Analysis of David Jones
Concise Annual Report

Study of issues from both
Director's and Banker's perspective

This report is a review on the current and future prospects of David Jones from both the Director's and Banker's perspective. Information in this report consists of data from David Jones website and the common size industry. The initial section addresses the issues from a Director's perspective and the later section dwells on focus areas from a Banker's view. Conclusion includes evaluation on the identified issues and analysis on the future prospects for David Jones.

(All figures stated in the report are in thousands ('000), unless otherwise specified.)

EXECUTIVE SUMMARY (FY03 Financial Performance in brief)

David Jones reported net profit after tax is $42.7 million in FY 2003. It is an increase of 20.2% compared to the previous year's NPAT of $35.5 million. The full year earnings before interest (EBIT) along with significant items for the department store and credit card businesses were $69.6 million. This signifies a 2.3% increase on the EBIT.

The Total sales figures reported were $1.711 billion, depicting an increase of 2.6 % from $1.668 billion in FY 2002. Profits are generated from the core businesses consisting of the department store and credit card business.

Final FY2003 result is impacted by a number of difficult decisions made during the three months strategic review on getting the company back on track to generate sustainable earnings growth and long-term value for the share holders. Cost Efficiencies Program was introduced in 2003 to target non-customer service related areas to achieve an estimated saving of $17million in FY2004.

Excellent Inventory Management allows maintaining the aged stock inventory levels below 5% of the total inventory, avoiding the need for future discounting and mark-down sales on a build up of excess or aged stock.

Proper screening and well-managed interest free program focuses on developing the credit card business to achieve more revenue in the FY2004.

Assessing a number of options on each of the under-performing businesses resulted in a strategic decision to exit from the Food chain business and repositioned online business to focus on core, profit-generating department and credit card businesses.

Exiting the foodchain business enables to concentrate on core business which introduced a Capital Expenditure program to invest $50million per annum in strategic refurbishment of key department stores. This lead to opening of Hay St Store in Perth CBD, refurbishment of Market Street Foodhall and Bondi Junction Store in FY2003

Part 1

26th July, 2003

To the Chairman and the Board of Directors,

With a retrospect on the financial and independent benchmarking reports, the following identified key concern areas are addressed in the report.

1.0 Profitability

The sustainable growth index (g*) shows the projected growth rate that can be realized with existing resources and may need additional financing for targeted increase in sales.

Workings:

Formula for Sustainable Growth Index:

g* = [P(1-D)(1+L)] / T-P(1-D)(1+L)

Where,
P = (Net Profit Before Tax / Net Sales)
D = (Target Dividend / Profit After Tax)
L = (Total Liability / Net Worth)
T = (Total Assets / Net Sales)

The projected growth rate for 2004 is (based on 2003 financial results)
= [-0.01(1.1)(1.57)] / 0.39(1.1)(1.57) =-0.03 =3%
P = (-22328)/1711169 = -0.01
D= 2611/(-25466) = -0.10
L= 239736/420013 = 0.57
T=659749/1711169 = 0.38

Projected sustainable growth rate of 3 % would enable an increase of 3% in sales revenue for 2004 with current resources. Any incremental projected sales target exceeding 3% would require additional financing.

Targeted sales growth is important to ascertain the appropriate financing needs.

2.0. Sales Growth

2.1. Departmental Store Business

The sales of the department store business increased by 2.7% in FY2003 to $1.657 billion when compared to $1.631 billion in FY2002. There is a slow down in consumer spending

in the second half of 2003 and is expected to continue effecting the department store business. The industry is competitive and in a cyclical business environment where key competitors such as Myers involve in heavy discounting affecting a discretionary consumer spending pattern.

Description	Yr 2003		Yr 2002	
	$(000)	% of sales	$(000)	% of sales
Sales -Department Stores	1674.6		1631.1	
Gross Profit –Department Stores	611.8	36.50%	585.6	35.90%
Cost of Doing Business	564.3	33.70%	532.5	32.60%
EBIT-Department Stores	47.5	2.80%	53.1	3.30%

A 97.2 % increase in the cost of sales indicates a relative high position in comparison of a 96.1 percentile industry standard suggesting a need to review the cost of goods and selling expenses

COST OF SALES & SELLING EXPENSES		
(Sales Revenue-EBIT) / Sales Revenue		
2002	**2003**	***Industry-2003**
96.7%	97.2%	96.1%

* Base on Departmental store businesses only

The suggested cost saving measures are:

- Review the possibilities and benefits of consolidating suppliers for better economies of scale.
- Maintaining good relationship with these suppliers, ensuring constant good customer service, store ambience, exclusive and diversified product range and competitive pricing.
- Aggressively pursue utilities contract to reduce operational cost (i.e. cost increase in insurance, rent, occupancy and other utilities).
- Review price competitiveness of existing suppliers and possibility of outsourcing in-house activities.
- Emphasize on cost benefits analysis for all selling and distribution activities.

