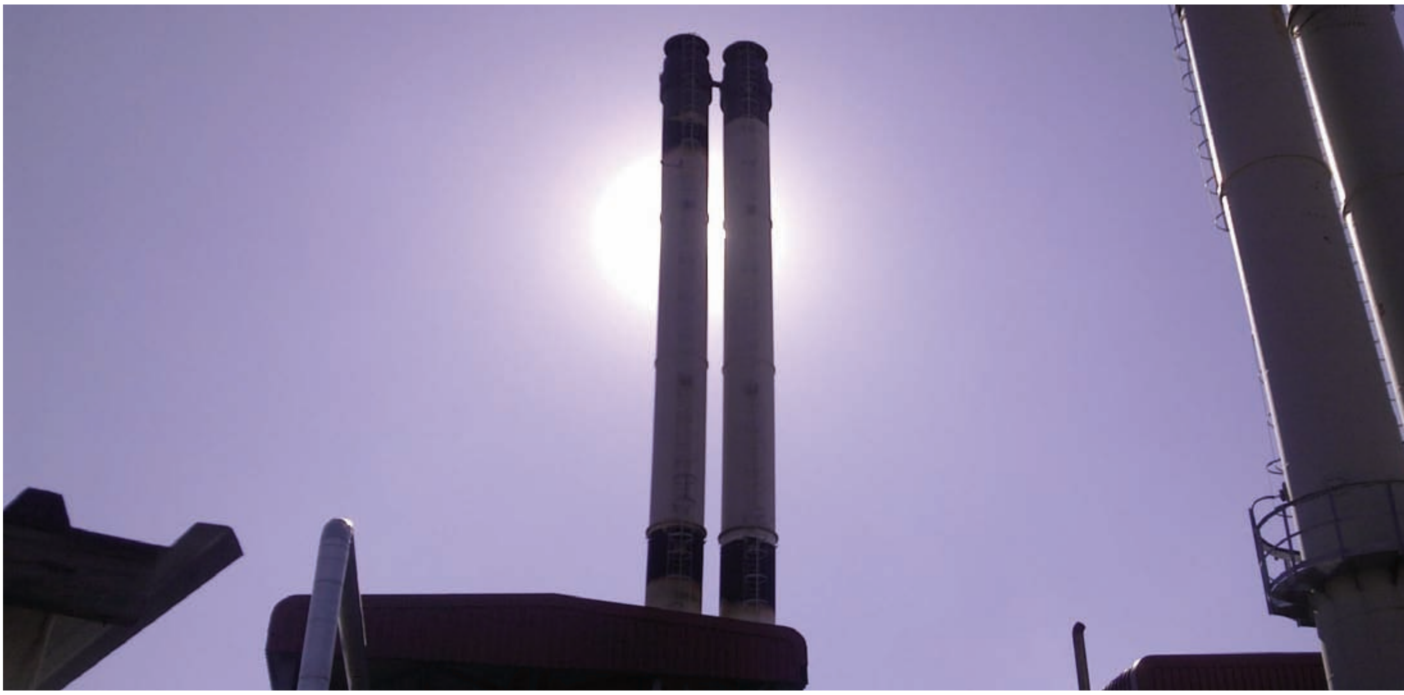
IPSA

INDEPENDENT POWER SOUTHERN AFRICA

IPSA GROUP PLC

ANNUAL REPORT 2011



IPSA Group PLC, the developer, owner and operator of power generation capacity in southern Africa announces final results for the 18 month period ended 31 March 2011.

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Photo:

Plant at Newcastle, RSA – B Majola

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders of IPSA Group PLC (the "Group") the Report and Accounts for the period to 31 March 2011, my first as Chairman.

I joined the Board as Chairman in April 2010, at which time the Group was seeking alternative financing plans for the plant at Newcastle, as well as planning the sale of the 4 Siemens Westinghouse 701DU gas turbines (the "Turbines") acquired for the Coega project in 2007. Progress on both fronts has been slow, hampered by the state of world financial markets and the delays in implementing the medium term power purchase programme ("MTPPP") in South Africa. The impact of this on our business is plain to see in these results.

Turnover during the 18-month period was £0.8m (2009 – £1.0m) and the loss before tax was £5.2m (2009 – loss £5.5m). The total comprehensive loss was £5.7m (2009 – loss £6.6m).

The major achievement during the period was the execution of the MTPPP agreement in August 2010, though unfortunately the benefit did not flow until after the year end. However, I am pleased to say that the Newcastle plant restarted operations on 24 March 2011 and is now operating well and we expect to commence short term steam supply within the next few weeks. We have been able to deal with the working capital requirement for the start-up of the plant, but that has left few funds for the development of any business in addition to the existing Newcastle plant over the past 18 months.

The process for the disposal of the Turbines has been a long one, given the state of the financial markets and until recently a complete absence of project finance for power plant developments. However, we have seen keen interest in the Turbines over the last few months and the Directors believe that the process is finally nearing its conclusion. Indicative offers have been received which indicate that funds may come in over the next six months, if accepted on the proposed terms. However, there can be no guarantee that these negotiations will conclude on the terms that are currently being considered, or at all. We will therefore update shareholders as soon as we are in a position to do so.

South African electricity demand is heavily influenced by activity levels in the commodities sector, and talk of capacity constraints has begun to reappear as the commodities markets have picked up again in recent months. Modest expansion of the Newcastle plant is now under consideration, with any capacity additions likely to be funded by debt secured on the business rather than through additional funds from shareholders.

In October 2010 we announced the cancellation of the coal contract at the Elitheni Mine in the Eastern Cape since we felt that it was inappropriate to continue to hold the position given the difficulties of financing a coal-fired power station on an undeveloped mine in our financial state. In anticipation of the Turbines being sold we can now look at developing new power projects in southern Africa.

I draw your attention to the fact that the independent auditors have again included an emphasis of matter paragraph in their unqualified audit opinion.

Richard Linnell
Chairman
30 June 2011

NEWCOGEN

During the 18 month period ending on 31 March 2011, Newcastle Cogeneration (Pty.) Limited ("NewCogen") generated approximately 8,500 MWh of electricity for sale to Eskom, most of which was produced between 22 June and 31 August 2010. During this period Sasol Gas supported us with an ad hoc gas contract for the period of the FIFA World Cup, and the plant consumed 130,000 GJ.

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

Inflation in South Africa resulted in the MTPPP contract rising by 5.8% from April this year. The increase in the oil price over the first 6 months of the year resulted in an 8.1% increase in the price of gas from 1 July. We are considering a hedging contract to mitigate the future impact of increases in the Brent Crude price.

In December 2010, Sasol Gas Limited served an application for summary judgment against NewCogen, which was withdrawn but discussions between our respective legal representatives are ongoing. If not settled, the dispute is to be referred to arbitration later in the year, or early in 2012.

On 24 March 2011 the NewCogen plant was successfully restarted following another capital increase of £1.0m in February, which was used to fund the working capital required (principally the security required for the gas supply agreement with Spring Lights) for commencement of operations. A new short term steam supply contract has recently been agreed. Meanwhile, negotiations to put in place a new long term steam agreement continue. We are also exploring opportunities to increase the capacity at the Newcastle site through the installation of gas engines and an upgrade of the existing electrical capacity. This would assist us in maintaining the electricity output at contract levels whilst operating at peak periods only when the higher electricity tariff is paid.

