



11 March 2008: Solid progress as IPSA helps tackle South Africa's energy crisis

Highlights of the financial year ended September 30, 2007:

- Commissioning of, and first commercial revenues from, the first gas-fired independent power plant in South Africa
- Acquisition, refurbishment and upgrade of four Fiat Avio 501 D gas turbines with an aggregate generating capacity of around 500MW for the much bigger Coega project
- Initiation of the Elitheni Clean Coal Power Project at Indwe in the Eastern Cape
- Listing of IPSA's shares on the ALTx market of the Johannesburg Stock Exchange
- Completion of the first phase of the Company's broad-based black economic empowerment programme with partners Amandla Resources

Highlights since the financial year end:

- Memorandum of Co-operation with the South African Government's Central Energy Fund gives IPSA a key role as private sector power plant developer to the integrated energy project at the Coega Industrial Development Zone outside Port Elizabeth
- Standard Bank of South Africa appointed as IPSA's mandated lead arranger on financing of the 1,600 MW Coega Fast Track Combined Cycle Gas Turbine Project near Port Elizabeth
- Sale of a 50% interest in the Elitheni Clean Coal Power Project to Exodus Africa for a premium of US\$5 million

AIM-quoted IPSA Group plc today announced annual results for the year to September 30, 2007, and said solid operational achievements during the year and the period subsequently positioned it well to develop new power generation projects to help combat South Africa's long-term energy crisis. Operating losses of £942,000 (2006 - £364,000) reflect investment in South Africa's first independently-owned generating plant at Newcastle, KwaZulu Natal.

Chairman Stephen Hargrave said: "The Company has made excellent progress towards meeting the challenge of installing and commissioning fast track gas turbine capacity to meet the ever-widening gap between supply and demand for power in South Africa. We believe that we have the skills, the resources and the drive to help resolve South Africa's energy crisis. The relationship with our broadly-based black economic empowerment partners, Amandla Resources, is working very well and we are looking forward to reporting further substantial progress in the near future."

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Full Stock Exchange announcement follows:



IPSA Group PLC (“IPSA” or the “Company”)

Final Results

IPSA, the AIM and AltX dual listed independent power plant developer with operations in southern Africa, today announces its final results for the year to 30 September 2007.

Highlights of the period include:

- Listing of IPSA’s shares on the ALTx market of the Johannesburg Stock Exchange thereby facilitating the first phase of the Company’s broad-based black economic empowerment programme.
- Commissioning of, and first commercial revenues from, the first gas-fired independent power plant in South Africa.
- Acquisition, refurbishment and upgrade of four Fiat Avio 501 D gas turbines with an aggregate generating capacity of around 500MW for the Coega project.
- Initiation of the Elitheni Clean Coal Power Project at Indwe in the Eastern Cape.

Highlights since the year end include:

- Sale of a 50% interest in the Elitheni Clean Coal Power Project to Exodus Africa for a premium of US\$5 million.
- Memorandum of Co-operation with the South African Government’s Central Energy Fund for a key role as private sector power plant developer to the integrated energy project being developed at the Coega Industrial Development Zone outside Port Elizabeth.
- The appointment of the Standard Bank of South Africa as its mandated lead arranger on the financing of its 1,600 MW Coega Fast Track Combined Cycle Gas Turbine Project in Port Elizabeth.
- Currently in advanced negotiations to finance, through bank debt, the third and final tranche (c.€15.6m) to satisfy the acquisition of the four Fiat Avio 501 D gas turbines. Shareholders will be informed once this funding has formally been put in place.

Commenting, Stephen Hargrave, Chairman of IPSA, said:

“The Company has made excellent progress towards meeting the challenge of installing and commissioning fast track gas turbine capacity to meet the ever-widening gap between supply and demand for power in South Africa. We believe that we have the skills, the resources and the drive to help resolve South Africa’s energy crisis. The relationship with our broadly-based black economic empowerment



partners, Amandla Resources, is working very well and we are looking forward to reporting further substantial progress in the near future.”

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CHAIRMAN'S STATEMENT

I am pleased to present to shareholders of IPSA Group PLC the Report and Accounts for the year to 30 September 2007. As anticipated, during this period the Group made an operating loss of £942,000 (2006 - £364,000) as IPSA continued to bring South Africa's first independent gas fired power plant into full production. In addition, we have taken a one-off charge of £2.3m in respect of surplus gas costs, further details of which are set out in note 8.

