CZECH UNIVERSITY OF LIFE SCIENCES PRAGUE

Faculty of Economics and Management

DIPLOMA THESIS

2014 **Jan URBÁNEK**

Czech University of Life Sciences Prague

Faculty of Economics and Management

Department of Economics

Diploma Thesis

Analysis of Business Economy

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Department of Economics

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DIPLOMA THESIS ASSIGNMENT

Urbánek Jan

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Thesis title

Analysis of Business Economy

Objectives of thesis

The primary aim of this diploma thesis is to complete a comprehensive overview of the business economy in a small private company. This analytic overview is expected not only to describe and enlighten certain facts and issues connected with the business economy of the company, but also to bring significant contribution to the process of recognising and broader understanding the functioning of business operations in the company and the field of its activities.
As one of the most important partial objectives of the thesis it is to provide the company management with new and fresh indicators of the business economy that are not commonly used in the company or have not been used yet at all.

Methodology

Considering the methodology of the diploma thesis we can divide this dissertation into two parts, which is firstly the theoretical part and then secondly its practical application. The theoretical part is largely concerned with financial analysis as a major tool of the analysis of business economy. Therefore the whole variety of financial statements, ratio indicators and financial analysis methods is fully described and explained while sourcing information from the Czech as well as international authors that are dealing with this matter. Besides the financial analysis other additional subservient instruments are included in order to give more complete and coherent picture of the business operations of the company.

Practical part of the thesis provides us with basic information about the company Autodoprava Jan Urbánek s.r.o. on which the whole business economy analysis will be applied. All before mentioned processes from the theoretical part of the thesis are expected to be filled with necessary data collected in the given company in order to create a brand new insight into the management of the company, its operations and position, which will eventually enhance positive development of the company.

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Keywords

Financial analysis, profit and loss, balance sheet,

Recommended information sources

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The Diploma Thesis Supervisor

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Prague January 9. 2013

Declaration on word of honour

I declare that I have worked on the diploma thesis titled "Analysis of Business Economy" on my own and I have used only the sources mentioned in the reference.

In Prague on 31st October 2014

Jan Urbánek

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I would like to thank Ing. Irena Benešová, Ph.D., the supervisor of my diploma thesis, for valuable advice, comments and methodological guidance during the work on my diploma thesis. My thanks also go to the Czech Transport Company and its Founder for providing all the materials and information needed.

Analýza hospodaření podniku

Analysis of Business Economy

Souhrn

Tato diplomová práce se zabývá analýzou hospodaření podniku malé soukromé firmy sídlící v České republice. V teoretické části této práce je vyhotoven a popsán kompletní přehled všech prvků finanční analýzy. Důraz je kladen převážně na zpracování datových zdrojů pro finanční analýzu a popis jejich využití pro práci se základními nástroji finanční analýzy. Praktická část diplomové práce se ve svém úvodu zabývá stručným představením vybrané soukromé firmy. Následující kapitoly se soustředí na založení a vývoj firmy ve vztahu k českému právnímu řádu. Dále popisovaná obchodní strategie firmy se odráží na rozvoji a změnách ve vlastním technickém vybavení. Teoretické znalosti uvedené v první části diplomové práce jsou následně využity k sestavení komplexní finanční analýzy na základě údajů a dat získaných přímo od vedení dané firmy. Ve zbývajících kapitolách jsou hned po sestavené analýze nákladů firmy diskutovány další faktory ovlivňující ekonomiku jako jsou ekonomický růst a stabilita firmy, změny v obchodní strategii nebo pojištění v silniční nákladní dopravě. Prognóza vývoje silniční nákladní dopravy stejně jako doporučení udělená firmě na základě analýzy ekonomiky firmy tvoří poslední část této diplomové práce.

