

Strategic Analysis and Plan of a Selected Enterprise

Diploma Thesis

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Declaration

I declare that this diploma thesis is original and that I executed it independently. I further declare that the citation of sources is complete and I did not break copyright laws in this thesis.

In Brno, 22. 5. 2015

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Abstract

Málek, L. Strategic Analysis and Plan of a Selected Enterprise. Diploma thesis. Brno: Mendel University in Brno, 2015.

The text describes strategic tools that are useful for strategic management of companies. This thesis also includes general recommendations regarding the use of strategic analysis. Part of this work is the selection of an enterprise and an analysis of current situation of the enterprise. The text describes the proposal for the use of specific strategic steps for the selected enterprise. The diploma thesis could serve as a source of information for real companies and entrepreneurs.

Keywords

Diploma thesis, strategic analysis, financial analysis, strategic plan, strategic management, ratios.

Abstrakt

Málek, L. Strategická analýza a plán vybraného podniku. Diplomová práce. Brno: Mendelova univerzita v Brně, 2015.

Tento text popisuje strategické nástroje, které jsou využitelné pro strategický management společností. Tato práce také zahrnuje obecná doporučení týkající se využití strategické analýzy. Součástí této práce je výběr podniku a analýza současného stavu tohoto podniku. Text popisuje návrh na využití specifických strategických kroků pro vybraný podnik. Diplomová práce by mohla sloužit jako zdroj informací pro skutečné společnosti a podnikatele.

Klíčová slova

Diplomová práce, strategická analýza, finanční analýza, strategický plán, management, ukazatele.

Content

1	Introduction	13
2	The Aim and Methodology of the Thesis	14
3	Strategic Analysis and Planning	15
3.1	Corporate Strategy and Strategic Planning	15
3.2	Strategic Analysis.....	16
3.2.1	Analysis of superior level strategy	16
3.2.2	External Environment Analysis.....	16
3.2.2.1	Macroanalysis	17
3.2.2.2	Microanalysis	18
3.2.3	Internal Environment Analysis	21
3.2.4	Other Tools and Techniques for Strategic Analysis	24
3.3	Mission and Vision	25
3.4	Strategic Objectives	25
3.5	Financial Planning.....	25
3.5.1	Financial Management	25
3.5.2	Financial Analysis.....	27
3.5.2.1	Financial Statements	27
3.5.2.2	Financial Ratios	28
3.5.3	Financial Plan	31
4	Analysis of contemporary situation of selected enterprise	33
4.1	Characteristics of the Selected Enterprise	33
4.2	Planning Changes of the Selected Enterprise	34
4.3	External Environment Analysis.....	34
4.3.1	PESTLE Analysis of the Czech Republic	34
4.3.2	Analyses of Competitiveness – Porter’s Five Forces Analysis	41
4.4	Internal Environment Analysis	46
4.4.1	Value Chain Analysis	46

4.4.1.1	Primary Activities	46
4.4.1.2	Supporting Activities:	48
4.4.2	7P Analysis	49
4.5	SWOT Analysis of the Selected Enterprise.....	51
4.6	Financial Analysis	52
4.6.1	Profitability Ratios	52
4.6.2	Liquidity Ratios.....	53
4.6.3	Turnover and Activity Ratios.....	54
4.6.4	Debt Ratios.....	54
4.6.5	Market Value Ratios	55
5	Proposal of a Strategic Plan for the Selected enterprise	56
5.1	Implications of SWOT analysis for Creation of the Strategy	56
5.1.1	SO (maxi-maxi) Strategy	56
5.1.2	ST (maxi-mini) Strategy	56
5.1.3	WO (mini-maxi) Strategy	56
5.1.4	WT (mini-mini) Strategy	57
5.2	Optimistic Strategy – Slightly Agressive Strategy.....	57
5.2.1	Optimistic Mission, Vision and Strategic Objectives	57
5.2.2	Optimistic Estimate of Market Situation	58
5.2.3	Optimistic Plan of Profit and Loss Statement.....	58
5.2.4	Optimistic Plan of Balance Sheet.....	60
5.3	Pesimistic Strategy – Conservative Strategy.....	62
5.3.1	Mission, Vision and Strategic Objectives	62
5.3.2	Pesimistic Estimate of Market Situation	62
5.3.3	Pesimistic Plan of Profit and Loss Statement	62
5.3.4	Pesimistic Plan of Balance Sheet	64
6	Evaluation of the Proposed Strategic Plan’s Alternatives	67
6.1	Evaluation of Planned Financial Ratios	67
6.1.1	Planned Liquidity Ratios	67
6.1.2	Planned Debt Ratios	67
6.1.3	Planned Activity Ratios.....	68

6.1.4	Planned Profitability Ratios.....	68
6.1.5	Planned Market Value Ratios	69
6.2	Final solution	69
7	Conclusion	71
8	References	73

1 Introduction

Business environment offers plenty of opportunities for individual entrepreneurs. But not everyone has all the necessary prerequisites to succeed. There are no correct rules to be successful in business but there exist some advices that can help people to achieve their particular goals. Among these advices belong various recommended rules, methods, views of practitioners and other theoretical results from the real life.

Strategic planning is an essential activity to manage an enterprise. Without planning it is almost imposible to be successful in the future. There are many operations that should be planned. Very important part of planning is a financial plan. For every enterprise it is good to know what will be the financial budget for next period, how many employees will be available for particular working activities, what sales or costs are predicted and many other important predictions from plans. The strategic planning is a process that consists of several activities.

First activity of the strategic planning is strategic analysis of current situation of an enterprise. Strategic analysis helps management of an enterprise to find all important information for future planning. This part of strategic planning is very important and therefore it will be described more detailed in the diploma thesis.

An appropriate way to obtain the current state of an enterprise is also a financial analysis. Financial analysis can detect some problems of the enterprise, its advantages or a financial health of whole enterprise. The essential data and information for the purposes of financial analysis are gained from three basic financial statements, namely balance sheet, income statement/profit and loss statement and cash flow statement.

The final part of the planning process is elaboration of the plan. A common practice is elaboration of several alternatives of the strategic plan. All the alternatives are evaluated and compared. One of the options to evaluate particular proposals of strategic plan is a calculation of financial ratios. Other factors that influence the evaluation of the proposals are current situation on the market and economic, political, social and other forecasts identified by strategic analysis, proposed changes of particular alternatives, mision, vision and strategic objectives of shareholders of the enterprise and other factors. Ultimately the best alternative of proposed strategic plan is selected.

2 The Aim and Methodology of the Thesis

The main objective of the thesis is to analyze the current situation of the selected company and subsequently design a strategic plan for the company. Partial targets include elaboration of theoretical part and practical part. In the practical part a proposal of strategic and financial plan will be designed, evaluated and recommended.

The first step will be the literature review which will be focused on the problem of strategic analysis and planning in business. As part of the strategic analysis there will be described various tools and techniques that are used in this analysis. There will be also described the relationship between strategic analysis and strategic planning, the importance of financial planning and further contexts of this topic. The literature review represents the theoretical part of the thesis.

The practical part of the diploma thesis will state characteristics of the selected enterprise and then there will be elaborated a strategic analysis and financial analysis of the enterprise. Strategic analysis will include PESTLE analysis, Porter's five forces framework, Value Chain, 7S analysis and SWOT analysis in order to characterize internal and external environment in which the enterprise operates. Through financial analysis the financial health of the selected enterprise will be evaluated, namely in the area of liquidity, profitability, indebtedness, activity and indicators of market value.

Then there will be proposed a strategic plan for the selected enterprise. The strategic plan will contain mission, vision, strategic objectives and a financial plan for the enterprise. The plan should propose several changes and alternatives to improve financial situation of the analysed enterprise. The main part of the financial plan will be composed of planned income statement, planned balance sheet and planned cash flow statement.

Finally, the proposed plan and changes will be evaluated and the final solution of the strategic plan will be chosen. The evaluation process of the financial plan will consist mainly of calculation of financial ratios of the planned values and its comparison.

3 Strategic Analysis and Planning

In this chapter there are analyzed the issues of strategic analysis, strategic planning and other topics that are related to this problem.

3.1 Corporate Strategy and Strategic Planning

Corporate strategy is the cornerstone for planning and decision making in the company. For business strategy, it is important to determine the aims and visions of owners of the enterprise. If a company has multiple departments, each department must manage in their decision making or planning according to the main corporate strategy. The most important outcome of strategic management is a strategic plan, which serves as a document describing what are the strategic goals and visions of the company and includes suggestions on how to achieve these goals and visions. (Havlíček, 2011, p. 10)

Fitzroy, Hulbert and Ghobadian (2012, p. 12) and Bontempo et al. (2015, p. 2963) perceives the strategic management as a process that contains many activities like analysing, leading, managing, creativity, changing, developing, monitoring and other business activities. The strategic management does not deal only with the current situation of an enterprise but it deals also with the future state of an enterprise.

The corporate strategy is elaborated by senior management of the company. The Corporate strategy, sometimes also called the overall enterprise strategy, is usually presented in the form of a strategic plan. Responsible for the implementation of corporate strategy is usually the CEO (Chief Executive Officer) of the company. (Havlíček, 2011, p. 25)

Strategy is a set of particular strategic decisions. Strategic decisions are corporate or business decisions that result in long-term change within the company. While business decisions affect only a given company's sector, corporate decisions have an impact on the development of the entire organization. If a company changes its strategy it must also change its individual elements, which are strategic objectives, mission and vision, and other components of corporate strategy. (Fitzroy, Hulbert and Ghobadian, 2012, p. 10)

The aim of every strategy is to gain strategic objectives which were developed within this strategy. In most cases the main strategic objectives are to maximize profits, to remain on the market or to improve the position of the company in the market or to entry to new markets. The difference between corporate and bussines strategy is mainly in the fact that top management of entire company has responsibility for the corporate strategy and managements of particular divisions of the company have responsibility for the business strategy. In case it is a small enterprise without divisions the corporate strategy is the bussines strategy. (Grant, 2010, p. 18)

The strategic plan is a document that contains various strategic steps needed to achieve strategic objectives of the enterprise. The strategic plan consists of strategic situation analysis, mission and vision, determination of critical strategic objectives and elaboration of strategic scenarios. (Havlíček, 2011, p. 25)

3.2 Strategic Analysis

Strategic analysis is also called strategic situation analysis. According to Havlíček (2011, p. 25) the first step in developing a strategic business plan is to analyze the current state of the enterprise.

Strategic situation analysis consists of:

- Macroanalysis (the most common macroanalysis is PESTLE analysis)
- Microanalysis (the most common microanalysis is analysis of competition)
- Internal analysis (the most common internal analysis is SWOT analysis)

Macro analysis and micro analysis are two parts of external analysis. Therefore it is possible to divide the strategic analysis to external and internal analysis.

3.2.1 Analysis of superior level strategy

The analysis of superior level strategy is elaborated only in the case where the analyzing company has two or more divisions and therefore it is necessary to develop corporate strategy and also business strategies for particular divisions. The aim of this analysis is to find out what are the aspects and meanings of the superior corporate strategy and take care about corresponding of particular aspects of business strategies with the corporate strategy. (Červený et al., 2014, p. 46)

3.2.2 External Environment Analysis

An enterprise is dependent on its environment that surrounds it, has a certain relationship with it, but it is not part of the enterprise. The environment of an enterprise entails some positive or negative risk. The external environment analysis consists of macroanalysis and microanalysis. (Tyll, 2014, p. 11)

It is composed of two main and other additional analysis. The first is the analysis of the social environment of an enterprise – PESTLE Analysis, the second is sector analysis – Porter's five forces of competition framework and the other analyses are for example analysis of market development or analysis of the main specific customers, competitors and suppliers. (Červený et al., 2014, p. 43)

3.2.2.1 Macroanalysis

Main analysis for the macroanalysis is PESTLE analysis.

PESTLE Analysis

PESTLE analysis has several different forms. PESTLE expresses political, economic, social or socio-cultural, technological, legal and environmental factors. PESTE expresses the same but legal factors are merged under the political factors P. There are also often used the shortcuts SLEPT and STEEP which express almost the same but there are only shuffled letters. The variety of shortcuts indicates that particular parts of the analysis are mutually connected. Political indicators are connected with some legal indicators or level of technological advancement is related to environmental and economic environment in the market.

1. Political Factors

Among the indicators of the political environment belong e.g. taxation policy, competition policy, state interference, multinational agreements, current and future political stability of the market and other political factors. (Fitzroy, Hulbert and Ghobadian, 2012, p. 106)

2. Economic Factors

Among the economic factors of the external environment may be included e.g. Gross Domestic Product, GDP per capita, inflation, unemployment, the level of income and other indicators of economic situation on the national level. In case a company is operating on the global level there should be taken into account the economic situation on the entire global market. (Fitzroy, Hulbert and Ghobadian, 2012, p. 101)

3. Social Factors

Social factors are also sometimes called socio-cultural factors. Socio-cultural factors are for example culture, number of inhabitants, growth of population, demographic composition of the population, level of education, changes in lifestyle of people, religion, and so on. (Fitzroy, Hulbert and Ghobadian, 2012, p. 110)

4. Technological Factors

Technological factors can have a dramatic impact on well-being of people but according to Fitzroy, Hulbert and Ghobadian, (2012, p. 111) it does not always true. Among the technological factors belong e.g. development of new products and technologies, information technologies, expenditures on research and development, environmentally friendly technologies, and many other technological factors that can have an impact on society.

5. Legal Factors

The legal factors are for example legal and regulatory framework, patents, licences, level of consumer protection, the level of performance of the judicial power, practices of trade and other. (Fitzroy, Hulbert and Ghobadian, 2012, p. 116)

6. Environmental Factors

Among environmental factors belong environmental policy, environmental standards, licences, tradable permits, level of pollution/emissions, awareness of society about environmental issues and problems, and so on. (Fitzroy, Hulbert and Ghobadian, 2012, p. 119)

3.2.2.2 Microanalysis

Main analysis for microanalysis is Porter's five forces of competition framework which is the most common type of analysis of competitiveness.

Porter's Five Forces of Competition Framework

The Porter's five competitive forces model is based on the opinion that not only competitors create competition on the market. The competition on the market is influenced by current competitors, potential new competitors, customers or buyers, suppliers and substitutes (see Figure 1). Level of competitiveness depends on how strong is rivalry between current competitors, how strong is possibility of entry of new competitors to the market, how strong is negotiating power of buyers, how strong is negotiating power of suppliers and how strong is the threat of substitutes. (Magretta, 2012, p. 41)



Figure 1 Porter's Five Forces of Competition Framework

Source: <http://masonmyers.com/wp-content/uploads/2013/02/fiveforcesmichaelporter.png>

1. Competition in the Industry

The competitors are companies in the same market which try to take the best possible position in a given market. To gain the best possible position they are using their competitive advantages. Competitive advantage is something from this some firms can profit and other firms do not have this possibility. The current competitors in the industry are still competing and trying to imitate and improve the steps of their competitors. (Zuzák, 2011, p. 66)

2. Threats of Entry

Every new company which would enter into an industry would represent a threat for current competitors in the industry. On the other hand in every industry there exist some barriers to entry. Current competitors should behave in a manner to keep or increase the barriers to entry. It is possible by a price freeze, carrying higher expenditures, renewal of supply of goods and services and other practices. (Magretta, 2012, p. 52)

3. Buyers Power

Negotiating power of buyers or customers depends on specific conditions of contracts or purchases. In recent years the negotiating power of buyers is increasing because of globalization. Process of globalization causes an improvement in all spheres, especially in services. Companies are supposed to serve many ad-

ditional services to sell its goods and customers can choose between many possibilities. The negotiating power of buyers depends especially on their requirements on the lowest prices and detailed delivery terms. (Zuzák, 2011, p. 69)

4. Suppliers Power

The higher is the bargaining power of suppliers, the greater are their requirements to deliveries for their customers in a given market. The most common requirements of suppliers are higher prices and other additional conditions. These requirements cause a decrease of profitability in the industry. The power depends on how many suppliers serve to the industry and how big are the suppliers. If there are many suppliers with similar size and supply, the negotiating power of particular suppliers is not too high than it would be for one or two big suppliers serving one industry or market. (Magretta, 2012, p. 48)

5. Threats of Substitutes

Substitutes are same or similar products but are usually supplied by different companies under different brands. It presents a potential risk for competing firms. In case that one firm launches with a substitute that has better properties, quality or is for lower price it can decrease demand on similar products supplied by another firm or firms. To secure against substitutes companies should differentiate and innovate its products, keep low prices, spend more money for advertising or promotion and so on. (Zuzák, 2011, p. 68)

6. Complements

Figure 2 shows that there could be the sixth force in the Porters model. The sixth force should be complements. Whereas substitutes reduce the market value of a product, complements increase the value of complement products in the market or industry. Suppliers of complements have bargaining power because they increase value of the industry. (Grant, 2010. p. 96)

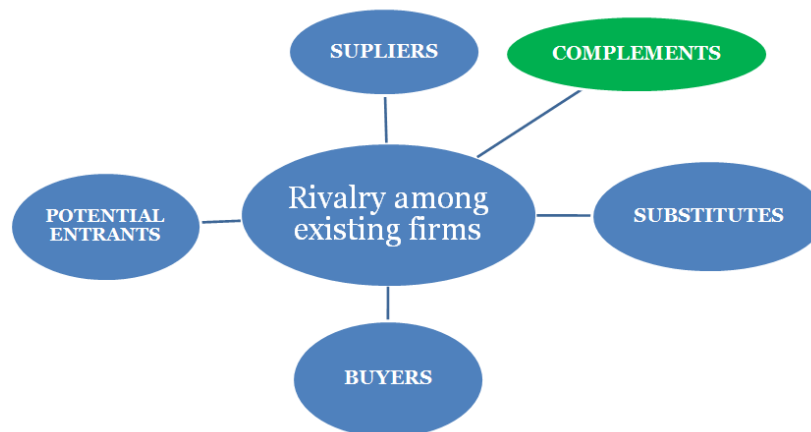


Figure 2 Porter's Five Forces of Competition Framework according to Grant

Source: Grant, 2010, p. 98

3.2.3 Internal Environment Analysis

Internal environment analysis examines current internal situation of an enterprise. Its aim is to determine how a company is competitive in the market and to find out if the company has any competitive advantages in comparison with competitors. Important elements of the internal environment are financial resources, tangible and intangible assets and human resources. (Tyll, 2014, p. 31)

SWOT Analysis

SWOT analysis evaluates both external and internal business environment. This analysis is like PESTLE analysis composed of several parts starting with particular letter: Strengths, Weaknesses, Opportunities and Threats (see Figure 3). Strengths are also called strong sides, weaknesses are as well called weak sides. While the strengths and weaknesses evaluate internal business environment, opportunities and threats evaluate the external environment of the company. (Dvořáček and Slunčík, 2012, p. 15), (Párraga, Gonzales-Canlesas and Soler-Flores, 2014, p. 131) and (Zhang and Feng, 2013, p. 644)

SWOT analysis	Positive	Negative
Internal	Strengths	Weaknesses
External	Opportunities	Threats

Figure 3 SWOT analysis

Source: <http://ladenbaygin.com/en/wp-content/uploads/2014/07/swot.jpg>

According to Jünger (2008, p. 67) the SWOT analysis identifies four basic strategies:

- Strategy SO - using of strengths by using of opportunities; it is called maxi - maxi strategy of SWOT analysis
- Strategy ST - using of strengths to eliminate threats; it is called maxi - mini strategy of SWOT analysis
- Strategy WO - elimination of weaknesses by using of opportunities; it is called mini - maxi strategy of SWOT analysis
- Strategy WT - elimination of weaknesses and threats; it is called mini - mini strategy of SWOT analysis

SWOT analysis separates four different categories of influences on an enterprise. There are some influences which are fitting into some category clearly. Other influences are unclearly classifiable. Some aspects can represent both opportunity and threat or weakness and strength. It depends on particular cases. For some enterprises it is possible to distinguish the internal factors into weaknesses and strengths, and external factors into threats and opportunities. For other enterprises it is more beneficial to identify only two categories, internal factors and external factors. (Grant, 2010, p. 12)

Value Chain Analysis

The value chain divides the company's operations into individual important activities (see Figure 4). Each of the individual activities are evaluated and some related problems are identified. Červený et al. (2014, p. 120-121) divides the activities into 2 groups:

- Primary activities:
 - inbound logistics,
 - operations,
 - outbounced logistics,
 - marketing and sale,
 - services.

