



**I P S A**

INDEPENDENT POWER SOUTHERN AFRICA

# **IPSA Group PLC**

**Placing and Admission to AIM**



**NOBLE**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an admission document, has been drawn up in accordance with the AIM Rules.

The Directors of IPSA Group PLC, whose names appear on page 3 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and there is no other information the omission of which is likely to affect the import of such information. Under no circumstances should the information contained in this document be relied upon as being accurate at any time after Admission.

The whole of the text of this document should be read. You should be aware that an investment in the Company involves a high degree of risk. Prospective investors should carefully read the section entitled "Risk Factors" in Part VI of this document.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UK Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List and it is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. Further, neither the UK Listing Authority nor the London Stock Exchange have examined or approved the contents of this document. The Ordinary Shares are not dealt on any other recognised investment exchange and no other such applications have been made.

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## IPSA GROUP PLC

*(Incorporated and registered in England & Wales with registered number 5496202)*

### Placing of 29,629,630 New Ordinary Shares of 2p each at 27p per Share

### Admission to trading on the AIM market of the London Stock Exchange Noble & Company Limited Nominated Adviser and Broker

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#### Share capital immediately following the Placing and Admission

<i>Authorised</i>		<i>Issued and fully paid</i>	
<i>Number of Ordinary Shares of 2p each</i>	<i>Amount</i>	<i>Number of Ordinary Shares of 2p each</i>	<i>Amount</i>
150,000,000	£3,000,000.00	54,629,630	£1,092,592.60

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All the Placing Shares will, on Admission, rank *pari passu* in all respects with the existing Ordinary Shares in issue and will rank in full for all dividends and other distributions declared, paid or made in respect of the Ordinary Shares after Admission.

Application has been made for all of the whole issued and to be issued Ordinary Shares of IPSA Group PLC to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on AIM at 8.00 a.m. on 20 September 2005.

This document does not constitute or form part of any offer or invitation to sell or issue or the solicitation of any offer to purchase or subscribe for Ordinary Shares in any jurisdiction in which such offer, invitation or solicitation is unlawful. The Ordinary Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended (Securities Act), or under the securities laws of any state of the United States or under the applicable securities laws of Australia, the Republic of South Africa, the Republic of Ireland, Japan or Canada. Accordingly, subject to certain exceptions, the Ordinary Shares may not, directly or indirectly, be offered, sold, transferred, taken up or delivered, directly or indirectly, in the United States, Australia, the Republic of South Africa, the Republic of Ireland, Japan or Canada or for the benefit of any US person (as defined in Regulation S under the Securities Act). The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Noble & Company Limited, which is authorised and regulated by The Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser and Broker for the purposes of the AIM Rules and is acting exclusively for the Company in relation to the Placing and Admission and will not be responsible to any other person for providing the protections afforded to clients of Noble nor for advising any other person on the contents of this document or any transaction or arrangement referred to herein. Its responsibilities as the Company's Nominated Adviser and Broker under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or any Director. Noble has not authorised the contents of any part of this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Noble for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document and no representation or warranty, express or implied, is made by Noble as to any of the contents of this document, for which the Company and its Directors are solely responsible. The information contained in this document has been prepared solely for the purposes of Admission and is not intended to inform or be relied upon by any subsequent purchaser of the Ordinary Shares and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge to the public at the offices of Noble & Company Limited, 120 Old Broad Street, London EC2N 1AR, for one month from the date of Admission.

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## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors:</b>	Stephen Thomas Hargrave, <i>Non-executive Chairman</i> Peter Richard Stephen Earl, <i>Chief Executive Officer</i> Elizabeth Ruth Shaw, <i>Chief Operating Officer</i> John Michael Eyre, <i>Technical Director</i> Clifford William Adrian Lewis, <i>Operations Director</i> James Glynn West, <i>Non-executive Director</i> all of 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ
<b>Company Secretary:</b>	Susan Angela Laker
<b>Registered Office:</b>	5th Floor Prince Consort House 27-29 Albert Embankment London SE1 7TJ
<b>Nominated Adviser:</b>	<b>Noble &amp; Company Limited</b> 76 George Street Edinburgh EH2 3BU
<b>Nominated Broker:</b>	<b>Noble &amp; Company Limited</b> 120 Old Broad Street London EC2N 1AR
<b>Solicitors to the Company:</b>	<b>Memery Crystal</b> 44 Southampton Buildings London WC2A 1AP
<b>Solicitors to the Placing:</b>	<b>Maclay Murray &amp; Spens, London</b> 5 Old Bailey London EC4M 7JX
<b>Reporting Accountants:</b>	<b>Grant Thornton UK LLP</b> Grant Thornton House Melton Street Euston Square London NW1 2EP
<b>Principal Bankers:</b>	<b>HSBC Bank PLC</b> 13-14 Sloane Square London SW1W 8AL
<b>Registrars:</b>	<b>Neville Registrars Limited</b> 18 Laurel Lane Halesowen West Midlands B63 3DA

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended
“Admission”	the admission of the Ordinary Shares in issue to trading on AIM becoming effective in accordance with the AIM Rules
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules”	the rules applicable to AIM companies as published by the London Stock Exchange from time to time
“Articles”	the articles of association of the Company
“BEE”	a policy of the Government of RSA for the economic empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies as defined in the BEE Act
“BEE Act”	Broad-Based Black Economic Empowerment Act 2003
“Blazeway”	Blazeway Engineering Limited, incorporated in England and Wales under the 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 page 3 of this document
“Code”	the City Code on Takeovers and Mergers
“Combined Code”	the corporate governance code issued by the Financial Reporting Council, as amended from time to time
“Company” or “IPSA”	IPSA Group PLC, incorporated in England and Wales under the Act with registered number 5496202
“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
“CREST Regulations”	Uncertificated Securities Regulations (SI 2001 No, 3755), as amended
“Enlarged Share Capital”	the issued ordinary share capital of the Company on Admission
“EPG”	European Power Generation Limited, a company incorporated in England and Wales under the Act with registered number 4273969
“Eskom”	Eskom Holdings Limited, a public company constituted pursuant to the Eskom Conversion Act 13 of 2001 and registered in accordance with RSA laws
“Executive Directors”	the Chief Executive Officer, Peter Earl, the Chief Operating Officer, Elizabeth Shaw, the Technical Director, Mike Eyre, and the Operations Director Cliff Lewis
“Government of RSA”	the government of RSA
“Group”	the Company and its Subsidiaries
“IPC”	The Independent Power Corporation PLC, incorporated in England and Wales under the Act with registered number 3097552 (a company controlled by Peter Earl, and of which he, Elizabeth Shaw and James West are directors)

“IRR”	Internal rate of return
“Karbochem”	Karbochem (Proprietary) Limited, incorporated in accordance with RSA laws
“London Stock Exchange”	London Stock Exchange PLC
“NEWCOG”	Newcastle Cogeneration Company (Proprietary) Limited, a company incorporated in the RSA with registration number 2000/008136/07 and a wholly owned subsidiary of the Company.
“Noble”	Noble & Company Limited, authorised and regulated by The Financial Services Authority and the Company’s Nominated Adviser and Broker
“Official List”	the Official List of the UK Listing Authority
“Option”	the option to purchase a CHP plant granted to the Company or any member of the Group pursuant to the Option Agreement
“Option Agreement”	the agreement entered into on 3 August 2005 between the Company and EPG, further details of which are set out in paragraph 12.6 of Part VII of this document
“Ordinary Shares”	ordinary shares of 2p each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“Placing”	the conditional placing on behalf of the Company of the Placing Shares at the Placing Price by Noble, pursuant to the Placing Agreement
“Placing Agreement”	the conditional agreement dated 14 September 2005 between the Company, the Directors and Noble relating to the Placing, summary details of which are set out in paragraph 12.1 of Part VII of this document
“Placing Price”	27p per Placing Share
“Placing Shares”	the 29,629,630 new Ordinary Shares to be issued pursuant to the Placing
“PPA”	Power Projects Africa (Proprietary) Limited, the trading name of First Tech Closed Corporation, incorporated in the RSA with registered number 96/45434/23 (a company in which Cliff Lewis, 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
“R”*	South African Rand, the legal currency of RSA
“RSA” or “South Africa”	The Republic of South Africa
“Rurelec”	Rurelec PLC, incorporated in England and Wales under the Act with registered number 4812855 (a company of which Peter Earl, Mike Eyre, Elizabeth Shaw and James West are directors)
“SARS”	the Rules Governing Substantial Acquisitions of Shares issued on behalf of the Panel
“SASOL”	SASOL Gas Limited, a public company incorporated in the RSA
“Shareholders”	the persons who are registered as holders of Ordinary Shares from time to time

“Southern Africa”	means, for the purposes of this document the fourteen 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, Republic of South Africa, Kingdom of Swaziland (“Swaziland”), United Republic of Tanzania, Republic of Zambia and Republic of Zimbabwe (“Zimbabwe”)
“Subsidiaries”	Blazeway and NEWCOG
“UK” or the “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the UK Listing Authority, a division of the Financial Services Authority, acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000
“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
“US\$”*	United States dollars

\* *At the close of business on 13 September, the last practicable date prior to the publication of this document, the spot rate of exchange derived from [www.ft.com](http://www.ft.com) was approximately US\$1.82 to £1.00 and was approximately R11.65 to £1.00, such rates have been used in this document unless stated otherwise.*

## GLOSSARY OF TECHNICAL TERMS AND ABBREVIATIONS

The following definitions apply throughout this document, unless the context requires otherwise:

“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
“CHP”	combined heat and power, an energy conversion process whereby electricity and heat are produced simultaneously in one process
“GDP”	gross domestic product
“LNG”	liquefied natural gas (primarily methane) which has been cooled to its liquid state
“inside the fence”	power generation units located on site and focussing their output on site users
“IPPs”	independent power producers
“offtaker”	either the purchaser of steam, electricity, or a combination of both
“MW”	megawatt, a measure of power equal to one million watts or one thousand kilowatts
“MWe”	megawatt of electrical output
“O&M”	operation and maintenance
“real GDP”	an alteration to GDP to take into account the effect of inflation
“take or pay”	where the offtaker pays for the greater of the electricity supplied or its contractually agree demand
“tph”	tonnes per hour

## PLACING STATISTICS

Placing Price	27p
Number of Placing Shares being issued by the Company pursuant to the Placing	29,629,630
Number of Ordinary Shares in issue immediately following the Placing and Admission	54,629,630
Market capitalisation of the Company at the Placing Price on Admission	£14.8 million
Percentage of the Enlarged Share Capital subject to the Placing	54.2 per cent.
Directors' interests in the share capital of the Company immediately following the Placing and Admission as a percentage of the Enlarged Share Capital	27.9 per cent.
Estimated net proceeds of the Placing receivable by the Company <sup>(1)</sup>	£7.2 million

Note:

1. Estimated net proceeds are stated after deduction of estimated total expenses incurred in relation to the Placing and Admission of £0.8 million.

