



25 June 2009

## IPSA GROUP PLC

### Unaudited Interim Results for the Six Month Period to 31 March 2009

#### Chairman's Statement

In the six month period to 31 March 2009 the Group made a loss of £3.4m on sales of just under £1.0m. The loss per share, fully-diluted, was 3.80p.

#### **1) Newcastle Combined Heat and Power ("CHP") Plant**

Having previously been commissioned and achieved sales of both steam and electricity, the Newcastle CHP facility in KwaZulu Natal has stood idle while waiting for the award of a power purchasing agreement with Eskom. As noted in the accounts, the Company's subsidiary in South Africa commenced selling steam in September 2007 and electricity in October 2007 but sales of electricity have been temporarily suspended since the end of September 2008 pending the application for and grant of an electricity supply contract. The delay in being awarded a contract has affected the Group's cash flow to the extent that steam sales have also been temporarily suspended since February 2009.

We are very hopeful that the power purchase agreement will be signed and implemented in the near future. The Company shares the frustration of shareholders that the agreement has taken so long to materialise. I can only assure shareholders that this is not the result of any lack of effort on the part of management, who have been working non-stop to finalise matters with Eskom; but it must be acknowledged that for Eskom the Newcastle CHP project is much less important than it is for IPSA. The resulting delay has had a number of negative impacts on the Group. In particular, the refinancing of the Newcastle project, already made more difficult by exceptionally poor conditions in international credit markets following the financial collapse of late 2008, has had to wait until an appropriate power purchase contract is in place, while the Group's profits and cashflow have been seriously hit by its obligations under the take or pay agreement with our gas provider, Sasol. That is, we find ourselves in a position of having to pay for gas we are not consuming while our generators sit there with nothing to do.

#### **2) Fiat Avio 501 D turbines**

During the period under review, and since the period end, IPSA has conducted negotiations with various parties outside South Africa for the sale of the turbines formerly earmarked for the Coega project near Port Elizabeth. It had become clear that the in-service date for the first 521 MW of open cycle gas turbine capacity at Coega, originally targeted for mid-2009, could not be achieved and IPSA has therefore been endeavouring to sell the four fully-refurbished Fiat Avio 501 D turbines acquired by the Company in March 2007 for the Coega project.

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Despite various offers of interest, and moments when agreement appeared to be within sight, no firm purchaser has yet been identified for the turbines. The Directors continue to believe that the value of the turbines is considerably higher than the all-in purchase price of £32.6 million. The turbines are unusual in that they are able to run on heavy fuel oil, which makes them more adaptable than many competitors. However the terms of the Company's loan of £15 million from Standard Bank require the Company to repay the loan in full by the end of September 2009 and it is imperative that an appropriate transaction is agreed by then, or that appropriate refinancing arrangements are put in place.

### **3) Elitheni Clean Coal Holdings**

The Group is developing over 500 MW of coal-fired capacity in the Eastern Cape based on coal from the Elitheni coal mine at Indwe. The owners of the Elitheni coal mine have announced increased coal reserves sufficient for IPSA to proceed with the first 250 MW of coal-fired capacity on a fast track basis. Once again the advancement of this project has been hindered by our lack of cash, and further progress is dependent on the refinancing referred to above.

Overall it has been a very frustrating time. South Africa's need for new generating capacity is demonstrated by continuing power shortages in many parts of the country; the authorities have been obliged to make arrangements with other countries in the region to ensure uninterrupted supplies during the 2010 football World Cup. Our Newcastle facility has been waiting for the best part of a year while the award of a long term power purchase agreement has been held up by delays beyond our control. We are now very hopeful of good news on the power purchase agreement in the near future – but previous experience has taught us to be cautious about being too optimistic on timing.

The Company's financial position, clearly, is difficult. We have some excellent and valuable assets in the Newcastle plant and the four Fiat Avio turbines. On the other hand we are very short of cash; indeed we have already announced that during the period we were dependent for survival on funding from Independent Power Corporation PLC ("IPC"), a company controlled by our own chief executive. This funding has kept the Group alive but it is not a bottomless well. The current amount due to IPC is £0.63m, following the conversion of £0.55m of existing loan into ordinary shares in the Company in March 2009. In addition, interest payments of £0.58m are overdue in respect of the Company's senior secured bank loan.

Shareholders should note that the independent auditors included an emphasis of matter paragraph in their unqualified opinion of the Group's Financial Statements for the year ended 30 September 2008 in light of the uncertainties at the time.

