

# Proposal to change the terms of the debentures to address cashflow issues and uncertainty

Date: 1 October 2025

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## Summary

- BNRG Gorse is asking all investors to vote on a proposal that would change the structure of the interest payments.
- The inflation spike in 2022-2024 increased interest payments due to you and also operating costs but were not matched by sufficient increase in revenues - this has made the company financially unsustainable
- We are proposing to switch how we pay you interest from the current inflation-linked structure to a fixed schedule in order to return to profitability and secure the company's future
- Our proposal will deliver an effective rate of return of 7.35% over the life of the investment, in line with our original estimate at the time of the offer in 2013

## Background

BNRG Gorse plc owns and operates two 249 kWp solar farms in Kent (the Project). The Project started operation in 2014 and is performing to expectations from an energy generation perspective. The sources for revenue for the projects are from the 20-year Feed-in Tariff (FiT) Scheme and from a rolling 2-year Power Purchase Agreement (PPA). The average split between the two revenue sources is about 70% FiT and 30% PPA.

The original forecast when the funding was raised used an average inflation of 2.8% and tested for scenarios when it would be lower or higher. With revenues and costs (including the cost of servicing the Debentures) quite closely linked to RPI, this structure passed those tests.

Unfortunately, the unexpected and significant spikes in inflation post COVID-19 and Russia's invasion of Ukraine have pushed the debt costs for each year now significantly beyond levels that can be covered by the increased revenues. The detailed figures are set out below.

The income from the PPA (currently based on £82.40/MWh) is linked to prevailing energy market prices which have fluctuated quite significantly, but overall have remained relatively flat. In addition, some of our operating costs have risen more than was expected.

Overall, the revenues are no longer covering costs and with the higher than expected debt payments going forward, this will continue to be the case:

- Extended periods of high inflation post COVID-19 Economic Recovery and Russia's invasion of Ukraine. For example, the UK RPI was 5.20% in December 2023, 13.4% in December 2022, and 7.50% in December 2021, compared to the assumed RPI of 2.8% at the time of initial investment.
- In September 2023 the inflation link semi-annual payment to debenture holders was £118,589 (vs. expected estimate of £50,000), which almost entirely depleted the Project's cash reserves that were built up since initial operation.
- Higher operating costs have also reduced cash flows. For example, actual 2024 total operating costs were £54,561 vs expected 2024 of £36,619.
- The Project is facing an annual cash shortfall position for a second consecutive year. BNRG Renewables (the parent company of BNRG Gorse) has made contributions of £70,000 between Q2 2024 and Q2 2025 to support the company.
- To be noted that BNRG Renewables has never taken cash out of the Project. It was forecasted that BNRG would generate c. £60,000 of dividends by mid 2025, but any cash built up in the project has been used meeting the higher operating and debt costs described above.

Given the above, we are writing to you to request your permission to change the terms of the Debentures for the remaining years. We are keen to return the company to a commercially sustainable footing whilst also delivering you the level of return that was indicated when the Debentures were first offered.

## **Existing Debenture Structure**

The existing cash return terms are as follows:

- The cash return is paid twice-yearly to each debenture holder over the term of the debenture, and is comprised of two parts: (i) repayment of the capital (or principal) invested, and (ii) payments of interest income earned for lending money to the Project.
- The interest income received is index-linked to the Retail Price Index (RPI) for the preceding year and is based on two components: (a) the amount the original capital has been inflated by the RPI each year, 'notional principal' and (b) an additional interest amount equivalent to 1% of the capital, which also grows in line with the RPI each year.

Details on the current cash return terms are listed below

- Original principal: £730,000
- Payments to date (i.e. to the most recent payment date in June 2025) are as follows:
  - Cumulative principal repayments: £401,500
  - Cumulative interest income: £454,453

- Total payments to debenture holders: £855,953
- As of June 2025:
  - Remaining principal to be paid: £328,500