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Admission and expected commencement of dealings in Ordinary Shares on AIM	20 September 2005
CREST member accounts credited (where applicable)	20 September 2005
Despatch of definitive share certificates for Ordinary Shares (where applicable)	by 28 September 2005

## KEY INFORMATION

The following information is derived from, and should be read in conjunction with, the full text of this document. In particular, recipients of this document should consider the statement of Risk Factors in Part VI.

The Company has been established to develop, own and manage power generation plants in Southern Africa.

It is managed by a team with an established track record in developing power projects worldwide and with 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; and
- in due course, the purchase, refurbishment and operation of power plants in the region.

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.

The Government of South Africa (“Government”) is committed to increasing access for the country to electricity and announced that South Africa needs to boost its power generation capacity by 5,000 MW.

It is now Government policy that 30 per cent. of all new power capacity constructed over the next five years should be met by IPPs.

The Group has initially targeted specific projects in South Africa and Swaziland, and has three active projects under varying stages of development.

The Directors initial target projects are based on building “inside the fence” CHP plants with a nominal capacity of up to 100 MWe, primarily gas-fired and producing both heat/steam and electricity.

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 gas supply.

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.

The Group operates out of two offices, one in London and the other in Durban, which are shared with IPC and Rurelec in London and IPC and PPA in Durban.

### Summary of the Placing

The Company proposes to raise £8.0 million before expenses through the placing of 29,629,630 new Ordinary Shares at a price of 27p per share.

Admission is expected to take place and dealings in the issued and to be issued Ordinary Shares are expected to commence on the AIM at 8.00 a.m. on 20 September 2005. These times and dates may be subject to change.

### Risk factors

Prior to investing in the Company, prospective investors should consider, together with the other information contained in this document, the risk factors set out in Part VI of this document.

## Use of proceeds

The net proceeds to be received by the Company from the issue of the Placing Shares at the Placing Price are estimated to be approximately £7.2 million after deduction of commissions and expenses which are estimated to amount to approximately £0.8 million.

The Company intends to use the majority of the net proceeds of the Placing to fund the acquisition, shipping and reconstruction of the CHP plant in South Africa, repay existing liabilities (including the repayment of a £400,000 loan from IPC, as referred to on page 26) and fundraising costs, fund the development of future projects and provide working capital.

## PART I

### Information on the Group

#### 1. Introduction

The Company has been established to develop, own and manage power generation plants in Southern Africa. As set out in paragraph 2 below, 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 worldwide and with 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 Group intends to own the Project Co. outright. 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 three active 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 second half of 2006.

#### 2. History

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 Admission. In May 2005, Blazeway itself had acquired NEWCOG, formerly the Southern African power development business of IPC, for a total consideration of £875,000. Pursuant to this transaction, certain non-compete restrictions apply to IPC in Southern Africa. Details of the Blazeway acquisition agreement are set out in paragraph 12.7 of Part VII of this document.

#### 3. The business of IPSA

##### *The business*

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 building "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. 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.

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

The Group operates out of two offices, one in London and the other in Durban, which are shared with IPC and Rurelec in London and IPC and PPA in Durban.

##### *Market overview and opportunity*

South Africa's GDP grew by 3.5 per cent. in 2004 and its real GDP is forecast to grow by an estimated 4.0 per cent. in 2005 and 2006.

Power generation in South Africa is currently dominated by the State-owned electricity generator and supplier, Eskom, which currently generates around 95 per cent. of the country's electricity. Eskom has over 38,000 MW of nominal generating capacity, primarily coal-fired but also including nuclear, gas 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. The Government is committed to increasing access for the country to reliable and affordable electricity and the Minister of Public Enterprises for the 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.

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 MW.

The 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 RSA'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, the 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.

#### *Competitive position*

The Directors believe that with the forecast shortfall in generating capacity in South Africa in the near future and the Government's policy of privatisation, there will be further opportunities to develop power plants both in South Africa and 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 the management's experience in the power generation industry and the Group's existing presence and contacts in South Africa.

#### *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. 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 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 are keen 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.

#### *Business model*

##### **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 dedicated project company ("Project Co.")

established to ring-fence the funding and contractual arrangements for the project. The Group intends to retain a controlling equity interest in each Project Co. where possible. If a Project Co. is not exclusively owned or controlled by the Group, a shareholder agreement will be put in place to govern, *inter alia*, the Project Co.'s board composition and management, funding and dividend policy.

### Revenue structure

The Project Cos. 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 will 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 follows:

- **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 Co. 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 Co. 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 & Maintenance fees** – the Group will receive a management fee from the Project Co. to operate and maintain the power plant. These fees will be structured on a cost-plus basis on an initial term of between three to five years. The Group’s ability to charge such costs will be dependent on the shareholder agreement with any project partner.

### 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 off-take 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 off-take agreements.
- **Project Co. formation, financing and contract finalisation** – once the engineering, procurement and construction negotiations and the off-take and fuel agreements are in substantially final form, the Project Co. 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 Co. 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 Co. 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.

### *Current projects*

The Company has three active projects in varying stages of development:

#### **I. CHP project for Karbochem at Newcastle, South Africa**

The Group, through NEWCOG, has 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 has secured sufficient land to permit such construction. Karbochem is a synthetic rubber manufacturer.

NEWCOG has entered into the key agreements for the project, namely: steam offtake; site lease; and gas supply. The key terms of these agreements are summarised in paragraph 12 of Part VII of this document. An electricity offtake agreement with Karbochem is under negotiation.

On 31 August 2005 the Company exercised an option to acquire from EPG an 18 MW CHP plant that is currently sited in Lancashire, UK. Further details of the Option are set out in paragraph 12.5 of Part VII of this document. EPG, itself, acquired the CHP plant in July 2005. The plant last operated in 2001.

The Group intends to use a proportion of the proceeds of the Placing to acquire the CHP plant, and will, in turn, contract with a third party to dismantle and transport the CHP plant to RSA where it will be re-assembled on site in Newcastle. The Company hopes to complete installation of the CHP plant on site and enter commercial operation in the second half of 2006.

The Directors intend to increase the generating capacity of the CHP plant by at least 50 MW in the future following the successful negotiation of contracts with other industrial groups located near the Karbochem site in Newcastle.

#### **II. 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. The Directors expect to reach an agreement by the end of 2006.

#### **III. 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 third party investors.

### *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, although the Directors will not discount the possibility of pursuing power projects on a larger scale.

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.

#### **4. Reasons for Admission and the Placing**

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 Admission and Placing will enable the Company to pursue opportunities for growth by raising capital and improving its access to capital markets in the future. The Directors believe that the Placing and the availability of a trading facility on AIM will bring the following benefits:

- **Funding of the Newcastle-based CHP project** – the Placing will provide the Company with sufficient funds to complete the purchase of the previously operated CHP plant, and to meet the costs of the transportation to and assembly and commissioning of the CHP plant on the Newcastle site;
- **Access to capital markets** – the Company expects to raise further funds in the future to develop its business, to fund the cash element of additional acquisitions or 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;
- **Acquisition currency** – the issue of publicly traded shares as consideration for target companies and/or assets may be more attractive to sellers than the issue of non-publicly traded shares (and may be accepted in whole or in part instead of cash); and
- **Incentivising management and employees** – the recruitment and retention of management and employees can be enhanced through the use of share options and other share based incentives which, on exercise, would leave staff with shares in a publicly traded group.

#### **5. Relationship with IPC and Rurelec**

##### ***IPC***

IPC was founded by Peter Earl, Chief Executive of the Company, in 1995 as a UK-based unlisted IPP. Over the past nine 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, Argentine Republic (“Argentina”) and USA. IPC also has an operating subsidiary, Independent Power Operations Limited, which manages and operates power plants.

## **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.

### ***Relationship 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 in paragraph 8 of Part VII 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 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 viz-a-viz IPC) and/or notify Blazeway of the details of the relevant project. Details of the NEWCOG acquisition agreement are set out in paragraph 12.7 of Part VII of this document. As part of that agreement, £400,000 will be payable by the Company to IPC on Admission to repay a loan from IPC of such amount.

The Group 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 the Group and IPC has agreed to provide the related services at cost pursuant to a shared services agreement, the terms of which are detailed in paragraph 14.2 of Part VII 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.

## **6. Directors**

### **Stephen Thomas Hargrave (49) Non-executive Chairman**

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.

### **Peter Richard Stephen Earl (50) Chief Executive Officer**

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 CEO 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 for the United Nations Economic Commission for Europe infrastructure finance group. 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 takeovers. He is an Oxford University graduate and was a Kennedy Scholar at Harvard University.

**Elizabeth Ruth Shaw (44) Chief Operating Officer**

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, 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.

**John Michael Eyre (51) Technical Director**

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.

