



PRESS RELEASE

Company foresees “predictable earnings and dividends”

January 31, 2007: AIM-quoted IPSA Group plc, set up to build and operate power stations in Southern Africa, today announced start-up losses for the 15 months to September 30, 2006, but confirmed it was expecting its first revenues during February.

The losses reflect investment in South Africa’s first privately-financed power generation plant at Newcastle, Kwazulu Natal. It is due on stream on February 23.

IPSA also confirmed it is in talks over several other projects in Southern Africa – and said it believed carbon credits under the Kyoto Protocol could become an important additional source of revenue.

The company added it was now well positioned to exploit rapid regional energy demand growth so it could deliver “predictable earnings and shareholder dividends”.

IPSA Chairman Stephen Hargrave said: “With our first plant due to commence commercial operation shortly, a number of other projects in the pipeline, and demand for power increasing well beyond the capacity of the current infrastructure to meet it, we look forward to the future with great anticipation”.

In addition to the 18MW Newcastle power plant, other anticipated projects identified in the annual statement include:

- 1,600 MW Coega Fast Track Project just outside Port Elizabeth
- 400 MW Elitheni Clean Coal Project near Indwe
- The Prospecton Basin Project in Durban
- Wider regional projects aimed at reducing environmental emissions

IPSA is also listed on Johannesburg’s junior AltX market, where the AIM shares are fully exchangeable.

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Full Results Announcement follows:

Ticker Symbol: IPSA

31st January 2007

IPSA Group PLC
("IPSA" or "the Company")
Final Results

IPSA, the AIM and Alt^X dual listed independent power plant developer with operations in southern Africa, today announces its final results for the fifteen months to 30 September 2006.

Highlights of the period include:

- Placing and Admission to AIM in September 2005, raising approximately £8.0m;
- Loss in the period of £1,027,000 of which £669,000 comprises non-trading foreign exchange losses;
- Construction of the first independent gas-fired combined heat and power plant in South Africa, at Newcastle, with a nominal power capacity of 18 MW, from which first revenues are expected shortly;
- Progressing the Coega Fast Track Project application for a 1,600 MW combined cycle gas turbine; and
- Obtained exclusive first rights to all coal from the Elitheni Clean Coal Project and progressing the application for a 400 MW mine mouth coal-fired project at Elitheni.

Since period end:

- Introduction of the Company's ordinary shares to Alt^X, the alternative exchange of the JSE Limited; and
- Placings of new shares with South African investors raising further funds amounting to approximately £4.1m.

Commenting, Peter Earl, Chief Executive of IPSA, said:

"It has been very pleasing to see the progress that the Company has made towards achieving its aim of being a significant force in the development, ownership and management of independent power generation plants in Southern Africa.

Southern Africa, and South Africa in particular, needs the rapid deployment of new power plants if economic development is not to be stifled and I believe IPSA is in a strong position to help service this need. This is an exciting time for the Company and I look forward to the future with anticipation."

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CHAIRMAN'S STATEMENT
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

On behalf of the Board of IPSA Group PLC, I am pleased to present to shareholders the Group's first Report and Accounts, which cover the period from 1 July 2005 to 30 September 2006. In future we will be reporting annually with an accounting period also ending on 30 September.

As anticipated during this initial period of investment in our first project, the Group made a loss. As set out in the Consolidated Income Statement, operating expenses amounted to £364,000. However, the reported loss in the period is £1,027,000, which includes £669,000 of exchange losses arising from the conversion of the Rand value of the physical plant assets in South Africa at the rate of exchange on 30 September 2006 as compared to the rates of exchange ruling when sterling funds were lent to our South African subsidiary. These currency translation adjustments are non-trading items but are reported through the Income Statement in accordance with current international accounting standards.

During the period on which we are reporting, the Group has made considerable progress towards its aim of being a significant force in the development, ownership and management of independent power generation plants in Southern Africa. It has completed the purchase of a CHP (combined heat and power) generation plant in England and has supervised the transportation and reassembly of the plant in Newcastle, KwaZulu Natal. Reassembly has proceeded generally according to plan and first revenues are expected shortly. This will be the first independent gas-fired power generation plant to have been built in South Africa.