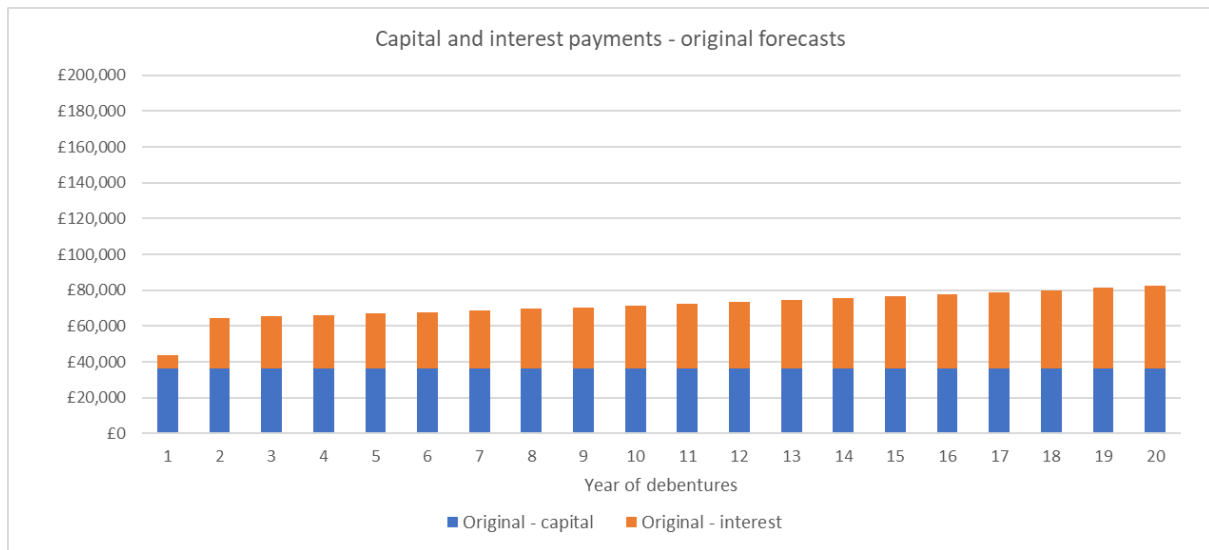
### **Proposed Restructure**

- The cash return is to continue to be paid twice-yearly in June and December to each debenture holder over the term of the debenture (unchanged)
- The Project will pay:
  - Annual principal repayments as before of £36,500 per annum, plus;
  - Fixed interest payments as set out in the table in Appendix 1 - no interest will be paid in June 2026 for the period October 2025 to March 2026 to build up some cash in the company.
  - Together these payments will deliver an effective rate of return in line with that originally estimated (7.35% IRR) and ensure the Project has sufficient cash to cover operations over its remaining life.
- In addition to the above changes to the interest calculation, the reserve requirement related to the replacement of equipment will be removed. This is to reflect the fact that some of the equipment has already been replaced over the life of the asset, and the removal of the upcoming winter payment will allow a sufficient cash buffer to build up. The reserve requirement for the payment of Principal and Interest will remain in place.

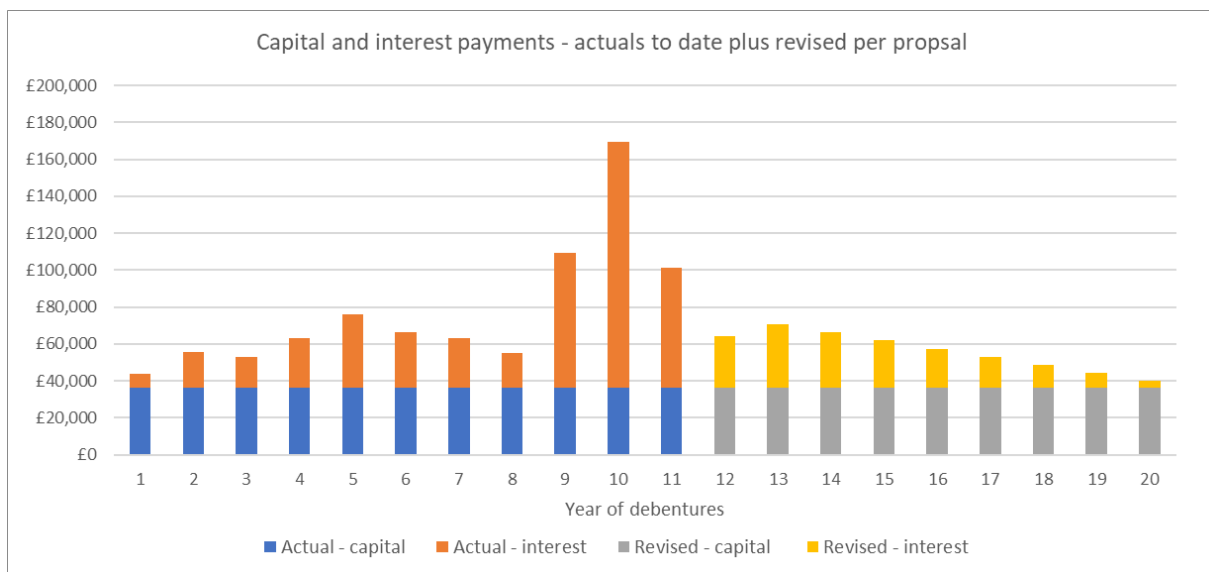
The charts and table below set out the expected future returns based on this new proposal compared to what has happened to date and what was estimated at the time of the offer. The key points illustrated are as follows:

- The returns paid to debenture holders over the last three years have been significantly higher than originally forecast (see chart 2 on the right hand side)
- The cumulative total payments to debenture holders over the 20-year life of the debenture holders under the revised terms will be very slightly lower than originally forecast (see bottom chart). However, as debenture holders have received significantly more of the payments earlier in the investment period than forecast, the effective rate of return to debenture holders is in line with the original estimate, 7.35%.

