

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics



DIPLOMA THESIS

Business plan for real estate agency in Pardubice

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DIPLOMA THESIS ASSIGNMENT

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Economics and Management

Thesis title

Business plan for Real Estate Agency in Pardubice

Objectives of thesis

The main aim of the diploma thesis is to prepare a realistic business plan for the real estate agency in a legal form of s.r.o. The thesis is divided into two main groups, where the first part is focused on the theoretical findings from the literature, the structure of the region, who is entrepreneur, known forms of business, the procedure for starting up a company and individual parts of the business plan. The second part is focused on the the real business plan for the real estate agency Blue s.r.o.

Methodology

The methodology of the diploma thesis is in the in the first part is to investigate the literature background for a real estate agency. Mainly to define the basic terminology and legal form of business.

The second part is focused on analysis related to the business plan. The analysis that are performed in the diploma thesis are: SWOT analysis, PEST analysis and Porter's model. The second part will also contain fundings, budgets and marketing strategies.

The proposed extent of the thesis

60 pages

Keywords

real estate, business plan, SWOT analysis, PEST analysis, prospectus

Recommended information sources

Berry, T. (2010). The plan-as-you-go business plan. 1st ed. [Irvine, CA]: Entrepreneur Press.
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SYNEK, M. *Podniková ekonomika*. Praha: C.H. Beck, 2002. ISBN 80-7179-736-7.

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Declaration

I declare that I have worked on my diploma thesis titled "Business plan for Real Estate Agency in Pardubice" by myself and I have used only the sources mentioned at the end of the thesis. As the author of the diploma thesis, I declare that the thesis does not break copyrights of any their person.

In Prague on _____

Acknowledgement

I would like to thank Ing. Petr Procházka, MSc, Ph.D., to my friends in real estate agencies for providing me data and to Vladimír Novák for their advice, patience, and support during my work on the thesis.

BUSINESS PLAN FOR REAL ESTATE AGENCY IN PARDUBICE

SUMMARY

This diploma thesis deals with the business plan issue. The aim of the diploma thesis is the analysis of the establishment of a real estate agency in Pardubice. The first part, theoretical, deals with the real estate market in the Czech Republic, definitions for entrepreneurs and entrepreneurship, what steps a newly-emerging entrepreneur has to follow in order to establish a limited liability company and, last but not least, the business plan. There are also mentioned analyses, which will then be applied in the practical part.

The practical part is focused directly on the real estate agency with limited financial resources. There are mentioned analyses such as PEST analysis and SWOT analysis. There is also a detailed marketing plan outlined by the company as well as a financial plan that will result in a financial profit or loss of a real estate agency. At the end of the thesis are summarized the results of the whole diploma thesis.

Keywords: Enterprise Establishing, Estate Agency, Business Plan, profit, budget, real estate market, entrepreneur, marketing plan, financial analysis

PODNIKATELSKÝ ZÁMĚR PRO REALITNÍ KANCELÁŘ V PARDUBICÍCH

ABSTRAKT

Tato diplomová práce se zabývá problematikou podnikatelského plánu. Cílem diplomové práce je analýza pro založení realitní kanceláře v Pardubicích. První část, teoretická se zabývá realitním trhem v České Republice, definicemi pro podnikatele a podnikání, jaké kroky musí nově začínající podnikatel následovat aby mohl založit společnost s ručením omezeným, a v neposlední řadě také náležitostmi pro podnikatelský plán. Jsou zde také zmíněny analýzy, které poté budou aplikovány v praktické části.

Praktická část se již zaměřuje přímo na konkrétní založení realitní kanceláře, která má omezené finanční prostředky. Jsou zde zmíněny analýzy jako je PEST analýza a SWOT analýza. Je zde také podrobně popsán marketingový plán společnosti a také finanční plán, z kterého bude vyplývat finanční ziskovost či ztráta realitní kanceláře. V závěru práce jsou shrnuté výsledky z celé diplomové práce.

Klíčová slova: Založení podniku, realitní kancelář, Podnikatelský záměr, zisk, rozpočet, realitní trh, podnikatel, marketingový plán, finanční plán

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1 INTRODUCTION

Like every student after finishing studies is solving a huge struggle with the future life outside of the university. Even I was wondering how to apply theoretical knowledge acquired during the studies into life. I have decided that I am not going to be an employee in the company but my dream is to have an independent business, because it allows me to realize my own ideas and goals and to be the one who decides about the question what, how, when and for whom. As a field of interest, I have chosen the real estate market because of my previous experience. Even though that the real estate market is not suffering from a lack of real estate agencies I still believe that with above-standard services, the new real estate agency can profitably work.

After 1990, small and medium-sized enterprises were developing in the Czech Republic. Each one of us could face a decision whether to do business or not and did not change even today. It is obvious that the status of the entrepreneur has its positive aspects, but also negative, and that's why it is necessary to think and evaluate them.

However, the decision itself and the desire to do business today is not enough. The dynamic waveform of business puts high demands on its subjects and brings a constant pressure of the competitive environment, which requires a high level of concentration to address current and future challenges and effectively ensure that your goals are met and the successful development of a business strategy makes them reachable.

An important part of the business sphere in the Czech Republic is small and medium-sized enterprises. According to the data from the Ministry of Industry and Trade for 2016, there were in total 991 786 of economically active small and medium-sized enterprises, in the Czech Republic, that represents 99.85% of the total number of enterprises. Small and medium-sized enterprises employ 61.38% people. (Mpo.cz, 2017)

Small and medium-sized enterprises play an essential role in creating new job opportunities and generally act as a factor of social stability and economic development. Their characteristic and the main feature is flexibility and quick adaptation to changing circumstances. They are the producers of countless small innovations, adapting to the changing needs of consumers and engaging in peripheral market areas, which are not the interest of a larger business.

Business plan represents a major business management tool in the early stages of the development. In addition, they can serve as an important underlying asset for securing investments to the financing of own resources are insufficient. It is obvious that the business plan is vital for the enterprise itself (information for managers, owners) and for non-business purposes (investors, banks).

The aim of this diploma thesis is to prepare a proposal of a business plan of a real estate agency and to find out if there is a space for another real estate agency in the marketplace and whether it has something extra to offer for customers. This proposal is not primarily compiled for the purpose of obtaining foreign capital from investors or banks.

The first part of this thesis deals with the setting of the main objectives and methods that should help facilitate the primary financial goal and to set the future goals. The definitions of selected major issues that are common in the given area of business are also included. Next part is the practical part, which determines the importance of the business plan not only in the phase of establishment of the business but also during its expansion.

This chapter also deals with specific parts of the business plan on a theoretical basis and points out particular information that anyone who wants to start doing business should be aware of. This information can often provide data for initial decision making. The following chapter focuses on problems where methods such as SWOT analysis are used, industry analysis, market analysis, marketing analysis, etc. Chapters will result in a proposal of the business plan, which will be followed by a final evaluation.

This form of enterprise is in a legal form of s.r.o. which is a Czech abbreviation of the private limited company and it is economically justifiable under the conditions of the Czech Republic.

2 OBJECTIVES AND METHODOLOGY

2.1 OBJECTIVES

The main aim of the diploma thesis is to prepare a realistic business plan for the establishment of a new real estate agency, operating in Pardubice, in a legal form of private limited liability with Czech abbreviation s.r.o. The expected outcome of this diploma thesis is the answer to following research questions.

1. Does the enterprise have a real chance in the current situation to succeed and be profitable in the real estate market?
2. What predicted profit/loss will the company generate in the first and second year of business?

2.2 METHODOLOGY

The methodology of the diploma thesis presented in the first part is to investigate the literature background for a real estate agency. Mainly, define the basic terminology and legal forms of business. The second part is focused on penning an analysis related to the business plan. The analysis that is performed in the diploma thesis is SWOT analysis, PEST analysis, and Porter's model. The second part will also contain funding, budgets and marketing strategies.

From a marketing point of view, it is necessary to make a marketing mix where there will be determined price, differentiation of our products (services), market placement and especially promotion. The goal is to make sure that the name of the new real estate agency will spread awareness and begin to acquire customer confidence

Through all the investigations, it is necessary to carry out a SWOT analysis where the strengths and weaknesses of the company will be defined. The result is to minimize the impact of weaknesses in the future.

To compare individual competitors and their services or products, a comparative method (comparison of similarities) will be used to help evaluate and find opportunities that need to be further developed and exploited. This method can help us find a less costly solution or indicate a way to achieve higher efficiency and improve performance, to gain an advantage over the competition.

3 THEORETICAL PART

3.1 REAL ESTATE MARKET

This chapter is focused on the characteristics of real estate, the real estate market, and its subjects and on supply and demand. Next, it will focus on the specifics of the real estate market and the issue of value and prices in the context of property valuation. The object of real estate market is naturally property, more precisely the ownership rights.

The real estate market is the place where real estate supply meets demand. It is a part of the general market system, a partial market subject to general market conditions patterns with certain peculiarities which are given by natural intrinsic properties of real estate as opposed to a movable thing. The real estate market as part of the general market system and it affects all other markets and their individual elements. (Žítek, 2005)

The supply on the real estate market is represented by sellers who are trying to sell their property at the highest possible price. On the other hand, on the demand side, the buyer is persuading to pay as less as possible. The real price then arises as a compromise between these two poles.

If the market is in balance then the demand equals the supply. However, this situation is very rare and does not occur on the market. In practice, it often arises the situation when there the supply overcome the demand or vice versa. If the supply is predominant over demand, there is a gradual decline in prices. Contraversely, if demand for real estate will start to grow and supply will not hurt to satisfy it, prices will rise. (Appraising residential properties, 2007)

PROPERTY

Real estate is defined by the Civil Code (§119) as follows:

- Buildings, ie built-in or completed buildings firmly connected to the ground (connected a solid basis)
- Land that is part of the earth's surface (including if it is covered with water), something that is given and cannot be produced or consumed. The land is usually registered in the form of parcels that are geometrically and positional determined, and displayed in the (cadastral) map and marked with a parcel number
- Housing and non-residential (operating) units whose existence is defined by law about ownership of flats. Units are most often created on the basis of so-called Owners Declaration or Construction contracts and their owner is also co-owners of common parts of buildings respectively of the land on which the building is located.

The benefit that property brings is an individual feature for every market participant. In general, however, the higher the benefit of the property brings to the buyer, the higher value it has so the higher the price will be willing to pay for the property and vice versa. The price is therefore determined by the individual value that the buyer and seller assign. The amount required, offered or actually paid depends on the value it the properties are individually assigned by buyers and sellers, that is to say, quantity and usefulness of real estate. (Juergensmeyer and Brown, 2011)

DIVISION OF REAL ESTATE MARKET

The Real Estate Development Association, which brings together real estate professionals, uses the segmentation of the real estate market into five separate segments (Trend report, 2017). This is about the end-user base area on which the segment is targeted. The following breakdowns also appear in many theoretical overviews and statistics.

- a. Residential market
- b. Commercial market
- c. Retail market
- d. Industrial and storage market
- e. Hospitality and Tourism

The real estate market consists of predominantly with five of the main groups of economic subjects. Each participant has different and often conflicting goals and motives in the real estate market. The main participants include:

- a. Offering - property owners (households, developers)
- b. Demanding - investors and tenants (households, businesses)
- c. Financial institutions (banks, insurance companies)
- d. Regulatory (government and local government)
- e. Agents (real estate agencies)

The most important two subjects are sellers and buyers. They conclude a sales contract together and they create the market in the narrow sense of the word. We can talk about the market if it does not contain individual sellers or buyer but if it is created by a large number of volunteer sellers and buyers. Based on the clash of supply and demand that the seller and the buyer creates, make market property prices. (Schmitz and Brett, 2009)

Another subject creating the real estate market are banks. These, among other things, provide loans to finance real estate market. In the case of mortgages, banks, which are in the Czech Republic is granted by the Czech National Bank for this activity license is usually called mortgage loans. A mortgage loan is a loan whose repayment, including accessories, is secured by a lien on the real estate, including the real estate under construction. (Schmitz and Brett, 2009)

An important role in the real estate market is also played by the state, which creates the legal environment, on whose real estate market is working. The role of the state lies in setting protection rules of property rights, tenants' rights etc. The state also affects the real estate market through tax system. The state often affects real estate market prices also directly by regulation. In the Czech Republic, for example, the maximum level of rent for a particular one is regulated with group of tenants of real estate intended for housing. The state decision is also subject to placement urban planning. Town Planning and Building Law in the Czech Republic are regulated by the Building Law. (Schmitz and Brett, 2009)

An important role for real estate market is real estate agents. They are intended as an intermediary between sellers and buyers, respectively landlords and tenants. They focus on demand and offer of real estate at a given time, often actively offers, resp. they seek out

their demand and make their profits by means of commissions that they conclude with parties apply. In addition to this basic mediation role, they usually use their knowledge and know-how, as well as other activities related to real estate transactions, advice on the purchase or sale of real estate, transfer of ownership rights in the land register, real estate management and often real estate valuation. (Schmitz and Brett, 2009)

3.2 DEFINITION OF AN ENTREPRENEUR

One of the most important definitions of an entrepreneur is the definition by the law, under the terms of the § 2nd Article (2) of Act No. 513/1991 Coll., The Commercial Code, as amended:

1. A person registered under the Commercial Code - it is a trading company (Public Limited Company, Private Limited company, Partnership, Limited partnership), cooperative,
2. a person who is doing business on the basis of a trade license (tradesman or trader), the person entitled to assist him/her),
3. a person who does business under a non-trade license under the special regulations - such as doctors, lawyers, notaries, private bailiffs, etc.,
4. a natural person who operates under the agricultural production and is registered in the record of agricultural entrepreneurs.

3.3 DEFINITION OF THE ENTREPRENEURSHIP

Business is governed by the Commercial Code (Act No. 531/1991 Coll., As amended by later regulations). Commercial Code defines business as a systematic activity carried out independently by the entrepreneur in his/her own name and under his own responsibility in order to make a profit.

3.4 ENTERPRISE

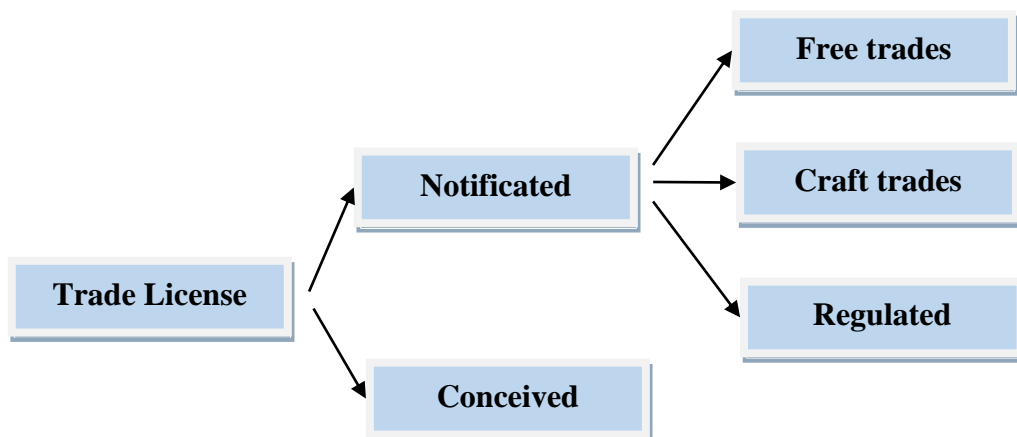
An enterprise is defined in the Commercial Code as a set of tangible, intangible and personal components of the business. To the enterprise belongs:

- things,
- rights,
- other property values belonging to an entrepreneur serving or having to serve to operate the business. (Horzinková,2001)

3.4.1 TRADE LICENSE

Trade is a regular gainful activity carried out on its own, on one's own responsibility and at one's own risk for profit. Business can operate natural person or legal person. In order for an individual to become a tradesman, they must meet a number of conditions that are legally enforceable (for example, they must be over 18 years of age, legally qualified actions, impeccable, professionally qualified trades to perform) From a professional point of view eligibility distinguishes the Trade Licensing Act of reporting and concession. (Horzinková,2001)

Figure 1 - Trade license division



(Source: own processing, data Horzinková, 2001)

Trade licenses notification may be operated on the basis of specified conditions of notification. They are:

- Craft trades - where professional competence is acquired through training in the field and practice (Eg catering),
- Regulated trades - where the professional competence is set for each trade separately (production, assembly, repair of boilers); Operating this trade requires the acquisition of a license,
- Free trades - where professional competence is not established; Subject of business is production, trade, and services that are not craft and bound. (Horzinková,2001)

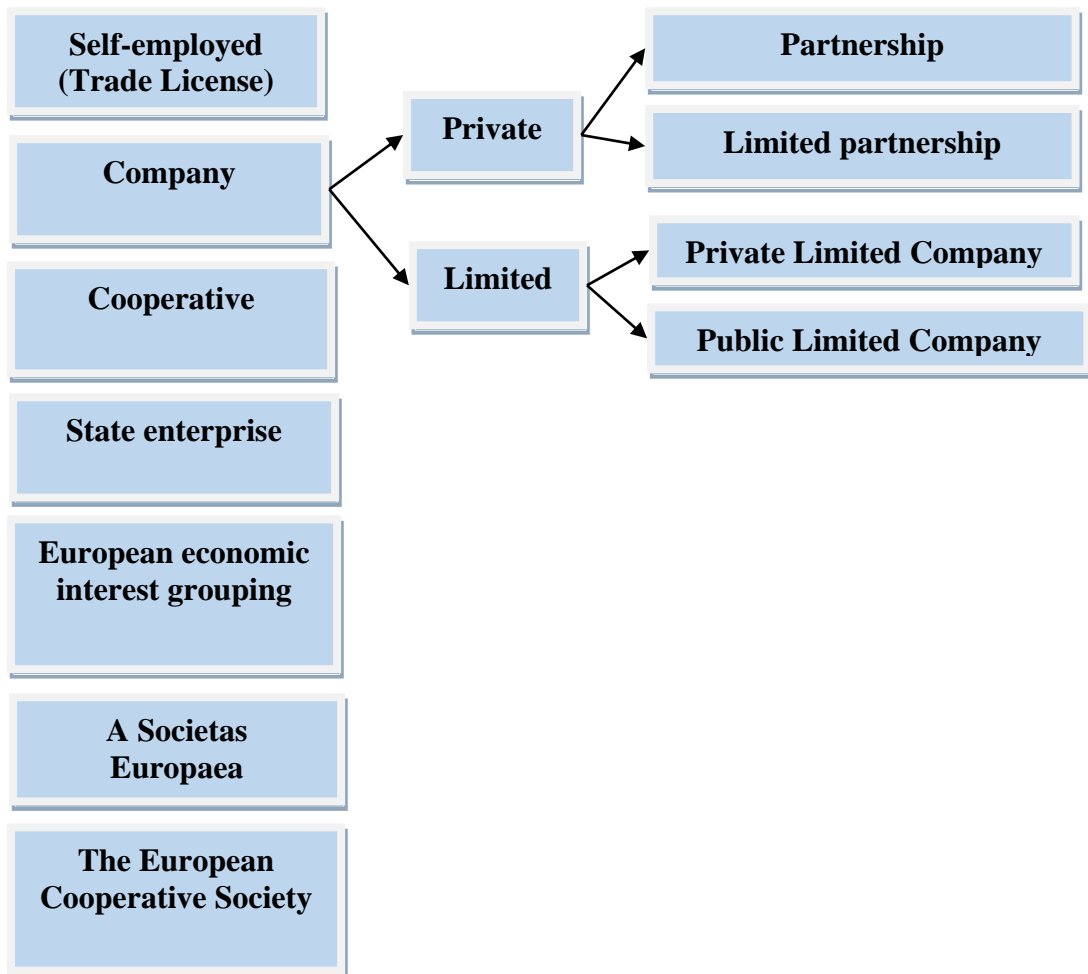
3.4.2 LEGAL FORM OF BUSINESS IN THE CZECH REPUBLIC

The Commercial Code and other legal standards offer entrepreneurs various legal forms of business, the choice is entirely dependent on the entrepreneur. The choice of legal form belongs to a long-term decision. The question of choosing an administrative legal form does not arise only when establishing a new business, but also if the entrepreneur decides to change the legal form of his business. Legal change of an enterprise from one to another is called transformation. (Obchodní zákoník, 1993) Criteria for choosing a legal form of an enterprise are:

- The manner and extent of liability (business risk)
- Management authorization, i.e. representation of the company externally, management of the company, possibility of Co-decision, etc.,
- Initial capital claims,
- Administrative burdens of business start-up and extent of expenses associated with the establishment of a business operation,
- Profit (loss),
- Financial options, especially access to foreign sources,
- The tax burden,
- Disclosure obligation.

business, but also in a case of the change in a legal form.

