What is the offer from Barclays?

After much negotiation we have managed to obtain an offer of:

- a facility of up to £600,000
- to be drawn down in slices of £10,000 for up to a year from the first draw-down
- at an interest rate of 2.5 percentage points above the bank base rate
- to be repaid over ten years
- extra, early repayments can be made at any time with no penalty

Barclays require a first charge (“mortgage”) over the ground (and the perimeter lease if and when we buy it). They have also set various other requirements, such as when we must send them copies of our annual accounts; we must comply with these requirements but they are not onerous.

The effect of the Barclays mortgage is to change the nature of the risk to the ground. Currently, Mr Khosla, who also has a mortgage on the ground, can only seek to reclaim it if we fail to meet our interest payments. Barclays could call in the loan if we failed to make the agreed capital and interest repayments, although their normal approach if a borrower struggles to make the required payments is to discuss the situation and, if at all possible, re-negotiate the terms of the loan to make it possible to repay it.

Why do we want the Barclays loan? What is it for?

1) To pay off Mr Khosla
2) To establish a credit record and a relationship with Barclays
3) To save some money in interest
4) To fund the purchase of the perimeter lease, should the opportunity arise (subject to the DT board approving any such purchase)
5) To fund other capital works if necessary (again, subject to approval by the DT board)

1 To pay off Mr Khosla

Having initially borrowed £2,400,000 from Mr Khosla, the amount owed is now down to £400,000. We raised the £2,000,000 we have paid off through the share issue and through fundraising efforts, including the Dons Draw which enabled the club to use the proceeds from 5-year season tickets to reduce the debt to Mr Khosla.

Ever since the purchase of the long leasehold interest at Kingsmeadow, Erik Samuelson, supported by advice from the Finance Working Group, has been working to find a commercial lender with whom we could replace the Khosla debt.

If we decide to take this loan facility, we will repay Mr Khosla immediately. This will not mean drawing down the full £400,000 immediately, as explained later. We must repay Mr Khosla in full since Barclays insist on a first charge over the ground (as is normal for a loan such as this) and Mr Khosla currently has this security.

2 To establish a credit record and a relationship with Barclays

In the three years since we bought Kingsmeadow we have used two different intermediaries, one of whom introduced us to 3 financial institutions and the other approached 17 more on our behalf. Barclays are the only one to make us a firm offer. Football clubs are often seen as a bad risk by lenders, due to the poor record of many. It is, therefore, a testament to the work done by those involved and to the firm financial foundations and strong stewardship of our club that we have got to this stage at all.

At some point in the future we believe that we will need to borrow money – to fund the purchase of the perimeter lease, to build the extra facilities required for Conference or even Football League standards, etc. When that time comes, if we have already borrowed and demonstrated that we can meet laid-down repayment terms, we will be able to approach Barclays as an existing customer rather than as just another football club. While there is, of course, no guarantee we could obtain further facilities, without this track record and relationship we would be back at the beginning of what has been a long and difficult three-year process.

We are not aware of any other credible source of funds for development of the stadium other than a commercial loan of this kind.

3 To save some money in interest

Some, but not that much. As explained later, the savings in the first year are eaten up by the set-up costs, and we expect the savings in the second year to be approximately £7,600. As the loan is being repaid, the interest saving will reduce rapidly over time. The total interest saved could be around £33,600 if we repay the loan over six years and £21,600 after deducting the costs of setting up the loan. This assumes we adopt "scenario 2" – see later in this paper for details.

4 To fund the purchase of the perimeter lease

As many will remember, when we bought the stadium, there was talk of a further strip of land, behind the Kingston Road End and the John Smith's Stand. This is known as the perimeter lease land and was leased to Kingstonian at the time they applied for and were granted planning permission for two different schemes, each of which would extend the stadium to a 6,000 capacity.

When Mr Khosla bought the stadium from the administrator, he did not buy this perimeter lease land. When we bought the stadium from Mr Khosla, he wanted to include this land in the deal. We agreed that, should he be able to, we would pay £2,500,000 for the total package, but should he prove unable to deliver the perimeter lease, we would pay only £2,400,000. In the end the price was £2,400,000 as he was unable to procure the extra land for us.

