Plutus PowerGen Plc / Ticker: PPG / Index: AIM

14 January 2015

# PLUTUS POWERGEN PLC ("Plutus" or the "Company")

## Interim Results for the Six Month Period Ended 31 October 2014

Plutus PowerGen PLC (AIM: PPG), the AIM listed Power Company focused on the development, construction and operation of flexible stand-by electricity generation in the UK announces its interim results for the six month period ended 31 October 2014.

**Highlights**

- Successfully established PPG as an AIM listed power company focused on the development, construction and operation of at least 200MW of flexible energy generation in the UK over three years
- New Board appointed on completion of the reverse takeover with excellent industry experience and network
- Raising of £800,000 equity before expenses upon re-admission to AIM
- £200,000 loan note to assist in accelerating the connections process and for working capital
- Non-dilutive business model with project funding delivered through Special Purpose Vehicles
    - Proven model with first stage of the equity fund raising for the construction of its first 20MW of flexible power generation now completed and equity proposals for three further SPVs received to date
- Strong demand for flexible energy generation due to constrained power generation environment in the UK
- Revenues will be from multiple sources: delivered through the sale of power to large energy supply companies by way of a Power Purchase Agreement; STOR revenue: Triad avoidance revenue and potentially, from 2019, the capacity mechanism
- Agreement with independent property developer London & Devonshire Trust to source land with connection capacity suitable for the construction of 20MW flexible energy generation projects
- Secured offers to Grid at locations in the south of England with a combined capacity of 140MW – planning now underway

**Executive Chairman's Report**

This period has been an extremely busy one for the Company and the Directors continue to be very active in securing deals to enable the Company to achieve its target of at least 200MW of flexible power generation within 3 years.

The Company has been through two major stages of development:

- Firstly, restructuring and strategic development; and

- Secondly, the commencement of operations as developers and operators of flexible stand-by electricity generation in the UK.

The progress on both fronts has been very successful in the period.

**Restructuring and Strategic Development**

The Company, formerly Plutus Resources PLC, was suspended on AIM at the beginning of the period to enable the restructuring, reverse takeover and placing to be completed in August 2014.

On 5 August 2014, the Company completed the acquisition of 75% of the issued share capital of Plutus Energy Limited ("Plutus Energy") that it did not already own ("Acquisition") by way of a reverse takeover. The consideration for the Acquisition was £485,000 and was satisfied by the issue of the Consideration Shares. In addition, the Company changed its name to Plutus PowerGen PLC, changed the composition of the Board, converted past Loan Notes and was re-admitted to trading on AIM.

Simultaneously, the Company raised £800,000 by the issue of 133,333,335 ordinary shares at 0.6 pence per ordinary share pursuant to the Placing to fund the working capital requirement of the Enlarged Group.

**Commencement of Operations**

Plutus Energy is now a company established with human and financial capital for the purpose of generating power from flexible stand-by power generation sites and generating revenues through the sale of this power to large energy supply companies during periods of peak electricity demand or Grid instability. Accordingly the Company is no longer an investment company and is now a holding company for a group of companies involved in the development, construction and operation of flexible stand-by electricity generation in the UK.

The business model of the Group is to provide the management infrastructure and expertise to build a group of companies that intend to operate power plants to provide flexible electricity generation in the UK. It is planned that these power plants will generate electricity from containerised, modular diesel generators and the electricity generated will be sold to a utility company via a Power Purchase Agreement ("PPA").

Plutus Energy is expected to have an equity interest in and receive fees from the management of the entities established to manage each flexible power generation project that it builds such as Joint Ventures and SPVs. It may also receive third party fees for other consultancy projects in connection with the flexible power generation business.

It is expected that the Company will ordinarily have four primary revenue streams:

1. STOR is the scheme under which the National Grid contracts with flexible generators of electricity to provide Short Term Operating Reserve (i.e. back-up power) where the National Grid identifies that it is likely to have a short-term requirement for additional power. The amount of STOR capacity needed varies depending on the time of year, week and day; split into a number of seasons; each season containing defined hours in the day (known as "Availability Windows").

2. Triad is the scheme under which the National Grid recharges the cost of using the electricity network to users of the network by pro-rating this cost across the users of the network during the three half hour periods of peak demand during a year. Through the PPA, energy supply companies pay flexible generators of electricity a significant percentage of the Triad cost by generating during these three half-hour periods.

3. Power sales – when the Group runs for Triad avoidance the power is also sold under a Power Purchase Arrangement, normally to a large distributor of power in the UK. In addition, there may be other circumstances under which the Group generates power for third party sales.