To help meet the opportunities presenting themselves, the Company raised external finance through an issue of shares and an initial flotation on the AIM market of the London Stock Exchange on 20 September 2005, followed by a secondary fundraising and listing on the Alt^X market of the JSE Limited, the Johannesburg Stock Exchange on 19 October 2006 (after the end of the period covered by these Accounts). As a result of these equity issues, the Company has attracted as shareholders a number of leading institutional investors from both the United Kingdom and South Africa.

Macroeconomic developments in South Africa are generally working in our favour. Gross domestic product rose by approximately 4.3 per cent. in 2006 and is forecast to rise by a further 4 per cent. in 2007. Economic growth is leading to ever-increasing demand for electricity and power cuts across South Africa since early 2006 have underlined the need to build new power plants to meet rising demand. South Africa needs significant new capacity every year just for the supply-demand balance to stand still. We are well positioned to help meet that growth in demand.

It is the policy of the South African government to promote an equitable distribution of wealth and economic prospects among the many different groups of the population, specifically those disadvantaged by the pre-1994 regime. This policy is enshrined in the Broad-Based Black Economic Empowerment Act, which became law in 2004. IPSA is in discussions with a number of black empowerment groups with a view to one or more of them becoming our partners.

With our first plant due to commence commercial operation shortly, a number of other projects in the pipeline and demand for power increasing well beyond the capacity of the current infrastructure to meet it, we look forward to the future with great anticipation.

Stephen Hargrave
Chairman
Date: 31 January 2007

At the time of presenting IPSA's first full set of Accounts to shareholders, I am pleased to report that IPSA is finalising the testing and commissioning of South Africa's first privately financed independent power plant, which is also South Africa's first independent gas-fired power station. The Newcastle Cogeneration Power Plant has been constructed within a period of fourteen months of the start of construction. It is a producer of both steam and electricity with a nominal power capacity of 18 MW and the capability to deliver just under 1 million tonnes of steam per annum. It operates as a combined cycle gas turbine (CCGT) plant, again the first in South Africa, using two Siemens Tornado gas turbines with two Aalborg steam boilers capturing the waste heat and turning the super-heated steam into additional electricity from a steam turbine.

The equipment for Newcastle was originally installed in a facility designed to supply a paper plant in Bury, East Lancashire in the United Kingdom. IPSA has successfully acquired, dismantled, shipped to South Africa and constructed it and is now commissioning it in Newcastle. This complex process was supervised by IPSA's own project team and it is our proposed model for future similar energy efficient power plants in South Africa.

Historically, electricity in South Africa has been produced in conventional coal-fired power stations. These typically have a 35 per cent. thermal efficiency, which means that two thirds of the energy burned in those plants is wasted and vented back into the atmosphere as yet another contribution to global warming. IPSA's Newcastle plant operating as a CCGT has a thermal efficiency of nearly 56 per cent., which means that it produces around 40 per cent. less CO₂ than a conventional coal-fired plant for every kilowatt hour of electricity it generates. This is one of the lowest emissions of CO₂ of any thermal power plant in South Africa. For this reason the management of IPSA believes that the Newcastle plant will be eligible for carbon credits under the United Nations Clean Development Mechanism under the Kyoto Protocol. An application is being made to the Republic of South Africa's Department of Minerals and Energy ("DME") for the Newcastle plant to be considered eligible for Carbon Credits under the United Nations Clean Development Mechanism of the Kyoto Protocol for the reduction of greenhouse gas emissions. In view of the high baseline for thermal power generation in South Africa from low efficiency coal-fired power plants which are heavy producers of CO₂, the directors of IPSA believe that Newcastle Cogeneration could qualify for a material level of Carbon Emission Reductions ("CERs") which would be an important source of revenue once the plant enters commercial production.

Since construction began at Newcastle, the management of IPSA has been in negotiations to increase steam sales on the Karbochem industrial site where the plant is based and for the sale of its electricity output to Eskom, the South African state-owned electric utility.