Klíčová slova

hospodaření firmy, strategie firmy, finanční analýza, analýza nákladů, diverzifikace odběratelských subjektů, drobná soukromá firma, silniční nákladní doprava, vozový park, zasílatelství, prognostika

Summary

This diploma thesis deals with the analysis of business economy in a small private company. In the theoretical part of the thesis a complete overview of all aspects of financial analyses is described. An emphasis is placed on processing data sources for financial analyses and description of data utilization for the primary instruments of financial analyses. The analytical part initiates with a brief introduction of a specific small private company. Following chapters focuses on the establishment and development of the company in relation to the Czech law. Business strategy of the company is explained on the development and changes of technical equipment of the company. All theoretical knowledge obtained from the first part of the thesis is later used to produce comprehensive financial analyses with data sourced directly from the management of given company. In the remaining chapters issues influencing firm's economy such as economic growth and stability, changes in business strategy or insurance in the road freight transport are discussed separately after the completion of cost analysis. Forecast of the development of the road freight transport as a whole and recommendations for the company based on the analysis of its economy form the last part of the thesis.

Keywords

business economy, business strategy, financial analysis, cost analyses, customer diversification, small private company, road freight transport, truck fleet, forwarding services, forecasting

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1. INTRODUCTION

It has been already more than a quarter of the century since the private sector was legalized in the Czech Republic which led apart from the rapid growth of greatest privatized corporations to an establishment of hundreds of small and middle-sized businesses throughout the years that were often managed on the basis of everyday needs and daily decisions without conducting any more complex analysis of its business economy.

As the last decade brought significant changes such as the accession of the Czech Republic into the European Union and subsequently joining the common market and implementing European laws or the rapid decrease in performance of economy during the economic recession resulting in increased competition a new need to examine business operations and performance arises.

Certain owners of small companies attempt to implement various calculations to be able to gain more data that would be useful for decision-making processes in the company. Unfortunately they often fail because they either restricted themselves to study only the current data without any historical relation or they were unable to include broader perspective.

For the above mentioned reasons this diploma thesis focuses on conducting the overall analysis of business economy that not only examines the current state of the company but also the historical development in order to find relations between the internal decisions of owners or managers that have been made as well as external influences that may have occurred and results of firm's performance. The processing of the analysis is demonstrated on one particular small private company based in the Czech Republic.

The results of the analysis of business economy are supposed to provide managers and owners of the firm with deeper understanding of the processes in the company and qualified information for purposes of future decision making.

2. OBJECTIVES OF THE THESIS AND METHODOLOGY

The primary aim of this diploma thesis is to complete a comprehensive overview of the business economy in a small private company. This analytic overview is expected not only to describe and enlighten certain facts and issues connected with the business economy of the company, but also to bring significant contribution to the process of recognising and broader understanding the functioning of business operations in the company and the field of its activities. The emphasis is placed on multiple time dimensions in the sense that this study is supposed to serve as the insight into the past as well as the picture of the present state, but most importantly it is designed to be a valuable source of information for future management of the company.

As one of the most important partial objectives of the thesis it is to provide the company management with new and fresh indicators of the business economy that are not commonly used in the company or have not been used yet at all. These indicators such as activity and liquidity ratios, analysis of customer structure or cash flow are assumed to result in additional benefits for decision making that may be later utilized for more sophisticated control of the company‘s business economy. Improving the self-knowledge is a key to success.

Equally important as the evaluation of current state using new techniques it is to combine the results of newly brought techniques with the results of the up to now used and traditional techniques that has been applied in the company throughout the past years in a meaningful way to bring coherent results that can be further used.

As for other objectives of the thesis it is vital to interpret all findings in a way that they can be utilized for prediction of the future and future decision-making process. This means compiling the data and outcomes chronologically and draw conclusions for individual time periods while combining them in context with possible events that could have affected these periods, which appears to be an invaluable source of information for the upcoming seasons.

Considering the methodology of the diploma thesis we can divide this dissertation into two parts, which is firstly the analysis of documents and then secondly the practical application of methods sourced. The theoretical part is largely concerned with financial analysis as a major tool of the analysis of business economy. Therefore the whole variety of financial statements, ratio indicators and financial analysis methods is fully described and explained while sourcing information from the Czech as well as international authors that are dealing with this matter. Besides the financial analysis other additional eligible instruments are included in order to give more complete and coherent picture of the business operations of the company.