**Clifford William Adrian Lewis (43) Operations Director**

Cliff has experience in developing power projects worldwide. He is a registered professional electrical engineer and worked for Eskom between 1983 and 1994 as well as in private practice as a consulting engineer. His experience includes the development of the bagasse-coal 70 MW co-generation Belle Vue Plant with SIDEC (Société Industrielle pour le Développement de l'Energie Charbon et la Cogénération) in Mauritius where he was the project director to Duke Engineering and Services Inc. who executed the turnkey construction of this plant. He has also undertaken preliminary development work in Malaysia, Myanmar and India for clients including Tractebel, Duke Engineering and SASOL.

**James Glynn West (58) Non-executive Director**

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.

***Offices and other staff***

The Group has offices in Durban, South Africa and in London, UK. As described above in paragraph 5 of this Part I, the Group shares its office space and related costs in London with IPC and Rurelec.

***Related parties' contracts***

IPC and PPA provide certain services to the Group at cost pursuant to shared services agreements, the terms of which are detailed in paragraph 14 of Part VII of the is document.

The Board intends to outsource certain skilled roles to third party providers, including the operation and maintenance of the plants as and when the relevant skills are required. The Group will also enter into the various agreements required to transport and reassemble the CHP plant intended for the site at Newcastle.

It is the intention of the Group to maintain these relationships for the foreseeable future.

## 7. Black economic empowerment

It is the policy of the Government to promote a more equitable distribution of wealth, in a free market context, by actively supporting and facilitating broad-based black economic empowerment of black persons, *inter alia*, in the grant of Government tenders, procurement contracts and licences and by rendering financial and other assistance to black persons and/or enterprises in which black persons participate. The Government has also implemented affirmative action, skills development and employment equity legislation in order to extend and promote opportunities for black persons.

The BEE Act was promulgated on 14 April 2004 and represents the legislative framework for the promotion of broad-based black economic empowerment. The BEE Act empowers the Minister of Trade and Industry to issue codes of good practice on black economic empowerment (“Codes”), to publish transformation charters (“Charters”) and to issue a strategy for broad-based black economic empowerment thereby facilitating the same.

The key issues involved in assessing the broad-based black economic empowerment of a company are contained in the broad-based black economic empowerment score card by which a business will be assessed from a broad-based black economic empowerment perspective taking into account the relevant Charter, if any, the BEE Act and the Codes once finally established.

It is clear that businesses that are not empowered in terms of the BEE Act as read together with the Charters and the Codes, once finalised, will have increasing difficulty in obtaining contracts and tenders from the Government and state owned entities. In addition, and because of the increased emphasis on whether procurement policies, skills development and employment equities support black people, businesses that are not empowered will have difficulty in obtaining contracts and tenders from other private businesses that contract with the Government and state owned entities.

The period since the election of Nelson Mandela as President of South Africa in 1994 has been one of rapid transformation in South Africa and the Group wishes to play its part in its continuing transformation. The Group will seek to observe guidelines set from time to time under the BEE Act.

It is the intention of the Directors to work with representatives of historically disadvantaged South Africans to ensure that they are able to participate in the growth and success of the Group. The Directors believe that one way in which this might be achieved would be by allowing the workforce of that project to invest directly in each individual project. The Group is in discussions with a number of BEE investors including African Legend, a Johannesburg-based group with a specialist energy division.

## 8. Summary financial information

Since their respective dates of incorporation, neither the Company nor the Subsidiaries have generated any revenues. The Group operates in the power generation sector, within which it is usual for businesses not to generate revenues during the identification, evaluation and construction phases of a power project.

Further financial information on the Company, Blazeway and NEWCOG is set out in Parts III and IV of this document.

### *Financial controls*

The Group’s finance function will be headed by the Chief Operating Officer, 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 will be investigated and appropriate measures taken where necessary;
- all material capital expenditure items will be approved at Board level;
- in addition, the feasibility of each project will be considered, as outlined in section 3 of this Part I, at Board level;
- the Board will meet at least every three months to review the financial performance of the Group. The Executive Directors will review performance on a monthly basis and address operational and strategic issues as required; and

- there will exist 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.

## **9. Corporate governance**

The Board, which comprises the Executive Directors, a non-executive chairman, Stephen Hargrave, and an independent non-executive director, James West, is responsible 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 quarterly, at which financial and other reports will be considered and where appropriate, voted on.

Details of the Directors' shareholdings in the Company, both prior to and following Admission are set out in paragraph 7 of Part VII of this document. The Directors intend to comply with Rule 21 of the AIM Rules relating to directors' dealings and will also take all reasonable steps to ensure compliance by the Company's applicable employees.

The Directors support high standards of corporate governance and confirm that, following Admission, they intend to comply with the Combined Code insofar as is practicable given the Company's size and nature. An Audit Committee and a Remuneration Committee, each consisting of at least one non-executive Director and the non-executive Chairman will be established for this purpose.

The Audit Committee will be responsible for ensuring that the financial performance, position and prospects of the Group are properly monitored, controlled and reported on. It will also meet with the auditors and discuss and review the accounts, the audit procedures and the Group's internal controls. It will meet whenever there is business to discuss and at least twice a year. The Audit Committee will initially comprise James West and Stephen Hargrave of which James West shall be Chairman.

The Remuneration Committee will review 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 will seek 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 will initially comprise James West and Stephen Hargrave of which James West shall be Chairman.

## **10. Taxation**

Your attention is drawn to paragraph 18 of Part VII of this document, which sets out information regarding relevant UK taxation in relation to the Placing.

## **11. Lock-ins and orderly market arrangements**

Following the Placing and Admission the Directors will, in aggregate, be interested in 15,245,370 Ordinary Shares representing 27.9 per cent. of the Enlarged Share Capital. Details of these shareholdings are set out in paragraph 7 of Part VII of this document. The Directors (together with Susan Laker, the Company Secretary) have undertaken to the Company and Noble that, except in limited circumstances, (1) they will not (and will procure that persons connected with them will not) without the prior consent of Noble, sell or dispose of any of the Ordinary Shares held by them for a period of twelve months from Admission; and (2) in the subsequent twelve month period they will only sell or dispose of their Ordinary Shares through Noble so as to ensure an orderly market in the share capital of the Company.

## **12. Share options**

The Company does not currently have an employee share option scheme. The Directors intend that at an appropriate time following Admission, 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 as detailed in paragraph 9 above.

## **13. 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.

## **14. Admission, settlement and CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument.

The Company's articles of association contain provisions concerning the transfer of shares which are consistent with the transfer of shares in dematerialised form in CREST. The consent of CRESTCo has been sought to issue the Company's shares in uncertificated form and, accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if Shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## **15. Further information**

Your attention is drawn to the additional information in Part VII of this document, including the risk factors set out in Part VI.

## PART II

### The Placing

#### Placing arrangements

The Placing comprises a placing by Noble on behalf of the Company of 29,629,630 new Ordinary Shares at the Placing Price. Noble is acting as agent for the Company in respect of the Placing. The Placing has not been underwritten by Noble or anyone else. The Placing Shares will represent approximately 54.2 per cent. of the Enlarged Share Capital. At the Placing Price, the Placing will raise approximately £7.2 million for the Company, net of expenses.

On 14 September 2005, the Company, the Directors and Noble entered into the Placing Agreement, pursuant to which Noble has agreed, subject to the fulfilment of certain conditions, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Shares will, on issue, rank *pari passu*, with the Ordinary Shares currently in issue in all respects including the right to receive all dividends and other distributions thereafter declared, made or paid. Further details of the Placing Agreement are set out in paragraph 12.1 of Part VII of this document.

The Placing is subject to the satisfaction or waiver of conditions set out in the Placing Agreement including the absence of any breach of representations or warranties made by the Company and the Directors and on Admission occurring on or before 8.00 a.m. on 20 September 2005 (or such later date as may be agreed between Noble and the Company, being in any event not later than 4 p.m. on 28 September 2005). Certain conditions are not capable of waiver.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on 20 September 2005. CREST accounts are expected to be credited on 20 September 2005 and definitive share certificates (as appropriate) will be dispatched as soon as practicable thereafter and, in any event, by 28 September 2005.

The Directors' interests immediately following Admission will amount, in aggregate, to approximately 27.9 per cent. of the Enlarged Share Capital.

## PART III

### A Financial Information Relating to IPSA Group PLC

#### 1. Introduction

The financial information on IPSA, which has been prepared solely for the purpose of the AIM Admission Document, contained in this Part III A does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

#### 2. Basis of preparation

The financial information set out below is based on the transactions of the Company from incorporation on 1 July 2005 to 12 September 2005, being the date of this report, and has been prepared under UK GAAP.

#### 3. Responsibility

The Directors of the Company are responsible for the financial information and the contents of the AIM Admission Document in which it is included.

#### 4. Financial information

The Company was incorporated in the United Kingdom on 1 July 2005. On 12 September 2005, it acquired Blazeway, which was incorporated in the United Kingdom on 8 February 2005, by way of a share for share exchange.

The Company has not yet completed its first accounting period and has not traded from the date of its incorporation until the date of this document, hence no profit and loss account has been prepared. No financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

#### *Share capital*

The total authorised share capital of the Company is £3,000,000 comprising 150,000,000 ordinary shares of 2 pence each.

As at today's date, the Company has carried out no trading and the only transactions of the Company have been as follows:

- on incorporation, the authorised share capital of the Company was £100,000, divided into 100,000 ordinary shares of £1.00 each, of which 2 ordinary shares of £1.00 each were issued at the date of incorporation
- on 12 September 2005, the authorised share capital of the Company was reorganised into 5,000,000 Ordinary Shares of 2 pence each
- on 12 September 2005, the authorised share capital of the Company was increased to £3,000,000 by the creation of 145,000,000 new Ordinary Shares of 2 pence each
- on 12 September 2005, the Company acquired 100 per cent. of the issued share capital of Blazeway by issuing 24,999,900 Ordinary Shares of 2 pence each, credited as fully paid at par value.

Save as disclosed in the AIM Admission Document, the Company has not entered into any material contracts at the date of this report.