The immediate goal is to bring the cost of sales in line with industry standard average and trim cost of sales and selling expenses by at least 1.1%

2.2. Credit Card Business

Credit card business has posted an exceptional EBIT of $22.1 million in FY 2003, an increase of 48.7% in comparison with $14.9 million in FY2002 and is expected to grow 5%-10% between FY2004-2006.

To maintain the constant high earnings potential a good management of costs, bad debts and integration into David Jones department store marketing program are essential. Interest rate movements can affect the returns on credit card activities which require constant monitoring to prevent customers switching to other competitors offering a lower rate and a low interest rate would not generate a substantial earnings growth.

3.0. Sustainable Cost Efficiencies

A new cost management program targeting on non-customer service related areas would be implemented to generate savings and offset costs arising as a result of key store refurbishment and improved customer service. The key targeted areas comprise of information technology, logistics and supply functions and non-customer related store savings.

Implementing this program enables to reduce the company's cost base by $50 million annually by FY2006. Out of the total $50 million savings, $40 million per annum will be used to offset against cost increases resulting from rent, occupancy and depreciation and the remaining $10 million per annum will contribute to the EBIT by FY2006.

3.1 Return on Assets

Return on Assets (ROA) indicates how well the resources at the business's disposal have been used to create wealth (profit). It focuses attention on assets used to generate profit and the efficiency of management in deriving profit from these assets. It is calculated by dividing Profit or Earnings before Interest and Tax by Total assets

ROA calculated for the year 2002	ROA calculated for the year 2003
57800 / 685188 = 8.44%	65200 / 659749 = 9.88%

The Return on Asset (ROA) figures tabulated above indicates a significant increase by 1.44% from 8.44% in 2002 to 9.88% in 2003. The earnings before interest and tax have been generated from the credit card and core department store businesses resulting in a significant increase in profits. .

3.2. Return on Equity

Return on shareholders' equity (ROE) reflects how much the firm has earned on the funds invested by the shareholders. The measure is used also by current and prospective shareholders as a measure of the success of their investment. ROE can be calculated by dividing the profit by the shareholders' equity.

ROE calculated for the year 2002	ROE calculated for the year 2003
6600 / 455268 = 1.45%	(25500) / 420013 = - 6.07%

The Return of Equity (ROE) has dropped significantly for the current year to –6.07% in comparison to last year. The ROE is mainly affected by the profit as company has been incurring expenses from the exit of unsuccessful ventures involving selling the food chain business and related restructuring costs.

3.3 Liquidity

3.3.1 Debt to Equity Ratio

Debt to equity is much lower than the industry at 0% in comparison to 180%. This arose due to issues on reset preference shares in July 2002 and subsequent reduction in borrowing requirements. From a lender's perspective it could lead to additional loan facility recognizing that low debt results in lower interest payments and higher profit.

Debt ratio measures the degree to which the activities of a company are supported by liabilities and long-debt as opposed to owner contribution. The debt-to-equity ration is calculated by dividing the total liabilities by the amount of stockholders' equity.

DEBT-TO-EQUITY RATIO		
Total Liabilities / Owners' Equity		
2002	**2003**	**Industry-2002**
-	(4,550,000/420,013,000)	
0.1%	0%	180%

3.3.2 Day's Receivables ratio

Day's receivable decreased to 10 days inferring that the company could realize its debts in a shorter period which results in improved cash flows. We require to review our credit policy to align with the industry standard of 4 days.

Day's receivable indicates of how quickly the customers are paying their accounts. It is calculated by dividing the account receivable by sales. The ratio will then be multiplied by 365 days.

DAYS' RECEIVABLES RATIO		
Accounts Receivable x 365 Days / Net Sales		
2002	**2003**	**Industry-2002**
(53092 / 1668182) x 365	(47875 / 1711169) x 365	
12 days	10 days	4 days

3.3.3 Asset Turnover Ratio

There is a noticed improvement in the asset turnover ratio from 2.43 (FY2002) to 2.59 (FY2003). However the total asset value decreased from $685188000 in the last year to $659749000 in this year suggesting an increase in the sales and disposal of assets which could increase the total asset value.

