



**I P S A**

INDEPENDENT POWER SOUTHERN AFRICA

**IPSA GROUP PLC**

**UNAUDITED INTERIM RESULTS  
FOR THE SIX MONTH PERIOD  
TO 30 SEPTEMBER 2011**

## CHAIRMAN'S STATEMENT

I am pleased to report the Company's interim results for the six month period to 30 September 2011. All comparisons to the prior interim period are made to results for the six months ended 30 September 2010. The previously published unaudited interim results were for the twelve month period ended 30 September 2010 as the Company has changed its year end to 31 March.

The results are broadly in line with our expectations. The net loss after tax for the period was £2.6m (2010 – £0.4m), giving a basic loss per share of 2.43p (2010 – loss per share 0.4p). The operating loss for the period under review was £0.8m (2010 – £1.0m). Other expense (comprising legal fees and storage costs associated with the turbines less unrealised exchange gains) was £1.0m (2010 – Other income of £1.4m due to release of overprovision of gas expense) and the net finance expense was £0.9m (2010 – £0.7m).

Revenues of £1.9m (2010 – £0.7m) during the period represented sales of steam and electricity (2010 – electricity only during the FIFA World Cup South Africa).

### **NewCogen**

Following the recommencement of commercial operations at the plant on 24 March 2011, approximately 20.7 million kWh of electricity were sold to Eskom under the MTPPP contract up to 30 September 2011. Steam sales were resumed in June and 16,231 tonnes of steam were supplied to Karbochem by 30 September 2011 under an interim steam contract.

In accordance with the terms of the MTPPP contract, the sales price of electricity was increased by 5.8 per cent. in April 2011. Subsequently, margins have suffered since July 2011 as a result of an 8.1 per cent. increase in the gas price following an increase in the Brent oil price, which is a component of the escalation mechanism in the gas contract. We are considering a hedging contract to help protect against material movements in the price of Brent oil.

## CHAIRMAN'S STATEMENT

In December 2010, Sasol Gas Ltd served a summary judgment notification on Newcastle Cogeneration (PTY) Ltd ("NewCogen") which we announced we would defend vigorously. Discussions have been initiated with a view to resolving this dispute as soon as possible.

### **The Turbines**

On 20 July 2011, the Company announced that it had entered into conditional equipment sale agreements in respect of its four Siemens Westinghouse 701 DU gas turbines for an aggregate consideration of US\$66.0m (approximately £42.3m at yesterday's exchange rate). Each purchaser paid a deposit of US\$2.0m in cash, which was held on deposit at 30 September 2011. On 30 November 2011, having obtained the approval of Standard Bank PLC and Turbocare SpA, the Company's key creditors, revised contracts were exchanged with a completion date of on or before 31 January 2012. The Directors anticipate that, following receipt of all the proceeds, the Company will be in a position to settle with all its creditors, including the £18.5m of loan principal and accrued but unpaid interest and legal and other fees due to Standard Bank PLC and approximately £15.1m of trade payables, accrued interest and storage charges due to TurboCare SPA for the refurbishment and storage of the turbines.

Once the sale proceeds have been received and completion has occurred, we expect to record a pre-tax book profit on the sale of the 4 turbines of approximately £6.3m (based on a US\$/£ exchange rate of 1.57 and a €/£ rate of 1.17).

### **Working capital**

In spite of the revenues arising from the recommencement of electricity sales and the continuing very strict cost containment measures, the Group's working capital will continue to remain extremely tight until the Company completes the sales of the turbines.

## CHAIRMAN'S STATEMENT

### **Other Projects**

The Directors are maintaining an active interest in developing further generation capacity in southern Africa, where there are increasing opportunities for Independent Power Producers. There are a number of potential opportunities arising, particularly in South Africa, as demand for electricity increases once more as a result of increased mining and other energy intensive manufacturing activities.

### **Conclusion**

With completion of the turbine sales due well before the end of our financial year, and several projects in advanced stages of development, I look forward to reporting more positive news in the annual report.