During 2007 the Company made significant progress in its aim to become the leading private sector participant in the development, ownership and management of independent power generation plants in Southern Africa. It successfully commissioned its CHP (combined heat and power) generation plant in Newcastle, KwaZulu Natal. It also acquired 500 MW of gas turbine capacity for its Coega Combined Cycle Gas Turbine (CCGT) Project as well as signing a Memorandum of Co-operation with the South African Government's Central Energy Fund in order to integrate IPSA's project into the national energy plan for the Industrial Development Zone at Coega.

Another important landmark was the listing in October 2006 of the Company's shares on the AltX market of the Johannesburg Stock Exchange, becoming the first AIM company to have its shares jointly quoted in this way. This dual listing facilitated the Company's first phase of its broadly based black economic empowerment (“BBBEE”) programme and in September 2007 the Company placed 13,434,612 new shares with Metropolitan Life. The placing was carried out at a premium to the market price at the time and Metropolitan Life granted an option over the shares (representing 15% of the issued share capital) to Amandla Energy Resources (the trading name of Market Demand Trading 456 Pty. Ltd) (“Amandla Energy”).

In January 2008, we welcomed Rizelle Sampson, a director and shareholder of Amandla Energy, as a new member of the Board. Rizelle has extensive business and civil service experience which will facilitate the Group's involvement in major projects. We estimate that about 35% of the Company's shares are now in South African ownership and we look forward to taking further steps towards an even more broadly-based share ownership on a project by project basis.



During the year IPSA initiated its Elitheni Clean Coal Power Project at Indwe in the Eastern Cape and in November 2007 entered into a joint venture for its development with Exodus Africa, a United States based, privately held integrated energy company with its headquarters in Houston, Texas. IPSA expects to realise some US \$5 million on the sale of 50 per cent of its interest in this project. The Elitheni project has been increased from 400 MW to 500 MW as a result of favourable drilling results from IPSA's coal partner, Strategic Natural Resources PLC. IPSA and Exodus are now planning to accelerate the development of the initial 250 MW mine mouth plant in order to bring this capacity on line as quickly as possible.

No review of 2007 would be complete without an analysis of the rapid erosion of South Africa's power generation reserve capacity which by the end of the year caused protracted and serious load-shedding throughout the country. Gross domestic product is estimated to have risen by a 5.14 per cent in 2007 and 5.6 per cent in 2006. Economic growth inevitably leads to an increased demand for electricity. However with insufficient new power generation capacity being constructed – and South Africa needs a minimum of 3,000 MW of new capacity every year just for the supply-demand balance to stand still - power cuts across South Africa were inevitable. South Africa still needs a further 6,000 MW to replace the reserve capacity that has been eroded by many years of inaction. While Eskom has announced a number of important initiatives to build new coal-fired power plants, the lead time for coal-fired capacity is such that it will be up to seven years before the full benefit of this investment programme will be felt.

It is IPSA's challenge to install and commission fast track gas turbine capacity to meet the ever-widening gap between supply and demand for power in South Africa. We believe that we have the skills, the resources and the drive to help resolve what is now being called South Africa's energy crisis. Our colleagues in South Africa have worked particularly hard to bring the Newcastle project onstream and to develop new projects at Coega and elsewhere. On behalf of all shareholders, I thank all employees for the efforts they have made on our behalf since the Company's formation. We look forward to sharing with them the rewards of future success.

Stephen Hargrave
Chairman

CHIEF EXECUTIVE'S REPORT

South Africa is currently facing unprecedented shortages of power. In 2007 load shedding became a national phenomenon following intermittent regional power cuts in 2006. However January 2008 saw the beginning of what has been termed a national power crisis. The lack of available power is primarily the result of capacity shortages following many years when no new power plants were built in South Africa.

IPSA's 2007 financial year was important against this background since it saw the entry into service of IPSA's Newcastle Co-generation Power Plant, recording its first modest revenues. Since the year end, the plant has supplied electricity to City Power under a peaking contract and is now supplying electricity to the grid. In the meantime the Company has agreed substantive terms for a new and additional steam contract with CISA, a major chemical company on the Newcastle industrial site. As a result, IPSA is going ahead with plans to increase its installed capacity on site from 18 MW of nominal capacity to 26 MW as a first stage of expansion, installing six Deutz gas engines. These are expected to come into service in the middle of 2008 and will provide a fast solution for increasing power capacity in the shortest possible space of time while IPSA continues to negotiate further power purchase agreements (PPAs) for larger projects in the north-east of the country.



During the financial year ended 30 September 2007, IPSA completed the commissioning 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 AltX, the alternative exchange of the Johannesburg Stock Exchange, and was the first AIM company to do so.