It is essential for our survival that we make rapid progress with the refinancing of the Newcastle facility and the sale of the Fiat Avio turbines. Shareholders will be kept fully informed.

Stephen Hargrave  
Chairman  
25 June 2009



## IPSA GROUP PLC

CONSOLIDATED INCOME STATEMENT (unaudited)  
for the half year ended 31 March 2009

	Notes	6 months to 31/3/09 £'000	6 months to 31/3/08 £'000
Revenue	3	955	957
Cost of sales	4	<u>(1,663)</u>	<u>(1,439)</u>
Gross loss		(708)	(482)
Administrative expenses		<u>(492)</u>	<u>(721)</u>
Operating loss		(1,200)	(1,203)
Other (expenses) / income	5	(1,296)	(3,639)
Finance (expense) / income		<u>(908)</u>	<u>(10)</u>
Loss before tax		(3,404)	(4,852)
Tax expense		=	=
Loss for the period		<u>(3,404)</u>	<u>(4,852)</u>
Loss per ordinary share (basic, diluted and headline)	6	3.80p	5.42p

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE (unaudited)  
for the half year ended 31 March 2009

	6 months to 31/3/09 £'000	6 months to 31/3/08 £'000
Loss for the period	(3,404)	(4,852)
Exchange difference on translation	<u>(250)</u>	<u>532</u>
Total recognised loss for the period	<u>(3,654)</u>	<u>(4,320)</u>



## IPSA GROUP PLC

CONSOLIDATED BALANCE SHEET (unaudited)  
at 31 March 2009

	Notes	31/3/09 £'000	30/9/08 £'000	31/3/08 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible	7	708	750	833
Property, plant and equipment	8	<u>12,217</u>	<u>11,574</u>	<u>32,960</u>
		<u>12,925</u>	<u>12,324</u>	<u>33,793</u>
<b>Current assets</b>				
Assets held for resale	9	32,639	32,253	-
Trade and other receivables		290	1,454	651
Cash and cash equivalents		<u>865</u>	<u>405</u>	<u>1,464</u>
		<u>33,794</u>	<u>34,112</u>	<u>2,115</u>
<b>Total assets</b>		<u>46,719</u>	<u>46,436</u>	<u>35,908</u>
<b>Equity and liabilities</b>				
<b>Equity attributable to equity holders of the parent:</b>				
Share capital		1,901	1,792	1,792
Share premium account		26,002	25,267	25,267
Foreign currency reserve		(704)	(454)	(18)
Retained loss		<u>(11,732)</u>	<u>(8,328)</u>	<u>(8,729)</u>
<b>Total equity</b>		<u>15,467</u>	<u>18,277</u>	<u>18,312</u>
<b>Non-current liabilities</b>				
Bank loan	10	=	=	<u>15,000</u>
<b>Current liabilities</b>				
Trade and other payables	11	15,147	12,017	2,596
Bank loan	10	15,000	15,000	-
Other borrowings		<u>1,105</u>	<u>1,142</u>	=
		<u>31,252</u>	<u>28,159</u>	<u>2,596</u>
<b>Total equity and liabilities</b>		<u>46,719</u>	<u>46,436</u>	<u>35,908</u>



## IPSA GROUP PLC

### STATEMENT OF CONSOLIDATED CASH FLOWS (unaudited) for the half year ended 31 March 2009

Notes	6 months to 31/3/09 £'000	6 months to 31/3/08 £'000
Cash generated from / (used in) operations	973	(12,337)
Interest (paid) / received	<u>(908)</u>	<u>(10)</u>
Net cash generated from / (used in) operating activities	65	(12,347)
Cash flows from investing activities		
Purchase of plant and equipment	(26)	(1,892)
Additions to assets for resale	<u>(386)</u>	=
	<u>(412)</u>	<u>(1,892)</u>
Cash flows from financing activities		
Bank loan	-	15,000
Other loans	513	-
Issue of shares (net of costs)	<u>294</u>	=
	<u>807</u>	<u>15,000</u>
Increase in cash and cash equivalents	<u>460</u>	<u>761</u>
Reconciliation and analysis of change in net funds		
Increase in cash during the period	460	761
Cash and cash equivalents at start of period	<u>405</u>	<u>703</u>
Cash and cash equivalents at end of period	<u>865</u>	<u>1,464</u>
Reconciliation of loss before tax to net cash used in operations:		
Loss for the period	(3,404)	(4,852)
Depreciation	348	109
Amortisation of intangible asset	42	-
Changes in working capital		
Decrease in debtors	1,164	441
Increase / (decrease) in creditors	3,130	(10,124)
Exchange translation	(1,215)	2,079
Interest net	<u>908</u>	<u>10</u>
Net cash generated from / (used in) operations	<u>973</u>	<u>(12,337)</u>



