

The definitions and interpretations set out on pages 2 to 5 apply throughout this document.

This pre-listing statement is not an invitation to the public to subscribe for securities, but is issued in compliance with the Listings Requirements of the JSE, for the purpose of providing information to the public with regard to the Company.

Warning: The listing of IPSA on the JSE will be a secondary listing on ALT^x. The primary listing of IPSA is on AIM and the requirements of AIM will prevail. Investing in IPSA involves risk. The JSE does not guarantee the viability or success of IPSA. IPSA has been granted permission by the JSE to not retain a Designated Adviser as IPSA has an AIM nominated adviser (a nomad) in the UK whose responsibility to IPSA is similar to that of a Designated Adviser. IPSA will retain a sponsor in relation to the listing on ALT^x. IPSA has also been granted exemption from making a profit forecast as required by the Listings Requirements of the JSE.

IPSA GROUP PLC

Incorporated and registered in England and Wales with registered number 5496202

AIM share code: IPSA AIM ISIN: GB00B0CJ3F01

JSE share code: IPS JSE ISIN: GB00B0CJ3F01

("IPSA" or "the Company")

PRE-LISTING STATEMENT

prepared in terms of the Listings Requirements of the JSE relating to:

- the listing by way of introduction of 54,629,630 ordinary shares in IPSA already listed on AIM;
- the simultaneous placing and listing of 5,499,839 ordinary shares in IPSA.

Proposed listing date (09:00)

19 October 2006

At the date of listing, and including the results of the placing the authorised share capital of IPSA will comprise 150,000,000 ordinary shares of GBP0.02 each. The issued share capital of IPSA will comprise 60,129,469 ordinary shares. The ordinary shares issued in respect of the private placement will rank *pari passu* with the existing ordinary shares. The placing price was R5.62 or GBP0.385, based on a rand/pound exchange rate of R14.5974 = GBP1.

The ordinary shares will only be traded in electronic form on the JSE and accordingly all shareholders who hold ordinary shares in certificated form will have to dematerialise their certificated ordinary shares should they wish to trade on the JSE.

All the directors of IPSA, whose names are set out herein, collectively and individually accept full responsibility for the accuracy of the information provided in this pre-listing statement and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all information required by law and by the JSE.

The investment bank and sponsor, AIM nominated adviser, broker to the placing, legal adviser, auditors and the transfer secretaries have consented in writing to act in the capacities stated and to names being included in this pre-listing statement and have not withdrawn their consents prior to the publication of this pre-listing statement.

An abridged version of this pre-listing statement will be released on the Securities Exchange News Service on Wednesday, 18 October 2006.

Investment bank and sponsor



Broker to the private placing



Auditors and reporting accountants



Legal adviser



This pre-listing statement is available in English. Copies may be obtained from the registered offices of IPSA and the transfer secretaries whose addresses are set out in the "Corporate information" section of this pre-listing statement.

Date of issue: 18 October 2006

CORPORATE INFORMATION

Secretary and registered office

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IPSA Group PLC
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Investment bank and sponsor

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Johannesburg
2196

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Memery Crystal LLP
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UK registrar

Neville Registrars Limited
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West Midland B63 3AD

Date of incorporation:

1 July 2005

Place of incorporation

England and Wales

Transfer secretaries

Computershare Investor Services 2004
(Proprietary) Limited
(Registration number 2004/003647/07)
Ground Floor
70 Marshall Street
Johannesburg
2001
(PO Box 61051, Marshalltown, 2107)

Auditors and reporting accountants

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Melton Street
Euston Square
London NW1 2EP

AIM nominated adviser

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Edinburgh
EH2 3BU

Broker to the private placing

Hichens, Harrison & Co PLC
Bell Court House
11 Blomfield Street
London EC2M1LB

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DEFINITIONS AND INTERPRETATIONS

Throughout this pre-listing statement and the annexures hereto, unless otherwise stated or the context otherwise indicates, the words in the first column shall have the meanings stated opposite them in the second column and words in the singular shall include the plural and *vice versa*, words importing natural persons shall include corporations and associations of persons and any reference to one gender shall include the other genders:

“AIM”	the AIM market, operated by the LSE;
“the AIM admission”	the admission of the ordinary shares in issue on 20 September 2005 to trading on AIM;
“the AIM listed shares”	the 54,629,630 ordinary shares in IPSA currently listed on AIM;
“the AIM placing”	the conditional placing on behalf of the Company of the ordinary shares of IPSA at the AIM placing price by Noble, pursuant to the AIM placing agreement on 20 September 2006;
“the AIM placing agreement”	the conditional agreement dated 14 September 2005 between the Company, the directors and Noble relating to the AIM placing, details of which are set out on page 27 of this document;
“the AIM placing price”	GBP0.27 per AIM placing share;
“the AIM placing shares”	the 29,629,630 new ordinary shares issued pursuant to the AIM placing;
“the AIM Rules”	the rules applicable to AIM companies as published by the LSE from time to time;
“ALT ^x ”	the Alternative Exchange of the JSE.
“the ALT ^x placing mandate”	the mandate dated 11 September 2006 between the Company and Hichens, relating to the placing, summary details of which are set out on page 27 of this document;
“Argentina”	the Argentine Republic;
“articles”	the articles of association of the Company;
“bagasse”	the dry, fibrous residue remaining after the extraction of juice from the crushed stalks of sugar cane and used as a source of fuel;
“Blazeway”	Blazeway Engineering Limited, incorporated in England and Wales on 8 February 2005 under the UK Companies Act with registered number 5356014 and a wholly-owned subsidiary of the Company;
“Board” or “directors”	the current Board of directors of the Company whose names are set out on pages 16 to 20 of this document;
“CHP”	combined heat and power, an energy conversion process whereby electricity and heat are produced simultaneously in one process;
“the Combined Code”	the corporate governance code issued by the Financial Reporting Council of the United Kingdom, as amended from time to time;
“the Company”	IPSA;
“Common Monetary Area”	South Africa, Namibia, Lesotho and Swaziland;
“CREST Regulations”	Uncertificated Securities Regulations (SI 2001 No 3755), as amended;
“CREST”	the computerised settlement system (as defined in the CREST Regulations), in respect of which CRESTCo is the operator;
“CRESTCo”	CRESTCo Limited, the operator of CREST;

“CSDP”	Central Securities Depository Participant accepted as a participant in terms of the South African Securities Services Act, No 36 of 2004;
“the directors”	the directors of IPSA;
“this document” or “this pre-listing statement”	this pre-listing statement and the annexures hereto, to be issued by IPSA on or about 18 October 2006, regarding the listing of IPSA on the JSE;
“DME”	Department of Minerals and Energy of the Government;
“EPG”	European Power Generation Limited, a company incorporated in England and Wales under the UK Act with registered number 4273969;
“Eskom”	Eskom Holdings Limited, a public company constituted pursuant to the Eskom Conversion Act, No 13 of 2001 and registered in accordance with the laws of South Africa;
“executive directors”	the Chief Executive Officer, Peter Earl, the Chief Operating Officer and Financial Director, Elizabeth Shaw and the Technical Director, Mike Eyre;
“GBP” or “£” or “Pounds Sterling” or “p”	Great Britain Pound or pence, where 100 pence makes up GBP1, the legal currency of the UK;
“GDP”	gross domestic product;
“Government”	the Government of South Africa;
“Group”	the Company and its subsidiaries;
“Hichens”	Hichens, Harrison & Co PLC, the broker to the private placing;
“inside the fence”	power generation units located on site and focussing their output on site users;
“IPC”	The Independent Power Corporation PLC, incorporated in England and Wales under the UK Companies Act with registered number 3097552 (a company controlled by Peter Earl, and of which he, Elizabeth Shaw and James West are directors);
“IPPs”	independent power producers;
“IPSA”	IPSA Group PLC (Registration number 5496202), a company incorporated and registered in England and Wales under the UK Companies Act and registered as an external company on 28 September 2006 under registration number 2006/03/04/017/10 in terms of the company laws of South Africa;
“IRR”	internal rate of return;
“the JSE”	JSE Limited, a company duly registered and incorporated with limited liability under the company laws of South Africa under registration number 2005/022939/06, licensed as an exchange under the Securities Services Act, 2004;
“Karbochem”	Karbochem (Proprietary) Limited, incorporated in accordance with South African laws;
“last practicable date”	the last practicable date before the finalisation of this pre-listing statement, being Thursday, 5 October 2006;
“listing”	the listing of the AIM listed ordinary shares and the placing shares on ALT*;
“listing date”	the proposed date of the listing which is expected to be on 19 October 2006;
“LNG”	Liquefied Natural Gas (primarily methane), which has been cooled to its liquid state;
“LSE”	London Stock Exchange;

“MW”	megawatt, a measure of power equal to one million watts or one thousand kilowatts;
“MWe”	megawatt of electrical output;
“NEWCOG”	Newcastle Cogeneration Company (Proprietary) Limited, a company incorporated in South Africa on 3 May 2000 with registration number 2000/008136/07 and a wholly-owned subsidiary of IPSA;
“Noble”	Noble & Company Limited, IPSA’s nominated adviser and nominated broker, which is authorised and regulated by the Financial Services Authority of the UK;
“O&M”	operation and maintenance;
“offtaker”	either the purchaser of steam, electricity, or a combination of both;
“option agreement”	the agreement entered into on 3 August 2005 between the Company and EPG, further details of which are set out in paragraph 13.6 on page 28 of this document;
“the option”	the option to purchase a CHP plant granted to the Company or any member of the Group pursuant to the option agreement;
“ordinary shares”	ordinary shares of GBP0.02 each in the share capital of IPSA;
“placees”	the subscribers for the placing shares, further details of which are set out in paragraph 8.1 on page 25;
“placing price”	R5.62 per placing share;
“placing shares”	the 5,499,839 new ordinary shares to be issued pursuant to the ALT ^x placing mandate;
“the placing”	the conditional placing on behalf of the Company of the placing shares at the placing price by Hichens, pursuant to the ALT ^x placing mandate;
“PPA”	Power Projects Africa (Proprietary) Limited, the trading name of First Tech Closed Corporation, incorporated in South Africa with registered number 96/45434/23 (a company in which Cliff Lewis, former Operations Director of the Company, has a 50 per cent. interest) and which provides local engineering consultancy, administrative services and office space to the Group;
“project company”	special purpose company set up to own projects of IPSA;
“R” or Rand”	South African Rand, the legal currency of South Africa;
“real GDP”	an alteration to GDP to take into account the effect of inflation;
“Rurelec”	Rurelec PLC, incorporated in England and Wales under the UK Companies Act with registered number 4812855 (a company of which Peter Earl, Mike Eyre, Elizabeth Shaw and James West are directors);
“SA Act”	the South African Companies Act, 1973 (Act 61 of 1973), as amended;
“SARB”	South African Reserve Bank;
“SASOL”	SASOL Gas Limited, a public company incorporated in South Africa;
“SENS”	Securities Exchange News Service of the JSE;
“shareholders”	the holders of ordinary shares in IPSA;
“South Africa” or “SA”	the Republic of South Africa;
“southern Africa”	means, for the purposes of this document the 14 member states of the Southern African Development Community (SADC), being Republic of Angola, Republic of Botswana (“Botswana”), Democratic Republic of Congo, Kingdom of Lesotho (“Lesotho”), Republic of Malawi, Republic of Mauritius, Republic of Mozambique (“Mozambique”), Republic of

	Namibia (“Namibia”), Republic of Seychelles, South Africa, Kingdom of Swaziland (“Swaziland”), United Republic of Tanzania (“Tanzania”), Republic of Zambia and Republic of Zimbabwe (“Zimbabwe”);
“STRATE”	STRATE Limited (Registration number 1998/022242/06), a registered central securities depository in terms of the Custody and Administration of Securities Act (Act 85 of 1992), as amended;
“subsidiaries”	Blazeway and NEWCOG;
“take or pay”	where the offtaker pays for the greater of the electricity supplied or its contractually agree demand;
“tph”	tonnes per hour;
“transfer secretaries”	Computershare Investor Services 2004 (Proprietary) Limited (Registration number 2004/003647/07), a company incorporated in South Africa, the transfer secretaries of IPSA;
“UK Companies Act”	the Companies Act 1985 of England and Wales, as amended;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“US\$” or “Dollar”	United States Dollars, the legal currency of the USA; and
“US” or “USA”	the United States of America, its territories and possessions, any State of the United States of America and the District of Columbia.

SALIENT FEATURES

1. INTRODUCTION AND PURPOSE

IPSA wishes to undergo the listing on ALT^x in order to facilitate the meeting of future requirements, particularly in respect of South African projects, and to provide a convenient channel to attract South African investors to IPSA.

The purpose of this pre-listing statement is to:

- provide investors and the market with information relating to IPSA, its operations and its directors;
- provide salient details on the placing subject to the listing;
- enable IPSA to list its shares on ALT^x; and
- set out the salient dates, terms and times of the listing.

2. DETAILS OF THIS LISTING

2.1 Important dates for the listing

Listing date (09:00)

19 October 2006

2.2 Placing

Prior to the issue of this pre-listing statement, 5,499,839 shares were placed with selected placees which are institutional investors at a subscription price of R5.62 per share, subject to the listing taking place. Irrevocable commitments have been obtained from these placees to subscribe for all 5,499,839 shares, thereby raising R30,909,095.

2.3 Listing on the JSE

Application has been made for the listing of the AIM listed ordinary shares and the placing shares on ALT^x on 19 October 2006.

3. FURTHER COPIES OF THIS PRE-LISTING STATEMENT

Copies of this pre-listing statement can be obtained during normal business hours after 12:00 on 18 October 2006 from the registered office of IPSA in London and the office of the transfer secretaries in South Africa, the addresses of which are set out in the “Corporate information” section of this pre-listing statement.

IPSA GROUP PLC

Incorporated and registered in England and Wales with registered number 5496202

AIM share code: IPSA ISIN: GB00B0CJ3F01

JSE share code: IPS JSE ISIN: GB00B0CJ3F01

("IPSA") or ("the Company")

PRE-LISTING STATEMENT

1. INTRODUCTION AND PURPOSE

The directors recognise that the Group's development and trading strategy and its plans for expansion depend upon its ability to raise funds. They believe that the proposed listing will enable the Company to pursue opportunities for growth by raising capital and improving its access to capital markets in the future, particularly access to South African investors. The directors believe that the listing on ALT^x will bring the following benefits:

- access to South African capital markets – the Company expects to raise further funds in South Africa as well as the UK in the future to develop its business, to fund the cash element of any additional acquisitions and generally to supplement its working capital resources. The directors believe that capital for publicly traded companies carries a lower cost and is more freely available than for private companies. Given that the Group's activities are focused in southern Africa, the directors believe that it is appropriate to facilitate the participation of South African capital in IPSA;
- acquisition currency in South Africa – the issue of publicly traded shares as consideration for target companies and/or assets may be more attractive to vendors than the issue of non-publicly traded shares (and may be accepted in whole or in part instead of cash);
- the presence of South African shareholders on the IPSA share register will strengthen the profile of the Company as an Anglo South African owner and operator of power generation facilities; and
- the listing will assist IPSA to introduce Black Economic Empowerment investors in the future as shareholders in the Company.

This pre-listing statement:

- provides information relating to IPSA, its operations and directors;
- provides details on the placing;
- enables IPSA to bring about the listing of its ordinary shares on the ALT^x; and
- sets out the salient dates, terms and times of the listing.

2. INFORMATION RELATING TO IPSA GROUP PLC

2.1 Incorporation

IPSA was incorporated and registered in England and Wales on 1 July 2005 as a public limited company and trades under the name IPSA Group PLC and registered number 5496202. IPSA was registered as an external company in South Africa on 28 September 2006 under registration number 2006/030417/10.

2.2 Listing on the AIM market of the LSE

IPSA was listed on AIM on 20 September 2005. The Company's entire issued share capital of 54,629,630 ordinary shares are currently admitted to trading on AIM.

The directors confirm that, so far as they are aware, IPSA is in full compliance with all the requirements of AIM and is in compliance with all relevant competent authorities and regulatory bodies in the UK.