**Richard Linnell**

Chairman

6 December 2011

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
for the 6 month period ended 30 September 2011 (unaudited)

	Notes	6 months 30.9.11 unaudited £'000	6 months 30.9.10 unaudited £'000	18 months 31.3.11 audited £'000
Revenue	3	1,884	675	801
Cost of sales	4	(2,128)	(1,156)	(2,671)
<b>Gross loss</b>		<b>(244)</b>	<b>(481)</b>	<b>(1,870)</b>
Administrative expenses		(543)	(550)	(1,876)
<b>Operating loss</b>		<b>(787)</b>	<b>(1,031)</b>	<b>(3,746)</b>
Other (expense)/income	5	(966)	1,364	955
Finance expense (net)		(860)	(711)	(2,447)
<b>Loss before tax</b>		<b>(2,613)</b>	<b>(378)</b>	<b>(5,238)</b>
Tax expense		–	–	–
<b>Loss after tax</b>		<b>(2,613)</b>	<b>(378)</b>	<b>(5,238)</b>
Other comprehensive income:				
Exchange differences on translation of foreign operation		(1,014)	(36)	(492)
<b>Total comprehensive loss attributable to equity</b>		<b>(3,627)</b>	<b>(414)</b>	<b>(5,730)</b>
<b>Shareholders</b>				
Loss per ordinary share (basic, diluted and headline)	6	(2.43p)	(0.40p)	(5.47p)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
at 30 September 2011 (unaudited)

	Notes	30.9.11 unaudited £'000	30.9.10 unaudited £'000	31.3.11 audited £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible	7	–	583	–
Property, plant and equipment	8	11,394	13,656	13,319
		<b>11,394</b>	<b>14,239</b>	<b>13,319</b>
<b>Current assets</b>				
Trade and other receivables		957	2,154	2,966
Cash and cash equivalents	9	2,690	258	33
		<b>3,647</b>	<b>2,412</b>	<b>2,999</b>
<b>Non-current assets classified as assets held for sale</b>	10	<b>34,279</b>	<b>31,629</b>	<b>31,629</b>
<b>Total assets</b>		<b>49,320</b>	<b>48,280</b>	<b>47,947</b>
<b>Equity and liabilities</b>				
Equity attributable to equity holders of the parent:				
Share capital		2,150	1,900	2,150
Share premium account		26,767	26,027	26,767
Foreign currency reserve		(3,068)	(1,944)	(2,054)
Profit and loss reserve		(21,645)	(15,002)	(19,032)
<b>Total equity</b>		<b>4,204</b>	<b>10,981</b>	<b>7,831</b>
<b>Current liabilities</b>				
Trade and other payables	11	24,113	19,502	21,055
Borrowings	12	21,003	17,797	19,061
		<b>45,116</b>	<b>37,299</b>	<b>40,116</b>
<b>Total equity and liabilities</b>		<b>49,320</b>	<b>48,280</b>	<b>47,947</b>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the 6 month period ended 30 September 2011 (unaudited)

	6 months 30.9.11 unaudited £'000	6 months 30.9.10 unaudited £'000	18 months 31.3.11 audited £'000
Loss for the period	(2,613)	(378)	(5,238)
Add back net finance expense	860	711	2,447
Adjustments for:			
Depreciation	420	415	1,317
Impairment of intangible asset	–	41	666
Translation and unrealised exchange gains	(156)	(605)	(1,648)
Change in trade and other receivables	7	(46)	(586)
Change in trade and other payables	1,564	(573)	1,179
<b>Cash generated/(used in) operations</b>	<b>82</b>	<b>(435)</b>	<b>(1,863)</b>
Interest paid	(2)	(3)	(243)
<b>Net cash generated/(used in) operations</b>	<b>80</b>	<b>(438)</b>	<b>(2,106)</b>
<b>Cash flows from investing activities</b>			
Sale/(purchase) of plant and equipment equipment	6	11	(55)
Deposit on assets held for resale	2,560	624	624
Return of deposit	(650)	–	–
	<b>1,916</b>	<b>635</b>	<b>569</b>
<b>Cash flow from financing activities</b>			
Loan note issued	–	–	650
Other loans received	661	367	418
Other loans repaid	–	(624)	(624)
Issue of shares	–	–	1,000
Issue costs	–	–	(10)
	<b>661</b>	<b>(257)</b>	<b>1,434</b>
<b>Increase/(decrease) in cash and cash equivalents</b>	<b>2,657</b>	<b>(60)</b>	<b>(103)</b>
Cash and cash equivalents at start of period	33	318	136
<b>Cash and cash equivalents at end of period</b>	<b>2,690</b>	<b>258</b>	<b>33</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the 6 month period ended 30 September 2011 (unaudited)