During 2006 IPSA has been active in pursuing a number of other important potential development projects in South Africa. These include the Coega Fast Track Project just outside Port Elizabeth, the Elitheni Clean Coal Project near Indwe and the Prospecton Basin Project in Durban. Each of these projects is subject to the necessary regulatory approvals being granted and to financing being completed.

Coega is IPSA's largest development project to date. Originally planned as a CCGT project of 800 MW, it was increased in size at the request of the DME to become a project of 1,600 MW in two separate blocks of 800 MW each. IPSA has reserved both Siemens Westinghouse and Alstom gas turbines to form the open cycle components of the twin block project. Initially each block will operate using only the gas turbines with conversion to combined cycle, using the similar waste heat recovery systems as have been installed at Newcastle, taking place at a later stage. Open cycle gas turbines can be commissioned relatively quickly. IPSA expects to be able to bring its open cycle units on line at Coega within nine months of receiving planning consents and regulatory approvals, subject to the necessary environmental consents which are expected to take around six months to obtain and also subject to financing being completed. This fifteen month construction timetable is less than half the time that it takes to build a modern coal-fired plant.

We intend that the full 1,600 MW Coega plant will eventually run on liquified natural gas (LNG) imported into what will be one of only two LNG receiving terminals currently planned for South Africa. In the short term, however, the initial 1,000 MW of open cycle capacity is expected to operate using liquid fuels.

Elitheni is another IPSA development project which is being accelerated to come on stream as soon as possible. This project is a 400 MW mine mouth coal-fired project using state of the art clean coal technology, one of the first such plants planned by the private sector for South Africa. The plant is to be built at Indwe, site of one of the earliest coal deposits brought into production in South Africa. Situated in the Eastern Cape north of both Port Elizabeth and East London, the coal reserve was worked in the first part of the twentieth century. IPSA has exclusive first rights to all coal from Elitheni that is used for electricity production and we are now carrying out the environmental impact assessment and engineering studies required to obtain regulatory approval for the plant.

The Group continues to be in discussions regarding a potential gas-fired CHP plant to be located in the Prospecton Basin near Durban and has received indications of interest from two parties.

Elsewhere in Africa, IPSA is pursuing potential power projects aimed to reduce environmental emissions which will in turn be eligible for carbon credits. These include the proposed 50 MW sugar bagasse-fired CHP plant at Simunye in Swaziland where IPSA is working with Royal Swazi Sugar and the Government of Swaziland. In Botswana, IPSA is working together with a company specialising in coal bed methane extraction on developing an electricity generation project using coal bed methane to drive small gas engines. Coal bed methane is a highly reactive greenhouse gas which, even more than carbon dioxide, has a damaging effect in global warming. Finally, IPSA is exploring power generation in Madagascar where the size of the country has led to the over-use of diesel generators which IPSA is looking to supplement or replace with more environmentally friendly generation capacity.

Southern Africa and South Africa in particular, need the rapid deployment of new power plants if economic development is not to be stifled. The Kyoto Protocol has resulted in a highly enlightened system for transferring resources from the industrialised world to boost investment in clean power solutions in the developing world. IPSA expects to be at the forefront of that process in Africa.

Peter Earl
Chief Executive

Date: 31 January 2007

IPSA GROUP PLC

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF RECOGNISED INCOME AND EXPENSE
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

Consolidated income statement		15 months ended 30.9.2006
	Notes	£'000
Revenue	4.6	-
Cost of sales		=
Gross profit		-
Administrative expenses	7	(364)
Other expenses	8	(738)
Finance income	9	<u>75</u>
Loss before tax		(1,027)
Tax expense	10	=
Loss for the period	20	<u>(1,027)</u>
Loss per share	12	<u>(1.88p)</u>
Statement of recognised income and expense		
Exchange differences on translation of foreign operations	20	(451)
Loss for the financial period	20	<u>(1,027)</u>
Total recognised income and expense for the period		<u>(1,478)</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

IPSA GROUP PLC

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2006

	Notes	30.9.2006 £'000
Assets		
Non-current assets		
Property, plant and equipment	14	5,601
Intangible assets	13	<u>833</u>
		<u>6,434</u>
Current assets		
Trade and other receivables	17	196
Cash and cash equivalents	18	<u>526</u>
		<u>722</u>
Total assets		<u>7,156</u>
Equity and liabilities		
Capital and reserves attributable to equity holders of the Company		
Share capital	19	1,093
Share premium account	20	6,640
Foreign currency reserve	20	(451)
Profit and loss reserve	20	<u>(1,027)</u>
Total equity		<u>6,255</u>
Current liabilities		
Trade and other payables	21	<u>901</u>
Total equity and liabilities		<u>7,156</u>

The financial statements were approved by the Board on 31 January 2007.