In the same period, the Group also acquired 500 MW of gas-fired turbines costing €1.2m (approximately £21.3 million) which are intended for the Coega IPP development project. The initial payments for these were financed through two capital raisings intended to strengthen the balance sheet of IPSA and to provide the capital base needed for its long term expansion.

The first was the placing of 10 million shares at 75 pence per share with British and South African institutions in March 2007 conducted simultaneously in London and Johannesburg. This placing was comfortably over-subscribed in both markets.

The second was the placing of 13.4 million shares at 60 pence per share with Metropolitan Life of South Africa working with a broadly based black economic empowerment (“BBBEE”) group, Amandla Energy Resources. The BBBEE placing represented 15 per cent of the enlarged IPSA share capital and assisted the Company in meeting its objective of including BBBEE qualifying shareholders at both the corporate and the project level in accordance with South African national policy.

The balance of funds (€15.6m) due on the units at the end of March 2008 will be financed through bank debt secured either on the assets themselves at Company level, or through refinancing our wholly-owned subsidiary, Newcastle Cogeneration (Pty.) Limited, which is currently fully financed with our equity.

Coega remains the flagship project of IPSA. Initially conceived as an 800 MW combined cycle gas turbine development, the original plant design was increased to 1,600 MW following discussions with the Department of Minerals and Energy. 1,600 MW is now the base case for the project split into two phases.

Phase One consists of two separate power plant blocks of no less than 500 MW each on two different sites at Coega’s Industrial Development Zone (“IDZ”). This 1,000 MW phase will see the two blocks running in open cycle as peaking units providing back-up power to the IDZ and to the national grid using liquid fuels. The open cycle units can be installed quickly by comparison with all other large scale power plants, an important consideration at a time of load-shedding and power cuts. IPSA believes that the first 500 MW could be installed in 2009 with the second 500 MW soon thereafter.

Phase Two will occur when Coega’s IDZ brings on stream its planned liquefied natural gas (“LNG”) re-gasification plant after 2011. In this second phase, 600 MW of combined cycle capacity is installed running off the waste heat produced from the 1,000 MW capacity of the two initial blocks of gas turbines. Capturing waste heat from gas turbines increases the thermal efficiency of the CCGT units and thereby makes them eligible for carbon credits in the form of certified emissions reductions (“CERs”) under the United Nations Clean Development Mechanism established under the Kyoto Protocol. The waste heat recapture uses more of the calorific value of the fuel used in power generation than in a conventional power plant, improving the thermal efficiency from some 37 per cent to around 56 per cent. This means a huge reduction in green house gas emissions for every unit of electricity produced. IPSA is in negotiations for all of the leases, permits and PPA’s required to get the Coega project to financial close. However, in December 2007, IPSA signed an important Memorandum of Cooperation for a public-private partnership at Coega with the Government of South Africa’s Central Energy Fund, the holding company of PetroSA and iGas. In January 2008 IPSA appointed Standard Bank as financial arranger for the Coega IPP.

IPSA’s other principal power project is the Elitheni Clean Coal Project. This project is based on an exclusivity agreement signed in 2007 with Elitheni Coal (Pty.) Limited (“Elitheni Coal”), a subsidiary of Strategic Natural Resources PLC (“SNR”), for the right to use all coal for power generation. Originally conceived as a 400 MW mine mouth power plant, the project was scaled up to 500 MW by



IPSA in 2007 based on favourable coal reserve reports and now consists of two separate blocks of 250 MW each. The first block of 250 MW is being pursued as a fast track project following the announcement that Elitheni Coal has a minimum of 15 million tonnes of extractable coal, based on drilling of just 4 per cent of Elitheni Coal's mining licence territory. A baseload coal-fired power plant of 250 MW needs 1 million tonnes of coal a year, and so the first block has sufficient proven extractable reserves to get to financial close. Elitheni Coal is continuing its drilling programme.

Just after the end of its financial year, IPSA sold a 50 per cent interest in its Elitheni Clean Coal project company to Exodus Africa, a Houston based power developer with coal-fired power development experience and working closely with BBBEE interests. IPSA expects to realise some US\$5 million from the sale. IPSA and Exodus are in negotiations with South African institutions for development funding of the Elitheni Clean Coal Power Plant.