THE TURBINES

A number of offers for the Turbines are under consideration. Although the Marketing Agreement entered into in March 2010 terminated on 21 February 2011, IPSA continues to work with both Standard Bank and TurboCare to ensure a timely disposal of the Turbines with a view to paying off all of the

Company's outstanding creditors after repayment of the £15.0m loan plus £2.2m of accrued but unpaid interest due to Standard Bank and approximately £14.8m due to TurboCare for the refurbishment and storage of the Turbines. IPSA intends to complete all payments as soon as receipt of proceeds of sale permit with a view to leaving the Company debt free.

OTHER PROJECTS

In spite of the lack of funds available to us to take significant steps towards initiating new generation projects, the Directors have continued to maintain an active interest in developing further generation capacity in southern Africa. There are a number of potential opportunities arising, particularly in South Africa, as the reserve margin narrows once more as a result of increased mining and other energy intensive manufacturing activity. In addition, the South African Government has announced its intention to ensure that 92% distribution penetration (access to the electricity grid) is achieved by 2014, as well as reducing emissions in the electricity generation sector and reducing its reliance on coal in the generation mix.

Recent policy developments announced in South Africa indicate that 2011 will see significant progress for independent power producers ("IPP's"). A new ring-fenced independent system and market operator ("ISMO") will be put in place under the ISMO Bill to be promulgated this year. With the ISMO in place, a new IPP procurement process is planned, to start in Q3 of 2011. Further clarifications of the process are necessary but we continue to monitor the situation.

IPSA will continue to review its development opportunities and intends to take advantage of its position as the owner of South Africa's first gas fired IPP when the moment is right to expand from its existing base.

Peter Earl
Chief Executive
30 June 2011

GROUP DIRECTORS' REPORT

The Directors submit their report and audited financial statements for the 18 month period ended 31 March 2011.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of the Group comprise the acquisition and development of power generation assets, initially in markets in southern Africa. The Group's strategy is to create a portfolio of power generation assets in southern Africa, in conjunction with project partners where the Directors believe this to be advantageous. In the event that appropriate opportunities present themselves outside this geographic area, the Group's investment boundaries may be extended.

The Company was incorporated on 1 July 2005 and was admitted to AIM in September 2005. In October 2006, the Company obtained a secondary listing, on the Alternative Exchange of the Johannesburg Stock Exchange Limited ("Alt^{X}").

A review of the Group's activities and future plans is set out in the Chairman's Statement and the Chief Executive's Review.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the Group include:

1) Completion of the sale of the Turbines;
2) Reaching a satisfactory agreement in respect of the claim by Sasol, for approximately £3.6m plus interest, for gas not consumed under the "take-or-pay" contract; and
3) Securing a satisfactory long term steam contract for the plant in South Africa.

In addition to these factors which, if satisfactorily resolved, will have a significant positive impact on the Group's liquidity, the future growth and profitability of the Group will be influenced by:

1) The profitability of the electricity supplied under the MTPPP Agreement with Eskom which can be affected by changes in the gas price;
2) Planned upgrade of the existing plant to improve it's efficiency;
3) Movements in the value of the ZAR relative to sterling since changes in the rate of exchange affect the sterling value of assets located in South Africa and will, in the future, affect the value of dividends which the Company expects to receive from its activities in South Africa;

4) Political factors – the Directors believe the Government of the Republic of South Africa supports the provision of efficient power generation by IPPs and that the Company's listing on AltX, with local shareholders now owning a significant portion of the Company, further strengthens the Group's position in the Republic of South Africa; and
5) Availability of project finance to fund future expansion of the existing plant and new projects.

KEY PERFORMANCE INDICATORS

Following the set-backs of earlier plans, which included the proposed major project at Coega, the Group is still at an early stage in its development and accordingly the current key performance indicators focus on:

1) Operating efficiency and input costs of the NewCogen plant; and
2) Generation of positive cash flow from the existing plant.

As the Group's operations expand, further key performance indicators will become relevant.

RESULTS AND DIVIDENDS

The Group results for the period ended 31 March 2011 are set out in the consolidated income statement. No dividend has been paid or proposed.

GOING CONCERN

The Directors have continued to adopt the 'going concern' basis for the preparation of the financial statements since the Directors consider that the Company and the Group will have sufficient financial resources available to continue trading for the foreseeable future (see also note 4.2).

However, the availability of these resources is dependent on completing the sale of the Turbines.

The Company is in discussions with institutions in South Africa with the objective of raising local finance now that the NewCogen plant is fully operational. A facility of ZAR 5m has already been granted and the Directors believe that additional third party funding will be available in due course.

SHARE CAPITAL

Details of the authorised and issued share capital and changes during the period are set out in note 22.

DIRECTORS

The Directors who served during the year are as follows:

R Linnell – appointed 28.4.2010
N Bryson
M Cox
P Earl
J Eyre
S Hargrave – resigned 26.4.2010
P Metcalf – appointed 14.2.2011
R Sampson
E Shaw
J West – resigned 18.6.2010

DIRECTORS' INTERESTS

The beneficial interests of the Directors who served during the year in the share capital of the Company at the year-end were as stated below:

	20 June 2011	31 March 2011	30 September 2009
N Bryson	50,000	50,000	50,000
M Cox	40,000	40,000	40,000
P R S Earl[1]	–	–	13,135,000
J M Eyre	1,250,000	1,250,000	1,250,000
E R Shaw	1,268,750	1,268,750	1,268,750

[1] P Earl's interest in the shares of the Company at 30.09.2009 included his personal holding, his wife's holding and the holding of Independent Power Corporation PLC ("IPC"). IPC was controlled by P Earl until 17 June 2010. P Earl, E Shaw and P Metcalf are Directors of IPC. IPC is a wholly owned subsidiary of Sterling Trust Ltd.

R Sampson has an indirect interest in the share capital of the Company as a result of being a Director and shareholder of Amandla Energy which has an option to acquire 13,434,612 shares from METC Metlife.

SIGNIFICANT SHAREHOLDINGS IN THE COMPANY

In addition to the shareholdings shown above, the Company is aware of the following interests of 3% or more in the issued share capital of the Company, notifiable on 20 June 2011, being the last practicable date for reporting this information.

	Number of shares	% holding
Sterling Trust Ltd	31,794,105	29.57%
METC Metlife*	15,564,259	14.48%
Credit Suisse Client Nominees (UK) Ltd	11,538,700	10.73%

*Includes 13,434,612 held as nominee for Amandia Energy.

CORPORATE GOVERNANCE

The Group's policy on Corporate Governance is set out on pages 12 to 15.

POLICY AND PRACTICE ON PAYMENT OF SUPPLIERS

It is the policy of all Group companies, with respect to suppliers, to a) determine payment terms when agreeing the terms of each transaction, b) ensure suppliers are made aware of the terms of payment and c) pay in accordance with the contractual and legal obligations. In view of the delay in realising cash from the sale of the Turbines, the Company's average creditor payment was significantly extended during the period and at 31 March 2011, excluding the amounts owed to Turbocare (see note 23), the average creditor period was more than 1 year.

RISK MANAGEMENT POLICIES AND OBJECTIVES

The financial risk management policies and objectives are set out in note 25.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRSs"). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Parent Company and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Directors is aware:

- there is no relevant audit information of which the Company's auditors are unaware; and
- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITORS

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By order of the Board

S Laker
Company Secretary
30 June 2011

INTRODUCTION

The Company is committed to applying high standards of corporate governance, integrity and business ethics to all activities. Whilst the Company is not required by the rules of AIM to comply with the Combined Code on Corporate Governance (June 2008) ("the Code"), the Board is accountable to the Company's shareholders for good corporate governance and has therefore taken steps to aspire to compliance with the Code in so far as is practicable as a smaller company.