Figure 2 - Legal forms of business in the Czech Republic



(Source: own processing, data Horzinková,2011)

PARTNERSHIP

The partnership is a personal company defined by the Commercial Code, Paragraphs § 76 to § 92.

Under Paragraph §76 (1), a partnership is a company in which at least two persons do business under a joint venture. This state must be maintained even in the case of changes in the number persons. The associate may be both a natural person and a legal person. A partnership is formed by the conclusion of a social contract that it must have written the form and must be signed by all founders. Their signatures must be officially verified. (Obchodní zákoník,1993)

Section 78 of the Commercial Code states that the social contract must include:

- the company and registered office,
- designation of the partners by the name of the firm or the name and registered office of the legal person or name; Residence of a natural person,
- the subject of matter of the company's business.

Other features include that shareholders do not have a statutory deposit obligation. However, this obligation may arise on the basis of the shareholders' agreement and must be registered in the social contract. The company does not create an equity and the required reserve fund is formed only upon the agreement of all the partners, and this must be recorded in the social contract. The company also has no statutory obligation to create company bodies. For a public company, it's shareholders are liable for the company 's liabilities jointly and irrespective of their entire property. (Obchodní zákoník,1993)

LIMITED PARTNERSHIP

It is defined in the Commercial Code in § 93 et seq. This is a mixed type company. There are signs from both the partnership and the company with limited liability. The limited partnership is formed by at least two shareholders, who have different legal rights position. One must be a comanditist and a second complementary. Their difference is their height of liability for liabilities. The comanditist has a statutory deposit obligation and guarantees the company 's liabilities, the amount of unpaid deposit that is registered in the Commercial Register. The amount of the deposit is determined by the Social contract, but at least CZK 5,000. The Complementary has no obligation to deposit, it guarantees unlimited liability for one's obligations of property, even if it deposits a deposit in the company. Both can be both physical and so legal entity. (Obchodní zákoník,1993)

The company is based on the conclusion of a social contract, which must be in written form and must be signed by all partners. Signatures of partners must be officially verified. (Obchodní zákoník, 1993) The content of the contract is:

1. designation of the partners by the name of the firm or the name and registered office of the legal person or name; Residence of a natural person,
2. the subject of business,
3. determining which of the partners are complementary and who are limited partners,
4. the amount of the contribution of each co-owner.

PRIVATE LIMITED COMPANY

It is the most widespread form of corporate business. It is defined in the Commercial Code § 105 to § 153 and is a limited company.

The registered capital of the company consists of predetermined deposits of shareholders. As the only one legal form, the company may be established by one person. By law, the maximum number of partners is 50. The founder can be a natural or legal person. The company is established by the social contract in case of two or more partners. It must be written and must be signed by all partners. Signatures must be officially verified. If the company is based only one person, the social contract is replaced by a founding charter, which takes the form of the notarial record. (Obchodní zákoník,1993)

The main feature of this is that it produces compulsory capital, which is legally required by the minimum amount and that the shareholders are obliged to deposit and repay the company. These minimum amounts are set by law - Section 108 and Section 109 of the Commercial Code. By law, the specified minimum amount of the basic capital is CZK 200,000. The amount of the partner's contribution must be at least CZK 20,000. (Obchodní zákoník,1993)

The company is responsible for violating its obligations with its entire property. Shareholders guarantee, jointly and severally, on the company's liabilities up to the sum of the outstanding portion of the deposits of all partners. Other features of this type of company include the fact that it is obligatory to create a reserve fund and authorities of the Company. These are the General Meeting, the Executive, and the Supervisory Board. Members of the institutions can not only be partners, but also third parties. The General assembly is the supreme body of the company and deals with internal affairs of the Company. The manager is the statutory body of the company. If there are more managers, everyone is an agent is entitled to act independently. If a social contract or statutes do not provide otherwise. The chairman is appointed by the general meeting. The supervisory board is established if so provided by the social contract. (Obchodní zákoník,1993)

PUBLIC LIMITED COMPANY

The public limited company is a purely capital company. Its legislation is based on the Commercial Code, § 154 to § 220. Its capital is allocated to a certain number of shares of a certain nominal value. The company is responsible for violating their obligations with their entire property. Shareholders are not liable for the company's liabilities. A public limited company may be established by one or two or more founders. In case that the company is established by one founder, it is a legal entity and is constituted as a founder charter. Two or more founders conclude a founding covenant. (Obchodní zákoník,1993)
There are two ways how can be the company established:

- Without a public offer of shares
- With a public offer of shares.

In the first case, the share capital of the company must be at least CZK 2,000,000. If a company is established with a public offer of shares, its share capital must be in the amount of at least CZK 20,000,000, unless a higher amount is set by special regulations. (Obchodní zákoník,1993)

The bodies of the Company are the general meeting, the board of directors and the supervisory board that is set up as obligatory. In addition, the company may also establish other bodies. The general assembly is the supreme body of the company. It is made up of all shareholders. The general assembly calls the board of directors at least once a year. The statutory body is the board of directors. The board of directors drives activities of the company and acts on its behalf. Members are elected and removed by the general assembly. Their number must be at least 3. The supervisory board supervises the performance of the board of directors' responsibilities and the implementation of the business activities of the company. The supervisory board should have at least 3 members and the number should be divisible by three. Members of the supervisory board participate in the general meeting and then inform the supervisory board about the results of its activities. (Obchodní zákoník,1993)

3.5 BUSINESS PLAN

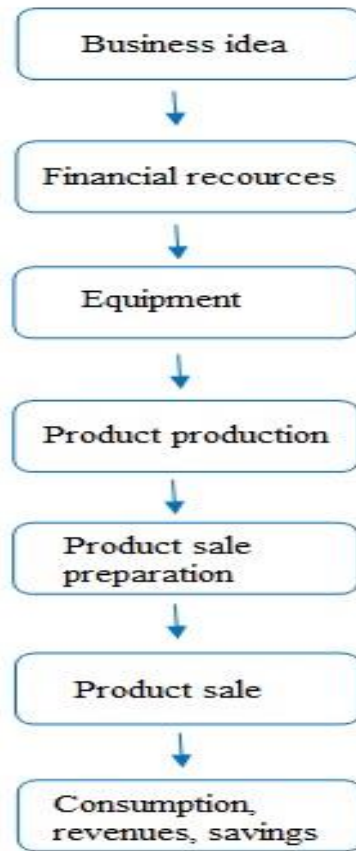
The business plan is a written document of the enterprise describing all the essential externalities, internal factors that are related to the establishment of a new business or the development of an existing one. It describes the enterprise's goals in the sphere of development, production, sales, and financing. The business plan should be developed by the entrepreneur, with the help of other stakeholders Such as accountants, marketing consultants, technicians or lawyers. A business plan is to be seen as a still lively and evolving document that is needed to constantly adjust due to the changing conditions in which the company operates. (Pinson, 2007)

CONTENT OF THE BUSINESS PLAN

The business plan's content usually serves according to two main purposes. The first of them is that it fulfills an in-house direction according to which the company is or should be managed. The other is an external character that can be used in the case of external financing of the undertaking's financial program or, to obtain certain state fundings. In such that case the investor must be convinced of the profitability and profitability of investments, on whose behalf he is financing its capital will be used. (Pinson, 2007)

A high-quality prepared business plan can then significantly encourage the acquisition of such an investor and its capital. In the case of an intra-company character, then a business plan can be created to support the decision. Upon setting up a business, a good business plan can set goals for new ones emerging enterprise. Thus, it can be said that the entrepreneurial premise of the success of small and medium-sized enterprises plays their role as well as the right concept of the business plan. It is necessary to be aware of the risks of survival of the organization on the market in advance. In the direct proportion with the considered time horizon, how to reach the established one's outcomes of the business activity. These are the goals set to formulate some of the most important parameters, such as profit parameters, on the other hand, cost parameters, sales turnover, quality or provided parameters services, etc. From the logic of the matter, it follows that these parameters are to a greater or less extent related and, to a large extent, interconnected. The business activities are shown in the following diagram. (Foulke, 1956)

Figure 3 - Business activities diagram



(source: own processing, data Foulke, 1956)

To a certain extent, the business plan can also be used as a control tool. For the past period, it simply checks planned activities with real ones. From the result, it will be obvious whether an enterprise is targeting the stated goals or moving in a different direction. Consequently, it is possible to arrange a correction if necessary, but the possibility remains to reconsider the objectives. By this way to prevent the company from investing, so scarce in the beginning capital, insignificant activities, and investments that will not move it forward. (Pinson, 2007)

RELEVANCES OF BUSINESS PLAN

Each business plan will be different even though if the business plan will be processed in the same business field. It depends primarily on the experience and knowledge of the entrepreneur, who processes the business plan in question. This is mainly a recommendation and habits that are good to keep, as they can help to a great extent to success. (Pinson, 2007) Usual business plan structure:

TITLE PAGE

A simple brief explanation of the content of the business plan and the facts as:

- The name and registered office of the company,
- Business name and contacts (phone, email),
- Brief description and focus on business activity,
- Company structure and financing.

EXECUTIVE SUMMARY

It is a brief description of the business plan, the target group of customers in the market, the strategy and its implementation, the evaluation of managerial skills and other skills, as well as existing financial resources, and options. This chapter is usually processed as the last one and its primary task is stimulating the interest of potential investors. In essence, the executive summary acts as a brief summary of the most important findings of the business plan with a list of strengths and weaknesses, a summary of financial analysis and expectations over several years. (Pinson, 2007)

MARKET ANALYSIS

A number of factors are taken into account here, such as the analysis of the competitive environment (including major competitors), detailed industry analysis, or forecasts industry in the future. Marketing strategies should not be omitted or customer analysis. (Pinson, 2007)

ENTREPRENEURSHIP DESCRIPTION

This chapter of the business plan contains a detailed description of the business establishment so that a potential investor or manager can create an idea of the size of the business and his shot. (Pinson, 2007) Key elements of this section include:

- a product or service,
- company size and location where it will work,
- the organizational structure of the company's employees,
- technical equipment (production equipment),
- entrepreneur's experience (practice, references, etc.).

PRODUCTION PLAN

This section should focus on the entire production process in case of the company providing services, a detailed description of the services, including logistics. Just logistics reveals the flow of material in the enterprise, supplies for subcontractors, but also the need for their material resources for own products (services). Important is to also provide cost information. In the case of part or all production to be provided by the entrepreneur, the description of the plant, production machinery, and equipment used in the manufacture or provision of services, including materials used for all suppliers and storage areas. (Pinson, 2007)

MARKETING PLAN

It deals with the parts that will explain how products or services will be promoted, valued and last but not least distributed. They are listed here and it estimates the volume of services or products that can subsequently be deducted from revenue and a consequently the profitability of the whole project. The marketing plan is often viewed as one of the most important parts to ensure the success of the project. For example, banks consider it as part of a guarantee of a good functioning of the company. The marketing plan may also include your own budget. To meet the marketing plan, businesses use the 4P marketing mix tools. It's about the product, price, promotion, and distribution. These are the four parameters that a businessman must take into account when developing a marketing plan. But these four tools are not the only ones that influence the marketing plan. Other factors include the need for internal, financial and human resources. (Pinson, 2007)

ORGANIZATIONAL PLAN

This part deals with forms of ownership (personal property, business company, ...). In the case of a business, the company is selected, it is necessary to provide information about management, relevant shares, etc. It also includes organizations (organization) of business resources and relationships. The most common are finding effective company's management system and the development of a human resource management system. An appropriate balance between quantity and quality of human resources for implementation of the business plan. Of course, there are also measures to acquire, develop and maintain human resources in the company. (Pinson, 2007)

RISK ASSESSMENT

Whenever something new begins, certain risks arise. It is therefore important to identify the risks and prepare a suitable strategy for their successful management. To the big ones, risks include competition, bad marketing, manufacturing risks, or technology development. For a potential investor, this part is a good indicator of being an entrepreneur they are aware of the risks and are constantly trying to prevent them and react to them. (Pinson, 2007)

FINANCIAL PLAN

The financial plan is a quantification of work on the business plan itself. It determines the amount of investment the business needs, and at the same time shows how economical it is the real business plan as a whole. (Pinson, 2007) The financial plan deals primarily with three areas, namely:

- Predicting expenditure, revenue, and earnings, at least for the next three years
- An estimation of the balance (balance sheet) that provides information on the structure of the firm and the ways of its coverage,
- Cash flow forecast for the near future.

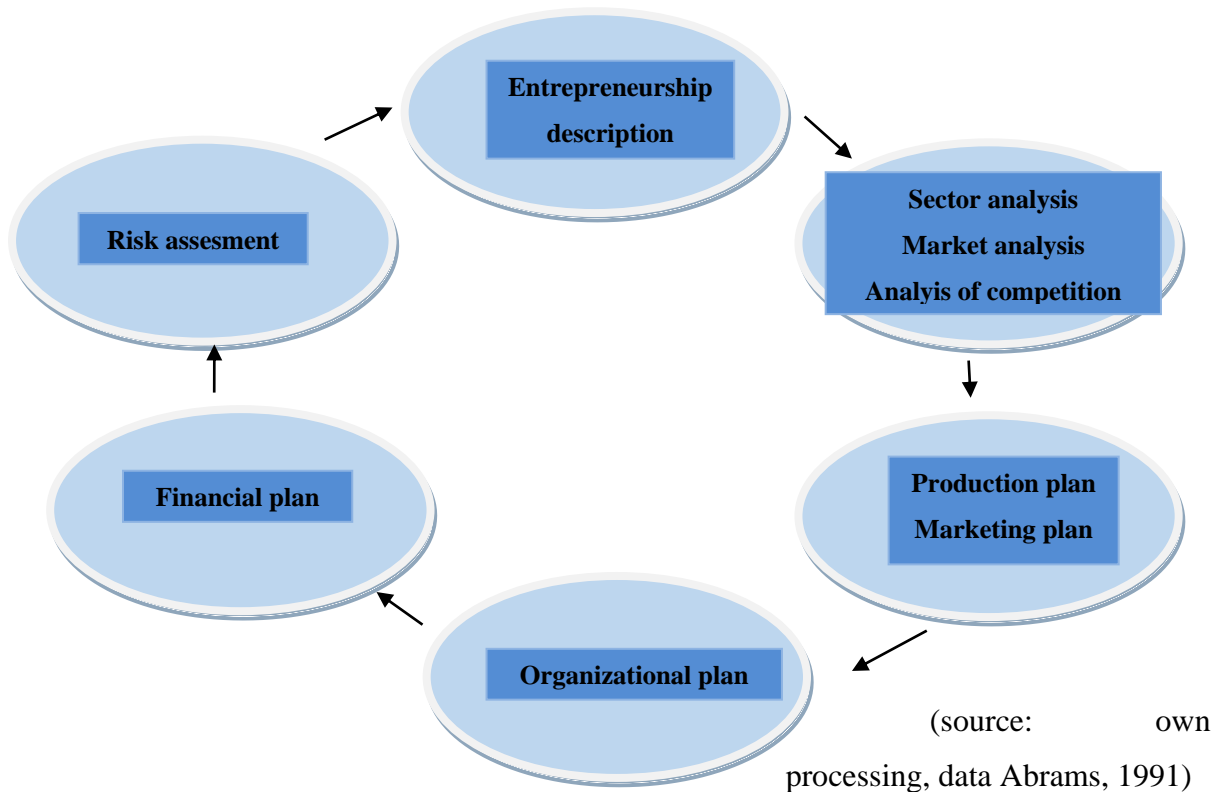
APPENDICES

They are not an integral part of the business plan but complement it as a whole. When they should be included in the business plan for them. As an example of the appendix are various marketing materials, correspondence with customers, questionnaire

surveys, etc. The above points provide an overview of what should be part of a quality marketing plan. Thanks to it, it gains conviction and success. (Pinson, 2007)

The whole procedure can be shown in the figure:

Figure 4 - Business plan process



3.5.1 SALES AND MARKETING STRATEGY

In this part it is important the first essential idea, from the beginning of the business plan must be defined what will the new business RealityBlue s.r.o. do and why. When it is well defined what is the idea of the company, it is necessary to define the product, in this case, services, that the company will provide. Afterward, the marketing strategy can be operated.

The purpose is to choose the most effective marketing strategy. Sales and marketing strategies are basically a reference to how the money will be spent. It is necessary to focus on such business plans that promote appreciation of financial resources.

A company that wants to develop, needs capital to buy an office equipment, software, advertising space and advertising campaigns or financial reserves to overcome seasonal fluctuation, etc. If the company has been on the market for a long time, so it has the opportunity to evaluate its previous marketing campaigns, how they have succeeded, what they have achieved, what they have learned, and how to invest the newly acquired means to continue or subsequently improve a given marketing campaign. At market entry is an important campaign, it is necessary to create your own image and thus to distinguish itself from the competition. The customer needs to simply remember and be able to distinguish us. No complicated slogans, logos or lessons. Less means more. (Rogers, 2001)

In this respect, a fast and efficient entry into the market will definitely be worthwhile, it will pay off even for short-term external experts. For example, in design, agency, which will appeal to potential clients or other advertising agencies, etc. Because there are no high amounts of marketing, advertising campaign at regional level television will be the focus of attention at the time the company starts generating profits because its current budget would barely cover a few minutes of an advertising spot, it will be relevant in magazines and diaries. (Rogers, 2001)

It is necessary to have full use of communication tools and not to rely solely on only. Each of them gets another customer and hence his money. It is necessary to aware of the risks that are at stake. The biggest one could be the erroneous spending of money on. If the ad campaign did not reach our customer segment market, we would hardly find more capital to remedy such an act. And in particular, because the capital spent on that sales and marketing the strategy is to be reversed by the influx of new customers and thus to raise additional capital to another kind of marketing campaigns and promoting existing ones. The advertising campaign should go out in a row, it should be appropriate and vary and mainly distinguish. In the event that the other people's gray advertising fits, this money was spent almost unnecessarily, and if such a campaign brings some capital, thus it was not the maximum of the available capital. (Rogers, 2001)

3.6 ESTABLISHING A PRIVATE LIMITED COMPANY IN THE CZECH REPUBLIC

The establishing a new company is in detail described in Commercial code of the Czech Republic from 1993. Establishing a private limited company is a long-term process that today depends mainly on the speed of the individual authorities. The following steps are necessary to establish a private limited liability company:

- 1 Writing a social contract
- 2 Statement of deposit manager, contribution of registered capital
- 3 Obtaining Trade License
- 4 Proposal for registration of the private liability company in the Commercial Register

According to the jurisdiction of the Czech Republic, the abbreviation of the private limited company is s.r.o.