Asset turnover ratio measures the company's effectiveness in utilizing all of its assets. This is calculated by dividing the sales by the total assets.

Asset Turnover for year 2002	Asset Turnover for year 2003
1668182 / 685188 2.43	1711169 / 659749 2.59

3.3.4 Current assets against total assets ratio

Another good indication of high liquidity is current asset against total asset with 54.89% in comparison to industry at 48.8%.

CURRENT AGAINST TOTAL ASSETS RATIO		
Current Assets / Total Assets		
2002	**2003**	**Industry-2003**
369136 / 685188	362126 / 659749	4116.4 / 8430
53.87%	54.89%	48.8%

The above findings suggest no short term liquidity problem especially if cash inflow is delinquent**.** The management of cash flow is important as there could be major

differences in the year end when compared to the previous resulting in a hindrance to make good cash flow projections for the future.

4.0. Inventory turnover

4.1. Inventory against total asset

The inventory against Total Assets indicates a slightly higher ratio compared to the industry. This is inevitable due to the size, diversity in the goods carried and distributed sales locations of the company to maintain this minimum inventory (optimum) to cater for seasonal demand giving a good indication to be able to cope with fluctuation of goods.

Inventory against Total assets		
Inventory / Total Assets		
2002	**2003**	**Industry-2003**
287209 / 685188	289540 / 659749	
42%	44%	33%

4.2 Inventory Turnover Period in days

This Inventory Turnover Ratio is a measure of its liquidity and the ability of the company to convert inventories to cash quickly.

Inventory Turnover Ratio	
Cost of Goods Sold / Inventory	
2002	**2003**
1,080,526/287,209	1,088,172/289,540
3.762	3.785

Inventory Turnover Period in days	
365 / Inventory turnover	
2002	**2003**
365/3.762	365/3.758
97	97.1

To cater for seasonal demand, the optimal level of inventory needs to carefully controlled. Despite a slow down in consumer spending, competitive sales environment and a unseasonably warm winter the inventory turnover is within 97 days.

4.3. Fixed Assets Turnover Ratio.

Although there has been some improvement in the Fixed Assets Turnover ratio, in comparison with the competitors in the market, we are less efficient in employing assets in generation of sales, other means need to be tapped (which we are in the midst of

implementation i.e. reducing the physical size of our store where necessary and etc) to better optimize the invested Fixed Assets to generate Sales and Profits.

Fixed assets turnover is to determine assets in generation of sales.

Fixed Assets Turnover Ratio		
Net Sales / Fixed (non-current assets)		
2002	**2003**	**Industry-2003**
1668182/316052	1711169/297623	
5.28	5.75	7.24

5. Intangible Assets

Intangible assets like Brand Equity built over the past few years enables to enjoy a strong market position, powerful brand image and a loyal customer base. Furthermore, with more high profile brands joining throughout the course of 2003 it's possible to fortify the Brand Equity.

6. Conclusion

The report encompasses all relevant issues that may impact the earnings of David Jones. The issues include costs, market positioning and differentiation, revenue growth and margin preservation. Addressing the above-mentioned issues enables to improve the quantity and quality of the company's earnings in FY 2004 and thereafter.

Part 2

Procedures on evaluation of loan applications differ with various banks. The key factors banks consider are:

1. Financial health of the firm
2. Ability of the firm in servicing interest payments
3. Ability of the firm to repay the principal amount at maturity

Most banks would evaluate loan application in stages. A fundamental evaluation will be carried out to determine if the risk level falls within the banks' risk appetite. If the firm's application passes the first stage, the evaluation will proceed to the next stages where more complex issues are reviewed. Failing the first stage of evaluation the loan application would be rejected.

The first stage incorporates the analysis on the six financial ratios, which are described below in order of importance.

1. Altman's bankruptcy formula
2. Debt ratio
3. Current ratio
4. Times interest earned ratio
5. Return on invested capital
6. Free cash flow

Assumptions made to this term-loan are:

Principle amount:	AUD 120 million
Tenure:	5 years fixed term
Purpose of loan:	Capital expenditure to support business growth
Annual interest payment:	$120m at 6.0% p.a. = $7.2m
Payment of principal amount:	End of the 5th year.