2.3 Background

Incorporated on 1 July 2005, IPSA acquired the entire issued share capital of Blazeway on 12 September 2005 in return for the issue of 24,999,900 ordinary shares, representing 100 per cent. of the issued share capital of the Company immediately prior to the AIM placing and the AIM admission. In May 2005, Blazeway had acquired NEWCOG, formerly the southern African power development business of IPC, for a total consideration of £875,000. Details of the Blazeway acquisition agreement are set out on page 26 of this document.

Blazeway has carried on business since incorporation on 8 February 2005. NEWCOG was incorporated as Port Ferry Properties 49 (Proprietary) Limited on 3 May 2000, and changed its name to Newcastle Cogeneration (Proprietary) Limited by special resolution dated 20 July 2005. NEWCOG has carried on business since March 2005.

2.4 Group structure

To the best of the knowledge of the Company, there are no persons (whether acting alone or in concert with others) who, directly or indirectly, control the Company, where control means holding 35 per cent. or more of the voting rights attaching to the share capital of the Company.

The directors are not aware of any arrangements currently in place which may at a subsequent date result in a change in control of the Company.

Details of the Company's subsidiaries are set out in the table below:

Name	Holding	Country of incorporation (and residence, if different)	Issued share capital
Blazeway	100 per cent.	England	£500,000
NEWCOG	100 per cent.	South Africa	R1,000

2.5 Nature of business

2.5.1 Introduction

The Company was established to develop, own and manage power generation plants in southern Africa. As set out above, the Company has acquired the southern African power business of IPC through its acquisition of Blazeway. The Company's management has an established track record in developing power projects world-wide and relevant experience in the electricity sector in South Africa. It has two principal business objectives, being:

- the development and ownership of power generation facilities in southern Africa in order to sell electricity and/or heat or steam to companies and communities on commercial terms; and
- in due course, the purchase, refurbishment and operation of existing power plants in the region.

For the majority of its projects, the Company intends to establish subsidiary companies that will develop and manage power generation assets. However, where the directors consider it advantageous, the Group will develop its power generation assets in conjunction with a project partner. The Group has initially targeted specific projects in South Africa and Swaziland and has five projects under varying stages of development. The CHP project for Karbochem at Newcastle, KwaZulu-Natal in South Africa is at the most advanced stage, with key agreements in place for steam sales and fuel supply. The directors expect this project to commence commercial operation in the last quarter of 2006. Subsidiaries for the other four projects are to be established.

The directors believe that, in the medium term, the following opportunities exist:

- sale of power to Eskom from newly developed power plants;
- development of power "islands" serving large industrial consumers of electricity;
- acquisition of existing power plants; and
- LNG-fired developments.

No property is owned by IPSA or its subsidiaries. IPSA currently occupies offices in London owned by IPC for which it pays £5,000 per month for shared services including support staff and office facilities. The agreement is for a five-year term from the date of admission to AIM on 20 September 2005 until 30 September 2010.

IPSA does not enjoy any Government protection or any investment encouragement laws.

There have been no material changes in the business of IPSA or its subsidiaries since listing on AIM on 20 September 2005.

2.5.2 **Strategy**

The Group's strategy is to create a portfolio of power generation assets in southern Africa, in conjunction, where the directors believe this to be advantageous, with project partners. In the event that appropriate opportunities present themselves outside this area, the geographic boundaries for investment by the Group may be extended.

The directors' initial target projects are based on developing "inside the fence" CHP plants with a nominal capacity of up to 100 MWe for industrial companies seeking to obtain pricing predictability for their energy costs and secure a dedicated supply of electricity and steam. It is intended that these plants, subject to fuel supply and commercial considerations, will primarily be gas-fired and produce both heat/steam and electricity. When located close to a major power demand centre, such plants may also be able to contribute to the local transmission system and provide ancillary services (such as emergency power and voltage and frequency stabilisation) to the grid operator. IPSA is in the process of constructing its first gas-fired power station in South Africa.

In due course, the directors intend to extend the business to participate in larger scale electricity generation projects as opportunities arise.

2.5.3 **Market overview and opportunity**

South Africa's GDP grew by 3.5 per cent. in 2004 and by 4.9 per cent. in 2005. Annualised GDP growth for the first half of 2006 is also 4.9 per cent. (www.statssa.gov.za).

The State-owned electricity generator and supplier, Eskom, currently generates around 95 per cent. of the country's electricity. Eskom has over 40,000 MW of nominal generating capacity, primarily coal-fired but also including nuclear, liquid fuel and hydroelectric power plants. The balance of current generation is split between various municipalities, a small amount of self-generation owned by large industrials, such as those in the mining industry and three licensed IPPs. Eskom also imports power from the Cahora Bassa hydroelectric power station in Mozambique and exports power to Botswana, Lesotho, Mozambique, Namibia, Swaziland and Zimbabwe.

Approximately 32 per cent. of South Africans do not have access to electricity at home while peak demand for electricity in South Africa is forecast to exceed existing power capacity by the end of 2006. South Africa's GDP growth target of 6 per cent. lags behind the demand growth for electricity which is estimated to be 7 to 9 per cent.

Government is committed to increasing access for the country to reliable and affordable electricity and the Minister of Public Enterprises for Government announced in October 2004 that South Africa needs to boost its installed power generation capacity by 5,000 MW over the next five years (www.eia.doe.gov).

In response to the forecast supply shortfalls, Eskom has recently commenced a refurbishment programme aimed at bringing three mothballed coal-fired power stations into service with a total generating capacity of 3,800 MWe (www.eia.doe.gov).

Government recognises the need for competition and for a more rational use of resources. As a result, it is now Government policy that 30 per cent. of SA's power capacity should be in private ownership by 2010 and that at least 30 per cent. of all new capacity constructed over the next five years should be met by IPPs. In order to facilitate this, Government has embarked on a programme of structural reform in the regulation of the power industry and announced on 11 April 2005 a tender for new power capacity with an in-service date by the end of 2008. Of particular relevance to IPSA is that Government is seeking to attract foreign developers and investors with experience in the power sector (www.eia.doe.gov).

2.5.4 **Competitive position**

The directors believe that with the forecast shortfall in generating capacity in South Africa in the near future and Government policy regarding private sector involvement in the power sector, there will be further opportunities to develop power plants in South Africa as well as opportunities to develop capacity in neighbouring countries (such as Botswana, Lesotho, Mozambique, Namibia and Swaziland) that have traditionally relied upon South African exports of electricity.

The directors further believe that the Group is well positioned to take advantage of these opportunities, given management's experience in the power generation industry and the Group's existing presence and contacts in southern Africa.

2.5.5 **Environmental considerations**

Historically, South African power plants developed by Eskom have used local low-grade coal, which produces a high ash content when burned and therefore its use has a significant environmental impact. It is the directors' view that the alleviation of the environmental impact caused by coal-fired power generation has become a Government priority and efforts are being made to reduce emissions. The directors' also believe that Government recognises that any new power plants constructed in South Africa will have to meet international environmental emissions standards. In order to attract the investment, the National Electricity Regulator, which regulates electricity prices in South Africa, has indicated that it will pass on to the consumer the increased costs associated with the cleaner generation of electricity. In October 2004 Eskom's electricity tariff was increased by 4.1 per cent. for 2005 compared with the 2004 increase of 2.5 per cent.

Whilst the directors wish to promote the use of renewable fuels for electricity generation where commercially viable, they recognise that, in the short-term, electricity generation will continue to rely on fossil fuels such as gas and coal.

2.5.6 **Portfolio composition**

The strategy of the Group is to build up its portfolio of power generation assets through a combination of acquisitions and joint ventures, as the directors consider appropriate to each project. Each project will be owned and managed by a project company established to ring-fence the funding and contractual arrangements for the project. The Group intends to retain a controlling equity interest in each project company where possible.

If a project company is not exclusively owned or controlled by the Group, a shareholder agreement will be put in place to govern, *inter alia*, the project company's board composition and management, funding and dividend policy.

2.5.7 **Revenue structure**

The project companies will provide the Group with long-term earnings streams through the supply of electricity and/or heat/steam to its customers. In general, it is intended that the length of these supply contracts will range from 10 to 15 years under a take or pay arrangement, with an option to extend this for further periods. Pricing of the electricity and heat/steam for these supply contracts is agreed with the prospective offtaker during the initial phases of the project's development. The Group intends to identify and enter into projects which are forecast to achieve a project IRR of no less than 20 per cent. and, as such, the pricing for each project is derived as a function of the fuel supply price and the desired IRR for each project. Further details of the Group's project development approach are set out below.

The Group will realise three revenue streams from its projects as set out below.

- **Investment income** – provided that there are sufficient distributable reserves, and after taking into account future expected capital expenditure and working capital requirements, all surplus cash will be paid out from each project company in the form of dividends and/or loan interest.

- **Development fees** – following the achievement of commercial operation of a project, the Group will charge the project company a development fee to recover its project development costs. The Group's ability to recover such costs will be dependent on the shareholder agreement with any project partner.
- **Operation and Maintenance fees** – the Group will receive a management fee from the project company to operate and maintain the power plant. These fees will be structured on a cost-plus basis on an initial term of between three and five years. The Group's ability to charge such costs will be dependent on the shareholder agreement with any project partner.

2.5.8 ***Project development approach***

It is intended that each future project entered into will follow a staged process from project identification to commercial operation as follows.

- **Project identification** – the Group will seek projects where it can maximise income from two revenue streams – electricity and heat/steam and will therefore target industries that require both, such as the oil refining, brewing, paper manufacturing and fertiliser industries.
- **Project definition** – the Group will analyse the potential customer's energy requirements over a 10- to-15-year period. This analysis, together with estimates of future energy production costs at their existing facilities, will be used to produce a heat/steam and electricity price forecast on which the Group can base its project model.
- **Project costing/feasibility** – the Group will gather market information to prepare initial estimates for equipment procurement and construction. In addition, estimates of fuel costs would be established through discussions with fuel suppliers. An analysis of logistics is also undertaken at this stage.
- **Proposal/Memorandum of understanding** – the Group will prepare a formal proposal for the client including indicative prices for electricity and heat/steam supply over a given term. If the pricing is deemed acceptable, a memorandum of understanding setting out the broad parameters of the project will be entered into.
- **Engineering, procurement and construction** – the Group expects to conduct competitive tenders, initially for the supply of major equipment and then for the engineering, procurement of the balance of plant and construction contracts.
- **Fuel supply and power and steam agreements** – fuel supply agreements are negotiated to minimise the risk between the offtake arrangements and the fuel supply agreement so that the minimum take or pay level in the fuel supply contract plus other fixed costs is covered by the minimum "take or pay" level in the offtake agreements.
- **Project company formation, financing and contract finalisation** – once the engineering, procurement and construction negotiations and the offtake and fuel agreements are in substantially final form, the project company will be formed and, where required, a shareholder agreement put in place. Debt financing will also be arranged at this stage.
- **Construction** – funds will be drawn down by the project company as agreed milestones are achieved during the construction phase. Project expenditure will be controlled and monitored by a project accountant.
- **Commissioning** – performance testing of the plant.
- **Commercial operation** – once performance specifications are met, the O&M of the plant is handed over to the O&M provider, which will contract with the project company. It is intended that O&M will be provided by the Group for its initial projects. For larger scale generation projects (which may be developed at a later stage), the Group may consider sub-contracting this service to external O&M providers.

2.5.9 **Current projects**

The Company has a number of active projects in varying stages of development:

2.5.9.1 **Newcastle Project, South Africa**

The Group, through its acquisition of NEWCOG, obtained the right to construct a gas-fired 18 MW CHP plant to provide up to 95 tph of process steam to the Karbochem site at Newcastle and subsequently secured sufficient land to permit such construction (the "Newcastle Project"). Karbochem is a synthetic rubber manufacturer.

NEWCOG has entered into the key agreements for the Newcastle Project, namely: steam offtake; site lease; and gas supply. The key terms of these agreements are summarised on page 38 and 39 of this document. An agreement for the sale of electricity to Eskom is currently under negotiation.

IPSA completed the purchase of a CHP plant in Bury, East Lancashire in the UK in September 2005. The plant was then dismantled and shipped to Newcastle. Construction commenced in January 2006 and is now approximately 70 per cent. complete.

In recent months, much of the anticipated overspend on the project has been clawed back and the directors of IPSA are aiming to achieve a net position for the Newcastle Project in line with the original September 2005 capital expenditure budget (by the start of revenue production).

The directors are currently considering a possible expansion of the project by 55MW.

To date, funding of the Newcastle Project has been entirely from equity. It is anticipated that NEWCOG will be successful in obtaining a grant from the DME under South Africa's programme to encourage small combined heat and power projects for which the Newcastle Project qualifies. IPSA has put in place bridge facilities with Standard Bank PLC, London, in the amount of US\$4 million to take account of any timing differences on the anticipated receipt of the grant from the DME towards the construction of the Newcastle Project.

The Company has initiated discussions with commercial banks in South Africa to provide Rand-denominated funding for the Newcastle Project in order to release equity for future developments.

2.5.9.2 **Coega Project, Port Elizabeth**

A memorandum of understanding was signed in February 2006 for the lease of a 20 hectare site at Coega Development Corporation's Industrial Development Zone ("the IDZ") at Port Elizabeth, South Africa with the intention of developing a fast track combined cycle gas turbine ("CCGT") project of 800 MW (the "Coega Project"). The Coega Project was planned to operate in open cycle at 500 MW using liquid fuels. It was also anticipated that the Coega Project would convert to being gas fired upon construction of a proposed LNG receiving terminal at the IDZ.

The IDZ is considered an important element in South Africa's policy of adding value to locally mined metals and minerals. A number of energy intensive metal-processing and smelting companies are considering moving onto the IDZ site subject to the availability of reliable power.

Since signing its original agreement with the IDZ, IPSA has held a number of meetings with the DME during which IPSA was invited to consider increasing the size of its proposed Coega Project in order to meet growing demand for electricity in the Eastern and Western Cape regions. As a result of these discussions, IPSA has made a proposal to the DME and to Eskom in June 2006 for 1,000 MW of open cycle capacity which could be available from early 2008. IPSA currently has the opportunity to acquire 1,000 MW of gas turbines pending negotiation of a power purchase agreement (PPA) with either Eskom, or the DME itself, under the Electricity Regulation Act which came into force on 1 August 2006, and which gives Government the power to sign PPAs outside the framework of a lengthy formal public tender process, providing that there is transparency and providing it can be demonstrated that the contracted power is the lowest cost solution available for South Africa.

Under the revised Coega proposal, IPSA will develop two separate 500 MW units. The total cost of each of these first phase 500 MW units is estimated by IPSA to be approximately US\$150 million. The balance of conversion to CCGT would cost a further US\$120 million to US\$150 million for each unit. IPSA is in discussions with a number of South African financial institutions regarding raising project finance for the Coega Project. IPSA has also taken steps to procure LNG from Latin America for the combined cycle phase at the Coega Project.

2.5.9.3 *Elitheni Project, East London*

In February 2006 IPSA entered into a Memorandum of Intent to develop a clean coal technology plant of up to 400 MW clean coal technology plant at Elitheni, Eastern Cape (the "Elitheni Project"). IPSA is also in discussions to provide a 7 MW CHP for Da Gama Textiles in the Eastern Cape based on Elitheni coal.

Elitheni was one of the first coal deposits to be worked in South Africa prior to the opening up in the early 20th century of the Highveld coal reserves in the region close to Johannesburg. Its development is understood by IPSA to have the support of the local municipality and the recent power cuts in the Western Cape have accelerated the need for Elitheni to move to full production. The Company has been informed that, following recent zoning and environmental approvals, production at Elitheni is expected to commence within six months, subject to a series of independent coal reserve assessments intended to confirm historical reserve data.

IPSA is now proceeding to the environmental impact assessment phase of the power project. IPSA has been informed that the coal mine itself is in the process of submitting a formal application to the DME for a mining licence at Elitheni. IPSA and the Elitheni mining company also intend to explore the possibility of using additional coal from the Elitheni reserves for small CHP projects in Cape Town serving industrial users of power and steam who have found themselves subject to power restrictions following the Cape Town power cuts of 2006.

Under the terms of the Memorandum of Intent, IPSA agreed to advance R1,000,000 of its own funds in the form of a loan to the Elitheni mining company to be utilised in the execution of a drilling programme. However, outside capital has been sourced and IPSA has not as yet been required to provide the loan. IPSA may choose to increase the size of the plant at Elitheni above the planned 400 MW capacity if the preliminary coal reserve reports are confirmed by the final reports due later in the year.