Practical part of the thesis provides us with basic information about the Czech Transport Company on which the whole business economy analysis will be applied. The most suitable before mentioned methods and processes from the theoretical part of the thesis are expected to be filled with necessary data collected in given company in order to perform analysis that will create a brand new insight into the operations of the company. Using observation and comparison of business results of the company throughout the past several years it will be possible to identify significant changes, which may have determined the current state of the company. In an effort to pair such changes with evidential events which have caused the changes it will be possible to determine what events are of greatest influence on company's operations. Such findings will serve as a great tool for prediction of forthcoming changes effects as well as a source of information for timely preparation for future events similar in nature to those that have already occurred.

Few years old data that are suitable for long-term comparisons of the results however seem to be often outdated for purposes of nearest future predictions due to many shifts and segment changes in the whole transport industry. Therefore besides studying the historical data of the company the latest figures will be examined in order to keep up with new trends in the rapidly changing transport industry, which will eventually enhance positive development of the company.

3. THEORETICAL BACKGROUND

3.1 Concept of financial analysis

In the modern days of business and economics financial analysis has secured its position as an irreplaceable tool for bankers, managers and investors. We can find several satisfactory definitions of the term financial analysis that are worth mentioning. The first definition explains the financial analysis as a systematic analysis of the data, which are included mainly in the financial statements. This analysis ought to contain not only the evaluation of previous company economy, but it also should examine the contemporary situation and predict the future financial conditions (Růčková, 2010, pp. 9).

Another and even broader concept was introduced by Sůvová (1999, pp. 16), who describes financial analysis as a process of deriving not only from the accounting data, but also from other sources of information (that is namely financial and nonfinancial) inside and outside the company. This process includes analysis and assessment of the company financial situation and its outcome serves a purpose for the financial and other types of decisions of the users of financial analysis.

Of course that for various practitioners across a wide range of disciplines and industries financial analysis may be understood as different things. Meanwhile, according to Brammertz (2009, pp. 23), for an accountant the term financial analysis most commonly means bookkeeping and compliance with accounting standard, to a trader or quantitative analyst this term recalls rather option pricing. If you capture a treasurer in bank talking about financial analysis, it would probably stand for liquidity gap analysis, measurement of market risks and stress testing scenarios, whereas to a controller or financial analyst valuing the company it would be more or less connected with cost accounting and profitability analysis. As we can see financial analysis can take many forms and it depends only on the performer of the analysis for whom and what decisions he creates the analysis for. It is common that many financial analyses require individual approach to suit the needs of the targeted recipient.

3.2 The role of financial analysis

Since the early days of commercial companies, it has been necessary to record, summarize, report and analyze financial transactions. For that reason, every major company keeps its own accounting department, which has always performed activities that were usually not very visible, but necessary in order to ensure smooth running of the company. Among these activities are specifically, apart from those already mentioned, also payments to suppliers or billing to customers etc.

According to Bragg (2007, pp. 7) however, "*the role of the accounting staff has gradually changed as companies encounter greater competition from organizations throughout the world. Now, a company's management needs advice as well as a smooth transaction flows*". This is where Bragg implies that the role of accounting controller has been slowly shifting into a position of financial analyst. That in reality means that the controller is asked not only to fulfil the traditional tasks connected with the financial transactions, but he is also enforced to review and assess company's operations and investments as well as perform special investigations given by the management. As Bragg says, "all of these new tasks can be considered financial analysis, for they require the application of financial review methods to a company's operational and investment activities".

From what have been mentioned above, we can clearly see what Růčková (2010, pp. 9) confirms, that there is a very tight link between accounting and business decisions. Accounting serves as a great source of information, yet this information is rather isolated and mostly related to only one point in time. To be able to use this data for business decisions and evaluating the financial condition of the company, we have to submit this data to the financial analysis.

Finally, as already indicated above, the main purpose of the financial analysis, as Růčková (2010, pp. 9) believes, is to prepare materials helpful for processing quality decision-making and functioning of the business. Such materials are useful for a range variety of users. Among them are primarily managers and owners of the company. Nevertheless, for other persons or institutions, as Sůvová (1999, pp. 18) names, such as investors, banks, customers, suppliers or employees, financial analysis is an important tool as well.

