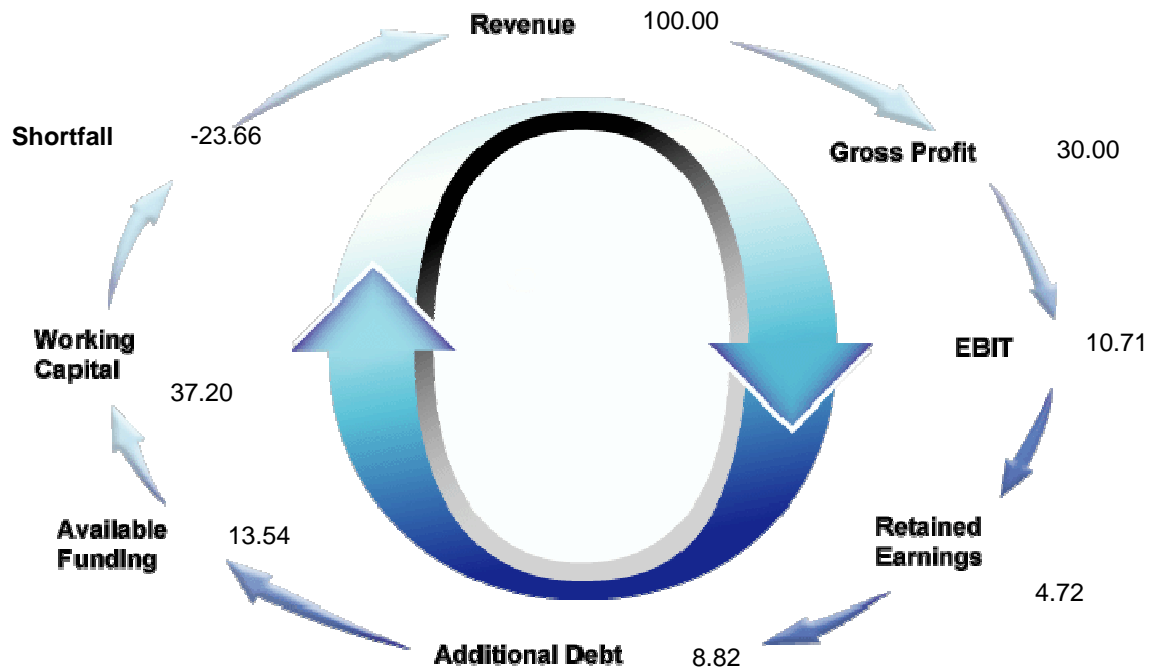


Sustainable Growth Cycle Report



The Sustainable Growth concept takes the marginal cash analysis further. The sustainable growth cycle shows the surplus or shortfall in funding additional growth in Revenue. The concept of Sustainable Growth is based on the assumption that all relationships will remain in place.

For each \$1 of Revenue 30.00 cents of Gross Profit is generated with an EBIT of 10.71 cents and Retained Earnings of 4.72 cents. Assuming the business's Debt to Equity ratio of 1.87 is maintained, the bank will provide an additional 8.82 cents of debt. Total available funding is therefore 13.54 cents. In order to generate the next \$1 of Revenue, the business requires 37.20 cents of Working Capital. There is a funding Shortfall of -23.66.

If the bank is not prepared to provide additional debt, the short fall will be 32.48.

Note: It is assumed that the available funding is only utilised for Working Capital. If the business requires any additional Fixed Assets to increase Revenue, the funding to these assets will also have to be found.