4. Capacity Mechanism - There is expected to be a fourth source of revenue to the Group from 2019, being payments from the Capacity Mechanism, which is designed to incentivise companies to build new or refurbish old power plants for which they will be paid a fee. Such fee in the first auction was set at just below £20,000 per Megawatt. This income has not been included in the Company's projections to date due to no current projects yet in planning, a pre-requirement for the Capacity Mechanism. However the Company expects to bid in the second auction process in 2015 for capacity and if successful at the same rate as the first auction, each 20MW site will achieve a further income close to £400,000 per annum for 15 years.

The Company's business model is not unique; there are already a number of companies that provide Triad and STOR services using diesel generators. However, the Directors believe that the time is well suited to a new entrant into this market for the following reasons:

- The need for flexible power generation is increasing as a result of imbalance being brought into the UK electricity network due to existing, reliable power generation (e.g. nuclear and coal) being decommissioned and being replaced, in part, by less predictable renewable power generation. The requirement for STOR generation capacity across the UK is forecast to increase as the UK's energy infrastructure changes over the next decade to 8GW in 2025.

- The intended installed capacity of the Group's power plants is immaterial to both the overall UK electricity markets and the Triad and STOR markets in which the Company intends to operate.

- Although the timing and the final structure of the impending UK Electricity Market Reform ("EMR") remains unclear, it appears likely that electricity generators will face much greater penalties than they do under the current arrangements if they are unable to provide electricity for which they have contracted to supply. Utility companies have indicated that, where this is the case, they will likely look to secure a reserve of flexible generation power plants that they could call on to provide back-up power if their main power plants fail to operate.

**Financial review**

The Group's net loss for the period was £846,100 (6 months ended 31 October 2013: loss of £160,583). The acquisition of the 75% of Plutus Energy was completed during the period together with the re-admission of the Company to AIM and a placing of Ordinary Shares in the Company to raise £800,000 before expenses. The expenses in connection with the foregoing were £254,930. In addition, certain of the directors of the Company were issued shares in lieu of cash bonuses and unpaid fees and as an incentive to complete the foregoing transaction. Otherwise cash costs were kept to a minimum. Finance costs from the convertible loans were £17,025 (6 months ended 31 October 2013: £7,474). For the six months administration expenses, excluding payment of fees and bonuses to certain directors and the cost of the reverse takeover and fund raising were £294,145 (6 months ended 31 October 2013: £153,109).

In December 2014, after the period under review, the Company successfully raised £200,000 (before expenses) through a subscription of £200,000 8% unsecured convertible loan notes of £1 each (the "Convertible Loan Notes") from an existing shareholder of the Company (the "Subscription"). The net proceeds of the Subscription strengthened the Company's balance sheet and provided additional working capital for the Company to continue its plans for the development, construction and operation of flexible stand-by electricity generation in the UK, including grid connection deposits, which will enable the Company to accelerate grid connection processes.

The term of the Convertible Loan Notes is 24 months from the date of issue, this being 18 December 2014. The Convertible Loan Notes are convertible into 25,000,000 new ordinary shares of 0.1 pence each in Plutus at any time up to maturity at a price of 0.8 pence per share and are convertible at the option of the Convertible Loan Note holder

Cash and short-term investments as at 31 October 2014 totalled £222,177.

**Events after the reporting period**

On 17 November 2014, the Company announced that its wholly owned subsidiary, Plutus Energy, had successfully completed the first stage of the equity fund raising for the construction of its first 20MW of flexible power generation. Rockpool Investments LLP (“Rockpool”) agreed to invest in an SPV established by the Company, being Attune Energy 1 Limited ("Attune Energy"), with such investment to be used to enable Attune Energy to develop and build a flexible electricity generation facility and to provide working capital. Rockpool will provide £3.4 million of equity for the project and the £2 million balance of the funding for each 20MW of flexible stand-by power generation is intended to be covered by an asset finance facility. Plutus Energy will have a 45% interest in the Attune Energy.

On 3 December 2014, the Company announced that Plutus Energy, successfully completed an agreement with London & Devonshire Trust ("LDT"), a leading independent property developer in the South West of England, to source land with connection capacity suitable for the construction of a number of individual 20MW flexible generation facilities and under pre-agreed lease terms. This agreement, which followed a Letter of Intent ('LOI') signed with LDT outlined in the Company's Admission Document dated 5 August 2014, is in line with the Company’s strategy to develop 200MW of flexible stand-by power generation sites over the next three years. Both LDT and Plutus Energy have been working to the spirit of the LOI and accordingly, the Company successfully completed the first lease with LDT in the South West that will support 20MW of flexible generation. Furthermore, LDT has submitted grid connection requests on land capable of supporting 140MW of flexible generation in the South West of England and South Wales on behalf of Plutus Energy.