3.3 The users of financial analysis

Already in his first chapter Helfert (1987, pp. 5) mentions that the performance of a company is basically resulting from the continuous decisions of its management. As the performance of a business and company's financial health is the main subject to the financial analysis, it is logical then, that the managers are the principal users of financial analyses. However, as the managers already are not in most middle-sized and bigger companies the owners, there appears another group of users consisted of joint owners and shareholders. Of course that banks and trade creditors are involved as well. According to Sůvová (1999, pp. 18) we can summarize the user groups and their objectives and terms of use of financial analyses in this way:

- **Management –** managers should get acquainted with every aspect of the financial analysis. Data resulting from financial analysis is important not only for the operating management, but also for long-term plans and strategy of the company. Financial analysis provides the whole variety of information, that are important for financial management of the company. Based upon the output of the analysis managers are able to decide on structure and amount of assets as well as on resources to cover these assets. It is also helpful when determining upon allocation of funds, distribution of profits, the adoption of a business plan and financial plan and business valuation. Managers are often interested in the financial analyses of other companies in order to inspect their competitors or business partners.

- **Owners and shareholders –** their principal interest besides the information about resources allocation and business management is the profitability (and cost-effectiveness) of the company, which determines the amount of their profit or dividends. Shareholders´ primary concern is to minimize risk while maximizing return. Therefore owners and shareholders (investors) use the financial analysis as a tool to observe the stability, liquidity, prosperity and perspective of the company. The resulting data are also necessary to evaluate the company in the event of a sale, liquidation, mergers or acquisitions.

- **Banks –** bank officers are obliged to collect large amount of information before deciding on granting of credit (or prolonging) to a client company. Financial analysis serves in this case as the source of data and aggregate indicator useful for deriving client's ability to pay back the loan with its interest. Bankers are also interested in evaluation of the client company in case that it would be unable to meet its obligations. Concerning the contracts between banks and client companies, we can often notice clauses that are focused on the dependence of the terms and conditions of the contract on stability in value of selected financial indicators in the financial analysis of the client company.

- **Trade creditors (suppliers) –** their main concern lies in information useful for selecting customers. They are particularly interested in customer's liquidity and solvency meaning the ability to pay given obligations. Depending on whether it is a short-term or long-term business partner, trade creditors have to accommodate their financial analysis observation, again to a short-term or long-term liquidity and solvency observation. In case that customers would not be able to meet their claims, it could jeopardize the functioning of the trade creditor company.

- **Customers –** to them financial analysis serves as a tool for selection of suppliers. Customers usually place an emphasis on stability and ability to meet business obligations. Therefore they have to care about their suppliers´ financial management as the problem of a supplier company may be very quickly reflected in the results of the customer company. That in general means that customers are to some extent dependant on their suppliers.

- **State and its institutions –** there are several reasons why state officers collect the data from financial analyses. Firstly, these data are used for statistical purposes. Secondly, the accounting information is necessary in order to control the tax compliance. Moreover, it is absolutely essential to keep control over enterprises that are partly state-owned as well as to check on privatisation plans, distribution of the state financial subsidies and monitoring of government policies.

- **Competitors –** competitor companies are always interested in comparing their economic results such as profitability, revenues, solvency, reserves and their turnover time in order to find out what their position on the market is. Some information, if well managed, might even bring certain amount of competitive advantage.

- **Employees –** observe the financial and overall stability of the company in terms of employment stability. Their primary interest is wage and social policy of the company. In addition, in some companies, where it is applicable, wages of employees similarly to salaries of managers are dependent on company´s profit. In such cases financial analysis is a crucial point of company´s wage policy.

Furthermore, there are some other external users of financial analysis such as brokers or potential investors. Even the public is often using financial analyses for a wide range of different interests, for instance to study the development of the region, the impact of companies' activities on the environment, overall economic trends, employment trends etc.