The accompanying accounting policies and notes form an integral part of these financial statements.

IPSA GROUP PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

	Notes	15 months ended 30.9.2006 £'000
Net cash outflow from operating activities	22	(846)
Interest received	9	<u>75</u>
Net cash outflow from operating activities		(771)
Cash flows from investing activities		
Purchase of plant and equipment	14	(5,603)
Net cash from subsidiary acquired	23,24	67
Payment of deferred consideration	24	(400)
Net cash used in investing activities		(5,936)
Net cash outflow before financing activities		(6,707)
Cash flows from financing activities		
Issue of shares (net of costs)		7,233
Net cash inflow from financing activities		<u>7,233</u>
Increase in cash and cash equivalents		<u>526</u>
Reconciliation and analysis of change in net funds		
Increase in cash during period		526
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period	18	<u>526</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

1 Nature of operations

IPSA Group PLC and its subsidiaries' ("Group") principal activity is the construction, development and operation of electricity generation assets and the supply of electricity to the wholesale market and major end-users. During the period under review, all of the Group's activities were located in the Republic of South Africa.

2 General information

IPSA Group PLC is the Group's ultimate parent company. It is incorporated and domiciled in England and Wales. The address of IPSA Group PLC's registered office is given on the information page 2. IPSA Group PLC's shares are traded on the Alternative Investment Market (AIM) in London and, since October 2006, the shares have had a dual listing on Alt^X (the Alternative Exchange of the Johannesburg market).

The Company and the consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU and International Financial Reporting Standards as issued by the International Accounting Standards Board.

The consolidated financial statements for the fifteen months period ended 30 September 2006 were approved by the Board of directors on 31 January 2007.

3 Adoption of International Financial Reporting Standards

The financial statements have been prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union.

4 Summary of accounting policies

4.1 Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union. The measurement bases and principal accounting policies of the Group are set out below.

4.2 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 September 2006.

Subsidiaries are entities over which the Group has the power to control the financial and operating policies so as to obtain benefits from its activities. The Group obtains and exercises control through voting rights.

The purchase of the Blazeway Engineering Limited group on 12 September 2005 was considered to be a common control business combination and thus falls outside the scope of IFRS 3 as the combining entities were ultimately controlled by the same parties in the same proportion both before and after the combination.

4.2 Basis of consolidation - continued

As a result, the combination of IPSA Group PLC and Blazeway Engineering Limited has been accounted for by applying the principles of merger accounting ("pooling of interests") method. The provisional net assets and liabilities of the Blazeway group as at 12 September 2005 have been disclosed in note 23.

The purchase of Newcastle Cogeneration Company (Proprietary) Limited by Blazeway Engineering Limited has been accounted for as an acquisition of a subsidiary and the disclosures required by IFRS 3 have been made in relation to this acquisition, see note 24.

Unrealised gains on transactions between the Group and subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiary entities have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Acquisitions of subsidiaries are dealt with by the purchase method. The purchase method involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities of the acquired company, at the acquisition date, regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the acquired entity are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group accounting policies.

4.3 Intangible assets acquired as part of a business combination

In accordance with IFRS 3: Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of an intangible asset reflects market expectations about the probability that the future economic benefits embodied in the asset will flow to the Group. Where an intangible asset might be separable, but only together with a related tangible or intangible asset, the group of assets is recognised as a single asset separately from the goodwill where the individual fair values of the assets in the group are not reliably measured. Where the individual fair value of the complementary assets is reliably measurable, the Group recognises them as a single asset, provided the individual assets have similar lives.