## 5. Balance sheet as at 12 September 2005

	<i>Note</i>	<i>As at 12 September 2005 £'000</i>
<b>Fixed assets</b>		
Investments	6.1	500
		<u>500</u>
<b>Total assets less current liabilities</b>		<u><u>500</u></u>
<b>Capital and reserves</b>		
Called up share capital		500
<b>Total equity shareholders' funds</b>		<u><u>500</u></u>

## 6. Notes to the financial information

### 6.1 *Fixed asset investments*

	<i>As at 12 September 2005 £'000</i>
Investment in subsidiary undertaking	<u><u>500</u></u>

As disclosed in note 4 on page 22 the Company acquired 100 per cent. of the issued share capital of Blazeway by issuing 24,999,900 Ordinary Shares of 2 pence each. Blazeway was related to the Company by virtue of common directors.

### 6.2 *Related party transactions*

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. IPC is related to the Company by virtue of common directors.

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. PPA, which is a company incorporated in the RSA, is related by virtue of Cliff Lewis, who is a director of the Company, being a director and key shareholder of PPA.

Further details of the related party transactions are detailed in paragraph 14 of Part VII.

### 6.3 *Capital commitment*

On 31 August 2005 the Company exercised its option to purchase a previously used and operated CHP plant. The Company is committed to pay the exercise price of US\$3.85 million out of the Placing proceeds. Title to the CHP plant will not transfer to the Company until payment of the full exercise price has been received by the vendor.

## B Accountants' Reports on IPSA Group PLC

Grant Thornton Corporate Finance

Grant Thornton UK LLP  
Chartered Accountants  
UK member of  
Grant Thornton International

Grant Thornton 

The Directors  
IPSA Group PLC  
Prince Consort House  
27-29 Albert Embankment  
London  
SE1 7TJ

And

The Directors  
Noble & Company Limited  
76 George Street  
Edinburgh  
EH2 3BU

14 September 2005

Dear Sirs

### IPSA GROUP PLC – ACCOUNTANTS REPORT

We report on the financial information prepared for inclusion in and set out in Part III A of the AIM admission document of the Company dated 14 September 2005 (“the AIM Admission Document”). This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### Responsibilities

The Directors of IPSA Group PLC are responsible for preparing the financial information on the basis of preparation set out in note 2 of the financial information and in accordance with the applicable financial reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

#### Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 14 September 2005, a true and fair view of the state of affairs of IPSA Group PLC as at the date stated in accordance with the basis of preparation set out in note 2 of the financial information on Part III A of the AIM Admission Document and in accordance with the applicable financial reporting framework.

**Declaration**

We declare that, having taken all reasonable care to ensure that such is the case, the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

GRANT THORNTON UK LLP

## PART IV

### A Consolidated Financial Information relating to Blazeway Engineering Limited (“Blazeway”) and its subsidiary undertaking (together “the Blazeway Group”)

#### 1. Introduction

The financial information set out in the financial information table on the Blazeway Group, which has been prepared solely for the purpose of the AIM Admission Document of IPSA, contained in this Part IV A, does not constitute audited statutory accounts within the meaning of section 240 of the Companies Act.

#### 2. Basis of preparation

The financial information set out below is based on the transactions of the Blazeway Group from the date of incorporation of Blazeway on 8 February 2005 to 30 June 2005, and has been prepared under UK GAAP.

#### 3. Responsibility

The Directors of IPSA are responsible for the financial information and the contents of the AIM Admission Document in which it is included.

#### 4. Statutory information

Blazeway was incorporated in the United Kingdom on 8 February 2005.

Blazeway has not yet completed its first accounting period and has not traded from the date of its incorporation until 30 June 2005, hence no profit and loss account has been prepared. No financial statements have been prepared, audited or filed with the Registrar of Companies since incorporation.

#### *Share capital*

The total authorised share capital of Blazeway is £500,000 comprising 500,000 ordinary shares of £1 each.

As at today’s date, Blazeway has carried out no trading and the only transactions of Blazeway have been as follows:

- on incorporation, the authorised share capital of Blazeway was £100, divided into 100 ordinary shares of £1 each, of which 2 ordinary shares were issued at the date of incorporation;
- on 19 April 2005, the authorised share capital of Blazeway was increased to £500,000 by the creation of 499,900 new ordinary shares of £1 each;
- on 20 April 2005, Blazeway issued 299,998 ordinary shares of £1 each at their nominal values of £1 each;
- on 9 May 2005, Blazeway issued 200,000 ordinary shares of £1 each at their nominal values of £1 each;
- on 9 May 2005, Blazeway acquired 100 per cent. of the issued share capital of NEWCOG, a company registered in the RSA, from IPC, for £875,000. £475,000 of this consideration was payable to IPC in cash prior to 17 July 2005, with the £400,000 balance left outstanding by way of an interest free loan from IPC. The loan will become payable within 5 days from Admission;
- the 9 May 2005 acquisition 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 included the purchase of a shareholder loan of R 500,000 (c£41,000) owing from NEWCOG to IPC; and
- between 9 May 2005 and 30 June 2005 NEWCOG made prepayments totalling R483,000 (c. £41,000) in respect of engineering and other professional consultancy services relating to the proposed acquisition of an 18 MW CHP plant.

## 5. Principal accounting policies

### *Basis of preparation*

The financial information has been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

### *Intangible fixed assets*

The consolidated financial information consolidates that of Blazeway and of its subsidiary undertaking drawn up to 30 June 2005. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting.

Goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and is amortised on a straight line basis over its estimated useful economic life.

### *Foreign exchange*

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. The financial statements of foreign subsidiaries are translated at the rate of exchange ruling at the balance sheet date. The exchange differences arising from the retranslation of the opening net investment in subsidiaries are taken directly to reserves.

## 6. Consolidated balance sheet as at 30 June 2005

	<i>Note</i>	<i>As at 30 June 2005 £'000</i>
<b>Fixed assets</b>		
Intangible assets	8.1	<u>833</u>
<b>Current assets</b>		
Debtors	8.2	42
Cash at bank and in hand		<u>25</u>
		67
<b>Creditors: amounts falling due within one year</b>	8.3	<u>(400)</u>
<b>Net current liabilities</b>		<u>(333)</u>
<b>Total assets less current liabilities</b>		<u><u>500</u></u>
<b>Capital and reserves</b>		
Called up share capital	8.4	<u>500</u>
<b>Total equity shareholders' funds</b>		<u><u>500</u></u>

## 7. Consolidated cash flow statement for the period ended 30 June 2005

	<i>Note</i>	<i>Period ended 30 June 2005 £'000</i>
<b>Net cash outflow from operating activities</b>	8.6	(42)
<b>Acquisitions and disposals</b>		
Acquisition of subsidiary undertaking	8.1	(475)
Net cash acquired on purchase of subsidiary undertaking	8.1	<u>42</u>
<b>Net cash outflow from acquisitions and disposals</b>		(433)
<b>Financing</b>		
Issue of ordinary share capital	8.4	<u>500</u>
<b>Increase in cash</b>	8.5	<u><u>25</u></u>

## 8. Notes to the financial information

### 8.1 Intangible assets

	<i>Goodwill</i> £'000
Cost	
Additions and as at 30 June 2005	833
Net book value at 30 June 2005	<u>833</u>

The goodwill purchased during the period arose from the acquisition of 100 per cent. of the share capital of NEWCOG, a company registered in the Republic of South Africa, from IPC, for £875,000. £475,000 of this consideration was payable to IPC in cash prior to 17 July 2005, with the £400,000 balance left outstanding by way of an interest free loan note from IPC. The loan will become payable within 5 days from Admission.

The book and fair values of assets and liabilities of businesses acquired in were as follows:

	<i>Book/fair</i> <i>values</i> £'000
Cash and bank balances	42
Net assets acquired	42
Goodwill arising	833
	<u>875</u>
Satisfied by:	
Cash	475
Deferred consideration	400
	<u>875</u>

### 8.2 Debtors

	<i>At</i> <i>30 June</i> <i>2005</i> £'000
Other debtors	1
Prepayments and accrued income	41
	<u>42</u>

### 8.3 Creditors: Amounts falling due within one year

	<i>At</i> <i>30 June</i> <i>2005</i> £'000
Deferred consideration	400
	<u>400</u>

### 8.4 Share capital

	<i>At</i> <i>30 June</i> <i>2005</i> £'000
Authorised, issued and fully paid up 500,000 ordinary shares of £1 each	<u>500</u>

### Allotments during the year

During the period from incorporation to 30 June 2005, Blazeway made an allotment of 500,000 ordinary shares of £1 each at par.

#### 8.5 Reconciliation of net cash flow to movement in net funds

	<i>At 30 June 2005 £'000</i>
Increase in cash and net funds as at 30 June 2005	<u>25</u>

#### 8.6 Net cash outflow from operating activities

	<i>Period ended 30 June 2005 £'000</i>
Increase in debtors	<u>42</u>
	<u>42</u>

#### 8.7 Analysis of changes in net funds

	<i>Cashflow</i>	<i>Acquisitions</i>	<i>At 30 June 2005 £'000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Cash in hand and at bank	<u>(17)</u>	<u>42</u>	<u>25</u>

#### 8.8 Ultimate parent undertaking and controlling related party

At the balance sheet date the Company had no ultimate parent undertaking or controlling related party.

#### 8.9 Related party transactions

On 9 May 2005, the Company acquired 100 per cent. of the issued share capital of NEWCOG, a company registered in the Republic of South Africa, from IPC for £875,000. IPC is related to Blazeway by virtue of common directors.

## **B Accountants' Reports on Blazeway Engineering Limited ("Blazeway") and its subsidiary undertaking (together "the Blazeway Group")**

**Grant Thornton Corporate Finance**

**Grant Thornton UK LLP**  
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SE1 7TJ

and

The Directors  
Noble & Company Limited  
76 George Street  
Edinburgh  
EH2 3BU

14 September 2005

Dear Sirs

### **BLAZEWAY ENGINEERING LIMITED ("BLAZEWAY") AND ITS SUBSIDIARY UNDERTAKING (TOGETHER "THE BLAZEWAY GROUP") – ACCOUNTANTS' REPORT**

We report on the financial information of the Blazeway Group prepared for inclusion in and set out in Part IV A of the AIM admission document of IPSA dated 14 September 2005 ("the AIM Admission Document"). This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that paragraph and for no other purpose.