Kingston Council made it clear at the time that they will be happy for us to have control of that land, whether by assignment of the existing lease (which stayed with the old Kingstonian company which is now in liquidation) or by the granting of a new lease. This position has not changed.

To get control of this land we would have to pay a fee to Kingston Council. They have stated that they believe the financial benefit of this transaction should be for Kingstonian, and how that happens is a matter for them to agree with Kingstonian's supporters, officials and owners. For us, once that is sorted by them, we need only to talk to Kingston Council about the land.

Why do we need the perimeter lease?

The planning permissions, mentioned above, expired in January this year and we have just (on Thursday 16 March) been granted renewal, subject to a legal agreement and in the case of the larger scheme a reference to the Government Office for London.

Each of the schemes involves the use of the land covered by the perimeter lease. This would enable further exits and turnstile entrances, toilets, refreshment facilities etc, as well as the other works included in the schemes. Having been granted the renewals we now need to examine our business plans and financial projections and start to plan when and how to begin the process of extending the stadium to meet our future needs. While we hope that funding in the form of grants might be available to support any work we carry out, we will not be able to complete it without substantial borrowing. It will be extremely helpful to our plans to have an existing relationship with a commercial lender; we are advised that most banks and other lenders are far more likely to lend to existing customers than to new customers.

5 To fund other capital works if necessary

Really this is just to make the point that loan finance will not be used to fund revenue expenditure – e.g. wages, rent, repairs, other expenses. It should only be used to pay for large one-off items, and we would only ever intend to use it in this way.

Note that any borrowings beyond the amount needed to repay Mr Khosla will need to be approved in advance by the Dons Trust board. This provides the DT Board the opportunity to satisfy itself that incremental borrowings are prudent and to agree with the PLC the extent to which such incremental borrowings would be serviced from the proceeds of DT fundraising versus operating cash flows of the football club.

What is the covenant and how is it calculated?

When the loan was first discussed with Barclays they wanted to impose a covenant that required us to achieve a certain level of net cash receipts in each year, calculated in accordance with a standard method. If we did not achieve this cash inflow, they would have been entitled to call in the loan, the guarantees and the mortgage on the ground.

While this is a practice that is common among lenders, we recognised that it would be a source of concern to shareholders and members of the DT. Therefore, we continued to discuss the matter with Barclays over an extended period and we are pleased to say that they have now agreed that the covenant need not be applied. In short, there is no covenant and one of the risks relating to the loan has been removed.

What is a cross-guarantee and how does it work?

The loan will be made to AFCW Stadium Limited, because it is the company which owns the stadium and which currently owes the debt to Mr Khosla. AFCW Stadium has very little income and Barclays are concerned to protect their interests so they have required that the main income-earning company (AFC Wimbledon Limited, the football club) and AFCW PLC, the owner of AFCW Stadium and AFC Wimbledon, should guarantee the loan. In effect, they are grouping the three companies together and treating them as one, for the purpose of their security.

Does the Dons Trust have to cross-guarantee the loan?

No, Barclays has not asked for a cross-guarantee from the Dons Trust.

So why are we being asked to vote on giving a cross-guarantee from the DT?

It is possible that Barclays will ask for a guarantee from the DT at the last minute, although we hope this won't happen. If this happens and the DT board is not authorised to enter into such a guarantee then we would need to reconvene a DT meeting, at substantial cost and time delay. Therefore, this is a "just-in-case-we-need it" vote.

Assuming, for the moment, that there was a cross-guarantee from the DT, if the loan isn't paid and Barclays exercises the cross-guarantee will I, as a DT member, be required to pay anything towards repaying the debt?

All cross-guarantees will be issued by corporate bodies. If the worst happens and we can't repay the loan so that Barclays (or Mr Khosla) foreclose on guarantees and the stadium, then the loss incurred by individual investors and shareholders would be limited to the amount they have already paid for their share(s).

What is the interest rate on the loan?

The interest rate offered by Barclays is base rate + 2.5%. The rate currently paid to Mr Khosla is base rate + 5%. When the base rate changes, the rate we pay also changes.