1.0. Altman Bankruptcy Formula

This formula enables us to assess the financial health of David Jones. The z-value is computed by using the following formula:

z-value = 1.2 **X1** + 1.4 **X2** + 3.3 **X3** + 0.6 **X4** + 1.0 **X5**

X1 = working capital / total assets
X2 = retained earnings / total assets

X3 = earnings before interest and taxes (EBIT) / total assets
X4 = market value of equity / total liabilities
X5 = sales / total assets

If the z-value is: -	
below 1.81	- credit risk
between 1.81 and 3.00	- financial health is questionable
above 3	- financially healthy

Based on the 2003 financial statements of David Jones, the details of each element in X1 to X5 are as follows:

Working capital = Current Assets less Current Liabilities

= $ (362.126 – 214,324)
= $ 147,802,000

Total assets = $ 659,749,000

EBIT = $ 61.9 (profit before income tax expense) + 122 (borrowing cost)
= $ 183,900.000

Number of outstanding shares issued = 407,411,262
Market price per share as at 26 July 2003 = $ 1.21
Market value of equity = $ 1.21 x 407,411,262
= $ 492,967,627

Total liabilities = $ 239,736,000

Retained earnings = $ 42,700,000

Sales = $1,711,169

z-value = 1.2 (147,802 / 659,749) + 1.4 (42.7/ 659,749) + 3.3 (183,900 / 659,749)
+ 0.6 (492,968 / 659,749) +(1.711 / 659,749)

= 2.96 (Financially Questionable)

With a z-value of 2.96, David Jones does pose a credit risk. The major component that affects the z-value is the market value of equity, as the share price could be quite volatile.

From a more conservative perspective, the average share price throughout the year could be used to compute X4, or the book value of the equity could be used. If book value of the equity is used, z-value will signal that the market is willing to supply additional capital only at a discount to book value.

The variance of the z-values computed using the market value and book value of the equity is substantial, needing us to determine the most reasonable market value to use in this formula

2.0. Debt ratio

The debt ratio is total debt / total assets. Based on the 2003 balance sheet of David Jones, the debt ratio is 0.363.

Total debt	= $ 239736
Total assets	= $ 659749
Debt ratio	= $ 239736 / $ 659749
	= 0.363

Compared with 2002, David Jones had slightly increased this ratio from 0.336 to 0.363 as a result of significant restructuring work.

Under this evaluation criterion, the ratio has increased. This could be relevant in evaluating the loan proposal.

Another relevant debt ratio for analyzing David Jones is the debt-to-equity ratio. The debt ratio position has deteriorated the company's position by increasing 7 % from 50% in 2002 to 57% in 2003. David Jones is considered a high leveraged company due to its high debt-to-equity ratio which could possibly lead to not servicing the high debt and related interest levels. The increasing debt ratio would affect the profits, cash flow and deliver a clout on the financial health of the company

Note:
In the FY2002, we only assume that the accountant might add some other components which was not specified in the financial report. As a result, the debt to equity ratio is 0.1% given in the financial report.

Some corporate derives the debt figure from borrowings. However, we are not able to decide which method the accountant had been used. If based on the borrowings as debt method, the figure of debt to equity will be 0% (4,550,000/420,013,000)in FY2003.

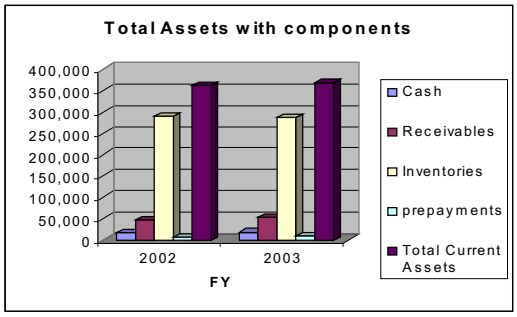
3.0. Current Assets

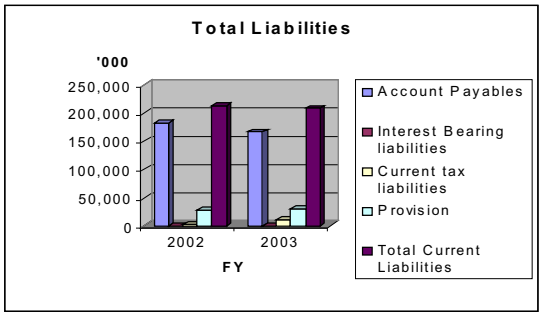
The Current Ratio is to test the liquidity of David Jones. The ratio for 2002 and 2003 is computed as follows:

The current assets/liabilities of David Jones (consolidated) for FY2002 and FY2003 are as follows:

Table1. Computation of total current assets and liabilities for Yr 2002 & 2003

Current Assets	2003 ($000)	2002 ($000)	Current liabilities	2003 ($000)	2002 ($000)
Cash	17345	19138	Account Payables	182735	166786
Receivables	47875	53092	Interest Bearing liabilities	122	217
Inventories	289540	287209	Current tax liabilities	3097	10983
Prepayments	7366	9697	Provision	28370	30674
Total Current Assets	362126	369136	Total Current Liabilities	214324	208660





Current assets and liabilities have a maturity for the expected date of conversion to cash which is always less than an year.