#### **Responsibilities**

The Directors of Blazeway are responsible for preparing the financial information on the basis of preparation set out in note 2 of the financial information table and in accordance with the applicable reporting framework.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the AIM Admission Document, and to report our opinion to you.

#### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also

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included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and of whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information gives, for the purposes of the AIM Admission Document dated 14 September 2005, a true and fair view of the state of affairs of the Group as at the dates stated in accordance with the basis of preparation set out in note 2 of the financial information table on Part IV A of the AIM Admission Document and in accordance with the applicable financial reporting framework.

### **Declaration**

We declare that, having taken all reasonable care to ensure that such is the case, the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

Yours faithfully

GRANT THORNTON UK LLP

## PART V

### A Pro forma statement of Consolidated Net Assets of the Enlarged Group

Set out below is an unaudited pro forma statement of consolidated net assets prepared to illustrate the effect on the Enlarged Group of the acquisition of Blazeway by the Company and the proceeds of the Placing on the net assets of the Company as if they had taken place as at 14 September 2005. 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 position of the Enlarged Group.

	<i>IPSA Group PLC 14 September 2005 (1) £'000</i>	<i>Blazeway Engineering Limited 30 June 2005 (2) £'000</i>	<i>Proforma adjustments (3) £'000</i>	<i>Pro forma adjustments (4) £'000</i>	<i>Pro forma adjustments (5) £'000</i>	<i>Proforma of Enlarged Group 14 September 2005 (1) to (7) £'000</i>
<b>Fixed assets</b>						
Intangible assets	—	833	—	—	—	833
Investments	500	—	(500)	—	—	—
	<u>500</u>	<u>833</u>	<u>(500)</u>	<u>—</u>	<u>—</u>	<u>833</u>
<b>Current assets</b>						
Debtors	—	42	—	—	—	42
Cash at bank and in hand	—	25	—	7,230	(400)	6,855
	<u>—</u>	<u>67</u>	<u>—</u>	<u>7,230</u>	<u>(400)</u>	<u>6,897</u>
<b>Creditors: amounts falling due within one year</b>	<u>—</u>	<u>(400)</u>	<u>—</u>	<u>—</u>	<u>400</u>	<u>—</u>
<b>Net current assets/(liabilities)</b>	<u>—</u>	<u>(333)</u>	<u>—</u>	<u>7,230</u>	<u>—</u>	<u>6,897</u>
<b>Total assets less current liabilities</b>	<u><u>500</u></u>	<u><u>500</u></u>	<u><u>(500)</u></u>	<u><u>7,230</u></u>	<u><u>—</u></u>	<u><u>7,730</u></u>

- (1) The net assets of IPSA at 14 September 2005 have been extracted without material adjustment from the Financial Information set out in Part III A of this document.
- (2) The consolidated net assets of Blazeway at 30 June 2005 have been extracted without material adjustment from the Financial Information set out in Part IV A of this document.
- (3) Adjustments to eliminate IPSA's investment in Blazeway.
- (4) The adjustment represents the gross proceeds of the Placing of £8.0 million net of the IPO related expenses of £0.8 million.
- (5) The £400,000 balance left outstanding upon Blazeway's acquisition of NEWCOG becomes payable to IPC within five days from Admission.
- (6) 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.
- (7) No adjustment has been made for any event save as disclosed above.

## B Report on pro forma Statement of Consolidated Net Assets

### Grant Thornton Corporate Finance

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and

The Directors  
Noble & Company Limited  
76 George Street  
Edinburgh  
EH2 3BU

14 September 2005

Dear Sirs

### IPSA Group PLC

We report on the pro forma statement of consolidated net assets (the “Pro forma financial information”) set out in Part V A of the AIM admission document dated 14 September 2005, which has been prepared on the basis of the accounting policies to be adopted by IPSA Group PLC in preparing its first financial statements.

### Responsibilities

It is the responsibility of the Directors of IPSA Group PLC to prepare the Pro forma financial information in accordance with Schedule Two of the AIM Rules with reference to paragraph 20.2 of Annex I of the Prospectus Rules.

It is our responsibility to form an opinion as required by paragraph 7 of Annex II of the PD Regulation attached to the AIM Rules as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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**Basis of opinion**

We conducted our work in accordance with the Standards of Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of IPSA Group PLC.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated.

Our work has not been carried out in accordance with auditing standards generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards.

**Opinion**

In our opinion:

- (a) the Pro forma financial information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of IPSA Group PLC.

**Declaration**

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Paragraph (a) of Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

## PART VI

### Risk Factors

An investment in the Company is speculative, involves a high degree of risk and may result in loss of all or part of the investment. Before deciding whether to invest in the Ordinary Shares, prospective investors should carefully consider, in particular, the following risk factors described below together with all other information contained in this document. If any of the matters referred to in the following risk factors actually occur, the Group's business, financial condition and/or results of operations could be materially and adversely affected. In such case, an investor may lose all or part of his or her investment. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on the Group's business and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

#### A. Industry specific risks

- The price obtainable for the sale of electricity is expected to be based on a long term fixed price contract with a creditworthy counterparty, fuel price pass through and escalation provisions to cover inflation, all of which will be known before commencement of supply or deployment of assets. In addition, projects will use a number of techniques aimed at limiting collection risk. However, it is not possible to guarantee that sufficient revenue will be collected to cover costs and provide the expected return throughout the life of every project.
- The Group's operations will be subject to all of the physical risks normally incidental to the ownership and operation of electricity generation facilities, any of which could result in damage to life or property, environmental damage and possible legal liability for any or all damage.
- Individual project activities may be subject to disruption due to natural phenomena depending on the location of operations in which the Group will have interests. It is possible to mitigate such risks through using design standards appropriate to each location, with a fallback of business interruption insurance in the event of machinery breakdown or natural perils.
- The Group, having exercised the Option over the CHP plant for the Newcastle project, is required to disassemble, transport and re-assemble the plant in South Africa. In addition to the risk of loss and/or damage during disassembly and transport, it is possible that following the reassembly, the power plant will not function to the required standards, or will require further work in order to commence production. This could have an adverse affect on both timing and returns for investors should any delay or increase in cost prove significant.
- The Group may require one or more licences in order to operate as a power provider within one or more of the countries within Southern Africa. To the extent that it does not already hold these licences, the Directors are intending to obtain these licences as and when they are identified and required in order to process the development of its power plants. There is, however, no guarantee that obtaining these licences will be either timely or possible, and may therefore impact on the timing and value of the various projects entered into.

#### B. Political and country risks

- The Group has been established to develop power projects in Southern Africa. The Directors believe that the governments of South Africa and most other southern African countries support the participation of foreign operators in their power industries. There is no assurance, however, that future political and economic conditions in these countries will not result in their governments adopting different policies in respect of foreign development and the ownership of companies involved in the ownership and operation of electricity generation assets. Any such changes in policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of

income and return of capital, which may affect the Group's ability to generate profits for its shareholders. The possibility that a future government of a country in which the Group intends to operate may adopt substantially different policies, which might extend to expropriation of assets, cannot be ruled out.

- There may from time to time be implemented material restrictions on foreign control or foreign investment in electricity generation interests in South African territories or other relevant territories.
- Currency fluctuations may affect the cash flow that the Group will realise from its operations, as it is likely to receive payment for the electricity it generates in the currencies of the countries where it intends to operate (and in particular, in South African Rand), whilst certain of the Group's costs are likely to be incurred primarily in United States dollars, Euros and British pounds sterling.

### **C. Environmental risks**

Power plants are, generally, subject to national, provincial and local environmental protection laws and regulations. Whilst IPSA will plan and design its facilities to comply with the applicable laws and regulations at the time of construction, there can be no assurance that the authorities in the countries in which IPSA intends to operate will not impose additional regulatory requirements which would require unanticipated expenditure on environmental matters.

### **D. Additional financing risks**

It may be necessary for the Group to raise additional capital in future to finance the growth of the Group through future stages of development. Any such capital requirement may not be available to the Group on favourable terms or at all and any future fundraising will, if existing shareholders choose not to subscribe, lead to a dilution of their interest.

### **E. General risks**

- There can be no guarantee that the price of the Placing Shares will reflect their actual or potential market value.
- The price at which investors may realise their holding of Ordinary Shares and the timing of any disposal of them may be influenced by various factors, some of which are specific to the Group and others of which are extraneous. Investors may not recover the whole of their investment. This investment may be volatile and investors could lose all their investment.
- The price at which investors may realise their Ordinary Shares will be influenced by a large number of factors, some of which are specific to the Group and its proposed operations, and some of which may affect the business sectors in which the Group operates and generally. These factors could include the performance of the Group's operations, large purchases or sales of shares in the Group, liquidity or absence of liquidity in the Ordinary Shares, legislative or regulatory changes relating to the business of the Group and general economic conditions (including volatility in gas, oil and coal prices).
- The Group's future performance, and that of any activities in which it invests, will depend heavily on its ability to retain the services of its Directors and to be able to attract, motivate and retain the services of suitable personnel. Although such individuals have entered or will enter into service agreements or letters of appointment with the Group, the loss of the services of any such individual may have a material adverse affect on the business, operations, revenues and/or prospects of the Group.
- Although the Group has a defined strategy, there can be no guarantee that its objectives or any of them will be achieved on a timely basis or at all.
- The Group has never traded and its future success will depend on the Directors' ability to implement its outlined strategy. There is no certainty that anticipated acquisitions, revenues or growth will be achieved.