- Supporting activities:
 - procurement,
 - technology development,
 - HRM (Human Resources Management),
 - infrastructure.

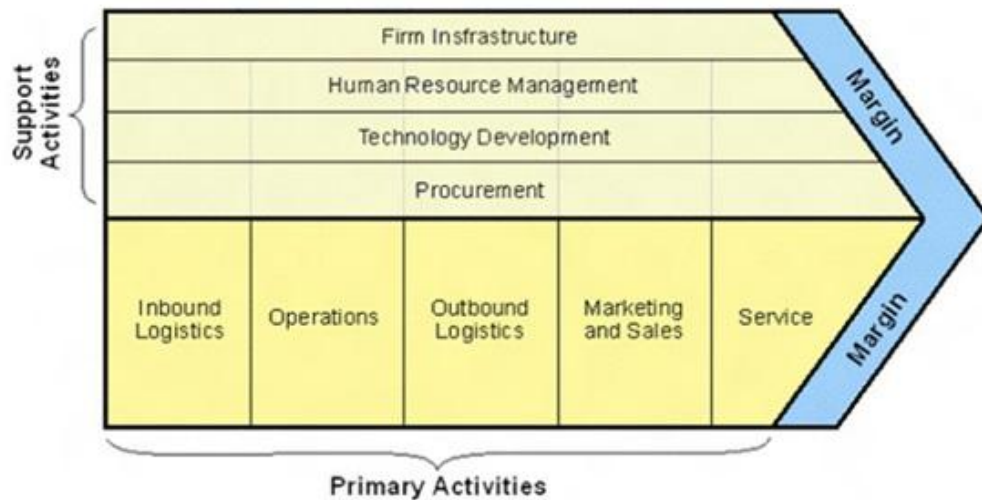


Figure 4 Value Chain

Source: <http://mbatermpapers.com/wp-content/uploads/2012/08/mba.jpg>

7S Analysis – Key Success Factors

The 7S key success factors, depicted in Figure 5, represent the most crucial factors affecting the success of a company. 7S model is a strategic tool which was developed by McKinsey Company. It should serve as a guideline in a strategy creation process. The 7 key success factors from 7S model of McKinsey are according to Bartošová and Bartoš (2011, p. 119):

- Strategy – strategic objectives and strategic steps,
- Structure – organization of the enterprise, management,
- Systems – technologies, methods, operations,
- Style – management style and behaviour,
- Staff – workers, managers and other employees,
- Skills – experiences, knowledge, skills,
- Shared values – vision, culture in the company environment.

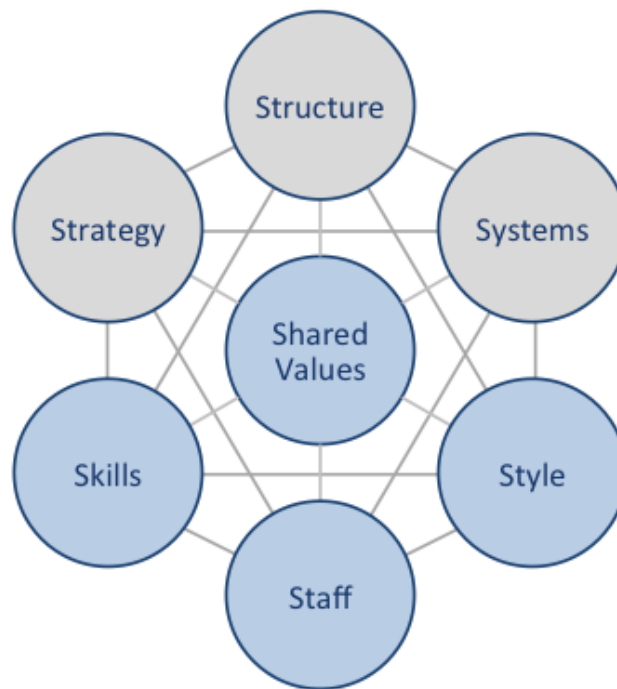


Figure 5 7S model – key success factors

Source: <http://cdn2.businesssetfree.com/wp-content/uploads/2013/09/7S-Framework-e1379914748668.png?3d1de4>

3.2.4 Other Tools and Techniques for Strategic Analysis

SWOT Analysis, Porter's Five Forces Analysis, PEST Analysis, 7S model, Value Chain Analysis are the most frequently mentioned strategic tools. It is possible to find these techniques in many publications in the current literature. However, there are some other tools and techniques for strategic analysis and planning.

Scenario Planning

Scenario planning as a strategic tool enables to use various techniques and focuses such as internal data, opinions, forecasts of particular companies, industries or governments, theories, statistics and so on. The information can be both internal and external. Scenario planning is more subjective tool than long-term planning because the scenario planning uses less empirical evidence. It is oriented especially on judgments. On the other hand, long-term planning is based on accuracy. (Spender, 2014, p. 84)

Scenario planning is also called multiple scenarios. Scenario planning serve as a strategic tool that forecasts changes in environment in the future, e.g. in few years. According to Ogilvy (2015, online) the best number of planning scenarios are four scenarios.

3.3 Mission and Vision

Mission of a company is the purpose or core business of the company. Mission answers to three questions why an organization exists: WHAT it does, WHO it does for and HOW it does. The mission of any enterprise can change over time. It is therefore appropriate to make updates to the corporate mission for time to time. An example of a mission can be for some travel company to provide comfortable and modern transportation for people in some area or worldwide. (Janišová and Křivánek, 2013, p. 78)

Vision of a company is a certain state, which the company wants to achieve in the future, for example in 10 years (Zahradníčková and Vacík, 2014, p. 666). The vision should include certain specific parameters. It is usually available in two versions, shorter for employees and longer and more precise for owners. An example of a vision can be world without Alzheimer's disease for Alzheimer's Association. (Janišová and Křivánek, 2013, p. 80)

A mission statement should be neither too short nor too long. However, the length is not the most important aspect of a mission statement. The most important is to clearly formulate what the company wishes to do, what areas and activities it wants to take part in the business or propose some opportunities. For time to time, the mission statement should be reformulated. How often should be the mission changed? It depends on how quickly the whole company changes, how quickly the environment of the company changes or when the owners or top managers change. (Fitzroy, Hulbert and Ghobadian, 2012, p. 268)

3.4 Strategic Objectives

Strategic objectives are based on the vision of the company. The objectives can be focused on the increase of market share, appreciation of assets, quality of products or services, environmental issues, education, good working environment and interpersonal relationships, goodwill, brand loyalty or return, profitability and liquidity indicators. (Janišová and Křivánek, 2013, p. 83)

3.5 Financial Planning

3.5.1 Financial Management

Purpose of financial management is to ensure better wealth for an enterprise. It is a process including many activities that lead to maximize the profit, wealth, value and other important achievements corresponding with business objectives. Among these activities of financial management belong all decisions relating to corporate finance of a company. It can be decisions about spending of money on production, advertisement, sales promotion, investments, wages for employees and many other usage of corporate finance on operations of the enterprise. For decision-making process in financial manage-

ment the financial manager of the company is responsible. Financial management is divided into 3 parts (Brooks, 2013, p. 32):

- Capital budgeting,
- Capital structure,
- Working capital management.

Capital budgeting deals with core or purpose of the enterprise in the long-term period. It decides what will be the main focus of the enterprise, what they will produce, sell, offer or what they will do. Another part is capital structure that decides from which sources will be funded certain business activities. It divides into two parts: equity and debts. The last part of the financial management is a problem of working capital management which is in charge of short-term financing of current liabilities from current sources - current assets. (Brooks, 2013, p. 35)

Financial management for SMEs (Small and Medium Enterprises) includes revenue-cost plans for performance management, balance financial plans for property management and its coverage, Income-expenditure financial plans for cash management, and investment plans for financial decision making. (Havlíček, 2011, p. 81)

Financial planning is based on strategic objectives, current financial situation and future prediction of financial situation of an enterprise. In addition to the financial situation, it is also important to take into account the situation on the market, i.e. how successful are the competitors, what is the political situation and legal conditions in the market. Main aims of financial plan are to ensure sufficient liquid funds, generate sufficient profits, secure all the activities carried out in the enterprise, stabilize current and future situation of the enterprise, and predict potential problems and their solutions. (Kocmanová, 2013, p. 190)

Financial planning is divided into short-term financial planning and long-term financial planning. Short-term financial planning is usually up to one year and it is called a budget. Long-term financial planning is usually for more than 6 years. (Havlíček, 2011, p. 82)

Financial plan is based on the overall corporate strategy and it is the continuation of the financial analysis. There is essential to devise particular steps as detailed as possible. The financial plan should meet three basic assumptions (Janišová and Křivánek, 2013, p. 270):

- completeness,
- clarity,
- methodology,
- topicality.

Havlíček (2011, p. 82) divides the short-term financial planning into three groups:

- Revenue-cost plan (Profit and loss statement),

- Equity plan (Balance sheet),
- Income-expenditure plan (Cash flow statement).

3.5.2 Financial Analysis

Financial analysis is a part of the financial planning process and examines especially financial health of an enterprise. The financial health is an important factor for all decisions in managing of the business. The main sources for financial analysis are financial statements, calculations or other internal records. In addition to these internal resources for the purposes of financial analysis it is also possible to use some external sources, especially sources serving information about competitors. (Synek, 2011, p. 349)

Financial analysis is used for detecting and evaluating the financial health of an enterprise. The most important parts of the financial analysis are ratio indicators. These indicators are rentability ratios, liquidity ratios, dept ratios, productivity ratios, property and financial structure ratios, cash flow ratios, revenue, cost and cash flow ratios. The ratios are calculated on the basis of financial statements. (Janišová and Křivánek, 2013, p. 265)

3.5.2.1 Financial Statements

According to Brooks (2013, p. 56) to evaluate the current financial situation of an enterprise it is useful to operate with four basic statements:

- Balance sheet,
- Income statement,
- Cash flow statement,
- Statement of retained earnings.

Balance Sheet

Balance sheet is financial and accounting statement that describes property structure and capital structure of an enterprise. It is elaborated to a particular date, usually to 31. 12. or 1. 1. as seen in Figure 6. In the first column there are assets of a company and in the second column there are liabilities. (Jindřichovská, 2013, p. 208)

Balance sheet to 31. 12. year (in thousands of CZK)	
Total assets	Total liabilities
Receivables for subscribed equity	Equity
Fixed assets	External resources/liabilities
Current assets	Accruals
Accruals	

Figure 6 Simplified version of balance sheet

Income Statement/Profit and Loss Statement

This statement assesses financial performance of an enterprise within particular time period. Indicators often used for financial analysis are (Brooks, 2013, p. 59):

- net income = revenues - expenses
- EBIT (Earnings Before Interest and Taxes) = revenue - operating expenses
- OCF (Operating Cash Flow) = EBIT + depreciation - taxes

Cash Flow Statement

Cash flow statement is divided into cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. Cash flow from operating activities is e.g. cash receipts from sales of goods and services, cash payments to suppliers or to employees and other revenues from operating operations. Cash flow from investing activities is e.g. cash receipts of sales of property, cash receipts of sales of long-term assets, cash receipts of sales of debt instruments and equity, cash receipts from futures, forwards and options, cash payments to acquire debt instruments, property or equity and other investing activities. Cash flow from financial activities is e.g. cash payments to owners for shares, cash proceeds from issuing loans, bonds and other borrowings, cash proceeds of issuing instruments or shares and other financial activities. (Strouhal, Bonaci and Mustata, 2014, p. 163)

3.5.2.2 Financial Ratios

Liquidity Ratios

According to Synek (2011, p. 354) liquidity ratios measures the firm's ability to repay its payable liabilities. There are three types of liquidity measurement:

- *Current ratio* = Liquidity of the third degree - measures the firm's ability to repay its current payable liabilities in short time, usually used once a month. Optimal value of the current ratio is 1.5 -2.5. If the current ratio is less than 1.5, the condition is considered as risky and should be solved. If the current ratio is higher than 2.5, the firm's ability to repay its liabilities is

very save but there arises another problem which is an inefficient use of funds.

$$\text{Current ratio (CR)} = \frac{\text{current assets}}{\text{current liabilities}}$$

- *Quick ratio* = Acid test = Liquidity of the second degree - measures the firm's ability to repay its current payable liabilities almost immediately or in very short time. Optimal value is 1 – 1.5. If the quick ratio is less than 1, the condition is considered as very risky. The value equal to 1 is perceived as a critical value.

$$\text{Quick asset ratio (QAR)} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities}}$$

- *Cash ratio* = Cash liquidity = Liquidity of the first degree - measures immediate firm's ability to repay its payable liabilities. It should not be lower than 0.5.

$$\text{Cash position ratio (CPR)} = \frac{\text{financial assets}}{\text{current liabilities}}$$

Brooks (2013, p. 457) counts the cash ratio as cash divided by current liabilities.

Debt Ratios

Debt ratios are similar to the financial leverage ratios. Růčková and Roubíčková (2012, p. 127) describes the formulas in a similar way as Brooks (2013, p. 459).

- *Debt ratio* - measures how much the company uses external resources for financing its own assets. Enterprise should try to find the most appropriate debt ratio to use the advantages of the use of external resources but the debt should not be very high which could cause some problems. With increasing debt ratio the risk of creditors is also increasing. But every enterprise has different conditions that should be taken into account. In case that rentability of an enterprise is higher than its interest costs on debt the enterprise profits from this debt.

$$\text{Debt ratio} = \frac{\text{external resources}}{\text{total assets}}$$

- *Equity ratio* - measures how much are total assets financed from shareholders. Debt ratio + equity ratio should be equal to 1.

$$\text{Equity ratio} = \frac{\text{equity}}{\text{total assets}}$$

- *Times interest earned* - measures how secure is the debt for creditors, recommended times interest earned is 3 and more. (Růčková and Roubíčková, 2012, p . 127)

$$\text{Times interest earned} = \frac{\text{profit}}{\text{interest expenses}}$$

- *Cash coverage ratio* - measures the ability of an enterprise to earn cash by operations that are available during repayment of its interest expenses on debt obligations. (Brooks, 2013, p . 459)

$$\text{Cash coverage ratio} = \frac{\text{EBIT} + \text{depreciation}}{\text{interest expense}}$$

Indicators of Activity – Assets Management Ratios

- *Total assets turnover ratio* - measures the rate of turnover of assets in the company. Total assets turnover ratio = sales/total assets.
- *Assets turnover* - measures how long last the turnover of assets in days. Assets turnover = 365/total assets turnover ratio or total assets/(sales/365).

Both indicators show activity of assets. The activity ratios are most commonly measured for receivables, payables and inventory. Other frequently used activity ratios are (Růčková and Roubíčková, 2012, p. 131):

- *Inventory turnover* – measures time the inventory is held in the enterprise until it is sold. Inventory turnover = inventory/(sales/365).
- *Inventory turnover ratio* – measures frequency of selling of every type of inventory during one year. Inventory turnover ratio – sales/inventory.
- *Fixed assets turnover ratio* – measures how often are fixed assets turned in revenues during one year. Fixed assets turnover ratio = sales/fixed assets.
- *Average collection period* – measures time period in days in which are receivables transferred to cash. ACP = receivables/(sales/365).
- *Creditors payment period* – measures time period in days in which current liabilities are unpaid. Creditors payment period = current liabilities/(sales/365).

Profitability Ratios

Ratios of profitability are indicators that measure how effective is an enterprise in generating of income with use of its operations that turn assets and sales. To measure how effective is the maximization of profits within an enterprise are, according to Brooks (2013, p. 462), available these profitability ratios:

- *Profit margin* - measures volume of profit generated from every dollar of sales; profit margin = net income/sales = EAT/sales. Profit margin is also called ROS (Return on Sales) which can be also calculated with EBIT; ROS = EBIT/sales

- *Return on assets (ROA)* - measures volume of profit generated from every dollar invested in assets; $ROA = \text{net income} / \text{total assets}$
- *Return on capital employed (ROCE)* – measures long-term productivity of invested capital; $ROCE = \text{EBIT} / (\text{total assets} - \text{current liabilities})$
- *Return on equity (ROE)* - very important indicator for investors or owners of an enterprise, measures the share that is generated for owners of an enterprise of the profit for whole enterprise; $ROE = \text{net income} / \text{total owners' equity}$

Market Value Ratios

Indicators of market value measures position of an enterprise in the capital market. It provides information for investors who want to invest their money into some company. Among the market value ratios belongs (Marinič, 2014, p. 86):

- *Payout ratio* = dividend paid/Earnings per share. Payout ratio measures net profit from dividends payment for shareholders after taxes were paid. According to resulting payout ratio investors can find out what kind of dividend policy prevails in the enterprise.
- *Activation ratio* = 1 - payout ratio. Activation ratio measures what proportion is paid in dividends and what proportion is transferred into next period.
- *Growth rate of investment of shareholders* $g = ROE * \text{activation ratio}$. It measures how much the investment of shareholders increased because the dividends were not paid.
- *Equity per share* = equity/number of issued ordinary shares. Equity per share ratio measures share of one shareholder on equity of whole company taken into consideration the number of shares of the shareholder.
- *Price earning ratio P/E* = market price per share/Earnings per share. EPS is the most common indicator on stock exchanges and measures willingness to pay for profit from one unit of security.

3.5.3 Financial Plan

Short-term financial plan is calculated by adding the planned revenues and by subtraction of the planned expenditures to the initial cash status at the beginning of the planning period. The planned revenues and expenditures are estimated for the period under consideration. After adding and subtracting these items the final balance of cash arises at the end of the plan period. (Kocmanová, 2013, p. 190)

Long-term financial plan is calculated by estimation of financial statements balance sheet, cash flow from operating activities, cash flow from investment activities and cash flow from financial activities. The long-term financial plan is usually estimated for 3 to 5 years. (Kocmanová, 2013, p. 191)

Strategic financial plan is part of strategic plan of an enterprise where financial effects and financial demands are described. Elaboration of strategic financial plan is based on current situation and future vision and objectives of owners and top management of an enterprise. The financial plan is based on the company's financial strategy, strategic objectives, and results of financial analysis on several strategic plans of the company. (Fotr et al., 2012, p. 166)

4 Analysis of contemporary situation of selected enterprise

The aim of this chapter is to characterise the analysed enterprise ALL SPORTS a.s., to evaluate its financial situation and to evaluate external and internal environment that influence the financial results of this enterprise. The proposal of the strategic plan for the analysed enterprise (in chapter 5) is based on this analysis.

4.1 Characteristics of the Selected Enterprise

ALL SPORTS a.s. is a trading enterprise which has headquarters in Prague on Poděbradská Street 541/29, 190 00 Praha 9. There are also office and showroom there. In the headquarters two commercial agents work.