	Share Capital £'000	Share Premium Account £'000	Foreign Currency Reserve £'000	Profit and Loss Reserve £'000	Total Equity £'000
<b>At 1.10.09</b>	1,900	26,027	(1,562)	(13,794)	12,571
Loss for the period	–	–	–	(830)	(830)
Other comprehensive loss	–	–	(346)	–	(346)
<b>Total recognised expense for the period</b>	–	–	(346)	(830)	(1,176)
<b>At 31.3.10</b>	1,900	26,027	(1,908)	(14,624)	11,395
Loss for the period	–	–	–	(378)	(378)
Other comprehensive loss	–	–	(36)	–	(36)
<b>Total recognised expense for the period</b>	–	–	(36)	(378)	(414)
<b>At 30.9.10</b>	1,900	26,027	(1,944)	(15,002)	10,981
Loss for the period	–	–	–	(4,030)	(4,030)
Other comprehensive loss	–	–	(110)	–	(110)
<b>Total recognised expense for the period</b>	–	–	(110)	(4,030)	(4,140)
Issue of shares	250	750	–	–	1,000
Share issue costs	–	(10)	–	–	(10)
<b>Total transactions with owners</b>	250	740	–	–	990
<b>At 31.3.11</b>	2,150	26,767	(2,054)	(19,032)	7,831
Loss for the period	–	–	–	(2,613)	(2,613)
Other comprehensive loss	–	–	(1,014)	–	(1,014)
<b>Total recognised expense for the period</b>	–	–	(1,014)	(2,613)	(3,627)
<b>At 30.9.11</b>	2,150	26,767	(3,068)	(21,645)	4,204



## NOTES TO THE UNAUDITED INTERIM STATEMENT

for the 6 month period ended 30 September 2011

### 1. Basis of preparation

These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the 18 month period ended 31 March 2011 were derived from the statutory accounts for that period which have been delivered to the Registrar of Companies. Those accounts which contained an unqualified audit report, with an emphasis of matter paragraph on going concern, did not contain any statements under sections 489(2) or (3) of the Companies Act 2006. The financial information contained in this interim statement has been prepared in accordance with all relevant International Financial Reporting Standards (“IFRS”) as adopted by the European Union in force and expected to apply to the Group’s results for the year ending 31 March 2012 and on interpretations of those Standards released to date.

### 2. Accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with the Group’s IFRS accounting policies. These policies are set out in the Group’s financial statements for the 18 month period ended 31 March 2011.

### 3. Revenue

Following execution of the MTPPP (“Medium Term Power Purchase Programme”) agreement in August 2010 and a long term gas supply contract in February 2011, the Company’s subsidiary in South Africa, Newcastle Cogeneration (Proprietary) Ltd (“NewCogen”) re-commenced selling electricity in March 2011 and steam in June 2011.

### 4. Cost of sales

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

5. Other income/(expense)

	6 months 30.9.11 £'000	6 months 30.9.10 £'000	18 months 31.3.11 £'000
Exchange gains <sup>1</sup>	107	407	422
Exchange gains <sup>2</sup>	–	180	1,226
Storage, legal and insurance costs <sup>3</sup>	(1,073)	(465)	(1,267)
Gas – take or pay <sup>4</sup>	–	1,242	1,240
Impairment charge <sup>5</sup>	–	–	(666)
<b>Total</b>	<b>(966)</b>	<b>1,364</b>	<b>955</b>

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

<sup>2</sup>Exchange gains arising in the Company’s subsidiary, NewCogen, on sterling denominated loans from the Company which have funded the construction of the generating plant in South Africa. Since 31 March 2011, the loans to NewCogen are being accounted for as long-term/quasi-equity loans and gains and loss arising from movement of the ZAR relative to Sterling are accounted for in the foreign currency reserve.