IPSA has no further responsibility for any additional funding at the Elitheni Project but will be responsible for its own environmental impact assessment on site together with project engineering costs.

2.5.10 *Pipeline projects*

2.5.10.1 *CHP Project at Prospecton Basin, near Durban, South Africa*

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

2.5.10.2 *Bagasse-fired CHP Project for the Royal Swazi Sugar Corporation at Simunye, Swaziland*

The Group is in discussions regarding a project to construct, own and operate a bagasse-fired CHP plant for the Royal Swazi Sugar Corporation ("RSSC"). It is intended that the project will supply process steam for RSSC's operations and electricity for sale to the Swazi Electricity Board under a long-term contract. It is anticipated that the Group will finance the majority of the project, with a major shareholder of RSSC also participating and the balance to be sourced from local investors.

2.5.11 **Further opportunities**

The initial programme of investments to be carried out by the Group is focused on CHP projects selling heat/steam and electricity to industrial groups in southern Africa. These will typically be projects with an installed capacity of electricity up to 100 MWe.

IPSA is now also actively pursuing other emergency power, isolated generation and small combined heat and power projects in the region based on third party funding. IPSA intends to act as lead developer for small IPP power plants that are fully funded by third parties but where IPSA can earn both management fees and carried interests or favourable acquisition rights, using the experience of its management in international developments in regional markets where privately owned power plants are a new concept and where IPSA's ability to source generation equipment quickly or on highly competitive terms gives IPSA's development team an advantage.

Accordingly, IPSA is currently considering emergency power, isolated generation or small combined heat and power projects serving large corporations or national governments in Botswana, Kenya, Madagascar, South Africa and Tanzania.

The directors believe that, in the medium term the following opportunities exist:

- **Sale of power to Eskom** – the Group is in discussions with Eskom with a view to entering into power purchase agreements for the sale of electricity capacity and energy to Eskom for distribution nationally in South Africa from newly developed power plants.
- **Other South African industrial groups** – the Group is in discussions with a number of other industrial groups with a view to the development of power “islands” serving large industrial consumers of electricity.
- **Acquisition of existing power plants** – the Group may bid for existing power plants offered for sale by local municipalities or Eskom as part of a privatisation process.
- **LNG-fired developments** – certain members of the Group's management team have experience in LNG-based power generation. The directors anticipate that some of the new large-scale power capacity to be installed in South Africa in the future will be fuelled by LNG sourced from overseas gas producers.

2.5.12 **IPC**

IPC was founded by Peter Earl, Chief Executive of the Company, in 1995 as a UK-based unlisted IPP. Over the past ten years, Peter Earl and IPC have developed, operated and maintained power plants in many parts of the world, including the Republic of Bolivia, the Republic of Kazakhstan, Argentina and USA. IPC also has an operating subsidiary, Independent Power Operations Limited, which manages and operates power plants.

2.5.13 **Rurelec**

Rurelec, an AIM-quoted company, was established in 2004 to set up small off-grid power plants in isolated areas of Latin America and currently has projects in Bolivia and Argentina.

2.5.14 **Relationships with IPC and Rurelec**

Peter Earl, Elizabeth Shaw and Mike Eyre are members of the management team of IPC and Rurelec. Peter Earl, James West and Elizabeth Shaw are directors of IPC and Rurelec, and Mike Eyre is a director of Rurelec. Peter Earl is the controlling shareholder of IPC. Peter Earl, Elizabeth Shaw and Mike Eyre will be apportioning their time in providing services to the Group, IPC and Rurelec. Details of their service agreements with the Company are set out on page 30 of this document.

IPC has covenanted with Blazeway in the agreement for the acquisition by Blazeway of NEWCOG that during the five years from the date of the acquisition agreement in May 2005 it will not be engaged or interested in any project or any other business in, *inter alia*, southern Africa which is similar to the business of Blazeway.

Furthermore, IPC is under a positive obligation if it becomes aware of, or is invited to tender for, a relevant project in southern Africa, to refer such a third party approach to Blazeway (which has a right of first refusal in respect of the relevant project *vis-à-vis* IPC) and/or notify Blazeway of the details of the relevant project. Details of the NEWCOG acquisition agreement are set out on page 12 of this document.

IPSA shares its office space and related costs in London with IPC and Rurelec to enable it to maintain a head office in London at minimal cost. The offices are shared by IPSA and IPC has agreed to provide the related services at cost pursuant to a shared services agreement, the terms of which are detailed on page 41 of this document. The directors believe this agreement is on arm's length terms and will minimise the Group's overhead costs at this early stage of the Company's development.

In the opinion of the directors, there is no conflict between the businesses of IPC and Rurelec (or any of the subsidiaries, associated undertakings or investments) and the Group. In addition, the directors believe that their experience gained from IPC and Rurelec in other parts of the world will be of significant value to IPSA in its operations in southern Africa.

3. FINANCIAL INFORMATION

3.1 Historical financial information

Relevant consolidated financial information extracted for the Group from its financial statements for the nine-months ended 31 March 2006, is set out in Annexure 1.

3.2 Financial controls

The Group's finance function is headed by the Chief Operating Officer and Financial Director, Elizabeth Shaw. The key financial controls employed by the Group are summarised below:

- the individual budgets and business plans for each project are consolidated to produce a Group budget and business plan, which is approved by the Board. The performance of each asset against the budget and other key performance measures will be monitored on a monthly basis through monthly management accounts and significant variances against budget are investigated and appropriate measures taken, where necessary;
- all material capital expenditure items are approved at Board level;
- in addition, the feasibility of each project will be considered, as outlined in paragraph 2.4 above, at Board level;
- the Board meets at least every three months to review the financial performance of the Group. The executive directors review performance on a monthly basis and address operational and strategic issues as required; and
- there exists within the Group appropriate levels of delegated authority covering the key areas of the Group's operations.

The Group does not currently operate an internal audit function as the directors do not believe that, given the current size and complexity of the Group, the cost would deliver appropriate benefits.

3.3 Dividend policy

The Company will not be able to pay a dividend until it has generated sufficient distributable reserves from its activities. However, it is the intention of the directors that the Company should distribute a proportion of its profits to shareholders in the form of dividends as soon as it is commercially viable to do so.

3.4 Working capital statement

The directors are of the opinion, having made due and careful enquiry (which did not include any independent verification by the reporting accountants), and having taken into account the net proceeds of the placing, that the Company and its subsidiaries will have sufficient working capital for the Group's present requirements, that is for at least the next 12-month period from the date of issue of this pre-listing statement.

4. DIRECTORS

4.1 Directors of IPSA

The full names, ages, nationalities (if not British), addresses and profiles of the directors of IPSA as at the last practicable date, are set out below:

4.1.1 **Stephen Thomas Hargrave (50) non-executive Chairman (independent)**

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

Stephen has been chairman of a number of AIM-quoted companies and since 2000 has been chairman of Invox PLC, a provider of home gaming products and internet services quoted on AIM. After initially working in banking and investment management, he spent two years from 1987 as a financial journalist with the London Evening Standard before leaving in 1988 to join United Newspapers PLC as head of planning. He is also chairman of two unquoted companies, TP3 PLC and London Farmers' Markets Limited, and is a board member of Origin Housing Group, a registered social landlord. He was educated at Oxford University and the University of East Anglia.

4.1.2 **Neil Bryson (58), non-executive director (independent)**

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

Neil graduated in Geology from the University of Durham and has spent over 35 years in the energy sector. Neil worked as an exploration manager and chief coal geologist in his early years before taking up a role as a technical coal specialist to the UK's Department of Energy advising on coal industry matters. In 1987 he acquired a 50 per cent. interest in Faldane Limited, owner of the largest private coal mine in Scotland, and became its Commercial Director. In 1988 he was one of the founder directors of Lakeland Power Limited, developer and owner of the first gas-fired independent power generation project in the UK. Since 1991. Neil has been running his own company, Balmyle Limited, which provides consultancy and interim management services, mainly to the power sector.

4.1.3 **Peter Richard Stephen Earl (51) Chief Executive Officer (executive)**

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

Peter began his career at the Boston Consulting Group advising State-owned companies. He has advised ministries of finance and central banks in Abu Dhabi, Albania, Kuwait and Saudi Arabia. He was previously Chief Executive Officer of Tranwood PLC and The Carter Organisation in New York. In 1994 he acted on secondment to the World Bank and UNDP in Bolivia. He has advised governments on privatisations in Latin America and Eastern Europe having served as Deputy Chairman of the infrastructure finance group of the United Nations

Economic Commission for Europe. He became a director of Fieldstone Private Capital Group in London in 1994, where he advised cross-border power sector acquisitions and bids totalling approximately US\$6 billion, involving 5,000 MW of installed generating capacity. In 1995 he founded IPC and is also a founder and director of Rurelec. He is the author of a European textbook on cross-border take-overs. He is an Oxford University graduate and was a Kennedy Scholar at Harvard University.

4.1.4 Elizabeth Ruth Shaw (45) Chief Operating Officer and Finance Director, co-founder of IPSA (executive)

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

Elizabeth has been involved in the electricity sector since 1994 when she joined Fieldstone Private Capital Group. Between 1994 and 2000, as a director of Fieldstone Private Capital Group, she advised on a number of mergers, acquisitions and disposals in the electricity industry, both in the UK and in developing markets. Prior to joining Fieldstone, Elizabeth was involved in the financing of small to medium-sized companies in the UK, including raising equity for both listed and unlisted companies. She joined IPC as a director in 2000 where she is responsible for business development and finance. She is also a director and founder of Rurelec. Elizabeth is a graduate of Exeter University.

4.1.5 John Michael Eyre (52) Technical Director (executive)

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

Mike is both a Chartered and European Engineer and has extensive experience in project management and development in the power sector. As a Central Electricity Generating Board engineer, he spent part of his early career on secondment to Eskom of South Africa with responsibility for the maintenance of a portfolio of 26, mainly coal-fired, power plants. He subsequently became Head of Engineering Quality with National Power PLC in 1992, where he developed and implemented policy for risk management of its UK assets as well as leading the technical due diligence for international acquisitions of power plants. In 1996 he founded Lloyds' Register International Power Group, which advises developers on CHP and renewable energy projects. He is also a founder and director of Rurelec. He joined IPC in 2002 where he is currently leading two greenfield development projects for gas-fired plants. He was a member of the United Nations group which set the foundations of the United Nations' emissions trading scheme.

4.1.6 James Glynn West (59) non-executive director (independent)

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

James is formerly a managing director of Globe Investment Trust PLC. Subsequent to this he joined Lazard Asset Management as Chief Executive in 1994. He was also a managing director of Lazard Brothers & Co Ltd, where he held full responsibility for the bank's

investment operations. He currently holds a number of non-executive chairman roles, including Gartmore Fledgling Trust PLC, Jupiter Second Enhanced Income Trust PLC and Rurelec. He is also a non-executive director of a number of other companies including Candover Investments PLC, British Assets Trust PLC and Global Natural Energy PLC.

4.2 **Additional information regarding the directors**

James West was a non-executive director of Latchley Management Limited when it went into creditors' voluntary liquidation on 28 March 2000 (with an estimated deficiency as regards creditors of approximately £4.45 million) and a non-executive director of Snackhouse PLC when it went into creditors' voluntary liquidation on 5 October 2001 (with an estimated deficiency as regards creditors of approximately £5.0 million).

Stephen Hargrave was a non-executive director, representing the shareholder interest of Infrastructure Defense – UK Limited which went into liquidation on 12 July 2001 (with an estimated deficiency as regards creditors of approximately £792,000 of which £657,000 was owed to the company's parent company, a US corporation) and a non-executive director, representing shareholder interest, of Collect Limited which went into creditors' voluntary receivership in 1988 (with an estimated deficiency as regards creditors of approximately £47,000).

Peter Earl was an executive director of Tranwood PLC when it was placed in administrative receivership in August 1991. All non-bank creditors were repaid in full. Tranwood PLC remained solvent but lost its Unlisted Securities Market ("USM") listing. USM was a market set up by the LSE in 1980 for the trading of shares of small to medium-sized companies which did not qualify for a full listing and which was discontinued at the end of 1996. Tranwood PLC was dissolved in 2000. Peter Earl was also an executive director of Carter Organization, Inc. which was placed into Chapter 11 in 1991. Chapter 11 of the Bankruptcy Code (located at Title 11 of the US Code) governs the process of re-organisation under the bankruptcy laws of the US. Bankruptcy in the US relates to both individuals and organisations. In 1992, Carter Organization, Inc. came out of Chapter 11 and successfully restructured.

4.3 **Further information regarding the directors**

Save as disclosed above, none of the directors has:

- any unspent convictions in relation to indictable or criminal offences;
- had any bankruptcy or insolvency order made against him or her or entered into any voluntary arrangements;
- been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he or she was a director of that company or within the 12 months after he or she ceased to be a director of that company;
- been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he or she was a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;
- been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he or she as a partner in that partnership or within the 12 months after he or she ceased to be a partner in that partnership;
- been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

No member of the Group is involved nor has been involved at any time since their respective dates of incorporation in any governmental, legal or arbitration proceedings in the previous 12 months which may have or have had in the recent past a significant effect on the Group's financial position or profitability and, so far as the directors are aware, there are no such proceedings pending or threatened against the members of the Group.

Save for Elizabeth Shaw, whose maiden name was Cowx, none of the directors has any previous names.

No sum had been paid, or has been agreed to be paid, to any IPSA director to induce him or her to become a director, or for services rendered in connection with the formation of IPSA.

4.4 **Directors of IPSA's subsidiaries**

Directors of NEWCOG

4.4.1 Peter Richard Stephen Earl (executive) as above.

4.4.2 Elizabeth Ruth Shaw (executive) as above.

4.4.3 Susan Angela Laker (54), executive

Business address:

IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London
SE1 7TJ

4.4.4 Basil Ivor Frank Tollner (70), South African, non-executive director

Business address:

Newcastle Cogeneration (Proprietary) Limited
15 Juno Place
Westville
3630
Kwazulu-Natal

4.5 **Qualifications, borrowing powers, loans and appointment of directors**

4.5.1 The relevant provisions of the articles of association of IPSA and its subsidiaries governing the appointment, qualification, remuneration and borrowing powers of directors are set out in Annexure 5 to this pre-listing statement.

4.5.2 Other than as set out in paragraph 6.7 below, the borrowing powers of IPSA and its subsidiaries have never been exceeded. The Group has no exchange control or similar restrictions on its borrowing powers in the UK, but NEWCOG is subject to South African Exchange Control Regulations.

4.6 **Remuneration of directors**

The remuneration received by the directors is in respect of their directorships in the Group. Relevant extracts detailing directors' remuneration are set out in Annexure 6 to this pre-listing statement.

The remuneration receivable by any of the directors of the applicant will not be varied as a consequence of the listing of IPSA on the JSE.

Executive directors may be eligible for non-contractual project completion and other incentive-based bonus payments at the discretion of the Remuneration Committee.

4.7 Directors' interests

The interests of the directors in IPSA shares as at the last practicable date and as they are expected to be immediately following the placing and listing are disclosed below:

Name	Number of ordinary shares prior to the listing	Per cent. of the issued ordinary share capital prior to the listing	Number of ordinary shares immediately following the listing	Per cent. of issued ordinary share capital immediately following the listing
Stephen Hargrave	5,370,370	9.8	5,370,370	8.9
Peter Earl	5,000,000	9.1	5,000,000	8.3
James West	1,750,000	3.2	1,750,000	2.9
Elizabeth Shaw	1,250,000	2.3	1,250,000	2.1
Michael Eyre	1,250,000	2.3	1,250,000	2.1

All of the above holdings are direct and beneficial. None of the directors have any indirect and/or non-beneficial holdings in IPSA.

Except for Stephen Hargrave who has an additional 370,370 ordinary shares, there have been no changes in the directors' interests in securities since the listing of IPSA on AIM on 20 September 2005. Neil Bryson does not own any shares.

There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the directors.

4.8 Directors' interests in transactions

Save as disclosed in paragraphs 4.5 and 4.7 above and paragraph 15 below, no director has or had any interests, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company during the current or immediately preceding financial year, or during any earlier financial year and which remains in any respect outstanding or unperformed.