On 10 December 2014, the Company announced that Plutus Energy secured offers to connect to the National Grid at locations in the south of England with a combined capacity of 140MW in accordance with the Company's strategy to develop 200MW of flexible stand-by power generation sites over the next three years. The Company will now begin securing planning at the sites. These connections are separate and additional to the grid connection requests made by London & Devonshire Trust on land capable of supporting 140MW, detailed above.

On 11 December 2014, the Company announced that Plutus Energy had signed a proposal from Rockpool for a £3.4 million equity fund raising for the construction of its second 20MW of flexible power generation. The equity raise undertaken by Rockpool with Flexible Generation Limited, Plutus Energy's second Special Purpose Vehicle ('SPV') will be achieved via a share issue under the Enterprise Investment Scheme ('EIS') on the same terms as Attune Energy 1 Limited ('Attune Energy 1'), an SPV established to fund the Company's first 20MW of flexible power generation.

**Outlook and strategy**

Over the coming period, the Board of Directors will continue to build on and consolidate upon all that has been rapidly achieved since the Company's re-admission to AIM. The Company has already met its principle short-term objectives as detailed in the Admission Document. Over the coming months the Directors are focused on delivering, as detailed in the Company's Admission Document, at least 200MW of flexible power generating capacity in the UK over the next three years.

As we move into 2015 the Directors view the year ahead with confidence.

Charles Tatnall
Executive Chairman
14 January 2015

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**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE SIX MONTHS ENDED 31 OCTOBER 2014**

| | Unaudited 6 months ended 31 October 2014 £ | Unaudited 6 months ended 31 October 2013 £ | Audited Year ended 30 April 2014 £ |
|---|---|---|---|
| Administration expenses | (829,075) | (153,109) | (314,182) |
| Finance costs | (17,025) | (7,474) | (24,545) |
| **Loss before taxation** | (846,100) | (160,583) | (338,727) |
| Taxation | – | – | – |
| **Loss for the period and total comprehensive income** | (846,100) | (160,583) | (338,727) |
| **Basic and fully diluted loss per share** | | | |
| Continuing and total operations | (0.29p) | (0.11p) | (0.23p) |

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**
**FOR THE SIX MONTHS ENDED 31 OCTOBER 2014**

| | Called up share capital £ | Share premium account £ | Other reserves £ | Retained deficit £ | Total equity £ |
|---|---|---|---|---|---|
| **Balance at 1 May 2013** | 948,943 | 4,418,992 | 16,052 | (5,419,704) | (35,717) |
| Total comprehensive income for the period | – | – | – | (160,583) | (160,583) |
| Credit to equity in respect of share-based compensation charge | – | – | 16,898 | – | 16,898 |
| Transfer of equity reserve on issue of convertible loan stock | – | – | 9,051 | – | 9,051 |
| **Balance at 31 October 2013** | 948,943 | 4,418,992 | 42,001 | (5,580,287) | (170,351) |
| Total comprehensive income for the period | – | – | – | (178,144) | (178,144) |
| Issue of share capital | 20,833 | 104,167 | – | – | 125,000 |
| Credit to equity in respect of share-based compensation charge | – | – | 3,819 | – | 3,819 |
| **Balance at 30 April 2014** | 969,776 | 4,523,159 | 45,820 | (5,758,431) | (219,676) |
| Total comprehensive income for the period | – | – | – | (846,100) | (846,100) |
| Credit to equity in respect of share-based compensation charge | – | – | 5,075 | – | 5,075 |
| Issue of share capital | 324,059 | 1,421,232 | – | – | 1,745,291 |
| Share issue expenses | – | (45,450) | – | – | (45,450) |
| Transfer of equity reserve on conversion of convertible loan stock | – | – | (19,664) | 19,664 | – |
| **Balance at 31 October 2014** | 1,293,835 | 5,898,941 | 31,231 | (6,584,867) | 639,140 |

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

**AS AT 31 OCTOBER 2014**

| | Unaudited 6 months ended 31 October 2014 £ | Unaudited 6 months ended 31 October 2013 £ | Audited Year ended 30 April 2014 £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Goodwill | 485,000 | – | – |
| Investments | – | – | 125,000 |
| **Total non-current assets** | 485,000 | – | 125,000 |
| **Current assets** | | | |
| Trade and other receivables | 27,590 | 7,050 | 10,655 |
| Cash and cash equivalents | 222,177 | 110,115 | 6,897 |
| **Total current assets** | 249,767 | 117,165 | 17,552 |
| **Total assets** | 734,767 | 117,165 | 142,552 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 95,627 | 58,195 | 81,461 |
| Borrowings | – | – | 280,767 |
| **Total current liabilities** | 95,627 | 58,195 | 362,228 |
| **Non-current liabilities** | | | |
| Convertible loan notes | – | 229,321 | – |
| Total non-current liabilities | – | 229,321 | – |
| **Total liabilities** | 95,627 | 287,516 | 362,228 |
| **Net assets/(liabilities)** | 639,140 | (170,351) | (219,676) |
| **EQUITY** | | | |
| Share capital | 1,293,835 | 948,943 | 969,776 |
| Share premium account | 5,898,941 | 4,418,992 | 4,523,159 |
| Loan note equity reserve | – | 19,664 | 19,664 |
| Share option reserve | 31,231 | 22,337 | 26,156 |
| Retained losses | (6,584,867) | (5,580,287) | (5,758,431) |
| **Total equity** | 639,140 | (170,351) | (219,676) |