WRITING A SOCIAL CONTRACT

A private limited company like other types of companies is based on the writing of a social contract. The social contract must be written in a form notarial registration pursuant to Section 57 of Act No. 513/91 Coll., Commercial Code, as amended later regulations. According to § 110 of the Commercial Code, the social contract must contain at least the following information:

1. the company and registered office,
2. designation of the partners by the name of the firm or the name and registered office of the legal person or name; Residence of a natural person,
3. the subject of business (activities),
4. the amount of the capital and the amount of the contribution of each member, including the manner and time of repayment of the deposit,
5. the names and addresses of the first directors of the company and the manner in which they act on their behalf to the Company,
6. the names and domiciles of the members of the first supervisory board, if established,
7. determination of the deposit manager,
8. other data required by the Commercial Code.

The social contract can also determine that the company will issue statutes, which are more detailed to adjust the internal organization of the company, and also adjust some issues in detail contained in the social contract. (Obchodní zákoník,1993)

The example of the social contract modified for the creation of the RealityBlue s.r.o. is shown in the appendix, number 3.

STATEMENT OF DEPOSIT MANAGER, CONTRIBUTION OF REGISTERED CAPITAL

The method of depositing deposits is laid down in the social contract. In the overwhelming majority is chosen to deposit into a bank account with the relevant bank. The easiest way is to create a new bank account in the name of the deposit administrator and depositing a deposit to that account. Bank on the request shall issue the deposit receipt and the amount thereof. To issue this confirmation the bank requires the submission of a memorandum of association or charter. The bank statement, therefore, serves as one of the documents required for proof at the submitting of an application for registration from the Commercial Register. Deposit may also be deposited in cash with the deposit manager, who then issues a statement of the composition of the share capital. An administrator who stated in the statement a higher amount than it is paid guarantees the creditors of the company for its liabilities to the extent that the creditors of the company's assets were not satisfied. The creation of a company, which becomes a record in the Commercial Register, becomes a deposit, its property and companies can freely dispose of it. (Vojtěch, Koráb, Marek Mihalisko,2005)

OBTAINING TRADE LICENSE

In the case of a private limited company, it is necessary to have a trade license authorization for all the activities that a particular company operates. If the company fails it is being prosecuted by the tax office - the cost of such the activity is at least not recognized as a tax, ie the tax liability is higher and follows penalties. Trades Licensing is regulated in the Czech Republic by the Trades Licensing Act. The law is continuously amended to match the practice as much as possible. (Vojtěch, Koráb, Marek Mihalisko,2005)

According to the Trades Licensing Act, the trade is defined as follows: Business is a systematic activity operated independently, on its own behalf, on its own responsibility for the purpose of making a profit under the conditions, set out in this Act. What is not a trade is listed in § 3 of Act No. 455/1991 Coll. (Obchodní zákoník,1993)

PROPOSAL FOR REGISTRATION OF THE PRIVATE LIABILITY COMPANY IN THE COMMERCIAL REGISTER

To the relevant court of law (in this case the proposal would be addressed to the Regional Commercial Court in Pardubice, since it is a locally competent court based on the registered location of the company) will be sent filled in forms and accompanied by appropriate documents such as extract from the criminal record, trade license, etc. (Vojtěch, Koráb, Marek Mihalisko,2005)

3.7 ANALYSIS

"Analyzing" is an activity that accompanies us at almost every step. That is, even for the preparation of the business plan there are important outputs of the analysis, which is, however, much more structured and more formalized than in day-to-day analysis.

A strategic analysis carried out both, with regard to the environment in which the organization exists and with regard to the strategic resources, resources, and competencies of the organization. So we can talk about external and internal strategic analysis. (Johri, 2010)

The external analysis focuses on analyzing factors around the company. These are very difficult factors and therefore are considered to be invariable. But it is important for every business to recognized and assessed their developments and changes as they affect its functioning and strategic position. Ideally, it is beneficial to use and eliminate those that pose risks and threats to the enterprise. The internal analysis should assess the available resources and capabilities of the business and expose advantages that are then used as a competitive advantage. (Johri, 2010)

3.7.1 EXTERNAL ENVIRONMENT ANALYSIS

In the context of the external environment analysis, the PEST framework is used. It is about awareness of individual factors outside the company. Specifically, there are factors: Political, economic, social and technical.

The analysis is based on a description of the facts that were important for the development of the external environment in the past and considers how these factors change over the time. It is then necessary to estimate what extent factor of development may affect the development of the external environment. There is no need to examine and describe all the factors of PEST analysis, it is important to identify those that are the most important and to assess possible impacts on the company's business. (Johri, 2010)

Table 1 - PEST analysis

| | |
|--------------------------|---|
| Political factors | |
| | Stability of government |
| | Social policy |
| | Regulation of foreign trade |
| | Taxation policy |
| | Environmental Laws |
| | Antitrust measures |
| Economic factors | |
| | Trends in GDP development |
| | Economic cycles |
| | Interest rates |
| | Money supply development |
| | Inflation rate |
| | Unemployment rate |
| | Availability and price of energy |
| Social factors | |
| | Demographic developments |
| | Breakdown of pensions |
| | Population mobility |
| | Development of living standards and lifestyle |
| | The degree of education of the population |
| | Access to work |
| Technical factors | |
| | Government spending on research and development |
| | Trends in development and research |
| | The speed of technological change |
| | The degree of technology obsolescence |
| | Government approach to research and development |

source: (Marmol, Feys and Probert, 2015)

POLITICAL FACTORS

It focuses in particular on government negotiations with various foreign investors. When an investor is deciding to start the business in the particular region. The subsequent creation of new jobs and housing issues are an opportunity for real estate agents. The value of real estate is changing either in a positive or a negative sense. Positive conditions for doing business is also visible in Pardubice and in the close neighbors, which is due to a partial inflow of residents and interest in buying real estate. It is important to follow tax laws because their changes will be for businesses, but also for individuals to respond by, for example, investing in real estate. Various government orders, regulations, or decrees may, for example, reduce the risk of the buyer or seller, and this may lead to an increase in the bid or demand. Total political stability contributes to the influx of investors, which in itself offers opportunities for real estate agents. (Marmol, Feys and Probert, 2015)

ECONOMIC FACTORS

The interest rate positively or negatively affects the willingness of households to buy real estate mortgages. With easy access to mortgages, low-interest rates, increase of the movement on the real estate market. Changes in lifestyle are particularly important in a willingness to move for employment - mediation of subleases etc. New firms, start-ups in the near neighborhood and growing already established businesses are getting a new employee. Lack of skilled workers, increases wages, and thus the purchasing power of these employees. The rising average wage results in the growing purchasing power of the population, which is also reflected in the effort to invest in real estate. People will save more money and are willing to get their own housing to close the mortgage. The reason for buying real estate is also for certain groups of customers as an Investment, because the investments are not so sensitive to inflation. Terms of the economic cycle depend on the stage of the economy. Opportunities for real estate agencies offer basically in all their phases, only the group changes buyers and sellers. Not current today, but with rising energy prices, it may be for a particular group of customers and investments in energy-intensive homes, low-cost houses, variations, and trends of home types. (Marmol, Feys and Probert, 2015)

SOCIAL FACTORS

There is an increase in the proportion of the population in the cities compared to the villages. It also manifests itself as an impact of the aging population and the so-called strong years. It is advisable to follow the change of lifestyle of customers and to adapt to such trends. Growing trend in ownership of passenger cars on the family manifests itself in the willingness of the commuters to commute for work and willingness to buy, for example, real estate in more remote locations (countryside) than before. Changes in trends in real estate investment also vary according to the type of education. It was before the trend that university-educated people have invested in real estate in urban centers and cities, they were looking for such housing, but today their habits are slowly changing and trying to look for quieter localities on the outskirts of the city or even in the countryside. These trends are to some extent also supported by the fact that people with a rising standard of living are no longer willing to spend all your time only by working and looking for sites for your free time, which is, for example, investments in recreational facilities such as huts, gardens, etc. (Marmol, Feys and Probert, 2015)

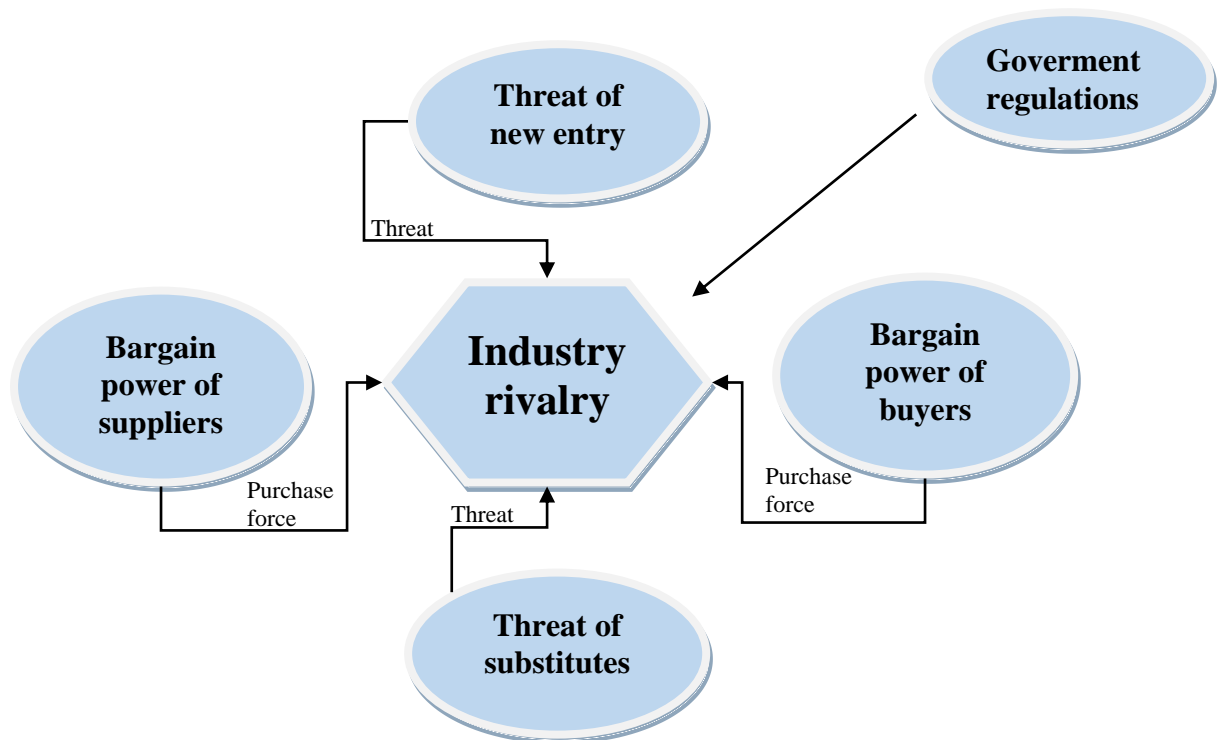
TECHNOLOGICAL FACTORS

Simplifying, lowering and speeding up construction works will make housing more widespread throughout residents. Accessibility of various communication technologies simplifies presentation in forms of supply, facilitates the sales process, it is also about the willingness of customers to invest in new technologies in terms of saving the energy, the purchase of eco-friendly houses or flats, energy-less demanding homes. The lifetime of different building technologies affects certain types of real estate and their sales. For example, I would like to highlight the large development of timber constructions due to the rapid construction and lower costs at the expense of the overall life of the house. But the tendency returns slowly again to classical brick houses, for reasons of tradition and long life of such materials. (Marmol, Feys and Probert, 2015)

3.7.2 COMPETITIVE ENVIRONMENT ANALYSIS

This is an analysis that follows on from the analysis of the industry and is at the forefront of competition. It examines the sources of competition, its intensity, the actions and reactions of rivals, the current and future situation. To explore the competitive environment, it is good to use Porter's model of five competing forces, which allows to describe and understand the competitive environment in each sector and to create information basis for deciding on creating a competitive advantage for an enterprise. Each of these five forces affects the intensity of competition in the industry. (Michaux, Cadiat, and Probert, 2015)

Figure 5 - Porter's model



(source: Michaux, Cadiat, and Probert, 2015)

THREAT OF NEW ENTRANTS

The entrance of new entrants means increasing the intensity of competition. The decision to enter the new market is influenced by the attractiveness of the industry and the existence or absence of entry barriers. (Michaux, Cadiat, and Probert, 2015) In this context, are asked questions such as:

- What potential competitors can be expected,
- What are the entry barriers,
- How new competitors can influence prices, etc.

THREATS FROM SUPPLIERS AND CUSTOMERS

The intensity of competition in the sector is strongly influenced by the level of supply and concentration of customers' markets, which are necessary for the existence and operation of the business. Dangers for business arises if it becomes dependent on one supplier or customer. Bargaining power grows and afterward it is also possible to expect higher levels of competition in the sector. Thus it is very important for the company to define how the supplier-customer relationships will be secured. (Michaux, Cadiat, and Probert, 2015) In this context, are asked questions such as:

- What is the number of suppliers?
- What can affect suppliers' change in cost, quality, delivery dates, etc...
- How customers' needs evolve, where their interest is directed.

THREAT OF SUBSTITUTES AND COMPLEMENTS

The presence of substitution and complementary products on the market means existence for the enterprise of the intensity of competition in the sector. The low intensity of competition is a manifestation of large quantities of complementary products to the product of the business, and vice versa. The threat of substitution can take several forms. (Michaux, Cadiat, and Probert, 2015)

- The threat of product substitution by product
- The threat of substitution of needs (eg higher quality of used farm);
- The threat of generic substitution,
- The threat of absolute substitution (eg change in consumer habits).

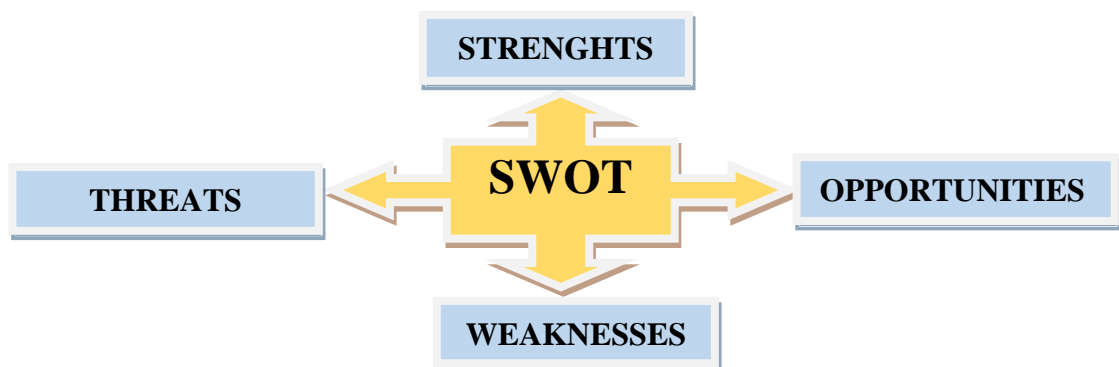
COMPETITIVE ENVIRONMENT

Other forces that can affect the intensity of competition in the industry can be understood as characteristics of the given competitive environment. These are, for example, the type of market competition, the rate of market growth, the existence of global markets and global customers, a number of fixed costs, the extent possible differentiation of producers and their products, the possibility of capital acquisitions or mergers, the existence of exit barriers, etc. (Michaux, Cadiat, and Probert, 2015)

3.7.2.1 SWOT ANALYSIS

It is a summary of the information identified by the external and internal analysis. In the SWOT analysis are combined the strengths and weaknesses of the business and the opportunities and threats of the environment. (Pahl and Richter, 2007)

Figure 6 - SWOT Analysis



(source: Pahl and Richter, 2007)

STRENGTHS

Helping the business to gain superiority over competitors. It may be competence, resources or capabilities that will enable a business to gain a competitive advantage. E.g. superior materials, good financial relationships, advanced technology, distribution channels, or top team of managers. (Pahl and Richter, 2007)

WEAKNESSES

Can lead to lower organizational performance. It may be a lack of need resources and capabilities, development error, disproportionate financial burden, obsolete machinery, etc. (Pahl and Richter, 2007)

OPPORTUNITIES

These are conditions in an environment that are favorable to the organization's outputs. This may be a positive change in the law, an increasing number of people, new technologies. (Pahl and Richter, 2007)

THREATS

These are conditions that are unfavorable to the organization's outputs. It can be an entry strong competitor on the market, a drop in customer numbers, legislative changes, etc. (Pahl and Richter, 2007)

3.7.3 ANALYSIS OF RESOURCES

Analysis of resources attempts to estimate how much volume of resources the company has and how effectively spent. It is also necessary to assess the uniqueness and imitability of resources and to find them it is also necessary to have a competitive advantage. The internal resources of the company can be divided into four basic groups:

- Physical resources - machines, equipment, supplies, cash, land, buildings, means of transport and more.
- Human resources - number and structure of employees, qualifications, flexibility, adaptability, motivation to work and more.
- Financial resources - own and foreign sources, debt ratio, the cost of capital, receivables, and payables, relationship with creditors and debtors and others.
- Intangible assets - licenses, patents, trademarks, know-how, business reputation, employee loyalty, contacts, organizational culture, relations with shareholders, banks, suppliers, and others. (Kovář, Štrach, 2003)

3.8 *MARKETING PLAN*

Marketing is a social and managerial process in which individuals and companies gain what they need and want through the change and creation of values for others. In business, marketing context involves building cost-effective, valuable change relationships with clients. We can, therefore, define it as the process by which businesses create values and build strong customer relationships to gain feedback from customers. (Lamb, 2004)

The marketing plan is part of the strategic plan and explains how it will products be distributed, valued and promoted. Here are also the estimates of the volume of production of products or services from which an estimate of the company's profitability can be derived. (Lamb, 2004)

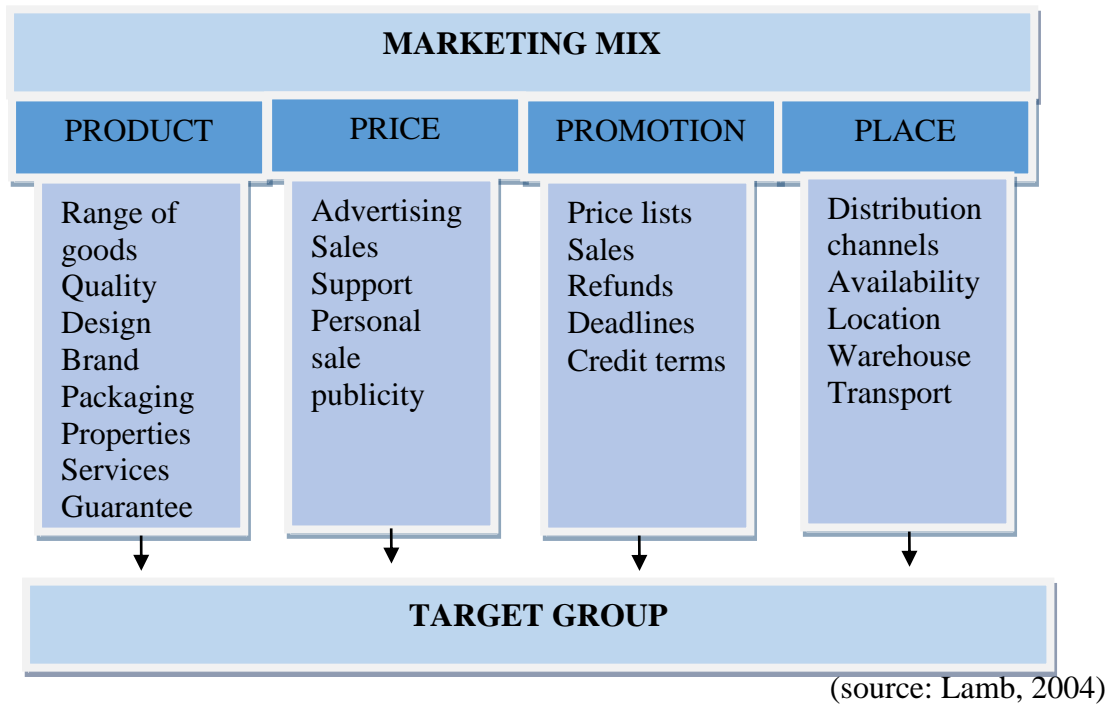
Marketing plan investors often consider as the most important part of ensuring success undertaking. In a marketing strategy, the company decides which customers to serve and what values will be created for them. Businesses implement the marketing strategy so-called marketing mix. (Lamb, 2004)