As a result of this, the rate that would apply if we took the Barclays loan today would be 7.00%; we are currently paying Mr Khosla 9.5%. There was an error, for which we apologise, in the paper sent out to shareholders by the PLC, where it was stated that the Barclays rate would be 7.25% and Mr Khosla's rate is 9.75%. Nonetheless, the Barclays rate is correctly stated at 2.5% cheaper than that charged by Mr Khosla.

How are the cost savings calculated?

There are many ways of calculating the cost savings from the Barclays loan and the result will vary according to the assumptions. This method looks at three scenarios (there are others that could be used) and sets out the relevant assumptions for each:

Scenario 1:

1. We will continue to repay any loan as fast as we can. In effect this is a continuation of the approach we have taken towards the loan from Mr Khosla.
2. Interest will continue to be paid by the football club and capital will be paid from funds raised by the Dons Trust. This is also a continuation of the current approach
3. DT funds raised will continue at the budgeted level for 2005/06, i.e. £100k per annum. The likelihood of achieving this level of income is considered elsewhere in this paper
4. Repayments will be calculated on the same basis for both loans, i.e. monthly payments of interest and capital. Any other approach makes comparisons misleading
5. The opening balance at the date of the comparison is £400,000

Note that the football club has already used the cash from five year season tickets to reduce the debt to Mr Khosla and the DT is reimbursing the club with this money from fund raising. In effect, we have already spent the cash from the remaining four years on FYSTs and the DT is reimbursing the club. The annual reimbursement is £36k to enable the club to fund its operations.

As a result of this, of the £100k budgeted to be raised in the fundraising year, only £64k is available for repayments to Barclays. This amounts to £5,333 per month.

An illustration of the interest calculation for the first two months is as follows:

Opening balance	Repayment of capital in month	Closing balance	Month's interest, based on opening balance
400,000	5,333	394,667	2,333
394,667	5,333	389,334	2,302
389,334	Etc		

Using the same calculation for both the Barclays and the Khosla loans, the loan is repaid in just over 6 years in both cases. The interest charges are as follows, in £000s:

Year	1	2	3	4	5	6	7	8	9	10
Interest to Khosla	35.2	29.1	23.1	17.0	10.9	4.8	0.3	0	0	0
Interest to Barclays	25.9	21.5	17.0	12.5	8.0	3.6	0.2	0	0	0
Saving	9.3	7.6	6.1	4.5	2.9	1.2	0.1			

The overall savings over the period of the loan are £31.7k

However, there are initial charges of about £12k payable for setting up the loan etc and these reduce the overall savings. In the second year, with no set up costs to absorb, the savings are approximately £7.6k and thereafter they reduce as the loan is repaid, as shown above.

Scenario 2:

This is the same as scenario 1, except that the club takes advantage of the fact that it has a cash surplus. As explained elsewhere, all the season ticket money is received in advance and much of the sponsorship money is also received in advance. Our current calculations indicate that the club could use about £150k of this money to reduce the initial borrowing from Barclays to £250,000 and then call on the remaining £150,000, as it becomes needed, to make the loan up to £400,000. We could not do this with the loan from Mr Khosla as we have no means of reducing his loan and then “topping it up” in this way.

The assumptions are the same as in scenario 1, except that:

- We borrow only £250,000 at first and use the club's £150,000 to make up the £400,000 needed to repay the loan to Mr Khosla
- We draw down a further £50,000 on the first days of the seventh, eighth and ninth months from the commencement of the loan, making a total borrowing from Barclays of £400,000 after nine months
- Since this money would be available for earning interest on deposit if we weren't using it for repaying Mr Khosla, the interest savings we get from using the money this way need to be reduced

On this basis, the interest costs are, in £000s:

Year	1	2	3	4	5	6	7	8	9	10
Interest to Khosla	35.2	29.1	23.1	17.0	10.9	4.8	0.3	0	0	0
Interest to Barclays	19.8	21.5	17.0	12.5	8.0	3.6	0.2	0	0	0
Saving	15.4	7.6	6.1	4.5	2.9	1.2	0.1	0	0	0

The savings throughout the loan are identical to scenario 1, except in the first year, thanks to the use of available cash in AFCW, so the interest saving is £37.8k. After taking into account the loss of interest income on the money used to reduce the drawdown, the overall net saving is £33.6k and the net saving in year one is about £11.2k, which broadly matches the set up costs. In year two the saving is about £7.6k.