Another buildings of the enterprise is located in Brno on Hudcova Street 70a, 621 00 Brno. There are offices, showroom and warehouse there. Chief Executive Officer (CEO) of the enterprise has his office here. There are two more offices where junior marketing manager, sales manager, product manager, invoicing worker, chief accountant, accountant, commercial agent and warehouse manager work. The enterprise has another warehouse which is larger than the warehouse in Brno. The larger warehouse is located in Kuřim. In these two warehouses in Brno and Kuřim 6 warehouse workers work.

Scope of business of the enterprise is the following list of activities:

- mediation of trade,
- wholesale,
- specialized retailing,
- activities of business, financial, organizational and economic consultants,
- advertising activities and marketing,
- mediation of services,
- rental and lease of of movable assets,
- Production, trade and services not specified in Annexes 1 to 3 of the Trade Act.

Sales Range and Retail Stores

ALL SPORTS a.s. is an exclusive distributor of brand BAUER in the Czech Republic and Slovakia. Bauer Company is a manufacturer of hockey equipment for players of ice hockey and in-line hockey, goalkeepers and referees. Bauer Company is a leading global manufacturer and supplier of hockey merchandise. The Canadian company was founded in Ontario in 1927. Products are not only for professional players but also for semiprofessional players, amateur players and fans of ice hockey or in-line hockey.

ALL SPORTS a.s. has got 7 specialized specialized retail stores. In these retail stores 17 employees of the enterprise work. In the Czech Republic also 17 separate sellers on the basis of franchising operate. ALL SPORTS a.s. is a franchisor and the 17 separate sellers are franchisees.

Specialized Retail Stores are located in:

- Brno,
- Karlovy Vary,
- Zlín,
- Mariánské Lázně,
- České Budějovice,
- Ostrava,
- Litvínov.

Business Partners

Business partners of ALL SPORTS a.s. are ice hockey clubs HC Sparta Praha, HC Kometa Brno, HC Vítkovice Steel, HC VERVA Litvínov and HC Energie Karlovy Vary. Other business partners are BPA Sport Marketing, Hokej.cz, Sport Challenge, Pro Hockey Academy, Vojacek.cz, P. N. Hockey, Hokejovetreninky.cz, Hokejová škola (agentura) Meredis, Czech International Ice Hockey Camp, Czech Hockey Challenge Cap, Eurohockey Services, Hockey For Life, ALVO sports management, Gólmanské tréninky and SPORTTIME, s.r.o.

4.2 Planning Changes of the Selected Enterprise

The enterprise plans to move the whole Brno's buildings of the enterprise to Kuřim. Currently there is a new warehouse with offices and other facilities just builded. The new spaces in Kuřim will be larger than currently using spaces in Brno and Kuřim. The relocation of the main part of ALL SPORTS a.s. should take part in July, 2015.

4.3 External Environment Analysis

External environment analysis is composed of macro analysis and micro analysis. The macro environment is described by PESTLE analysis and the micro environment is described by Porter's five forces analysis and by analysis of competitiveness.

4.3.1 PESTLE Analysis of the Czech Republic

The selected enterprise ALL SPORTS a.s. operates especially in the Czech Republic. Therefore the PESTLE analysis is focused on conditions of the Czech Republic. The enterprise is importer of goods from foreign countries, so this fact should be also taken into account.

Political Factors in the Czech Republic

The Czech Republic is a parliamentary democracy. Power is divided into three bodies. Czech Parliament has legislative power. The President and the Government have executive power. The third power of the Czech Republic is judiciary power.

Political situation in the Czech Republic is quite stable. The right political parties and the left political parties almost regularly alternate in the government. But both political directions have similar problems in their term of office. Lately, several political scandals were revealed. Most of them were associated with corruption. Therefore, the majority of Czech inhabitants do not trust politicians in the Czech government.

Taxation policy of the Czech Republic is approximately under the average tax burden of EU member states. Tax burden in the Czech Republic according to Eurostat database is approximately 35% of GDP and EU's average is approximately 40% of GDP. The tax burden in EU is expressed as a percentage of GDP of particular state. The highest tax burden in the Czech Republic is especially to the detriment of employers and employees. Czech politicians recently discuss about a change (increase) in taxes on large companies, corporations and entrepreneurs, especially the so called self-employed.

Economic Factors in the Czech Republic

GDP (Gross Domestic Product) is one of the most important indicators of economic situation in a given country, but total GDP does not reflect wealth of the population. Better indicator to find out what is the economic situation in the country is GDP per capita. Other important indicators of economic situation are inflation, unemployment or currency exchange rates. The values of important indicators of economic situation in the Czech Republic are stated in Table 1.

Tab. 1 Important economic indicators – 2014 or last known value

Indicator	2014 or last known value
GDP (current prices)	4 266 141 mil. of CZK
GDP (constant prices)	4 167 643 mil. of CZK
GDP per capita	405 342 CZK
Rate of inflation	0.4%
Rate of unemployment	6.1%
Exchange rate CZK/EUR	27.53
Exchange rate CZK/USD	20.75

Source: Czech Statistical Office

Figure 7 shows total values of GDP in years 2009 – 2014. The GDP indicators in the figure were calculated by the expenditure approach and they are stated in current prices and constant prices. The constant prices are better to reflect the

real growth than current prices because the current prices calculate with nominal values and are influenced by inflation. It could be said that total GDP is quite comparable in the six observed years, but the first and the last years are slightly different. Especially, the year 2014 could indicate a beginning of a positive trend of the Czech economy.

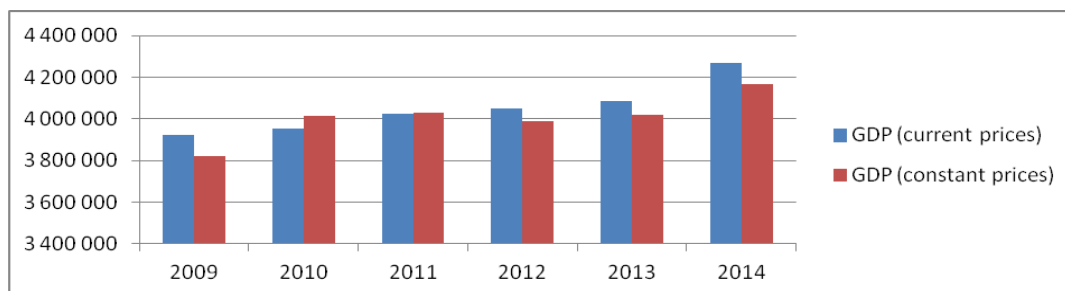


Figure 7 GDP in the Czech Republic between 2009 and 2014

Source: Czech Statistical Office

Inflation is an indicator that shows the total value of price level in a country. In the Czech Republic the rate of inflation is very low, 0.4% in 2014 (see Figure 8). The year 2014 was showed the lowest rate of inflation of six observed years. The highest value was recorded in year 2012 when the rate of inflation was 3.3%. The rate of inflation in the Czech Republic is affected by interventions of central bank which is in the Czech Republic called the Czech National Bank.

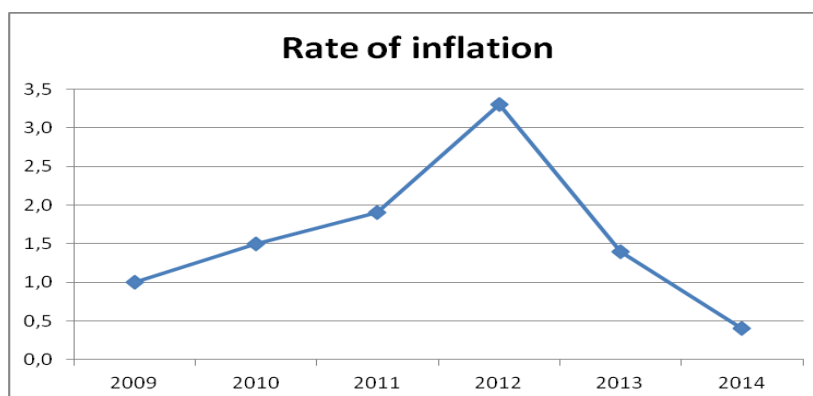


Figure 8 The rate of inflation in the Czech Republic between 2009 and 2014

Source: Czech Statistical Office

Another important economic indicator is the rate of unemployment. The Table 2 shows that the rate of unemployment in the Czech Republic which varied from 6.1% to 7.3% between 2009 and 2014. The lowest value was recorded in the last observed year, so it could be a good sign for future financial and living conditions of Czech households. Government should ever try to decrease the rate of

unemployment. However, the rate of unemployment is not the only one factor influencing GDP, economic growth or living conditions of population. The state should also control other factors of production. In case the rate of unemployment when it is very low (near to zero) it would probably arise some problems with labour efficiency because there would not be enough unemployed people that could start new businesses.

Tab. 2 The rate of unemployment in the Czech Republic from 2009 to 2014

Indicator	2009	2010	2011	2012	2013	2014
Rate of unemployment	6.7%	7.3%	6.7%	7.0%	7.0%	6.1%

Source: Chzech Statistical Office

Figure 9 shows that the exchange rate of the Czech currency (CZK) is decreasing against USD and EUR. It decreased approximately about 2.9 CZK/EUR and 3.1 CZK/USD from 2011 to 2014. This was caused especially by interventions of the Czech National Bank. The increasing CZK is advantageous for Czech exporters and disadvantageous for Czech importers. Unfortunately, it is also disadvantageous for inhabitants of the Czech Republic who want to travel to foreign countries and who buy foreign goods.

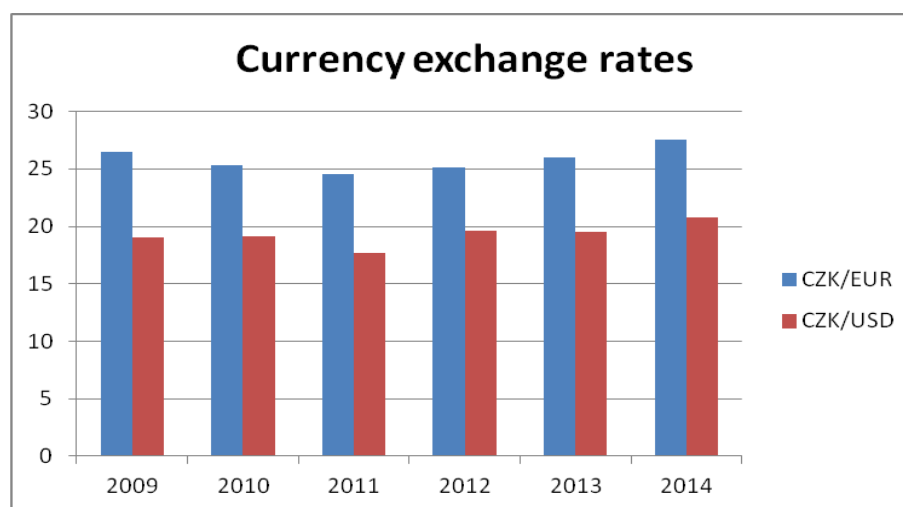


Figure 9 Currency exchange rates in the Czech Republic from 2009 to 2014

Source: Czech Statistical Office

Economic situation in the Czech Republic is affected by world's financial and economic crisis. Results in 2014 indicate partial settlement with the crisis but the growth in the Czech Republic is not as fast as it is in some other countries in Europe. The main problem can be the decreasing value of CZK. Some other countries in central Europe are members of Economic and Monetary Union. These countries, including Slovakia and Austria, have an advantage, especially

in areas of international trade, investments and other important activities of their national economies.

Social Factors in the Czech Republic

Number of inhabitants in the Czech Republic was 10 538 275 inhabitants in 2014. The growth of Czech population in recent years is very low as seen in Table 3. It was about 0.1 – 0.3% between 2011 and 2014. According to the Czech Statistical Office there was a decrease in 2011 by approximately 20 000 inhabitants in comparison with number of inhabitants in 2010.

Tab. 3 Population in the Czech Republic from 2010 to 2014 (in thousands)

Indicator	2010	2011	2012	2013	2014
Population	10 517	10 497	10 509	10 511	10 538

Source: Czech Statistical Office

In figure 9 it is possible to see the Czech demographic population in 7 groups of age structure. The least part of population in the Czech Republic is a group of people 91 and more years old. A little more of the population is in the age group from 76 to 75 years. These two age groups are represented by old and very old people. That is the reason why there are lower numbers of these people. However, the numbers are supposed to rise because of aging of population, especially in developed countries. The largest groups of population are in the age range from 31 to 45 years and from 46 to 60 years. These people are the main power of the Czech economy. Most of them belong to economically active part of population and pay the highest portion of taxes to the country.

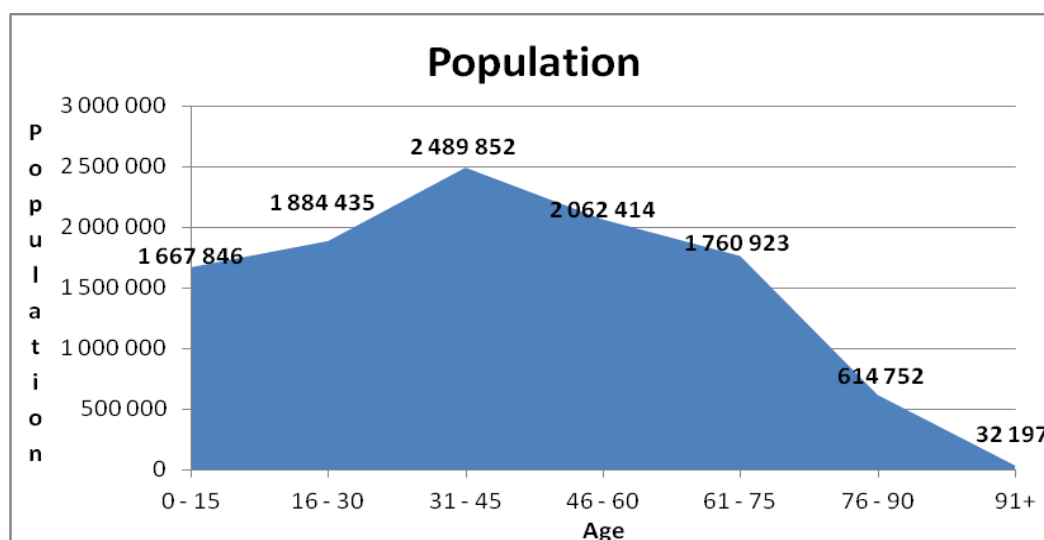


Figure 9 The demographic composition of population according to age (31. 12. 2013)

Source: Czech Statistical Office

Figure 10 shows that number of students and number of graduates are increasing in recent years. The level of education is relatively high in the Czech Republic. According to Ministry of Education, Youth and Sports (2013) the number of colleges was 72 in the Czech Republic in 2014. There were 26 public universities, two national (police and military) schools and 44 private universities. On the other hand, there is a problem with finding a new job for graduates. Companies usually require a certain number of years of practice in the industry, mostly 2 or more years.

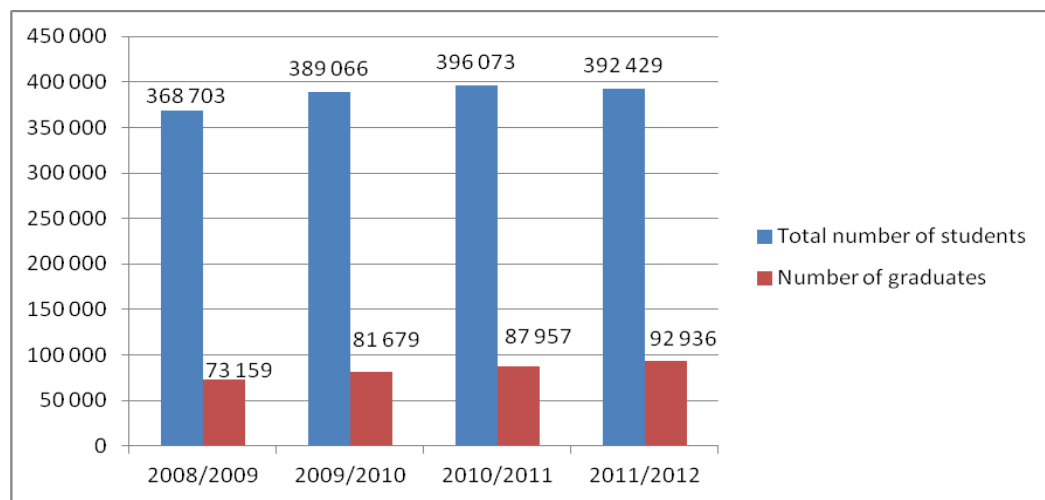


Figure 10 The total number of students and number of graduates in the Czech Republic from the academic year 2008/2009 to the academic year 2011/2012

Source: Czech Statistical Office

Technological Factors in the Czech Republic

The most important technological factors are expenditures on science, research and development, and number of specialists working in this sector. Table 4 shows that expenditures on research and development are increasing from 2010 to 2013. The Czech government see the further development of the Czech Republic in sufficient support of science and improvement of technologies. The support of development should contribute to better economic results in future. Another important factor is the number of economic entities in research and development. The slight decrease in 2013 against 2012 could be perceived as an exception because the trend is more likely increasing in comparison with numbers of economic entities in 2010 and 2011. Human resources in science and technologies were reduced by more than 70 000 people in 2011 against 2010. Although the number of human resources began to grow again between 2011 and 2013, it is highly probable that the reduction in 2011 had a negative impact on research and development in the country. Despite the fact that the number of

human resources in the sector increased again, other problem arises because of a loss of specialized people in the sector and necessity to training of new human resources. These changes are not effective and government should not allow these imbalances in particular sectors.

Tab. 4 Science and Research in the Czech Republic

	2010	2011	2012	2013
Human resources in science and technologies	2 250 000	2 179 000	2 227 000	2 285 000
Economic entities engaged in research and development	2 392	2 514	2 578	2 559
Expenditure on research and development (in mld. of CZK)	53.0	62.8	72.4	77.8

Source: Czech Statistical Office

Legal Factors in the Czech Republic

Legislative environment in the Czech Republic is characterized by relatively low efficiency of law enforcement. This can result in the behaviour of some harmed subjects that are trying to enforce their rights in a different way than through the courts. This behaviour can cause other problems. The long duration of some judicial processes is usually caused by an excessive bureaucracy.

Environmental Factors in the Czech Republic

Environmental issues in the Czech Republic are mainly in the competency of the Ministry of the Environment of the Czech Republic. The ministry takes care about four basic categories of the environment. The categories are air protection, water management, nature and landscape protection and waste management.

Figure 11 shows average level of emissions in the Czech Republic during 2013. The most affected area was the agglomeration Ostrava, Karviná and Frýdek-Místek. In agglomerations Prague and Brno and in the Northeast and the Southwest zone the limit was exceeded primarily due to high traffic load in 2013.