4.4 Impairment of tangible and intangible fixed assets

At each balance sheet date, the Group reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

4.4 Impairment of tangible and intangible fixed assets - continued

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

4.5 Foreign currency translation

The financial information is presented in pounds sterling, which is also the functional currency of the parent company.

In the separate financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of remaining balances at year-end exchange rates are recognised in the income statement under "other income" or "other expenses", respectively.

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Group's presentation currency, have been converted into sterling. Assets and liabilities have been translated into sterling at the closing rate at the balance sheet date. Income and expenses have been converted into sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged / (credited) through the statement of recognised income and expenditure to the Foreign Currency Reserve.

4.6 Income and expense recognition

Revenue is recognised upon the performance of services or transfer of risk to the customer. In the fifteen month period to 30 September 2006 the Group's revenue was nil as there were no sales to external customers.

Operating expenses are recognised in the income statement upon utilisation of the service or at the date of their origin. All other income and expenses are reported on an accrual basis.

4.7 Property, plant and equipment

Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment. No depreciation is charged during the period of construction.

All operational plant and equipment in the course of construction is recorded as plant under construction until such time as it is brought into use by the Group. Plant under construction includes all direct expenditure. On completion, such assets are transferred to the appropriate asset category.

Depreciation is calculated to write down the cost or valuation less estimated residual value of all property, plant and equipment other than freehold land by equal annual instalments over their estimated useful economic lives. The periods generally applicable are:

Plant and equipment:	3 to 15 years
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The depreciation charged in the period to 30 September 2006 was minimal since almost all plant and equipment expenditure represented plant under construction.

Material residual values are updated as required, but at least annually, whether or not the asset is revalued. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

4.8 Taxation

Current income tax assets and liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the period. All changes to current tax assets or liabilities are recognised as a component of tax expense in the income statement or through the statement of recognised income and expense.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affect tax or accounting profit. Temporary differences include those associated with shares in subsidiaries and joint ventures if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

Deferred tax liabilities are provided for in full with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided that they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity (such as revaluation of land) in which case the related deferred tax is also charged or credited directly to equity.

4.9 Financial assets

The Group's financial assets include cash and cash equivalents, trade and other receivables.

Cash and cash equivalents include cash at bank and in hand as well as short term highly liquid investments such as money market instruments and bank deposits.

Receivables are non-derivative financial assets with fixed or determinable payment dates that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. Receivables are measured initially at fair value and subsequently re-measured at amortised cost using the effective interest method, less provision for impairment. Any impairment is recognised in the income statement.

Trade receivables are provided against when objective evidence is received that the Group will not be able to collect all amounts due to it in accordance with the original terms of the receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated cash flows.

4.10 Financial liabilities

Financial liabilities are obligations to pay cash or other financial instruments and are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest-related charges are recognised as an expense in "finance cost" in the income statement. Bank and other loans are raised for support of long term funding of the Group's operations. They are recognised initially at fair value, net of transaction costs. Finance charges, including premiums payable on settlement or redemption, and direct issue costs are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

4.11 Hedging instruments

The Group has not entered into any derivative financial instruments for hedging or any other purpose.

4.12 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Foreign currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Profit and loss reserve" represents retained earnings.

4.13 Pensions

During the period under review, the Group did not operate or contribute to any pension schemes.

4.14 Key assumptions and estimates

The Group makes estimates and assumptions concerning the future. The resulting estimates will, by definition, seldom equal the related actual results. The Board has considered the critical accounting estimates and assumptions used in the financial statements and concluded that the main area of significant risk which may cause material adjustment to the carrying value of assets and liabilities within the next financial year is in respect of the assumptions used to value intangible and tangible fixed assets. The Board has valued intangible and tangible fixed assets at cost. However, given the assets represent agreements and plant under construction in respect of the supply of electricity over an extended period, changes in technology, prices or industry practices may result in the assumptions used in these valuations needing to be changed.

5 Principal activity

The Group's activities comprise the acquisition and development of power generation assets in southern Africa.