**Chart 1: Originally forecast capital and interest payments over life of debentures per offer document assuming 2.8% RPI**



**Chart 2: Actual payments to date and revised payments going forward per this proposal**



**Table: Summary of the originally forecast return figures compared to actuals to date plus and the revised payments going forward per this proposal**

	Original forecast per offer document	Actuals to date plus revised payments per proposal
<b>Original Principal</b>	£730,000	£730,000
<b>Payments Made To Date</b>		
Cumulative Principal Repayments to date (Sept '25)	£401,500	£401,500
Cumulative Interest Income to date (Sept '25)	£324,716	£454,453
Total Payments to debenture holders to date (Sept '25)	£726,216	£855,953
<b>Payments Going Forward</b>		
Remaining Principal to be paid	£328,500	£328,500
Remaining Interest Payments	£371,146	£177,916
Total Forecasted Payments to debenture holders (Dec '25 to March '34)	£699,646	£506,416
<b>Total Payments over Life of Debentures</b>		
Total Payments to debenture Holders (April '14 to March '34)	£1,425,862	£1,362,369
IRR	7.35%	7.35%

Please note that:

- The actual returns to both Debenture Holders and BNRG would be subject to the continued good performance of the project. There is an appropriate level of cover between the operational cashflow going forward and the revised debenture payments per this proposal.
- As mentioned above BNRG Renewables have yet to receive any cash from the project.

## Conclusion

The proposed restructure to debt financing terms is essential to the sustainability of the Project while providing debenture holders with forecasted returns that meet their initial expectations, based on continued good performance of the project.

BNRG cannot continue subsidising the project, so if the proposal is rejected, it is management's view that the project will be insolvent. The next step would be to initiate a voluntary administration and appoint an administrator (a sale as a going concern would be highly unlikely given the financial position). The administrator would likely run a sale process with proceeds being distributed to unsecured creditors including debenture investors, after costs. Management are firmly of the view that the Proposal represents a better outcome for Debenture Holders, and very much hope you will support the proposal to get the company back onto a commercially sustainable footing.

## **Place your vote**

The terms of your investment (the Debenture Deed) can only be amended by a Special Resolution of Debenture Holders. This means that you, the Debenture Holders, have the right to vote on whether or not you wish to accept this proposal.

For a Special Resolution to pass, Debenture Holders holding at least 75% of the outstanding Debenture Principal must vote in favour. You will find a link to the Special Resolution (the legal document you are voting on, which also contains the draft Deed of Amendment showing the Deed changes) in the email included with this proposal.

Please place your vote on our proposal by **5pm 31 October 2025** using the link provided by Abundance.

## Appendix 1

**Table: Proposed Interest and Principal payments from 30-Sept-2025 to March 2034**

Period Start Date	Period End Date	Payment Date	Interest	Principal	Total Repayment
01-Apr-25	30-Sept-25	09-Dec-25	27,594	25,550	53,144
01-Oct-25	31-Mar-26	09-Jun-26	-	10,950	10,950
01-Apr-26	30-Sept-26	09-Dec-26	24,528	25,550	50,078
01-Oct-26	31-Mar-27	09-Jun-27	9,592	10,950	20,542
01-Apr-27	30-Sept-27	09-Dec-27	21,462	25,550	47,012
01-Oct-27	31-Mar-28	09-Jun-28	8,278	10,950	19,228
01-Apr-28	30-Sept-28	09-Dec-28	18,396	25,550	43,946
01-Oct-28	31-Mar-29	09-Jun-29	6,964	10,950	17,914
01-Apr-29	30-Sept-29	09-Dec-29	15,330	25,550	40,880
01-Oct-29	31-Mar-30	09-Jun-30	5,650	10,950	16,600
01-Apr-30	30-Sept-30	09-Dec-30	12,264	25,550	37,814
01-Oct-30	31-Mar-31	09-Jun-31	4,336	10,950	15,286
01-Apr-31	30-Sept-31	09-Dec-31	9,198	25,550	34,748
01-Oct-31	31-Mar-32	09-Jun-32	3,022	10,950	13,972
01-Apr-32	30-Sept-32	09-Dec-32	6,132	25,550	31,682
01-Oct-32	31-Mar-33	09-Jun-33	1,708	10,950	12,658
01-Apr-33	30-Sept-33	09-Dec-33	3,066	25,550	28,616
01-Oct-33	31-Mar-34	09-Jun-34	394	10,950	11,344
			<b>177,916</b>	<b>328,500</b>	<b>506,416</b>