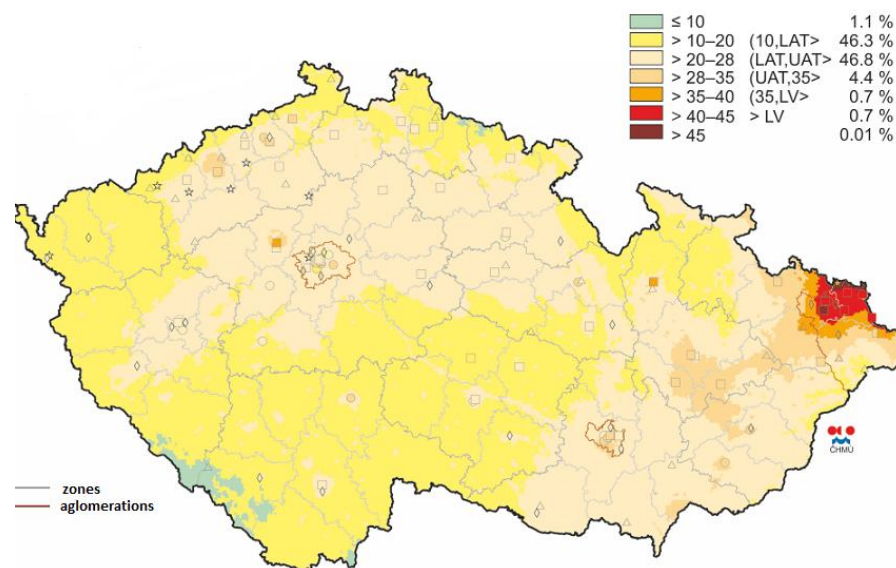


Figure 11 Average air pollution (emissions) in the Czech Republic in 2013

Source: Czech Hydrometeorological Institute

Last 4 years, the level of pollution (emissions) slowly decreases. In the long-term the emissions are under the emission limit. Problems persist in the most polluting parts of the country because of industrial production and high traffic load. Some people or businesses in the Czech Republic are aware of these issues and they adapt their behaviour to the environment, but solving of these problems is still not in the country sufficient.

4.3.2 Analyses of Competitiveness – Porter’s Five Forces Analysis

There are many sellers of ice hockey equipment in the Czech Republic but most of them do not have any exclusive right to distribute products of particular brands. So the competitors are all sellers of ice hockey equipment on the Czech market. Other brands of ice hockey equipment offered in the Czech Republic, except Bauer, are:

- **Reebok** – American brand, selling mainly sportswear and equipment. It is the main competitor for ALL SPORTS a.s. Some products of Reebok are sold equally or better than the same or similar products of Bauer, but the main products for ice hockey from Bauer are more successful than from Reebok in the Czech Republic and worldwide as well. The main products are especially ice hockey skates and sticks.
- **Warrior** – brand specialized primarily on manufacturing of ice hockey sticks. Its annual venality of the ice hockey sticks is approximately half of what Bauer sells.

- **Easton** – brand with similar focus as Warrior, in addition it produces also ice hockey gloves and pants. Easton is slightly worse than Warrior in marketability of its products.
- **Itech** – focuses only on plexiglasses
- Other brands of ice hockey equipments: TPS, Sher - Wood, Torso, Pallas, Salming, Jofa (helmets, pads). These brands are not for the company ALL SPORTS a.s. almost no competition.

Porter's five forces analysis is for this diploma thesis composed of five basic forces and the sixth force which is impact of complements.

Rivalry Among Existing Competitors

ALL SPORTS a.s. distributes and sells primarily ice hockey equipment. It also sells some clothes for common wearing and fashion accessories, but these goods are not important because it represents a negligible portion of total revenues of the enterprise. So, the real competitors for the enterprise are only the enterprises which sell ice hockey equipment. The main competitor for the selected enterprise is Reebok International Limited which sells goods of brand Reebok. This competitor operates worldwide and it does not have any official dealership in the Czech Republic. The Reebok has a wider range of goods in total but its range of goods for ice hockey is narrower than the ice hockey equipment of brand Bauer which offers ALL SPORTS a.s. Other competitors on the Czech market represent much lower share of the market with ice hockey equipment. Most of them are specialized on one or few products.

Threats of Entry

New entrants who would represent a threat for the selected enterprise could be enterprises producing or selling the entire ice hockey equipment. Nowadays there are no serious threats of new entrants to the market because the demand for the ice hockey equipment is limited in the Czech Republic. Current supply of existing competitors in the market is efficient. Therefore, there is not a strong potential for the entry of new companies.

Bargaining Power of Buyers

ALL SPORTS a.s. sells a large proportion of its products directly to consumers. Other part of the products is sold to other businesses or entrepreneurs. These business entities sell the goods to consumers. Bargaining power of buyers is based on particular agreements with ALL SPORTS a.s. These agreements are usually in written form, but in some cases it is sufficient as a verbal agreement between two partners. Many of these businesses use the franchise business relationship. The bargaining power of these buyers is not too strong because the ALL SPORTS a.s. has exclusive right to distribute the goods of brand Bauer. One of the options to bargain better business conditions is to order higher amount of goods. In this case, the buyers can get some quantity discount. It also depends on payment discipline of particular buyers from previous business relationships.

Another possibility to bargain better business conditions is to offer some reciprocal service. It is common in cases where the buyers are owners or leaseholders of buildings or stadium for ice hockey. Then the buyers can offer as a reciprocal service some kind of advertising in these spaces.

Table 5 shows 5 most significant buyers of ALL SPORTS a.s. according to the share of total turnover. It is possible to see that length of cooperation between the enterprises is not essential to bargain good business conditions, especially in the case of contract with Piráti Chomutov a. s. Although the cooperation lasts for only one year, contract with buyer was signed until 2016 and the maturity of receivables is 60 days. On the other hand, the first 2 most significant buyers have the maturity of receivables only 30 days. The reason for this fact is different purpose of business. The first 2 buyers are trade companies and the other buyers are ice hockey clubs. The main aim of the majority of ice hockey clubs is usually not to make profits but it is to be successful in league or to train young players. Therefore, ALL SPORTS a.s. offer better business conditions to the clubs than to business enterprises.

Tab. 5 List of the most significant buyers (30. 9. 2014)

Buyer	Contract length	Share of total turnover	Length of cooperation	Maturity period
JB Sport s. r. o.	indefinite	8.59%	9 years	30 days
Jágr Team s. r. o.	indefinite	4.31%	3 years	30 days
HC Vítkovice Steel a. s.	till 30. 4. 2016	3.6%	10 years	60 days
KOMETA GROUP, a.s.	till the end of season	2.81%	12 years	60 days
Piráti Chomutov a. s.	till 30. 4. 2016	2.41%	1 year	60 days

Source: ALL SPORTS a.s.

In Table 6 groups of buyers according to sales and share on total sales are depicted. Sportissimo s.r.o. represents chain stores which orders goods from ALL SPORTS a.s. There are two other chain stores but its share on the selected enterprise's sales is less than 0.1%. These chain stores are Hervis Sport a móda, s.r.o. and Globus ČR, k.s. The biggest share on sales are represented by other buyers than own retail stores, ice hockey clubs, franchisees and chain stores. This is caused by the fact that there exist many small sellers and also some big sellers with retail stores throughout the Czech Republic. The biggest are JB Sport s. r. o. and Jágr Team s. r. o. as seen in Table 5. JB Sport s. r. o. has quite a lot of retail stores in the Czech Republic and Jágr Team s. r. o. sells goods to the second biggest ice hockey league in the world – Russian KHL (Kontinental Hockey League).

Tab. 6 Groups of buyers according to sales in 2013

Buyers (group)	Sales (CZK)	Share on sales
Clubs	32 099 000	31%
Franchisees	20 425 000	20%
Retail stores of ALL SPORTS a.s.	16 353 000	16%
Sportisimo s.r.o.	1 343 000	1%
Other	33 139 000	32%

Source: ALL SPORTS a.s.

Bargaining Power of Suppliers

The selected enterprise has one big supplier which is Canadian company Bauer hockey as seen in Table 7. Rest of the suppliers achieve less than 2% share of total turnover of the enterprise. Another difference between 5 most significant suppliers of ALL SPORT a.s. are different type of contract and maturity period. Maturity period is longer in case of the most significant supplier which is very important for the enterprise. Current liabilities to other suppliers are not so high. Therefore the maturity period for 14 days is sufficient. The most significant supplier has very strong bargaining power. Crucial issue for the selected enterprise should be extension of contract with Bauer hockey because the contract is only until 31. 12. 2015. Although the main supplier has a high bargaining power, it is probable that the contract will be extended because there are many reasons for contract extension. The main reasons are:

- long-term cooperation between the buyer and supplier
- relatively high sales in the Czech Republic – ALL SPORTS a.s. was two times chosen as the most successful distributor of Bauer for whole Europe
- good relationships between representatives of both enterprises – regular meetings in the USA, Canada or in Europe
- long tradition of ice hockey in the country

Tab. 7 List of the most significant suppliers (30. 9. 2014)

Buyer	Contract length	Share of total turnover	Length of cooperation	Maturity period
Bauer Hockey	till 31. 12. 2015	86.07%	12 years	60 days
NOVOINVEST a. s.	indefinite	1.69%	10 years	14 days
SPORTTIME s. r. o.	indefinite	1.24%	12 years	14 days
Orgapol a. s.	indefinite	0.59%	3 years	14 days
PPL CZ s. r. o.	indefinite	0.57%	8 year	14 days

Source: ALL SPORTS a.s.

Threats of Substitutes

Substitutes for products of brand Bauer which ALL SPORTS a.s. sells are products for ice hockey clubs, professional and amateur players and for fans of this sport offered by competitors on the Czech market. American company Reebok offers very similar products as ALL SPORTS a.s. Other enterprises, offering brands Warrior, Easton, Sher-wood, TPS, Itech and so on, sell only few substitutes for products of Bauer. Particular companies are specialized on some concrete products.

Reebok is the biggest competitor for ALL SPORTS a.s. It offers products of inferior quality, but at a lower price. The quality is the most important factor for ice hockey players, especially for the professional players, but the enterprise should take care about other important factors to maintain current position on the market. The most important thing is to constantly monitor the evolution of prices of own products, compare them with the previous period, taking care of sales volume and correct advertising. Another aim of the company is to sufficiently take care of its customers and offer them various benefits such as discounts, competitions, signature events and lots more. By meeting this goal the customer loyalty should be achieved. Otherwise some customers could buy substitutes from competitors.

Complements

Not only substitutes influence sales of the enterprise. Whereas increased interest in substitutes is a threat for the selected enterprise, the purchase of certain goods from competitors may have a positive effect on sales of the complementary goods of ALL SPORTS a.s. Players of ice hockey need all necessary equipments for playing this sport, especially on professional level. Some substitutes from competitors can be perceived also as complements. It is possible in case of small children trying to play ice hockey for the first time. Parents buy for them some basic and cheap equipment and rest is usually borrowed them by clubs. After some time children and their parents decide if the sport is good for them.

In case it is, they can buy some more expensive and high quality ice hockey equipment of brand Bauer which ALL SPORTS a.s. offers.

4.4 Internal Environment Analysis

Internal environment analysis describes the inner and very close environment of the selected enterprise. Main analyses for the internal environment analysis are Value Chain and 7P analyses.

4.4.1 Value Chain Analysis

The Value chain analysis describes 9 areas of the selected enterprise. The first 4 areas are primary activities and the rest 4 areas are supporting activities.

4.4.1.1 Primary Activities

Inbound Logistics

Goods are ordered one year in advance for the entire ice hockey season. The goods are according to the orders assigned into production in Asia and then distributed to the European central warehouse in Sweden. Transportation of goods from Swedish central warehouse to warehouses in the Czech Republic is provided through a forwarding company Schenker, Ltd. The cooperation with this company usually proceeds without complications and customers receive the goods in time.

The enterprise buys finished products from its biggest supplier and stores it in two warehouses in Brno and Kuřim. Both warehouses are equipped by withdrawable ramps for the transshipment of goods. The warehouse in Brno is able to unload cargo from a small container, van or other small cargo trucks. The Kuřim's warehouse is able to unload cargo from any type of lorry. The goods are transported well in advance of the season. The goods are always transported in appropriate boxes. For unloading of the cargo there must be a sufficient number of workers. The unloading process should not take more than 2 hours to not to pay an extra money for delays. The sufficient number of workers depends on the type of truck, size and weight of boxes with goods and on way of loading the goods. The way of loading the boxes with goods in the truck is usually performed in two alternatives. The first alternative is a loading on pallets and the second way is loading of the boxes freely without pallets. First alternative is much easier to unloading and the sufficient number of workers is 1 or 2 workers. The second alternative requires more workers and it takes more time.

Each delivery is controlled according to number of items, nature and type of goods and its colour and size. All these data should correspond with delivery lists. After the control, the boxes with goods are stored according to kind, colour and size. The boxes should always lie on pallets. The warehouses are equipped by multiple floors adjustable racks and the goods could be stored to the high of

8 metres. To manipulate with the goods at heights an electronic forklift trucks are used.

Operations

The selected enterprise does not manufacture any products. Most of the goods are already finished but there are also some products which should be adjusted. These products are intended for fans of ice hockey. The most common forms of adjustments are sewing, printing or any other application of club symbols, flags, player names, advertisements, etc. The symbols are applied on fashion or sport clothes bought from suppliers. The most common suppliers of these clothes are SPORTTIME s.r.o. and Bauer Hockey Corporation. But the adjustment is not performed by the selected enterprise. It is assigned to some outsourcing enterprises.

The only operations performed by ALL SPORTS a.s. are manipulation with warehoused goods and preparing and packing of goods intended for distribution to retail stores and customers.

Outbound Logistics

Small orders are sent through parcel services, usually through PPL CZ s.r.o. This method is performed every working day and it requires proper packing of goods, sticking by shipping label, and the package must not exceed the permitted weight.

Bigger orders are transported by own vans. This method is not performed every working day. The frequency of this transportation depends on frequency of orders from buyers. The transportation is usually performed by commercial agents and the most common buyers are ice hockey clubs, franchisees and bigger sellers.

Orders are entered into the e-shop by customers or by contacting a sales representative who enters the order into the system Benefit. Warehouse manager and invoice worker process the orders and create delivery notes and invoices at the same day or another working day. Shipping parcel service PPL delivers the goods the next day. Own transport is carried out in the case of larger shipments and in the case when a sales representative or another employee goes to the place.

Marketing and Sale

Marketing and sale activities are performed by marketing manager of the enterprise and shop manager of the enterprise. They use discounts, sales promotions and campaigns, advertisement in stadiums, television, internet, Facebook and so on.

Table 8 shows the most important products supplied by ALL SPORTS a.s. It is clear that ice hockey sticks and ice hockey skates are much more important than other products but its profit margin is lower than the average profit margin of all products. It is because the enterprise and sellers in its specialized retail stores provide many discounts on the hockey sticks and skates to support sales.

Tab. 8 Main products of the selected enterprise in 2013

Product	Share on sales	Profit margin
Hockey sticks	32.2%	44%
Hockey skates	29.6%	45%
Other	38.2%	49%
Total	100%	46%

Source: ALL SPORTS a.s.

Payment terms for customers are determined by these parameters:

- quantity ordered,
- payment discipline (according to previous period),
- way of order and final acceptance,
- length of cooperation.

Services

Once a year a meeting for the purpose of introduction of new products is held in the USA or Canada. Key representatives of ALL SPORTS a.s. take part on it. The key representatives of the enterprise who should always take part on this event are the CEO, product manager and commercial agents. After this meeting ALL SPORTS a.s. organizes meeting for main buyers, business partners and sellers from own retail stores. Product manager presents all information about products, current and the new ones. The CEO informs about possibilities of ordering and taking of the goods, and negotiates payment conditions with buyers and business partners individually.

Goods that customers buy directly from ALL SPORTS a.s. can be serviced. The adjustments and maintenance of goods are performed by commercial agents in cooperation with sellers or custodians of ice hockey clubs. Complaints are handled with the manufacturer of the goods, Bauer Hockey Corporation.

4.4.1.2 Supporting Activities:

Procurement

Procurement of inputs (goods) is handled by product manager and shop manager. Inputs are ordered always before start of the season. The orders are called booking orders. Information about quantity demanded are provided by commercial agents and the warehouse manager who monitors current level of inventory. The booking order is advantageous in that it provides a 4% discount from the entire delivery and extension of maturity to 3 months. During the year (season) goods can be ordered according to requirements of the enterprise from the central European warehouse in Sweden. These orders during the year (season) allow only 1% discount and 14 days maturity.

Technology Development

ALL SPORTS a.s. just bought new racks for storage of goods to new warehouse in Kuřim. The new racks meet the new European standards about warehousing. Another technologic development was an acquisition of new computer servers for more efficient use of data processing. This investment includes the servicing of these computer servers.

Human Resource Management

Human resources management (HRM) is in the enterprise managed by the CEO, top managers or other employees. There is no HRM department because ALL SPORTS a.s. is a small enterprise. Payroll administration is in charge of payroll clerk – economist. The payroll clerk – economist elaborates advertisements and communicates with applicants when looking for new employees. Selection of a particular worker for positions salesman and head of retail store is performed by shop manager, for storage, economic department and marketing by the CEO. In exceptional cases, the enterprise uses for the selection of new employees a recruitment agency.

Infrastructure

The CEO has the decision-making power covering all the activities within the enterprise. Reporting, analysing, proposing and other activities are delegated to particular employees. The most common participating employees are product manager, shop manager, marketing manager and chief accountant.

4.4.2 7P Analysis

7P analysis includes and describes 7 areas of the selected enterprise. Some areas are similar to the areas described in previous subchapter about Value chain analysis.

Strategy

Corporate strategy of ALL SPORTS a.s. focuses on achieving of strategic objectives, concretely to earn sufficient profits and to remain current position on the market. To meet these objectives the enterprise wants to continue in cooperation with Bauer Hockey Corporation and to distribute the ice hockey equipment of brand Bauer to the Czech Republic and to Slovakia. Another strategic step is to sell the goods in own retail stores and ensure their promotion by proper marketing activities. Last but not least important step in the corporate strategy is the continuous monitoring of customers and the whole market, and adapting to the changes that occur.

Structure

Each employee is responsible for his section according to his job position. Control activities are provided by auditing company BDO s.r.o. and by tax advisor. Whole enterprise is managed by Chief Executor Officer and some decision-

making powers are delegated to managers and other executives. Operation manager cares about retail stores, product manager cares about communication with foreign suppliers and business partners, marketing manager performs marketing activities, trade agents care about commercial activities and warehouse manager monitors records about goods and inventory level and chief accountant and other accounting and economic clerks care about economic and accounting activities of the enterprise. Other activities are performed by particular employees (warehouse workers, drivers, salesmen in retail stores, etc.).

Systems

The selected enterprise uses economic software Benefit. The software handles the complete warehouse management, accounting, financial statements and property evidence of the enterprise. Another software which the enterprise uses is called PERM and this software is intended for payroll administration.

Because the enterprise is primarily focused on trading activities - the sale of goods, it needs a system to stock records. Goods are received to the warehouse in the purchase prices. The sale is carried out in the sales prices as seen in the following calculation:

$$\begin{aligned} \text{Sales price} &= \text{purchase price} + \text{profit margin} \\ &\quad - \text{contractual discounts} \end{aligned}$$

The prices are formed by the fixed-price method and these prices are valid for the entire season. For each type of goods in the stock records a storage card is created to provide specific details of the goods (kind, type, quantity, acceptance date and price).

Style

The democratic style of leadership is prevailing in the enterprise. The CEO and managers clearly and concisely define guidelines to employees. Opinions and suggestions of top management and employees are regularly discussed at weekly meetings. In some cases the CEO uses authoritative leadership style, e.g. when some problem which should be quickly solved arises.

Staff

The main power has Chief executive officer, who may as the only one in the enterprise to sign business, insurance, labour and advertising contracts, tax returns and any other relevant documents. Operation manager caters personnel issues and pricing other managers and employees perform particular activities that were described in the section of structure in this subchapter 7P analysis.

Skills

The CEO and Operation Manager have essential prerequisites and skills to manage the company. Product Manager perfectly knows the English language for international communication with the main supplier and other business

partners. He monitors actual information about products and provide it to business dealers of the enterprise. The business dealers mediate trade activities (orders, sales contracts, supplies, communication with customers and partners). Warehouse Manager organizes the movement of inventory, its location and manipulation. Chief accountant and accountant – economists cater preparation of tax returns. They know the accounting act and adapt their knowledge to changes in legislation.