In summary, Elizabeth Shaw, Susan Laker, Mike Eyre, Stephen Hargrave, James West and Peter Earl were shareholders in Blazeway and swapped their interest in Blazeway for shares in IPSA on 12 September 2005. In addition, IPC, a company controlled by Peter Earl, is party to a shared services agreement dated 12 September 2005 discussed in paragraph 2.4.14 above and 7.5 below.

4.9 Directors' declaration

All the directors have confirmed in terms of Schedule 21 of the Listings Requirements of the JSE that they have not been:

- disqualified by any court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;
- convicted of an offence resulting from dishonesty, fraud or embezzlement or any offence under legislation relating to the SA Act or the UK Companies Act;
- adjudged bankrupt or entered into any voluntary creditors liquidation or been sequestrated in any jurisdiction or been a director of any company at the time or within the 12 months preceding any of the following events taking place; receiverships, compulsory liquidations, creditors voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with creditor generally or any class of creditors; or
- barred from entry into any profession or occupation.

5. CORPORATE GOVERNANCE

The Group views the implementation of best corporate governance practices as a fundamental characteristic of its operations. The Board is committed to the consideration and implementation of initiatives to improve corporate governance for the benefit of all shareholders. A focus on sustainable value for shareholders will benefit all the Group's other stakeholders.

Details of the directors' shareholdings in the Company, both prior to and following the listing, are set out on page 20 of this document.

The Board, which comprises the executive directors, a non-executive chairman, Stephen Hargrave, and two independent non-executive directors, Neil Bryson and James West, are responsible, *inter alia*, for establishing the strategic direction of the Group, monitoring the Group's trading performance and appraising and executing development and acquisition opportunities. The Company intends to hold regular Board meetings, at least one each quarter, at which financial and other reports will be considered and where appropriate, voted on. In addition, the Board appoints members of and receives reports on their activities from the various committees.

The directors support high standards of corporate governance and confirm that they intend to comply with the Combined Code insofar as is practicable given the Company's size and nature. An Audit Committee, a Remuneration Committee and a Nominations Committee, each consisting of at least one non-executive director and the non-executive Chairman, have been established for this purpose. The Audit Committee is responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored, controlled and reported on. The Audit Committee sets the principles for recommending the use of the external auditors for non-audit purposes. It also meets with the auditors and discusses and reviews the accounts, the audit procedures and the Group's internal controls. The Audit Committee meets whenever there is business to discuss and at least twice a year, to consider the financial results that are due for public release. The Audit Committee comprises James West and Neil Bryson of which James West is Chairman of the committee.

The Remuneration Committee meets once per year and reviews the performance of the executive directors, set the scale and structure of their remuneration, the basis of their service agreements, determine the payment of bonuses and consider any grants of share options under any proposed share option schemes of the Company and, in particular, the price per share and the application of any performance standards to such grants. In determining the remuneration of the executive directors, the Remuneration Committee seeks to enable the Company to attract and retain executives of the highest calibre. No executive director will be permitted to participate in discussions or decisions concerning his or her own remuneration. The Remuneration Committee comprises James West, Neil Bryson and Stephen Hargrave of which Stephen Hargrave is Chairman.

The Nominations Committee consists of Stephen Hargrave, James West and Peter Earl, of whom Stephen Hargrave and James West are independent non-executive directors of IPSA. The majority of the Nominations Committee is independent, and the committee is chaired by Stephen Hargrave.

6. EXCHANGE CONTROL REGULATIONS

6.1 Introduction

Set out below is a summary of the Exchange Control Regulations relating to the acquisition of IPSA ordinary shares after the listing. IPSA is a foreign entity as defined in Exchange Control circular D441 dated 17 September 2004. As such, upon the listing of the Company's ordinary shares on ALT^x, the Exchange Control Regulations provided for in the aforementioned circular, as amended by the Medium-Term Budget Policy Statement by the South African Minister of Finance on 26 October 2004, will apply to the acquisition of IPSA ordinary shares by South African residents.

This summary is intended as a guide only and is therefore not comprehensive. If you are in any doubt in this regard, you should consult an appropriate professional adviser.

6.2 South African individuals

South African individuals will be able to acquire shares in foreign entities that are listed on the JSE, such as IPSA, without restriction. Such shares are on the South African register and are Rand-denominated. Consequently, an acquisition of IPSA shares by a South African individual will not affect such person's offshore investment allowance of R2,000,000. Should a South African individual acquire shares on the UK register which are GBP denominated such person's offshore investment allowance would be affected.

6.3 **South African institutional investors**

South African retirement funds, long-term insurers, collective investment scheme management companies as well as investment managers who have registered with Exchange Control as institutional investors for Exchange Control purposes are entitled to a foreign portfolio investment allowance. In addition to such institutional investors' general foreign portfolio investment allowance, they will be able to invest an additional 5 per cent. of their total retail assets in the equity securities of foreign companies listed on the JSE, where a majority of the foreign company's business takes place in Africa, such as IPSA. Retail assets refer to assets received by such institutional investors.

6.4 **South African corporate entities**

An acquisition by a South African corporate entity of IPSA ordinary shares on ALT^x will be regarded as a foreign investment. For the procedure to obtain regulatory approval for foreign investments, South African corporate entities should consult their professional advisers.

6.5 **Exchange Control provisions applicable to South African residents in respect of acquisition issues and rights issues by UK companies that are listed on the JSE**

UK companies with listings on ALT^x, such as IPSA, will be allowed to issue shares to South African residents in consideration for acquisitions. South African institutional investors will be given 12 months to re-align their portfolios, should they be in excess of their Exchange Control foreign exposure limits as a result of such acquisition issues. South African corporate entities will also be given 12 months to dispose of such shares. However, should there be:

- 6.5.1 benefits to the continued financial involvement of South African corporate entities in the businesses or assets acquired by UK companies with listings on the JSE; and
- 6.5.2 the alignment of interests in the extraction of maximum value from the consolidated companies,

then Exchange Control may, on application, allow South African corporate entities to retain such shares. South African institutional investors and corporate entities will be allowed to exercise their rights in terms of rights offers by UK companies with listings on ALT^x, such as IPSA. South African institutional investors will be given a period of 12 months to re-align their portfolios should they be in excess of their offshore investment allowances as a result of exercising their rights. Corporate entities will also be given 12 months to dispose of shares taken up in terms of such rights issues.

6.6 **Non-residents of the Common Monetary Area**

Non-residents of the Common Monetary Area may acquire IPSA shares on ALT^x, provided that payment is received in foreign currency from a non-resident account. However, former residents of the Common Monetary Area who have emigrated may not use emigrant blocked funds to acquire IPSA ordinary shares.

6.7 **South African Reserve Bank approval**

During the nine months to 31 March 2006, the Company introduced capital amounts into South Africa, to finance and support its subsidiary, NEWCOG. At the time that the funds were introduced, the directors of the Company had not been made aware of the requirement to obtain exemption under Exchange Control Regulation 3(1)(f).

The directors were made aware of the above regulation in August 2006 and an application for exemption was lodged with the South African Reserve Bank on 22 August 2006. The position was regularised on 11 September 2006 when IPSA's applications in connection with the funds were accepted by the South African Reserve Bank.

7. **SHARE CAPITAL OF IPSA GROUP PLC**

7.1 **Authorised and issued share capital**

The authorised and issued share capital of the Group, before and after the listing, is set out below. IPSA has no treasury shares or preferential, conversion and/or exchange rights in relation to any securities.

Before the placing	£
Authorised share capital	
150,000,000 ordinary shares of 2p each	3,000,000.00
Total authorised share capital	3,000,000.00
Issued share capital	
54,629,630 ordinary shares of 2p each	1,092,592.60
Share premium	
On 54,629,630 ordinary shares of 2p each	6,640,464.00
Total issued share capital and share premium	7,733,056.60
After the placing as at 19 October 2006	
Authorised share capital	
150,000,000 ordinary shares of 2p each	3,000,000.00
Total authorised share capital	3,000,000.00
Issued share capital	
60,129,469 ordinary shares of 2p each	1,202,589.38
Share premium	
On 60,129,469 ordinary shares of 2p each	8,647,905.24
Total issued share capital and share premium	9,850,494.62

At the Extraordinary General Meeting of IPSA shareholders held on 12 September 2005, shareholders approved the ordinary resolution authorising the directors to allot and issue a maximum of 13,900,000 ordinary shares with an aggregate nominal value of £278,000 as described in paragraph 7.2.3 below until the next Annual General Meeting of the Company. Following the placing, 5,499,839 placing shares available under this resolution will have been allotted.

7.2 Consolidations, sub-divisions and authority

The Company was incorporated with an authorised share capital of £100,000 divided into 100,000 ordinary shares of £1 each of which two shares were nil paid to the subscribers to the memorandum of association of the Company. On 1 July 2005 one subscriber share was transferred to Elizabeth Shaw and the other was transferred to Susan Laker and both subscriber shares were paid up in full by the transferees. On 12 September 2005, Susan Laker transferred her subscriber share (sub-divided into 50 ordinary shares as referred to in paragraph 7.2.1 below) to Stephen Hargrave and Elizabeth Shaw transferred her subscriber share (sub-divided into 50 ordinary shares as referred to in paragraph 7.2.1 below) to Peter Earl.

On 12 September 2005, pursuant to resolutions passed on that date:

- 7.2.1 every one ordinary share of £1.00 sub-divided into 50 new ordinary shares
- 7.2.2 the authorised share capital of the Company was increased to £3,000,000 by the creation of 145,000,000 new ordinary shares;
- 7.2.3 the directors were generally and unconditionally authorised in accordance with section 80 of the UK Companies Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the UK Companies Act) up to a nominal value of £368,000;
- 7.2.4 the directors were authorised to allot 24,999,900 ordinary shares on 12 September 2005 in consideration for Blazeway, as set out in paragraph 13.9 below;
- 7.2.5 the directors were authorised pursuant to section 95 of the UK Companies Act to allot equity securities (as defined in section 94(2) of the UK Companies Act) for cash pursuant to the authority referred to in sub-paragraph 7.2.3 above as if section 89(1) of the UK Companies Act did not apply to such allotment, provided that such power was limited to:

7.2.6 the allotment of equity securities for cash in connection with the AIM placing up to an aggregate nominal amount of £592,592.60:

7.2.6.1 the allotment of equity securities for cash in connection with rights issues to holders of ordinary shares where the equity securities respectively, attributable to the interests of such holders are proportionate (as nearly as may be practicable) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with any fractional entitlements or any legal or practical problems under the laws or requirements of any regulatory body or any recognised stock exchange in any territory; and

7.2.6.2 the allotment (other than pursuant to sub-paragraph 7.2.6 above of equity securities up to a maximum aggregate nominal amount of £278,000.

Accordingly, directors are authorised to issue and allot and list the AIM-listed ordinary shares and the placing shares on ALT^x.

7.3 Share options

The Company does not currently have an employee share option scheme, nor does any contract or arrangement exist whereby any option is given to any person to subscribe for any securities in IPSA. The directors intend that, at an appropriate time, the Company will establish a share option scheme and/or other incentive schemes under which eligible persons will be invited to participate at the discretion of the Board. Such incentive scheme or schemes will comply in all material respects with principles of good corporate governance.

7.4 Controlling shareholders

There is no shareholder, and after the listing there will be no shareholder, that together with his associates or any other party with which he has an agreement relating to any voting rights in IPSA, that can exercise, or cause to be exercised, 35 per cent. or more of the voting rights in IPSA.

7.5 Major shareholders

Save as disclosed in sub-paragraph 4.7 above and this sub-paragraph 7.5, the Company is not aware of any beneficial interest in the Company's ordinary share capital which amounts or would, immediately following the placing, amount to 5 per cent. or more of the Company's issued ordinary share capital other than those in the table below:

Name	Number of ordinary shares prior to the private placement	Per cent. of the issued ordinary share capital prior to the private placement	Number of ordinary shares immediately following the private placement	Per cent. of issued ordinary share capital immediately following the private placement
Rathbone Investment Management	4,428,700	8.1	4,428,700	7.4
Moore Capital	3,703,700	6.8	3,703,700	6.2
Savoy Investment Management	3,444,377	6.3	3,444,377	5.7
Fidelity Investment Management	3,246,075	5.9	3,246,075	5.4

The voting rights of the shareholders set out in the table above do not differ from the voting rights held by all other shareholders as detailed in Annexure 5 to this document.

7.6 Control of and alterations to share capital

The authorised but unissued shares, after the listing, will be under the control of the directors of IPSA, subject to the provisions described in paragraph 7.2 above.

7.7 Other listed securities

The issued ordinary shares of IPSA are listed on AIM. No other class of securities is listed on any other exchange.

The listing of IPSA on AIM occurred immediately following a private placement which of 29,629,630 ordinary shares of GBP0.02 each at GBP0.27 per share on 20 September 2006. The private placement was conditional on the Aim admission.

8. DETAILS OF THE PLACING AND THE LISTING

8.1 The placing

Prior to the issue of this pre-listing statement, 5,499,839 ordinary shares of 29.2 cents per share were placed with selected institutional investors at a subscription price of R5.62 per placing share. Irrevocable commitments have been obtained from the placees, as detailed below, to subscribe for all the placing shares, subject to listing on ALT^x, thereby raising R30,90,090 in cash, net of expenses.

A rand/pound exchange rate of R14.5974 = GBP1 was used in the calculation of the above nominal value and subscription price of the placing shares. The exchange rate was the closing mid-price at Monday, 2 October 2006 (Source: Bloomberg).

No underwriting agreements exist in respect of the placing.

The placees details are as follows:

Placee	Number of ordinary shares subscribed	Rand amount of ordinary shares
Metropolitan Life Limited	1,779,360	R10,000,000
Sanlam Private Investments (Proprietary) Limited	2,811,388	R15,800,000
Savoy Investment Management Limited	909,091	R5,109,090
Total	5,499,839	R30,909,090

8.2 Specific exemptions from the Listings Requirements of the JSE

8.2.1 Exemption from appointing a Designated Adviser

Paragraph 21.3(a) of the Listings Requirements of the JSE states that an applicant issuer applying for a listing on ALT^x must appoint a Designated Adviser in accordance with paragraph 21.13. IPSA has applied for and been granted permission by the JSE not to appoint a Designated Adviser, but instead to appoint a sponsor, given that they directly have a nomad (fulfilling the responsibilities of a Designated Adviser in the AIM market) in respect of the listing on AIM.

8.2.2 Exemption from making a profit forecast

Paragraph 21.3(f) the Listings Requirements of the JSE states that an applicant issuer applying for a listing on ALT^x must produce a profit forecast for the remainder of the financial year during which it will list and one full financial year thereafter. The regulatory and fiduciary constraints under which IPSA operates on the AIM market make it very problematic for IPSA to make forward-looking statements. IPSA has applied for and received exemption from making a profit forecast for the purposes of its application to list on ALT^x.

9. EXPENSES OF THE LISTING

The cash expenses of the private placement and the listing, as detailed below, are estimated to be £228,000 (R3,328,207.20) and relate, *inter alia*, to the printing, publication and distribution costs of this pre-listing statement and other related announcements £8,100 (R118,238.94), fees payable to the professional advisers £108,000 (R1,576,519.20) and JSE documentation and listing fees of £4,600 (R67,148.04) and brokerage commission of £105,872 (R1,545,455.93) respectively. All the fees payable to the parties below are exclusive of VAT.

	Amount £	Amount R
The Standard Bank of South Africa Limited	70,000	1,021,818
Hichens, Harrison & Co PLC	105,872	1,545,455
Computershare Investor Services (Proprietary) Limited	1,027	15,000
INCE (Proprietary) Limited	3,500	51,090
Grant Thornton UK LLP	18,000	262,753
Webber Wentzel Bowens	8,221	120,000
Memery Crystal LLP	15,000	218,961
JSE	4,600	67,148
Total	226,220	3,302,225

Note:

A rand/pound exchange rate of R14.5974 = GBP1 was used in the calculation of the above expenses, which was the closing mid-price as at Monday, 2 October 2006 (*Source: Bloomberg*).

10. **ADVISERS' INTEREST**

None of the advisers of the Group had an interest in the issued share capital of the Company at the last practicable date.