Since the start of 2008 the power market in South Africa has begun to recognize the urgency of installing new power capacity. Power plants cannot be built overnight. They are complex pieces of infrastructure with long lead times for planning, environmental consents and ordering of critical capital equipment such as turbines, generators, boilers and transformers. IPSA's management has a strong track record in using "grey market" equipment to cut lead times and to install fast track power blocks. However, South Africa is not alone in the world in facing power generation shortages: lead times for turbines and boilers are being extended across the globe as other countries compete for equipment delivery. IPSA is well placed to deliver fast open cycle capacity at Coega and at Elitheni but its management is facing ever greater challenges to repeat the success of finding fast solutions for turbine procurement. The greater realism in South Africa as it faces a winter of continued load-shedding means that some of the regulatory obstacles IPSA has faced in getting its capacity dispatched into the national grid will not be repeated in 2008 and 2009.

We therefore look to the future with optimism and we expect to announce other new power generation projects, supplying Eskom, municipalities and mining companies as they seek to meet electricity demand with new IPP capacity supplied by IPSA.

Peter Earl
Chief Executive



CONSOLIDATED INCOME STATEMENT AND STATEMENTS OF RECOGNISED INCOME AND EXPENSE FOR THE YEAR ENDED 30 SEPTEMBER 2007

Consolidated income statement	Notes	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Revenue	4.7	37	-
Cost of sales		(57)	=
Gross profit		(20)	-
Administrative expenses	7	(922)	(364)
Other expense	8	(1,980)	(738)
Finance income	9	72	75
Loss before tax		(2,850)	(1,027)
Tax expense / credit	10	=	=
Loss for the year / period attributable to equity shareholders of the parent	21	<u>(2,850)</u>	<u>(1,027)</u>
Loss per share (basic and diluted)	12	<u>(3.95p)</u>	<u>(1.88p)</u>

All of the Group's activities are continuing activities.

Statements of recognised income and expense

a) Group

Exchange differences on translation of foreign operations	21	(99)	(451)
Loss for the financial year / period	21	(2,850)	(1,027)
Total recognised income and expense for the year / period attributable to equity shareholders of the parent		<u>(2,949)</u>	<u>(1,478)</u>

b) Company

Loss for the financial year / period	21	(48)	(109)
Total recognised income and expense for the year / period attributable to equity shareholders of the parent		<u>(48)</u>	<u>(109)</u>

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



**CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2007**

	Notes	30.9.07 £'000	30.9.06 £'000
Assets			
Non-current assets			
Property, plant and equipment	13	32,724	5,601
Intangible assets	14	833	833
Deferred tax asset	16	-	-
		33,557	6,434
Current assets			
Trade and other receivables	18	1,092	196
Cash and cash equivalents	19	703	526
		1,795	722
Total assets		<u>35,352</u>	<u>7,156</u>
Equity and liabilities			
Capital and reserves attributable to equity holders of the Company			
Share capital	20	1,792	1,093
Share premium account	21	25,267	6,640
Foreign currency reserve	21	(550)	(451)
Profit and loss reserve	21	(3,877)	(1,027)
Total equity		<u>22,632</u>	<u>6,255</u>
Current liabilities			
Trade and other payables	22	<u>12,720</u>	<u>901</u>
Total equity and liabilities		<u>35,352</u>	<u>7,156</u>

The financial statements were approved by the Board on 7th March 2008.

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



**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 SEPTEMBER 2007**

	Notes	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Net cash inflow / (outflow) from operating activities before interest	23	7,907	(846)
Interest received		72	75
Net cash inflow / (outflow) from operating activities		7,979	(771)
Cash flows from investing activities			
Purchase of plant and equipment		(27,128)	(5,603)
Net cash from subsidiary acquired		-	67
Payment of deferred consideration		-	(400)
Net cash used in investing activities		(27,128)	(5,936)
Cash flows from financing activities			
Issue of shares (net of costs)		19,326	7,233
Net cash inflow from financing activities		19,326	7,233
Increase in cash and cash equivalents		177	526
Reconciliation and analysis of change in net funds			
Increase in cash during year / period		177	526
Cash and cash equivalents at start of year / period		526	-
Cash and cash equivalents at end of year / period	19	703	526

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



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2007

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 year under review, all of the Group's operating activities were located in the Republic of South Africa and comprised the construction of the plant situated in Newcastle.

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, 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 consolidated financial statements for the year ended 30 September 2007 were approved by the Board of directors on 7th March 2008.

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 and the IFRSs as issued by the International Accounting Standards Board.

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 and the IFRSs as issued by the International Accounting Standards Board. The measurement bases and principal accounting policies of the Group are set out below.