3.8.1 *MARKETING MIX*

A marketing mix is a set of tactical marketing tools that an enterprise uses to adapt the offer to the target market. It includes everything the company can do to influence the demand for its products. The main tools of the marketing mix are divided into four groups known as 4P derived from the initial letters of English words product, price, promotion, place:

- a) Product - product policy - includes all products and services that an enterprise has target market
- b) Price - pricing policy - is the amount customers pay for the product
- c) Promotion - communication policy - represents activities that present advantages of product and try to persuade the target customer to buy the product
- d) Place - Distribution policy - includes business activities that make the company available for target customers (Lamb, 2004)

Figure 7 - Marketing mix



3.9 FINANCIAL ANALYSIS

Financial statements should be designed to provide for business management the relevant information needed for strategic management and decision-making. The main source of such information is in the company's accounts, but their disadvantage is that they only provide the current type of information in the form of state or flow variables that have the same self-explanatory ability. (Gowthorpe, 2008)

To overcome this deficiency, financial analysis is used as a formalized method which, compares the acquired data to each other and distinguishes between their ability to communicate. It enables it to draw some conclusions about the financial situation of the undertaking on which it is based the decisions making and creating a strategy process. It can be focused on past or present and anticipate the future development of the business. For business plan needs, start-ups create a financial analysis naturally with the assumption of future development, since no historical data is available. (Gowthorpe, 2008)

3.9.1 FINANCIAL PLAN

Financial planning is a formalized decision on how to invest finance, capital and money management. Its product is a financial plan, as a simplified model of future states and flows in the financial system of the enterprise. (Stovall and Maurer, 2013) For the purposes of this work, it is going to continue to focus on the following financial summaries:

- a) Financial statements
 - Cash flow statement
 - Profit & Loss Statement - Income Statement
 - Balance sheet statement

CASH - FLOW STATEMENT

The cash flow statement tracks cash flows in the operating, investment and finance areas. Within cash flow, are monitoring the movement of money related to everyday life of the business operation. Through investment cash flow we monitor changes in long-term assets: acquisition costs, or revenue from the sale of surplus long-term assets. By financial cash flow are monitored the acquisition of financial resources and their repayment, such as the payment of shares to the owner. (Stovall and Maurer, 2013)

BALANCE SHEET STATEMENT

The balance sheet shows the development of assets and sources of financing. It gives us an overview of the value, structure, liquidity, asset as well as resources and capital structure. On the basis of the financial statements, it is possible to further calculate the so-financial ratios indicators, which are the basic methodological tool of financial analysis. They are a form of the numerical relationship in which the financial information is presented. Normally it shall be calculated by dividing one item in the statements by another item. (Stovall and Maurer, 2013) The facts on which it is focused are:

- a) Profitability indicators
- b) Activity indicators
- c) Debt indicators
- d) Solvency indicators
- e) Market value indicators

3.9.2 FINANCIAL RESOURCES

One of the most important parts of the preparatory work connected with the foundation of the company is processing the founding budget and business plan. The entrepreneur who thinks about setting up a business has to ask the question of what and how to do business and then these reflections must be reflected in financial form the task of the founding budget is to specify and quantify the funds, which are needed to start a business. Starting a business can be divided into several stages such as:

- Establishment of a company
- Start of business
- Stabilization of business activity

These stages are also in line with the financing scheme from start-up capital and the regime of financing. (Stovall and Maurer, 2013)

At the beginning, costs significantly outweigh the revenue. However, loss reporting is not unusual, but it is necessary to drive and lose finance. We can reduce the risk by accurately assessing the financial needs of resources. A number of funds needed to start a business. We can divide into three groups. (Stovall and Maurer, 2013)

FUNDINGS NEEDED TO START A BUSINESS

To set up a business, there is a need to count on the necessary financial resources like share capital fees for the issuing of trade certificates, extracts from the criminal record, verification of documents, registration in the Commercial Register, etc. Of course, costs are also not necessarily incurred, but a number of entrepreneurs are implementing them. These are things like company logo design, stamps, websites, information materials etc. (Stovall and Maurer, 2013)

FUNDS FOR THE PURCHASE OF EQUIPMENT AND EQUIPMENT

It covers issues such as technical equipment, social equipment, and administrative support for the enterprise. (Stovall and Maurer, 2013)

STARTUP FUNDS

It is actually funding operating activity until it is secured by financing from sales. The normal operation of the company cannot be accomplished without operational financing costs such as employee wages, energy, water, telecommunication costs, services, transportation, routine maintenance, etc. In addition, you cannot avoid the startup company's necessary initial operating costs such as hygiene measurements, training of workers from occupational safety and fire protection, insurance payments etc. The cost of promotional campaigns can be an insignificant amount. All these costs will be funded from the partners' own resources. (Stovall and Maurer, 2013)

In addition to the specified funds needed to set up a business, and it is necessary to plan and anticipate the subsequent commencement of business activities such as revenues, costs, and earnings over a given period of time. So you can see if the company will be able to make a profit when it will be able to reach it and what will be the theoretical profit in that period. Thanks to these calculations we will be able to estimate when the company will be able to pay the deposited funds. Especially in cases where profit does not occur or may occur, but not the amount we imagined we must start looking for profit-raising opportunities, for example, by increasing sales and performance and/or on the contrary, the possibility of reducing costs. (Stovall and Maurer, 2013)

4 ANALYTICAL PART

4.1 DEVELOPMENT OF REAL ESTATE MARKET IN THE CZECH REPUBLIC

The real estate market is markedly cyclical, depending on domestic demand. Belongs to the sectors supervised by the central bank. According to the ČNB and the Czech Statistical Office, the domestic economy has been around since 2011 is supported mainly by net exports due to weak investment and domestic demand, particularly in household consumption. Real estate prices currently in the Czech Republic according to the central banks are in line with the fact that the largest extent of the ČNB's correlation is observed in the ordinary ones flats, but slower but stable is the rise in land prices, which will be according to the central bank continue. This year, there is a forecast of falling prices for apartments and the resistance of land prices. (ČNB, 2016)

With the exception of several states between 1997 and 2007, property prices have grown up worldwide. This situation was due to the generally favourable economic situation of most European economies, which led to the growth of central bank liquidity and allowed households of easier mortgage lending. In Europe, the prices of apartments at the beginning of 2007 have reached historical highs.

The further requirements of banks in providing mortgages has brought the possibility of borrowing even for less creditworthy clients and expanded the possibilities of crediting speculative offers. Together with high real estate prices being exorbitant by extreme market activity caused the clients' inability to repay the non-standard mortgage of "prick" price bubbles on the real estate market. From the second half of 2007 in the US or early 2008 in Europe, there was stagnation and a gradual fall in property prices.

The crisis has arrived with a delay to the Czech Republic among the US and Western European states. The first signs of the crisis in the Czech real estate market began to appear in the second half of 2008.

The outflow of investment from the real estate market affected most of the segment of the commercial real estate, overall the volume of investment in the Czech Republic decreased by 61%. The current market situation is influenced by considerable uncertainty about the further development of real estate demand and macroeconomic indicators, but

the financial sector of the Czech Republic was hit by the crisis significantly more moderately than in other countries, mainly due to the caution of banks in providing loans.

When assessing the long-term development, it can be said that after the global economic crisis in 2008 real estate prices in the Czech Republic began to decline in individual years, this decrease reached the bottom in 2013 and from then until now there is steady growth. Real estate prices in the Czech Republic continued to decline.

The table below shows the total number of registrations and the purchase price of houses and flats in the Czech Republic in individual years from 2014 to 2016.

From the table below it is visible that every year the flow of properties is increasing. In the year 2014 was a number of transfer of flats 27 110 and the end of 2016 was 30932. As the number of transfer is increasing the cost per 1 square meter is increasing too. In the year 2014 the purchase price was 18717 and at the end of 2016 was the purchase price 21790 CZK per square meter.

Table 2 - Purchase price and number of transfers of houses and flats in the Czech Republic

| Region | Houses 2014 | | Flats 2014 | | Houses 2015 | | Flats 2015 | | Houses 2016 | | Flats 2016 | |
|------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|
| | Number of transfers | Purchase price CZK/m3 | Number of transfers | Purchase price CZK/m2 | Number of transfers | Purchase price CZK/m3 | Number of transfers | Purchase price CZK/m2 | Number of transfers | Purchase price CZK/m3 | Number of transfers | Purchase price CZK/m2 |
| Prague | 32 | 8210 | 2 300 | 44856 | 27 | 6514 | 2 377 | 49289 | 17 | 8695 | 2401 | 58703 |
| Central Bohemia | 942 | 3680 | 2570 | 21136 | 1182 | 3519 | 2776 | 21537 | 774 | 3401 | 2770 | 22554 |
| Southern Bohemia Region | 526 | 2188 | 1980 | 15624 | 506 | 2267 | 2025 | 16383 | 435 | 2251 | 2350 | 17447 |
| Plzeň Region | 388 | 2166 | 2310 | 17986 | 365 | 2367 | 2317 | 19157 | 142 | 2279 | 2405 | 21490 |
| Karlovy Vary Region | 105 | 2173 | 1745 | 12606 | 118 | 2297 | 1748 | 12139 | 47 | 2492 | 1800 | 12263 |
| Ústí nad Labem Region | 452 | 2046 | 3147 | 7130 | 418 | 2074 | 3203 | 7097 | 209 | 1988 | 3250 | 7197 |
| Liberec Region | 252 | 2450 | 1250 | 13022 | 243 | 2255 | 1387 | 14522 | 209 | 2153 | 1342 | 16008 |
| Hradec Králové Region | 372 | 2188 | 1300 | 18600 | 372 | 2179 | 1316 | 20576 | 139 | 2210 | 1333 | 18775 |
| Pardubice Region | 342 | 2174 | 1530 | 19425 | 361 | 1959 | 1539 | 20782 | 214 | 2084 | 3611 | 24429 |
| Vysočina Region | 302 | 1858 | 450 | 15399 | 297 | 1874 | 752 | 16221 | 216 | 1730 | 820 | 17670 |
| Southern Moravia Region | 660 | 2430 | 2720 | 25155 | 622 | 2590 | 2824 | 27075 | 317 | 2840 | 2900 | 30495 |
| Olomouc Region | 366 | 1838 | 1978 | 15579 | 374 | 2051 | 2091 | 16527 | 248 | 1971 | 2050 | 18699 |
| Zlín Region | 307 | 2092 | 1430 | 16990 | 315 | 2201 | 1455 | 16802 | 171 | 2056 | 1400 | 19129 |
| Moravian and Silesian Region | 483 | 2202 | 2400 | 12976 | 443 | 2140 | 2461 | 13578 | 316 | 2190 | 2500 | 14613 |
| Czech Republic total | 5529 | 2452 | 27 110 | 18717 | 5643 | 2503 | 28271 | 19771 | 3454 | 2497 | 30932 | 21790 |

Source: (CZSO,2017)

4.2 BUSINESS PLAN

Just like each of us got the name after the birth, thus every company must have its name. Name of the company must be unique and original, to make it possible to enroll in the Commercial Register of the Czech Republic. For the purposes of this thesis was chosen name RealityBlue. It is unique according to the internet page <https://or.justice.cz/ias/ui/rejstrik>, thus it is possible to use this name of the company.

Figure 8 - Commercial Register of the Czech Republic

Veřejný rejstřík a Sběrka listin

Veřejný rejstřík podle subjektů

Název subjektu: * RealityBlue

Identifikační číslo: *

Obec:

Ulice:

Právní forma:

Spisová zn.: * Oddíl Vložka

vedená u:

Max. počet zobrazených položek: 50

Typ hledání v názvu: Od začátku

Vyhledávat údaje: Jen platné

* Vypíšte alespoň jedno z polí: Název subjektu, Identifikační číslo, Spisová zn..

Vyhledat — Nápověda Vyčistit formulář

Počet nalezených subjektů: 0 - Vytisknout seznam Údaje platné ke dni 14. října 2017

Jak na to? Podmínky provozu Rejstříkové soudy Evidence úpadců Insolvenční rejstřík

Veřejný rejstřík podle subjektů
Veřejný rejstřík podle právnických osob v anqažmá
Veřejný rejstřík podle fyzických osob v anqažmá
Automatické aktualizace ze základních registrů
Podání do veřejného rejstříku

Co s elektronickým výpisem
Portál pro podnikatele: BusinessInfo.cz
Průvodce: Jak založit firmu / společnost
Informační místa pro podnikatele
Technická podpora

(Source: Or.justice.cz, 2017)

4.2.1 TITLE PAGE OF BUSINESS PLAN

Name of the company: RealityBlue s.r.o.
Field of the business: Real estate services
Business address: Jana Palacha 123, Pardubice
Contact person: Karolína Minhová
John X
Phone number: + 420 774 193 002
+420 777 682 347
www: www.realityblue.cz
e – mail: info@realityblue.cz

4.2.2 CHARACTERISTICS OF REALITYBLUE s.r.o.

The reason for starting a business in the real estate market and to establish a company, was the profit, followed by the opportunity to be the master of time, to be able to decide independently about the future. Also, it was the previous experience with real estate market followed with good contacts, because business is mainly about who you know, more than what you know.

The other idea of starting a real estate agency is that housing is considered as a basic need according to Abram Maslow's pyramid of needs, it means, everyone needs a place to live in. The aim of RealityBlue is to suppress the power of big real estate agencies with high commissions and to offer all-inclusive services and something extra to differ from other real estate companies. Another important factor that is positive for starting a business is that the suitable building that will serve as an office of the company is in a private ownership of one of the owner, that means that the start of the business will be easier, the capital to start a real estate agency will not be that high.

Legal form of the company is a private limited liability company with the Czech abbreviation s.r.o. and it's under the jurisdiction of the Commercial Code of the Czech Republic. Initial capital is formed by the contribution of the owners in the full amount of 100% (200,000 CZK), it is a 50 % (100,000) for each owner.

Figure 9 - Logo of RealityBlue



Source: own processing

4.2.3 SUBJECT OF BUSINESS AND PRODUCT OF THE COMPANY

The mission of the RealityBlue real estate agency will be to achieve maximum satisfaction of each customer, by finding the ideal property for the client needs and ensuring a smooth purchase/rent process. From the generated profit by operation, entrepreneurial activities will be further developed and improved by the employees of the real estate agency to deliver ever-better service in compliance with all legal regulations and ethical standards.

The goal is to establish a business that will meet the following criteria:

- viability,
- profitability,
- meaningfulness,
- independence,
- a good reputation.

This goal will be achieved by a personal effort, engagement, commitment, responsibility of all real estate agents. Specifically by selling and renting real estates using the following strategy. Of course, there is an individual approach and quality counseling activity both to buyers so the seller. And especially with the emphasis on the truthfulness and completeness of all the information about both the positive and the negative sites of the property that will be the subject of the deal. Since it is a real estate agency, it is obvious from the title that the subject will be a supply and demand of real estates.

The main activity is the mediation of sales and supply of real estates, building administration, legal services, providing statements from land register, consultancy services, advertising activities, providing expert's assessment including valuation of real estate, transferring member rights, providing pictures from land maps and geometric plans, arrangement of building society account, loans or mortgages, home staging.

PRECISE DEFINITION OF SERVICES:

- Sale of properties
 - The property will be sold under the most advantageous conditions and in the shortest possible time
- Rental of properties
 - All-inclusive services to property owners and rental buyers. Fast and professional services, representing landlords and tenants.
- Building administration
 - Operation and occupancy of residential and administrative buildings. Complete property management from maintenance, repair, and reconstruction to contractual documentation and routine operation.
- Legal services
- Reconstructions
 - Realization of minor and extensive reconstructions and modifications, both in the interior and in the exterior of property. Guarantee easy and convenient indulgence for clients within a one company. A detailed budget is a matter of course.
- Valuation of real estate
 - Quick and quality prepared estimation of market price of real estate or preparation of expert's assessment
- Home staging
 - Adjusting the property so that it is attractive to the interested person and make it more efficient for sale or rent.
- Financial services
 - Providing mediation of advantageous financing of a new real estate

4.2.4 ORGANIZATIONAL STRUCTURE

A good organizational structure is different for each company. It cannot be said that it exists universally the best organizational structure. The structure creates the best environment for the most effective achievement of the goal.

The company RealityBlue, s.r.o. will be a limited liability company. The business will have two owners with a 50% share. Both owners will be in charge of the company at the same time.

A team of real estate agents will initially consist of only two members who have 2 and 4 years of experience in selling or renting real estates. The experience they gained as a former employee of other real estate agencies, provide them with sufficient qualifications to perform independently real estate activities.

The reason for establishing up a business for co-workers was disagreement with the practices of the owner of the former real estate agency for which they both worked. Owner by theirs opinion did not respect the moral principles of business. Both co-workers are long-term friends, so they will not have the problem of talking about the basic aspects of cooperating in one joint business.

The owners of the company agreed that due to the initial cost savings, will try to do all the work around the real estate agency by themselves. There is no need to hire an accountant, a secretary, a photographer, or a cleaner. All their activities are agents able to stand up for themselves while paying enough attention to their primary activities of the business. In the case of large expansion of clientele and growth of business opportunities real agents will in the future, hire personnel assistance as needed. At first, when the agency has not built up sufficiently large clientele, will not spend on these employees resources, they may prefer to invest in improving customer service.

The only external services without real estate agents cannot do are lawyers, construction company and mortgage specialist. Attorney for financial reasons cannot be hired for full time, so unfortunately will not whenever available to customers. It is therefore important for agents to arrange meetings with customers for whom lawyer services are needed, very conscientious. For a telephone consultation, however, the attorney will be available every day in normal business hours.

BASIC INFORMATION ABOUT EMPLOYEES OF REALITYBLUE:

The first owner is John X. John completed the University in Prague with a major of Appraising properties. He worked as a real estate agent for 4 in one of the biggest reality agency in the Czech Republic. He accumulated a lot of experience in dealing with customers and also he gained several contacts with customers so they might be our potential clients in the future.

The second owner is Karolína. Karolína completed a bachelor studied on the Czech University of Life Sciences with a major Economics and Management. Now she is studying a Master degree on the same university with a same major. She worked as a real estate agent for 2 years in a small real estate agency in Pardubice as well as she worked as an accountant for 1 year. She gained an experience as well as in real estate as in accounting so this might be an advantage for a company because she can do the work of real estate agent but also an accountant job.