Shared values

The enterprise's and all its employees's goal is to satisfy the needs of each end customer. All employees have merit in the creating a profit. Strategy is the responsibility of senior executives. Consumers are predominantly players of ice hockey. Therefore the shared values for all employees of the enterprise should be focused on support of all stakeholders in ice hockey as a sport and entertainment as well. Most of the enterprise's employees either play ice hockey or they are fans of this sport.

4.5 SWOT Analysis of the Selected Enterprise

SWOT analysis is elaborated for the selected enterprise ALL SPORTS a.s. There are two main aspects taken into consideration for purposes of characterization of strong sides, weak sides, opportunities and threats. The first aspect is current situation of the enterprise on the market in the Czech Republic. The second aspect is current success and future developments of the brand BAUER.

Strengths

- goods of excellent quality
- exclusive license for distribution of the brand BAUER
- 12 years on the market
- long-term business relationships with customers
- long-term relationships with business partners
- already established network of retail stores
- positive brand perception

Weaknesses

- subordination predominantly to one supplier (approximately 95 % of goods are supplied from the Canadian company BAUER)
- inadequate control of interim storage facilities
- higher prices because of high-quality products
- lower availability of stores in some locations
- missing specialized store in the capital city Prague
- high proportion of external resources in total liabilities
- insufficient number of employees, especially in the season

Opportunities

- creation of new own retail stores
- creation of new franchise retail stores
- growing interest in ice hockey – World Championship in the Czech Republic 2015, Prague and Ostrava
- new relationships with business partners

Threats

- depreciation of CZK – increasing costs on import (CZK/CAD)
- possible misuse of strong bargaining power on the side of the supplier
- global warming process
- black market
- increase of taxes
- increase of costs on storage, energy, transport, etc.
- new substitutes on the market

4.6 Financial Analysis

The financial analysis for the selected enterprise is based on calculations with data from financial statements. The calculations are counted for four groups of financial ratios.

4.6.1 Profitability Ratios

To calculate ROS, ROA and ROE ratios the net income in the formulas represents EAT (earnings after taxation) which is in the Czech income statement called Economic result for the accounting period. The values of profitability ratios of the enterprise ALL SPORTS a.s. are in Table 9.

Tab. 9 Profitability ratios of the selected enterprise

Ratio	2011	2012	2013	2014
Return on sales/Profit margin	4.42%	3.35%	2.76%	6.07%
Return on sales	9.34%	5.75%	4.84%	6.62%
Return on assets	6.48%	5.68%	4.02%	8.93%
Return on capital employed	20.62%	20.56%	15.78%	22.54%
Return on equity	29.61%	26.54%	20.02%	38.17%

Source: Excel - calculations

The values in Table 9 show profitabilities of particular indicators like sales, assets or invested capital. The ROE ratios are relatively high in comparison with

average values on the market. The average values of ROE are usually approximately 15% for total market and 17% in the same sector.

4.6.2 Liquidity Ratios

Liquidity ratios are calculated by using items of the balance sheet of the selected enterprise ALL SPORTS a.s. and can be seen in Table 10.

Tab. 10 Liquidity ratios of the selected enterprise

Ratio	2011	2012	2013	2014
Current ratio	2.85	1.78	1.69	1.67
Quick asset ratio	2.85	1.78	1.69	1.67
Cash position ratio	0.14	0.08	0.10	0.02

Source: Excel - calculations

Current Ratio

To calculate the firm's ability to repay its liabilities in short time the current liabilities are calculated as a sum of current liabilities and short-term bank loans from the balance sheet. In the balance sheet the current liabilities and bank loans and financial assistances are recorded separately. The ALL SPORTS a.s. uses short-term bank loans and also short-term financial assistances but the financial assistances represent financial funds borrowed from the owner of the enterprise. Therefore it is not included into the current liabilities for the calculation of current ratio. On the other hand, the short-term bank loans should be included in the calculation because it is also a kind of current liability.

$$\text{Current ratio (CR)} = \frac{\text{current assets}}{\text{current liabilities} + \text{current bank loans}}$$

Optimal value for current ratio is 1.5 – 2.5, so the calculated values show that the liquidity of the third degree is sufficient. In 2011, it is even higher than 2.5. It indicates high liquidity safety but on the other hand it says that some part of cash could be invested to be more effective.

Quick Asset Ratio

Quick ratio is calculated in the same way as current ratio except that stocks are excluded from current assets. The formula is again modified to comprise all current liabilities. So the short-term bank loans were attributed to current liabilities recorded separately in the balance sheet.

$$\text{Quick asset ratio (QAR)} = \frac{\text{current assets} - \text{inventory}}{\text{current liabilities} + \text{current bank loans}}$$

Optimal range for quick ratio is 1.0 – 1.5. Results show that only the year 2011 was all right. The values in 2012, 2013 and 2014 are below the optimal range.

Cash Position Ratio

Financial assets are calculated as cash and bank accounts from the balance sheet. The enterprise does not have any current securities. Current liabilities are calculated in the same way as it was in previous cases.

$$\text{Cash position ratio (CPR)} = \frac{\text{current financial assets}}{\text{current liabilities} + \text{current bank loans}}$$

Optimal values for cash position ratio are between 0.2 – 0.5. Results indicate insufficient firm's ability to repay its payable liabilities immediately.

These low values can cause some problems for the enterprise. Cash and cash equivalents should be increased or current liabilities should be decreased to solve this problem. Especially, the short-term bank loans should be at least partially repaid. ALL SPORTS a.s. can usually extend the period of repayment or convert the loan into the next period but it is associated with forwarding of some receivables to bank. It represents a further additional expenditure.

4.6.3 Turnover and Activity Ratios

Table 11 displays the results of activity ratios. Some of them are also called turnover ratios. In case the inventory turnover decreases and inventory turnover ratio increases it is good for the enterprise.

Tab. 11 Activity ratios

Ratio	2011	2012	2013	2014
Total assets turnover ratio	1.47	1.69	1.46	1.47
Assets turnover	249 days	216 days	251 days	249 days
Inventory turnover	127 days	122 days	144 days	161 days
Inventory turnover ratio	2.88	2.99	2.55	2.28
Fixed assets turnover ratio	46.34	31.28	25.78	36.39
Average collection period	100 days	72 days	78 days	74 days
Creditors payment period	84 days	114 days	139 days	142 days

Source: Excel - calculations

4.6.4 Debt Ratios

Table 12 shows the results of debt ratios of the enterprise ALL SPORTS a.s. from 2011 to 2014. Debt ratio is very high in every of the monitored years. It says that more than three quarters of total assets of the enterprise are financed from debt. These numbers can be caused by the focus of the enterprise on import of goods

from foreign countries. The enterprise does not produce the goods so it does not have a need to finance long-term assets. The main part of the total assets is composed of goods and receivables, especially current receivables. Another reason for use of debt is the necessity of frontloading before season. Payments for goods are required in foreign currency, which is exclusively Canadian dollar. To obtain a suitable exchange rate is used fixation of a fixed exchange rate at a bank.

Tab. 12 Debt ratios of the selected enterprise

Ratio	2011	2012	2013	2014
Debt ratio	0.77	0.77	0.78	0.76
Equity ratio	0.22	0.21	0.20	0.23
Times interest earned	3.19	4.18	3.24	5.27
Cash coverage ratio	3.45	4.75	4.03	6.05

Source: Excel - calculations

4.6.5 Market Value Ratios

Ratios of market value show the dividend policy of the enterprise. All calculations in the Table 13 are calculated only till year 2013 because dividends for the year 2014 have not been paid yet.

Tab. 13 Market value ratios of the selected enterprise

Ratio	2011	2012	2013
Earnings per share	334 350 CZK	344 750 CZK	262 550 CZK
Payout ratio	0.52	0.73	0.57
Activation ratio	0.48	0.27	0.43
Growth rate of investment of shareholders	0.14	0.07	0.09
Equity per share	1 129 000 CZK	1 298 900 CZK	1 311 450 CZK

Source: Excel - calculations

The prevailing payout ratio over activation ratio signalizes that the enterprise pays more money to its only shareholder than it uses in the enterprise for reinvestments. In this case it is impossible to calculate price earnings ratio P/E because the market price of shares is unknown.

5 Proposal of a Strategic Plan for the Selected enterprise

In this chapter a strategic plan of the selected enterprise for the next few years is proposed. The proposal plan is elaborated in two alternatives. The first alternative is optimistic and the second is pessimistic. The performed strategic analysis (in Chapter 4) suggests what the current situation of the selected enterprise is and the strategic analysis also shows what in the enterprise is all right, and what needs to be changed.

5.1 Implications of SWOT analysis for Creation of the Strategy

5.1.1 SO (maxi-maxi) Strategy

This strategy uses strengths of the selected enterprise by using of its opportunities. One of the possibilities is brand promotion and providing of goods on ice hockey events. On the occasion of the international ice hockey matches and tournaments in the Czech Republic and Slovak Republic, there could be some agreements with national and international hockey organizations concluded. The agreements could be about Bauer brand promotion, e.g. displaying advertising areas for Bauer brand or negotiate terms under which ALL SPORTS a.s. could sell its goods on the premises of such events.

5.1.2 ST (maxi-mini) Strategy

This strategy uses strengths of the selected enterprise to eliminate its threats. One potential strategy is to offer quantity discounts and other benefits to hockey clubs in order to increase total sales and the suppression of the black market. Some hockey clubs with lower budget can not afford to buy an expensive outfit for its players. As well as the players who are playing in these clubs do not have too high salaries. Therefore, those players and clubs are forced to buy cheaper equipment and less quality brands or even to buy on the black market. By offering them special offers by ALL SPORTS a.s. their purchases could be facilitated. It is possible through volume discounts and possibly installment payments, offering discounts and other benefits.

5.1.3 WO (mini-maxi) Strategy

This strategy uses opportunities of the selected enterprise to eliminate its weaknesses. This strategy could lead to emergence of new retail stores in premises for hockey activities. ALL SPORTS a.s. has one of its new retail stores in the CEZ arena in Vítkovice. This retail store at the stadium has relatively good sales. This is so because this stadium is one of the largest in the Czech Republic and many

ice hockey and other events take place here. The enterprise's goal is to find another place where another new thriving retail store could be established. Among the best ice hockey stadiums belong arenas of Sparta Prague, Pardubice, Třinec and O2 arena, mainly because of the large attendance of fans of these clubs. In case that the new retail store would be established in Prague it would resolve one of the weaknesses of the selected enterprise.

5.1.4 WT (mini-mini) Strategy

This strategy consists in trying to eliminate weaknesses and threats of the selected enterprise. The WT strategy is based on problem with high proportion of external resources in total liabilities (weakness) and depreciation of CZK what causes increasing costs on import (threat). This strategy should create a system to control and analyze current economic indicators, available funds in the enterprise and development of exchange rates, especially the exchange rates between CZK and CAD. The CEO could recruit an expert on the issue or instruct someone from the current staff.

5.2 Optimistic Strategy – Slightly Agressive Strategy

The optimistic alternative of the strategic and financial plan is based on the assumption that the current situation of the selected enterprise is very well and the enterprise is in good financial health. Consequently, there is no need to do some restrictions in actual operations of the enterprise. This strategy could be also called as slightly aggressive strategy because the objectives of the enterprise is to maximize profits and the vision of the enterprise is to reach higher profits and to improve its position on the market in 5 years. The essential factors which should be improved are sales. The planned sales and other indicators are forecasted in the financial statements according to development from previous period.

5.2.1 Optimistic Mission, Vision and Strategic Objectives

Optimistic mission of the selected enterprise is to supply ice hockey equipment in the Czech market and the Slovak market as well. The optimistic vision of ALL SPORTS a.s. is to improve current position on the market and to increase its sales by at least 100% in 5 years. It means that the vision of the selected enterprise is to double the current sales in 2014.

Optimistic strategic objectives of the enterprise are focused primarily on increase in sales and generation of higher and higher profits for its shareholder and for the enterprise. It is more risky alternative than the pessimistic strategy.

Main objectives of the optimistic strategy are:

- significant increase in sales,
- expansion to foreign market (Slovakia) – change of the current business with subsidiary enterprise to own business activities, buildings, warehouse and specialized retail stores,
- gradual increase of dividends for the owner because the increasing sales and risk as well.

5.2.2 Optimistic Estimate of Market Situation

Table 14 shows estimating of exchange rate between CZK and CAD according to optimistic point of view in next 5 years. The estimate supposes that the exchange rate will be increasing only in 2015 and then it will fall and will not change in the next 4 years.

Tab. 14 Optimistic estimating development of exchange rate CAD/CZK from 2015 to 2019

	2015	2016	2017	2018	2019
Optimistic plan	20.9	20.2	20.2	20.2	20.2
Pesimistic plan	20.9	21.0	21.1	21.2	21.3

Optimistic forecasts expect a positive development on the market with ice hockey equipment. The optimistic plan does not expect any possibility of significant threats for current competitors on the ice hockey market in the Czech Republic.

5.2.3 Optimistic Plan of Profit and Loss Statement

Plan of profit and loss statement for optimistic strategy assumes that particular items of the income statement will evolve according to average growth or decrease from previous period. Some of the planned values are adjusted according to personal point of view (see Figure 12). The planned values are relatively high but it corresponds with the growing trend from previous period from 2011 to 2014. The growth of sales and other indicators is also influenced by inflation, depreciation of CZK and other factors.

To achieve the stated strategic objectives the selected enterprise should improve its performance. One possible solution could be expansion to Slovakia where its subsidiary enterprise operates. The expansion could bring new customers and the profit would increase. Another possible improvement could be achieved by extension of supply of goods. A suitable product could be ice hockey jerseys for professional ice hockey clubs and national teams. The enterprise currently offers jerseys only for fans and referees. Simultaneously with these changes it should be also achieved better profits or improvement in some financial ratios, except for liquidity ratios and debt ratios. Liquidity and debt ratios are not the main focus of this slightly aggressive strategy.

Profit and loss statement/Income statement (in thousands of CZK)		2014	2015	2016	2017	2018	2019
I.	Sales of goods	235 970	277 329	325 938	383 066	450 207	529 117
A.	Cost of goods sold	177 852	213 721	256 824	308 620	370 862	445 657
+	Profit margin	58 118	63 608	69 114	74 446	79 345	83 459
II.	Performances	74	73	72	71	70	69
II.1.	Revenues from sales of own products and services	74	73	72	71	70	69
B.	Performance consumption	26 708	28 435	30 281	32 255	34 366	36 622
B.1.	Material and energy consumption	2 161	2 178	2 195	2 213	2 230	2 248
B.2.	Services	24 547	26 257	28 086	30 042	32 135	34 374
+	The value added	31 484	35 246	38 904	42 262	45 050	46 907
C.	Personal expenses	12 123	13 582	15 217	16 447	17 571	18 193
C.1.	Wage costs	9 167	10 277	11 521	12 315	12 950	13 026
C.3.	The cost of social security and health insurance	2 956	3 305	3 696	4 132	4 621	5 167
D.	Taxes and fees	291	440	666	1 008	1 525	2 308
E.	Depreciation of intangible and tangible fixed assets	2 306	2 933	3 730	4 744	6 034	7 675
III.	Sales of fixed assets and material	6	6	6	6	6	6
III.1.	Sales of fixed assets	0	0	0	0	0	0
III.2.	Sales of material	6	6	6	6	6	6
F.	Net book value of sold fixed assets and material	0	0	0	0	0	0
F.1.	Net book value of sold fixed assets	0	0	0	0	0	0
G.	Change in reserves and provisions relating to operating activities and def	0	0	0	0	0	0
IV.	Other operating income	2 952	3 268	4 117	5 268	6 925	9 202
H.	Other operating expenses	4 099	5 094	6 329	6 765	6 984	7 231
V.	Transfer of operating income	0	0	0	0	0	0
I.	Transfer of operating expenses	0	0	0	0	0	0
*	Operating profit (EBIT)	15 623	16 471	17 085	18 571	19 866	20 708
VI.	Revenues from sales of securities and deposits	0	0	0	0	0	0
J.	Sold securities and shares	0	0	0	0	0	0
VII.	Revenues from fixed financial assets	3 069	3 069	3 069	3 069	3 069	3 069
VII.1.	Revenues from shares in controlled and managed entities in accounting u	3 069	3 069	3 069	3 069	3 069	3 069
VIII.	Revenues from current financial assets	0	0	0	0	0	0
K.	Costs of financial assets	0	0	0	0	0	0
IX.	Revenues from revaluation of securities and derivatives	0	0	0	0	0	0
L.	Expenses from revaluation of securities and derivatives	0	0	0	0	0	0
M.	Change in reserves and adjustments in financial area	0	0	0	0	0	0
X.	Interest income/revenues	0	0	0	0	0	0
N.	Interest expenses	2 962	2 652	2 374	2 125	1 903	1 704
XI.	Ostatní finanční výnosy	7 335	9 123	11 347	14 113	17 553	21 832
O.	Other financial expenses	8 728	9 935	11 310	12 874	14 655	16 682
XII.	Transfer of financial revenues	0	0	0	0	0	0
P.	Transfer of financial expenses	0	0	0	0	0	0
*	Financial profit	-1 286	-395	732	2 182	4 064	6 515
Q.	Income tax on ordinary activities	221	278	147	254	74	254
Q.1.	payable	259	230	205	182	162	145
Q.2.	deferred	-38	47	-58	72	-89	109
**	Profit from ordinary activities	14 116	15 798	17 670	20 499	23 857	26 970
XIII.	Extraordinary revenues	0	0	0	0	0	0
R.	Extraordinary expenses	0	0	0	0	0	0
S.	Income tax on extraordinary activities	0	0	0	0	0	0
*	Extraordinary profit	0	0	0	0	0	0
T.	Transfer of share of profit to companions	0	0	0	0	0	0
***	Profit for the accounting period (EAT)	14 116	15 798	17 670	20 499	23 857	26 970
****	Profit before taxation (EBT)	14 337	16 076	17 817	20 753	23 931	27 224

Figure 12 Optimistic plan of Income statement from 2015 to 2019

Source: Excel - calculations

5.2.4 Optimistic Plan of Balance Sheet

The values of optimistic plan of balance sheet are in most cases increasing according to previous development between 2011 and 2014. In Figure 13 are 5 values for next 5 years 2015-2019 plus values from 2014 to better comparison. The reason for the significant growth is an improvement in activities and operations of the selected enterprise.

Total assets and total liabilities are forecasted to increase almost three times. The optimistic strategy supposes an increase in most of the items in the balance sheet of the selected enterprise. It is caused by the trends of particular items from previous years. Only few indicators are decreasing in the optimistic plan of balance sheet. These indicators are long-term receivables or other receivables. There are also some indicators with unchanged values or with no trend. These indicators were planned as the same values or values from the last year 2014.

Significant difference was recorded between fixed assets and current assets in assets of the selected enterprise already in previous period from 2011 to 2014. The difference is even more significant in the planned period from 2015 to 2019. It is caused by the character of the enterprise, the need to maintain high level of inventory and the necessity of frontloading before the season. The high level of goods is influenced by the fact that the enterprise does not store the goods only in warehouses. It is stored also in intermediate storage warehouses and a lot of goods are placed in specialized retail stores.

Similar issue is the difference between equity and external resources in liabilities of the enterprise. This difference is slightly smaller than in the previous case but the planned values also increase the difference. The difference is caused by high level of current payables, other liabilities and bank loans of the enterprise. One of the reasons to use external resources is the need to repay relatively large liabilities to suppliers, especially to the main supplier Bauer Hockey Corporation. Necessary cash is usually most needed in a specific time period, which is before each ice hockey season. In addition, the enterprise has got smaller sales before the start of seasonal sales. These factors are the main reasons for use of external resources.