The Company's primary listing is on the AIM market of London Stock Exchange and as a result, the Group is exempt from complying with the requirements of the King Code of corporate governance in South Africa.

THE BOARD OF DIRECTORS

The Group supports the concept of an efficient and effective Board managing the Company in an entrepreneurial manner. The Board is responsible for overall direction and management of the Company, senior appointments, strategic or policy considerations, capital transactions, finance and general matters. It meets regularly and has a schedule of matters specifically reserved to it which include raising new capital, entering into financing facilities for projects, treasury policies and approval of annual operating budgets and monitoring key risks. The Board met fourteen times during the eighteen month period ending 31 March 2011. Management supplies the Board with such appropriate and timely information as they consider necessary and the Directors are free to seek external advice as they consider necessary.

The Board consists of four executive Directors and four non-executive Directors. Richard Linnell, the Chairman of the Board, who is also chairman of Coal of Africa PLC, Neil Bryson and Phil Metcalf are regarded under the Code as independent non-executive Directors. Rizelle Sampson has an indirect interest in the shares of the Company through Amandla Energy being circumstances which may appear to impact her independence. Neil Bryson is regarded as the senior independent Director and has been appointed to all the committees of the Board and is regularly consulted at a senior level on business operations and strategy.

All Directors are involved in significant decisions. The Chief Executive Officer, Peter Earl, leads the executive Directors with particular regard to the protection and enhancement of shareholder value, project financing arrangements, government and public relations and dialogue with shareholders. Elizabeth Shaw has responsibility for the day-to-day operations of the Group, Michael Cox has responsibility for financial matters and Mike Eyre has responsibility for technical operations and engineering matters. He was appointed Acting General Manager of NewCogen, the Company's wholly-owned subsidiary, in April 2011.

RELATIONS WITH SHAREHOLDERS

The Group values the views of its shareholders and recognises their interest in the Group's strategy and performance, Board membership and quality of management. It therefore holds regular meetings with its institutional shareholder to discuss objectives.

The Annual General Meeting ("AGM") is used to communicate with private investors and they are encouraged to participate. The Chairman of each of the Audit, Remuneration and Nominations Committees are available to answer questions. Separate resolutions are proposed on each issue so that they can be given proper consideration and there is a resolution to approve the annual report and accounts. The Company counts all proxy votes and will indicate the level of proxies lodged on each resolution, after it has been dealt with by a show of hands. The Company also maintains its website to assist in communication with investors.

ACCOUNTABILITY AND AUDIT

The Board seeks to present a balanced and understandable assessment of the Group's position and prospects in all interim and price-sensitive reports, reports to regulators and the information required by statute.

The Audit Committee comprises Phil Metcalf and Neil Bryson, who are both non-executive Directors. Neil Bryson is the Chairman of the Audit Committee.

The terms of reference of the Audit Committee include keeping under review the scope and results of the external audit and its cost effectiveness. The Committee reviews the independence and objectivity of the external auditors. This includes reviewing the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money.

INTERNAL CONTROL

The Board of Directors has overall responsibility for the Group's systems of internal control and for reviewing its effectiveness. The risk management process and the systems of internal control are designed to manage rather than eliminate the risk of failure to achieve the Group's objectives. It should be recognised that such systems can only provide reasonable and not absolute assurance against misstatement or loss. The Board considers that there have been no substantial weaknesses in internal controls resulting in material loss, contingencies or uncertainties and thus disclosable in the accounts.

ASSESSMENT OF BUSINESS RISK

A system of business risk identification, assessment and evaluation is in place within the management process throughout the Group. Strategic risks are regularly reviewed by the Board. Risk relating to the key activities within the subsidiary operation units is assessed continuously by their respective Boards of Directors. Further details are set out in note 25.

CONTROL ENVIRONMENT

The Group's operating procedures include a comprehensive system for reporting financial and non-financial information to the Board including:

- preparation and review of annual budgets; and
- review of the business at each Board meeting, focusing on any new risks arising (for example key changes in the market).

CONTROL PROCEDURES

Detailed operational procedures have been developed to safeguard shareholders' investments and the Company's assets that embody key controls and these are reviewed annually by the Board. The implications of changes in law and regulations are taken into account within these procedures.

HEALTH SAFETY AND ENVIRONMENTAL PROTECTION

The Group is committed to compliance with all relevant laws and regulations in the jurisdictions in which it operates. The operating subsidiary maintains and monitors regularly its health and safety procedures and the environment, cultural heritage and sustainability form a key component in project planning and operations.

MONITORING PROCESS

There are clear procedures for monitoring the system of key controls. The significant components are a review by the Audit Committee of the processes for identifying and assessing risk and the effectiveness of controls. The Board has considered the need for an internal audit function but has decided that is not justified at present. However, it will keep the decision under review on at least an annual basis.

DIRECTORS' REMUNERATION

The Board recognises that Directors' remuneration is of legitimate concern to the shareholders and it is committed to following current best practise. The particulars of the remuneration of the Directors are set out in note 29 and their interests in the shares of the Company are set out in the Directors' Report. The Remuneration Committee comprises Neil Bryson (Chairman) and Richard Linnell.

APPOINTMENT OF DIRECTORS

The Nominations Committee meets to make recommendations to the Board on all new Board appointments and comprises Richard Linnell and Neil Bryson. The Board does not use an external consultancy in the appointment of Directors.

STATEMENT OF NON-COMPLIANCE

Due to her indirect shareholding, Rizelle Sampson may not be regarded as independent as defined by the Code.

Susan Laker
Company Secretary
30 June 2011

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF IPSA GROUP PLC

For the period ended 31 March 2011

We have audited the financial statements of IPSA Group PLC for the period ended 31 March 2011 which comprise the consolidated statement of comprehensive income, the consolidated and Parent Company statements of financial position, the consolidated and Parent Company statements of cash flows, the consolidated and Parent Company statements of changes in equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' Responsibilities Statement as set out in the Directors' Report, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2011 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the Parent Company financial statements have been properly prepared in accordance with IFRS as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

EMPHASIS OF MATTER – GOING CONCERN

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 4.2 of the accounting policy note to the financial statements concerning the Group and the Parent Company's ability to continue as a going concern.

The Group incurred a net loss of £5.2m during the period ended 31 March 2011. As explained in note 4.2, the Group and the Parent Company's cash resources have been impacted by delays in securing buyers for Turbines originally acquired for the Coega project in South Africa. The Directors have obtained an informal extension of the finance facilities of £15.0m with Standard Bank PLC and during the period raised additional finance of £1.0m from shareholders and £650k from the issue of a loan note, to provide the Group and the Parent Company with additional working capital. Since contracts for the sale of the Turbines have not been exchanged, there remains an uncertainty over the receipt and timing of the sale proceeds and therefore the ability to repay the overdue debt finance facilities which, along with the other matters explained in note 4.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group and Parent Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and Parent Company was unable to continue as a going concern.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Christopher Smith
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

London
30 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 18 month period ended 31 March 2011

