

new joint venture agreement

RNS Number : 7384D

Kedco PLC

08 December 2009

Kedco plc ("Kedco" or the "Company")

New joint venture agreement

Kedco, the Irish-based energy group focusing on green-energy production in the UK and Ireland announces that it has signed a joint venture agreement in relation to a 4 megawatt ("MW") gasification project located in Newry, Northern Ireland. Total financing for the project will be in the order of £15 million, of which approximately £5 million will be provided by Kedco. The majority of Kedco's investment represents cash payments already made in developing the project to date.

The agreement provides for the 20 year lease on a site owned by the joint venture partner. Pursuant to the agreement and in accordance with its stated strategy, Kedco and its joint venture partner will each subscribe for 50 per cent. of the equity in a project joint venture entity ("PJV"). In addition, the remainder of Kedco's investment will be by way of a loan to the PJV which will have the right to share in the profits generated from this Newry project on a pari-passu basis with the equity. It is intended that the balance of the funding requirement will be met by bank debt and talks are currently ongoing between the Company and potential debt providers in this respect.

The PJV has full permitting approval for the project. The plant, which includes two 2MW Jenbacher gas engines and two 2MW Zeropoint gasifiers, is ready for installation. The plant was due to be commissioned in 2009 but will now occur in early 2010 due to a delay in the shipping of gasification equipment from the Company's supplier in the USA. The gasifier has successfully completed its factory acceptance testing and produced electricity from biomass wood as part of the pre-commissioning factory acceptance procedure.

Due to the delay in the installation of this plant, the profit from the sale of the project is now expected to be recognised in the first half of 2010. This will not affect the expected result for the current full financial year.

The Board understands that the Newry project will qualify for double renewable obligation certificates ("ROCs") under the UK regulatory regime as it utilises advanced conversion technology. In addition, the Board expects that it will qualify for the proposed heat ROCs planned to be introduced by the UK government.

The Company has also made significant advancements in its strategy of deploying smaller anaerobic digestion and gasification plants (75 kilowatt ("KW") to 500KW) to the marketplace. Kedco is presently taking delivery of a 75KW containerised gasifier which has completed full factory acceptance testing and is being installed in its headquarters in Cork where it will be used to generate electricity from biomass and act as a demonstration site for the UK and European markets. These plants enable localised generation of electricity and heat on a small scale suitable for businesses such as supermarkets, small hospitals and healthcare centres, hotels, government buildings and food production companies.

Donal Buckley, Chief Executive of Kedco said:

"We are delighted that the Newry joint venture agreement has been successfully signed as it secures us with the platform for the plant.

In relation to the Newry project, the installation and build-out of the gasification plant is underway and we intend to be producing electricity from the plant in the first half of 2010.

The generation of electricity at factory acceptance testing from the smaller technologies opens up a larger market for the Company that has the potential to earn Kedco both additional short-term and recurring revenues

Company that has the potential to earn huge cash additional short term and recurring revenues.

The Board believes these are significant milestones in delivering value to our shareholders through the production of electricity commercially from gasification."

For additional information, please contact:

Financial Dynamics +44 (0) 20 7831 3113

Matt Dixon/Ed Westropp/ Alex Beagley

Deloitte Corporate Finance (Nomad) +44 (0) 20 7936 3000

Jonathan Hinton/David Smith

This information is provided by RNS

The company news service from the London Stock Exchange