3.4 Data sources for financial analysis processing

For a long time *"owners and investors have struggled with communicating and analyzing financial performance"* (Friedlob and Schleifer, 2003, pp. 1). In the distant past there were several accounting record systems differing in many ways as they were originated independently. These incompatibilities caused many headaches to the pioneers of financial analysis. However, as the world economy became globalised certain pattern has evolved. Nowadays, we can distinguish several documents or so called financial statements that are generally agreed and in the more or less similar form used in the whole commercial world.

These financial statements are according to Sůvová (2009, pp. 25) primary source of financial analysis. Růčková (2010, pp. 21) divides the financial statements into two groups: *financial accounts* and *internal financial statements*. Financial accounts are external accounts as they provide information such as structure and the amount of assets and financial resources, cash flow, allocation of profit and so on to external users. This information are in the Czech Republic often considered to be publicly available as certain types of legal entities are according to the Act No. 563/1991 Coll. On Accounting obliged to disclose such information in a certain form given by law at least once a year. Internal financial statements have no obligatory form and are based mainly on the internal needs of a specific company. These statements are most commonly a subject to managerial accounting and are used to refine the results of financial analysis.

To be able to enter on elaborating financial analysis we have to obtain a complex set of quality information. This can be largely derived from external financial statements. Among the most common and basic financial statements belongs the balance sheet, loss and profit statement and cash flow statement.

3.4.1 The balance sheet

Sometimes also called the *statement of financial condition* or *financial position*, the balance sheet describes as Lee (2009, pp. 14) mentions a financial position of the company on a given date. Williams (2008, pp. 20) often uses a cogent definition capturing the balance sheet as a *"snapshot of a company's financial condition"*. In most companies it is compiled on the last day of each year. According to Sůvová (2009, pp. 36) the balance sheet is a basic financial statement and other financial statements came to existence by separating from the balance sheet. Thereby the cross-link between the balance sheet and profit & loss statement is an economic result (profit or loss), whereas the cross-link between the balance sheet and cash flow statement is an income and expenditure account.

As Ross (2010, pp. 20) confirms, the balance sheet consist of two sides: on the left side there are the assets and on the right side we can find the liabilities and owners´ equity. These two sides must always balance:

Assets = Liabilities + Owners' equity

ASSETS

<u>Fixed assets</u> - also known as a non-current asset or as property, plant, and equipment (PP&E). These are assets that cannot be easily converted to cash and usually are used for extended period of time. In addition, they are not used at once, but gradually, which is in most cases expressed by depreciation. Fixed assets can be divided into these groups:

- **Intangible fixed asset** – includes subjects of industrial property rights, projects and software, patents, licenses, trademarks etc. that fulfil the conditions of purchasing price higher than CZK 60,000 and period of usage longer than 1 year.
- **Tangible fixed assets –** consist of assets of long-term nature that are acquired in terms of securing an ordinary course of business. It includes, for instance, real estates and other properties, works of art and "movable things" of purchasing price higher than CZK 40,000 and period of usage longer than 1 year.
- **Long-term investments –** means the specific form of fixed deposit of funds, which are prevalently done for clear strategic reasons. Either the company intends to obtain a reasonable return on long-term or gain significant influence in other business firm. Long-term investments are not depreciated.

Current assets – are cash or such assets (short-term investments, accounts receivable, inventory) that are presumed to turn into cash within a period of one year. These are assets that may transform its form several times during a reproductive cycle of the company. It is intended for temporary use as it gradually passes through the whole production process (financial means – material – inventories – non-finished production – finished products – financial means). Even though current assets are as Růčková (2010. pp. 25) mentions, from the financial point of view, very inefficient way of investing financial means, it is crucial to realize that keeping a certain amount of these assets is essential not to disturb the continuity of company operations. The structure of current assets looks as follows:

- **Inventories –** are characterized by its disposable usage during one single manufacturing process. Among inventories we rank assets readymade for sale (finished goods), assets in the production process (unfinished goods) and materials and supplies that are used in production (raw materials). It is necessary to realize, as Sůvová (2009, pp. 49) recommends, that amount of inventories stated in the balance sheet depends not only on the physical amount of inventories, but to a certain extent also on the method of inventory pricing.
- **Receivables –** are divided into long-term receivables (maturity longer than the period of one year) and short-term receivables (maturity shorter than the period of one year)
- **Financial assets –** consists basically of cash in hand, cash in bank and short-term financial assets such as securities held for sale or payable within one year that serves as use of temporarily free financial means.