The company will externally cooperate with one small lawyer company in the Pardubice region. The company is a new established company as well as the RealityBlue so it will be an advantage for the lawyer company and for our company. RealityBlue will externally cooperate also with a construction company that will help our company with reconstruction and we also agreed with Bc.Jan that is a mortgage specialist that will cooperate with RealityBlue, to give our clients an all-inclusive services.

4.3 DETERMINE ANALYSIS

4.3.1 PEST ANALYSIS

POLITICAL AND LEGAL FACTORS

The political situation in the Czech Republic is very unstable. Elections to the Chamber of Deputies, held on 20 and 21 October 2017, won the ANO Movement, led by Andrej Babiš. The ANO 2011 campaign won the election with a clear lead over the other parties. It had 29.64%, second with ODS 11.32%, Pirates with 10.79%. In addition, parties and movements SPD (10.64%), KSČM (7.76%), ČSSD (7.27%), KDU-ČSL (5.8%), TOP 09 (5.31%) and STAN (5.18%). The Cabinet of Andrej Babiš is the incumbent government of the Czech Republic of minority character, led by Prime Minister Andrej Babiš and appointed on December 13, 2017. The government was compiled from the nominees of the ANO movement 2011, with a representation of 78 members in a 200-member corps. The President of the Republic, Miloš Zeman, subsequently commissioned the leader of the winning group Babiš on October 31, 2017 by assembling the cabinet. The government was appointed by the President on December 13, 2017. On January 16, 2018, he did not receive the confidence of the Chamber of Deputies, and the following day approved the resignation President Zeman received on January 24, 2018. (Vlada.cz, 2018)

From the point of view of the legislation, the founding and functioning of a limited liability company will be established according to the following legal norms: Act No. 455/1991 Coll., Business Act, Act No. 513/1991 Coll., Commercial Code, Act No. 595/2003 Coll. on income tax, Act No. 222/2004 Coll., on value added tax and other laws, decrees and regulations.

From the legislation point of view it is also necessary to mention the law about the electronic records. The Constitutional Court repealed some parts of the EET Act, as well as the temporary postponement of the 3rd and 4th stages of the electronic revenue register. The third wave concerned the liberal professions, transport, or agriculture. The fourth wave was to be craft and production. Real estate agencies fall into the 3rd group. Electronic records will not be covered by them.

It is necessary to mention the Real Estate Mediation Act that is about to come into the force in the near future. The aim of the Act is to create a new legal regulation of relations in the field of real estate mediation, which are not yet regulated by the law. New

legislation should increase consumer confidence in real estate services and help reduce the number of non-professional and dishonest market players. The current legal framework is to define the basic legal framework of real estate mediation. In particular, it has to define real estate intermediation and market actors, to specify the conditions for carrying out this activity in terms of professional competence requirements:

- higher education at Masters degree with a focus on real estate, law or property valuation,
- university education and 1 year of practice in real estate
- secondary education with a Maturita exam and 3 years of experience in real estate activities,
- strengthen the protection of consumers' rights, in particular by adjusting the conditions for the handling of their funds and to establish certain rights and obligations of real estate agents. (Arkcr.cz, 2018)

ECONOMIC FACTORS

The interest rate positively or negatively affects the willingness of households to buy real estate on mortgages. With easy access to mortgages, low interest rates, increase the movement of the real estate market. Changes in lifestyle are particularly important, willing to move for employment - mediation of subleases etc. New companies, start-up businesses in the near neighbourhood and growing already established businesses are getting new ones. Lack of qualified workers, increases wages, and thus the purchasing power of these employees. The rising average wage results in the growing purchasing power of the population, which is also reflected in an effort to invest in real estate. People will retire with more money and are willing to get their own housing to close the mortgage. The reason for buying real estate is also for certain groups of customers as an investment. Terms of the economic cycle depends on the stage of the economy. Opportunities for real estate agencies offer basically in all their phases, only the group of buyers and sellers changes.

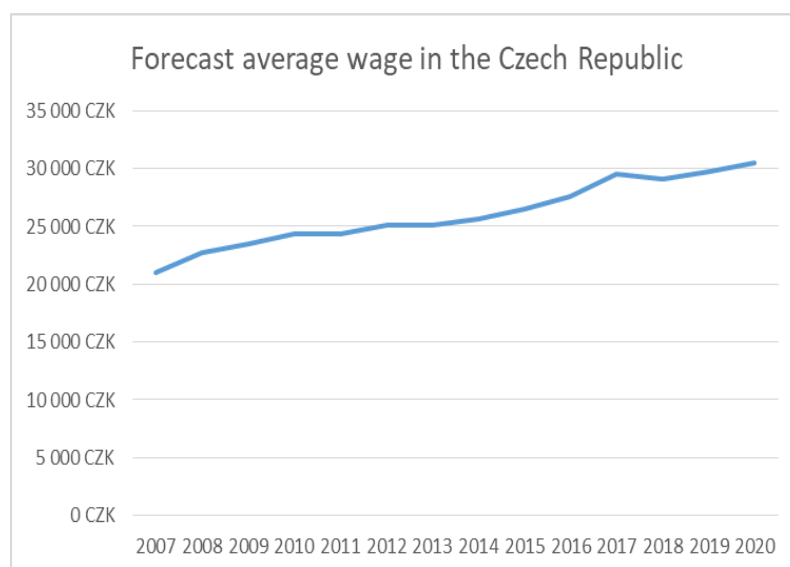
AVERAGE WAGES IN THE CZECH REPUBLIC

The average wage is calculated based on the data provided by the Czech Statistical Office from average wages, which include basic wages and salaries. In the table below is visible how the average wage increased from year 2007 to 2017, the change was approximately about 40, 78 %. There is also calculated the forecast for years 2018, 2019 and 2020. From the table and the graph was calculated that the average wage will slightly decreased in year 2018 but afterward it is going to increase in years 2019 and 2020,, which is a good sign for the real estate market, because if people will have more money they will invest more into the real estate properties.

Table 3 - Forecast of the average wage

| Year | Average wage |
|------|--------------|
| 2007 | 20 957 CZK |
| 2008 | 22 691 CZK |
| 2009 | 23 488 CZK |
| 2010 | 24 313 CZK |
| 2011 | 24 319 CZK |
| 2012 | 25 109 CZK |
| 2013 | 25 128 CZK |
| 2014 | 25 686 CZK |
| 2015 | 26 467 CZK |
| 2016 | 27 589 CZK |
| 2017 | 29 504 CZK |
| 2018 | 29 104 CZK |
| 2019 | 29 784 CZK |
| 2020 | 30 464 CZK |

Figure 10 - Forecast of average wage



(source: www.czso.cz and own calculations)

GDP IN THE CZECH REPUBLIC

From the data of Czech Statistical Office can be said that the GDP is increasing, which is basically good because it is in some way positively related to living standards. From an investor's point of view, economic growth is also favourable, as it results in higher corporate profits and hence rising equity rates. When the economic standards are rising people are willing to pay more for their properties. In the table below is calculated the forecast for years 2018 till 2020 and as a result is that the GDP should grow which is very positive for economics. At the end of 2020 should be the GDP around 5 613, 17 billion CZK.

Table 4 - Forecast GDP of Czech Republic

| Year | GDP in % |
|-------------|-----------------|
| 2007 | 6,1% |
| 2008 | 2,5% |
| 2009 | -4,1% |
| 2010 | 2,2% |
| 2011 | 1,7% |
| 2012 | -1,1% |
| 2013 | -0,9% |
| 2014 | 2,0% |
| 2015 | 4,3% |
| 2016 | 2,3% |
| 2017 | 4,5% |
| 2018 | 2,5% |
| 2019 | 2,6% |
| 2020 | 2,7% |

Figure 11 - Forecast GDP of Czech Republic



(Source: www.czso.cz and own calculations)

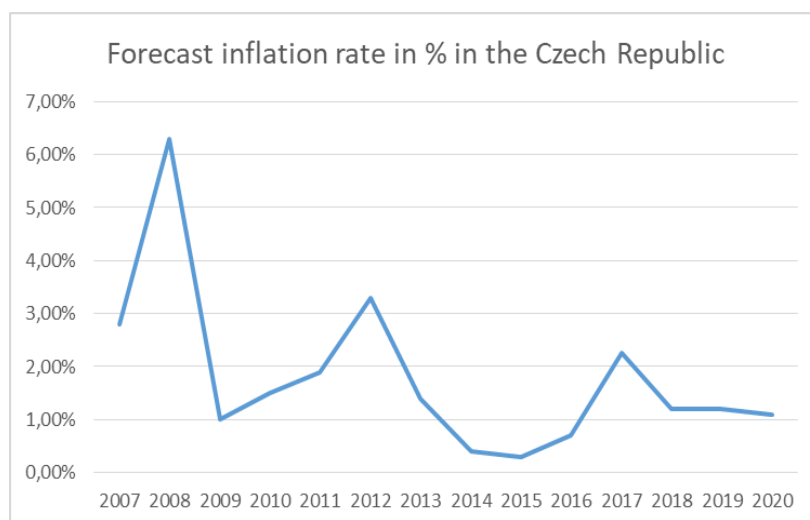
INFLATION RATE IN THE CZECH REPUBLIC

Inflation is one of the most important indicators in the economy at all because it says not only how prices of goods and services are rising but affects a range of other key parameters including wages or interest rates and the exchange rate. In short, inflation tells how much business people should charge for their services. From the data of Czech Statistical Office, the inflation rate was very low at year 2015, but it is increasing every year. In the year 2020 the inflation rate should be at 1, 10%.

Table 5 - Forecast inflation rate in the Czech Republic

| Year | Inflation |
|-------------|------------------|
| 2007 | 2,80% |
| 2008 | 6,30% |
| 2009 | 1,00% |
| 2010 | 1,50% |
| 2011 | 1,90% |
| 2012 | 3,30% |
| 2013 | 1,40% |
| 2014 | 0,40% |
| 2015 | 0,30% |
| 2016 | 0,70% |
| 2017 | 2,25% |
| 2018 | 1,20% |
| 2019 | 1,20% |
| 2020 | 1,10% |

Figure 12 - Forecast inflation rate in the Czech Republic



(source: www.czso.cz and own calculations)

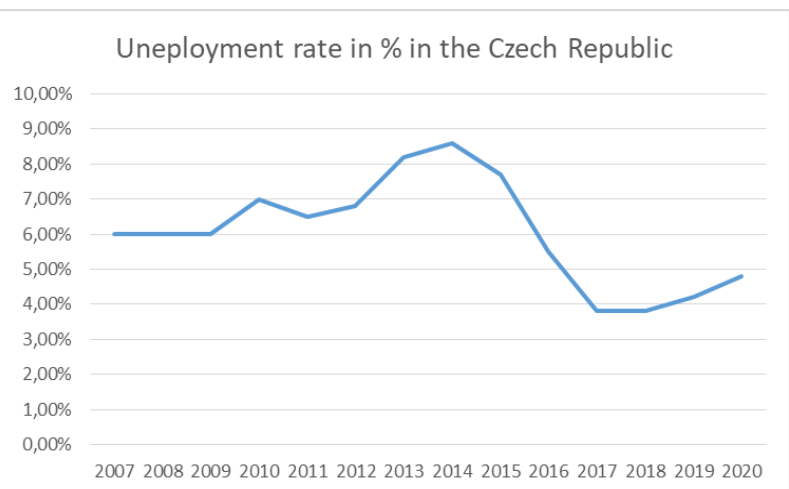
UNEMPLOYMENT RATE IN THE CZECH REPUBLIC

The unemployment rate defines the status on the market that low number of people has no job. The low unemployment rate is on the one hand very good for increasing wages but on the other hand companies are struggling with the shortage of employees. In the table below is stated that the unemployment rate was increasing but afterwards from year 2014 it was decreasing. As forecasted values were calculated that the unemployment rate will slightly increase not that dramatically but it will. In the year 2020 the unemployment rate should be 4,8%.

Table 6 - Forecast unemployment rate in the Czech Republic

| Year | Unemployment rate |
|------|-------------------|
| 2007 | 6,00% |
| 2008 | 6,00% |
| 2009 | 6,00% |
| 2010 | 7,00% |
| 2011 | 6,50% |
| 2012 | 6,80% |
| 2013 | 8,20% |
| 2014 | 8,60% |
| 2015 | 7,70% |
| 2016 | 5,50% |
| 2017 | 3,80% |
| 2018 | 3,80% |
| 2019 | 4,20% |
| 2020 | 4,80% |

Figure 13 - Forecast unemployment rate in the Czech Republic

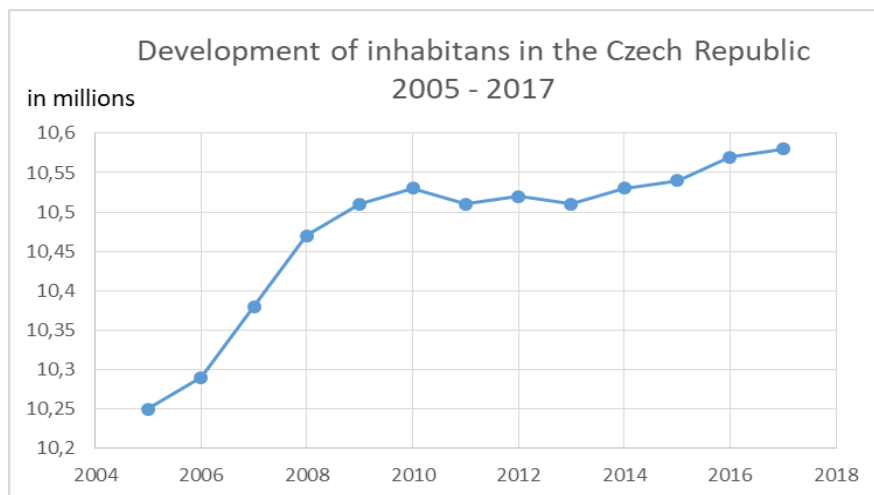


(source: www.czso.cz and own calculations)

SOCIAL AND CULTURAL FACTORS

At 1st of January 2017, the Czech Republic had exactly 10 578 820 inhabitants. From year 2004 till the year 2010 was rapidly growing, after the year 2010 there was a slight decrease and from then on the growth of inhabitants in Czech Republic was growing but not that rapidly.

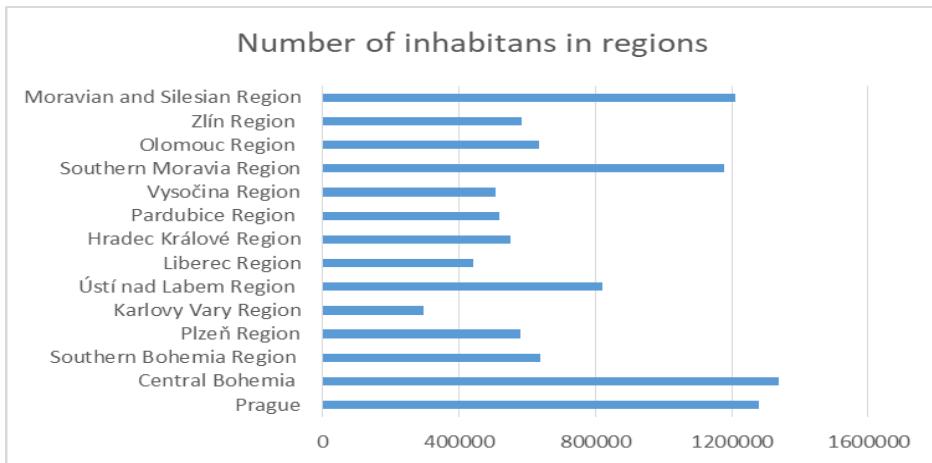
Figure 14 - development of inhabitants in the Czech Republic



(source: own processing, data: www.czso.cz)

In the chart below, there is visible that in the Central Bohemia Region lives about 1 338 982 inhabitants, which is the highest number according to all regions. The lowest number of inhabitants is in Karlovy Vary region with 296 749 people. As we are all interested in the Pardubice Region there lives 517 087 inhabitants, it is classified not as many but it is not the worst.

Figure 15 - Number of inhabitants in regions



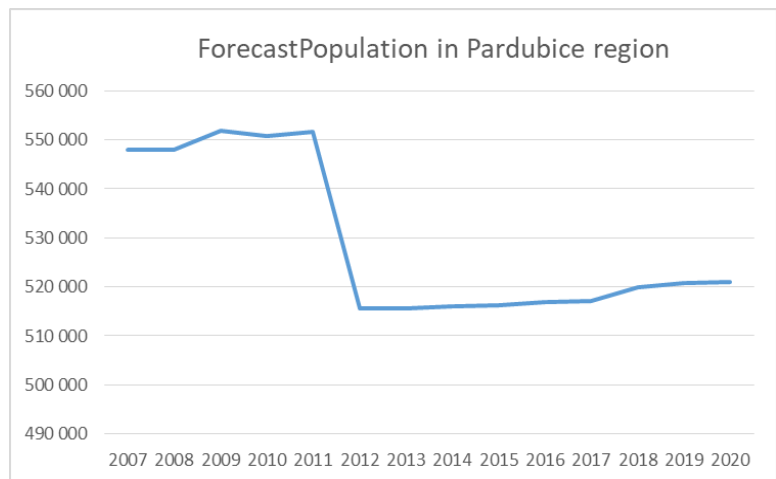
(source: own processing, data: www.czso.cz)

For the purpose of the diploma thesis, it is necessary to forecast if the number of population in the Pardubice and its surrounding is increasing or decreasing. From the demographic point of view it is a good sign that the number of population in Pardubice region is increasing. For real estate agency it means more clients. From the table below it is visible that the trend is not very rapid but it is slowly increasing. At the year 2020 in the Pardubice should be 518 325 people.

Table 7 - Population in Pardubice region

| Year | Population in Pardubice region |
|------|--------------------------------|
| 2007 | 547 951 |
| 2008 | 548 072 |
| 2009 | 551 857 |
| 2010 | 550 713 |
| 2011 | 551 548 |
| 2012 | 515 699 |
| 2013 | 515 670 |
| 2014 | 515 985 |
| 2015 | 516 149 |
| 2016 | 516 856 |
| 2017 | 517 087 |
| 2018 | 520 011 |
| 2019 | 520 835 |
| 2020 | 521 054 |

Figure 16 - Population in Pardubice region



(source: www.czso.cz and own calculations)

Changes in real estate investment trends also vary according to the type of education. The trend that college educated people have invested in real estate in urban centres and cities they were looking for such housing, but today their habits are slowly changing and trying to search for quieter localities on the outsides of the city or even in the countryside. These trends are to some extent also supported by the fact that people with a rising standard of living are no longer willing to spend all their time only by working and looking for sites for your free time, which is what for example, investments in recreational facilities such as huts and gardens.

TECHNOLOGICAL FACTORS

With the increasing impact of the Internet, real estate is increasingly under way in electronic form. The vast majority of customers today prefer to search real estate over the Internet before physical searches at individual offices of different real estate agencies. Because in our company we want to focus on attracting customers and real estate search exclusively via the Internet, we attach this factor great emphasis. RealityBlue, s.r.o. wants to be presented with quality internet both functional and design pages. High emphasis will be placed on transparency and user-friendliness.