Scenario 3:

The loan is paid off over the full term of 10 years, i.e. we do not make any early repayments. All other assumptions are as in scenario 1

The interest charges on this basis are, in £000s:

Year	1	2	3	4	5	6	7	8	9	10
Interest to Khosla	36.9	34.4	31.7	28.7	25.3	21.7	17.7	13.2	8.4	3.1
Interest to Barclays	27.1	25.0	22.8	20.4	17.9	15.1	12.2	9.0	5.7	2.1
Saving	9.8	9.4	8.9	8.3	7.4	6.6	5.5	4.2	2.7	1.0

The interest savings over the entire period of the loan are £63.8k. An approach where we take the maximum allowed time to pay off the loan is not attractive but it is included for the sake of comparison. However, it does have attractions in terms of cash flow, as described in another section of this paper.

What happens if interest rates change?

Interest rates rarely stay still for a great length of time and so we need to consider the effect of higher interest rates on our costs. (We have assumed that a fall in interest rates is good news for us.)

The rate of repayment of capital is not affected because we are repaying from funds raised by the DT. A simple calculation of the effect of an increase or decrease of 0.25% in bank rates is that the extra (or lower charge) for each such change in rates is about £3k over the term of the entire loan if we pay under scenario 2, as described above. We do not consider this to be substantial and, in any event, broadly the same monetary increase will apply to the Khosla loan as will affect the Barclays loan, since they are both tied to base rate.

How are the club's finances this season?

At the end of November 2005 we forecast the club's results for the year ending 30 June to support our considerations about whether to take on the Barclays loan. This was based on the following assumptions made at the time, which we believe to be cautious.

- The club will continue to press for a play-off place but will not achieve it. (We expect to get into the play-offs but we do not think it appropriate to budget to do so.)
- To maximise our chances of reaching the play-offs we will maintain the playing budget
- We will progress to the semi-final of the Surrey Senior Cup by beating Met Police and Banstead, but we will then lose to Woking (an assumption made before Woking lost to Ashford Town, of course)
- Saturday league crowds will be at the season's average to date of 2,700. Midweek games will be 2,400
- Interest rates will be unchanged
- No major unavoidable repair costs (e.g. for safety reasons) will arise

The actual results to 31 December and the forecast results to the end of the season are as follows:

	Actual	**Forecast**		**Forecast**
Income/profits	**6m to 31/12/05**	**6m to 31/12/05**		**12m to 30/6/06**
Football profits	42,894	39,321		10,518
Merchandise	29,129	29,974		60,908
Programmes	2,989	3,460		2,428
Sponsorship and advertising	55,351	52,477		93,490
Bar	59,738	57,407		87,190
Tea bar	4,900	4,600		7,900
Functions	12,005	11,301		18,157

CFS	(629)	(416)		2,500
Donations	43,092	43,002		48,002
Licence fee	5,027	3,750		7,750
Gross profit	254,496	244,876		338,843
Youth development programme costs	22,639	22,742		(35,000)
	231,857	222,134		303,843
Administrative overheads				
Salaries and NI	51,517	51,124		100,174
Premises costs	42,070	38,586		78,586
Repairs, cleaning etc	10,714	11,527		28,777
Finance, insurance and professional services	31,480	26,217		53,763
Total overheads	135,781	127,454		261,310
Operating Profit before depreciation & interest	**96,076**	**94,680**		**42,533**
Net interest	17,686	18,124		36,499
Profit before depreciation	78,390	76,556		6,034

The Operating Profit for the year is forecast to be £42,533 and the profit before depreciation is £6,034.

The actual results to the end of December are closely in line with the forecast, which is how it should be since the projections were prepared as at the end of November. We had hoped to have updated results to the end of February to demonstrate whether we expect to achieve the projected results. However, this has not proved possible due to illness among key people at critical times recently. We will now produce management accounts to 31 March, plus a balance sheet at that date, before confirming to the DT board that we have sufficient safety margin to justify going ahead with accepting the loan. These management accounts and balance sheet will be subject to independent review by our auditor.