- Although it is the Group's intention to issue Ordinary Shares to satisfy all or part of the consideration payable for future acquisitions, sellers of target companies or assets/equity stakes may not be prepared to accept shares traded on AIM.
- Potential investors should be aware that the value of the Ordinary Shares can go down as well as up, and that an investment in a share which is to be traded on AIM is likely to be less realisable and may carry a higher degree of risk than an investment in a share quoted on the Official List.
- The Group may face competition from various organisations wishing to trade/invest in similar companies and assets/equity stakes. Some of these competitors may have greater resources or be more competitive than the Group. There can be no assurance that such competition will not limit the Group's ability to implement its strategy.

These risk factors do not necessarily comprise all those associated with an investment in the Group.

**AN INVESTMENT IN IPSA GROUP PLC MAY NOT BE SUITABLE FOR ALL RECIPIENTS OF THIS DOCUMENT. POTENTIAL INVESTORS ARE ACCORDINGLY ADVISED TO CONSULT A PERSON AUTHORISED UNDER THE FINANCIAL SERVICES AND MARKETS ACT 2000 WHO SPECIALISES IN INVESTMENTS OF THIS KIND BEFORE MAKING A DECISION.**

## PART VII

### Additional Information

#### 1. The Company

- 1.1 The Company is incorporated and trades under the name IPSA Group PLC.
- 1.2 The Company is domiciled in the United Kingdom and was incorporated and registered in England and Wales on 1 July 2005 as a public limited company with the name IPSA Group PLC and registered number 5496202. The Company obtained its section 117 certificate to commence business on 13 September 2005.
- 1.3 The Company is governed by and its securities were created under the Act.
- 1.4 The Company's registered office and principal place of business is located at 5th Floor, Prince Consort House, 27-29 Albert Embankment, London SE1 7TJ. The telephone number of the Company's registered address and principal place of business is 020 7793 7676.
- 1.5 The Company has no administrative, management and supervisory bodies other than the Board and its two standing committees, the Remuneration Committee and the Audit Committee, all of which have no members other than the Directors. Details of the composition and constitution of the two committees of the Board are summarised in Part I of this document.

#### 2. Securities being offered/admitted

- 2.1 The Ordinary Shares are ordinary shares of 2 pence in the capital of the Company and were created under the Act and were and are to be issued in British Pounds Sterling.
- 2.2 The Ordinary Shares are in registered form and may be held in either certificated form or under the CREST system, which is a paperless settlement procedure enabling securities to be evidenced and transferred otherwise than by a written instrument in accordance with the Uncertificated Securities Regulations 2001. The Company's registrars, Neville Registrars Limited, are responsible for maintaining the Company's register of members.
- 2.3 The dividend and voting rights attaching to the Ordinary Shares are set out in paragraph 6 of this Part VII.
- 2.4 Section 89 of the Act gives the Company's shareholders pre-emption rights on any issue of shares by the Company for cash where such shares are not issued pursuant to an employees share scheme (as defined in section 743 of the Act) or to the extent not disapplied by a special resolution passed pursuant to section 95 of the Act. By a special resolution passed on 12 September 2005, the directors were authorised to allot the following shares for cash non pre-emptively:
  - (a) the Placing Shares;
  - (b) any shares pursuant to a rights issue or similar offer, where the equity securities are offered proportionately to shareholders, but subject to any other exclusions the Directors deem necessary to deal with fractional entitlements or legal or practical problems in any jurisdiction in which a shareholder is resident; and
  - (c) equity securities in addition to any allotted pursuant to sub-paragraphs (a) to (b) above up to a maximum aggregate nominal value of £278,000.
- 2.5 The Ordinary Shares have no right to share in the profits of the Company other than through a dividend, distribution or return of capital, further details of which are set out in paragraph 6.16 below.
- 2.6 Each Ordinary Share is entitled on a *pari passu* basis with all other issued Ordinary Shares to share in any surplus on a liquidation of the Company.

- 2.7 The Ordinary Shares have no redemption or conversion provisions.
- 2.8 The Placing Shares were created by ordinary resolutions passed on 12 September 2005 subdividing the 100,000 ordinary shares of £1.00 each in the capital of the Company into 5,000,000 Ordinary Shares of 2 pence each and increasing the authorised share capital of the Company to £3,000,000 divided into 150,000,000 Ordinary Shares of 2 pence each.
- 2.9 The directors were authorised to allot and issue the Placing Shares pursuant to:
- (a) an ordinary resolution passed on 12 September 2005 authorising them, pursuant to section 80 of the Act, to allot ordinary shares with an aggregate nominal value of up to £368,000; and
  - (b) a special resolution passed on 12 September 2005 authorising them, pursuant to section 95 of the Act, to allot the Placing Shares for cash pursuant to the authority referred to in paragraph 2.9(a) above as if section 89(1) of the Act did not apply to such allotment.
- 2.10 It is anticipated that the Placing Shares will be unconditionally issued and allotted on 14 September 2005, the date of Admission.
- 2.11 The Ordinary Shares are freely transferable provided that such shares are fully paid, the Company has no lien over such shares, the instrument of transfer is duly stamped, is in favour of not more than four joint transferees and is in respect of only one class of shares.
- 2.12 The Ordinary Shares, including the Placing Shares will be subject to the Code. Under Rule 9 of the Code (“Rule 9”), any person, or group of persons acting in concert, who acquires, whether by a series of transactions over a period of time or not, shares which taken together with shares already held by him or shares held or acquired by persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company which is subject to the Code (which includes the Company), or any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights and such person, or any person or groups of persons acting in concert with him, acquires additional shares which increase his percentage of the voting rights, is normally required by the Panel to make a general offer in cash to acquire the remaining shares in such a company to all its shareholders at not less than the highest price paid by him or any persons acting in concert with him within the preceding 12 months. Rule 9 is subject to a number of dispensations.
- In addition, in the event that an offeror acquires at least nine-tenths in value of the issued share capital of a company to which the offer relates the offeror may, in accordance with the procedure set out in sections 428-430 of the Act, require the holders of any shares he has not acquired to sell them subject to the terms of the offer, and such shareholders may in turn require the offeror to purchase such shares on the same terms.
- 2.13 No person has made a public takeover bid for the Company’s issued share capital in the current financial period.
- 2.14 A shareholder is required pursuant to sections 198 to 210 of the Act to notify the Company when he acquires or disposes of a material interest in shares in the capital of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital.
- 2.15 The Ordinary Shares, including the Placing Shares, will be subject to the SARs. Rule 1 of the SARs provides that no person may, in any period of 7 days, acquire shares carrying voting rights in the Company, or rights over such shares, representing 10 per cent. or more of the voting rights if such acquisition, when aggregated with any shares or rights over shares which are already held by that person, would carry 15 per cent. or more, but less than 30 per cent., of the voting rights of the Company. Rule 1 of the SARs is subject to a number of dispensations, including the acquisition of shares from a single shareholder, if it is the only such acquisition within any period of 7 days.
- 2.16 A shareholder is required pursuant to Rule 3 of SARs to notify the Company, the Panel and a Regulatory Information Service (as such term is defined in the AIM Rules) of an acquisition of shares carrying voting rights in the Company, or rights over such shares, and of his total

holding of shares in the Company if, as a result of the aforementioned acquisition, he comes to hold, with any shares or rights over shares already held by him, shares or rights over shares representing 15 per cent. or more of the voting rights in the Company or his holding of shares or rights over shares already represents 15 per cent. or more of the voting rights and, as a result of the acquisition, is increased to or beyond any whole percentage figure.

### 3. Share capital of the Company

3.1 The authorised and issued share capital of the Company as at 13 September 2005 was as follows:

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
3,000,000	150,000,000	Ordinary Shares	500,000	25,000,000

3.2 The authorised and issued share capital of the Company immediately following the Placing and Admission will be as follows:

<i>Authorised share capital</i>			<i>Issued and fully paid up share capital</i>	
<i>£</i>	<i>Number</i>		<i>£</i>	<i>Number</i>
3,000,000	150,000,000	Ordinary Shares	1,092,592.60	54,629,630

3.3 Pursuant to a share for share exchange agreement dated 12 September 2005 (the “Share Exchange Agreement”) between the Company and the shareholders of Blazeway at that time (the “Blazeway Vendors”), the Company acquired the whole of the issued share capital of Blazeway from the Blazeway Vendors in consideration of the issue and allotment to the Blazeway Vendors of 24,999,900 Ordinary Shares credited as fully paid. Further details of the Share Exchange Agreement are set out in paragraph 12.8 of this Part VII.

3.4 The Placing will result in the allotment and issue of 29,629,630 Ordinary Shares, diluting existing holders of Ordinary Shares by 54.2 per cent.

3.5 The Company has no shares not representing capital. No Ordinary Shares are held by or on behalf of the Company or by any of its subsidiaries. The Company has made no undertaking to increase its share capital.

3.6 The par value of each Ordinary Share is 2 pence.

3.7 The Company has no issued Ordinary Shares that are not fully paid up.

3.8 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 (subdivided into 50 Ordinary Shares as referred to in paragraph 3.9(a) below) to Stephen Hargrave and Elizabeth Shaw transferred her subscriber share (subdivided into 50 Ordinary Shares as referred to in paragraph 3.9(a) below) to Peter Earl.

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

- (a) every one ordinary share of £1.00 each was subdivided into fifty new Ordinary Shares;
- (b) the authorised share capital of the Company was increased to £3,000,000 by the creation of 145,000,000 new Ordinary Shares;
- (c) the directors were generally and unconditionally authorised in accordance with section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) up to a nominal value of £368,000;
- (d) the directors were authorised pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority referred to in sub-paragraph (c) above as if section 89(1) of the Act did not apply to such allotment provided that such power was limited to:

- (i) the allotment of equity securities for cash in connection with the Placing up to an aggregate nominal amount of £592,592.60.
- (ii) 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
- (iii) the allotment (other than pursuant to sub-paragraph (i) to (ii)) above of equity securities up to a maximum aggregate nominal amount of £278,000.

#### 4. The Group

4.1 To the best of the knowledge of the Company, there are no persons who directly or indirectly control the Company, where control means owning 30 per cent. or more of the voting rights attaching to the share capital of the Company.