11. **MATERIAL LOANS**

IPSA has put in place a loan facility agreement for the purpose of funding:

- costs incurred in the construction of the co-generation plant in Newcastle;
- a feasibility study for the Coega Project;
- all deposits required to reserve equipment for the Coega Project.

The loan facility remains unutilised at present and the terms of the loan can be summarised follows:

- the loan is secured by a charge over the shares in the borrower owned by IPSA and a charge over a bank account which IPC holds with the lender;
- the lender is Standard Bank PLC, London;
- the amount is US\$4 million;
- the loan becomes repayable upon the earlier of: either the long-term financing of the Newcastle Project or six months following first drawdown;
- the rate of interest is the aggregate of the margin (2.25 per cent. per annum); plus the cost to the lender of participating in the loan; and the lender's cost of compliance with the Bank of England or the European Central Bank in accordance with customary practice;
- no conversion or pre-emption rights apply; and
- any debts of the applicant are to be repaid through a long-term financing of the CHP plant at the Newcastle Project upon completion of construction of the Newcastle Project.

There are no third party loans to the Group which are outstanding and no member of the Group has any conversion or redemption rights. Neither IPSA nor its subsidiaries have any debts that are repayable within the next 12 months.

The Group has no loans, other than loans to and between subsidiaries, and no member of the Group has furnished security to any director or manager, or associate of any director or manager of IPSA or its subsidiaries. There are no debentures created in terms of a trust deed and there are no debentures to be issued or agreed to be issued at the date of this listing.

Blazeway and NEWCOG are creditors to IPSA to the amounts of £375,000 and £4,513,535 respectively. These loans are long-term, low margin shareholder loans.

At 31 March 2006, the Group's only contingent liability related to the commitment to complete the construction of the power plant in South Africa. There has been no change in contingent liabilities since 31 March 2006. There are no other material commitments.

12. MATERIAL CHANGES

Other than in the ordinary course of business or as set out in this pre-listing statement, there have been no material changes in the financial or trading position of the Group between the release of its audited results for the 9 months to 31 March 2006 and the last practicable date. In addition, no financial information has been made available to holders of securities since the most recent results publication, being the announcement of unaudited results for the nine months to 31 March 2006 on 20 June 2006.

13. MATERIAL CONTRACTS, ACQUISITIONS OR DISPOSALS AND DIRECTORS' INTERESTS IN TRANSACTIONS

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company or a member of the Group within the two years immediately preceding the date of this pre-listing statement or entered into at any time and containing an obligation or settlement that is or may be material to IPSA or its subsidiaries at the date of this pre-listing statement:

13.1 AIM placing agreement

The AIM placing agreement dated 14 September 2005 between the Company, the directors and Noble pursuant to which and conditional upon, *inter alia*, AIM admission taking place, Noble agreed to use reasonable endeavours to procure subscribers for the AIM placing shares at the AIM placing price.

The AIM placing agreement contained warranties and indemnities from the Company and the directors in favour of Noble together with provisions which enabled Noble to terminate the AIM placing agreement in certain circumstances prior to the AIM admission including where any warranties were found to be untrue or inaccurate in any material respect. The liability of the directors for breach of warranty is limited. Under the AIM placing agreement the Company paid Noble a corporate finance fee and commission on the value of the AIM placing shares at the AIM placing price.

The directors have undertaken that they will not, subject to certain limited exceptions, dispose of ordinary shares save in accordance with the AIM Rules until one year from the date of admission and then for a further 12 months will only dispose of ordinary shares through the Company's broker from time to time in accordance with orderly marketing criteria.

13.2 Nominated adviser and broker agreement and appointment of Hichens as joint broker

A nominated adviser and broker agreement dated 14 September 2005 between the Company and Noble pursuant to which the Company has appointed Noble to act as nominated adviser and broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Noble a fee of £30,000 per annum for its services as nominated adviser and broker under this agreement. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all relevant laws and regulations. The agreement continues for a fixed period of 12 months from the date of the agreement and the Company may terminate on the giving of three months' notice.

On 11 September 2006 the Company entered into an agreement to appoint Hichens as joint broker to the Company for a fee of £15,000 per annum. The agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all relevant laws and regulations. The agreement continues unless terminated by either party on the giving of three months' notice.

13.3 ALT^x placing mandate

The ALT^x placing mandate dated 11 September 2006 between the Company and Hichens pursuant to which conditional upon, *inter alia*, the listing taking place, Hichens have agreed to provide advice on and assist in procuring subscribers for the placing shares at the placing price.

Under the ALT^x placing mandate, the Company has agreed to pay Hichens a broking fee and a commission on the value of the placing shares at the placing price.

13.4 **Steam purchase agreement**

A steam purchase agreement between NEWCOG and Karbochem dated 10 March 2005 pursuant to which NEWCOG has agreed to supply steam to Karbochem. The supply of steam is subject to maximum quantities per hour beyond which NEWCOG does not have to produce steam and minimum quantities which Karbochem is required to pay for (whether or not it utilises the same) on an annual basis. The term of the agreement is ten years from the commencement date, subject to earlier termination for breach. The initial price per tonne of steam delivered has been set within the agreement and will escalate by reference to a formula based on the Producer Price Index (being the Producer Price Index for locally produced commodities as published by Statistics South Africa). The agreement is governed by the laws of South Africa and the obligations of Karbochem have been guaranteed by its holding company, Karbochem Holdings (Proprietary) Limited. The agreement is subject to two suspensive conditions, being the conclusion of the gas supply agreement (referred to in paragraph 13.5 below) and the granting of the necessary permits.

13.5 **Gas supply agreement**

A gas supply agreement between SASOL and NEWCOG dated 10 March 2005 pursuant to which SASOL is obliged to sell to NEWCOG sufficient quantities of gas to enable NEWCOG to provide steam and/or electricity to Karbochem's site in Newcastle and to other potential offtakers and NEWCOG is obliged to purchase its gas requirements exclusively from SASOL. The commencement price payable has been set and will be increased at pre-determined dates by reference to an agreed price adjustment formula based on the Producer Price Index following an initial pre-agreed price increase.

The agreement is intended to operate as an interim agreement pending the conclusion of a co-generation agreement, which will replace the agreement when NEWCOG starts to produce electricity as well as steam for Karbochem. The agreement is for a ten-year period. This minimum term is subject to the agreement being superseded by an agreement as aforementioned for the co-generation of steam and electricity whereby the agreement shall automatically terminate. The agreement is governed by the laws of South Africa.

SASOL and NEWCOG entered an addendum to the gas supply agreement on 23 January 2006 setting minimum annual gas consumption. The take or pay obligation of NEWCOG under the agreement is to be reconciled on 30 June in each contract year.

13.6 **Option agreement**

The option agreement between EPG and the Company pursuant to which EPG granted to the Company an option to purchase a previously used and operated CHP plant. The option was exercised 31 August 2005 and the exercise price was US\$3.85 million. The payment under the option agreement, which included re-imburement for all insurance payments and day-to-day costs incurred by EPG since 4 July 2005 up to the date of exercise by the Company of the option was made from the cash resources of the Company following its admission to AIM. NEWCOG acquired the plant from IPSA on 31 October 2005 for R30 million, such sum remains outstanding to IPSA and will be repaid following commencement of commercial operation when the plant is mortgaged on completion. NEWCOG is the owner of the plant. The shareholder loan by NEWCOG from IPSA was incurred to finance the acquisition of the plant. No third party valuation was considered, however IPSA's internal assessment of the value was based on the original construction cost and current replacement costs. No goodwill was paid.

13.7 **Option for lease**

A lease agreement between Karbochem and NEWCOG dated 5 August 2005 pursuant to which Karbochem has granted to NEWCOG an irrevocable right to enter into a lease on the terms set out in therein exercisable on service of written notice. On exercise of the aforementioned option, NEWCOG is entitled to choose a different lease area on the Karbochem site at Newcastle instead of the original lease area over which the option was granted, provided that the charges will be adjusted *pro rata* to the final selected lease area. The lease itself, will, once the option is exercised, be in effect for ten years. The lease will automatically be renewed for a further period of ten years unless NEWCOG has given to Karbochem written notice of its intention not to renew.

NEWCOG may use the lease area for the purpose of operating a steam and electricity generation plant and other facilities and activities normally associated therewith. NEWCOG takes responsibility for the full costs of remediation of point sources or other identified sources of ground or ground water pollution caused by or originating from any of NEWCOG's operations on all areas occupied by NEWCOG as well as other usual environmental issues.

NEWCOG has the right of first refusal to purchase the land if Karbochem ever wishes to sell the lease area. If the lease is terminated by Karbochem by reason of NEWCOG's breach, NEWCOG must remove the plant within six months.

13.8 **Blazeway acquisition of NEWCOG**

Pursuant to an acquisition agreement between Blazeway and IPC dated 9 May 2005, Blazeway purchased the entire issued share capital of NEWCOG for a total consideration of £875,000.

The agreement contains customary title warranties from IPC in favour of Blazeway as to the ownership of the shares in NEWCOG and a covenant from IPC that it will not, for a period of five years from the date of the agreement (the "term"), compete with Blazeway or any member of the Group in the defined territory (the "territory") which includes all those countries included in southern Africa.

Specifically, IPC has covenanted with Blazeway (for itself and on behalf of the companies in its group) that, during the term in the territory, it shall not, either alone or jointly, be engaged or interested in any project or any other business which is similar in nature or which competes in any way with the business of Blazeway or any of its subsidiaries or associated undertakings (as therein defined). Furthermore, IPC is under a positive obligation under the agreement, if IPC or any director or employee of IPC becomes aware of or is invited to tender for, or is requested to participate in a relevant project in southern Africa, to refer such third party approach to Blazeway (which has a right of first refusal in respect of the relevant project *vis-à-vis* IPC) and/or notify the directors of Blazeway of the details of the relevant project and make such introductions and provide such assistance as IPSA shall reasonably require.

The agreement also contains non-solicitation of customers, suppliers and employees covenants given by IPC to Blazeway.

The agreement was amended by a deed of amendment between IPC and Blazeway dated 22 July 2005 so as to make clear that the £875,000 consideration also included the purchase of a shareholder loan of R500,000 owing from NEWCOG to IPC. Therefore, there remains outstanding an inter-company loan of R500,000 from NEWCOG to Blazeway.

13.9 **Share exchange agreement**

A share exchange agreement dated 12 September 2005 between IPSA and the shareholders of Blazeway at the date of the agreement pursuant to which IPSA acquired the whole of the issued share capital of Blazeway from the Blazeway shareholders in consideration for which the Blazeway shareholders received 24,999,900 ordinary shares representing 100 per cent. of the issued share capital of IPSA immediately prior to the AIM placing and the AIM admission in the ratio of 50 ordinary shares for every 1 ordinary share of £1.00 in the share capital of Blazeway which they held immediately prior to completion of the agreement. No loans were incurred to finance the share exchange agreement.

13.10 **Deed of termination and release**

A deed of termination and release was entered into between Clifford Adrian Lewis, Pieter du Plessis, PPA, NEWCOG and IPSA dated 17 May 2006.

13.11 **Sale of CHP plant**

On 31st October 2005, IPSA sold its interest in the CHP plant acquired for the Newcastle Project to NEWCOG, at cost, for R30 million.

13.12 **Dependence on commercial and industrial contracts**

The Group is dependent on the following industrial and commercial contracts which have or may have a material effect on the Group's profitability:

- 13.12.1 the steam purchase agreement between Karbochem and NEWCOG dated 10 March 2005; refer paragraph 13.4 above for further details of this agreement;
- 13.12.2 the gas supply agreement between SASOL and NEWCOG dated 10 March 2005; refer paragraph 13.5 above for further details of this agreement;
- 13.12.3 the option agreement dated 3 August 2005; refer paragraph 13.6 above for further details of this agreement; and
- 13.12.4 the option for lease agreement between Karbochem and NEWCOG dated 5 August 2005; refer paragraph 13.7 above for further details of this agreement.

Save as set out in this paragraph 13.12, the Group is not dependent on any patents, licences, industrial, commercial or financial contracts or new manufacturing processes which have a material effect on the Group's business or profitability.

13.13 **Directors' and managerial remuneration contracts and fees payable by IPSA**

On 3 August 2005, Jimmy West Associates Limited entered into a letter of appointment with the Company under the terms of which it agreed to provide the services of James West to act as a non-executive director of the Company for a fee of £15,000 per annum. The appointment was conditional on AIM admission and is terminable at any time by either party giving the other not less than one month's written notice on either side.

On 3 August 2005, Stephen Hargrave entered into a letter of appointment with the Company under the terms of which he agreed to act as non-executive Chairman of the Company for a fee of £30,000 per annum. The appointment was conditional on AIM admission and is terminable at any time by either party giving the other not less than one month's prior written notice.

On 3 August 2005, Peter Earl entered into a service contract with the Company under the terms of which he agreed to act as Chief Executive Officer of the Company for a fee of £30,000 per annum. Under the terms of the agreement, Mr Earl is required to devote a minimum of 20 per cent. of his time to the affairs of the Company. The appointment was conditional on AIM admission and is terminable at any time by either party giving not less than six months' written notice. The agreement also contains the customary restrictive covenants.

On 3 August 2005, Elizabeth Shaw entered into a service contract with the Company under the terms of which she agreed to act as Chief Operating Officer and Finance Director of the Company for a fee of £30,000 per annum. Under the terms of the agreement, Elizabeth Shaw is required to devote a minimum of 25 per cent. of her time to the affairs of the Company. The appointment was conditional on AIM admission and is terminable at any time by either party giving not less than six months' written notice. The agreement also contains the customary restrictive covenants.

On 3 August 2005, Mike Eyre entered into a service contract with the Company under the terms of which he agreed to act as Technical Director of the Company for a fee of £30,000 per annum. Under the terms of the agreement, Mr Eyre is required to devote a minimum of 25 per cent. of his time to the affairs of the Company. The appointment was conditional on AIM admission and is terminable at any time upon six months' written notice on either side. The agreement also contains the customary restrictive covenants.

On 3 August 2005, Cliff Lewis entered into a service contract with the Company under the terms of which he agreed to act as Operations Director of the Company for a fee of R300,000 per annum. Under the terms of the agreement, Mr Lewis was required to devote a minimum of 50 per cent. of his time to the affairs of the Company. The appointment was conditional on AIM admission and was terminable at any time by six months' notice on either side. The agreement also contained the customary restrictive covenants. This agreement was terminated on 14 June 2006.

On 8 June 2006, Balmyle Limited entered into a letter of appointment with the Company under the terms of which it agreed to provide the services of Neil Bryson to act as a non-executive director of the Company for a fee of £15,000 per annum. The appointment is terminable at any time by either party giving the other not less than one month's written notice on either side.

Save as disclosed in this sub-paragraph 13.13, there are no service contracts, existing or proposed, between any director and the Company or any subsidiary and any member of the administrative/management or supervisory bodies which provides for benefits on termination of employment, other than payments in lieu of salary and benefits and any expenses owed.

Details of the length of time in which directors in the financial period of the Company to 14 September 2005 have been in office and the periods of their terms of office are set out below:

Name	Commencement of period of office	Date of expiration of term of office
Peter Earl	1 July 2005	Annual General Meeting to be held in 2006 whereby he will stand for re-election unless otherwise intended at that time
Elizabeth Shaw	1 July 2005	Annual General Meeting to be held in 2006 whereby she will stand for re-election unless otherwise intended at that time
Michael Eyre	1 July 2005	Annual General Meeting to be held in 2006 whereby he will stand for re-election unless otherwise intended at that time
Stephen Hargrave	1 July 2005	Annual General Meeting to be held in 2007 whereby he will stand for re-election unless otherwise intended at that time
James West	1 July 2005	Annual General Meeting to be held in 2007 whereby he will stand for re-election unless otherwise intended at that time
Clifford Lewis	1 July 2005	14 June, 2006, on acceptance of his resignation
Neil Bryson	8th June, 2006	Annual General Meeting to be held in 2007 whereby he will stand for re-election unless otherwise intended at that time

IPSA, nor any of its subsidiaries, have any royalties payable, or items of similar nature.

13.14 **Disposal of property**

No material property has been disposed of in the past three years at the date of this pre-listing statement or is to be disposed of by IPSA or any of its subsidiaries.