4.3.2 ANALYSIS OF RESOURCES

MATERIAL RESOURCES

RealityBlue, s.r.o. has agreed to rent a building with the office that is in a private ownership of one of the owner so the rent will be just a symbolic one with a payment of electricity and water. These rooms served as commercial premises and are in good condition. There is no need for any construction work, except for painting. There is only a need to buy the office equipment, i.e. furniture and computer technology.

HUMAN RESOURCES

Human resources will be made up of owners. Both have practical experience in real estate business. Bc. John and Bc. Karolína Minhová. Besides owners, human resources will be the real estate agents whose company plans to hire in the future when the company will be profitable and will have a large clientele. Also we can classify here the mortgage specialist that the company will cooperate as well as lawyers and the construction company.

FINANCIAL RESOURCES

Since the establishment of a real estate office is relatively cheap, all financial resources will be put into the business by the owners.

INTANGIBLE RESOURCES

Intangible resources include, in particular, the knowledge and experience of partners. Except for experience with the real estate market, they also have the knowledge of double-entry accounting that will be realized self-help and practical marketing experience.

4.3.3 PORTER'S ANALYSIS

The most widely used framework for analysing the factors in the sector is Porter analysis of 5 competing forces. Its primary purpose is to analyse the attractiveness of the industry.

THREAT OF NEW ENTRY OF COMPETITORS INTO THE INDUSTRY

This option is always real risk. It is still necessary to keep track of it and try to minimize costs. The ratio of the number of real estate agencies to the number of inhabitants can be completely certainly expect the emergence of other real estate agencies in the near future. Barriers to entry of this sector are low.

NEGOTIATING POWER OF SUPPLIERS

The supplier of the real estate agency is the customer who offers land or real estate. It is important to create such conditions for the customer to decide for RealityBlue. The ability of suppliers to negotiate is in this individual. It therefore depends on the individual what conditions can be negotiated within the real estate agency and client. It is up to the real estate agency to build an image.

NEGOTIATING POWER OF THE BUYERS

Negotiating ability is very important for the real estate agency and for the customer. This ability is to maintain margins for brokering and savings customer side. The possibility of an unpaid transition to another real estate agency may to attract certain customers who do not want to bind. Product awareness offer is one of the advantages and differentiation from the competition.

THREAT OF SUBSTITUTES

There is not such a great danger here, as substitutes are not here and RealityBlue is planning to offer everything offered by competitors in the differentiation of the product, on the contrary RealityBlue is trying to offer something extra.

FACTORS INFLUENCING THE INTENSITY OF COMPETITIVE COMBAT

Here RealityBlue can benefit from minimizing office costs. It's easy to start losing the benefits that rely on promotional methods in a way that is competitive will begin to imitate. It is very important to keep track of how competition is gaining customers, or their presentation methods. Upon entering the market in the near future can be expect the reaction of competing realtors in a customer engagement strategy.

4.3.4 COMPETITIVE ENVIRONMENT ANALYSIS

Competition is undoubtedly huge on the Czech real estate market. Not all real estate agencies provide good quality services, even if they look outward as a reputable company. If we focus only on the real estate agencies that provide services with a reasonable price/quality ratio, we can find out that the number of competitors will be reduced.

The attitude of some real estate agencies are not ethical and they are using clients trust. The approach is to give to the client the exclusive contract to sign but it is most of the time very often disadvantageous for client. In the case that the client signs with the real estate agency exclusive contract and then fails to fulfil its obligations, i.e. does not try to sell sufficiently given the property, the client usually has no power against the real estate agency that means that the client has no other choice if he or she wants to sell the property but has the exclusive contract to pay very high fines for the termination of the contract of the real estate agency.

The real estate market in Pardubice and the surrounding area can be divided according to the size of the real estate offices acting on it:

- Large real estate agencies – i.e. RE/MAX, MM Reality, Evropa, NEXT Reality, Century 21, STING Reality.
- Middle regional real estate agencies - TALANDA Invest s.r.o., UNITED REAL, Pražská správa nemovitostí, spol. s r.o., Pink Reality, etc.
- Regional real estate agencies – RV Reality, AURA Reality, Reality IQ a.s., etc.

For the purposes of this business plan, it was based on publicly available information on the Internet and also on the information that are confident, has been created a rating table of individual direct competitors that the real estate agency RealityBlue in

Pardubice has, from which it will be possible to identify the biggest competition. The following criteria were considered in the evaluation:

- Website level (search systematically, clarity, quantity information, first impression) - evaluation as in school 1-5.
- Number of offered properties - 4 categories were created (10-30 offers, 30-50 offers, 50-80 offers, 100 offers), the categories were then re-evaluated on a school scale 1-5. Consideration was given to offers for sale or lease of real estate in Pardubice and nearby surroundings for personal use.
- The attractiveness of the location of the real estate office - rating as in school 1-5.
- The complexity of services - rating as in school 1-5.

The resulting competition map is outlined in Appendix 1 - Map of the competition of the real estate agency Realityblue.

From the results that were recognized and marked as weaknesses will the real estate agency try to avoid and make them as strengths so it the business will be competitive enough.

As the results from the real estate market in Pardubice are more than 50 real estate agencies. Large real estate agencies in the region are only few of them in the region, most of them are rather regional real estate agencies.

Regional real estate agencies then have a different size, we find real estate among them with a very small offer, but also those that could compete with their size of large national real estate agencies.

At the beginning of the business, RealityBlue will be not able to compete with large regional agencies (presumably medium-sized regional agencies), which are in Pardubice. Some clients are only willing to entrust their properties to hands of renowned real estate agencies with many years of experience in the market. They will therefore be willing to use the services of only real estate agents with a built name, which real estate agency RealityBlue precludes exclusion.

RealityBlue real estate agency will be in a very difficult position at the beginning of business next to larger regional real estate agencies such as AURA real estate agency,

However, the real estate agency will be able to help these smaller real estate agencies with the range of services and above all the quality to compete from the start of their business.

When talking about the competition of RealityBlue, it is worth mentioning project bezrealitky.cz, which arose a couple of years ago and since then it has built quite a strong position on the market. This is a project whose basic idea is to sell or rent without a real estate agent.

The reason for the establishment was the arising strength of real estate agencies to their clients providing poor quality services. The project bezrealitky.cz was create as an alternative for customers, who were dissatisfied with these services. Bezrealitky.cz provides on its site a lot of information on how to successfully sell / rent a flat without a third party that would be the need to pay any commission. However, it offers the services of a law firm, but according to its words at a fraction of the price the client would pay for the real estate agency.

In Pardubice and its surroundings, bezrealitky.cz currently offers around 40 properties for sale and 50 for rent, so this project is also considered to be a competition for real estate agency RealityBlue.

4.4 MARKETING PLAN

4.4.1 TARGET GROUP

The target group of the company is clients who are not afraid to entrust the property into the hands of smaller real estate agencies, whether because they are looking for more personal access or lower service prices.

The potential clients of our company among Pardubice region, we can divide into 2 age categories:

- 20 -30 years
- 30 - 50 years

The main target group, especially in the beginning, are young people aged 20-30 who are mainly interested in short to medium-long rentals. To spread awareness about the real estate RealityBlue it is necessary to have a good name that means it is necessary to have lots of satisfied clients. For young people, the main aspect is the price. That's why the main target group at the beginning will be the age group 20-30. The company has to set-up lower prices at the beginning than the competitors and young people are looking for lower price and also as young people are the generation of social media and internet, they can make the name of our company on the social media and on the Internet.

The middle age category will also be great target group for the beginning. Clients in this age category with lower financial income are interested in long-term rentals, those better secured also in the purchase of the property. In both cases, the price is very important to them, but at the same time they are worth the quality services.

4.4.2 PRODUCT

RealityBlue, s.r.o. will offer complete, professional sales services and rental services of real estates. In addition to mediation itself, it is going to ensure administrative support, preparation of contracts and the necessary documents. In addition, the company will provide estimation of market price of real estate or preparation of expert's assessment according to Act no. 382/2004, expert advice on real estate financing through a mortgage loan.

4.4.3 PRICE

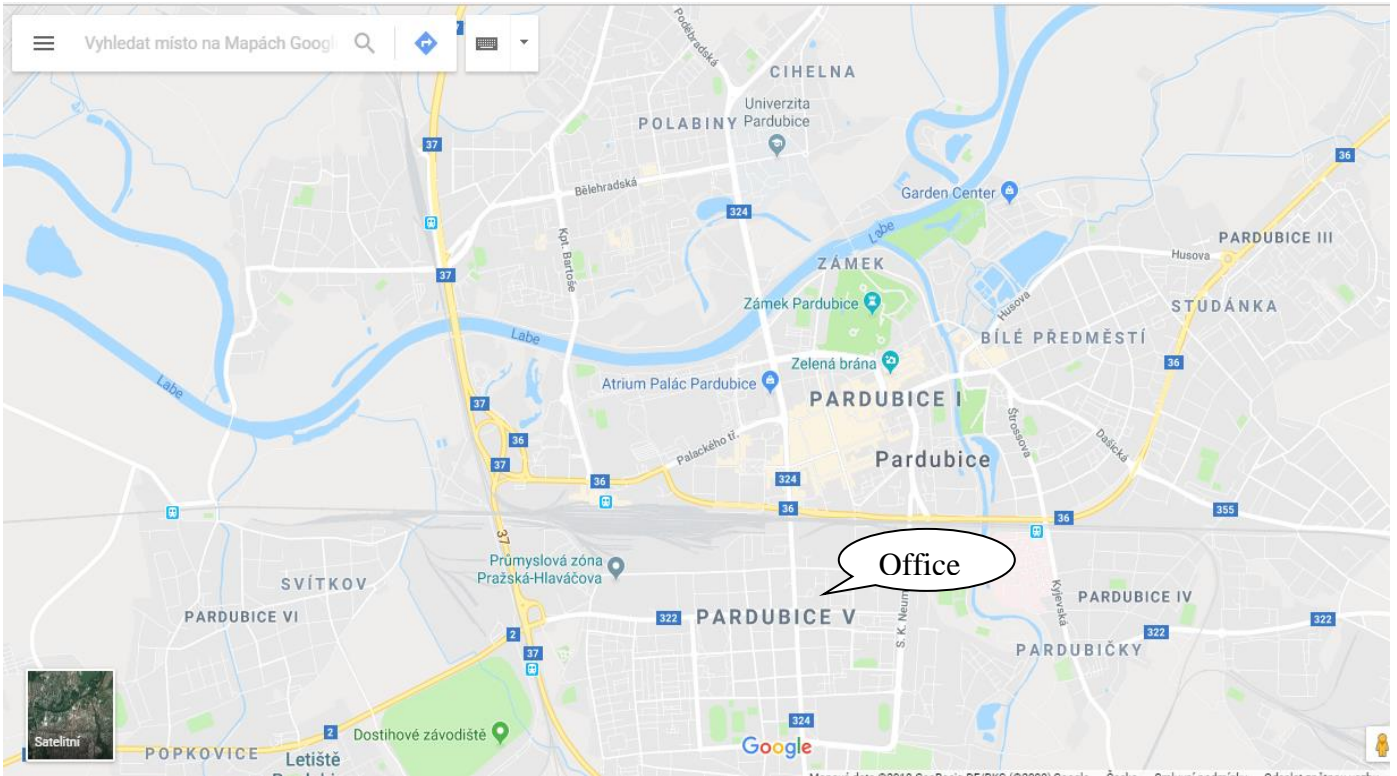
Pricing policy of RealityBlue will be based on the competitive prices. As a new business entity on the market, the real estate agency has to set up such pricing policy to make its services cheaper than competitors and to attract more customers.

The sale usually involves real estate commission, as the price of services provided by real estate agencies, ranges around 6 to 7% of the property price. For renting commission the real estate agents, gets usually the amount of one monthly rent. Real estate agency RealityBlue sets a commission for the sale of the property to 4% of the property price. However, the percentage is only indicative and with everyone will be negotiated separately. The commission must also be determined with respect to the selling price. Company RealityBlue, however, has a minimum commission on sales of real estate in the amount of 50 000 CZK. The commission will be paid by the seller. If it is a rental, the commission will be one month rent without services, because usually most of the real estate agencies charges the rent with services. Real estate RealityBlue considers this pricing policy to be the beginning of its business competitive and does not exclude its change in the future. In case of re-use of the services, real estate agency is ready to offer a customer discount.

4.4.4 PLACE

The headquarters of the company will be at Jana Palacha Street in Pardubice. The same address will be also a physical office. The office is 70 m². The office is situated nearly in the centre of Pardubice, which gives us a great opportunity to have the office very available for clients. The will be bright and spacious, equipped with 2 tables with chairs, computer equipment, big table with chairs and decorated with a photos of properties. Future real estate agents will be hired based on the current location so that they have easy access to work.

Figure 17 -- headquarter of RealityBlue



(Source: google.maps.com)

4.4.5 PROMOTION

Nowadays, every good business idea needs to be supported with sophisticated marketing promotion to have a chance in a competitive environment to succeed. It is important to find a way to differentiate as much as possible from your competitors and get to customers' unconscious.

This business plan is designed with a philosophy of the lowest cost. This will be also applied during the marketing promotion. But just as real estate agents will try to ensure that the lack of finance will not reflected in the quality of the services, as well as the marketing promotion will be designed to meet everything that is expected of it with a limited budget.

WEBSITES

One of the most important elements of marketing promotion of the real estate agency is a website. Potential customers that are looking for new housing, daily visits a large number of real estate websites of various real estate agencies. It is therefore important that our websites will be modern, fresh and interesting for somebody.

Websites have to meet the following particular parameters:

- systematically;
- clarity;
- originality.

The basic content of the RealityBlue website will be:

- about real estate agency;
- information about real estate agents;
- detailed and true information about all properties offered;
- quality photos of all properties;
- a list of additional services offered by the real estate agency and their further description;
- a clear price list for all services;
- Advertising video.

To create high-quality websites is often very costly. Real estate agency has the possibility to cooperate with a great company for websites called Jirout advertising. This company is considered as the best on the market in the Pardubice region. A huge advantage is that because of very good relationship with the owner of the company, RealityBlue will have high-quality websites for a discounted price of 15 000 CZK.

Websites can also be easily used as a source of information. Using number of viewing per advertisement of the property can help real estate agents know what types of apartments / houses, is the interest the highest. In a forward search of other properties for rent / sale will then the real estate agency focus primarily on these types. A wide range of services in the real estate industry is certainly important however, to offer an overpriced or otherwise disadvantage properties for clients is also not a good move.

A standard part of almost all real estate websites is a form that clients can fill in in case if they did not find the property they were looking for on the pages. For real estate agents, the demanded property can be found out better for a particular client because they can use the arguments to persuade the owner of the property to include the particular offer to the RealityBlue websites because of the chance of immediate potential client.

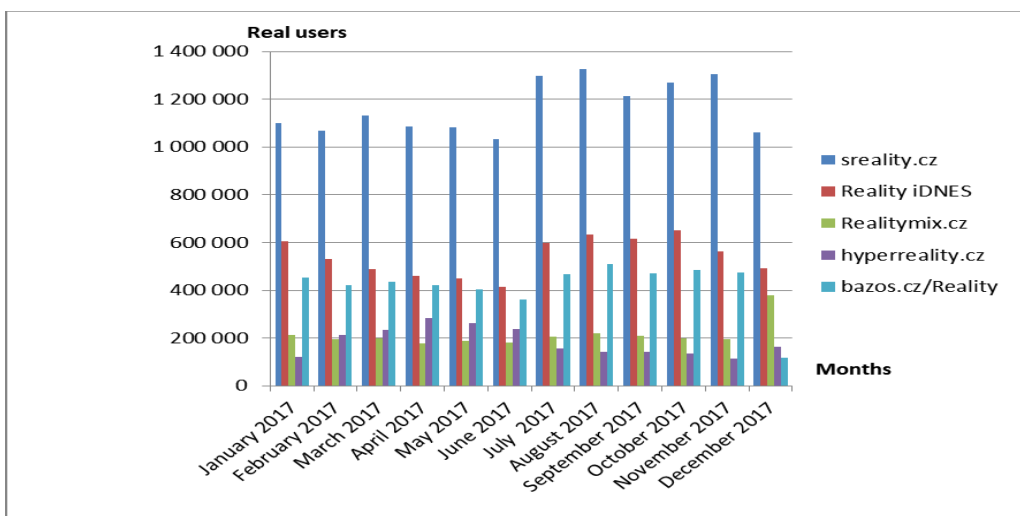
Customers will be able to leave feedback on real estate services on the websites to spread name and exclusivity for other potential customers. These reviews should be positive, to lure new clients.

ADVERTISEMENTS ON REAL ESTATE WEBSITES

Another way for potential customers how to get to the services of real estate agency RealityBlue is through advertising on real estate portals. The selection is really great in this area and most of the bigger real estate agencies use more than one real estate portal at the time. Real estate agency RealityBlue decided to use only one portal, according to the public data published on the Association for Internet websites, the portal is according to those data the best and it is the most visited reality website in the Czech Republic. After analysis of the published data was created the following chart, which clearly testifies to the fact that real estate sreality.cz portal is by far the most visited. The second place is the portal idnes.cz, but the result is distorted because it is not just a an advertising portal, but also an internet website on housing. The price of advertising on the real estate portal sreality.cz (sreality.cz, 2017)consists of:

- fixed amount - registration fee, which is payable for the quarterly or annually, as the company decided to register for 12 months with 15 active ads included in the price will the total amount of sreality.cz service cost 5 000 CZK per year.
- variable amounts - fee per ad - 60 CZK

Figure 18 - comparison of advertising websites



(source: own processing, data www.netmonitor.cz)

FACEBOOK

Creating an official site with basic information about the real estate agency on well-known and widely used social network is very important. It is a very simple way how to address younger customers in particular. The Facebook offers the ability to create albums to individual properties with a basic description. Clients will be able to ask questions that will receive a quick answer and will be visible to others. The biggest problem that is associated with facebook promotion is getting the so-called fans who have to add a site to their favorite sites to have the access to the information mentioned on the Facebook. The moment the real estate agency manages to lure on the site at least the minimum number of social network users and sites will be able to lure potential clients by themselves. It is necessary that the site will be original and well-manage to have the "fans" basement. The act itself is adding real estate sites to Favorites is automatically displayed to all social network users who have it with the "fan" of the real estate office something in common.

PROMOTIONAL MATERIALS

Other type of promotion that will the real estate agency use are promotional materials such as company's pens and folders. Also it is necessary to have a business cards and also a huge sail that will promote properties that are going to be for sale. And the last thing is the foil on the cars that will promote the company in Pardubice or elsewhere where the car will go.

CUSTOMER RECOMMENDATIONS

In the future, however, due to the nature of customer access, a real estate agency expects the best advertising for them to be their satisfaction. Recommendation of quality services that are provided will certainly ensure many new customers in the future.

4.5 FINANCIAL PLAN

In order to determine if the planned business is viable, a financial statement needs to be drawn up as a plan. This will result in the rents and sales that real estate agents have to make monthly to cover monthly expenses and their business was profitable. Real estate agents themselves have enough experience to be able to assess whether this number of mediated sales / rents will be realistic to achieve.

