

PAPER 5 – ISSUE OF A ORDINARY SHARES BY AFCW PLC

At its Annual General Meeting on 18 December 2020, AFCW PLC will be seeking authorisation from its shareholders to issue up to 1,000,000 A Ordinary shares and to disapply statutory pre-emption rights. The following is an explanation of the proposals.

What are A Ordinary shares?

AFCW PLC has two classes of share capital – Ordinary shares and A Ordinary shares. They are identical in all respects, except that Ordinary shares carry three votes each whereas A Ordinary shares carry one vote each. A Ordinary shares are the same class of capital that were sold as part of the Seedrs share issue.

The AFCW PLC documentation refers to £10,000 of A Ordinary shares of £0.01 each. Are these shares only being issued at a price of one penny per share? Are we only going to raise £10,000?

No. Shares are recorded as having a 'nominal value' in a company's balance sheet. They may be issued at a higher price and the difference between the nominal and actual issue price is recorded as 'share premium.' We intend to issue A Ordinary shares at the same price as the Seedrs issue, i.e. 83 pence per share. If we sold 1,000,000 shares at that price, we would raise £830,000 from the shares with a nominal value of £10,000.

What does disapplying statutory pre-emption rights mean?

Under company law, pre-emption rights mean that, unless shareholders approve otherwise, new shares have to be offered to all shareholders pro rata to their existing shareholding. We are seeking approval not to go out with an offer to all shareholders, which would be an administratively burdensome and costly exercise. Instead, we will offer shares for sale to individuals who we know want to buy some.

Why are we raising this money?

As the costs for the stadium have become clearer, it has become apparent that we still have a bit of a funding gap. Raising £430,000 of share capital would plug that gap. This has been part of the plan for funding the stadium for some months, and is being finalised now for some who were interested in purchasing shares at the same time as the Seedrs round closed, but where the timing was a little too soon.

In addition, we are proposing to capitalise some of the inter-company loan balance between AFC Wimbledon and the Dons Trust. Such inter-company balances arise in the ordinary course of business (e.g. if the Dons Trust repays a Dons Trust Bond) and AFC Wimbledon currently owes the Dons Trust £115,000. Capitalising this inter-company balance means that the Dons Trust will be issued additional shares in AFCW PLC in lieu of cash. Note that this does not affect in any way the mechanism for repaying Dons Trust Bonds or Plough Lane Bonds.

Who'll buy these shares?

We already have commitments lined up to invest £545,000 of this capital (i.e. 656,623 shares at £0.83 each). £145,000 of this is from the Dons Trust (i.e. the capitalisation of inter-company balances referred to above, plus £30,000 of cash). The remainder comes from private individuals, all of whom are or will become Vice-Presidents of AFC Wimbledon (Iain McNay via Cherry Red Records, Ananth Nathan, Gaurav Singhvi).

In fact, we think we may be able to raise a bit more than this. Nick Robertson is willing to participate on a pro rata basis, which would raise around £40,000, and we are contractually obliged to offer Seedrs investors the right to participate. Whilst take-up may not be high, we could raise a few thousand pounds from this. We will also ask other non-Seedrs minority shareholders if they wish to buy shares (although not through a formal pre-emption process).

To the extent that others do wish to buy A Ordinary shares, AFCW PLC will be authorised to sell them (up to the unutilised balance) for a period of 12 months from the date of its AGM.

What effect will this share issue have on the Dons Trust's share of/control of AFCW PLC.

Before the share issue, the Dons Trust currently owns 74.2% of the shares in AFCW PLC and (after taking account of the different voting rights of different classes of shares) 83.6% of the votes.

If all of the 1,000,000 A Ordinary shares are issued, with the Dons Trust subscribing for 174,699 of them (i.e. £145,000), then the Dons Trust will own 72.3% of the shares and 82.8% of the votes.

This reduction in the Dons Trust's share of the vote will have no impact on the Trust's control of AFCW PLC as the Dons Trust will still be able to get Special Resolutions of AFCW PLC passed.

Why are you not seeking Dons Trust members' approval for this at the Dons Trust's AGM?

The issue of these shares is covered by the authorisation provided by Dons Trust members in November 2018¹, which authorised the Dons Trust board to "to cast the Trust's votes in AFCW PLC in favour of the proposed issue of new shares in AFCW PLC, subject to retaining at least 75% (plus one share) of the votes in AFCW PLC's shares."

¹ See <https://thedonstrust.org/files/20181108-SGM-Paper-1-Restricted-Action-explanation.pdf>