The boards of The Dons Trust and AFCW PLC have agreed to spend additional funds on two projects relating to renewal of the planning permissions for Kingsmeadow and proposals for the use of Morden Park. In addition to the costs already included in the results to 31 December 2005, these are likely to cost an extra £22,000. This amount is not reflected in the forecast results for the year ending 30 June 2006.

What happens after this year? 2006/07 budget and projections thereafter

In line with our normal timetable, the AFCW board has recently prepared a first draft budget for 2006/07 and, in addition, some projections for the subsequent two years. The nature of projections is that the further forward they look, the more speculative they become, so three years seems a sensible timescale.

The starting point for the first draft budget for 2006/07 is the forecast results for 2005/06. From these we have deducted the unbudgeted profits from cup success in 2005/06 to arrive at a "base" profit and loss account for 2006-07. This has then been updated in the light of the following assumptions, which the board believes to be cautious:

- We will not be promoted at the end of 2005/06 but will be promoted in 2006/07. We have assumed that a successful promotion campaign in 2006/07 will have no effect on attendances
- We will then stay in the Nationwide South for several years
- The only significant financial effect of promotion that is reflected in the calculations is that we understand that the Conference offer a pool scheme which will save us a substantial amount of insurance costs
- Attendances for 2006/07 will average the same as 2005/06, i.e. 2,650. Later in this section, we consider the financial effect of lower attendances
- The manager's football wages budget for 2006/07 will be the same as the current year and will increase only slowly thereafter (Dave Anderson is aware of this and is planning on this basis)
- We will be unsuccessful in all cup games, which will be away from home
- There will be no additional five year season ticket sales
- There will be no increase in the cost of admission or season tickets until 2008/09 (note that this is an assumption for projection purposes, not a firm commitment to increase, or not increase, admissions and season ticket prices)
- Merchandise sales will be higher, following the launch of the new kits in 2006/07 and 2008/09. The increase in sales and profits will not be as great as was achieved the last time we launched a new kit
- Commercial income will increase, reflecting the recruitment of the full time commercial executive
- The agreement with Sports Interactive will continue at its present level or be replaced by equivalent sponsorship(s)
- Programmes will continue to run near break even, following cost savings in the current year. Some cost inflation is built into 2007/08 and 2008/09
- Significant savings will be achieved in the YDP budget
- Changes to the cost structure of CFS will lead to improved profits
- Donations will be lower because in 2005/06 there was a "one-off" effect arising from generous FYST subscribers giving, in effect, 5 years' worth of donations in one year
- Expenditure savings which have been implemented during 2005/06 will flow through to the entire year in 2006/07, leading to a low increase in overall overheads. For some key areas, e.g. rates, we are already aware of the charges
- With the exception of fuel costs, which will rise substantially, most costs will rise at slightly above the rate of inflation, i.e. 5%
- No benefits from actions currently being taken to increase bar and functions income are reflected in the budget but prudent amounts are included in the projections for 2007/08 and 2008/09

On this basis, the forecast for 2005/06, the first draft budget for 2006/07 and the projections for 2007/08 and 2008/09 are set out below.

	Forecast 2005/06	**Draft budget 2006/07**	**Projection 2007/08**	**Projection 2008/09**
League	Ryman Premier	Ryman Premier	Nationwide South	Nationwide South
Football profits	10,518	(22,000)	(23,000)	(13,000)
Merchandise	60,908	65,000	55,000	70,000
Programmes	2,428	0	(2,500)	(5,000)
Sponsorship and advertising	93,490	110,000	120,000	125,000
Bar	87,190	77,500	92,000	92,000
Tea bar	7,900	7,000	7,000	7,000
Functions	18,157	20,000	22,500	25,000
CFS	2,500	10,000	12,500	15,000
Donations	48,002	27,000	25,000	25,000
Licence fee	7,750	8,000	8,000	8,500
Gross profit	338,843	302,500	316,500	349,500
Youth development programme costs	(35,000)	(20,000)	(25,000)	(25,000)
	303,843	282,500	291,500	324,500
Administrative overheads				
Salaries and NI	100,174	107,500	113,000	120,000
Premises costs	78,596	80,000	84,500	89,750
Repairs, cleaning etc	28,777	23,500	29,000	30,000
Finance, insurance and professional services	53,763	46,000	40,250	43,500
Total overheads	261,310	257,000	266,750	283,250
Operating Profit	**42,533**	**25,500**	**24,750**	**41,250**
Net interest (for Scenario 2, including Bond interest)	36,499	24,821	22,840	17,987
Profit before depreciation	6,034	679	1,910	23,263

Sensitivity of these budgets and projections to change

These budgets assume continued failure in every cup in every year. While we are not budgeting for success, we do believe that we will achieve better than this in most years and, sooner or later, we will have a highly rewarding cup run. While we don't think it is prudent to include this in our calculations, we do think that the resulting forecasts are cautious.