Table 8 - Opening balance sheet

| ASSETS | | LIABILITIES | |
|-----------------------|--------------------|--------------------------|--------------------|
| Fixed assets | 0 CZK | Equity | 200 000 CZK |
| Tangible assets | 0 CZK | Initial investments | 200000 CZK |
| Intangible assets | 0 CZK | Capital funds | 0 CZK |
| Financial assets | 0 CZK | Reserve funds | 0 CZK |
| | | | |
| Current assets | 200 000 CZK | Liquidity | 0 CZK |
| Inventory | 0 CZK | Reserve | 0 CZK |
| Long-term debts | 0 CZK | Long-term liabilities | 0 CZK |
| Short-term debts | 0 CZK | Short-term liabilities | 0 CZK |
| Cash | 200000 CZK | Bank loans | 0 CZK |
| | | | |
| Total assets | 200 000,00 | Total liabilities | 200 000 CZK |

(source: own processing)

The owners will invest into the company 100 000 CZK, i.e. a total of 200 000 CZK. Money will be placed on the company's account as capital and will be used to cover the costs associated with activity. The company will not need any bank loans or other funding sources. An enterprise will not pay VAT unless it is compelled to do so under Section 4 (1). 2, Act No. 222/2004 Coll. value added tax, that is to say, up to 12 previous consecutive calendar months will reach the total turnover of 1 000 000 CZK.

INITIAL INVESTMENTS

Admission costs, that is, the costs that are needed to be incurred before the start of an independent activity are the costs of establishing the s.r.o. This includes the entry in the business register as stated in the table below. We compile an inventory of the initial expenses that real estate agents have to invest in the start of business before its very beginning. Expenditures are mainly created by the material equipment of the real estate agency and also the costs of marketing.

Table 9 - Initial investment into equipment

| Item | Item description | Amount | Costs |
|---------------------------------------|--------------------------------|---------------|-------------------|
| Establishment of company | Social contract | 1 | 15 000 CZK |
| | Entry into Trade Register | 1 | 500 CZK |
| | Entry into Commercial Register | 1 | 1 000 CZK |
| Costs for establishing company | | | 16 500 CZK |
| Office equipment | Tables | 3 | 2 685 CZK |
| | Office shelf | 1 | 890 CZK |
| | Chairs | 6 | 2 994 CZK |
| Electronics | Laptops | 2 | 13 332 CZK |
| | Adobe Photoshop | 1 | 2 649 CZK |
| | MS Office | 1 | 3 499 CZK |
| | Mobile Phones | 2 | 14 000 CZK |
| | Photo Camera | 1 | 8 227 CZK |
| | Printer | 1 | 2 099 CZK |
| Cost for equipment | | | 50 375 CZK |
| TOTAL | | | 66 875 CZK |

(Source: own processing)

In the table below are stated the initial costs for marketing. It is necessary to have following items for the beginning of establishing the business. One of the most important item is to have the web pages and the promotion on the advertising web sreality.cz other items are not that important but to have some kind of level of the business they are an advantage.

Table 10 - Marketing promotion

| Item | Item description | Amount | Costs |
|------------------------|-------------------|--------|-------------------|
| Marketing items | Web pages | 1 | 15 000 CZK |
| | Promotion sail | 1 | 1 100 CZK |
| | Car add | 1 | 1 200 CZK |
| | Promotion folders | 20 | 1 000 CZK |
| | Stamps | 2 | 700 CZK |
| | Business Cards | 100 | 400 CZK |
| | sreality.cz | 1 | 5 000 CZK |
| | | | |
| TOTAL | | | 24 400 CZK |

(source: own processing)

Most of the initial costs of Real Estate Home will be paid by the initial investments that owners put into the company. Monthly expenses listed in the following table, real estate agents will have to cover up to a certain extent from regular revenues. If the monthly spending exceeded your earnings, it is possible to cover it from the financial reserve.

Mobile services will be provided by the Vodafone provider because they are offering the tariffs for small services for good prices of 1 490 CZK per months. Internet services will be provided by the company MegaSphere, it is the cheapest internet provider company in Pardubice.

Table 11 - Monthly fees

| Item | Amount | Costs |
|---------------------------|--------|-------------------|
| Rent | 1 | 1 000 CZK |
| Services(electricity) | 1 | 2 000 CZK |
| sreality | 35 | 2 100 CZK |
| Monthly fee mobile phones | 2 | 1 490 CZK |
| Internet | 1 | 320 CZK |
| Webhosting | 1 | 500 CZK |
| Office supplies | 1 | 1 000 CZK |
| Fuel | 2 | 6 000 CZK |
| Operating lease VW Polo | 1 | 4 447 CZK |
| | | |
| TOTAL | | 18 857 CZK |

(source:own processing)

WAGES

In the table below are calculated wages for employees of the RealBlue company. In case of John he works in the company full time and has the net wage of 19 630 CZK for years 2018 and 2019. In the year 2020 there will be an increase in the wage so the net wage for John in 2020 will be 26 520 CZK. In case of Karolína, she is a student so she will be employed in the company as an Agreement to perform work and the net wage will be 10 000 CZK for year 2018 and 2019. In the year 2020 she will be employed full time with a net wage of 26 520 CZK.

Table 12 – Wages

| | 2018 | 2019 | 2020 |
|----------------------------|------------|------------|------------|
| Employee John | | | |
| Net wage per month | 19 630 CZK | 19 630 CZK | 26 520 CZK |
| Social insurance per month | 6 250 CZK | 6 250 CZK | 8 750 CZK |
| Health insurance per month | 2 250 CZK | 2 250 CZK | 3 150 CZK |
| Tax | 60 300 CZK | 60 300 CZK | 46 900 CZK |
| Employee Karolína | | | |
| Net wage per month | 10 000 CZK | 10 000 CZK | 26 520 CZK |
| Social insurance per month | 0 CZK | 0 CZK | 8 750 CZK |
| Health insurance per month | 0 CZK | 0 CZK | 3 150 CZK |
| Tax | 18 000 CZK | 18 000 CZK | 46 900 CZK |

(source: own processing)

REALISTIC SCENARIO

For this diploma thesis, the income statement and the cash flow was done for the realistic scenario because this scenario is taken as a main key for the business.

In the table below is the income statement for years 2018-2020. For year 2018 was estimated that the turnovers from sales and rents are going to be 664 500 CZK. The calculations were very simple. For rents was estimated to rent approximately 25 flats with the average commission of 9 500 CZK. For sales was estimated to sell at least 12 properties with the average commission of 45 000 CZK. This number was estimated according to data provided from real estate agencies all around the Pardubice. Because these data are confidential, no publication of these data. But the largest real estate company in Pardubice rents about 175 properties and sell about 130. The smallest one rents about 45 properties per month and sells about 20 properties. So in average it was estimated the number of rents and sells. From the rents and sells there is also calculated the commission for lawyers.

For others turnovers was estimated form reconstructions for 144 000 CZK and for expert evidences for 45 000 CZK. The turnovers are after commissions for construction company and lawyers, which gives the total turnover of 189 000 CZK. In the expenses are included wages, promotion expenses for marketing, administrative expenses (office supplies, car lease etc.), fuel, rent for offices, payouts of wages, taxes and depreciation of equipment. As it is visible the company is trying to cut costs as possible. But every year the company is trying to invest into the marketing activities because it is important to spread name of the company. In the year of 2020 the expenses are higher because the company decided to get the second car on the operating lease and also the second owner is a full time employee.

In the year of 2018 is the profit estimated on 188 084 CZK. In this year the company is not paying the value-added tax because the turnover was not over 1 000 000 CZK. If the owners would like to divide the profit of the company, after all taxation, and because the owner can take the 85% of 50% of the profit, it was calculated to be 77 656 CZK per year. In the year 2019 the turnovers increased by 20% and the profit of the company was calculated for 348 484 CZK. Because the company had the turnover of 1 000 000 CZK it is necessary to pay VAT of 19%. Profit for one owner would be 116 546 CZK. In the year of 2020 the turnovers of rents increased by 60% and in sales and other turnovers by 40%.

Also in this year the expenses increased. The profit was calculated for 356 360 CZK, also paying VAT and the profit for one owner would be 119 118 CZK per year.

Table 13 - Income statement

| INCOME STATEMENT | 2018 | 2019 | 2020 |
|---|--------------------|----------------------|----------------------|
| Turnovers from rent/sales | 664 500 CZK | 752 400 CZK | 1 142 200 CZK |
| Other turnovers | 189 000 CZK | 266 800 CZK | 317 520 CZK |
| TOTAL TURNOVERS | 853 500 CZK | 1 019 200 CZK | 1 459 720 CZK |
| Personal expences (wages) | 243 540 CZK | 243 540 CZK | 336 680 CZK |
| Promotional expences | 25 200 CZK | 30 500 CZK | 32 000 CZK |
| Administrative expences | 105 084 CZK | 105 084 CZK | 158 488 CZK |
| Fuel | 72 000 CZK | 72 000 CZK | 144 000 CZK |
| Rent | 36 000 CZK | 36 000 CZK | 36 000 CZK |
| Payouts | 88 500 CZK | 88 500 CZK | 93 800 CZK |
| Taxes | 78 300 CZK | 78 300 CZK | 285 600 CZK |
| Depreciation | 16 792 CZK | 16 792 CZK | 16 792 CZK |
| TOTAL EXPENCES | 665 416 CZK | 670 716 CZK | 1 103 360 CZK |
| PROFIT/LOSS | 188 084 CZK | 348 484 CZK | 356 360 CZK |
| TAX 19% | | 66 212 CZK | 67 708 CZK |
| CUMULATED PROFIT/LOSS | 188 084 CZK | 282 272 CZK | 288 652 CZK |
| Estimated profit for one partner | 77 656 CZK | 116 546 CZK | 119 180 CZK |

(Source: own processing)

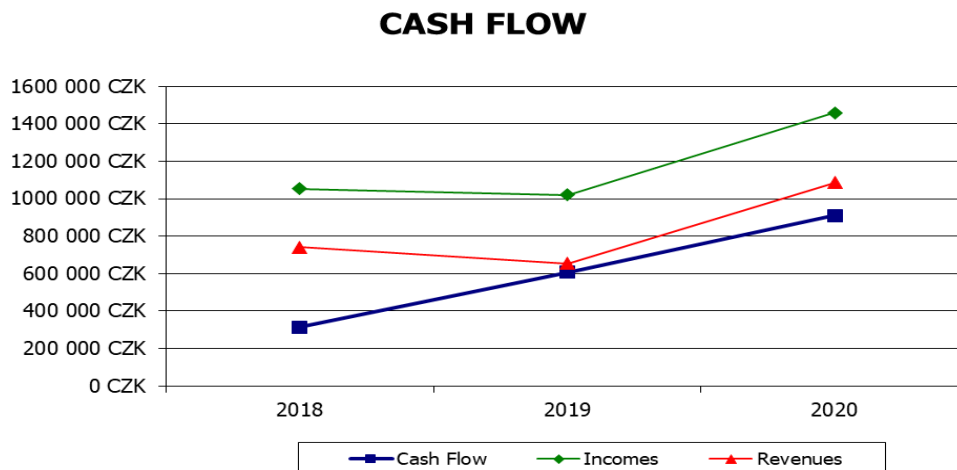
In the next table below the cash flow outlines the difference between revenues and expenditures of cash and cash equivalents in the RealBlue s.r.o. real estate agency. In the cash flow statement was calculated the cash flow discounted to afterwards calculate the profitability index and net present value. The profitability index was calculated on 6,31 with 20% (2% of inflation included), that means $PI > 1$, the company is highly profitable. And the net present value is 1 062 088 CZK, that means the number is positive so the investment is accurate.

Table 14 - Cash flow

| | | | |
|----------------------------------|----------------------|----------------------|----------------------|
| Cash - beginning | 0 CZK | 312 881 CZK | 608 171 CZK |
| Turnovers | 853 500 CZK | 1 019 200 CZK | 1 459 720 CZK |
| Invested capital | 200 000 CZK | 0 CZK | 0 CZK |
| TOTAL INCOMES | 1 053 500 CZK | 1 019 200 CZK | 1 459 720 CZK |
| Equipment | 50 375 CZK | 0 CZK | 0 CZK |
| Personal expences (wages) | 243 540 CZK | 243 540 CZK | 336 680 CZK |
| Promotional expences | 25 200 CZK | 30 500 CZK | 32 000 CZK |
| Other expences | 177 804 CZK | 177 804 CZK | 302 488 CZK |
| Rent paid | 36 000 CZK | 36 000 CZK | 36 000 CZK |
| Payouts | 88 500 CZK | 88 500 CZK | 93 800 CZK |
| Taxes | 78 300 CZK | 78 300 CZK | 285 600 CZK |
| Other expenses on marketing | 40 900 CZK | 0 CZK | 0 CZK |
| VÝDAJE CELKEM | 740 619 CZK | 654 644 CZK | 1 086 568 CZK |
| Tax 19% | | 69 266 CZK | 70 899 CZK |
| Cash - common season | 312 881 CZK | 295 290 CZK | 302 253 CZK |
| CASH FLOW | 312 881 CZK | 608 171 CZK | 910 424 CZK |
| Cashflow discounted | 312 881 CZK | 422 341 CZK | 526 866 CZK |
| Cashflow discounted TOTAL | 1 262 088 CZK | | |
| Profitability index | 6,31 | | |
| Net present value | 1 062 088 CZK | | |

(source: own processing)

Figure 19 - Cash flow



(source: own processing)

In the table rentability of assets below is shown how efficiently the company makes a profit, regardless of the source of the profit. It expresses the percentage of the net profit from the total assets; the higher the values, the better. In the table is visible that the return on assets is highest in 2019.

For the long-term healthy return on sales, we consider the scale from 2% to 20%. If profitability is lower for a long time, it means that the company's financial performance may lead to financial instability, which may endanger the company's operations, for example, in times of economic recession. High profitability above 20% is, not sustainable for real estate agents. If the real estate agency achieves it for a long time, this may mean, for example, that the office does not invest in its development or that it offers lower salaries to its employees, etc. This will usually be a problem in the future.

Table 15 – Return on assets

| Return on assets | 2018 | 2019 | 2020 |
|------------------|-------|-------|-------|
| | 2,20% | 3,40% | 2,40% |

(source: own processing)

The indicator return on equity measures the efficiency with which the enterprise uses the owners' capital, it measures how much net profit accrues to one crown of the capital invested by the shareholder.

Particularly for shareholders, return on equity is a particularly key indicator.

Table 16 - Return on equity

| Return on equity | 2018 | 2019 | 2020 |
|------------------|--------|--------|--------|
| | 23,12% | 25,98% | 24,35% |

(source: own processing)

The indicator of rentability of expenses shows how much costs we need to spend in the company to earn \$ 1 in profit. It shows what part of CZK 1 "drowned" in costs return to the company in the form of profit.

Table 17 - Rentability of expenses

| Rentability of expenses | 2018 | 2019 | 2020 |
|-------------------------|-------------|------------|-------------|
| | 28,26562631 | 51,9570131 | 32,29770882 |

(source: own processing)

OPTIMISTIC AND PESSIMISTIC SCENARIOS

The financial analysis of the realistic scenario was done, so according to computed data, it is possible to determine the profit of the company in case of the pessimistic scenario and the optimistic scenario.

In the pessimistic scenario, if we deduct 20% of our turnovers, it means from sales, rents and other services and the expenses will be the same, because as the company started with a limited budget so RealityBlue is not able to cut costs even more, the result will not be that good but still the company will not be in loss. In the pessimistic scenario, in year 2018 the company should generate the profit of 18 106 CZK. In the year 2019 the profit should increase about 13% so the profit should be 144 644 CZK. In the next year because the company decided to employ the second owner full-time and to increase wages the generated profit should be 64 416 CZK.

In the optimistic scenario, we add 20% to turnovers from the realistic scenario. Rents will increase by 20% as well as sales of properties will increase by 20%. Also it is necessary to increase other provided services. The company will also keep their expenses from the realistic scenario and from the year 2018 the company should generate the profit of 358 806 CZK. The year after the profit should be even higher in total amount of 552 324 CZK. In the year 2020 the company should generate the profit of 648 304 CZK even after that the company should increase their expenses. And as this scenario would become real the RealityBlue can increase their expenses even more and still be profitable and also to invest into better marketing to spread the awareness about the company.

Table 18 - Scenarios of profits

| | 2018 | 2019 | 2020 |
|--------------------------|-------------|-------------|-------------|
| Pesimistic (-20%) | 18 106 CZK | 144 644 CZK | 64 416 CZK |
| Realistic | 188 084 CZK | 282 272 CZK | 288 652 CZK |
| Optimistic (+20%) | 358 806 CZK | 552 324 CZK | 648 304 CZK |

(source: own processing)

4.6 SWOT ANALYSIS

STRENGTHS

- personal effort, engagement and personal responsibility;
- working ethics;
- flexibility;
- individual approach to the customer;
- the experience of real estate agents with the work of a real estate broker;
- education of one of the real estate brokers in the field of management and finance;
- provision of associated services (reconstruction);
- lower prices for services than for competitors;
- low initial costs;
- The close relationship of both real estate agents

One of the strongest aspects of RealityBlue s.r.o. is a personal effort, engagement and personal responsibility of both real estate agents. With the working morals and the flexibility of real estate agents are closely related to the quality. Thanks to this approach, real estate agents will be able to meet the demands of all their clients. Real estate RealityBlue will be distinguished by its individual competitor's access to customers and the provision of associated services related to them moving, reconstruction, etc. With a competitive advantage it also relates to lower prices for services than those offered by competitors.

Last but not least, RealityBlue ranks among the strengths of the real estate agency the experience of real estate agents with the work of a real estate agent, thanks to which they can first evaluate the feasibility of this project and provide quality real estate services in the future to all customers of RealityBlue. The strengths that will contribute to a successful business, we can also include the education of one of the real estate agent in the field of management and economics, the close relationship of both real estate agents and the fact that it is real estate RealityBlue's office based with low start-up costs and real estate agents so they are not burdened by any loan or another financial burden.

WEAKNESSES

- a lack of financial resources that effect, for example, marketing;
- only one real estate agency;
- the real estate agency does not have a built-in name;
- The problem of estimating the time when the real estate is sold and the resulting
- Improving financial planning on the basis of revenue.

One of the biggest weaknesses of the real estate agency can certainly be considered lack of financial resources that effect, for example, marketing. Also, the weakness is that the company does not have a name and the new clients will be hard to find. This fact, however, is associated with the foundation of each new firm. Real estate agents will thus gradually gain customer confidence and build their place in the market.

OPPORTUNITIES

- Insufficient quality and lack of precision of the services of some real estate agents, customers can go to us;
- Enhance business by improving service and adding others
- In future engaging in development projects.
- The Act of mediation of real estate services

The biggest opportunity of RealityBlue intends to use not only for the beginning of its business but also throughout its course, is insufficient quality and the indecisiveness of the services of some real estate agents, whose customers can switch to real estate agency RealityBlue. Real estate agency is planning during its businesses increasingly improving their services and providing their customers with more and better and more comprehensive services. In order for real estate agency to take the opportunity in the form of expanding their services, the agency will in the future adding new colleagues to the real estate agency. To increase business profits, RealityBlue will be planning in the future to engage in development projects to ensure real estate growth.

THREATS

- the competition that already is in the business and has the name and the know-how;
- reducing general confidence for the real estate agencies;
- strong competition in the market
- Minimum entry barriers

The biggest threat to real estate is the competition that is already established, has established market position, name and working know-how. Real estate agents must be especially at the beginning of the business very careful and try to provide its clients with a different approach and something extra so the real estate agency has the chance to succeed in a competitive environment. Like all real estate agencies in the Czech Republic, also RealityBlue will face a threat in the form of unemployment, some indebtedness of population groups and limited access to mortgages. Unlike these threats, which the RealityBlue is not able to influence anyway, the threat of lowering the general trust in real estate agency RealityBlue can change by providing high-quality services.