4.2 Going concern

As set out in the Chief Executive's review, there is a short term requirement to finance the €15.6m final payment due on 31 March 2008 in respect of the 4 turbines purchased during the year. In addition, there is the ongoing requirement to fund future capital expenditure for the planned major project developments, initially the Coega Fast-Track Project and the Elitheni Clean Coal Power Project.

The directors are considering a number of alternatives with respect to short-term funding. The Company has received an indicative offer of bank finance which satisfies the directors that the Company and the Group have adequate resources to continue to operate in the foreseeable future and accordingly the directors regard the 'going concern' basis for preparation of the financial statements as appropriate.



4.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 30 September 2007.

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.

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.

4.4 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.

4.5 Impairment of property, plant, equipment 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.

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.

4.6 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.

4.7 Income and expense recognition

Revenue from the sale of goods and services is recognised when i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and services which is when supply has been made, ii) the amount of revenue can be reliably measured and iii) the costs incurred or to be incurred in respect of the transaction can be measured reliably. In the fifteen month period to 30 September 2006 the Group’s revenue was nil as there were no sales to external customers. In the year to 30 September 2007, revenues represent sales of Steam which commenced at the end of September. Supply of Electricity did not commence until after the year end.

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.

4.8 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

The depreciation charged in the period to 30 September 2007 was minimal since it was not until shortly before the year end that the plant became operational.

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.



4.9 Borrowing costs

All borrowing costs, and directly attributable borrowing costs, are expensed as incurred except where the costs are directly attributable to specific construction projects, in which case the costs are capitalised as part of those assets.

4.10 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.

4.11 Financial assets

Financial assets categorised as at fair value through profit or loss are recognised initially at fair value with transaction costs expensed through the income statement.

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.

4.12 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.

4.13 Hedging instruments

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

4.14 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.

4.15 Pensions

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

4.16 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.

4.17 Accounting standards and interpretations not yet applied

The directors, together with their advisers, are in the process of evaluating the impact of standards and / or interpretations that have not yet become effective. Listed below are those standards and / or interpretations most likely to impact the Group:

- i) Amendment to IAS 1 - 'Presentation of Financial Statements – Capital Disclosures' (effective for 2007/08)



- ii) IFRS 7 - 'Financial Instruments – Disclosures' (effective for 2007/08)
- iii) IFRIC 8 – 'Scope of IFRS 2 (share based payments)' (effective for 2007/08)
- iv) IFRIC 11 – 'IFRS 2 Share Based Payments' (effective for 2007/08)
- v) IFRIC 10 – 'Interim Financial Reporting and Impairment' (already effective)
- vi) IFRIC 11 – 'IFRS 2 Group and Treasury Share Transactions' (effective for 2007/08)
- vii) IFRS 9 – 'Operating Segments' (effective for 2008/09)

Based on the Group's current business model and accounting policies it is felt that these standards and / or interpretations are unlikely to have a material impact on the Group's earnings or shareholders' funds.

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. At present, there is only one geographic and business segment.

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

i) Year ended	RSA	UK	Intra-Group	Total
30 September 2007			eliminations	
	£'000	£'000	£'000	£'000
Revenue	37	-	-	37
Cost of sales	(57)	-	-	(57)
Administrative expenses	(260)	(662)	-	(922)
Other income / expense	(2,016)	36		(1,980)
Finance income	4	578	(510)	72
Loss for the year	(2,292)	(48)	(510)	(2,850)
At 30 September 2007	RSA	UK	Intra-Group	Total
			eliminations	
	£'000	£'000	£'000	£'000
Total assets	12,846	37,980	(15,474)	35,352
Total liabilities	14,380	11,078	(12,738)	12,720
ii) 15 months to	RSA	UK	Intra-Group	Total
30 September 2006			eliminations	
	£'000	£'000	£'000	£'000
Administrative expenses	(28)	(336)	-	(364)
Other expenses	(1,120)	(69)	451	(738)
Finance income	8	296	(229)	75
Loss for the period	(1,140)	(109)	222	(1,027)
At 30 September 2006	RSA	UK	Intra-Group	Total
			eliminations	
	£'000	£'000	£'000	£'000
Total assets	6,021	7,812	(6,677)	7,156
Total liabilities	7,160	189	(6,448)	901



7 Administrative expenses	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Expenditure incurred in administrative expenses is as follows:		
Payroll and social security	466	185
Other administrative expenses	456	179
Total	922	364

Audit fees for the Group amounted to £36,000 (2006 - £20,000). Fees payable to Grant Thornton UK LLP in respect of advisory services amounted to £21,079 (2006 - £80,474) in connection with the Company's listing on the Alt^X Exchange (2006 – AIM). These advisory fees have been treated as share issue costs and have been charged to the share premium account.