Other assets – there is a number of assets that we can generally classify as other assets. Růčková (2010, pp. 26) describes other assets as accruals and deferrals, to be specific as deferred expenses and accrued revenues such as prepaid property rent or insurance, services provided and not yet charged or exchange rate differences etc. Even though little attention is often paid to accruals and deferrals in general as they in most cases form a very small part of total assets, Landa (2008, pp. 31) puts emphasis on these while considering them to be essential tool for implementation of accounting principles that lead to reporting real and accurate state in the balance sheet.

LIABILITIES AND EQUITY

<u>Liabilities</u> – are basically the claims of creditors against the assets of the business. They represent the current debt of the company created during the past actions that must be paid in the certain future period of time. According to Vochozka (2011, pp. 16) liabilities are described as sources that the company has borrowed from other legal or natural entities for a certain period of time, which brings an obligation to pay the price for borrowing these sources, so-called 'interest'. Similarly to the assets also the liabilities are divided using the help of time factor to long-term (fixed) liabilities and short-term (current) liabilities.

Long-term liabilities are characterized by maturity exceeding the period of one year meanwhile short-term liabilities are specified as liabilities with maturity shorter than the period of one year. Both long-term and short-term liabilities are further divided into several groups:

- **Payables to partners –** includes all liabilities arising from business relationships
- **Payables to employees, social security and health insurance institutions etc.** – liabilities regarding the employment of staff
- **Bank loans and borrowings**
- **Other liabilities** – consist mostly of accrued expenses such as property rent or insurance paid arrears or commission etc. and deferred income such as prepaid property rent, services paid in advance etc.

One of the most important part of liabilities that cannot be neglected are reserves, which are created by the company in case of sudden changes in economy or the expected one-off expenditure in the future. Landa (2008, pp. 33) distinguishes with regard to the reporting in balance sheet various kinds reserves such as groups:

- **Reserves based on special legislation** – according to the Act No. 593/1992 dealing with insurance tax base
- **Reserves for pensions and similar obligations**

- **Reserves for income tax**
- **Other reserves –** restructuring, warranty repairs etc.

<u>**Equity**</u> **–** also known as net assets, net worth or book value. Equity can be characterized as total assets minus total liabilities. In the balance sheet equity is divided into three basic items:

- **Subscribed capital –** legal entities in the Czech Republic are since 1st January 2014 obliged to create such capital in the minimal amount of 1 CZK in the case of limited liability company (before 1st January 2014 the amount was 200,000 CZK) and 2,000,000 CZK or 80,000 EUR in the case of joint-stock company.
- **Capital funds** – include especially the share premium account, which arises only when the company sells shares. They also include statutory reserve funds created from profit.
- **Accumulated profit/loss of previous and current accounting period**

3.4.2 Profit and loss statement

In the US often called the *income statement* and worldwide known besides the aforementioned also as *revenue statement, statement of financial performance, earnings statement, operating statement* or *statement of operations,* is next to the balance sheet the most important of all the financial statements. The *profit and loss statement* (P&L) informs users of financial analysis about the profit/loss created during the certain period of time (usually one year) and depicts the relationship between revenues reached during that period and expenses associated with creation of those revenues. Vochozka (2011, pp. 17) interprets the relationship in this way:

Revenues - Expenses = Income

When seeing the balance sheet as a snapshot taken in certain specific time, Ross (2010, pp. 23) likens the profit and lost statement to "*a video recording of what people did* *between two snapshots*". Therefore the profit and loss statement is basically an overview of the results of operations in the given time interval. As already evident from the above mentioned equation, the corner stones of the profit and loss statement are:

- **Revenues** – stand for the amount defined in a monetary unit that the company acquired in all its business activities in a given period of time.
- **Expenses –** represent the amount defined in a monetary unit that the company spent in a given period of time in order to reach the revenues.