	Notes	18 months 31/3/11 £'000	12 months 30/9/09 £'000
Revenue	5	**801**	**1,039**
Cost of sales	7	(2,671)	(2,227)
Gross loss		**(1,870)**	**(1,188)**
Administrative expenses	8	(1,876)	(985)
Operating loss		**(3,746)**	**(2,173)**
Other income/(expense)	9	955	(1,792)
Finance income	10	1	18
Finance expense	11	(2,448)	(1,519)
Loss before tax		**(5,238)**	**(5,466)**
Tax expense	12	–	–
Loss after tax		**(5,238)**	**(5,466)**
Other comprehensive income			
Exchange differences on translation of foreign operation		(492)	(1,108)
Total comprehensive loss attributable to equity shareholders		**(5,730)**	**(6,574)**
Loss per ordinary share (basic, diluted and headline)	14	**(5.47p)**	**(5.92p)**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	31/3/11 £'000	30/9/09 £'000
Assets			
Non-current assets			
Intangible	15	–	666
Property, plant and equipment	16	13,319	13,978
		13,319	**14,644**
Current assets			
Trade and other receivables	19	2,966	2,380
Cash and cash equivalents	20	33	136
		2,999	**2,516**
Non-current assets classified as assets held for sale	21	**31,629**	**32,253**
Total assets		**47,947**	**49,413**
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital	22	2,150	1,900
Share premium account		26,767	26,027
Foreign currency reserve		(2,054)	(1,562)
Profit and loss reserve		(19,032)	(13,794)
Total equity		**7,831**	**12,571**
Current liabilities			
Trade and other payables	23	21,055	19,553
Borrowings	24	19,061	17,289
		40,116	36,842
Total equity and liabilities		**47,947**	**49,413**

The financial statements were approved by the Board on 30 June 2011.

P R S Earl
Director

E R Shaw
Director

Company registration number: 5496202

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

PARENT COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Notes	31/3/11 £'000	30/9/09 £'000
Assets			
Non-current assets			
Investments	17	500	500
Trade and other receivables	18	22,310	19,833
		22,810	**20,333**
Current assets			
Trade and other receivables	19	2,049	2,286
Cash and cash equivalents	20	17	20
		2,066	**2,306**
Non-current assets classified as assets held for sale	21	**31,629**	**32,253**
Total assets		**56,505**	**54,892**
Equity and liabilities			
Equity attributable to equity holders of the parent:			
Share capital	22	2,150	1,900
Share premium account		26,767	26,027
Profit and loss reserve		(7,470)	(4,867)
Total equity		**21,447**	**23,060**
Current liabilities			
Trade and other payables	23	16,342	14,559
Borrowings	24	18,716	17,273
		35,058	**31,832**
Total equity and liabilities		**56,505**	**54,892**

The financial statements were approved by the Board on 30 June 2011.

P R S Earl
Director

E R Shaw
Director

Company registration number: 5496202

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 18 month period ended 31 March 2011

	18 months 31.3.11 £'000	12 months 30.9.09 £'000
Loss for the period	**(5,238)**	**(5,466)**
Add back net finance expense	2,447	1,501
Adjustments for:		
Depreciation	1,317	813
Impairment of intangible asset	666	84
Translation and other unrealised exchange gains	(1,648)	(4,296)
Change in trade and other receivables	(586)	(925)
Change in trade and other payables	1,179	7,195
Cash used in operations	**(1,863)**	**(1,094)**
Interest paid	(243)	(81)
Net cash used in operations	**(2,106)**	**(1,175)**
Cash flows from investing activities		
Purchase of plant and equipment	(55)	(30)
Deposit (non refundable) on asset held for sale	624	–
	569	**(30)**
Cash flow from financing activities		
Loan note issued	650	–
Other loans received	418	618
Other loans repaid	(624)	(550)
Issue of shares	1,000	870
Issue costs	(10)	(2)
	1,434	**936**
Decrease in cash and cash equivalents	(103)	(269)
Cash and cash equivalents at start of period	136	405
Cash and cash equivalents at end of period	**33**	**136**

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

COMPANY STATEMENT OF CASH FLOWS

For the 18 month period ended 31 March 2011

	18 months 31.3.11 £'000	12 months 30.9.09 £'000
Loss for the period	**(2,603)**	**(3,112)**
Add back net finance expense	219	501
Adjustments for:		
Change in trade and other receivables	236	(1,631)
Change in trade and other payables	1,573	4,190
Cash used in operations	**(575)**	**(52)**
Interest (paid)/received	(60)	16
Net cash used in operations	**(635)**	**(36)**
Cash flows from investing activities		
Loan to subsidiary	(1,126)	(1,234)
Deposit (non refundable) on asset held for sale	624	–
	(502)	**(1,234)**
Cash flow from financing activities		
Loan note issued	650	–
Other loans received	118	624
Other loans repaid	(624)	(550)
Issue of shares	1,000	870
Issue costs	(10)	(2)
	1,134	**942**
Decrease in cash and cash equivalents	(3)	(328)
Cash and cash equivalents at start of period	20	348
Cash and cash equivalents at end of period	**17**	**20**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 18 month period ended 31 March 2011

	Share capital £'000	Share premium account £'000	Foreign currency reserve £'000	Profit and loss reserve £'000	Total equity £'000
At 1.10.08	**1,792**	**25,267**	**(454)**	**(8,328)**	**18,277**
Loss for the year	–	–	–	(5,466)	(5,466)
Other comprehensive income/(loss)	–	–	(1,108)	–	(1,108)
Total recognised expense for the year	**–**	**–**	**(1,108)**	**(5,466)**	**(6,574)**
Issue of shares	108	762	–	–	870
Share issue costs	–	(2)	–	–	(2)
Total transactions with owners	**108**	**760**	**–**	**–**	**868**
At 30.9.10	**1,900**	**26,027**	**(1,562)**	**(13,794)**	**12,571**
Loss for the period	–	–	–	(5,238)	(5,238)
Other comprehensive income/(loss)	–	–	(492)	–	(492)
Total recognised expense for the period	**–**	**–**	**(492)**	**(5,238)**	**(5,730)**
Issue of shares	250	750	–	–	1,000
Share issue costs	–	(10)	–	–	(10)
Total transactions with owners	**250**	**740**	**–**	**–**	**990**
At 31.3.11	**2,150**	**26,767**	**(2,054)**	**(19,032)**	**7,831**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 18 month period ended 31 March 2011

	Share capital £'000	Share premium account £'000	Foreign currency reserve £'000	Profit and loss reserve £'000	Total equity £'000
At 1.10.08	**1,792**	**25,267**	**–**	**(1,755)**	**25,304**
Loss for the year	–	–	–	(3,112)	(3,112)
Total recognised expense for the year	**–**	**–**	**–**	**(3,112)**	**(3,112)**
Issue of shares	108	762	–	–	870
Share issue costs	–	(2)	–	–	(2)
Total transactions with owners	**108**	**760**	**–**	**–**	**868**
At 30.9.10	**1,900**	**26,027**	**–**	**(4,867)**	**23,060**
Loss for the period	–	–	–	(2,603)	(2,603)
Total recognised expense for the period	**–**	**–**	**–**	**(2,603)**	**(2,603)**
Issue of shares	250	750	–	–	1,000
Share issue costs	–	(10)	–	–	(10)
Total transactions with owners	**250**	**740**	**–**	**–**	**990**
At 31.3.11	**2,150**	**26,767**	**–**	**(7,470)**	**21,447**

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

1. PRINCIPAL ACTIVITIES AND NATURE OF OPERATIONS

The principal activity of IPSA Group PLC and its subsidiaries (the "Group") 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, the Group's operating activities included the generation and sale of electricity by the Group's gas fired plant in Newcastle, Republic of South Africa. Due to continued delays in obtaining an electricity generating contract from Eskom and securing gas supplies, electricity generation was suspended in the prior period and re-commenced, initially under a temporary licence during June, July and August 2010 before becoming fully operational under a long term supply agreement on 24 March 2011.