The most significant factor that affects income is a change in the average attendance. We have previously published that the effect of each change of 100 in the average changes the profit, for better or worse, by about £16,000. We have recalculated this in the light of the current year's results and now estimate that the change is closer to £14,500 per 100 increase or decrease in average attendances.

What happens if crowds fall below the assumed levels?

If this happens, the board will need to take remedial actions. There is a cash "cushion" available for unforeseen events, as explained below, but further cost cuts would need to be made and, more importantly, steps would need to be taken to increase income. The AFC Wimbledon board is already taking such steps, but no account has been taken of the hoped-for results of these initiatives in the budget and only limited amounts are reflected in the projections.

Have we enough cash to repay the loan?

In addition to profits, we need to consider cash flow and how well we can meet the cash requirements of repaying the loan.

Cash flow is simple in AFCW because:

- We have always carried a substantial cash balance as a safety net, since we have always assumed that our bankers will not allow us to go overdrawn. At the end of March 2006 we will have over £120,000 in available cash. March is the month when our cash balance is at its lowest.
- A significant proportion of our cash for the year is received in advance as season ticket sales and early payment of sponsorship income, so we are always cash-rich.
- We have very stable levels of working capital because we have only a small number of debtors, limited stock, and creditors which do not vary significantly from period to period. The only substantial variation in creditors is caused by VAT, which is paid quarterly but retrospectively and therefore does not threaten our cash flow.

In short, so long as we continue to make a profit, before depreciation, we will continue to have healthy cash balances throughout each year. Nonetheless, for the record, we have prepared cash flow projections for the next three years as described below, using the cash flow forecast for the current year as the model for the calculations.

Cash flow is very seasonal and can be broadly divided into quarters:

From April to June there is an inflow of cash from advance sales of season tickets. This money is, in effect, advance receipt of gate money which is gradually spent over the following season

From July to September, there is cash inflow from the final applications for STs, the early receipt of sponsorship income, plus income from friendly games and the first few league games. However, players' wages and running costs of games also start. Overall, this produces a net positive cash flow for the quarter.

From October – December, there is a large outflow of funds, the most significant item of which arises from the payment of VAT on the season tickets

From January – March, there is a further outflow of funds that takes the cash balance to its lowest ebb at the end of March in each year of our projections

In April, the cycle starts again

Our forecasts and budget assume that the business will not grow or change substantially. Therefore, from one year to the next, our balance sheet does not change significantly.

The calculations are as follows:

	2006/07	**2007/08**	**2008/09**
Cash at 1 July	193,212	159,938	161,838
Cash used to reduce initial borrowing (scenario 2, above)	(150,000)	-	-
Balance after taking out Barclays loan	43,212	159,938	161,838
Cash in/(out) flow in 1st quarter	69,230	85,530	90,870
At 30 September	112,442	245,468	252,708
Cash in/(out) flow in 2nd quarter	(51,923)	(45,623)	(40,283)
At 31 December	60,519	199,845	212,425
Cash in/(out) flow in 3rd quarter	(70,125)	(63,825)	(73,485)
Drawdown on Barclays loan in quarter	150,000	-	-
At 31 March	140,394	136,020	138,940
Cash in/(out) flow in 4th quarter	19,544	25,818	46,158
At 30 June	159,938	161,838	185,098

Notes:

1. Monthly cash flow depends substantially on how many home games are played in the month; this is not predictable. Therefore, the cash flow has been summarised on a quarterly basis.
2. In 2006/07, the calculations assume that the initial borrowing from Barclays is £250,000 and that an additional drawdown of £150,000 is made in the third quarter.
3. No capital expenditure has been allowed for in these calculations.
4. As explained elsewhere, £64,000 of the funds raised by The Dons Trust will be used to repay the capital of the loan each year.
5. The lowest balance in each year arises at the end of March.