6 Segment analysis

The following table provides a segmental analysis by geographic region:

15 months to 30 September 2006	RSA	UK	Intra-Group eliminations	Total
	£'000	£'000	£'000	£'000
Administrative expenses	(28)	(336)	-	(364)
Other expenses	(1,120)	(69)	451	(738)
Finance income	8	296	(229)	75
Loss before tax	(1,140)	(109)	222	(1,027)
Tax expense	-	-	-	-
Loss for the period	<u>(1,140)</u>	<u>(109)</u>	<u>222</u>	<u>(1,027)</u>

Activities in RSA relate to Newcastle Cogeneration (Proprietary) Limited and activities in UK relate to IPSA Group PLC and Blazeway Engineering Ltd.

At 30 September 2006	RSA	UK	Intra-Group eliminations	Total
	£'000	£'000	£'000	£'000
Total assets	<u>6,021</u>	<u>7,812</u>	<u>(6,677)</u>	<u>7,156</u>
Total liabilities	<u>7,160</u>	<u>189</u>	<u>(6,448)</u>	<u>901</u>
Plant under construction	<u>5,830</u>	-	<u>(229)</u>	<u>5,601</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

7	Administrative expenses	15 months to 30.9.2006 £'000
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Expenditure incurred in administrative expenses is as follows:

Payroll and social security	185
Other administrative expenses	<u>179</u>
Total	<u>364</u>

Audit fees for the Group amounted to £20,000. Fees payable to Grant Thornton UK LLP in respect of advisory services amounted to £80,474 in connection with the Company's listing on AIM and £21,000 in connection with taxation advice. These fees have been treated as a share issue costs and have been charged to the share premium account.

8	Other expenses	15 months to 30.9.2006 £'000
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Fees associated with listing on AIM	69
Foreign exchange losses	<u>669</u>
	<u>738</u>

Foreign exchange losses have arisen as a result of the conversion of physical assets located in South Africa into sterling at the exchange rate ruling on 30 September 2006 as compared to the exchange rates ruling at the times when sterling funds were provided by the Company.

9	Finance income	15 months to 30.9.2006 £'000
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Interest received on bank deposits	<u>75</u>
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10 Tax expense

There is no tax charge arising on the results for the period due to the losses incurred. The relationship between the expected tax credit and the tax credit actually recognised is as follows:

	15 months to 30.9.2006 £'000
Loss for period before tax	(1,027)
Standard rate of corporation tax in UK	30%
Expected tax credit	308
Tax effect of consolidation adjustments	<u>67</u>
Tax losses carried forward	<u>375</u>
Actual tax credit	=

No deferred tax asset has been recognised in respect of the tax losses of £375,000 carried forward owing to uncertainty over the timing of future utilisation.

11 Loss attributable to the parent company

The loss attributable to the parent company, IPSA Group PLC, was £109,000. As permitted by Section 230 of the Companies Act 1985, no separate profit and loss account is presented in respect of the parent company.

12 Loss per share

The basic loss per share is calculated by dividing the loss for the period attributable to shareholders by the weighted average number of shares in issue during the period.

	15 months to 30.9.2006
Loss attributable to equity holders of the company	£1,026,798
Total shares in issue at 30 September 2006	54,629,630
Basic loss per share	(1.88p)

13 Intangible assets	30.9.2006 £'000
Additions arising on acquisition of subsidiary	<u>833</u>
Cost at 30 September 2006	<u>833</u>

The intangible asset represents the provisional fair value of a contract, owned by Newcastle Cogeneration (Proprietary) Limited, to supply steam to the electricity generating plant. Amortisation over the life of the contract will begin to be charged when the supply of electricity from the plant commences.

14 Property, plant and equipment	Plant under construction £'000
Additions	<u>5,603</u>
Cost at 30 September 2006	<u>5,603</u>
Depreciation – charge for period	<u>2</u>
Net book value at 30 September 2006	<u>5,601</u>

Plant under construction has been valued at cost and represents expenditure incurred during the period to 30 September 2006.

IPSA GROUP PLC

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

15 Investments

The Company owns the entire issued share capital of Blazeway Engineering Ltd which in turn owns the entire issued share capital of Newcastle Cogeneration (Proprietary) Limited.