4.7 FUTURE BUSINESS DEVELOPMENT

One of the major future targets will be to expand to other locations. The first wave will mainly deal with localities near Pardubice and Hradec Králové but also to Prague. With this extension, the emphasis will be placed on the database of information and the effort to get customers who are willing to move, for example, to suitable housing in another city or region. That's why it is advisable to have a central offer as desired in case of such interest destinations. Easy, fast, and intuitive customer search is a must. In order to gain some exclusivity, it is possible to try to get the cooperation with some foreign real estate agencies and so include in the offer of local offers of exotic sites that can be mediated.

4.8 EXECUTIVE SUMMARY

The business plan for the real estate agency RealityBlue s.r.o., was created for the purpose of establishing a new viable and reliable company with an idea of potential future development. As part of the business plan, it was implemented an analysis of the real estate market situation in Pardubice. The SWOT analysis provides an inventory of strengths and weaknesses, opportunities and identified threats related to an establishment of a new real estate agency.

Considerable attention is paid to marketing research on the market where the emphasis is placed on the promotion of the company, its offer that differentiates from the competition and the form of the chosen strategies, which real estate agency RealBlue s.r.o., will implement to be a profitable company.

The business plan also contains detailed financial plan that is designed to estimate the profits and viability for future development and also stated what and how much you need to invest in the company. Not even part of the company's organizational site is outlined, with an overview of costs the employee who is in the financial part.

5 RESULTS AND RECOMENDATION

As a main result of this diploma thesis was to create a business plan for real estate company RealityBlue s.r.o. The company will be formed by two owners that will be simultaneously the employees of the company. The initial investment into the company is 200 000 CZK. The promotion of the company was determined to be very important so the company decided to invest into the quality webpages, Facebook site and the car with a sticker add.

After the financial analysis was conducted that the profit from the first year in realistic scenario could be 188 084 CZK, year after 282 272 CZK and the last examined year will be 288 652 CZK. The pessimistic and optimistic scenarios were examined too and the results shown that the company will be in profit even after decreasing the turnovers in the pessimistic scenario.

The rentability indexes were calculated for the realistic scenario and for example the return on assets for the year 2018 was 2,20% thus means, the company makes profit efficiently.

The real estate market is highly atomized and relatively complex to predict sales of an individual real estate agency. That is why the company is predicting also a pessimistic scenario with up to 20% of decreasing sales than in a realistic scenario. Predict revenues and profits is always complicated, however, that is the risk that is every entrepreneur has to undergo.

As a recommendation I would suggest to the company to invest in the future into the better and modern equipment, into better marketing and also I would suggest to the company to expand into more cities. At the beginning around the Pardubice and Hradec Králové but also definitely to Prague. Because there could be the situation that people from Prague would like to move to east of Czech Republic and vice versa and that would complete the all-inclusive services of the real company. My last recomendation is that everyone should be chasing their dreams eventhough if they are profitable or not.

As a result of this whole diploma thesis is that it was proven, the real estate agency is able to work on the real estate market of Pardubice and it is able to be profitable and viable.

6 CONCLUSION

Entry into business is not easy and always involves a considerable risk failure. This risk can never be completely eliminated, but it can be reduced by creating a good business plan.

The aim of this diploma thesis was to develop a business plan that will serve as the background for establishing and managing a real business, pointing to strengths and also trying to uncover the greatest risks associated with given business.

In the theoretical part, was first addressed the issue of business with a focus to small and medium-sized enterprises. Next, the thesis is focused on the business plan, its essentials, types, structure, but mainly on the content and created the background for the elaboration of the practical part.

The practical part was focused on a business plan for real estate office. First of all, was necessary to conduct an analysis of the external environment using PEST analysis and Porter's model of competitive forces, further analysis of company resources. It was also developed a marketing plan and considerable attention was also focused on the financial plan, where revenue forecasts have been prepared, core financial statements as well as profitability indicators.

At the beginning of this thesis were set up research questions:

1. Does the enterprise have a real chance in the current situation to succeed and be profitable in the real estate market?
2. What predicted profit/loss will the company generate in the first and second year of business?

As the answer to the first research question is that after conducting several analysis of the company is that even though, the real estate market is very competitive environment there is a place for one different real estate agency, that will respect ethical and moral standards, will offer all-inclusive services and will take lower commissions then the competition the company will be profitable and viable.

The second research question can be answered by the financial analysis in this diploma thesis. As the results from financial analysis proven that after the first year, second year and third year the company will be profitable in all scenarios (pessimistic, optimistic and realistic).

One thing, however, is that, despite the good results of the financial analysis, this is a highly competitive environment, as confirmed by Porter's model of competitive forces. Market enforcement is therefore relatively demanding for individual entities. Even the best analyses, cannot ensure success in business in the real world, there are many factors that cannot be adequately quantified. But with highly thought-out and elaborated business plan the probability of success significantly increases.

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8 APPENDIX

Appendix 1 - Competiton analysis

| | Website level | Offers | Location | Complexity of services | Average |
|-------------------------------------|---------------|--------|----------|------------------------|---------|
| M&M reality holding | 2 | 1 | 1 | 1 | 1,25 |
| Next reality | 2 | 1 | 2 | 2 | 1,75 |
| Reality IQ | 2 | 3 | 3 | 2 | 2,5 |
| Remax | 3 | 1 | 2 | 3 | 2,25 |
| Century 21 | 3 | 3 | 2 | 2 | 2,5 |
| Real. Spol. České spořitelny | 2 | 4 | 1 | 2 | 2,25 |
| Talanda Invest | 2 | 2 | 1 | 3 | 2 |
| Chocholatí | 4 | 5 | 1 | 3 | 3,25 |
| Evropa | 3 | 3 | 1 | 2 | 2,25 |
| Grand Finance | 3 | 5 | 2 | 4 | 3,5 |
| AURA Reality | 2 | 2 | 2 | 3 | 2,25 |
| UNITED REAL | 2 | 4 | 3 | 2 | 2,75 |
| Ideal Reality | 4 | 2 | 2 | 2 | 2,5 |
| Sting Reality | 2 | 1 | 1 | 2 | 1,5 |
| Pražská správa nemovitostí | 1 | 2 | 2 | 2 | 1,75 |
| Reality Sebastian | 4 | 3 | 3 | 3 | 3,25 |
| Metropol Real | 5 | 3 | 2 | 3 | 3,25 |
| B.D.Q. Reality | 5 | 5 | 5 | 4 | 4,75 |
| Joštova realitní kancelář | 4 | 3 | 1 | 3 | 2,75 |
| Maxen | 2 | 1 | 1 | 3 | 1,75 |
| Dehas | 2 | 5 | 4 | 4 | 3,75 |
| Česká správa nemovitostí | 1 | 2 | 2 | 2 | 1,75 |
| Real Invest | 2 | 3 | 3 | 2 | 2,5 |
| Real Blue | 1 | 2 | 2 | 1 | 1,5 |
| JP-Kontakt | 5 | 4 | 5 | 5 | 4,75 |
| OrangeReal | 4 | 2 | 3 | 3 | 3 |
| INSOLVENCIA Group | 2 | 5 | 2 | 4 | 3,25 |
| OK Home | 5 | 5 | 2 | 5 | 4,25 |
| Pink Reality | 3 | 3 | 2 | 2 | 2,5 |
| World's Reality | 5 | 5 | 2 | 4 | 4 |
| Realitní kancelář- František Krejčí | 3 | 5 | 2 | 3 | 3,25 |
| RSH Reality | 4 | 4 | 3 | 3 | 3,5 |
| Nexta Reality | 5 | 5 | 2 | 5 | 4,25 |
| Reality Bendáková | 5 | 5 | 3 | 4 | 4,25 |
| RV Reality | 5 | 3 | 5 | 3 | 4 |

(source: own processing)

Appendix 2 - Number of visitors of websites

| Month | sreality.cz | Reality iDNES | Realitymix.cz | hyperreality.cz | bazos.cz/Reality |
|-----------------------|--------------------|--------------------------|----------------------|------------------------|-------------------------|
| January 2017 | 1 101 723 | 605 804 | 211 744 | 119 695 | 452 521 |
| February 2017 | 1 069 847 | 531 310 | 195 121 | 211 949 | 420 792 |
| March 2017 | 1 131 127 | 488 038 | 199 248 | 232 870 | 435 155 |
| April 2017 | 1 084 761 | 461 064 | 178 812 | 284 026 | 420 703 |
| May 2017 | 1 083 482 | 449 723 | 186 893 | 263 153 | 402 320 |
| June 2017 | 1 033 241 | 415 782 | 182 314 | 238 733 | 361 842 |
| July 2017 | 1 298 582 | 596 829 | 206 668 | 156 151 | 467 309 |
| August 2017 | 1 325 783 | 635 096 | 221 031 | 141 188 | 509 707 |
| September 2017 | 1 212 627 | 617 359 | 208 637 | 140 914 | 471 803 |
| October 2017 | 1 271 274 | 652 695 | 197 616 | 134 548 | 486 799 |
| November 2017 | 1 305 916 | 562 793 | 194 591 | 115 711 | 474 006 |
| December 2017 | 1 060 348 | 491 858 | 379 331 | 165 174 | 116 355 |

(Source: own processing, data:<http://www.netmonitor.cz/online-data-ola>)

JUDr. Korolová Rita, notary in Pardubice

Sladkovského 767, 53002 Pardubice, Phone: +420 466 530 593

A COPY OF THE NOTARIAL RECORD

NOTARIAL DEED

Written on the official day of a notary in Pardubice, Sladkovského 767 on the first March of the year two thousand and eighteen (01 March 2018) JUDr. Rita Korolová, a notary in Pardubice.

The participant, whose identity was verified by a valid identification card, of his / her own declaration, which is eligible for legal acts and which declares in accordance with § 105 Comm.Code, paragraph 2) that it is not the sole member of any limited liability company, namely:

Karolína Minhová, r.č. 936122/0000, by Choťovice, and made before a notary

DECISION

on the establishment of a limited liability company pursuant to Section 105 of the Commercial Code and the following

FOUNDING CHARTER

First: Company and registered office.

1. **Company is:** RealityBlue.
2. **The registered headquarter of the company is at:** Jana Palacha 123, Pardubice, postcode 53002.

Second: Identify the Companion.

The second companion of the company is Jan X, 931111/0000, U Krematoria 5, Pardubice 53002.

Thirdly: Subject of Business.

The company's business is:

- Mediation of business and services

Fourth: Registered capital and shareholder contribution.

The share capital of the company amounts to CZK 200,000. The words: two hundred thousand Czech crowns. On this basic capital are shareholders with a cash contribution, for each share holder, of 100,000, - CZK, in the words of one hundred thousand Czech crowns, which undertakes to join the company and pay in full the amount in money on a special account, set up by Karolína Minhová as the depositor, at the company of the company bank. The full amount of the registered capital must be repaid not later than 90 days from the date of signing of this memorandum of incorporation, but before submitting the application for registration of the company to the business register.

Fifth: Specify the Deposit Manager.

The depositor is the partner Karolína Minhová, 936122/0000, Choťovice.

Sixth: Business share

1. Business share is the participation of the shareholder in the company and the resulting participation rights and obligations. Its amount is determined by the ratio of the contributor's contribution to the principal of the company's capital.
2. A shareholder may have only one business share. If a partner participates in another by the deposit, its deposit or its trade is increased accordingly share.
3. A shareholder may transfer a business share to another person.
4. The contract for the transfer of a business share must be in writing and the transferee must to declare access to the founding charter or to the statutes. Signatures on this contract must be officially verified. The transferee guarantees for the liabilities that have been transferred share.
5. The effects of the transfer of a business share are effective on the date of delivery transfer contracts.
6. Business share is inherited. If a partner dies, he is entitled to exercise the rights attached with the business share of the heir. If there are more heirs, they must agree who they are to exercise the rights attached to a business share, or to determine a common one proxy. If the heirs do not agree, they will designate a person at the company's proposal authorized to exercise the rights attached to the share, until the termination of the proceedings heritage, court.
7. The division of a business share is possible only when it is transferred or transferred to the heir or the legal successor of the partner. Distribution of the share is subject to general consent piles.

8. When a business share is divided, if a self-managed share is to be established, it must be the minimum deposit amount of CZK 20,000 is preserved.
9. A business share may be the subject of lien. The pledge must have written form and signatures must be officially verified. Stopped business share can not be stopped again for the duration of the lien.

Seventh: Reserve fund.

The Company is required to create a reserve fund from the net profit recognized in the statutory financial statements for the year in which it first generates the net profit of at least 10% of the net profit, but not more than 5% of the registered capital. This fund is supplemented annually by 5% of the net profit up to to reach 10% of the registered capital. A reserve fund up to 10% of the registered capital may be to be used only to cover the loss of the company. The use of the reserve fund is decided by the directors, in the cases where the law confers this decision on the general meeting.

Eighth: Company Bodies.

The bodies of the company are:

A) General Assembly

The scope of the General Meeting is exercised by the sole member of the Company. Partner 's decision at the performance of the General Meeting must be in writing and must be signed partner. The form of a notarial record is required in the cases referred to in § 127 (4) Commercial Code.

B) Managers

The Statutory Body of the Company is a Managing Director. The company acts on behalf of the company. Executives the management of the company belongs. Signing for the company is done by going to the company the company attaches the signature to the executive.

The first managing director of the company is Karolína Minhová, 936122/0000, Choťovice.

The second managing director is Jan X, 931111/0000, U Krematoria 5, Pardubice 53002.

Ninth: Annual Shutter.

The general meeting that approves the regular financial statements must be held at the latest six months from the last day of the accounting period.

For the tenth: Canceling a partner's participation.

1. The Companion can not withdraw from the Company but may, if it is not a single shareholder, to propose that the court cancel its participation in the company if it can not be fair to demand to remain in the company. Section 113, paragraphs 5 and 6, of the Commercial Code, the Code shall apply mutatis mutandis.
2. Proclamation of bankruptcy of the partner's property or final enforcement order decision by the affiliation of the shareholder in the company or the extradition the order for the affiliation of the shareholder's share in the company after the lawful resolution of the regulation execution has the same effect as the cancellation of its part in the company by the court.
3. In the case of a company with one partner, he has no bankruptcy proceedings against his property the effects referred to in paragraph 2. By declaring bankruptcy, the business share of the sole the partner becomes part of the bankruptcy estate and the shareholder's right is exercised the omission of the bankruptcy trustee with the fact that the received transactions belong to the bankruptcy estate.
4. If the bankruptcy on the assets of a shareholder whose participation in the company has expired pursuant to paragraph 2, shall be revoked for reasons other than the completion of a resolution or a lack thereof property and the company has not yet settled with the paid-up shareholding under Section 113 paragraphs 5 and 6 of the Commercial Code, the shareholder's membership in the company is renewed, if the company has already paid its settlement share, its shareholder must within 2 months from cancellation of the bankruptcy of the company. This applies similarly even if it was the execution of the decision by the affiliation of the shareholder in the company or lawfully sealed the execution under a special legal regulation

For Eleventh: Cancellation with liquidation.

1. The Company is canceled: by the day held in the resolution of the shareholders or the general meeting of the cancellation of the company, other than the date on which this decision was taken, if it is canceled by the date of the winding-up order, otherwise the date on which this decision comes into force. The day stated in the General Decision piles if the company is dissolved as a result of the merger, the transfer of assets to or as a result of the division, other than the date on which this decision was taken. Cancellation of bankruptcy following the completion of a resolution or cancellation of bankruptcy on the ground that the assets of the bankrupt are insufficient to cover

bankruptcy costs. Rejection bankruptcy petition for lack of property. By agreement of all the partners, which must take the form of a notarial record.

2. The court may, at the request of a public authority or a person demonstrating legal interest, to decide to wind up the company and liquidate it if:
 - In the past two years, the General Meeting has not been held or in the past year the organs of the company that they have ended or all of whose members have not been elected ended the term of office more than one year ago, or the company for a period of time more than two years does not carry out any activity,
 - The company will cease business authorization if the assumptions do not expire required by the law on the formation of a company or if a company can not to perform activities for insurmountable disputes between partners,
 - The Company breaches the obligation to create a reserve fund,
 - The Company infringes the provisions of Section 56 (3) of the Commercial Code (execution subject of business using natural persons who are not authorized to do so activities under special regulations),
 - The company does not fulfill the obligation to sell part of the business or to divide the deposited by a decision of the Office for the Protection of Competition pursuant to a special legal regulation prescription.
3. The termination of the company precedes its cancellation with or without liquidation, when it precedes her property on the legal successor. The company is wound up as of the date of the trade register.
4. The company enters into liquidation on the date it is canceled. Used during the liquidation period the firm of the company with "in liquidation". Liquidator is appointed by the General Meeting or is determined by agreement of all partners. The liquidator may only be a natural person, unless the Commercial Code or a special legal regulation stipulates otherwise.
5. Upon liquidation of a company, each partner is entitled to a share in the liquidation balance. This proportion is determined by the ratio of the market shares.

For the twelfth: The expiration of a company with a transfer of business assets to a legal successor

Companies domiciled in the Czech Republic may be converted into:

- A merger, which may take the form of a merger or a merger, by transferring the assets to partner
- The division, which may take the form of:

- sharing with the founding of new companies,
- division by merger,
- combining the two forms mentioned after I. and II.
- by changing the legal form of the company.

Thirteenth: Invalidation of the company

1. After the establishment of the company, the decision authorizing the registration of the company into the the Commercial Register, and it is not possible to claim that the company has not been established.
2. Invalidation of a company may be declared by a court only if it is:
 - There was no social contract or founding charter or was not their prescribed form,
 - The actual subject of the business (activities) is indecent or contradicts to the public order.
 - There is no company or company statement in the social contract (founding charter) about the members' deposits or about the amount of the registered capital or the object of the business (activities), the provisions on minimal repayment of deposits were not respected, all founding partners are unfit for legal acts.
3. Upon the date of the court's decision of nullity, the company enters into disposal.
4. The legal relationships into which an invalid company has entered are not nullity of the company affected. The obligation of partners to repay outstanding deposits takes place if interest is required creditors to meet the obligations of an invalid company.
5. The termination, termination, liquidation and transformation of the Company shall furthermore be governed by the relevant provisions of the Commercial Code.

Fourteenth: The Origin and Duration of the Company

The company is formed on the day on which it was registered in the Commercial Register.

The company is for an indefinite period of time.

Fifteenth: Negotiation on behalf of the Company before registration in the Commercial Register.

1. Whoever acts on behalf of the company prior to its establishment is bound by such conduct, if more than one person is bound jointly and severally. If the General Meeting of these negotiations will be approved within three months of the establishment of the company, it is true that these were the companies committed from the outset.
2. Liabilities other than those related to the formation of the company and from which they are bound founders, the company may not take over unless the contracts are

concluded with the depositary condition of the establishment of the company and the approval of such commitments by the General Meeting. Persons who have assumed other liabilities on behalf of the Company are liable for the damage created and are bound by these negotiations.

3. The founders are obliged to take a list of the meetings referred to in paragraph 2 and submit it to them to be approved by the general meeting in such a way that the time limit referred to in paragraph 1 can be met. If the founders violate this duty, they are liable to the creditors for the damage they suffer as a result, it arises.
4. The Managing Director shall be obliged without undue delay after approval of the negotiations made before the company to notify the participants of the obligations arising out of them negotiations.

For the sixteenth: Final provisions

Legal relationships not expressly regulated by this Charter are governed by the Commercial Code and others generally binding legal regulations of the Czech Republic.

This notarial record was drawn up, read by the participant and approved in full and together with me, notary, signed by hand.