13.15 **Management contracts**

The construction of power plants for IPSA subsidiaries will be contracted to EPC contractors, which contracts are not material.

14. **VENDORS**

Save for the funds raised in the placing, the principal asset of the Group is the CHP plant purchased by IPSA on 3 August 2005 (and sold to NEWCOG on 31 October 2005) from EPG, see paragraph 13.6 above and paragraph 15.4 below for details of the contract and relationship to IPSA. Save for the fact that the plant was purchased by EPG from a member of the Scottish & Southern Energy PLC group, the original owner, no further information was cleared for release by the vendor. The asset was purchased by the Group for US\$3.85 million.

15. **RELATED PARTY TRANSACTIONS**

15.1 On 12 September 2005 and conditional upon admission of IPSA to AIM, the Company entered into a shared services agreement with IPC involving the provision to the Company of serviced office premises at Prince Consort House, London, receptionist and secretarial services, general administration services, bookkeeping, payroll and professional IT support services for payment of £60,000 per annum. The agreement is for an initial period of five years, commencing on 20 September 2005, and is terminable on one month's written notice by IPSA and three month's written notice by IPC. IPC is related to the Company by virtue of common directors.

- 15.2 On 12 September 2005 and conditional upon admission of IPSA to AIM, the Company entered into a shared services agreement with PPA involving the provision to the Company of serviced office premises at Arbour House, Durban, receptionist and secretarial services, general administration services, bookkeeping, payroll and professional IT support services and engineering support services of certain employees for payment of R480,000 (c. £40,000) per annum. The agreement was for an initial period of five years, commencing on 20 September 2005, and terminable on one month's written notice by IPSA and three month's written notice by IPC. PPA, which is a company incorporated in South Africa, is related by virtue of Cliff Lewis, who was formerly a director of the Company, being a director and key shareholder of PPA. No payments were made under this contract and it was terminated on 14 June 2006.
- 15.3 On 9 May 2005, the Company acquired 100 per cent. of the issued share capital of NEWCOG as a result of the share exchange with Blazeway, a company registered in South Africa, from IPC for £875,000. IPC is related to Blazeway by virtue of common directors.
- 15.4 On 3 August 2005 IPSA entered into an option agreement with EPG, to acquire the CHP plant. IPSA exercised its option on 3 August 2005 and completed the purchase for US\$3.85 million following the AIM placing. EPG is a wholly-owned subsidiary of European Power Systems A.G. a company incorporated in Lichtenstein, which acquired under the admission placing and continues to hold an interest of 3.4 per cent. in the issued share capital of IPSA (this interest will fall to 2.7 per cent. as a result of the placing).
- 15.5 On 18 June 2006, NEWCOG entered into an agreement with First Tech cc, a construction company in which Cliff Lewis has a 50 per cent. interest, for the civil works in connection with the construction of the Newcastle Project. The contract is an arm's length contract under standard terms of the construction industry and is in the amount of approximately R15 million.
- 15.6 The Company paid £229,358 to Independent Power Operations Limited (a wholly-owned subsidiary of IPC) for services relating to the dismantling and transportation of plant and equipment.

All of the above agreements have been entered into on arms length terms. These agreements together comprise approximately £100,000 of the Company's annual overheads.

16. **LITIGATION STATEMENT**

The Group is not, and has not in the 12 months preceding the date of publication of the financial results for 9 months to 31 March 2006 and the date for the signature of this pre-listing statement, been involved in any legal or arbitration proceedings which may have or have had a material effect on the financial position of the Group, nor is the Group aware of any such proceedings that are pending or threatened.

17. **EXPERTS' CONSENTS**

The investment bank and sponsor, AIM nominated adviser, broker to the placing, legal adviser, auditors and reporting accountant and transfer secretaries have consented in writing to act in the capacities stated and to their names being included in this pre-listing statement and have not withdrawn their consents prior to the publication of this pre-listing statement.

18. **DIRECTORS' RESPONSIBILITY STATEMENT**

All the directors of IPSA, whose names are set out herein, collectively and individually, accept full responsibility for the accuracy of the information given and certify that, to the best of their knowledge and belief, there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that this pre-listing statement contains all information required by law and the Listings Requirements of the JSE.

19. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the South African registered office of IPSA during normal business hours (excluding Saturdays, Sundays and South African public holidays) from the date of issue of this pre-listing statement up to and including 2 November 2006:

- the memorandum and articles of IPSA;
- the historical consolidated financial information of the Group, for the nine months to 31 March 2006, being the audited results;
- *pro forma* balance sheet;
- the reporting accountants' reports;
- all non-sensitive material contracts, or memoranda of material contracts where these are not reduced to writing;
- directors' service agreements;
- irrevocable undertakings
- written consents of the investment bank and sponsor, legal adviser, auditors and reporting accountants, and transfer secretaries to the inclusion of their names in this pre-listing statement in the context and form in which they appear; and
- a signed copy of this pre-listing statement.

There are no trust deeds or agreements affecting the governance of IPSA or the interests of IPSA shareholders.

SIGNED IN LONDON BY EACH OF THE DIRECTORS OF IPSA GROUP PLC ON FRIDAY 6 OCTOBER 2006.

Stephan T Hargrave

Peter R S Earl

Elizabeth R Shaw

John M Eyre

James G West

Neil Bryson

HISTORICAL FINANCIAL INFORMATION ON IPSA GROUP PLC

The consolidated financial information for the nine months to 31 March 2006 set out below has been extracted from IPSA Group's financial statements for the nine months to 31 March 2006. These financial statements were audited by Grant Thornton UK LLP and were issued without qualification.

1a. Introduction

IPSA Group PLC was incorporated on 1 July 2005. The Group comprises IPSA Group PLC (a company incorporated in England and Wales – company registration number 5496202), Blazeway Engineering Limited (a company incorporated in England and Wales – company registration number 5356014) which is a 100 per cent. subsidiary of IPSA Group PLC and Newcastle Cogeneration Company (Proprietary) Limited (a company incorporated in South Africa – company registration number 2000/008136/07) which is a 100 per cent. subsidiary of Blazeway Engineering Limited.

Blazeway Engineering Limited acquired Newcastle Cogeneration Company (Proprietary) Limited on 9 May 2005. IPSA Group PLC acquired Blazeway Engineering Limited on 12 September 2005. Neither Blazeway Engineering Limited nor Newcastle Cogeneration Company (Proprietary) Limited had commenced trading prior to the acquisition of Blazeway Engineering Limited by IPSA Group PLC.

The Company made a loss of £144,000 in the nine months to 31 March 2006, its first period of trading. The Company had no revenues in the reported period and the reported loss primarily related to administrative expenses incurred in connection with the ongoing projects outlined below.

At the time of its flotation on AIM, IPSA had an option to acquire a combined heat and power plant located in Bury, Lancashire. This plant, with its two gas turbines and associated steam turbine and boiler, was successfully acquired, dismantled and shipped to Newcastle, KwaZulu-Natal, where construction is underway.

In addition, during the period the Company has pursued negotiations in respect of the two other potential projects outlined in the Company's AIM Admission Document, in Durban and Swaziland. Furthermore, the Company is now pursuing the development of a fast track combined cycle gas turbine project of a minimum of 800 MW at Coega Development Corporation's Industrial Development Zone at Port Elizabeth.

At 31 March 2006, £5,208,000 of expenditure pertaining to the Newcastle Project had been capitalised, and is classified as plant under construction.

1b. Basis of preparation

The historical financial information of IPSA Group PLC set out in this annexure has been prepared in accordance with applicable International Financial Reporting Standards as adopted by the European Union and represents the audited consolidated results for IPSA Group PLC and its subsidiary entities from 1 July 2005 to 31 March 2006.

This financial information is the responsibility of the directors of IPSA Group PLC.

2. FINANCIAL INFORMATION

2a Consolidated income statement

	Notes	9 months to 31 March 2006 £'000
Revenue	3.6	–
Administrative expenses	6	(121)
Other expense	7	(69)
Finance income	8	46
Loss before tax		(144)
Tax credit/(expense)	9	–
Loss for the period		(144)
Loss per ordinary share – basic	10	0.27p
Loss per ordinary share – diluted	10	0.27p
Headline loss per share- basic	10	0.27p
Headline loss per share – diluted	10	0.27p

2b Statement of recognised income and expense for the 9 months to 31 March 2006

	9 months to 31 March 2006 £'000
Loss for the period	(144)
Exchange difference on translation of foreign operations	3
Total recognised income and expense for the period	(141)

2c Consolidated balance sheet at 31 March 2006

	Notes	31 March 2006 £'000
Assets		
Non-current assets:		
Intangible	11	833
Property, plant and equipment	12	5,208
		6,041
Current assets:		
Trade and other receivables	13	489
Cash and cash equivalents	14	1,539
		2,028
Total assets		8,069
Equity and liabilities		
Equity attributable to equity holders of the parent:		
Share capital	15	1,093
Share premium account	16	6,640
Foreign currency reserve	16	3
Retained loss	16	(144)
Total equity		7,592
Current liabilities:		
Trade and other payables	17	477
Total equity and liabilities		8,069

2d **Consolidated cash flow statement for the 9 months to 31 March 2006**

	Notes	9 months to 31 March 2006 £'000
Net cash outflow from operating activities	18	(132)
Cash flows from investing activities:		
Interest received		46
Payment of deferred consideration	19	(400)
Purchase of plant and equipment		(5,208)
Net cash used in investing activities		(5,562)
Cash flows from financing activities:		
Issue of shares – net of issue costs		7,233
Increase in cash and cash equivalents		1,539
Reconciliation and analysis of change in net funds		
Increase in cash during period		1,539
Cash and cash equivalents at start of period		–
Cash and cash equivalents at end of period	14	1,539

3 **SUMMARY OF ACCOUNTING POLICIES**

3.1 **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:

3.2 **Basis of consolidation**

The Group financial statements consolidate those of the Company and its subsidiary undertakings drawn up to 31 March 2006.

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

As a result the combination of IPSA Group PLC and Blazeway Engineering Limited has been accounted for by applying the principles of merger accounting (“pooling of interests” method). The Group financial statements combine those of the Company and its subsidiary undertakings drawn up to 31 March 2006. The net assets and liabilities of Blazeway Engineering Limited at 12 September 2005 have been disclosed in note 19.

The purchase of Newcastle Cogeneration Company (Proprietary) Limited by Blazeway Engineering Limited has been accounted for as an acquisition of a subsidiary and the disclosures required by IFRS 3 have been made in relation to this acquisition, see note 20.

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.

Gains on transactions between the Group and subsidiaries are eliminated. 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.

3.3 Intangible assets acquired as part of a business combination

In accordance with IFRS 3: Business Combinations, an intangible asset acquired in a business combination is deemed to have a cost to the Group of its fair value at the acquisition date. The fair value of the 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 measurable. 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 useful lives.

3.4 Impairment of tangible and intangible fixed assets

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

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

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

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

3.5 Foreign currency translation

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

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

In the consolidated financial statements, all separate financial statements of subsidiary entities, originally presented in a currency different from the Group's presentation currency, have been converted into Pounds Sterling. Assets and liabilities have been translated into Pounds Sterling at

the closing rate at the balance sheet date. Income and expenses have been converted into Pounds Sterling at the average rates over the reporting period. Any differences arising from this procedure have been charged/(credited) to the foreign currency reserve.

3.6 **Income and expense recognition**

Revenue is recognised upon the performance of services or transfer of risk to the customer. In the nine-month period to 31 March 2006 the Group's revenue was nil as there were no sales to external customers.

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

3.7 **Property, plant and equipment**

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

All operational plant and equipment in the course of construction is recorded as plant under construction until such time as it is brought into use by the Group. Plant under construction includes all direct expenditure. On completion, such assets are transferred to the appropriate asset category. There has been no change in the nature of property, plant and equipment and no change in policy regarding the use thereof.

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

There was no depreciation charged in the period to 31 March 2006 since all plant and equipment expenditure represented plant under construction.

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

3.8 **Taxation**

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

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

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

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

3.9 **Financial assets**

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

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

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

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

3.10 **Financial liabilities**

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

3.11 **Hedging instruments**

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

3.12 **Equity**

Equity comprises the following:

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

3.13 **Pensions**

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

3.14 **Key assumptions and estimates**

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

4. PRINCIPAL ACTIVITY

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

5. SEGMENT ANALYSIS

The following table provides a segmental analysis by geographic region:

9 months to 31 March 2006	South Africa	UK	Intra-Group eliminations	Total
	£'000	£'000	£'000	£'000
Third party revenue	–	–	–	–
Administrative expenses	(19)	(172)	70	(121)
Other expense	–	(69)	–	(69)
Finance income	–	46	–	46
Loss before tax	(19)	(195)	70	(144)
Tax expense	–	–	–	–
Loss for the period	(19)	(195)	70	(144)

Note: Activities in South Africa relate to Newcastle Cogeneration (Proprietary) Limited and activities in UK relate to IPSA Group PLC.

31 March 2006	South Africa	UK	Intra-Group eliminations	Total
	£'000	£'000	£'000	£'000
Total assets	5,399	7,183	(4,513)	8,069
Total liabilities	4,585	405	(4,513)	477
Plant under construction	3,957	1,321	(70)	5,208

**9 months to
31 March 2006
£'000**

6. ADMINISTRATIVE EXPENSES

Expenditure incurred in administrative expenses is as follows:

Payroll and social security	94
Other administrative expenses	89
Audit	8
Less: costs capitalised	(70)
	121

7. OTHER EXPENSE

Other expense represents the costs associated with listing the Company's shares on AIM in September 2005.

In the period under review, £767,000 was paid in respect of raising equity finance on AIM. These costs have been written off to the share premium account (note 16).

**9 months to
31 March 2006
£'000**

8. FINANCE INCOME

Interest received on bank deposits	46
------------------------------------	----

9. TAX EXPENSE

There is no tax charge arising on the results for the period due to the losses incurred.

Relationship between the expected tax credit and the tax credit actually recognised:

Loss for period before tax	(144)
Standard rate of corporation tax in UK	–
Expected tax credit	(43)
Tax losses carried forward	43
<hr/>	
Actual tax credit	–

No deferred tax asset has been recognised in respect of the losses of £144,000 carried forward owing to uncertainty over the timing of future utilisation.

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the loss for the period attributable to shareholders by the weighted average number of shares in issue during the period. For diluted loss per share, the weighted average number of shares is adjusted to assume conversion of all dilutive potential ordinary shares. The diluted calculation of loss per share is unchanged from the basic calculation as no options, warrants or other share instruments have been granted or issued.

The headline loss per share, basic, and the headline loss per share, diluted, are unchanged from the basic calculation as the Company has not presented or published an adjusted headline loss figure for the nine months to 31 March 2006.

	9 months to 31 March 2006
Loss attributable to equity holders of the Company	£144,000
Total shares in issue (average during the period since listing)	53,438,485
Basic loss per share	0.27 pence
Diluted loss per share	0.27 pence
Headline loss per share – basic	10 0.27p
Headline loss per share – diluted	10 0.27p

11. INTANGIBLE ASSETS

Additions arising on acquisition of subsidiary	833
Cost at 31 March 2006	833

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

12. PROPERTY, PLANT AND EQUIPMENT

	Plant under construction £'000
Additions	5,208
Cost at 31 March 2006	5,208

Plant under construction has been valued at cost. It represents the expenditure incurred during the period to 31 March 2006.

**9 months to
31 March 2006**

13. TRADE AND OTHER RECEIVABLES

Trade debtors	20
Other debtors and prepayments	4
Pre-paid taxes	465
	489

14. CASH AND CASH EQUIVALENTS

Cash at bank and in hand	231
Short-term bank deposits	1,308
	1,539

15. SHARE CAPITAL

(a) Authorised		
150,000,000 ordinary shares of 2p each		3,000
(b) Allotted, called-up and fully paid		
54,629,630 ordinary shares of 2p each		1,093
Reconciliation of movement in share capital during the period	Number	£
On incorporation (1 July 2005) – 2 ordinary shares of £1 each	2	2
Subdivision of each ordinary £1 share into 50 shares of 2p each on 12 September 2005	98	–
Allotment in consideration of Blazeway Engineering Limited on 12 September 2005 at par	24,999,900	499,998
Allotment on admission to AIM on 20 September 2005 at 27p per share	29,629,630	592,593
At 31 March 2006	54,629,630	1,092,593

The difference between the total consideration arising from shares issued and the nominal value of the shares issued has been credited to the share premium account (note 16).

16. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY TO 31 MARCH 2006

	Share capital £'000	Share premium £'000	Foreign currency £'000	Retained earnings £'000	Total reserve £'000
On incorporation	–	–	–	–	–
Allotment – 12 September 2005	500	–	–	–	500
Allotment – 20 September 2005	593	7,407	–	–	8,000
Share issue costs written-off	–	(767)	–	–	(767)
Translation difference	–	–	3	–	3
Loss for the period	–	–	–	(144)	(144)
Balance at 31 March 2006	1,093	6,640	3	(144)	7,592

17. TRADE AND OTHER PAYABLES

Trade creditors	437
Accruals	40
	477

18. RECONCILIATION OF LOSS BEFORE TAX TO CASH OUTFLOW FROM OPERATIONS

Loss before tax	(144)
Changes in working capital:	
Trade and other receivables	(419)
Trade and other payables	477
Interest received	(46)
	(132)
Net cash outflow from operating activities	(132)

19. COMMON CONTROL BUSINESS COMBINATION

Provisional values of assets and liabilities at date of combination	
Intangible assets	833
Debtors	42
Creditors	(400)
Net cash acquired	25
	500
Consideration	
Issue of ordinary shares	500

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

20. ACQUISITION OF SUBSIDIARY ENTITIES

	£'000
Provisional values of assets and liabilities acquired:	
Intangible fixed asset	833
Cash and bank balances	42
	875
Consideration:	
Cash	475
Deferred consideration	400
	875
Total	875

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

21. NET ASSET AND TANGIBLE NET ASSET VALUE PER SHARE

Net asset value per share	13.9p
Net tangible asset value per share	12.4p

The net asset and net tangible asset values have been calculated by dividing the net assets/net tangible assets of the Group at 31 March 2006 (£7,592,000 and £6,759,000, respectively) by the number of shares in issue at 31 March 2006 (54,629,630).

22. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

(b) Interest rate risk

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

(c) Liquidity risk

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

(d) Credit risk

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

(e) Fair values

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

23. CAPITAL COMMITMENTS

The Group is in the process of constructing a major power plant in South Africa. At 31 March 2006, expenditure amounted to £5,208,000. It is anticipated that further expenditure of £3,000,000 will be required to bring the plant into operation.

24. CONTINGENT LIABILITIES

At 31 March 2006, the Group's only contingent liability related to the commitment to complete the construction of the power plant in South Africa.

25. RELATED PARTY TRANSACTIONS

During the period the Company entered into material transactions with related parties as follows:

1. The acquisition of Blazeway Engineering Limited for £875,000 from Independent Power Corporation PLC.
2. The Company paid £30,000 to Independent Power Corporation PLC under a "Shared Services Agreement" for the provision of offices and other administrative services.
3. Payment by the Company of £229,358 to Independent Power Operations Limited for services relating to the dismantling and transportation of plant and equipment. Independent Power Operations Limited is a wholly-owned subsidiary of Independent Power Corporation PLC.
P R Earl is a shareholder and director of Independent Power Corporation PLC and J G West and E R Shaw are directors. A sum of £41,742 was owing to Independent Power Corporation PLC at 31 March 2006.
4. Payment by the Company of US\$3.85 million (£2.2 million) to EPG for the purchase of the CHP plant. EPG is a wholly-owned subsidiary of European Power Systems A.G. which acquired and holds 3.4 per cent. of the issued share capital of the Company.
5. Payment by Newcastle Cogeneration (Proprietary) Ltd of R26,950 (£2,355) to Freydan Properties (Pty.) Ltd for use of office facilities and R2,548,268 (£230,267) to First Tech cc for civil works. C Lewis is a shareholder and director in Freydan and a member and shareholder in First Tech cc.
6. Payment by the Group of salaries to key management of £80,500.

26. DIRECTORS AND EMPLOYEE COSTS

	31 March 2006		
	£'000		
Aggregate remuneration of all employees and directors	98		
Remuneration paid to directors			
	Salary	Other	Total
	£'000	£'000	emoluments
			£'000
P Earl	15	–	15
E Shaw	15	–	15
J Eyre	15	–	15
C Lewis (resigned)	13	–	13
S Hargrave (non-executive)	15	–	15
J West (non-executive)	7	–	7
Total	80	–	80

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

27. POST-BALANCE SHEET

There have been no significant events since 31 March 2006.

28. OTHER LEGAL AND REGULATORY REQUIREMENTS

During the period, the Company introduced capital amounts into South Africa, to finance and support its subsidiary, NEWCOG. At the time that the funds were introduced, the directors of the Company had not been made aware of the requirement to obtain exemption under Exchange Control Regulation 3(1)(f).

The directors were made aware of the above regulation in August 2006 and an application for exemption was lodged with SARB on 22 August 2006. The position was regularised on 11 September 2006 when IPISA's applications in connection with the funds were accepted by SARB.

REPORTING ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION OF IPSA GROUP PLC

"The Directors
IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
London SE1 7TJ

6 October 2006

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE HISTORICAL FINANCIAL INFORMATION OF IPSA GROUP PLC ("IPSA")

1. INTRODUCTION

The Board of directors of IPSA has decided to proceed with a secondary listing of its issued ordinary shares on the Alternative Exchange of the JSE Limited ("the JSE").

At your request and for the purpose of the pre-listing statement, to be dated on or about 19 October 2006, we present our report on the historical financial information of IPSA, presented in Annexure 1 to the pre-listing statement, in compliance with the JSE Listings Requirements.

2. RESPONSIBILITY

The compilation, contents and presentation of the historical information of IPSA and the financial information from which it has been prepared or extracted are the responsibility of the directors of IPSA. Our responsibility is to express an audit opinion on the historical financial information for the period from incorporation to 31 March 2006.

3. HISTORICAL FINANCIAL INFORMATION FOR THE PERIOD ENDED 31 MARCH 2006

We have audited the financial information of IPSA for the period from incorporation to 31 March 2006 presented in Annexure 1 to the pre-listing statement.

4. SCOPE

We conducted our audit in accordance with International Standards on Auditing (ISAs). Those standards require that we plan and perform the audit to obtain reasonable assurance that the historical financial information relating to the period ended 31 March 2006 is free of material misstatement.

An audit includes, examining, on a test basis, evidence supporting the amounts and disclosures of the abovementioned historical financial information. Our audit also included assessing the accounting principles used and significant estimates made by management as well as evaluating the overall historical financial information presentation. We believe that our audit provides a reasonable basis for our audit opinion.

5. **OPINION ON THE PERIOD FROM INCORPORATION TO 31 MARCH 2006**

5.1 **Audit opinion**

In our opinion, the historical financial information of IPSA for the period from incorporation to 31 March 2006, presents fairly, in all material respects, the financial position at that date, and the results of the operations for the period then ended in accordance with International Financial Reporting Standards and the JSE Listings Requirements.

5.2 **Report on other legal and regulatory requirements**

In accordance with the responsibilities of audit firms in South Africa under the terms of sections 44(2) and 44(3) of the Auditing Profession Act (South Africa), we report that Grant Thornton in South Africa have identified certain unlawful acts or omissions committed by persons responsible for the management of IPSA Group plc which constitute reportable irregularities in terms of the Auditing Profession Act (South Africa) and that Grant Thornton in South Africa have reported such matters to the Independent Regulatory Board. The matters pertaining to the reportable irregularities have been described in note 28 to the historical financial information.

6. **CONSENT**

We consent to the inclusion of this report, which will form part of the pre-listing statement to be issued on or about 19 October 2006, in the form and context in which it appears.

Yours faithfully

Grant Thornton UK LLP

Registered Auditors

6 October 2006"

PRO FORMA STATEMENT OF CONSOLIDATED NET ASSETS OF IPSA GROUP PLC

Set out below is an unaudited *pro forma* statement of consolidated net assets of the Group. It has been prepared to illustrate the effect of the receipt of the funds from the placing on the net assets of the Group as if they had been received on 31 March, 2006. The *pro forma* financial information is IFRS compliant.

It has been prepared, on the basis of the notes set out below, for illustrative purposes only. Because of its nature, this *pro forma* statement of consolidated net assets may not give a true picture of the financial position, changes in equity, results of operations or cash flows of the Group. *Pro forma* financial information is the responsibility of the directors of the issuer.

	Group 31 March⁽¹⁾ 2006 £ '000	Pro forma adjustments⁽²⁾ £ '000	Pro forma of Group 31 March 2006 £ '000
Fixed assets			
Intangible assets	833	–	833
Property, plant and equipment	5,208	–	5,208
	6,041		6,041
Current assets			
Trade and other receivables	489	–	489
Cash and cash equivalents	1,539	1,890	3,429
	2,028	1,890	3,918
Current liabilities: trade and other payables	(477)	–	(477)
Net current assets	1,551	1,890	3,441
Total assets less current liabilities	7,592	1,890	9,482
Net asset value per share:	13.9p		15.8p
Tangible net asset value per share:	12.4p		14.4p

Notes:

- (1) The consolidated net assets of the Group at 31 March 2006 have been extracted without material adjustment from the financial information set out in Annexure 1 of this document.
- (2) The adjustment represents the gross proceeds of the placing of £2.1 million net of the IPO-related expenses of £228,000.
- (3) No adjustments have been made which may be necessary to reflect the fair value of net assets to be acquired and which may impact upon the calculation of goodwill.
- (4) No adjustment has been made for any event, save as disclosed above.

REPORTING ACCOUNTANT'S REPORT ON THE *PRO FORMA* BALANCE SHEET OF IPSA GROUP PLC

"The Directors
IPSA Group PLC
5th Floor
Prince Consort House
27 – 29 Albert Embankment
SE1 7TJ

6 October 2006

Dear Sirs

REPORT OF THE INDEPENDENT REPORTING ACCOUNTANTS ON THE *PRO FORMA* STATEMENT OF CONSOLIDATED NET ASSETS OF IPSA GROUP PLC ("THE COMPANY")

1. INTRODUCTION

The Board of directors of IPSA Group PLC has decided to proceed with the proposed secondary of the Company's issued ordinary shares on the Alternative Exchange of the JSE Limited ("ALT"). In accordance with our agreed engagement letter dated 8 September 2006, we have carried out a review of the *pro forma* statement of consolidated net assets of IPSA Group PLC to be presented in Annexure 3 to the pre-listing statement of the Company to be dated on or about 19 October 2006.

The *pro forma* statement of consolidated net assets has been prepared in accordance with the requirements of the JSE Limited Listings Requirements ("the JSE Listings Requirements), for illustrative purposes only, to provide information about how the joint listing and simultaneous private placement and listing of 54,629,630 ordinary shares in IPSA Group PLC ("the Corporate Action") might have affected the reported historical financial information presented, had the corporate action been undertaken at 31 March 2006.

2. DIRECTORS' RESPONSIBILITY

The Directors of IPSA Group PLC are responsible for the compilation, contents and presentation of the *pro forma* statement of consolidated net assets contained in the pre-listing statement and for the financial information from which it has been prepared. Their responsibility includes determining that:

- 2.1 the *pro forma* statement of consolidated net assets has been properly compiled on the basis stated;
- 2.2 the basis is consistent with the accounting policies of the Company;
- 2.3 the *pro forma* adjustments are appropriate for the purposes of the *pro forma* statement of consolidated net assets disclosed in terms of the JSE Listings Requirements.

3. REPORTING ACCOUNTANT'S RESPONSIBILITY

Our responsibility is to express our limited assurance conclusion on the *pro forma* statement of consolidated net assets included in the pre-listing statement to IPSA Group PLC's shareholders. We conducted our assurance engagement in accordance with the International Standard on Assurance Engagements applicable to *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and the *Revised Guide on Pro forma Financial Information* issued by The South African Institute of Chartered Accountants.

This standard requires us to obtain sufficient appropriate evidence on which to base our conclusion.

We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the *pro forma* statement of consolidated net assets, beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

4. **SOURCES OF INFORMATION AND WORK PERFORMED**

Our procedures consisted primarily of agreeing the unadjusted statement of consolidated net assets to the underlying audited historical financial statements, considering the *pro forma* adjustments in light of the Company's accounting policies, considering the evidence supporting the *pro forma* adjustments and discussing the adjusted *pro forma* statement of consolidated net assets with the directors of the Company in respect of the Corporate Actions that are the subject of the pre-listing statement.

In arriving at our conclusion, we have relied upon financial information prepared by the directors of IPSA Group PLC.

While our work performed has involved an analysis of the historical audited financial information and other information provided to us, our assurance engagement does not constitute an audit or review of any of the underlying financial information conducted in accordance with *International Standards on Auditing* or *International Standards on Review Engagements* and, accordingly, we do not express an audit or review opinion.

In a limited assurance engagement, the evidence-gathering procedures are more limited than for a reasonable assurance engagement and therefore less assurance is obtained than in a reasonable assurance engagement. We believe our evidence obtained is sufficient and appropriate to provide a basis for our conclusion.

5. **CONCLUSION**

Based upon our examination of the evidence obtained, nothing has come to our attention, which causes us to believe that:

- 5.1 the *pro forma* statement of consolidated net assets has not been properly compiled on the basis stated;
- 5.2 such basis is inconsistent with the accounting policies of the Company;
- 5.3 the adjustments are not appropriate for the purposes of the *pro forma* information as disclosed in terms of Sections 8.17 and 8.30 JSE Listings Requirements.

Yours faithfully

GRANT THORNTON UK LLP

Registered Auditors
LONDON"

EXTRACTS FROM THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF IPSA GROUP PLC

MEMORANDUM OF ASSOCIATION

The memorandum of association of the Company provides that its principal object and purpose is to carry on business as a general commercial company. Its objects and purposes are set out in full in clause 4 of the memorandum of association.

ARTICLES OF ASSOCIATION

The Articles were adopted by special resolution of the Company passed on 12 September 2005 and include provisions to the following effect (which is a description of significant rights and does not purport to be complete or exhaustive):

1. SHARE CAPITAL

The share capital of the Company is divided into shares of one class, namely ordinary shares.

2. VOTING RIGHTS

- (a) Subject to the Articles and any special rights or restrictions as to voting for the time being attached to any share at a general meeting, every member holding an ordinary share present in person shall upon a show of hands have one vote and on a poll every member present in person or by proxy shall have one vote for every ordinary share of which he is a holder. A proxy cannot vote on a show of hands. Except as otherwise provided in the Articles, two persons entitled to vote upon the business to be transacted at the meeting each being a member or a proxy for a member of a duly authorised representative of a corporation shall be a quorum.
- (b) Unless the Board otherwise decides, a member shall not be entitled to attend or vote, either in person or by proxy, at any general meeting of the Company or to exercise any other right as a member in respect of any share held by him unless and until all calls and other sums presently payable by him in respect of that share have been paid.

3. DISTRIBUTION OF ASSETS ON A WINDING UP

If the Company is wound up, the liquidator may, with the authority of an extraordinary resolution of the Company and any other authority required by the UK Companies Act, divide among the members *in specie* the whole or any part of the assets of the Company and, for that purpose, value any assets and determine how the division shall be carried out as between members or different classes of members or vest the whole or any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but no member shall be compelled to accept any assets upon which there is any liability.

4. TRANSFER OF SHARES

- (a) Subject to the restrictions in the Articles, a member may transfer all or any of his shares in any manner which is permitted by the UK Companies Act and is from time to time approved by the Board.
- (b) The Company shall register the transfer of any uncertificated shares in accordance with the CREST Regulations and other Act and, where permitted by the CREST Regulations and other statutes, the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of an uncertificated share.
- (c) An instrument of transfer of a certificated share may be in any usual form or in any other form which the Board may approve and shall be signed by or on behalf of the transferor and (except in the case of a fully paid share) by or on behalf of the transferee. An instrument of transfer need not be under seal.