Balance sheet (in thousands of CZK)		2014	2015	2016	2017	2018	2019
TOTAL ASSETS		160 607	195 922	240 188	295 503	364 900	452 398
A.	Receivables for subscribed equity	0	0	0	0	0	0
B.	Fixed assets	6 487	7 662	9 158	10 785	12 568	14 534
B.I.	Fixed intangible assets	0	0	0	0	0	0
B.II.	Fixed tangible assets	6 357	7 532	9 028	10 655	12 438	14 404
B.II.2.	Buildings	391	673	1 141	1 587	2 012	2 417
B.II.3.	Separate tangible movables and sets of tangible movables	5 966	6 859	7 887	9 068	10 426	11 987
B.III.	Fixed financial assets	130	130	130	130	130	130
B.III.1.	Shares - controlled entity	130	130	130	130	130	130
C.	Current assets	152 914	187 032	229 781	283 448	351 039	436 547
C.I.	Inventory	103 527	130 431	164 327	207 031	260 834	328 618
C.I.5.	Goods	103 527	130 431	164 327	207 031	260 834	328 618
C.II.	Long-term receivables	130	84	55	36	23	15
C.II.8.	Deferred tax assets	130	84	55	36	23	15
C.III.	Current receivables	47 691	54 318	62 228	71 676	83 011	96 708
C.III.1.	Trade receivables	44 410	50 337	57 054	64 669	73 299	83 081
C.III.6.	State - tax receivables	1 929	2 726	3 852	5 443	7 692	10 869
C.III.7.	Short-term prepayments	398	579	841	1 223	1 779	2 586
C.III.9.	Other receivables	954	677	480	340	241	171
C.IV.	Current financial assets	1 566	2 199	3 172	4 705	7 171	11 207
C.IV.1.	Cash	1 041	1 290	1 599	1 981	2 455	3 042
C.IV.2.	Bank accounts	525	909	1 574	2 724	4 716	8 165
D.I.	Accruals	1 206	1 227	1 249	1 271	1 293	1 316
D.I.1.	Prepaid expenses	1 206	1 227	1 249	1 271	1 293	1 316
TOTAL LIABILITIES		160 607	195 922	240 188	295 503	364 900	452 398
A.	Equity	37 565	42 294	47 947	55 151	63 570	72 538
A.I.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000
A.I.1.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000
A.II.	Capital funds	0	0	0	0	0	0
A.III.	Funds from the profit	400	400	400	400	400	400
A.III.1.	Reserve fund	400	400	400	400	400	400
A.IV.	Profit from previous years	20 828	24 096	27 877	32 252	37 313	43 168
A.IV.1.	Retained earnings from previous years	20 828	24 096	27 877	32 252	37 313	43 168
A.V.	Profit for the period	14 337	15 798	17 670	20 499	23 857	26 970
B.	External resources/liabilities	121 297	147 215	181 915	228 665	292 054	378 655
B.I.	Reserves	0	0	0	0	0	0
B.II.	Long-term liabilities	0	0	0	0	0	0
B.III.	Current liabilities	60 228	82 106	112 240	153 829	211 388	291 399
B.III.1.	Trade payables/liabilities	54 950	76 024	105 179	145 516	201 323	278 531
B.III.5.	Liabilities to employees	703	798	907	1 030	1 170	1 329
B.III.6.	Payables/liabilities to social security and health insurance	399	453	514	584	662	752
B.III.7.	State - tax liabilities and subsidies	3 845	4 355	4 934	5 589	6 331	7 171
B.III.10.	Estimated liabilities	316	435	599	824	1 134	1 560
B.III.11.	Other liabilities	15	40	107	287	768	2 056
B.IV.	Bank loans and overdrafts/assistance	61 069	65 110	69 676	74 836	80 667	87 256
B.IV.1.	Long-term bank loans	0	0	0	0	0	0
B.IV.2.	Current bank loans	31 069	35 110	39 676	44 836	50 667	57 256
B.IV.3.	Short-term financial assistance	30 000	30 000	30 000	30 000	30 000	30 000
C.I.	Accruals	1 745	6 413	10 325	11 687	9 276	1 206
C.I.1.	Accrued expenses	1 744	6 412	10 324	11 686	9 275	1 205
C.I.2.	Deferred revenue	1	1	1	1	1	1

Figure 13 Optimistic plan of Balance sheet from 2015 to 2019

Source: Excel - calculations

5.3 Pesimistic Strategy – Conservative Strategy

The pesimistic strategy forecasts no significant growth in sales of the enterprise. The main aim should be stabilization of current situation of the enterprise, especially an improvement in financial ratios of liquidity and debt.

5.3.1 Mission, Vision and Strategic Objectives

Pesimistic mission of the selected enterprise is to supply ice hockey equipment only on the Czech market. The pesimistic vision of ALL SPORTS a.s. is to remain current position on the market in 5 years.

Pesimistic strategic objectives of the enterprise are focused primarily on improvement of liquidity ratios and debt ratios. This strategy is conservative and its aim is to decrease risk for the selected enterprise. Here is a list of main objectives of pesimistic strategy:

- improve liquidity of the selected enterprise,
- decrease indebtedness of the enterprise,
- stabilization of the enterprise on the market by decrease of current and potential risks,
- improve other financial ratios (if possible).

5.3.2 Pesimistic Estimate of Market Situation

According to the pesimistic estimate the exchange rate CAD/CZK will be increasing, approximately by 0.1 for each year (see Table 14). Pesimistic forecasts expect stagnation on the market with ice hockey equipment. It admits that there is possibility of rise of some threats for current competitors on the ice hockey market in the Czech Republic. The threats could lie in entry of new competitor(s), increase in bargaining power of buyers, possibility of some economic crisis or other threats.

5.3.3 Pesimistic Plan of Profit and Loss Statement

Figure 14 shows that the planned values according to the pesimistic strategy look more realistic than the planned values in the optimistic plan. Calculations of the pesimistic plan were more complicated in order to achieve lower values in comparison with the optimistic plan, faster growth of expenses than revenues because of pesimistic forecasts and try to improve liquidity or other ratios. Sales for this year (2015) were estimated according to current state of the enterprise which expects slight growth until the end of this year. The growth was approximately 4.08%. Other revenue items of the profit and loss statement were calculated with the same growth in 2015. Cost items were calculated with higher growth, more precisely about 1 percentage point more than revenue items.

Profit and loss statement/Income statement (in thousands of CZK)		2014	2015	2016	2017	2018	2019
I.	Sales of goods	235 970	245 604	248 088	250 598	253 132	255 693
A.	Cost of goods sold	177 852	186 892	189 717	192 584	195 495	198 450
+	Profit margin	58 118	58 712	58 372	58 014	57 637	57 243
II.	Performances	74	77	78	79	79	80
II.1.	Revenues from sales of own products and services	74	77	78	79	79	80
B.	Performance consumption	26 708	28 065	28 490	28 920	29 357	29 801
B.1.	Material and energy consumption	2 161	2 271	2 305	2 340	2 375	2 411
B.2.	Services	24 547	25 795	26 185	26 580	26 982	27 390
+	The value added	31 484	30 724	29 960	29 172	28 359	27 522
C.	Personal expenses	12 123	12 739	12 932	13 127	13 326	13 527
C.1.	Wage costs	9 167	9 633	9 779	9 926	10 076	10 229
C.3.	The cost of social security and health insurance	2 956	3 106	3 153	3 201	3 249	3 298
D.	Taxes and fees	291	306	310	315	320	325
E.	Depreciation of intangible and tangible fixed assets	2 306	2 423	2 460	2 497	2 535	2 573
III.	Sales of fixed assets and material	6	6	6	6	6	7
III.1.	Sales of fixed assets	0	0	0	0	0	0
III.2.	Sales of material	6	6	6	6	6	7
F.	Net book value of sold fixed assets and material	0	0	0	0	0	0
F.1.	Net book value of sold fixed assets	0	0	0	0	0	0
G.	Change in reserves and provisions relating to operating activities	0	0	0	0	0	0
IV.	Other operating income	2 952	3 073	3 104	3 135	3 167	3 199
H.	Other operating expenses	4 099	4 307	4 372	4 439	4 506	4 574
V.	Transfer of operating income	0	0	0	0	0	0
I.	Transfer of operating expenses	0	0	0	0	0	0
*	Operating profit (EBIT)	15 623	14 027	12 995	11 935	10 847	9 729
VI.	Revenues from sales of securities and deposits	0	0	0	0	0	0
J.	Sold securities and shares	0	0	0	0	0	0
VII.	Revenues from fixed financial assets	3 069	3 069	3 069	3 069	3 069	3 069
VII.1.	Revenues from shares in controlled and managed entities in acco	3 069	3 069	3 069	3 069	3 069	3 069
VIII.	Revenues from current financial assets	0	0	0	0	0	0
K.	Costs of financial assets	0	0	0	0	0	0
IX.	Revenues from revaluation of securities and derivatives	0	0	0	0	0	0
L.	Expenses from revaluation of securities and derivatives	0	0	0	0	0	0
M.	Change in reserves and adjustments in financial area	0	0	0	0	0	0
X.	Interest income/revenues	0	0	0	0	0	0
N.	Interest expenses	2 962	3 113	3 160	3 207	3 256	3 305
XI.	Other financial income	7 335	7 634	7 712	7 790	7 868	7 948
O.	Other financial expenses	8 728	9 172	9 310	9 451	9 594	9 739
XII.	Transfer of financial revenues	0	0	0	0	0	0
P.	Transfer of financial expenses	0	0	0	0	0	0
*	Financial profit	-1 286	-1 581	-1 689	-1 800	-1 912	-2 027
Q.	Income tax on ordinary activities	221	232	236	239	243	247
Q.1.	payable	259	272	276	280	285	289
Q.2.	deferred	-38	-40	-41	-41	-42	-42
**	Profit from ordinary activities	14 337	12 214	11 070	9 896	8 692	7 455
XIII.	Extraordinary revenues	0	0	0	0	0	0
R.	Extraordinary expenses	0	0	0	0	0	0
S.	Income tax on extraordinary activities	0	0	0	0	0	0
*	Extraordinary profit	0	0	0	0	0	0
T.	Transfer of share of profit to companions	0	0	0	0	0	0
***	Profit for the accounting period (EAT)	14 337	12 214	11 070	9 896	8 692	7 455
****	Profit before taxation (EBT)	14 337	12 446	11 306	10 136	8 934	7 702

Figure 14 Pesimistic plan of Income statement from 2015 to 2019

Source: Excel - calculations

Planned values from 2016 to 2019 in Figure 14 were calculated in a different way than the previous values in 2015. Two averages were calculated to further calculations of planned values. The first average was the average growth in sales from previous years 2011-2014 and the second average was calculated from 2 middle values of sales. The highest and the lowest values were excluded from the calculation. The final growth for revenue items was calculated as growth between the first average and the second average. The final growth for cost items was forecasted to be about 0.5% higher. The reason for slower growth between 2016 and 2019 were the pessimistic forecasts of future development on the market.

In case that all pessimistic assumptions would be fulfilled, the profits would be gradually declining in the planned period. The operating profit would decrease below 10 million CZK in 2015 what is by more than one-third of value of operating profit in 2014. Other profits would be also decreasing in the planned period. Only the extraordinary profit should be still equal to zero and the financial profit would record a decreasing loss.

5.3.4 Pesimistic Plan of Balance Sheet

In Figure 15 are planned values of balance sheet according to the pessimistic strategy. Calculations of development in values of particular items are based on total assets and total liabilities development from previous period. Two types of averages are calculated in the same way as averages in the planned income statement. The second average is lower than the first and in addition it is perceived as more real, therefore the planned values are going to decrease in this case (approximately by 2.28%). The calculated decrease was used for prediction of all items of the planned period in balance sheet.

Most of the planned items show a slight decline but some items were adjusted more significantly. One of the reasons for these adjustments is an objective of the pessimistic strategy – to improve liquidity ratios. To meet this objective the current bank loans and short-term financial assistance were decreased and cash and bank accounts of the selected enterprise were increased. Some other items and its values were also adjusted according to available information, e.g. buildings were increased because of moving of the enterprise from Brno to larger buildings in Kuřim or reserves and funds were established to secure stability of the enterprise.

Figure 15 also shows that the differences between fixed assets and current assets or equity and external resources are decreasing in each next planned year of the pessimistic plan. The trend is opposite to the trend of the optimistic plan of balance sheet. These decreasing differences are positive for a partial decrease of indebtedness of the selected enterprise.

Balance sheet (in thousands of CZK)		2014	2015	2016	2017	2018	2019
TOTAL ASSETS		160 607	157 614	154 186	150 852	147 615	144 474
A.	Receivables for subscribed equity	0	0	0	0	0	0
B.	Fixed assets	6 487	6 842	6 689	6 539	6 393	6 250
B.I.	Fixed intangible assets	0	0	0	0	0	0
B.II.	Fixed tangible assets	6 357	6 712	6 559	6 409	6 263	6 120
B.II.2.	Buildings	391	882	862	842	823	804
B.II.3.	Separate tangible movables and sets of tangible movables	5 966	5 830	5 697	5 567	5 440	5 316
B.III.	Fixed financial assets	130	130	130	130	130	130
B.III.1.	Shares - controlled entity	130	130	130	130	130	130
C.	Current assets	152 914	149 594	146 345	143 188	140 123	137 150
C.I.	Inventory	103 527	101 164	98 856	96 600	94 395	92 241
C.I.5.	Goods	103 527	101 164	98 856	96 600	94 395	92 241
C.II.	Long-term receivables	130	130	130	130	130	130
C.II.8.	Deferred tax assets	130	130	130	130	130	130
C.III.	Current receivables	47 691	46 603	45 539	44 500	43 484	42 492
C.III.1.	Trade receivables	44 410	43 397	42 406	41 438	40 493	39 569
C.III.6.	State - tax receivables	1 929	1 885	1 842	1 800	1 759	1 719
C.III.7.	Short-term prepayments	398	389	380	371	363	355
C.III.9.	Other receivables	954	932	911	890	870	850
C.IV.	Current financial assets	1 566	1 697	1 820	1 958	2 113	2 286
C.IV.1.	Cash	1 041	1 093	1 126	1 160	1 194	1 230
C.IV.2.	Bank accounts	525	604	694	798	918	1 056
D.I.	Accruals	1 206	1 178	1 152	1 125	1 100	1 075
D.I.1.	Prepaid expenses	1 206	1 178	1 152	1 125	1 100	1 075
TOTAL LIABILITIES		160 607	157 614	154 186	150 852	147 615	144 474
A.	Equity	37 565	37 867	38 265	38 691	39 147	39 633
A.I.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000
A.I.1.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000
A.II.	Capital funds	0	200	400	600	800	1 000
A.III.	Funds from the profit	400	600	800	1 000	1 200	1 400
A.III.1.	Reserve fund	400	600	800	1 000	1 200	1 400
A.IV.	Profit from previous years	20 828	22 853	23 995	25 195	26 455	27 778
A.IV.1.	Retained earnings from previous years	20 828	22 853	23 995	25 195	26 455	27 778
A.V.	Profit for the period	14 337	12 214	11 070	9 896	8 692	7 455
B.	External resources/liabilities	121 297	115 369	110 750	107 196	104 510	102 533
B.I.	Reserves	0	1 000	2 000	3 000	4 000	5 000
B.II.	Long-term liabilities	0	1 000	2 000	3 000	4 000	5 000
B.III.	Current liabilities	60 228	58 854	57 511	56 198	54 916	53 662
B.III.1.	Trade payables/liabilities	54 950	53 696	52 471	51 273	50 103	48 960
B.III.5.	Liabilities to employees	703	687	671	656	641	626
B.III.6.	Payables/liabilities to social security and health insurance	399	390	381	372	364	356
B.III.7.	State - tax liabilities and subsidies	3 845	3 757	3 672	3 588	3 506	3 426
B.III.10.	Estimated liabilities	316	309	302	295	288	282
B.III.11.	Other liabilities	15	15	14	14	14	13
B.IV.	Bank loans and overdrafts/assistance	61 069	54 516	49 240	44 998	41 594	38 871
B.IV.1.	Long-term bank loans	0	1 000	2 000	3 000	4 000	5 000
B.IV.2.	Current bank loans	31 069	29 516	28 040	26 638	25 306	24 041
B.IV.3.	Short-term financial assistance	30 000	24 000	19 200	15 360	12 288	9 830
C.I.	Accruals	1 745	4 378	5 170	4 965	3 959	2 308
C.I.1.	Accrued expenses	1 744	4 377	5 169	4 964	3 958	2 307
C.I.2.	Deferred revenue	1	1	1	1	1	1

Figure 15 Pesimistic plan of Balance sheet statement from 2015 to 2019

Source: Excel – calculations

The optimistic and pesimistic values are planned only for the income statement and balance sheet because the cash flow statement does not show any suitable trend from the previous period and it would not be possible to plan its future values to correspond with planned values of income statement and balance sheet.

6 Evaluation of the Proposed Strategic Plan's Alternatives

This chapter evaluates, compares and discusses the 2 proposed alternatives of the strategic plan.

6.1 Evaluation of Planned Financial Ratios

The financial ratios are calculated only for the last years of the plans.

6.1.1 Planned Liquidity Ratios

Table 15 shows that the planned liquidity of the enterprise in optimistic plan decreased in case of current ratio by 0.42 against 1.67 in 2014 and in case of cash position ratio by 0.23 against 0.54 in 2014. Only the cash position ratio slightly increased by 0.01 against 0.02 in 2014.

Pesimistic plan shows better values of current ratio and quick asset ratio than the optimistic plan. The cash position ratio is almost the same for both plans.

Tab. 15 Planned liquidity ratios of the selected enterprise in 2019

Ratio	Optimistic	Pesimistic
Current ratio	1.25	1.77
Quick asset ratio	0.31	0.58
Cash position ratio	0.03	0.03

Source: Excel - calculations

6.1.2 Planned Debt Ratios

Table 16 shows that the planned total indebtedness of the enterprise in optimistic plan increased because the debt ratio increased by 0.08 against 0.76 in 2014. Equity ratio decreased by 0.07 against 0.23 in 2014. Times interest earned and cash coverage ratio significantly increased against values in 2014. Even though the debt ratio has increased, other debt indicators show a high performance of the enterprise.

Pesimistic plan shows that debt ratio in last planned year is lower than in the optimistic plan. On the other hand, the equity ratio in pesimistic plan is higher than the equity ratio in optimistic plan. Times interest earned and cash coverage ratio are exactly the same in both plans.

Tab. 16 Planned debt ratios of the selected enterprise in 2019

Ratio	Optimistic	Pesimistic
Debt ratio	0.84	0.71
Equity ratio	0.16	0.27
Times interest earned	12.16	12.16
Cash coverage ratio	16.66	16.66

Source: Excel - calculations

6.1.3 Planned Activity Ratios

Table 17 shows that the planned activity ratios of the enterprise in optimistic plan changed in most cases in the negative way. Total assets turnover ratio decreased by 0.3 against 1.47 in 2014. Assets turnover was prolonged by 64 days and inventory turnover by 66 days. Inventory turnover ratio decreased by 0.67 against 2.28 in 2014. Fixed assets turnover ratio is almost the same in 2014 and in 2019. Average collection period decreased by 7 days and creditors payment period increased by 99 days against values from 2014.

