at a price of €31.2m (£21.3m) as part of the proposal for the Coega Project outside Port Elizabeth. The price of €31.2m is payable in 3 instalments. At 31 March 2007, the first 25% instalment had been paid. The second 25% instalment was paid in April 2007 and the final instalment of 50% (€15.6m / £10.6m) is payable on 31 March 2008 – see 10 below.
8. Trade and other receivables includes a refundable commitment fee of £535,000 which has been paid in respect of securing gas supplies. In the event that the contracted level of supplies is not procured, any shortfall will be deducted from the deposit held.
9. In October 2006, the Company issued 5,499,839 shares at an average price of ZAR 5.62 (38.5p) per share concurrently with the Company's listing on the Alt<sup>x</sup> market of the Johannesburg Stock Exchange. On 24 October 2006 the Company issued 6,000,000 shares at ZAR 6.05 (£0.42) per share. On 9 March 2007, the Company issued 2,500,000 shares at 75p per share and 7,500,000 shares at ZAR 10.6665 (75p) per share. The surplus over the par value, less issue costs, has been credited to the share premium account.
10. Trade and other payables includes £5.5m paid in April in respect of the second 25% instalment payment due on the purchase of the four Fiat Avio turbines plus the final 50% instalment of €15.6m (£10.6m) due on 31 March 2008 – see 7 above. The payment made in April was funded by a draw down of US\$10.5m from the Standard Bank bridge financing facility at Libor plus 2.25%.
11. Strategic Natural Resources Plc ("SNR") has a 90% per cent. shareholding interest in Elitheni Coal (Pty.) Ltd ("Elitheni"). IPSA has secured from Elitheni an exclusive first right for the supply of coal to the planned Indwe IPP and Da Gama CHP projects under a coal supply agreement, yet to be negotiated. The directors of IPSA participated in a fundraising carried out by SNR earlier this year in order to fund further prospecting activities. Together the Directors currently hold 15.8% of the issued share capital of SNR. Peter Earl and Elizabeth Shaw, directors of IPSA, are also founding directors of SNR. A subsidiary of Independent Power Corporation PLC, a company controlled by Peter Earl and of which he, Elizabeth Shaw and Jimmy West are directors, has an outstanding loan of £0.45 million to Elitheni.

12. This announcement is being sent to all shareholders on the register at today's date and copies are available to the general public free of charge during office hours for one month from the date of the announcement at the Company's registered office, Fifth Floor, Prince Consort House, Albert Embankment, London SE1 7TJ.

Peter R. S. Earl  
28<sup>th</sup> June 2007

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.