- (d) Save in the case of a class of shares which has been admitted to the Official List or to AIM to CREST the Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of a certificated share unless:
- (i) it is in respect of a share which is fully paid up;
 - (ii) the instrument of transfer is left at the registered office or at such place as the Board may decide, for registration;
 - (iii) the instrument of transfer is accompanied by the certificate for the shares to be transferred and such other evidence (if any) as the Board may reasonably require to prove the title of the intending transferor or his right to transfer the shares;
 - (iv) the instrument of transfer is duly stamped (if so required);
 - (v) it is in respect of only one class of shares; and
 - (vi) it is in favour of not more than four transferees.

5. **POWER TO INCREASE, CONSOLIDATE, SUB-DIVIDE AND CANCEL SHARES**

The Company may by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amount as the resolution prescribes;
- (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
- (c) subject to the UK Companies Act and any other applicable statutes, sub-divide its shares, or any of them, into shares of smaller amount and the resolution may determine that, as between the shares resulting from the sub-division, one or more of the shares may, as compared with the others, have such preferred, deferred or other special rights, or be subject to such restrictions, as the Company has power to attach to unissued or new shares; and
- (d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

6. **FRACTIONS**

Whenever as a result of a consolidation or sub-division of shares any member would become entitled to a fraction of a share, the Board may on behalf of the members deal with the fractions as it thinks fit. In particular, but without limitation, the Board may sell the shares representing the fractions for the best price reasonably obtainable to any person (including, subject to the UK Companies Act, the Company) and distribute the net proceeds of sale in due proportion among those members (except that any amount otherwise due to a member, being less than £3 or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company).

7. **POWER TO REDUCE CAPITAL**

Subject to the UK Companies Act and any other applicable statutes, and to any rights for the time being conferred on the holders of any class shares, the Company may by special resolution reduce its share capital, any capital redemption reserve or any share premium account in any way.

8. **POWER TO PURCHASE OWN SHARES**

Subject to the UK Companies Act and any other applicable statutes, and to any rights for the time being conferred on the holders of any class of shares, the Company may purchase all or any of its shares of any class, including any redeemable shares.

9. GENERAL MEETINGS OF SHAREHOLDERS

All general meetings which are not annual general meetings are extraordinary general meetings. General meetings may be called by directors whenever they think fit or within 28 days of receipt of a requisition of members served in accordance with the UK Companies Act. If there are insufficient directors in the UK to form a quorum, any director or two members may convene an extraordinary general meeting, in the same manner as nearly as possible as that in which meetings may be convened by the directors.

An annual general meeting and an extraordinary general meeting for the passing of a special resolution or a resolution appointing a person a director shall be called by twenty-one days' notice at least and all other extraordinary general meetings shall be called by at least fourteen days' notice.

10. VARIATION OF RIGHTS

- (a) If at any time the share capital of the Company is divided into shares of different classes, any of the rights for the time being attached to any class of shares may be varied or abrogated (whether or not the Company is being wound up) in such manner (if any) as may be provided by those rights or, if no such provision is made, either:
 - (i) with the consent in writing of the holders of three-quarters in nominal value of the issued shares of that class; or
 - (ii) with the authority of an extraordinary resolution passed at a separate general meeting of the holders of those shares.
- (b) The provisions of the Articles relating to general meetings of the Company or to the proceedings at general meetings shall apply *mutatis mutandis*, to every meeting of the holders of any class of shares, except that:
 - (i) the quorum at any such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third in nominal amount of the issued shares of the class;
 - (ii) at an adjourned meeting the quorum shall be one person holding shares of the class or his proxy;
 - (iii) every holder of shares of the class shall, on a poll, have one vote in respect of every share of the class held by him;
 - (iv) a poll may be demanded by any one holder of shares of the class whether present in person or by proxy.

11. DISCLOSURE OF INTERESTS

- (a) If a holder of, or any other person appearing to be interested in, any shares has been issued with a notice by the Company pursuant to section 212 of the UK Companies Act (a "Section 212 Notice") and has failed in relation to any shares (the "Default Shares") to comply with the Section 212 Notice within 14 days from the service of the notice:
 - (i) the holder of the Default Shares shall not be entitled in respect of the Default Shares to be present or to vote (either in person or by proxy) at any general meeting of the Company or at any separate meeting of the holders of any class of shares; and
 - (ii) if the Default Shares represent 0.25 per cent. or more in nominal value of the issued shares of their class, the holder of the Default Shares shall not be entitled in respect of the Default Shares to receive any dividend or other distribution or other than an Exempt Transfer to transfer or agree to transfer any of those shares.
- (b) An "Exempt Transfer" in relation to any shares means a transfer pursuant to:
 - (i) sale on a Recognised Investment Exchange (as defined in the Financial Services and Markets Act 2000) or any other stock exchange outside the United Kingdom on which the Company's shares are normally traded;
 - (ii) a sale of the whole beneficial interest in the shares to a person whom the Board is satisfied is unconnected with the existing holder or with any other person appearing to be interested in the shares; or
 - (iii) a sale by way of or pursuant to acceptance of a takeover offer (as defined in section 428 of the UK Companies Act).

12. DIRECTORS

- (a) Subject to the UK Companies Act and any other applicable statutes, the memorandum of association of the Company, the Articles and any directions given by special resolution of the Company, the business of the Company shall be managed by the Board which may exercise all the powers of the Company.
- (b) A director need not hold any shares of the Company. Each director shall be entitled to attend and speak at any general meeting of the Company whether or not he is a member.
- (c) The Board may from time to time appoint one or more directors to hold any executive office (including that of chief executive or managing director) for such term (subject to the Statutes) and on such terms as the Board may decide. The Board may revoke or terminate any such appointment without prejudice to any claim for damages for breach of contract between the director and the Company.
- (d) Subject to the UK Companies Act and subject to disclosure of his interests, a director notwithstanding his office:
 - (i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is otherwise interested;
 - (ii) may hold any other office or place of profit under the Company (except as its auditor or auditor of a subsidiary of the Company) in conjunction with the office of director for such period (subject to the UK Companies Act and any other applicable statutes) and upon such terms as the Board may decide and may be paid such extra remuneration for so doing (whether by way of salary, commission, participation in profits or otherwise) as the Board may decide, either in addition to or in lieu of any remuneration under any provision of the Articles;
 - (iii) may be or become a member or director of, or hold any other office or place of profit under, or otherwise be interested in, any other company in which the Company may be interested;
 - (iv) may act by himself or his firm in a professional capacity for the Company (except as its auditor) and he or his firm shall be entitled to remuneration for professional services as if he were not a director; and
 - (v) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any such office, employment, contract, arrangement, transaction or proposal and no such contract, arrangement, transaction or proposal shall be avoided on the grounds of any such interest or benefit.
- (e) Save as otherwise provided by the Articles, a director shall not vote or be counted in the quorum at a meeting in relation to any resolution of the Board or a committee of the Board relating to any contract, arrangement, transaction or other proposal in which he has an interest which, together with any interest of a person connected with him (within the meaning of section 346 of the UK Companies Act), is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted. The prohibition shall not apply and a director may vote and be counted in the quorum in respect of any resolution concerning any one or more of the following matters:
 - (i) any contract, arrangement, transaction or proposal in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
 - (ii) the giving of any guarantee, security or indemnity in respect of:
 1. money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; or
 2. a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part (either alone or jointly with others) under a guarantee or indemnity or by the giving of security;
 3. any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in this capacity as a holder of any such securities or as an underwriter or sub-underwriter;
 4. any contract, arrangement, transaction or proposal concerning any other company in which he, and any persons connected with him (within the meaning of section 346 of the UK Companies Act), do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the UK Companies Act) representing one per cent. or more of any class of the equity share capital of that company or of the voting rights available to members of that company;

5. any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates; and/or
 6. the purchase or maintenance of insurance for the benefit of directors or for the benefit of persons including directors.
- (f) A director shall not vote or be counted in the quorum at a meeting in respect of any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying its terms) or the termination of his own appointment, to an office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each director and, in that case, each of the directors concerned (if not otherwise debarred from voting under the Articles) shall be entitled to vote (and be counted in quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.
- (g) The directors (other than any director who for the time being holds an executive office or employment with the Company or a subsidiary of the Company) shall be paid out of the funds of the Company by way of remuneration for their services as directors such fees, not exceeding in aggregate £1,000,000 per annum (or such larger sum as the Company may, by ordinary resolution, determine), as the Board may decide. Such sum shall be divided among the directors in such proportion and manner as the Board may agree or, failing agreement, equally. Any fee payable shall be distinct from any remuneration or other amounts payable to the director under other provisions of the Articles and shall accrue from day to day. The directors shall be paid out of the funds of the company all reasonable travelling, hotel and other expenses properly incurred by him in and about the performance of his duties as director, including his expenses of travelling to and from Board meetings, committee meetings, general meetings or separate meetings of the holders of any class of shares or debentures in the Company.
- (h) If, by arrangement with the Board, any director performs or renders any special duties or services outside any ordinary duties as a director and not in his capacity as a holder of employment or executive office, he may be paid such reasonable special remuneration (whether by way of lump sum, salary, commission, participation in profits or otherwise) as the Board may decide in addition to any remuneration payable under or pursuant to any provision of the Articles.
- (i) At each annual general meeting one-third of the directors, or if the number of directors is not three or a multiple of three, the number nearest to and exceeding one-third, shall retire from office. If there are fewer than three directors, one director shall retire from office. Subject to the UK Companies Act and any other applicable statutes, the directors to retire by rotation shall be those who have been longest in office since their appointment or reappointment but, as between directors who were appointed or re-appointed on the same day, those to retire shall (unless otherwise agreed amongst themselves) be determined by lot.
- (j) Subject to the UK Companies Act and any other applicable statutes, the Board may purchase and maintain insurance at the expense of the Company for the benefit of any person who is or was at any time a director or other officer or employee of the Company (other than auditor) or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any interest (whether direct or indirect) or a trustee of any pension fund in which employees of the Company is or has been interested.
- (k) The number of directors (other than alternate directors) shall not, unless otherwise determined by ordinary resolution of the Company be less than three or more than ten.

13. **BORROWING POWERS**

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the UK Companies Act and any other applicable statutes, to create and issue debenture and other loan stock, debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

14. **PENSIONS AND BENEFITS**

The Board may exercise all the powers of the Company to pay, provide or procure the grant of pensions or other retirement or superannuation benefits and death, disability or other benefits, allowances or gratuities to any person who is or has been at any time a director of the Company or in the employment or service of the Company or of any company which is or was a subsidiary of or associated with the Company or of the predecessors in business of the Company or of any such subsidiary or associated company or the relatives or dependents of any such person. For that purpose the Board may procure the establishment and maintenance of, or participate in, or contribute to, any non-contributory or contributory pension or superannuation fund, scheme or arrangement and pay any insurance premiums.

15. **UNCERTIFICATED SECURITIES**

Pursuant to and subject to the CREST Regulations, the Board may permit shares of any class to be held in uncertificated form and to be transferred or otherwise dealt with by means of a Relevant System (as defined in the CREST Regulations), and may revoke such permission.

16. **DIVIDENDS**

There are no fixed dates on which a dividend entitlement arises. The Company may by ordinary resolution from time to time declare dividends to be paid to shareholders, although the amount of the dividend cannot exceed the amount recommended by the directors. In addition the directors may pay interim dividends if justified by the profits of the Company available for that purpose.

The dividend payment to each shareholder shall be calculated proportionately to the amounts paid up on each issued share. All dividend payments shall be non-cumulative.

All unclaimed dividends may be used for the benefit of the Company until claimed and shall not attract interest. Any dividend which remains unclaimed twelve years after the date the dividend becomes due for payment shall, at the option of the directors, be forfeited and shall revert to the Company.

There are no dividend restrictions attaching to the ordinary shares, provided they are fully paid up. Payments of dividends may be made by any method the directors consider appropriate and on a cash dividend there are no special arrangements for non-resident shareholders. The directors may make such arrangements as they consider expedient in connection with a dividend payment in shares to deal with any legal or other difficulties that may arise in any territory in which non-resident shareholders are present.

17. **RIGHTS OF SHARES**

The ordinary shares rank *pari passu* as a class in terms of preference, restriction and all other rights, including voting rights.

18. **THE BORROWING POWERS OF THE DIRECTORS OF NEWCOG**

The borrowing powers of the directors of NEWCOG are as follows:

"12. BORROWING POWERS

- 12.1 From time to time the directors may borrow or raise for the purposes of the Company such sums as they deem fit.
- 12.2 The directors may raise or secure the payment or repayment of such moneys in such manner and upon such terms and conditions in all respects as they think fit, and in particular by mortgage bond or by the issue of debentures or debenture stock of the Company, whether unsecured or charged upon all or any part of the property of the Company (both present and future).
- 12.3 Debentures, debenture stock and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
- 12.4 Any debentures, debenture stock, bonds or other securities may be issued at par or at a discount or at a premium, and with any special privileges as to redemption, surrender and drawings, but no special privileges as to allotment of shares or stock, attending and voting in general meetings, appointment of directors or otherwise shall be given without the sanction of the Company in general meeting.

12.5 The directors shall cause a proper register to be kept in accordance with the provisions of the Act of all mortgages and charges specifically affecting the property of the Company, and they shall cause to be entered in such register in respect of each mortgage or charge a short description of the property mortgaged or charged, the amount of the charge created, the name of the mortgagee or person entitled to such charge and such further particulars as the provisions of the Act require.”

19. **THE BORROWING POWERS OF THE DIRECTORS OF BLAZEWAY**

The borrowing powers of the directors of Blazeway are as follows:

“The borrowing powers of Blazeway enable Blazeway “to borrow or raise money in any manner and to secure the same or the repayment or performance of any debt, liability, contract, guarantee or other engagement incurred or entered into by the company and in particular by the issue of debentures secured on all or any of the Company’s property (both present and future) including its uncalled capital; and to purchase, redeem or pay off any securities.”

DETAILS OF THE REMUNERATION OF THE DIRECTORS OF IPSA GROUP PLC

The remuneration and fees received by the directors for the nine months to 31 March 2006 are set out below together with share options granted to, and gains made by, executive directors during the period.

Directors' emoluments to 31 March 2006

	Services as directors of IPSA Group and its subsidiaries (salary) GBP'000	Cash portion of performance- package GBP'000	Bonus and pension incentives/ related payments ⁸ GBP'000	Expense allowances GBP'000	Other benefits GBP'000	Pension contri- butions GBP'000	Otherwise in connection with the affairs of IPSA Group or its subsidiaries GBP'000	Total remun- eration GBP'000	Gains on exercise of share options GBP'000	Total emolu- ments GBP'000
Executive										
P Earl	15.0							15.0		15.0
E Shaw	15.0							15.0		15.0
J Eyre	15.0							15.0		15.0
C Lewis	13.0							13.0		13.0
Total	58.0							58.0		58.0
Non-executive										
S Hargrave	15.0							15.0		15.0
J West	7.5							7.5		7.5
N Bryson	–							–		–
Total	22.5							22.5		22.5
Total	80.5							80.5		80.5

Director	Current directorships	Past directorships
James West	Associated British Foods Pension Trustees Limited Bioethanol Limited British Assets Trust PLC Candover Investments PLC Gartmore Fledgling Trust PLC Global Natural Energy PLC Independent Power Corporation PLC IV PLC Jimmy West Associates Limited JP Morgan Income and Capital Investment Trust PLC Jupiter Second Enhanced Income Trust PLC New City High Yield Trust PLC Rurelec PLC Scottish & Newcastle Pensions Plan Limited Shires Smaller Companies PLC UK Select Trust Limited	Aberdeen New Dawn Investment Trust PLC Catalyst Fund Management & Research Limited Courage Pensions Investments Limited Courage Pensions Limited Embankment Investments Limited European Financial Services Venture Fund (General Partner) Limited JFIT Securities Limited (in liquidation) Jupiter Financial Trust PLC (in liquidation) Latchley Management Limited Principal Healthcare Finance (UK) No. 1 Limited Principal Healthcare Finance (UK) No. 2 Limited Principal Healthcare PLC Scottish & Newcastle Pensions Limited Snackhouse PLC Sterling Energy PLC Themis FTSE Fledgling Index Trust PLC
Neil Bryson	Ogilvy & Estill Limited Melkit Limited The Association of Electricity Producers Limited Balmyle Limited Mineral Development Limited ESD Biomass Limited Judith Irwin Fine Wines Limited	Faldane Limited Pridehold Limited Lakeland Power Limited UK Electric Power Limited Marshgate Ventures Limited