The Company continued to seek suitable acquirers for its Turbines which were originally acquired in early 2007 for the then proposed Industrial Development Zone at Coega near Port Elizabeth, RSA. Due to the delays in this project reported in prior periods, the Group decided that the shareholders' best interests would be served by disposing of the Turbines. As a result of the continuing weakness in the capital markets for project finance, the disposal process has taken much longer than anticipated. A conditional contract for the sale of one turbine was exchanged in December 2009. This sale did not complete though the Company received the benefit of the non refundable deposit of $1.0m.

Further details are provided in the Chairman's statement and the Chief Executive's review of operations.

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. 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).

3. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements for the period ended 31 March 2011 were approved by the Board of Directors on 30 June 2011.

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 Going concern

As set out in the Chairman's statement and the Chief Executive's review, the Company's subsidiary in South Africa is now party to a Medium-Term Power Purchase Programme ("MTPPP") Agreement with Eskom and since 24 March 2011 has been generating electricity and producing positive cash flow, before depreciation. The Directors are in the process of negotiating a steam supply agreement which, if agreed, will result in the plant operating profitably after depreciation.

Completion of the sale of the Turbines on the indicative terms proposed will enable the Company to repay the borrowings from Standard Bank and other lenders, settle the amounts owed to Turbocare under the refurbishment agreement and provide sufficient working capital for the foreseeable future.

Following the sale of the Turbines, the Group's only cash generating asset will, be its subsidiary in South Africa, until new projects are developed. The timing of receiving repayments of the £22.0m funding provided by the Company for the construction of the plant and future dividends from South Africa is dependent upon concluding and satisfactory steam offtake agreement, refinancing the plant and reaching a satisfactory settlement of the £3.6m plus interest claim by Sasol under the previous "take-or-pay" gas supply agreement, which was terminated by Sasol in July 2009. The claim is being disputed by the Directors and it is expected that the matter will be referred to arbitration later this year or early in 2012.

Accordingly, until the sale of the Turbines is completed, there remains a material degree of uncertainty regarding the Company and the Group's ability to continue as a going concern.

The Directors have concluded that the combination of these circumstances represent a material uncertainty that casts significant doubt upon the Company's ability to continue as a going concern. Nevertheless the Directors do consider that there is a reasonable expectation that the sale will complete on the terms proposed and that third party funding will be available to finance the plant in South Africa. The Directors have considered the uncertainties described above and they have a reasonable expectation that the Group and Parent Company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

4.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2011.

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. Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is provided to write-off the cost of the intangible asset over its useful economic life.

4.5 Impairment of property, plant, equipment and intangible 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

4.5 Impairment of property, plant, equipment and intangible assets (CONT'D)

amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The 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 (or 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. Monetary 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 period ended 31 March 2011 the Group's revenue comprised the sale of electricity, initially under a temporary licence granted during June to August 2010 and, from 24 March 2011, under the MTPPP Agreement with Eskom.

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

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 Non-current assets classified as held for sale

Assets are categorised as non-current assets classified as held for sale when the Directors intend that the asset be sold rather than employed as an operating asset. Non-current assets classified as held for sale are valued at the lower of cost and fair value less costs to sell.

4.10 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.

4.11 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 tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising in investments in subsidiaries except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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 in which case the related deferred tax is also charged or credited directly to equity.

4.12 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 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.

4.12 Financial assets (CONT'D)

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.

4.13 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 expense" in the income statement except to the extent that the costs are directly attributable to specific construction projects. 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. In subsequent periods, they are stated at amortised cost using the effective interest method. 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.

4.14 Hedging instruments

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

4.15 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; and
- "Profit and loss reserve" represents retained earnings.

4.16 Investment in subsidiary undertakings

The Company's investments in subsidiary undertakings are stated at cost less any provision for impairment.

4.17 Amounts due from subsidiaries

Amounts due from subsidiaries are measured initially at fair value plus transaction costs and thereafter at amortised costs.

4.18 Pensions

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

4.19 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 areas of significant risk which may cause material adjustment to the carrying value of assets and liabilities within the next financial year are in respect of:

i) the value of the power plant in NewCogen, where recoverable, has been assessed on a value in use basis amount based on the assumptions that a) the MTPPP contract with Eskom will continue for the foreseeable future and b) a discount rate of 13%, no impairment to these assets has occurred. (The value in use calculation shows a recoverable amount exceeding carrying value by £2.2m. The discount rate would need to increase to 15% before the carrying value was less than the recoverable amount); and

ii) the value of non-current assets classified as held for sale where it has been assumed that the contracts in prospect will complete at not less than their carrying value; and

iii) the going concern basis for the preparation of these financial statements, further details of which are set out in note 4.2.

4.20 Accounting standards and interpretations not yet applied

The Group has adopted the following new interpretations, revisions and amendments to IFRSs issued by the International Accounting Standards Board, which are relevant to and effective for the Group's financial statements for accounting periods beginning 1 October 2009:

- IAS 1 Presentation of Financial Statements (Revised 2007);
- Amendment to IFRS 7 Financial Instruments: Disclosures – improved disclosures about financial instruments; and
- IFRS 8 Operating Segments.

The adoption of IAS 1 Presentation of Financial Statements (Revised 2007) requires, in some circumstances, presentation of a comparative balance sheet at the beginning of the first comparative period. Management considers that this is not required in these financial statements as the 30 September 2009 consolidated statement of financial position is the same as that previously published.

The following new standards, amendments and interpretations are effective for the first time in these financial statements but none have had a material effect on the Group:

- IAS27 (revised) Consolidated Financial Statements;
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items;

4.20 Accounting standards and interpretations not yet applied (CONT'D)

- IFRIC 17 Distributions of Non-cash Assets to Owners;
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards;
- IFRIC 18 Transfer of Assets from Customers;
- Improvements to IFRSs (2009);
- Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2); and
- Additional Exemptions for First-time Adopters (Amendments to IFRS 1).

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1 October 2009 are:

- IFRS 9 Financial Instruments (effective 1 January 2013);
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1 January 2011);
- Amendment to IAS 32 Classification of Rights Issues (effective 1 February 2010);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective 1 July 2010);
- Prepayments of a Minimum Funding Requirement – Amendments to IFRIC 14 (effective 1 January 2011);
- Improvements to IFRS issued May 2010 (some changes effective 1 July 2010, others effective 1 January 2011);
- Disclosures – Transfers of Financial Assets – Amendments to IFRS 7 (effective 1 July 2011); and
- Deferred Tax: Recovery of Underlying Assets – Amendments to IAS 12 Income Taxes* (effective 1 January 2012).

The Directors do not anticipate that the adoption of these standards and interpretations in future periods will have any material impact on the financial statements of the Group.

5. SEGMENT ANALYSIS

The Group has adopted IFRS 8 'Operating Segments' with effect from 1 October 2009. IFRS 8 requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the Board.

Management currently identifies two geographic operating segments, being operations is RSA (comprising the business of generating electricity and steam) and the head office in the UK. These operating segments are monitored and strategic decisions are made on the basis of segment operating results.

The following table provides a segmental analysis.