## **IPSA GROUP PLC**

Notes to the unaudited Interim Statement for the half year ended 31 March 2009

### 1. Basis of preparation

This interim statement is unaudited and does not constitute Statutory Accounts within the meaning of Section 240 of the Companies Act 1985. Statutory Accounts for the year ended 30 September 2008 have been filed with the Registrar of Companies. The auditors have made a report on those Statutory Accounts under Section 235 of the Companies Act 1985. The auditors' report is modified on the basis of an emphasis of matter opinion and going concern but is otherwise unqualified. The financial information contained in this interim statement has been prepared in accordance with the Listing Rules of the Financial Services Authority and all International Financial Reporting Standards ('IFRS') in force and expected to apply to the Group's results for the year ended 30 September 2009 and on interpretations of those Standards released to date.

### 2. Accounting policies

This interim statement has been prepared in accordance with the Group's IFRS accounting policies. These policies were set out in the Group's Financial Statements for the year ended 30 September 2008.

### 3. Revenue

The Company's subsidiary in South Africa commenced selling steam in September 2007 and electricity in October 2007. Sales of electricity have been temporarily suspended since the end of September 2008 pending the application and prospective grant of an electricity supply contract. The delay in being awarded an electricity supply contract has affected the Group's cash flow to the extent that steam sales have also been temporarily suspended since February 2009.

### 4. Cost of sales

Cost of sales has exceeded sales revenues as a result of the low sales volume following the temporary suspension of electricity sales. In the prior period, cost of sales included gas consumed during testing of the plant.

### 5. Other expenses

Other expenses included:

- a) Exchange losses of £1.5m arising on the amount outstanding in respect of the refurbishment costs of the equipment originally acquired for the Coega project and now held as an 'asset for re-sale'
- b) Exchange gains of £1.1m arising in the Company's subsidiary on sterling denominated loans from the Company which have funded the construction of the generating plant in South Africa
- c) A provision of £0.9m under the gas 'take-or-pay' contract. The suspension of electricity sales has resulted in a shortfall against the minimum off-take required under the contract and this sum of £0.9m represents the pro-rata shortfall at 31 March 2009.



## **IPSA GROUP PLC**

Notes to the unaudited Interim Statement for the half year ended 31 March 2009  
(continued)

### 6. Loss per share

The loss per ordinary share has been calculated on the loss for the period of £3.404m (2008 - £4.852m) divided by the weighted average number (89,564,081) of ordinary shares in issue during the period (2007 - 89,564,081). There is no difference between the basic, diluted and headline calculations.

### 7. Intangible

The intangible non-current asset represents the fair value of the supply contract owned by Newcastle Cogeneration (Proprietary) Limited.

### 8. Property, plant and equipment

Property, plant and machinery comprises the plant in South Africa and, at 31 March 2008, also included the plant acquired for the Coega project (£23.1m) – see note 9 below.

### 9. Assets held for resale

As set out in the 30 September 2008 Financial Statements, the Board has decided to sell the 4 steam turbines which were originally acquired for the Coega project as a result of the uncertainty over the timing of the project and the expected delays as compared to the original proposed timetable.

### 10. Bank loan

In March 2008, the Company obtained a bank loan of £15m to finance the final instalment payment for the plant acquired for the Coega project. The loan is repayable in September 2009. Interest is at LIBOR plus 3.255%.

### 11. Trade and other payables

Included within trade and other payables is an amount of €12.4m (£11.5m) owing to the manufacturer which has refurbished the 4 steam turbines held for resale. This amount is not payable until the machines are sold.

12. The Board of Directors approved this interim statement on 25 June 2009. This interim statement has not been audited.

13. Copies of this statement 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.



About IPSA:

IPSA Group PLC is a British company established to develop power generation projects in southern Africa. It is managed by a team with a strong track record in developing power projects worldwide and with considerable experience in Southern Africa.

IPSA floated on the AIM market of the London Stock Exchange in September 2005 and obtained a dual listing on the Alt<sup>x</sup> market of the Johannesburg Stock Exchange in October 2006.

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