As can be seen, on this prudent basis, we nonetheless always maintain a positive cash balance.

With the lowest forecast balance shown as £136,000 at the end of March 2008it is arguable that some of the cash surplus could be used to reduce the amount we borrow from Barclays. This is a debate we need to have later this year as we also need to decide what else it might be used for, including capital expenditure, dividends, contributing towards the purchase of the perimeter lease, or repayment of some of the Dons Trust bond. For the moment it is clear that we have a substantial safety net in case major unforeseen problems arise.

How confident are we that the DT fundraising will reach the assumed levels?

The budgeted £100,000 per year is made up as follows:

Dons Draw	£45,000
Golden Goals	15,000
	60,000
Other fund raising activities	40,000
Total fundraising needed	£100,000

The proceeds of the Dons Draw and the Golden Goals are as secure a stream of income as we are ever likely to have. Withdrawals from the DD are very few and far between and its projected level of income for the current year is about £45,000; it is still increasing and with additional promotion it may rise faster. However, for the purposes of this analysis, it is assumed to be static.

Golden Goals has regularly brought in about £15,000 per annum and can reasonably be expected to continue on the same basis. No income can be guaranteed but there are, conversely, no reasons to think that these income levels are likely to reduce.

In effect, therefore, we would have to raise £40,000 of “other” funds in the year. While this is challenging, we don’t think it is unrealistic. For example, the recent “Dinner with Dave” raised almost half this amount in one evening.

Won't the energy for fundraising reduce once Mr Khosla is repaid?

Some people argue that people's motivation for fundraising will fall once we have repaid Mr Khosla. However, there is a powerful argument that fundraising will now have a particular target to achieve and, as a result, people are more likely to participate than at present, where there is no urgency to repay the Khosla loan.

Can we afford to repay the Bond?

Elsewhere in this paper, we compared three repayment scenarios. Our preferred approach is scenario 2. Below we compare the annual payments under scenario 2 with those under scenario 3, where we pay only the minimum required to pay off the Barclays loan over 10 years.

Overall, in the fullness of time, this approach would cost us more. But, in the early years it requires less cash, leaving us funds with which to repay some or all of the Dons Trust bond amounts which the holders are unable or unwilling to reschedule and giving us substantially more time to arrange alternative sources of finance.

The cash outflows in years to 1 – 5 are as follows for scenario 2 and 3. The difference in cash flow is shown in the right hand column:

Year	Scenario 2	Scenario 3	Scenario 2 – 3
1	83,817	55,732	28,085
2	85,463	55,732	29,731
3	80,983	55,732	25,251
4	76,503	55,732	20,771
5	72,024	55,732	16,292
Total			

When it became clear that we were going to be offered a loan by Barclays, we spoke to approximately half the bondholders (by value) asking them if, in principle, they were willing to defer their repayment dates. We did not approach all the bondholders at that stage. They were asked if they wanted higher interest rates in return for deferment and only one person requested a higher rate. We now need to speak to all the bondholders in the light of the detailed loan offer so that they can decide whether to defer and, if so, for how long.

Given our assumptions about profitability and fundraising, the table above shows that we can repay the Barclays loan at the required rate and still set aside £57,816 to pay off bonds at the first repayment date in 2 years' time. The challenge therefore is to seek deferment of bond repayments such that the first repayments can be met by the extra cash available in the above scenario. It must be noted, however, that from year 7, scenario 3 entails much higher cash payments than scenario 2, since under scenario 2 the Barclays loan would have been repaid in full. By then therefore, we must have alternative sources of funds in place. We think this is a long enough time to allow this to be achieved.

Based on our preliminary discussions, we are reasonably confident that we can achieve this level of bond deferment, but only detailed discussions with bondholders will show whether we are correct. If we cannot obtain the approval of bondholders, or some other means of refinancing their bonds, we will need to refuse the Barclays loan offer.

Whether we take the Barclays loan or not, we nonetheless need to address the repayment or deferral of bond repayments in the near future.