	RSA £'000	UK £'000	Inter-group £'000	Total £'000
Period ended 31.3.11				
Revenue	801	–	–	801
Cost of sales	(2,671)	–	–	(2,671)
Gross loss	(1,870)	–	–	(1,870)
Administrative expenses	(336)	(1,540)	–	(1,876)
Other income/(expense)	1,800	(845)	–	955
Finance expense	(879)	(218)	(1,350)	(2,447)
Loss for the period	(1,285)	(2,603)	(1,350)	(5,238)
Total assets	14,573	50,195	(16,821)	47,947
Total liabilities	21,856	35,081	(16,821)	40,116
Year ended 30.9.09				
Revenue	1,039	–	–	1,039
Cost of sales	(2,227)	–	–	(2,227)
Gross loss	(1,188)	–	–	(1,188)
Administrative expenses	(563)	(422)	–	(985)
Other income/(expense)	396	(2,188)	–	(1,792)
Finance expense	(99)	(502)	(900)	(1,501)
Loss for the period	(1,454)	(3,112)	(900)	(5,466)
Total assets	14,918	50,190	(15,695)	49,413
Total liabilities	20,705	31,832	(15,695)	36,842

6. SENSITIVITY ANALYSIS

The value of shareholder equity and the results for the Group are affected by changes in exchange rates, prices for electricity, steam and gas, and interest rates. The following illustrates the effects of changes in these variables.

i) Sensitivity to exchange rates
The Group's electricity generating assets, which also provide steam to industrial customers, are located in South Africa and therefore the sterling value of the revenues and costs from this activity are affected by movements in the value of sterling versus the ZAR.

6. SENSITIVITY ANALYSIS (CONT'D)

i) Sensitivity to exchange rates (cont'd)

The Parent Company has provided 100% of the funding for the construction of the plant. The loans are denominated in sterling and therefore the ZAR value of the loan is affected by movements in the value of the ZAR versus sterling.

In 2007 the Parent Company acquired 4 gas turbines from an Italian manufacturer. The cost of the refurbishment, storage and interest charges is denominated in euro and the sterling liability outstanding during the period and at the period end is therefore affected by movements in the exchange rate between sterling and euro.

The exchange rates applicable to the results for the current period and prior year were as follows:

	Period to 31.3.11	Year to 30.9.09
Closing rate		
ZAR to £	10.95	11.8300
€ to £	1.14	1.09
Average rate		
ZAR to £	11.42	14.00
€ to £	1.15	1.15

The Group's exposure to foreign currency risk is as follows:

	31.3.11	30.9.09
ZAR		
Net assets of non-Sterling functional currency entities €	£9.5m	£9.9m
Monetary liabilities not held in entities' functional currency	£14.8m	£14.0m
A 10% change in the value of Sterling on loss for the period		
ZAR	£1.4m	£1.2m
€	£1.3m	£1.2m
A 10% change in the value of Sterling on net equity		
ZAR	£0.8m	£1.1m
€	£1.3m	£1.3m

ii) Sensitivity to price changes in electricity sold and gas purchased

The results of the Group are affected by the price that electricity is sold at and by the price paid for the gas which is used by the turbines.

If the price of electricity sold during the period had been 10% higher or lower, the loss for the period would have been £80k (2009 – £104k) lower or higher.

If the price paid for gas used during the period had been 10% higher or lower, the loss for the period would have been £63k (2009 – £118k) higher or lower.

6. SENSITIVITY ANALYSIS (CONT'D)

iii) Sensitivity to interest rates

The majority of the Group's funding has been provided by share capital. In 2008, the Group agreed a £15.0m floating rate bank loan to assist in the funding of the 4 Siemens gas turbines. If the interest rate on the loan had been 10% higher or lower during the period, the effect on the finance expense for the period would have been to increase or decrease the finance expense by £124k (2009 – £100k).

The Group has other short term loans. A 10% change in the interest rate applied to these loans would have changed the interest expense for the period by £12k (2009 – £8k).

7. COST OF SALES

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Gas	634	1,179
Depreciation	1,238	673
Other	799	375
	2,671	**2,227**

8. ADMINISTRATIVE EXPENSES

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Payroll and social security	1,113	401
Other administrative expenses	716	540
Audit fees	47	44
	1,876	**985**

Audit fees comprise £31k (2009 – £33k) paid to the Company's auditors and £16k (2009 – £11k) paid to the auditors in respect of the audit of subsidiary companies.

9. OTHER INCOME/EXPENSE

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Storage and insurance charges[1]	(1,267)	(762)
Adjustment on gas 'take-or-pay' contract[2]	1,240	(2,968)
Foreign currency gains on inter-group loans[3]	1,226	3,352
Other foreign currency gains/(losses)[4]	422	(1,414)
Impairment charge[5]	(666)	–
	955	**(1,792)**

[1] These costs relate to storage and insurance of the Turbines.
[2] In prior periods, the plant in Newcastle was unable to supply electricity due to the absence of an electricity offtake agreement with the result that the gas purchased for the plant was less than the minimum offtake level required under the "take-or-pay" contract. At 30 September 2009 an accrual was made in respect of the shortfall in that year. The adjustment at 31 March 2011 represents a reduction in the accrual as following a review of the accrual.
[3] The Company's loan to NewCogen is a sterling denominated loan. The gain arises as a result of the strengthening of the ZAR versus sterling.
[4] Exchange gains and losses arise on the euro liability to Turbocare. At 31 March 2011, sterling had strengthened (2009 – weakened) against the euro giving rise to an exchange gain (2009 – loss).
[5] Following the cessation of steam generation in 2009, the steam supply contract was terminated and accordingly the carrying value of the contract has been impaired to nil – see also note 15

10. FINANCE INCOME

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Interest received on bank deposits	1	18

11. FINANCE EXPENSE

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Bank interest	1,242	997
Loan note interest	41	–
Other loans interest	113	82
Other interest	1,052	440
	2,448	**1,519**

Bank interest comprises interest of the Standard Bank loan of £15.0m (see also note 24).
Loan note interest comprises interest of the £650k loan note (see also note 24).
Other loans interest comprises interest on other loans (see also note 24).
Other interest represents an accrual for interest payable on the overdue sum due to Turbocare and a accrual for interest which may become payable to Sasol in the event that settlement or the arbitration proceedings result in full payment to Sasol of the amounts claimed.

12. 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:

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Loss for the year before tax	5,238	5,446
Expected tax credit based on standard rate of UK corporation tax of 28%	1,467	1,525
Tax losses carried forward	1,467	1,525

No deferred tax asset has been recognised owing to uncertainty as to the timing and utilisation of the tax losses. In the event that a deferred tax asset was recognised at the balance sheet date, it is estimated that the value of the deferred tax asset would be £5.3m (2009 – £3.9m) in respect of the Group and £2.1m (2009 – £1.4m) in respect of the Company.

13. LOSS ATTRIBUTABLE TO THE PARENT COMPANY

The loss attributable to the Parent Company, IPSA Group PLC, was £2.6m (2009 – £3.1m loss). As permitted by Section 408 of the Companies Act 2006, no separate profit and loss account is presented in respect of the Parent Company. The Parent Company loss in the period to 31 March 2011 includes exchange gains of £0.4m (2009 exchange loss – £1.4m).

14. LOSS PER SHARE

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

	Period ended 31.3.11	Year ended 30.9.09
Loss attributable to equity holders of the Company	£5.2m	£5.5m
Average number of shares in issue	95.8m	92.3m
Basic, diluted and headline loss per share	5.47p	5.92p

There is no difference between the basic and diluted loss per share as the 6.8m warrants outstanding during the period were exercisable at a price either at or above the share price of the Company and therefore had no dilution effect.

15. INTANGIBLE ASSETS

	31.03.11 £'000	30.09.09 £'000
Net book value at beginning of period/year	666	750
Amortisation during the year	–	(84)
Adjustment following impairment review	(666)	–
Net book value at end of period/year	–	666

The intangible asset represented the Directors' estimate of the fair value of a contract, owned by NewCogen at the date of acquisition, to supply steam from the electricity generating plant. As a result of the termination of the contract following cessation of the supply of steam, the Directors have written-off the asset.