**UNAUDITED CONSOLIDATED CASH FLOW STATEMENT**

**FOR THE SIX MONTHS ENDED 31 OCTOBER 2014**

| | Unaudited 6 months ended 31-Oct 2014 £ | Unaudited 6 months ended 31-Oct 2013 £ | Audited Year ended 30-Apr 2014 £ |
|---|---|---|---|
| **Loss before tax** | -846,100 | -160,583 | -338,727 |
| Share-based compensation charge | 5,075 | 16,898 | 20,717 |
| Loan note interest charge | 17,025 | 7,474 | 24,545 |
| Operating cash flow before movements in working capital | -824,000 | -136,211 | -293,465 |
| (Increase)/decrease in receivables | -16,935 | 2,560 | -1,045 |
| (Decrease)/increase in payables | -35,835 | 7,298 | 30,564 |
| **Net cash used in operating activities** | -876,770 | -126,353 | -263,946 |
| **Financing activities** | | | |
| Proceeds of share issues | 800,000 | — | — |
| Shares issued in settlement of bonuses and fees | 330,000 | — | — |
| Share issue expenses | -45,450 | — | — |
| Proceeds of convertible loan note issues | — | 137,000 | 137,000 |
| Proceeds of other loans | 7,500 | — | 35,000 |
| Interest paid | — | — | -625 |
| **Net cash generated from financing activities** | 1,092,050 | 137,000 | 171,375 |
| Net increase/(decrease) in cash and cash equivalents | 215,280 | 10,647 | -92,571 |
| Cash and cash equivalents at beginning of year | 6,897 | 99,468 | 99,468 |
| **Cash and cash equivalents at end of year** | 222,177 | 110,115 | 6,897 |

## NOTES TO THE INTERIM REPORT

### 1. Basis of preparation

The financial information set out in this interim report does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. The Company's statutory financial statements for the period ended 30 April 2014, prepared under International Financial Reporting Standards (IFRS), have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 30 April 2014. The interim financial statements have not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

The financial statements have been prepared on a going concern basis under the historical cost convention.

The Directors believe that the going concern basis is appropriate for the preparation of the financial statements as the Company is in a position to meet all its liabilities as they fall due.

### 2. Earnings per share

The calculation of basic and diluted earnings per share is based on the loss for the period of £846,100 (2013: £160,583) and a weighted average number of ordinary shares of 287,538,277 (2013: 143,421,882). The number of shares used in the calculation of the diluted loss per share is the same as that used for the basic loss per share for the current period, as the exercise of options would be anti-dilutive.

### 3. Share Capital

| | Number of Ordinary shares | Value £ | Number of Deferred shares | Value £ | Share Premium £ |
|---|---|---|---|---|---|
| Issued and fully paid | | | | | |
| At 1 May 2014 (ordinary shares of 0.1p) | 164,255,215 | 164,255 | 16,439,210 | 805,521 | 4,523,159 |
| Shares issued in year | 324,058,335 | 324,059 | – | – | 1,421,232 |
| Shares issue costs | – | – | – | – | (45,450) |
| At 31 October 2014 | 488,313,550 | 488,314 | 16,439,210 | 805,521 | 5,898,941 |

On 22 August 2014 the following share issues took place:

- 46,000,000 ordinary shares were issued at 0.25p each on conversion of loan notes.
- 29,558,334 ordinary shares were issued at 0.5p each on conversion of loan notes.
- 8,500,000 ordinary shares were issued at 0.5p each in settlement of a loan.

- 46,666,666 ordinary shares were issued at 0.6p each to directors in settlement of bonuses and fees.
- 60,000,000 ordinary shares were issued at 0.6p each as consideration for the acquisition of Plutus Energy Limited.
- 133,333,335 ordinary shares were issued at 0.6p each in respect of a placing, raising £800,000 before expenses.

**4. Borrowings**

All borrowings, including accrued interest, were converted into shares on 22 August 2014.

**5. Dividend**

No interim dividend will be paid.

Copies of the interim report can be obtained from: The Company Secretary, Plutus PowerGen PLC, 27/28 Eastcastle Street, London W1E 8DH and are available to view and download from the Company's website: www.plutuspowergen.com