8 Other expense	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Fees associated with listing on Alt ^X (2006 – AIM)	(55)	(69)
Excess commissioning costs (a)	(2,308)	-
Foreign exchange gains / (losses) (b)	383	(669)
	(1,980)	(738)

a) Excess commissioning costs represents payments made and an accrual for payments due to 30 September 2007 under a gas supply contract. Under the terms of the contract, which expires in June 2011, Newcastle Cogeneration (Pty.) Ltd is required to purchase minimum quantities of gas in each 12 month period ending on 30 June. During the first 12 months of the contract, to 30 June 2007, and in the first 3 months of the current year, Newcastle Cogeneration (Pty.) Ltd was unable to purchase and use the required minimum quantities as a result of delays in obtaining the requisite licences to supply electricity into the national grid in South Africa. It is not anticipated that any further shortfalls will arise during the remaining period of the contract.

b) Foreign exchange gains (2006 – losses) have arisen as a result of ZAR denominated assets and liabilities being converted into sterling at the exchange rate ruling at the balance sheet date as compared to the exchange rates ruling at the date of the individual transactions.

9 Finance income	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Interest received on bank deposits	72	75

10 Tax expense / credit

No UK corporation tax or foreign tax is payable on the results of the Group. The relationship between the expected tax credit and the tax credit actually recognised is as follows:

	12 months ended 30.9.07 £'000	15 months ended 30.9.06 £'000
Loss for the year / period before tax	(2,850)	(1,027)
Standard rate of corporation tax in UK	30%	30%
Expected tax credit	855	308
Tax effect of consolidation adjustments and rate differences	(185)	67
Tax losses carried forward	(670)	(375)



No deferred tax asset has been recognised at the balance sheet date due to uncertainty as to the timing of the expected utilisation of the tax losses.

11 Loss attributable to the parent company

The loss attributable to the parent company, IPSA Group PLC, was £48,000 (15 months to 30.9.06 - £109,000 loss). 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 and diluted 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.

	12 months ended 30.9.07	15 months ended 30.9.06
Loss attributable to equity holders of the company	£2,849,856	£1,026,798
Average shares in issue during the year / period	72,216,664	54,629,630
Basic loss per share	(3.95p)	(1.88p)

13 Property, plant and equipment

	Plant and equipment £'000	Plant under construction £'000	Total £'000
a) Group			
Cost			
Additions in period to 30.9.06	-	5,603	5,603
Cost at 30 September 2006	-	5,603	5,603
Additions in year to 30.9.07		27,128	27,128
Classification transfers	10,894	(10,894)	-
Cost at 30 September 2007	10,894	21,837	32,731
Depreciation			
Depreciation charge for the period to 30.9.06	-	2	2
Depreciation at 30 September 2006	-	2	2
Classification transfer	2	(2)	-
Charge for the year to 30.9.07	5	-	5
Depreciation at 30 September 2007	7	-	7
Net book value at 30 September 2007	10,887	21,837	32,724
Net book value at 30 September 2006	-	5,601	5,601
b) Company			
Cost			
Cost at 30 September 2006	-	-	-
Additions in the year to 30.9.07	-	21,837	21,837
Cost at 30 September 2007	-	21,837	21,837
Depreciation			
Depreciation at 30 September 2006	-	-	-
Charge for the year to 30.9.07	-	-	-
Depreciation at 30 September 2007	-	-	-



Net book value at 30 September 2007	-	21,837	21,837
Net book value at 30 September 2006	-	-	-

Property, plant and equipment has been valued at cost. No depreciation is charged until plant becomes operational. At 30 September 2007, plant under construction represents 4 Siemens Tornado turbines which have been acquired by the Company for use in the planned Coega Basin project in South Africa. At 30 September 2006, plant under construction comprised the turbine which is now in use in Newcastle. This equipment was brought into initial production in September 2007 with the generation of steam. Electricity generation from this plant commenced in October 2007.

14 Intangible assets	30.9.07	30.9.06
	£'000	£'000
At beginning of year / period	833	-
Additions arising on acquisition of subsidiary	-	833
Cost at end of year / period	833	833

The intangible asset represents the directors' estimate of the fair value of a contract, owned by Newcastle Cogeneration (Pty.) Ltd at the date of acquisition, to supply steam from the electricity generating plant. Amortisation over the life of the contract will commence during the current year as the plant becomes fully operational.