16. PLANT AND EQUIPMENT

	31.03.11 £'000	30.09.09 £'000
Cost		
At beginning of period/year	15,312	11,988
Addition in period/year	55	30
Disposal	(510)	–
Exchange adjustment	1,218	3,294
At end of period/year	16,075	15,312
Depreciation		
At beginning of period/year	1,334	414
Charge for the period/year	1,317	813
Exchange adjustment	105	107
At end of period/year	2,756	1,334
Net book value at start of period/year	13,978	11,574
Net book value at end of period/year	13,319	13,978

Property, plant and equipment has been valued at cost. It represents the 18 MW plant in NewCogen.

17. INVESTMENTS

	31.03.11 £'000	30.09.09 £'000
Investment in subsidiary companies	500	500

i) Investment in Blazeway Engineering Ltd

The Company owns 100% of the issued share capital of Blazeway Engineering Ltd (a company incorporated in England and Wales, company number 5356014). The investment has been valued at cost. Blazeway Engineering Ltd owns 100% of Newcastle Cogeneration (Pty.) Ltd (a company incorporated in the RSA).

ii) Investment in Elitheni Clean Coal Holdings Ltd

The Company owns 100% of the issued share capital of Elitheni Clean Coal Holdings Ltd ("ECCH"), a company incorporated under the British Virgin Islands Companies Act 2004 (company number 1437070). ECCH owns 100% of the issued share capital of Indwe Power (Pty.) Ltd ("IPPL"), a company incorporated in RSA. ECCH was incorporated as a vehicle to acquire land which, subject to planning approvals, was intended as a potential site for the construction of a coal fired generating plant to be owned by IPPL. During the period, the company acquired an option over suitable land at a cost, including fees, of £133k. However, the Directors decided to allow the option to lapse following the decision to terminate the coal supply agreement between IPPL and Strategic Natural Resources PLC. The cost of acquiring the option has been written-off.

18. TRADE AND OTHER RECEIVABLES DUE IN MORE THAN 1 YEAR

	31.03.11 £'000	30.09.09 £'000
a) Group	–	–
b) Company		
Amount due from subsidiary	22,310	19,833

Imputed interest at the rate of 3 month LIBOR plus 1.5%, amounting to £1.4m, has been added to the loan during the period (2009 – £900k). ZAR 30m/£2.7m of the loan has been subordinated in favour of other creditors of NewCogen.

19. TRADE AND OTHER RECEIVABLES DUE IN LESS THAN 1 YEAR

	31.03.11 £'000	30.09.09 £'000
a) Group		
Trade receivables	112	75
Gas deposit[1]	685	–
Vat receivable[2]	2,040	2,126
Other receivables and prepayments	129	179
	2,966	2,380
b) Company		
Trade receivable	–	75
Vat receivable[2]	2,040	2,126
Other receivables and prepayments	9	85
	2,049	2,380

[1] This comprises a non interest bearing deposit on ZAR 7.5m which has been paid to NewCogen's gas supplier as collateral against amounts owing in respect of gas supplied.

[2] Vat receivable represent amounts of Vat charged by Turbocare for the refurbishment and storage of the 4 turbines. In the opinion of the Directors, supported by independent advice, Vat is not due on the refurbishment or storage costs since the supply relates to work done on equipment which will be exported. The Directors are in discussion with Turbocare to seek their agreement that Vat should not have been charged in which case this amount will be reduced from the liability owing to Turbocare which is set out in note 23.

All trade and other receivables are unsecured and are not past their due dates. In the opinion of the Directors, the fair values of receivables are not materially different to the carrying values shown above.

20. CASH AND CASH EQUIVALENTS

	31.03.11 £'000	30.09.09 £'000
a) Group		
Cash at bank and in hand	33	38
Short term bank deposits	–	98
	33	136
b) Company		
Cash at bank and in hand	17	20

21 ASSETS HELD FOR SALE

	31.03.11 £'000	30.09.09 £'000
4 Siemens Gas Turbines	31,629	32,253

These assets comprise the 4 turbines which were acquired in 2007 for the Coega project at a cost of £21.8m. During 2008, the manufacturer refurbished the Turbines at a cost of £9.8m and £0.6m was added to the cost in respect of interest on a £15.0m bank loan which was used to partly finance their purchase and is secured by a first charge on the assets. Following the completion of their refurbishment and the delay in the timetable for the Coega project, it was decided in 2008 to sell the Turbines and since then the asset has been reclassified as 'assets held for sale'.

The Directors consider, on the basis of the contracts in prospect, that the fair value, based on 'open market value', is in excess of the carrying value. 'Open market value' assumes willing buyer and willing seller.

22. SHARE CAPITAL

	31.03.11 £'000	30.09.09 £'000
a) Authorised		
150,000,000 ordinary shares of 2p each	3,000	3,000
b) Fully paid		
107,504,018 ordinary shares of 2p each (2009 – 95,004,081)	2,150	1,900

	Number	£'000
c) Movement		
At 1 October 2008	95,004,081	1,900
At 30 September 2009	95,004,081	1,900
Allotment in February 2011	12,500,000	250
At 31 March 2011	**107,504,081**	**2,150**

22. SHARE CAPITAL (CONT'D)

The shares allotted in February 2011 were issued at 8p per share for cash. The premium, net of £10k of expenses has been credited to the share premium account.

At the period end, a total of 6.8m warrants were outstanding, exercisable as follows – 6.5m between the repayment date of the £650k loan note (see note 24 below) and 30 months thereafter at 8p per share and 300k at any time before 16 June 2012 at 15p per share.

23. TRADE AND OTHER PAYABLES

	31.03.11 £'000	30.09.09 £'000
a) Group		
Trade payables[1and 2]	20,008	18,922
Other payables3	1,047	631
	21,055	19,553
b) Company		
Trade payables[1and 2]	15,401	14,493
Other payables	941	66
	16,342	14,559

Trade payables include:

[1] An amount of €16.8m / £14.8m (2009 – €15.3m/£14.0m) owing to Turbocare in respect of the refurbishment work (which was completed in 2008 on the 4 Siemens gas turbines originally acquired for the Coega project) plus storage charges and interest (calculated at 1 month EURIBOR plus 1% per annum on the amount outstanding). Included within the €16.8m is an amount of €2.3m of Vat (see note 192 above) which the Directors do not regard as being due. €12.0m (€10.0m excluding Vat) of the €16.8m balance is not due until a sale of the Turbines is completed. The remaining €4.8m (less Vat) is overdue following the termination of a formal standstill agreement originally entered into in March 2010.

[2] An amount of ZAR 39.6m/£3.6m plus an accrual of ZAR 7.6m/£0.7m for interest in respect of amounts currently claimed by Sasol under the now terminated "take-or-pay" agreement. The Directors have instructed solicitors to contest the claim and it is expected that the matter will be settled or referred to arbitration either later this year or in early 2012. Although the Directors believe that the claim will be settled at an amount below that claimed, they consider that it is appropriate to provide for the sums claimed in full until the matter is either settled between the parties or by an arbitrator.

[3] Other payables includes an accrual for Directors' remuneration (£630k) and salaries (£121k) accrued but unpaid in respect of remuneration due to the Directors and one employee – see also note 29.