16 Trade and other receivables receivable after more than 1 year

30.9.2006

	£'000
Receivables due after more than 1 year	=

17 Trade and other receivables receivable in less than 1 year

30.9.2006

	£'000
Pre-paid taxes	162
Other prepayments	<u>34</u>
	<u>196</u>

18 Cash and cash equivalents

30.9.2006
£'000

Cash at bank and in hand	18
Short-term bank deposits	<u>508</u>
	<u>526</u>

19 Share capital

30.9.2006
£'000

a) Authorised		
150,000,000 ordinary shares of 2p each		<u>3,000</u>
b) Allotted, called-up and fully paid		
54,629,630 ordinary shares of 2p each		<u>1,093</u>

Reconciliation of movement in share capital during the period	Number	£
On incorporation (1 July 2005) – 2 ordinary shares of £1 each	2	2
Subdivision of each ordinary £1 share into 50 shares of 2p each on 12 September 2005	98	-
Allotment in consideration of acquisition of Blazeway Engineering Limited on 12 September 2005 at par	24,999,900	499,998
Allotment on admission to the AIM market of the London Stock Exchange on 20 September 2005 at 27p per share	<u>29,629,630</u>	<u>592,593</u>
At 30 September 2006	<u>54,629,630</u>	<u>1,092,593</u>

The difference between the total consideration arising from shares issued and the nominal value of the shares issued has been credited to the share premium account (note 20).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

20 Statement of changes in shareholders' equity					
	Share capital	Share premium	Foreign currency reserve	Profit and loss reserve	Total
	£'000	£'000	£'000	£'000	£'000
On incorporation	-	-	-	-	-
Allotment – 12.9.05	500	-	-	-	500
Allotment – 20.9.05	593	7,407	-	-	8,000
Share issue costs	-	(767)	-	-	(767)
Translation difference	-	-	(451)	-	(451)
Loss for the period	-	-	-	(1,027)	(1,027)
Balance at 30 September 2006	<u>1,093</u>	<u>6,640</u>	<u>(451)</u>	<u>(1,027)</u>	<u>6,255</u>
21 Trade and other payables				30.9.2006	
				£'000	
Trade creditors				856	
Accruals				45	
				<u>901</u>	
22 Reconciliation of loss before tax to cash outflow from operations				30.9.2006	
				£'000	
Loss before tax				(1,027)	
Depreciation				2	
Changes in working capital					
Trade and other receivables				(196)	
Trade and other payables				901	
Exchange adjustment				(451)	
Interest received				(75)	
Net cash outflow from operating activities				<u>(846)</u>	
23 Common control business combination				30.9.2006	
				£'000	
Fair values of assets and liabilities at date of combination					
Intangible fixed asset				833	
Debtors				42	
Creditors				(400)	
Net cash acquired				25	
Net assets acquired				<u>500</u>	
Consideration					
Issue of ordinary shares				<u>500</u>	
Total				<u>500</u>	

On 12 September 2005, the company acquired 100% of the issued share capital of Blazeway Engineering Ltd for £500,000. The purchase price was settled by the issue of 24,999,900 ordinary shares of 2p each. Blazeway Engineering Limited owns 100% of the issued share capital of Newcastle Cogeneration (Proprietary) Limited, having acquired the shares on 9 May 2005 for £875,000.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

24 Acquisition of subsidiary entities	30.9.2006
	£'000
Provisional values of assets and liabilities acquired	
Intangible fixed asset	833
Cash and bank balances	<u>42</u>
Net assets acquired	<u>875</u>
Consideration	
Cash	475
Deferred consideration	<u>400</u>
Total	<u>875</u>

On 9 May 2005, Blazeway Engineering Ltd acquired 100% of the issued share capital of Newcastle Cogeneration (Proprietary) Limited for £875,000. The purchase price was settled by £475,000 of cash and £400,000 of deferred consideration. The deferred consideration was paid during the period.