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

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

<i>Name</i>	<i>Holding</i>	<i>Country of incorporation (and residence, if different)</i>	<i>Issued Share Capital</i>
Blazeway Engineering Limited	100%	England	£500,000
Newcastle Cogeneration Company (Proprietary) Limited (formerly known as Port Ferry Properties 49 (Proprietary) Limited)	100%	South Africa	R1,000

The Company is the holding company of Blazeway which is a wholly and directly owned subsidiary. NEWCOG is a wholly owned subsidiary of Blazeway.

#### 5. 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.

#### 6. 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):

##### 6.1 *Share capital*

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

##### 6.2 *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.

### 6.3 *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 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.

### 6.4 *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 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.

### 6.5 *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 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.

#### 6.6 *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 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).

#### 6.7 *Power to reduce capital*

Subject to the 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.

#### 6.8 *Power to purchase own shares*

Subject to the 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.

#### 6.9 *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 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.

All 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.

#### 6.10 *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; and
  - (iv) a poll may be demanded by any one holder of shares of the class whether present in person or by proxy.

### 6.11 *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 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 Act).

### 6.12 *Directors*

- (a) Subject to the 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 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 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 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;
  - (iii) 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;
  - (iv) 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 Act), do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the 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;
  - (v) 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
  - (vi) 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 traveling, hotel and other expenses properly incurred by him in and about the performance of his duties as director, including his expenses of traveling 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 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 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.

#### *6.13 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 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.

#### *6.14 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.

#### *6.15 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.

## 6.16 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.

## 6.17 Rights of shares

The Ordinary Shares rank *pari passu* as a class in terms of preference, restriction and all other rights.

## 7. Directors' and other interests

7.1 The interests of the Directors as at the date of this document and as they are expected to be immediately following the Placing and Admission are as follows:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the issued ordinary share capital prior to the Placing</i>	<i>Number of Ordinary Shares immediately following the Placing</i>	<i>% of issued ordinary share capital immediately following the Placing</i>
Stephen Hargrave	5,000,000	20.0	5,370,370	9.8
Peter Earl	5,000,000	20.0	5,000,000	9.2
Elizabeth Shaw	1,250,000	5.0	1,250,000	2.3
Michael Eyre	1,250,000	5.0	1,250,000	2.3
Clifford Lewis	625,000	2.5	625,000	1.1
James West	1,750,000	7.0	1,750,000	3.2

7.2. Save as disclosed in sub-paragraph 7.1 above and this sub-paragraph 7.2, the Company is not aware of any interest (within the meaning of Part VI of the Act) in the Company's ordinary share capital which amounts or would, immediately following the Placing and Admission, amount to 3 per cent. or more of the Company's issued ordinary share capital other than the following:

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the issued ordinary share capital prior to the Placing</i>	<i>Number of Ordinary Shares immediately following the Placing</i>	<i>% of issued ordinary share capital immediately following the Placing</i>
Fidelity Investment Management	—	—	4,074,075	7.5
Moore Capital	—	—	3,703,700	6.8
Rathbone Unit Trust Management	—	—	3,703,700	6.8
Savoy Asset Management	—	—	3,703,700	6.8

<i>Name</i>	<i>Number of Ordinary Shares prior to the Placing</i>	<i>% of the issued ordinary share capital prior to the Placing</i>	<i>Number of Ordinary Shares immediately following the Placing</i>	<i>% of issued ordinary share capital immediately following the Placing</i>
Loxdale	—	—	3,703,700	6.8
Peter Earl*	2,500,000	10.0	2,500,000	4.6
Amelia Earl*	2,500,000	10.0	2,500,000	4.6
European Power Systems A.G.	625,000	2.5	2,476,850	4.5
Cobra Capital	—	—	1,851,850	3.4
Majedie Asset Management	—	—	1,851,850	3.4
Technology Finance Ltd	—	—	1,851,850	3.4
Susan Laker	1,250,000	5.0	1,250,000	2.3

\* Peter Earl and Amelia Earl are adult son and daughter respectively of the Chief Executive Officer, Peter Earl, although they are not deemed to be connected with him for the purposes of the Act

The voting rights of the Shareholders set out in paragraphs 7.1 and 7.2 do not differ from the voting rights held by all other Shareholders.

- 7.3 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.
- 7.4 Save as disclosed in this paragraph 7, no Director has any interest, 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.

## 8. Directors' service agreements/letters of appointment

- 8.1 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 is conditional on Admission and is terminable at any time by either party giving the other not less than one month's written notice on either side.
- 8.2 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 is conditional on Admission and is terminable at any time by either party giving the other not less than one month's prior written notice.
- 8.3 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 is conditional on 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.
- 8.4 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 of the Company for a fee of £30,000 per annum. Under the terms of the agreement, Ms Shaw is required to devote a minimum of 25 per cent. of her time to the affairs of the Company. The appointment is conditional on 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.
- 8.5 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 is conditional on Admission and is terminable at any time upon six months' written notice on either side. The agreement also contains the customary restrictive covenants.

- 8.6 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 is required to devote a minimum of 50 per cent. of his time to the affairs of the Company. The appointment is conditional on Admission and is terminable at any time by six months' notice on either side. The agreement also contains the customary restrictive covenants.
- 8.7 Save as disclosed in sub-paragraphs 8.1 to 8.6 above, 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.
- 8.8 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:

<i>Name</i>	<i>Commencement of period of office</i>	<i>Date of expiration of term of office</i>
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	Annual General Meeting to be held in 2007 whereby he will stand for re-election unless otherwise intended at that time

## 9. Additional information on the Board

- 9.1 In addition to directorship of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this document:

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Stephen Hargrave	Invox Plc London Farmers' Markets Limited Origin Housing Group Reform Research Trust The Hargrave Foundation TP3 Plc	Atom Wireless Limited B P Cook Limited Cervezas Cubanas Limited Embankment Investments Limited G & E Digital Limited

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
Stephen Hargrave (continued)		Interacta Limited Infrastructure Defense – UK Limited Massive Limited MediaKey Plc Opera Factory Limited PEC Concerts Limited TP7 Limited Wap Wednesday Limited
Peter Earl	Bolivia Integrated Energy Limited Celtic Integrated Energy Limited Embankment Investments Limited Empresa Eléctrica Guaracachi, S.A. Guaracachi Americas Inc. Independent Power Corporation Plc Independent Power Finance Limited Independent Power International Limited Integrated Energy Limited Integrated Hydropower Limited Nepal Integrated Energy Limited Newcastle Cogeneration Company (Proprietary) Limited Peru Integrated Energy Limited Rurelec Plc Sloane Corporate Finance Limited South Asia Integrated Energy Limited Strategic Natural Resources Plc The Database Correction Company Limited The Sloane Wine Company The Wychwood Regeneration Company Plc	Consort Resources Limited (now Caledonia Energy Limited) Credition Minerals Limited Gori Mayu Limited (dissolved) Independent Power Generation Limited Independent Power Operations Limited Independent Power (UK) Limited International Rainforest Resource Centre Limited IPC Operations Limited Kazakh Independent Power Limited Kyrgyz Independent Hydro Power Corporation Limited Nepal Independent Hydro Limited (dissolved) Park Avenue Nominees Limited Superski Limited Tranwood Capital Limited Tranwood Earl & Company Limited Tranwood Plc Ukraine Independent Power Company Limited
Elizabeth Shaw	Blazeway Engineering Limited Embankment Investments Limited Independent Power Corporation Plc Independent Power Finance Limited Independent Power International Limited Independent Power Operations Limited IPSA Development Company Limited Newcastle Cogeneration Company (Proprietary) Limited Rurelec Plc The Database Correction Company Limited	Empresa Eléctrica Guaracachi, S.A.
John Michael Eyre	Bioblend Plc Bioethanol Limited Greenheart Heating Systems Limited Independent Power International Limited	Bioethanol Automotive Limited Embankment Investments Limited Empresa Eléctrica Guaracachi, S.A.

<i>Director</i>	<i>Current directorships</i>	<i>Past directorships</i>
John Michael Eyre ( <i>continue</i> )	Independent Power Operations Limited Rurelec Plc	Integrated Development Projects Limited Peninsular Power Limited TV Energy Limited
James West	Aberdeen New Dawn Investment Trust plc Associated British Foods Pension Trustees Limited BioEthanol Ltd 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 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	Catalyst Fund Management & Research Limited Courage Pensions Investments Limited Courage Pensions Limited Embankment Investments Ltd 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
Clifford Lewis	First Tech Closed Corporation Freydan Properties Newcastle Cogeneration Company (Proprietary) Limited Olderbrook Investments Power Projects Africa (Proprietary) Limited Sub 3 Vivian Closed Corporation	

- 9.2 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).
- 9.3 Stephen Hargrave was a non-executive director, representing 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).
- 9.4 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 London Stock Exchange 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 United States Code) governs the process of reorganisation under the bankruptcy laws of the United States. Bankruptcy in the US relates to both individuals and organisations. In 1992, Carter Organization, Inc. came out of Chapter 11 successfully restructured.

9.5 Save as disclosed above, none of the Directors has:

- (a) any unspent convictions in relation to indictable offences;
- (b) had any bankruptcy order made against him or her or entered into any voluntary arrangements;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- (g) 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.

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

## 10. Employees

10.1 As at the date of this document, the Group had five employees, being the Executive Directors and Susan Laker, as Company Secretary.

10.2 As at the date of this document, four of the employees were employed at the Company's principal place of business in London and one of the employees, Cliff Lewis, was employed at the Company's offices in Durban, South Africa.

## 11. Environmental issues

Details of the environmental issues which may affect the use of the Group's tangible fixed assets are set out at paragraph 3 under the heading "Environmental Considerations" in Part I of this document.