15 Trade and other receivables due in more than 1 year	30.9.07	30.9.06
	£'000	£'000
a) Group	-	-
b) Company		
Amount due from subsidiary	2,339	2,339

The amount due from subsidiary an interest free loan.

16 Deferred tax asset	30.9.07	30.9.06
	£'000	£'000
Asset recognised in respect of tax losses	-	-
Unrecognised asset in respect of tax losses	1,045	375

In view of the uncertainty over the timing of the utilisation of the tax losses, the Directors consider that it would be inappropriate to recognise the potential deferred tax asset at this early stage in the development of the Group.

17 Investments	30.9.07	30.9.06
	£'000	£'000
At beginning of year / period	500	-
Additions	-	500
At end of year / period	500	500

The Company owns 100% of the issued share capital of Blazeway Engineering Ltd. The investment has been valued at cost. Blazeway Engineering Ltd owns 100% of Newcastle Cogeneration (Pty.) Ltd.

18 Trade and other receivables due in less than 1 year	30.9.07	30.9.06
	£'000	£'000
a) Group		
Pre-paid taxes	325	162



Other prepayments	767	34
	1,092	196
b) Company		
Pre-paid taxes	18	6
Other prepayments	17	34
Amounts due from subsidiary	12,739	4,443
	12,774	4,483

Amounts due from subsidiary represent short term finance to Newcastle Cogeneration (Pty.) Ltd in order to provide funding for the development of the plant in Newcastle. Interest is being applied to the balance outstanding at 6.5% per annum. It is the intention of the directors to arrange for the repayment of this loan during the next 12 months.

19 Cash and cash equivalents	30.9.07	30.9.06
	£'000	£'000
a) Group		
Cash at bank and in hand	35	18
Short term bank deposits	668	508
	703	526
b) Company		
Cash at bank and in hand	28	15
Short term bank deposits	502	476
	530	491
20 Share capital	30.9.07	30.9.06
	£'000	£'000
a) Authorised		
150,000,000 ordinary shares of 2p each	3,000	3,000
b) Allotted, called-up and fully paid		
89,564,081 ordinary shares of 2p each	1,792	1,093
(2006 – 54,629,630 shares)		
c) Reconciliation of movement in share capital	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 in September 2005	98	-
Allotment in consideration of acquisition of Blazeway Engineering Ltd in September 2005 at par	24,999,900	499,998
Allotment on admission to the AIM market of the London Stock Exchange in September 2005 at 27p per share	29,629,630	592,593
At 30 September 2006	54,629,630	1,092,593
Allotment in October 2006 on listing on Alt ^X Exchange at ZAR 5.84 (40p) per share	11,499,839	229,997
Allotment in March 2007 at ZAR 10.67 (75p) per share	7,500,000	150,000
Allotment in March 2007 at 75p per share	2,500,000	50,000
Allotment in September 2007 at ZAR 8.85 (61p) per share	13,434,612	268,692
At 30 September 2007	89,564,081	1,791,282



The difference between the total consideration, less related costs, arising from shares issued and the nominal value of the shares issued has been credited to the share premium account (note 21).

21 Statement of changes in shareholders' equity

	Share capital	Share premium	Foreign currency reserve	Profit and loss reserve	Total
	£'000	£'000	£'000	£'000	£'000
a) Group					
On incorporation	-	-	-	-	-
Allotment – September '05	500	-	-	-	500
Allotment – September '05	593	6,640	-	-	7,233
Effect of foreign exchange translation adjustment	-	-	(451)	-	(451)
Loss for the period	-	-	-	(1,027)	(1,027)
Balance at 30 September 2006	1,093	6,640	(451)	(1,027)	6,255
Allotment – October '06	230	3,575	-	-	3,805
Allotment – March '07	200	7,273	-	-	7,473
Allotment – September '07	269	7,779	-	-	8,048
Effect of foreign exchange translation adjustment	-	-	(99)	-	(99)
Loss for the year	-	-	-	(2,850)	(2,850)
Balance at 30 September 2007	1,792	25,267	(550)	(3,877)	22,632
b) Company					
On incorporation	-	-	-	-	-
Allotment – September '05	500	-	-	-	500
Allotment – September '05	593	6,640	-	-	7,233
Loss for the period	-	-	-	(109)	(109)
Balance at 30 September 2006	1,093	6,640	-	(109)	7,624
Allotment – October '06	230	3,575	-	-	3,805
Allotment – March '07	200	7,273	-	-	7,473
Allotment – September '07	269	7,779	-	-	8,048
Loss for the year	-	-	-	(48)	(48)
Balance at 30 September 2007	1,792	25,267	-	(157)	26,902

22 Trade and other payables

	30.9.07 £'000	30.9.06 £'000
a) Group		
Trade payables	979	856
Other payables	11,741	45
	12,720	901
b) Company		
Trade payables	131	145
Other payables	10,947	44
	11,078	189

Other payables includes an amount of €15.6m (£10.9m) due on 31 March 2008, being the final instalment payment due on the 4 turbines acquired during 2007 for the proposed Coega Basin project.