25 Financial risk management

The Group is exposed to a variety of financial risks which result from both its operating and investing risks. The Group's risk management is coordinated to secure the Group's short to medium term cash flows by minimising the exposure to financial markets. The Group does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant risks to which the Group is exposed are described below:

a) Foreign currency risk

The Group is exposed to translation and transaction foreign exchange risk. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account of the Group. The Group's principal trading operations are based in South Africa and as a result the Group has exposure to currency exchange rate fluctuations in the Rand relative to Sterling.

b) Interest rate risk

Group funds are invested in short term deposit accounts, with a maturity of less than three months, with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

c) Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

d) Credit risk

Generally, the maximum credit risk exposure of financial assets is the carrying amount of the financial assets as shown on the face of the balance sheet (or in the detailed analysis provided in the notes to the financial statements). Credit risk, therefore, is only disclosed in circumstances where the maximum potential loss differs significantly from the financial asset's carrying amount. The Group's trade and other receivables are actively monitored to avoid significant concentrations of credit risk.

e) Fair values

In the opinion of the directors, there is no significant difference between the fair values of the Group's and the Company's assets and liabilities and their carrying values.

26 Capital commitments

The Group is in the process of constructing a major power plant in the Republic of South Africa. Expenditure incurred to 30 September 2006 amounted to £5,550,961. It is anticipated that further expenditure of £2.0m will be required to bring the plant into operation.

27 Contingent liabilities

At 30 September 2006, the Group's only contingent liability related to a purchase agreement entered into by Newcastle Cogeneration (Proprietary) Limited in respect of minimum purchases from a supplier amounting to ZAR 22m (£1.6m) within one year and a total of ZAR 121m (£8.7m) over the subsequent 4 years. The agreement commenced on 1 July 2006 and terminates on 30 June 2011.

28 Related party transactions

Material transactions with related parties during the period were as follows:

- i) Acquisition of Blazeway Engineering Limited for £875,000 from Independent Power Corporation PLC.
- ii) Payment by the Company of £60,000 to Independent Power Corporation PLC under a "Shared Services Agreement" for the provision of offices and other administrative services.

Payment by the Company of £229,538 to Independent Power Operations Ltd for services relating to the dismantling and transportation of plant and equipment. Independent Power Operations Ltd is a wholly owned subsidiary of Independent Power Corporation PLC.

Payment by Newcastle Cogeneration (Proprietary) Ltd of £20,670 to Independent Power Corporation PLC for civil works

P Earl is a shareholder and director of Independent Power Corporation PLC and J West and E Shaw are directors. A sum of £22,670 was owing to Independent Power Corporation PLC at 30 September 2006.

- iii) Payment by the Company of US\$3.85m to EPG for the purchase of the CHP plant. EPG is a wholly owned subsidiary of European Power Systems A.G. which acquired and holds 2.8 per cent. of the issued share capital of the Company.
- iv) Payment by Newcastle Cogeneration (Proprietary) Ltd of ZAR 372,781 to Freydan Properties (Pty.) Ltd for use of office facilities and ZAR 10,290,894 to First Tech cc for civil works. C Lewis is a shareholder and director in Freydan Properties (Pty.) Ltd and a shareholder in First Tech cc and a former director of the Company.
- v) Payment by the Group of salaries to key management totalling £170,329.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE FIFTEEN MONTHS ENDED 30 SEPTEMBER 2006

29 Directors and employee costs			30.9.2006 £'000
Aggregate remuneration of all employees and directors			185
Remuneration paid to directors	Salary	Other	Total emoluments
	£'000	£'000	£'000
S Hargrave (non-executive)	30	-	30
N Bryson	-	5	5
P Earl	30	-	30
J Eyre	30	-	30
C Lewis (resigned)	13	-	13
E Shaw	30	-	30
J West (non-executive)	<u>3</u>	<u>12</u>	<u>15</u>
Total	<u>136</u>	<u>17</u>	<u>153</u>

'Other' remuneration includes £5,000 paid to Balmyle Ltd, a company controlled by N Bryson and £17,000 paid to Jimmy West Associates Ltd, a company controlled by J West.

The average number of employees in the Group, including directors, was 7.

30 Post balance sheet date event

In October 2006, the Company's shares were admitted to Alt^x (the Alternative Exchange of the JSE Ltd) and 11,499,839 new ordinary 2p shares were placed with South African investors at an average price of ZAR 5.84 (£0.40) raising £4.16m net of costs.