Results of pesimistic plan show that total assets turnover ratio, inventory turnover ratio and fixed assets turnover ratio are at least two times higher than values of the optimistic plan in 2019. Consequently, all the 3 turnovers are shorter than in the pesimistic plan. Also average collection period and creditor's payment period are more than two times shorter in the pesimistic plan.

Tab. 17 Planned activity ratios of the selected enterprise in 2019

Ratio	Optimistic	Pesimistic
Total assets turnover ratio	1.17	3.66
Assets turnover	313 days	100 days
Inventory turnover	227 days	64 days
Inventory turnover ratio	1.61	5.74
Fixed assets turnover ratio	36.41	84.67
Average collection period	67 days	30 days
Creditors payment period	241 days	54 days

Source: Excel - calculations

6.1.4 Planned Profitability Ratios

In Table 18 all planned profitability ratios in 2019 decreased against the calculated values in 2014. Return on sales (profit margin) decreased by 0.88 percentage point, ROS decreased by 2.71 percentage point, ROA decreased by 2.83 percentage point, ROCE decreased by 2.58 percentage point and ROE decreased by 0.40 percentage point.

Planned profitability ratios for the enterprise are the same for optimistic and pessimistic plans in 2019. ROA, ROCE and ROE ratios are significantly higher in the pessimistic plan in comparison with the optimistic plan.

Tab. 18 Planned profitability ratios of the selected enterprise in 2019

Ratio	Optimistic	Pesimistic
Return on sales/Profit margin	5.10%	5.10%
Return on sales	3.91%	3.91%
Return on assets	5.96%	18.67%
Return on capital employed	19.96%	31.01%
Return on equity	37.18%	68.05%

Source: Excel - calculations

6.1.5 Planned Market Value Ratios

Table 19 shows that the optimistic plan supposes relatively high payout ratio. Profits are higher in the optimistic plan and this plan is also more risky, so the owner requires the payout ratio higher than 50%. The percentage increases in each year because the risk also increases. Earnings per share and equity per share also increased in comparison with values in 2014. Consequently, the activation ratio and investment of shareholders decreases because the owner requires more money for himself.

The owner requires lower payout ratio in case of the pessimistic plan. It is supposed that it should be always below 50%. The pessimistic variant of the proposed plan is less advantageous for investors than the optimistic variant of the plan.

Tab. 19 Planned market value ratios of the selected enterprise in 2019

Ratio	Optimistic	Pesimistic
Earnings per share	1 348 500 CZK	372 750 CZK
Payout ratio	0.61	0.40
Activation ratio	0.39	0.60
Growth rate of investment of shareholders	0.14	0.41
Equity per share	3 626 887 CZK	1 981 630 CZK

Source: Excel - calculations

6.2 Final solution

Pessimistic plan shows better liquidity and profitability ratios, faster turnover and activity ratios. Optimistic plan supposes higher sales and higher require-

ments of investors. ALL SPORTS, a.s. should be more inclined to the pessimistic plan because it shows more realistic forecasts than the optimistic plan. The planned values of optimistic strategy are too high, especially the sales. It is possible to gradually increase the sales but the market with ice hockey equipment is a specific small market which is not going to grow rapidly. On the other hand, the enterprise should not suppose that all of the pessimistic forecasts will be met. The development of sales and other indicators inside the enterprise should be between the 2 extremes of plans. Therefore, ALL SPORTS a.s. would like to use both proposed plans to monitor gradual development of current situation in the enterprise and on the market.

7 Conclusion

In the theoretical part of the diploma thesis the literature review about strategic analysis and planning was elaborated. This topic includes several strategic tools or techniques. The relationship between strategic analysis and strategic planning lies in the fact that the strategic analysis is a very important part of entire planning process in each enterprise. Financial planning and financial analysis are also very important for strategic planning because it enables to find out current financial situation and financial health of an enterprise.

In the practical part of the diploma thesis a selected enterprise was characterized. The selected enterprise was a trade enterprise ALL SPORTS a.s. which distributes ice hockey equipment to the Czech Republic and to Slovakia where its subsidiary enterprise operates. Then the current situation of the selected enterprise was analyzed. PESTLE analysis and Porter's five forces analysis were used to analyze external environment of the selected enterprise. Value Chain analysis and 7S key factors analysis were used to analyze internal environment of the enterprise. SWOT analysis which identifies external and internal environment together was used to state strong sides, weak sides, opportunities and threats of the selected enterprise.

It was found that the external environment of the enterprise is relatively stable and the only significant problem could be the negative development of exchange rates between CZK and foreign currencies. The depreciation of Czech currency is advantageous only for Czech exporters but the selected enterprise ALL SPORTS a.s. is importing enterprise. The existence of the enterprise should not be jeopardized but continuing adverse development in the exchange rate between Czech and Canadian currencies would increase costs on acquisition of goods and it would cause lower profits. The Porter's five forces framework was used for the analysis of competition on the Czech market with ice hockey equipment. The selected enterprise has not got a lot of significant competitors on the market. Its main competitive advantage is a quality of products and an exclusive right to distribute the goods of the brand Bauer to the Czech Republic and to Slovakia.

The analyses of internal environment described current situation inside the enterprise. There were described the main operations performed by the selected enterprise and assignment of particular employees to the operations. ALL SPORTS a.s. is a trading enterprise so it does not manufacture any own products. Most of its goods are already finished products. Only one exception is an adjustment of some clothes and other goods for fans of ice hockey. The adjustments are awarded to other enterprises.

Further, financial analysis was elaborated to identify financial health of the enterprise. The financial analysis was based primarily on the three basic financial statements (Balance sheet, Income statement and Cash flow statement). On the bases of data from these statements the financial ratios of liquidity, profit-

ability, indebtedness, activity and market value were calculated. The financial ratios identified some problems, especially with low cash position liquidity ratios and high debt ratios. On the other hand, current liquidity ratios, equity debt ratios or ROE (Return on Equity) ratios show relatively positive values.

Then a strategic plan in two alternatives was proposed. Both alternatives were designed for next 5 years. The first alternative is an optimistic plan which supposes that the enterprise will increase its sales and profits, extend its business activities to Slovakia and will pay more money for its only owner in the form of dividends. The second alternative is a pessimistic plan which supposes faster increase in expenses of the enterprise than in its revenues. It also expects a worse conditions and development on the Czech market – external environment of the enterprise than the development in the optimistic forecast. The optimistic strategic plan is more risky, however the pessimistic strategic plan is rather conservative. Both the plans state mission, vision, strategic objectives and forecast financial statements, namely planned income statement and planned balance sheet.

Finally the proposed alternatives of the strategic plan were evaluated by calculations of financial ratios. The calculations were performed only for the last year of the plan (2019). Most of the financial ratios show slightly better results in behalf of the pessimistic strategic plan. The final solution recommends rather the pessimistic strategy and plan but the enterprise could use both the alternatives of plan and monitor the real development if correspond with the planned values.

The diploma thesis is designed primarily for the selected enterprise. The enterprise can decide if it will be used for the future planning process in the proposed way or the enterprise can change the data according to its own decisions. However, the content of the diploma thesis can be also used by other enterprises or entrepreneurs.

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List of Tables

Tab. 1	Important economic indicators – 2014 or last known value	35
Tab. 2	The rate of unemployment in the Czech Republic from 2009 to 2014	37
Tab. 3	Population in the Czech Republic from 2010 to 2014 (in thousands)	38
Tab. 4	Science and Research in the Czech Republic	40
Tab. 5	List of the most significant buyers (30. 9. 2014)	43
Tab. 6	Groups of buyers according to sales in 2013	44
Tab. 7	List of the most significant suppliers (30. 9. 2014)	45
Tab. 8	Main products of the selected enterprise in 2013	48
Tab. 9	Profitability ratios of the selected enterprise	52
Tab. 10	Liquidity ratios of the selected enterprise	53
Tab. 11	Activity ratios	54
Tab. 12	Debt ratios of the selected enterprise	55
Tab. 13	Market value ratios of the selected enterprise	55
Tab. 14	Optimistic estimating development of exchange rate CAD/CZK from 2015 to 2019	58
Tab. 15	Planned liquidity ratios of the selected enterprise in 2019	67
Tab. 16	Planned debt ratios of the selected enterprise in 2019	68
Tab. 17	Planned activity ratios of the selected enterprise in 2019	68
Tab. 18	Planned profitability ratios of the selected enterprise in 2019	69

**Tab. 19 Planned market value ratios of the selected enterprise
in 2019**

69

List of Figures

Figure 1	Porter's Five Forces of Competition Framework	19
Figure 2	Porter's Five Forces of Competition Framework according to Grant	21
Figure 3	SWOT analysis	22
Figure 4	Value Chain	23
Figure 5	7S model – key success factors	24
Figure 6	Simplified version of balance sheet	28
Figure 7	GDP in the Czech Republic between 2009 and 2014	36
Figure 8	The rate of inflation in the Czech Republic between 2009 and 2014	36
Figure 9	Currency exchange rates in the Czech Republic from 2009 to 2014	37
Figure 9	The demographic composition of population according to age (31. 12. 2013)	38
Figure 10	The total number of students and number of graduates in the Czech Republic from the academic year 2008/2009 to the academic year 2011/2012	39
Figure 11	Average air pollution (emissions) in the Czech Republic in 2013	41
Figure 12	Optimistic plan of Income statement from 2015 to 2019	59
Figure 13	Optimistic plan of Balance sheet from 2015 to 2019	61
Figure 14	Pesimistic plan of Income statement from 2015 to 2019	63
Figure 15	Pesimistic plan of Balance sheet statement from 2015 to 2019	65

Appendixes

Appendix 1 Balance Sheet

The balance sheet statements from the last 4 years were inserted to one Excel sheet. This process enabled better usage of the data for further calculations.

Balance sheet to 31. 12. 2011, 2012, 2013 and 2014 NETTO (in thousands of CZK)		2011	2012	2013	2014
	TOTAL ASSETS	103 184	121 475	130 545	160 607
A.	Receivables for subscribed equity	0	0	0	0
B.	Fixed assets	3 267	6 576	7 377	6 487
B.I.	Fixed intangible assets	0	0	0	0
B.II.	Fixed tangible assets	3 137	6 446	7 247	6 357
B.II.2.	Buildings	452	432	411	391
B.II.3.	Separate tangible movables and sets of tangible movables	2 685	6 014	6 836	5 966
B.III.	Fixed financial assets	130	130	130	130
B.III.1.	Shares - controlled entity	130	130	130	130
C.	Current assets	98 718	113 650	122 179	152 914
C.I.	Inventory	52 603	68 756	74 651	103 527
C.I.5.	Goods	52 603	68 756	74 651	103 527
C.II.	Long-term receivables	1 148	161	130	130
C.II.8.	Deferred tax assets	1 148	161	130	130
C.III.	Current receivables	40 047	39 931	40 380	47 691
C.III.1.	Trade receivables	35 279	37 384	36 879	44 410
C.III.6.	State - tax receivables	3	3	1 372	1 929
C.III.7.	Short-term prepayments	168	395	375	398
C.III.9.	Other receivables	4 597	2 149	1 754	954
C.IV.	Current financial assets	4 920	4 802	7 018	1 566
C.IV.1.	Cash	1 744	3 893	816	1 041
C.IV.2.	Bank accounts	3 176	909	6 202	525
D.I.	Accruals	1 199	1 249	989	1 206
D.I.1.	Prepaid expenses	1 199	1 249	989	1 206

	TOTAL LIABILITIES	103 184	121 475	130 545	160 607
A.	Equity	22 584	25 978	26 229	37 565
A.I.	Registered capital	2 000	2 000	2 000	2 000
A.I.1.	Registered capital	2 000	2 000	2 000	2 000
A.II.	Capital funds	0	0	0	0
A.III.	Funds from the profit	400	400	400	400
A.III.1.	Reserve fund	400	400	400	400
A.IV.	Profit from previous years	13 497	16 683	18 578	20 828
A.IV.1.	Retained earnings from previous years	13 497	16 683	18 578	20 828
A.V.	Profit for the period	6 687	6 895	5 251	14 337
B.	External resources/liabilities	79 637	93 965	102 256	121 297
B.I.	Reserves	0	0	0	0
B.II.	Long-term liabilities	0	0	0	0
B.III.	Current liabilities	10 416	38 187	32 391	60 228
B.III.1.	Trade payables/liabilities	6 640	33 026	28 349	54 950
B.III.5.	Liabilities to employees	481	565	606	703
B.III.6.	Payables/liabilities to social security and health insurance	274	316	333	399
B.III.7.	State - tax liabilities and subsidies	2 985	4 114	2 952	3 845
B.III.10.	Estimated liabilities	25	154	70	316
B.III.11.	Other liabilities	11	12	81	15
B.IV.	Bank loans and overdrafts/assistance	69 220	55 778	69 865	61 069
B.IV.1.	Long-term bank loans	0	0	0	0
B.IV.2.	Current bank loans	24 220	25 778	39 865	31 069
B.IV.3.	Short-term financial assistance	45 000	30 000	30 000	30 000
C.I.	Accruals	963	1 532	2 060	1 745
C.I.1.	Accrued expenses	962	1 531	2 058	1 744
C.I.2.	Deferred revenue	1	1	2	1

Appendix 2 Income Statement/Profit and Loss Statement

Profit and loss statement/Income statement (in thousands of CZK)		2011	2012	2013	2014
I.	Sales of goods	151 281	205 588	189 577	235 970
A.	Cost of goods sold	108 209	156 953	143 106	177 852
+	Profit margin	43 072	48 635	46 471	58 118
II.	Performances	83	82	59	74
II.1.	Revenues from sales of own products and services	83	82	59	74
B.	Performance consumption	22 650	27 400	24 743	26 708
B.1.	Material and energy consumption	2 156	2 511	2 186	2 161
B.2.	Services	20 494	24 889	22 557	24 547
+	The value added	20 505	21 317	21 787	31 484
C.	Personal expenses	8 622	9 620	10 737	12 123
C.1.	Wage costs	6 507	7 225	8 105	9 167
C.3.	The cost of social security and health insurance	2 115	2 395	2 632	2 956
D.	Taxes and fees	-10	51	168	291
E.	Depreciation of intangible and tangible fixed assets	1 156	1 597	2 252	2 306
III.	Sales of fixed assets and material	40	41	510	6
III.1.	Sales of fixed assets	0	41	371	0
III.2.	Sales of material	40	0	139	6
F.	Net book value of sold fixed assets and material	0	0	43	0
F.1.	Net book value of sold fixed assets	0	0	43	0
G.	Change in reserves and provisions relating to operating activities	-6 397	-3 309	-307	0
IV.	Other operating income	12 086	9 361	1 222	2 952
H.	Other operating expenses	15 126	10 936	1 426	4 099
V.	Transfer of operating income	0	0	0	0
I.	Transfer of operating expenses	0	0	0	0
*	Operating profit (EBIT)	14 134	11 824	9 200	15 623
VI.	Revenues from sales of securities and deposits	0	0	0	0
J.	Sold securities and shares	0	0	0	0
VII.	Revenues from fixed financial assets	0	0	0	3 069
VII.1.	Revenues from shares in controlled and managed entities in acco	0	0	0	3 069
VIII.	Revenues from current financial assets	0	0	0	0
K.	Costs of financial assets	0	0	0	0
IX.	Revenues from revaluation of securities and derivatives	0	0	0	0
L.	Expenses from revaluation of securities and derivatives	0	0	0	0
M.	Change in reserves and adjustments in financial area	0	0	0	0
X.	Interest income/revenues	6	-26	0	0
N.	Interest expenses	4 429	2 827	2 841	2 962
XI.	Ostatní finanční výnosy	2 868	6 481	3 934	7 335
O.	Other financial expenses	4 936	5 342	4 720	8 728
XII.	Transfer of financial revenues	0	0	0	0
P.	Transfer of financial expenses	0	0	0	0
*	Financial profit	-6 491	-1 714	-3 627	-1 286
Q.	Income tax on ordinary activities	956	3 215	322	0
Q.1.	payable	1 351	2 228	291	0
Q.2.	deferred	-395	987	31	0
**	Profit from ordinary activities	6 687	6 895	5 251	14 337
XIII.	Extraordinary revenues	0	0	0	0
R.	Extraordinary expenses	0	0	0	0
S.	Income tax on extraordinary activities	0	0	0	0
*	Extraordinary profit	0	0	0	0
T.	Transfer of share of profit to companions	0	0	0	0
***	Profit for the accounting period (EAT)	6 687	6 895	5 251	14 337
****	Profit before taxation (EBT)	7 643	10 110	5 573	14 337

Appendix 3 Cash Flow Statement

Cash Flow Statement		2011	2012	2013
P	Cash and equivalents at beginning of the period	3 496	4 920	4 802
	<i>Cash flow from ordinary activities</i>			
Z	Accounting profit or loss from ordinary activities before taxation	7 642	10 110	5 572
A1	Adjustments for non-cash transactions	-818	1 100	4 458
A*	Net cash flow from operating activities before tax, changes in wo	6 824	11 210	10 030
A2	Changes in non-cash components of working capital	-479	15 415	-8 233
A**	Net cash flow from operating activities before tax and extraordin	6 345	26 625	1 797
A3	Interest paid, excluding capitalized interest	-4 429	-2 827	-2 841
A4	Interests received	6	-26	0
A5	Income tax paid for operating activities, additional tax paid of pre	-199	-2 083	-3 102
A***	Net cash flow from operating activities	1 723	21 689	-4 146
	<i>Cash flows from investing activities</i>			
B1	Expenses related to acquisition of fixed assets	-1 519	-4 906	-3 096
B2	Proceeds from sales of fixed assets	0	41	371
B***	Net cash flow related to investing activities	-1 519	-4 865	-2 725
	<i>Cash flows from financial activities</i>			
C1	Impacts of changes in long-term (or short-term) liabilities falling	4 220	-13 442	14 087
C2	Impacts of changes of equity to cash	-3 000	-3 500	-5 000
C***	Net cash flow related to financial activities	1 220	-16 942	9 087
F	Net increase or decrease in cash and cash equivalents	1 424	-118	2 216
R	Cash and cash equivalents at end of the period	4 920	4 802	7 018