The profit and loss statement in the Czech Republic is divided into several sections or levels, where each level provides us with specific numbers of profit/loss. Růčková (2010, pp. 32) distinguishes 6 kinds of profits/losses:

- **Profit/loss from operating activities**
- **Profit/loss from financial activities**
- **Profit/loss from ordinary activities**
- **Extraordinary profit/loss**
- **Profit/loss for the period**
- **Profit/loss before tax**

When considering the common practice, we can identify four most used categories of profit, which are mentioned in the Table 1 including the relationships that are present among them.

Table 1 – The most commonly used categories of profit

Earnings After Tax (EAT)
+ Income tax on extraordinary activities
+ Income tax on ordinary activities
= Earnings Before Tax (EBT)
+ interest expense
= Earnings Before Interest and Tax (EBIT)
+ depreciation
= Earnings Before Interest, Tax and Depreciation and Amortization (EBITDA)

Source: Kislingerová, E. a kol. (2007), self translated and edited.

Starting from the bottom of the table it is possible to describe aforementioned kinds of profits as:

- **EBITDA** = Earnings before interest, taxes, depreciation, and amortization – even though EBITDA is not included in GAAP (Generally Accepted Accounting Principles) it is commonly used in a wide range of analyses assessing the performance of a company. It is a measure calculated from net profit before the interest, tax, depreciation and amortization are deducted. EBITDA can be either positive or negative. If EBITDA is in red numbers, it indicates significant problems with profitability and cash flow of the company.

- **EBIT** = Earnings before interest and tax – is a difference between operating revenues and operating expenses also characterized as a profit in which all expenses were included except the interest expenses and income tax expenses. EBIT measures company's core operating performance. It is a great tool to compare the performance of the company throughout several periods as it excludes the effects of tax laws and changing tax levels as well as comparing the company's performance with other company with different debt level.

- **EBT** = Earnings before tax – can be easily described as EBIT minus interest expenses. Therefore EBT can be identified as a profit retained by the company before paying taxes. It is used to calculate income taxes for financial reporting purposes. EBT is also a good tool to compare company's performance with another company of a similar structure that is located in different tax zone (i.e. different state) as it excludes income taxes in its calculation.

- **EAT** = Earnings after taxes – is a term that refers to net profit/income for certain (usually one-year) period, after paying taxes and available for distribution among the owners of a company.

When using the profit and loss statement during the financial analysis of the company, it is necessary to bear in mind that not all the numbers reflects the actual reality. As Růčková (2010, pp. 33) mentions the essential problem is the fact that the revenues and expenses do not correspond with the cash flow of the company. Therefore for example the EAT does not express the real cash obtained in certain period of time. There are several reasons for that such as that certain expenses do not need to be paid in the period in which they are stated in the profit and loss statement or certain expenses are not cash expenses such as depreciation, amortization or goodwill etc.

All this causes the financial analysts to calculate and use the third of most commonly used financial statement, so called cash flow statement where revenues and expenses are transformed into cash flow.

3.4.3 Cash flow statement

Cash flow statement or *statement of cash flows* known according to Růčková (2010, pp. 34) in other foreign economies also as *statement of changes in financial situation* or *statement of sources and applications of funds* is a financial statement that is primarily concerned with the flow of cash in and out of the company. Being created in the USA and later in 1970's spread across the world it captures the formation and use of cash. It is basically an overview of financial incomes and outcomes during the certain period of time. Vochozka (2011, pp. 18) mentions that the cash flow statement often serves as primary tool for assessing the liquidity of the company because it is composed of current liquid assets such as cash/currency and cash/currency equivalents. Landa (2008, pp. 43) goes into more detail and specifies cash/currency as cash, valuables and cash in bank. Furthermore cash/currency equivalents are then defined as current liquid assets that are easily and quickly interchangeable for before-known amount of cash. These current liquid assets are not expected to significant changes in value throughout the time. The best example of such current liquid assets might be liquid securities traded in public securities markets.