24. BORROWINGS

	31.03.11 £'000	30.09.09 £'000
a) Group		
Bank loan[1]	15,000	15,000
Overdue interest on bank loan[1]	2,239	997
Loan note[2]	650	–
Overdue interest on loan note[2]	41	–
Other loans including accrued interest[3]	1,131	1,292
	19,061	17,289
b) Company		
Bank loan[1]	15,000	15,000
Overdue interest on bank loan1	2,239	997
Loan note[2]	650	–
Overdue interest on loan note[2]	41	–
Other loans including accrued interest[3]	786	1,276
	18,716	17,273

[1] The bank loan comprises a fully drawn facility of £15.0m which was originally repayable on 30 September 2009. Interest is calculated on 3 month LIBOR plus a margin of 2.25% and a default margin of 2%. The interest rate applicable at 31 March 2011 was 4.5% (2009 – 4.85%). Interest charged during the year amounted to £1.2m (2009 – £1.0m). The loan is secured by a first charge on the 4 Siemens gas turbines. The repayment date was formally extended in March 2010 following a standstill agreement. This agreement ended in February 2011 and the loan is now in default and repayable on demand.

[2] The loan note was issued in March 2010. Interest is payable at 6% per annum. The original repayment date of the loan note has been extended to 31 July 2011. 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.

[3] Other loans, plus accrued interest comprise:

	Group 31.3.11 £'000	Company 31.3.11 £'000	Group 30.9.09 £'000	Company 30.9.09 £'000
Loan 1	319	319	350	350
Loan 2	261	244	812	796
Loan 3	135	135	130	130
Loan 4	88	88	–	–
Loan 5	328	–	–	–
Total	**1,131**	**786**	**1,292**	**1,276**

These other loans are due for repayment by 31 July 2011 and carry interest at between 0.75% and 12%.

All borrowings are denominated in sterling.

25. FINANCIAL INSTRUMENTS AND 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's principal trading operations are based in South Africa and as a result the Group has exposure to currency exchange rate fluctuations in the ZAR 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 attempts to anticipate the future cash requirements for each project and seeks to put in place appropriate equity and debt facilities to match the funding requirements of these projects. Given the delays experienced in projects to date and the extended time taken to secure a buyer for the Company's turbines, the Company has necessarily obtained extensions to credit facilities. As set out in note 4.2, the Directors anticipate that the proceeds from the sale of the Turbines will provide the Group and the Company with sufficient working capital for the foreseeable future but until that time, the Group and the Company will be dependent upon its creditors continuing to grant extended terms.

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.

25. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONT'D)

The financial assets and liabilities of the Group and the Company are classified as follows:

31 March 2011

	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Amortised cost £'000
Trade and other receivables > 1 year	–	–	–	–	22,310	–
Trade and other receivables < 1 year	–	797	–	–	–	–
Cash and cash equivalents	–	33	–	–	17	–
Trade and other payables	–		(21,055)	–	–	(16,342)
Borrowings	–	–	(19.061)	–	–	(18,716)
	–	**830**	**(40,116)**	**–**	**22,327**	**(35,058)**

30 September 2009

	Group			Company		
	Fair value through profit and loss £'000	Loans and receivables £'000	Amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Amortised cost £'000
Trade and other receivables > 1 year	–	–	–	–	19,833	–
Trade and other receivables < 1 year	–	75	–	–	75	–
Cash and cash equivalents	–	136	–	–	20	–
Trade and other payables	–	–	(19,553)	–	–	(14,559)
Borrowings	–	–	(17,289)	–	–	(17,273)
	–	**211**	**(36,842)**	**–**	**19,928**	**(31,832)**

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

26. CAPITAL COMMITMENTS

There were no outstanding capital commitments at the year end.

27. CONTINGENT LIABILITIES

In July 2006, NewCogen entered into a contract with Sasol Gas for the supply of gas. The contract provided for minimum off-take requirements under the "take-or-pay" agreement during the first 5 years of the contract. In July 2009, the supplier terminated the contact due to non-performance under the payment terms of the contract, following the decision to temporarily cease power generation at the plant owing to the delays by the authorities in South Africa in granting a power purchase agreement. The Directors of NewCogen are in discussions with Sasol Gas concerning possible claims for non-performance under the "take-or-pay" terms. The maximum potential claim amounts to ZAR 115.5m/£9.4m. As set out in note 23, the Directors have provided for £3.6m plus interest, being the sum potentially due up to the date of the termination of the contract but have not provided for sums which may be claimed beyond termination as they have been advised by their lawyers that any claim for such periods is unlikely to be successful.

As a result of NewCogen ceasing steam production in February 2009, NewCogen's steam customers have indicated that they may make a claim against NewCogen for additional costs of working, based on their costs of procuring replacement steam. To date, no claim has been lodged and the Directors of NewCogen are of the opinion that no liability exists.

28. RELATED PARTY TRANSACTIONS

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

i) Charge to the Company of £90k by Independent Power Corporation PLC ("IPC") under a "Shared Services Agreement" for the provision of offices and other administrative services. P Earl, E Shaw and P Metcalf are Directors of IPC. A sum of £191k was owing to IPC at 31 March 2011 (2009 – £115k).

ii) Short term loan from IPC amounting to £261k, including accrued interest, at 31 March 2011 (2009 – £812k). Interest on the loan, which is being charged at 8%, amounted to £41k (2009 – £57k). During the period, IPC advanced £52k of new loans and £624k of loans were repaid (see v below). The loan is repayable on 31 July 2011.

iii) Short term loan from Secteur Holdings Ltd amounting to £319k, including accrued interest, at 31 March 2011 (2009 – £350k). Interest on the loan, which is being charged at 6%, amounted to £25k (2009 – £21k). £56k of the loan was repaid during the period. The loan is repayable on 31 July 2011. Mrs E Earl, P Earl's former wife, is a Director of Secteur Holdings Ltd.

iv) An accrual for Group salaries (short term employee benefits) payable to key management totalling £860k (2009 – £60k).

v) Received a non-refundable deposit of US$ 1.0m/£624k from a subsidiary of IPC in connection with a proposed sale of one Turbine. The deposit was set off against amounts owing to IPC.

vi) Short term loan of £300k from Sterling Trust Limited to NewCogen.

Transactions between the Company and NewCogen included:

i) Increase in unsecured loans by the Company to NewCogen of £2.5m (2009 – £1.2m).

ii) This increase included interest imputed but not yet charged to NewCogen of £1.4m (2009 – £900k).

29. DIRECTORS AND EMPLOYEE COSTS

	Period ended 31.03.11 £'000	Year ended 30.09.09 £'000
Aggregate remuneration of all employees and Directors (including national insurance)	659	401

The remuneration of Directors who served during the year was:

	Salary		Fees		Total	
	2011 £'000	2009 £'000	2011 £'000	2009 £'000	2011 £'000	2009 £'000
R Linnell	–	n/a	38	n/a	38	n/a
N Bryson	–	–	44	19	44	19
M Cox	80	–	–	–	80	–
P Earl	140	–	–	–	140	–
J Eyre	131	9	–	–	131	9
P Metcalf	–	n/a	3	n/a	3	n/a
R Sampson	–	–	61	–	61	–
E Shaw	131	9	–	–	131	9
S Hargrave	75	–	–	–	75	–
J West	5	–	21	17	26	17
	562	18	167	36	729	54

With the exception of the 2009 salary figures, all of the above salaries and fees were unpaid at the year end. It is intended that these unpaid salaries and fees be paid when there are sufficient cash resources available.

The average number of employees in the Group, including Directors, was 22 (2009 – 21).

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COMPANY INFORMATION

DIRECTORS
R Linnell (non-executive Chairman)
N Bryson (non-executive)
M Cox
P R S Earl
J M Eyre
P Metcalf (non-executive)
R Sampson (non-executive)
E R Shaw

SECRETARY
S A Laker

COMPANY NUMBER
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