By deriving the figures for Current Assets and Liabilities, the Current Ratio can be computed to measure the short term ability to pay obligations.

From the figure below, based on the current ratio in 2002 and 2003, we can assess the level of liquidity of the company as follows.

Current Ratio	
$\frac{\text{Current Assets}}{\text{Current liabilities}}$	
2002	**2003**
362126/214324	369136/208660
1.69	1.77

From the computations above, in terms of short term, the ability to pay obligations is 0.08 times lower than the previous year due to decrease in current assets and increase in

current liabilities. This ratio enables us to assess the liquidity and it suggests that the company has a potential default risk due to its low ratio.

Another ratio to measure the liquidity of the company is "Quick Ratio":

Quick Ratio	
(Cash + Accounts receivables) / Current liabilities	
2002	**2003**
(17345+47875)/214324	(19138+53092)/208660
0.3	0.35

Assets converting to cash in FY2003 are slower as the quick ratio dropped from 3.5 times in FY2003 to 3 times in FY2002. This is due to an increase in current liabilities that involves more creditors and cash resulting in a decrease of account receivables This affects the overall quick ratio which has dropped by 0.5 times.

4.0. Time Interest Factor

This is a more direct approach to measure David Jones ability to meet interest payment.

Times interest Earned	
EBIT / Interest Expenses	
2002	**2003**
(-22328+4553)/(-4553)	(11568+8084)/(-8084)
-3.9	2.43

From the above figure, David Jones has difficulties to meet the interest payment in FY2003 as the computed result is in negative figures (-3.90) and the company was making a loss from its ordinary account ($-22,328).

In FY2002, David Jones was making profit ($11,568,000) in order to be able to meet the interest payment.

David Jones ratio has in comparison not improved. Assuming the approval of loan, operating income and interest would have a large variance during the loan period resulting in defaulting of the interest payments.

5.0. Return on invested capital

To measure the company's effectiveness in employing its assets, return on invested capital (ROIC) is adopted as one of the financial measurement tools. The computed result would advice an investor how efficiently the company is being run and how much

cash is being generated per every dollar invested . We believe that looking at ROIC produces a much better view of the economics and value of a company rather than focusing on earnings growth alone.

ROIC is like return on equity (ROE), providing a better financial evaluation of the company. ROIC relates all net income to all resources committed to the firm for long periods of time and since we are evaluating a 5 years loan application, ROIC would be more appropriate than ROE.

To establish the financial health of David Jones, ROIC is being computed as follows:

$$\text{ROIC} = \frac{\text{Net Income}}{\text{Total Liabilities and Stockholders' Equity} - \text{Current Liabilities}}$$

(formula obtained from Text Book: A ccounting for Managers, p1-53)

Table 2. Computation for ROIC for Yr 2002 & 2003

	2003 $000	2002 $000	Change %
Net Income **before** significant items	42700	35500	20.2%
Total Significant Items after tax	(68.2)	(28.9)	-135.9%
Net Income **after** significant items	(25500)	6600	-487.0%
Total Liabilities	239,736	229,920	4.2%
Total Equity	420,013	455,268	-7.7%
Current Liabilities	214,324	208,660	2.7%
ROIC **not** taking significant items into consideration	9.5	7.5	2%
ROIC taking significant items into consideration	-5.7	1.4	-5.1%

Calculation of ROIC **without** the significant item:

ROIC (w/o significant item)	
$\frac{\text{Net Income}}{\text{(Total Liabilities and Stockholders' Equity} - \text{Current Liabilities)}}$	
2002	**2003**
35500/(685188-208660)	(42700)/(659749-214324)
7.5%	9.5%

Calculation of ROIC **considering** the significant item:

ROIC	
Net Income / (Total Liabilities and Stockholders' Equity – Current Liabilities)	
2002	**2003**
6600/(685188-208660)	-25500/(659749-214324)
1.4%	-5.7%

As we can infer from the table above , the net income for David Jones was $42.7m in 2003, a hefty 20.2% jump in profit up from $35.5m in 2002. This profitable position is when we do not consider the significant cost incurred due to closure of Foodchain business in 2003. If the exit of Foodchain business, repositioning of the Online business and some assets written-down items are taken into account, David Jones' net income will then be translated into a loss of $25.5m for the year 2003. This should not be too alarming owing to the extraordinary items caused by restructuring that were being written off for that year. With a gross profit margin of 36.5% for year 2003, the company seems to be heading in the right direction. While not considering the one-time write off charges, the 9.5% of ROIC which is a 2% increase from previous year, ROIC has indicated that the capital which the company has invested, was able to generate positive and bigger returns.