## 12. Material contracts

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 document and are, or may be, material:

### 12.1 *Placing Agreement*

The Placing Agreement dated 14 September 2005 between the Company (1), the Directors (2) and Noble (3) pursuant to which conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 20 September 2005 (or such later time and or date as the Company and Noble may agree being not later than 4 p.m. on 28 September 2005), Noble have agreed to use reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The Placing Agreement contains warranties and indemnities from the Company and the Directors in favour of Noble together with provisions which enable Noble to terminate the Placing Agreement in certain circumstances prior to Admission including where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Directors for breach of warranty is limited. Under the Placing Agreement the Company has agreed to pay Noble a corporate finance fee and commission on the value of the Placing Shares at the 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.

#### *12.2 Nominated Adviser and Broker Agreement*

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 3 months' notice.

#### *12.3 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 the RSA 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 12.4 below) and the granting of the necessary permits.

#### *12.4 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, RSA and to other potential off-takers 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 cogeneration 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 cogeneration of steam and electricity whereby the agreement shall automatically terminate. The agreement is governed by the laws of the RSA.

#### *12.5 Option Agreement*

The Option Agreement between EPG and the Company pursuant to which EPG has granted to the Company an option to purchase a previously used and operated CHP plant. The Option can be exercised at any time from the date of the Option Agreement (being 3 August 2005) to 31 October 2005 and the exercise price should be US\$3.85 million if the Option is exercised on or before 31 August 2005 and US\$4.25 million if it is exercised after 31 August 2005. The Option Agreement contains certain warranties given by EPG as to title to and ownership of the CHP plant,

insurance and the value and state of repair of the CHP Plant during EPG's period of ownership. The Company is also required on exercise of the Option to reimburse EPG 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. The Option Agreement is assignable to any member of the Group without the consent of EPG.

#### *12.6 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 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, RSA 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.

#### *12.7 Acquisition Agreement*

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, payable in four instalments on the following dates:

- (i) A payment of £150,000 by 17 May 2005;
- (ii) A further payment of £150,000 by 31 May 2005;
- (iii) A further payment of £175,000 by 17 June 2005; and
- (iv) A final payment of £400,000 which remains outstanding between Blazeway and IPC by way of an interest-free loan from IPC to Blazeway which shall become repayable in full subject to and within five days of Admission.

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 the SADC.

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 the SADC, to refer such third party approach to Blazeway (which has a right of first refusal in respect of the relevant project viz-a-viz 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.

#### 12.8 *Share Exchange Agreement*

A share exchange agreement dated 12 September 2005 between the Company and the shareholders of Blazeway (the “Blazeway Vendors”) at the date of the agreement pursuant to which the Company acquired the whole of the issued share capital of Blazeway from the Blazeway Vendors in consideration for which the Blazeway Vendors received Ordinary Shares in the Company on the basis of 50 Ordinary Shares for every 1 ordinary share of £1.00 each in the capital of Blazeway which they held immediately prior to completion of the agreement.

### 13. **Dependence on commercial and industrial contracts etc.**

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

- (a) the steam purchase agreement between Karbochem and NEWCOG dated 10 March 2005; please refer to paragraph 12.3 of this Part VII for further details of this agreement;
- (b) the gas supply agreement between SASOL and NEWCOG dated 10 March 2005; please refer to paragraph 12.4 of this Part VII for further details of this agreement;
- (c) the Option Agreement dated 3 August 2005; please refer to paragraph 12.5 of this Part VII for further details of this agreement; and
- (d) the option for lease agreement between Karbochem and NEWCOG dated 5 August 2005; please refer to paragraph 12.6 of this Part VII for further details of this agreement.

13.2 Save as set out in paragraph 13.1, 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.

### 14. **Related party transactions**

14.1 Due to the fact that IPC is controlled by Peter Earl and PPA is owned jointly (with Pieter De Plessis) by Cliff Lewis and both of Peter Earl and Cliff Lewis are Directors of the Company, each of IPC and PPA is regarded, for the purposes of the AIM Rules, as being a Related Party.

14.2 During the period from the date of incorporation of Blazeway on 8 February 2005 to 14 September 2005, the Group entered into the following transactions with Related Parties (“Related Party Agreements”):

- (a) an acquisition agreement between Blazeway and IPC, further details of which are set out in paragraph 12.7 above;
- (b) a shared services agreement entered into on 12 September 2005 between IPC and the Company, whereby IPC has agreed to provide certain office, IT and facilities services to the Company, including a licence to occupy premises at IPC’s offices, receptionist and secretarial services, general administration and IT support services and bookkeeping and payroll services for a monthly fee of £5,000 plus VAT with other services available on request at a separate charge. The agreement is for an initial period of five years, commencing on Admission and is terminable on one months written notice by IPSA or three months written notice by IPC; and
- (c) a shared services agreement entered into on 12 September 2005 between PPA and the Company. PPA has agreed to provide services to the Company, including the use of serviced office premises in Durban, professional IT support services, bookkeeping and payroll services and the provision of “two and a half man days per week” (a total of five

man days) of engineering support services for an annual fee of R480,000 per annum. The agreement is for an initial period of five years, commencing on Admission and is terminable on one month's written notice by the Company or three months written notice by PPA.

14.3 All of the Related Party Agreements have been entered into on arms length terms.

14.4 These Related Party Agreements, as summarised above, together comprise approximately £100,000 of the Company's annual overheads.

## **15. Litigation**

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 twelve 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 member of the Group.

## **16. No significant change**

There has been no significant change in the financial or trading position of Blazeway since 30 June 2005.

## **17. Working capital**

The Directors are of the opinion, having made due and careful enquiry and having taken into account the net proceeds of the Placing, that following Admission, the Company will have sufficient working capital for its present requirements, that is for at least the next 12 month period following Admission.

## **18. Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident and ordinarily resident in the United Kingdom for tax purposes, who are holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK Inland Revenue practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

### *18.1 Taxation of Chargeable Gains*

For the purpose of UK tax on chargeable gains, the issue of Ordinary Shares pursuant to the Offer will be regarded as an acquisition of a new holding in the share capital of the Company.

To the extent that a shareholder acquires Ordinary shares allotted to him, the Ordinary Shares so allotted will, for the purpose of tax on chargeable gains, be treated as acquired on the date of allotment. The amount paid for the Ordinary Shares will constitute the base cost of a shareholder's holding. The amount paid for the Ordinary Shares subscribed for may be eligible for taper relief allowance.

If a Shareholder disposes of all or some of his Ordinary Shares, a liability to UK tax on chargeable gains may, depending on his circumstances, arise.

These comments are on the basis that the shares are not employment related securities.

### *18.3 Inheritance Tax*

#### *Business Property Relief*

Unquoted Ordinary Shares (in this context AIM shares are treated as unquoted) in trading companies such as the Company potentially qualify for 100 per cent. business property relief which gives 100 per cent. exemption from Inheritance Tax. Therefore, where an investor makes a lifetime gift of shares in the Company or dies while still owner of the shares, no inheritance tax will be payable in respect of the value of the shares, provided certain conditions are met. The main condition is that the investor held the shares for two years before the date of transfer or death.

#### 18.4 *Stamp duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax (“SDRT”) will generally be payable on the issue of the Ordinary Shares.

#### 18.5 *Dividends and other Distributions*

Under current UK legislation, no tax is withheld from dividend payments by the Company and consequentially, the Company accepts no responsibility for withholding taxes at source.

Dividends paid by the Company will carry an associated tax credit of one-ninth of the cash dividend or 10 per cent. of the aggregate of the cash dividend and associated tax credit. Individual shareholders resident in the UK receiving such dividends will be liable to income tax on the aggregate of the dividend and associated tax credit at the rate of tax applicable to dividends which is ordinary rate 10 per cent. and upper rate 32.5 per cent.

The effect will be that taxpayers who are otherwise liable to pay tax at only the lower rate or basic rate of income tax will have no further liability to income tax in respect of such a dividend. After setting off the tax credit, a higher rate tax payer will be liable to additional income tax equal to 25 per cent. of the net dividend. Individual shareholders whose income tax liability is less than the tax credit will not be entitled to claim a repayment of all or part of the tax credit associated with such dividends.

A UK resident corporate shareholder should not be liable to corporation tax or income tax in respect of dividends received from the Company unless that company is carrying on a trade of dealing in shares.

Trustees of discretionary trusts are liable to account for income on the trust’s dividend income at the dividend trust rate, currently 32.5 per cent.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of such provisions and on what relief or credit may be claimed for any such tax credit in the jurisdiction in which they are resident. These comments are intended only as a general guide to the current tax position in the UK as at the date of this document. The comments assume that Ordinary Shares are held as an investment and not as an asset of financial trade.

If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.

### 19. **General**

19.1 The gross proceeds of the Placing are expected to be £8,000,000. The total costs and expenses relating to Admission and the Placing are estimated to amount to approximately £770,000 (excluding Value Added Tax) and the net proceeds of the Placing are therefore expected to be £7,230,000.

19.2 Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made nor are there intended to be any other arrangements for dealings in the Ordinary Shares.

19.3 Noble & Company Limited has given and not withdrawn its written consent to the inclusion in this document of reference to its name in the form and context in which it appears.

19.4 Grant Thornton UK LLP has given and not withdrawn its written consent to the inclusion in Parts III, IV and V of this document of their reports, the references thereto and the references to its name in the form and context in which it appears.

19.5 Where information has been sourced from a third party this information has been accurately reproduced. So far as the Company and the Directors are aware and are able to ascertain from information provided by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

19.6 The accounting reference date of the Company is 31 July.

19.7 The Placing Price represents a premium over nominal value of 25 pence per Ordinary Share.

- 19.8 It is expected that definitive share certificates will be dispatched by hand or first class post by 28 September 2005. In respect of uncertificated shares it is expected that Shareholders' CREST stock accounts will be credited on 20 September 2005.
- 19.9 Save as disclosed above no person directly or indirectly (other than the Company's professional advisors and trade suppliers or save as disclosed in this document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisors otherwise than as disclosed in this document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value or any other benefit to such value or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

## **20. Availability of Admission Document**

Copies of this Admission Document are available free of charge from the Company's registered office and at the offices of Noble and Company Limited at 120 Old Broad Street, London EC2N 1AR, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

Dated: 14 September 2005



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