23 Reconciliation of loss before tax to cash outflow from operations

30.9.07 £'000	30.9.06 £'000



a) Group		
Loss before tax	(2,850)	(1,027)
Depreciation	5	2
Changes in working capital		
Trade and other receivables	(896)	(196)
Trade and other payables	11,819	901
Exchange translation adjustment	(99)	(451)
Interest received	(72)	(75)
Net cash inflow / (outflow) from operating activities	7,907	(846)
b) Company		
Loss before tax	(48)	(109)
Changes in working capital		
Trade and other receivables	5	(40)
Trade and other payables	10,889	189
Interest receivable	(579)	(296)
Net cash inflow / (outflow) from operating activities	10,267	(256)

24 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 income statement 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 with the exception of property, plant and equipment where the directors consider, on the basis on the professional valuations performed, that the fair values, based on 'open market values' are in excess of the carrying values. 'Open market value' assumes a willing buyer and a willing seller.



25 Capital commitments

The Company has acquired (note 13) 4 gas turbines which are being prepared for the proposed Coega Basin project. A contract to 'zero hour' these turbines has been entered into at a cost of £7m.

26 Contingent liabilities

Newcastle Cogeneration (Pty.) Ltd is party to a 'take or pay' contract to purchase gas. Under the terms of the contract, which commenced on 1 July 2006, Newcastle Cogeneration (Pty.) Ltd is required to make minimum annual purchases amounting to a total of ZAR121m over the life of the contract, which expires on 30 June 2011. For the reasons set out in note 8, there was a shortfall in the year to 30 June 2007 which has been written-off, together with the shortfall in the 3 months period to 30 September 2007. As the plant is now operational, no further shortfalls are anticipated and the directors do not consider that any additional provision is required.

27 Related party transactions

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

- i) 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. P Earl and E Shaw are shareholders and directors of Independent Power Corporation PLC and J West is a director. A sum of £11,750 (2006 - £22,670) was owing to Independent Power Corporation PLC at 30 September 2007.
- ii) Payment by the Group of salaries to key management totalling £184,000 (2006 - £153,000).

Transactions between the Company and Newcastle Cogeneration (Pty.) Ltd included:

- i) Expense recharges in relation to services provided – £113k (2006 - £114k).
- ii) Unsecured loans by the Company to Newcastle Cogeneration (Proprietary) Ltd of £12.7m (2006 - £6.8m).
- iii) Interest charges (at 6.5%) on loan balances outstanding - £510k (2006 - £229k).

28 Directors and employee costs

			30.9.07
			£'000
Aggregate remuneration of all employees and directors			224
Remuneration paid to the directors who served during the year:	Salary	Other	Total emoluments
	£'000	£'000	£'000
S Hargrave (non-executive)	34	-	34
N Bryson (non-executive)	-	15	15
P Earl	39	-	39
J Eyre	39	-	39
E Shaw	39	-	39
J West (non-executive)	3	15	18
Total	154	30	184



'Other' remuneration includes £15,000 paid to Balmyle Ltd, a company controlled by N Bryson and £15,000 paid to Jimmy West Associates Ltd, a company controlled by J West.

The average number of employees in the Group, including directors, was 15. At 30 September 2007, the total number of employees in the Group was 17.

29 Post balance sheet date events

a) On 11 October 2007, Elitheni Clean Coal Holdings Ltd (ECCH) was incorporated under the British Virgin Islands Companies Act 2004 (company number 1437070) as a wholly owned subsidiary of the Company. On 28 November 2007, the Company sold 50% of its interest in ECCH to Exodus Elitheni Holdings LLC (EEH) on terms such that the Company will receive \$5m from EEH when ECCH secures funding for its proposed project.

b) On 24 January 2008, the Company entered into a Memorandum of Understanding with the Central Energy Fund (Pty.) Ltd (CEF), the wholly owned subsidiary of the Government of South Africa for a key role as a private sector power plant developer to the integrated energy project being developed at the Coega Industrial Development Zone (IDZ) outside Port Elizabeth.

Further details of these transactions are set out in the Chief Executive's review of operations.