Appendix 4 Optimistic Plan of Income Statement

Profit and loss statement/Income statement (in thousands of CZK)		2011	2012	2013	2014	2015	2016	2017	2018	2019
I.	Sales of goods	151 281	205 588	189 577	235 970	277 329	325 938	383 066	450 207	529 117
A.	Cost of goods sold	108 209	156 953	143 106	177 852	213 721	256 824	308 620	370 862	445 657
+	Profit margin	43 072	48 635	46 471	58 118	63 608	69 114	74 446	79 345	83 459
II.	Performances	83	82	59	74	73	72	71	70	69
II.1.	Revenues from sales of own products and services	83	82	59	74	73	72	71	70	69
B.	Performance consumption	22 650	27 400	24 743	26 708	28 435	30 281	32 255	34 366	36 622
B.1.	Material and energy consumption	2 156	2 511	2 186	2 161	2 178	2 195	2 213	2 230	2 248
B.2.	Services	20 494	24 889	22 557	24 547	26 257	28 086	30 042	32 135	34 374
+	The value added	20 505	21 317	21 787	31 484	35 246	38 904	42 262	45 050	46 907
C.	Personal expenses	8 622	9 620	10 737	12 123	13 582	15 217	16 447	17 571	18 193
C.1.	Wage costs	6 507	7 225	8 105	9 167	10 277	11 521	12 315	12 950	13 026
C.3.	The cost of social security and health insurance	2 115	2 395	2 632	2 956	3 305	3 696	4 132	4 621	5 167
D.	Taxes and fees	-10	51	168	291	440	666	1 008	1 525	2 308
E.	Depreciation of intangible and tangible fixed assets	1 156	1 597	2 252	2 306	2 933	3 730	4 744	6 034	7 675
III.	Sales of fixed assets and material	40	41	510	6	6	6	6	6	6
III.1.	Sales of fixed assets	0	41	371	0	0	0	0	0	0
III.2.	Sales of material	40	0	139	6	6	6	6	6	6
F.	Net book value of sold fixed assets and material	0	0	43	0	0	0	0	0	0
F.1.	Net book value of sold fixed assets	0	0	43	0	0	0	0	0	0
G.	Change in reserves and provisions relating to operating activities and deferred expenses	-6 397	-3 309	-307	0	0	0	0	0	0
IV.	Other operating income	12 086	9 361	1 222	2 952	3 268	4 117	5 268	6 925	9 202
H.	Other operating expenses	15 126	10 936	1 426	4 099	5 094	6 329	6 765	6 984	7 231
V.	Transfer of operating income	0	0	0	0	0	0	0	0	0
I.	Transfer of operating expenses	0	0	0	0	0	0	0	0	0
*	Operating profit (EBIT)	14 134	11 824	9 200	15 623	16 471	17 085	18 571	19 866	20 708
VI.	Revenues from sales of securities and deposits	0	0	0	0	0	0	0	0	0
J.	Sold securities and shares	0	0	0	0	0	0	0	0	0
VII.	Revenues from fixed financial assets	0	0	0	3 069	3 069	3 069	3 069	3 069	3 069
VII.1.	Revenues from shares in controlled and managed entities in accounting units and units	0	0	0	3 069	3 069	3 069	3 069	3 069	3 069
VIII.	Revenues from current financial assets	0	0	0	0	0	0	0	0	0
K.	Costs of financial assets	0	0	0	0	0	0	0	0	0
IX.	Revenues from revaluation of securities and derivatives	0	0	0	0	0	0	0	0	0
L.	Expenses from revaluation of securities and derivatives	0	0	0	0	0	0	0	0	0
M.	Change in reserves and adjustments in financial area	0	0	0	0	0	0	0	0	0
X.	Interest income/revenues	6	-26	0	0	0	0	0	0	0
N.	Interest expenses	4 429	2 827	2 841	2 962	2 652	2 374	2 125	1 903	1 704
XI.	Ostatní finanční výnosy	2 868	6 481	3 934	7 335	9 123	11 347	14 113	17 553	21 832
O.	Other financial expenses	4 936	5 342	4 720	8 728	9 935	11 310	12 874	14 655	16 682
XII.	Transfer of financial revenues	0	0	0	0	0	0	0	0	0
P.	Transfer of financial expenses	0	0	0	0	0	0	0	0	0
*	Financial profit	-6 491	-1 714	-3 627	-1 286	-395	732	2 182	4 064	6 515
Q.	Income tax on ordinary activities	956	3 215	322	221	278	147	254	74	254
Q.1.	payable	1 351	2 228	291	259	230	205	182	162	145
Q.2.	deferred	-395	987	31	-38	47	-58	72	-89	109
**	Profit from ordinary activities	6 687	6 895	5 251	14 116	15 798	17 670	20 499	23 857	26 970
XIII.	Extraordinary revenues	0	0	0	0	0	0	0	0	0
R.	Extraordinary expenses	0	0	0	0	0	0	0	0	0
S.	Income tax on extraordinary activities	0	0	0	0	0	0	0	0	0
*	Extraordinary profit	0	0	0	0	0	0	0	0	0
T.	Transfer of share of profit to companions	0	0	0	0	0	0	0	0	0
***	Profit for the accounting period (EAT)	6 687	6 895	5 251	14 116	15 798	17 670	20 499	23 857	26 970
****	Profit before taxation (EBT)	7 643	10 110	5 573	14 337	16 076	17 817	20 753	23 931	27 224

Appendix 5 Optimistic Plan of Balance Sheet

Balance sheet (in thousands of CZK)		2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL ASSETS		103 184	121 475	130 545	160 607	195 922	240 188	295 503	364 900	452 398
A.	Receivables for subscribed equity	0	0	0	0	0	0	0	0	0
B.	Fixed assets	3 267	6 576	7 377	6 487	7 662	9 158	10 785	12 568	14 534
B.I.	Fixed intangible assets	0	0	0	0	0	0	0	0	0
B.II.	Fixed tangible assets	3 137	6 446	7 247	6 357	7 532	9 028	10 655	12 438	14 404
B.II.2.	Buildings	452	432	411	391	673	1 141	1 587	2 012	2 417
B.II.3.	Separate tangible movables and sets of tangible movables	2 685	6 014	6 836	5 966	6 859	7 887	9 068	10 426	11 987
B.III.	Fixed financial assets	130	130	130	130	130	130	130	130	130
B.III.1.	Shares - controlled entity	130	130	130	130	130	130	130	130	130
C.	Current assets	98 718	113 650	122 179	152 914	187 032	229 781	283 448	351 039	436 547
C.I.	Inventory	52 603	68 756	74 651	103 527	130 431	164 327	207 031	260 834	328 618
C.I.5.	Goods	52 603	68 756	74 651	103 527	130 431	164 327	207 031	260 834	328 618
C.II.	Long-term receivables	1 148	161	130	130	84	55	36	23	15
C.II.8.	Deferred tax assets	1 148	161	130	130	84	55	36	23	15
C.III.	Current receivables	40 047	39 931	40 380	47 691	54 318	62 228	71 676	83 011	96 708
C.III.1.	Trade receivables	35 279	37 384	36 879	44 410	50 337	57 054	64 669	73 299	83 081
C.III.6.	State - tax receivables	3	3	1 372	1 929	2 726	3 852	5 443	7 692	10 869
C.III.7.	Short-term prepayments	168	395	375	398	579	841	1 223	1 779	2 586
C.III.9.	Other receivables	4 597	2 149	1 754	954	677	480	340	241	171
C.IV.	Current financial assets	4 920	4 802	7 018	1 566	2 199	3 172	4 705	7 171	11 207
C.IV.1.	Cash	1 744	3 893	816	1 041	1 290	1 599	1 981	2 455	3 042
C.IV.2.	Bank accounts	3 176	909	6 202	525	909	1 574	2 724	4 716	8 165
D.I.	Accruels	1 199	1 249	989	1 206	1 227	1 249	1 271	1 293	1 316
D.I.1.	Prepaid expenses	1 199	1 249	989	1 206	1 227	1 249	1 271	1 293	1 316
TOTAL LIABILITIES		103 184	121 475	130 545	160 607	195 922	240 188	295 503	364 900	452 398
A.	Equity	22 584	25 978	26 229	37 565	42 294	47 947	55 151	63 570	72 538
A.I.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
A.I.1.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
A.II.	Capital funds	0	0	0	0	0	0	0	0	0
A.III.	Funds from the profit	400	400	400	400	400	400	400	400	400
A.III.1.	Reserve fund	400	400	400	400	400	400	400	400	400
A.IV.	Profit from previous years	13 497	16 683	18 578	20 828	24 096	27 877	32 252	37 313	43 168
A.IV.1.	Retained earnings from previous years	13 497	16 683	18 578	20 828	24 096	27 877	32 252	37 313	43 168
A.V.	Profit for the period	6 687	6 895	5 251	14 337	15 798	17 670	20 499	23 857	26 970
B.	External resources/liabilities	79 637	93 965	102 256	121 297	147 215	181 915	228 665	292 054	378 655
B.I.	Reserves	0	0	0	0	0	0	0	0	0
B.II.	Long-term liabilities	0	0	0	0	0	0	0	0	0
B.III.	Current liabilities	10 416	38 187	32 391	60 228	82 106	112 240	153 829	211 388	291 399
B.III.1.	Trade payables/liabilities	6 640	33 026	28 349	54 950	76 024	105 179	145 516	201 323	278 531
B.III.5.	Liabilities to employees	481	565	606	703	798	907	1 030	1 170	1 329
B.III.6.	Payables/liabilities to social security and health insurance	274	316	333	399	453	514	584	662	752
B.III.7.	State - tax liabilities and subsidies	2 985	4 114	2 952	3 845	4 355	4 934	5 589	6 331	7 171
B.III.10.	Estimated liabilities	25	154	70	316	435	599	824	1 134	1 560
B.III.11.	Other liabilities	11	12	81	15	40	107	287	768	2 056
B.IV.	Bank loans and overdrafts/assistance	69 220	55 778	69 865	61 069	65 110	69 676	74 836	80 667	87 256
B.IV.1.	Long-term bank loans	0	0	0	0	0	0	0	0	0
B.IV.2.	Current bank loans	24 220	25 778	39 865	31 069	35 110	39 676	44 836	50 667	57 256
B.IV.3.	Short-term financial assistance	45 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000	30 000
C.I.	Accruels	963	1 532	2 060	1 745	6 413	10 325	11 687	9 276	1 206
C.I.1.	Accrued expenses	962	1 531	2 058	1 744	6 412	10 324	11 686	9 275	1 205
C.I.2.	Deferred revenue	1	1	2	1	1	1	1	1	1

Appendix 6 Pesimistic Plan of Income Statement

Profit and loss statement/Income statement (in thousands of CZK		2011	2012	2013	2014	2015	2016	2017	2018	2019
I.	Sales of goods	151 281	205 588	189 577	235 970	245 604	248 088	250 598	253 132	255 693
A.	Cost of goods sold	108 209	156 953	143 106	177 852	186 892	189 717	192 584	195 495	198 450
+	Profit margin	43 072	48 635	46 471	58 118	58 712	58 372	58 014	57 637	57 243
II.	Performances	83	82	59	74	77	78	79	79	80
II.1.	Revenues from sales of own products and services	83	82	59	74	77	78	79	79	80
B.	Performance consumption	22 650	27 400	24 743	26 708	28 065	28 490	28 920	29 357	29 801
B.1.	Material and energy consumption	2 156	2 511	2 186	2 161	2 271	2 305	2 340	2 375	2 411
B.2.	Services	20 494	24 889	22 557	24 547	25 795	26 185	26 580	26 982	27 390
+	The value added	20 505	21 317	21 787	31 484	30 724	29 960	29 172	28 359	27 522
C.	Personal expenses	8 622	9 620	10 737	12 123	12 739	12 932	13 127	13 326	13 527
C.1.	Wage costs	6 507	7 225	8 105	9 167	9 633	9 779	9 926	10 076	10 229
C.3.	The cost of social security and health insurance	2 115	2 395	2 632	2 956	3 106	3 153	3 201	3 249	3 298
D.	Taxes and fees	-10	51	168	291	306	310	315	320	325
E.	Depreciation of intangible and tangible fixed assets	1 156	1 597	2 252	2 306	2 423	2 460	2 497	2 535	2 573
III.	Sales of fixed assets and material	40	41	510	6	6	6	6	6	7
III.1.	Sales of fixed assets	0	41	371	0	0	0	0	0	0
III.2.	Sales of material	40	0	139	6	6	6	6	6	7
F.	Net book value of sold fixed assets and material	0	0	43	0	0	0	0	0	0
F.1.	Net book value of sold fixed assets	0	0	43	0	0	0	0	0	0
G.	Change in reserves and provisions relating to operating activities	-6 397	-3 309	-307	0	0	0	0	0	0
IV.	Other operating income	12 086	9 361	1 222	2 952	3 073	3 104	3 135	3 167	3 199
H.	Other operating expenses	15 126	10 936	1 426	4 099	4 307	4 372	4 439	4 506	4 574
V.	Transfer of operating income	0	0	0	0	0	0	0	0	0
I.	Transfer of operating expenses	0	0	0	0	0	0	0	0	0
*	Operating profit (EBIT)	14 134	11 824	9 200	15 623	14 027	12 995	11 935	10 847	9 729
VI.	Revenues from sales of securities and deposits	0	0	0	0	0	0	0	0	0
J.	Sold securities and shares	0	0	0	0	0	0	0	0	0
VII.	Revenues from fixed financial assets	0	0	0	3 069	3 069	3 069	3 069	3 069	3 069
VII.1.	Revenues from shares in controlled and managed entities in acco	0	0	0	3 069	3 069	3 069	3 069	3 069	3 069
VIII.	Revenues from current financial assets	0	0	0	0	0	0	0	0	0
K.	Costs of financial assets	0	0	0	0	0	0	0	0	0
IX.	Revenues from revaluation of securities and derivatives	0	0	0	0	0	0	0	0	0
L.	Expenses from revaluation of securities and derivatives	0	0	0	0	0	0	0	0	0
M.	Change in reserves and adjustments in financial area	0	0	0	0	0	0	0	0	0
X.	Interest income/revenues	6	-26	0	0	0	0	0	0	0
N.	Interest expenses	4 429	2 827	2 841	2 962	3 113	3 160	3 207	3 256	3 305
XI.	Other financial income	2 868	6 481	3 934	7 335	7 634	7 712	7 790	7 868	7 948
O.	Other financial expenses	4 936	5 342	4 720	8 728	9 172	9 310	9 451	9 594	9 739
XII.	Transfer of financial revenues	0	0	0	0	0	0	0	0	0
P.	Transfer of financial expenses	0	0	0	0	0	0	0	0	0
*	Financial profit	-6 491	-1 714	-3 627	-1 286	-1 581	-1 689	-1 800	-1 912	-2 027
Q.	Income tax on ordinary activities	956	3 215	322	221	232	236	239	243	247
Q.1.	payable	1 351	2 228	291	259	272	276	280	285	289
Q.2.	deferred	-395	987	31	-38	-40	-41	-41	-42	-42
**	Profit from ordinary activities	6 687	6 895	5 251	14 337	12 214	11 070	9 896	8 692	7 455
XIII.	Extraordinary revenues	0	0	0	0	0	0	0	0	0
R.	Extraordinary expenses	0	0	0	0	0	0	0	0	0
S.	Income tax on extraordinary activities	0	0	0	0	0	0	0	0	0
*	Extraordinary profit	0	0	0	0	0	0	0	0	0
T.	Transfer of share of profit to companions	0	0	0	0	0	0	0	0	0
***	Profit for the accounting period (EAT)	6 687	6 895	5 251	14 337	12 214	11 070	9 896	8 692	7 455
****	Profit before taxation (EBT)	7 643	10 110	5 573	14 337	12 446	11 306	10 136	8 934	7 702

Appendix 7 Pesimistic Plan of Balance Sheet

Balance sheet (in thousands of CZK)		2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL ASSETS		103 184	121 475	130 545	160 607	157 614	154 186	150 852	147 615	144 474
A.	Receivables for subscribed equity	0	0	0	0	0	0	0	0	0
B.	Fixed assets	3 267	6 576	7 377	6 487	6 842	6 689	6 539	6 393	6 250
B.I.	Fixed intangible assets	0	0	0	0	0	0	0	0	0
B.II.	Fixed tangible assets	3 137	6 446	7 247	6 357	6 712	6 559	6 409	6 263	6 120
B.II.2.	Buildings	452	432	411	391	882	862	842	823	804
B.II.3.	Separate tangible movables and sets of tangible movables	2 685	6 014	6 836	5 966	5 830	5 697	5 567	5 440	5 316
B.III.	Fixed financial assets	130	130	130	130	130	130	130	130	130
B.III.1.	Shares - controlled entity	130	130	130	130	130	130	130	130	130
C.	Current assets	98 718	113 650	122 179	152 914	149 594	146 345	143 188	140 123	137 150
C.I.	Inventory	52 603	68 756	74 651	103 527	101 164	98 856	96 600	94 395	92 241
C.I.5.	Goods	52 603	68 756	74 651	103 527	101 164	98 856	96 600	94 395	92 241
C.II.	Long-term receivables	1 148	161	130	130	130	130	130	130	130
C.II.8.	Deferred tax assets	1 148	161	130	130	130	130	130	130	130
C.III.	Current receivables	40 047	39 931	40 380	47 691	46 603	45 539	44 500	43 484	42 492
C.III.1.	Trade receivables	35 279	37 384	36 879	44 410	43 397	42 406	41 438	40 493	39 569
C.III.6.	State - tax receivables	3	3	1 372	1 929	1 885	1 842	1 800	1 759	1 719
C.III.7.	Short-term prepayments	168	395	375	398	389	380	371	363	355
C.III.9.	Other receivables	4 597	2 149	1 754	954	932	911	890	870	850
C.IV.	Current financial assets	4 920	4 802	7 018	1 566	1 697	1 820	1 958	2 113	2 286
C.IV.1.	Cash	1 744	3 893	816	1 041	1 093	1 126	1 160	1 194	1 230
C.IV.2.	Bank accounts	3 176	909	6 202	525	604	694	798	918	1 056
D.I.	Accruals	1 199	1 249	989	1 206	1 178	1 152	1 125	1 100	1 075
D.I.1.	Prepaid expenses	1 199	1 249	989	1 206	1 178	1 152	1 125	1 100	1 075
TOTAL LIABILITIES		103 184	121 475	130 545	160 607	157 614	154 186	150 852	147 615	144 474
A.	Equity	22 584	25 978	26 229	37 565	37 867	38 265	38 691	39 147	39 633
A.I.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
A.I.1.	Registered capital	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000	2 000
A.II.	Capital funds	0	0	0	0	200	400	600	800	1 000
A.III.	Funds from the profit	400	400	400	400	600	800	1 000	1 200	1 400
A.III.1.	Reserve fund	400	400	400	400	600	800	1 000	1 200	1 400
A.IV.	Profit from previous years	13 497	16 683	18 578	20 828	22 853	23 995	25 195	26 455	27 778
A.IV.1.	Retained earnings from previous years	13 497	16 683	18 578	20 828	22 853	23 995	25 195	26 455	27 778
A.V.	Profit for the period	6 687	6 895	5 251	14 337	12 214	11 070	9 896	8 692	7 455
B.	External resources/liabilities	79 637	93 965	102 256	121 297	115 369	110 750	107 196	104 510	102 533
B.I.	Reserves	0	0	0	0	1 000	2 000	3 000	4 000	5 000
B.II.	Long-term liabilities	0	0	0	0	1 000	2 000	3 000	4 000	5 000
B.III.	Current liabilities	10 416	38 187	32 391	60 228	58 854	57 511	56 198	54 916	53 662
B.III.1.	Trade payables/liabilities	6 640	33 026	28 349	54 950	53 696	52 471	51 273	50 103	48 960
B.III.5.	Liabilities to employees	481	565	606	703	687	671	656	641	626
B.III.6.	Payables/liabilities to social security and health insurance	274	316	333	399	390	381	372	364	356
B.III.7.	State - tax liabilities and subsidies	2 985	4 114	2 952	3 845	3 757	3 672	3 588	3 506	3 426
B.III.10.	Estimated liabilities	25	154	70	316	309	302	295	288	282
B.III.11.	Other liabilities	11	12	81	15	15	14	14	14	13
B.IV.	Bank loans and overdrafts/assistance	69 220	55 778	69 865	61 069	54 516	49 240	44 998	41 594	38 871
B.IV.1.	Long-term bank loans	0	0	0	0	1 000	2 000	3 000	4 000	5 000
B.IV.2.	Current bank loans	24 220	25 778	39 865	31 069	29 516	28 040	26 638	25 306	24 041
B.IV.3.	Short-term financial assistance	45 000	30 000	30 000	30 000	24 000	19 200	15 360	12 288	9 830
C.I.	Accruals	963	1 532	2 060	1 745	4 378	5 170	4 965	3 959	2 308
C.I.1.	Accrued expenses	962	1 531	2 058	1 744	4 377	5 169	4 964	3 958	2 307
C.I.2.	Deferred revenue	1	1	2	1	1	1	1	1	1