Considerations have to be taken that although David Jones has an improved ROIC in 2003 from 2001, a consistent increase of ROIC will decrease the risk of defaulting on interest payment and principal amount.

It is not possible to conclude if David Jones would pose a risk based only on this information, as we would need to further evaluate their business plan over the tenure of loan and determine if the ROIC would be sustainable.

6.0. Free Cash Flow

As an important measure to lenders, Free Cashflow is also presented. This is the cash that is left over after the payment of all cash expenses and operating investment required by the firm. A high cash flow serves as a good insurance for the bank to recover the principal amount and decrease default in interest payment. This can be computed using the following formula.

Calculation of Free Cash Flow (FCF) is as shown below:
FCF = Cash Flow From Operations (Operating Cash) – Capital Expenditure

(Formula obtained from Investopedia web site http://www.investopedia.com/articles/fundamental/03/091703.asp)

Table 3. Computation for Free Cash Flow for the Yr 2002 & 2003

	2003 $000	2002 $000	Change %
Cash Flow from	78710	99367	-20.8%

operating activities			
Capital Expenditure	61850	70578	-12.4%
Free Cash Flow	16860	28789	-41.4%

Free Cash Flow for Y2003 = Cash Flow from Operations – Capital Expenditure
= 78,710k – 61,850k
= 16,860k

Free Cash Flow for Y2002 = Cash Flow from Operations – Capital Expenditure
= 99,367k – 70,578k
= 28,789k

From table above we can see that cash flows from operating activities have decreased from $99.4m in 2002 to $78.7m in 2003. This was due to an increase in the cost of doing business relating to restructuring and other costs and reduced income tax refunds. Though capital expenditure which comprises of stores and Information Technology for the year has also dropped, the impact to free cash flow shows a decline of 41.4%. This shows that the company has been impacted with tight cash flow resulting from the major restructuring.

Though David Jones experienced a drop in free cash flow, it would still have $16.9m on hand and with bulk of restructuring costs been paid for, the company should be back in profit in the coming years. Having attained the ROIC of 9.5% in 2003, the invested capital should continue to generate bigger returns and subsequently with the elimination of non-profitable business units, refocusing on core business and a slimmer organization, the company seems to be financially healthy. However, we will need David Jones to provide the cash flow budget covering the loan period to determine if it has a high financial risk.

The 2003 Free Cash Flow is 0.13 times higher (16.9/127.2) above the outstanding principal amount and yearly interest ($127.2m).

7.0.Summary

The 6 six ratios provide status of the firm's financial health, its ability to service interest expenses and its degree of liquidity. It also provides us with a guideline of the security of the banks loan to the firm.

This is not a conclusive evaluation and further evaluation will be carried out if the results reflect a standard benchmark established by each individual bank. Assuming that X bank has the following benchmark compared against David Jones initial evaluation.

Ratio	Our Benchmark	David Jones Ratio (FY 2003)	Benchmark
z-value	Not less than 2.5	2.96	✓
Debt ratio	Not more than 0.45	0.00	✓
Current ratio	Not less than 2	1.69	X
Times interest earned	Not less than 4	3.9	X
ROIC	Not less than 10%	5.7%	X
Free cash flow	Must be at least 3 times the principal + interest*	0.13	X

*This condition must be met at the time of evaluation.

As David Jones's ratio did not meet most of the benchmark set, we recommend proceeding with the next stage involving a more detailed evaluation and investigation of its loan proposal.

8.0.Conclusion

The use of ratios in the analysis of financial health of a company is not completely objective. It should incorporate considerations for differences in accounting classifications, manipulations and other factors involving the source of information.

Barring these limitations, comparisons with industry norms and same measurement in prior periods provide useful indications of financial standing.

In the case of David Jones, the issues highlighted are relevant in the continuation of growth with respect to the many issues that the company has to overcome.

Not withstanding the liquidity of the company, the loan requested by David Jones may be considered by X Bank.

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