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

<sup>4</sup>The ‘take-or-pay’ gas contract was terminated by Sasol Gas Ltd in July 2009. During earlier periods, there was a charge representing the difference between the minimum offtake level required under the ‘take-or-pay’ contract and the gas actually used since for certain periods the plant in Newcastle was unable to operate due to the absence of a electricity offtake agreement. The credit in the prior period represents the write-back of over-provisions in earlier periods;

<sup>5</sup>Following the cessation of steam generation in 2009, the steam supply contract was terminated and accordingly the carrying value of the contract was impaired to nil.

## NOTES TO THE UNAUDITED INTERIM STATEMENT

for the 6 month period ended 30 September 2011

### 6. Loss per share

	6 months 30.9.11	6 months 30.9.10	18 months 30.9.09
Average number of shares in issue during the period	107.5m	95.0m	95.8m
Loss for the period	£2.613m	£0.378m	£5.238m
Loss per ordinary share (basic, diluted and headline)	2.43p	0.40p	5.47p

### 7. Intangible

The intangible non-current asset represented the fair value of the steam supply contract owned by NewCogen. This was written-off at 31 March 2011.

### 8. Property, plant and equipment

Property, plant and equipment comprises the electricity generating plant in South Africa owned by NewCogen. The change in the value since 31 March 2011 comprises depreciation of £0.4m and exchange adjustment of £1.5m.

### 9. Cash and cash equivalents

Cash and cash equivalents includes US\$4m (£2.6m) in respect of deposits received on the turbine sales (see also 11c below).

### 10. Assets held for resale

These assets comprise the 4 Siemens gas turbines which were acquired in 2007 for the proposed Coega project in South Africa. As a result of the delay in that project, it was decided that the turbines should be sold. Contracts for their sale were exchanged on 30 November 2011 for a gross price of US\$66.0m. Cash deposits totalling US\$4.0m have already been received and it is expected that completion will occur before the end of January 2012. The increase in the carrying value of these assets since 31 March 2011 includes

(a) £2m of Italian VAT which has been charged on the refurbishment work and which may not be recoverable and which previously was carried in 'trade and other receivables' and (b) the refund of a deposit of US\$1m (£650) received in December 2009 following non-completion of that contract.

**11. Trade and other payables**

Trade and other payables includes:

a) An amount of £15.1m (30/9/10 – £14.2m, 31/3/11 – £14.8m) owing to Turbocare SPA, the supplier of the 4 turbines, in respect of the refurbishment and storage of the turbines, plus interest.

b) An amount including interest of £4.0m (30/9/10 – £3.6m, 31/3/11 – £3.6m) claimed by Sasol Gas Ltd against the Company's subsidiary, NewCogen. The claim is being disputed and unless a mutually agreeable settlement is achieved, the parties will refer the claim to arbitration. The claim relates to amounts invoiced by Sasol Gas Ltd prior to the termination of the gas supply agreement by Sasol Gas Ltd in 2009.

c) An amount of US\$4m (£2.6m) in respect of the deposits received on the turbine sales (see 9 above).

**12. Borrowings**

Included within borrowings are the following loans:

a) Amount due to Standard Bank PLC of £18.5m, including accrued interest and legal fees (30/9/10 – £16.8m, 31/3/11 – £17.2m). In March 2008, the Company obtained a bank loan of £15.0m from Standard Bank PLC to finance the final instalment payment for the purchase of the 4 Siemens gas turbines. The loan was originally repayable in September 2009 and is now due on demand though

**NOTES TO THE UNAUDITED INTERIM STATEMENT**  
for the 6 month period ended 30 September 2011

Standard Bank PLC have agreed not to demand repayment pending completion of the sales contracts referred to in 9 above.

b) Loan note of £0.7m, including interest (30/9/10 – £0.7m, 31/3/11 – £0.7m). On 5 March 2010, the Company issued a £0.7m unsecured loan note, with interest payable at 6%. The loan note was originally repayable by 31 January 2011. The repayment date was formally extended to 31 July 2011. As repayment is now overdue, interest is accruing at 8%. Holders of the loan notes are entitled to subscribe for a total of 6.5m ordinary shares at a price of 8p per share or such lower price at which any future ordinary shares are issued prior to exercise.

c) Other loans of £1.9m, including interest (30/9/10 – £1.0m, 31/3/11 – £1.1m), comprising unsecured loans, with interest rates of between 5% and 12%, repayable within 12 months.

The Board of Directors approved this interim statement on 6 December 2011. This interim statement has not been audited.

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