Considering the content and structure of cash flow statement as Kislingerová and Hnilica (2005, pp. 28) confirm it is divided similarly to the profit and loss statement into:

- **Cash flow from operating activities**
- **Cash flow from investing activities**
- **Cash flow from financial activities**

Operating activities are understood by Williams (2008, pp. 29) mainly as business activities such as sales of goods and services. Růčková (2010, pp. 34) considers this part of the cash flow statement as the most important one while explaining this by the fact that this part clearly shows how the profit/loss corresponds to the actual cash inflows and outflows. Investing activities are as Landa (2008, pp. 43) notices concerned with the acquisition and sale of fixed assets, or activities related to the provision of loans and borrowings, which are not considered to be operating activities. Payments related to mergers and acquisitions are also part of investing activities. Vochozka (2011, pp. 19) then describes financial activities in a way that the increase in cash/currency results in the capital increase and the increase in long-term and optionally also short-term liabilities.

In terms of methods of cash flow statement assembly we can distinguish two basic preparation methods, which are:

- **Direct method** – where reporting is based on suitably arranged and selected groups of cash receipts and payments, for example in relation to the structure of profit and loss statement.
- **Indirect method –** which begins with the net profit (EAT) that is further modified especially by series of additions and deductions as seen in the Table 2. The method is widely used in the Czech Republic.

Table 2 – Cash flow statement assembly structure

Earnings after taxes (EAT)
+ depreciation
+ other expenditures
- revenues not causing cash flow
Cash-flow from self-financing
+/- changes in liability account (+ if loss, - if gain)
+/- changes in short-term securities (+ if gain)
+/- changes in inventory (+ if loss)
+/- changes in current asset account (+ if gain)
Cash-flow from operating activities
+/- changes in fixed assets (+ if loss)
+/- changes in purchased bonds and shares (+ if loss)
Cash-flow from investing activities
+/- changes in long-term liability account (+ gain)
+ increase in equity via issuing shares
- dividend payout
Cash-flow from financial activities

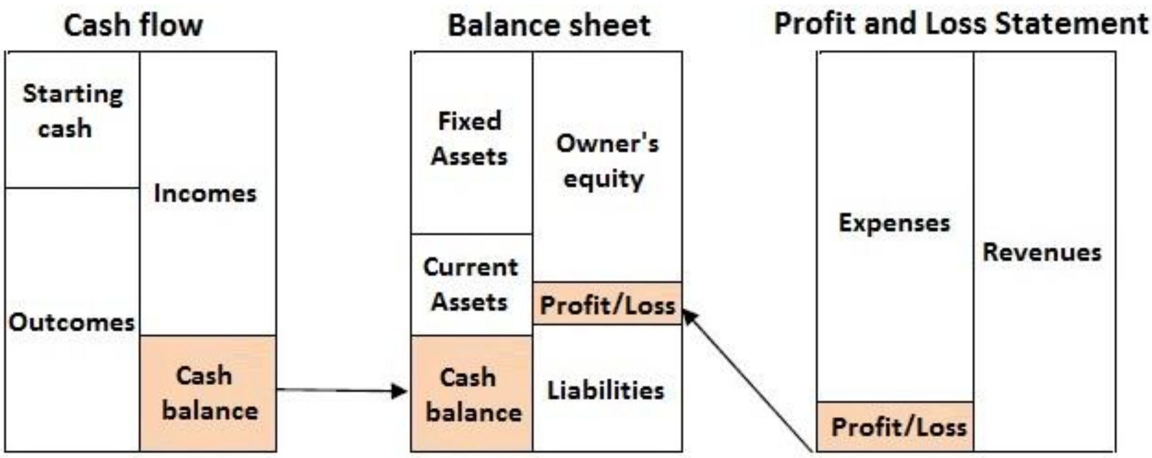
Source: Kislingerová, E. a Hnilica, J. (2005), self translated and edited.

The major advantage of cash flow statement in comparison with the profit and loss statement as Růčková (2010, pp. 36) confirms is that the assembly of cash flow statement is not influenced by the depreciation method as both with the straight line method as well as the declining balance method the cash flow statement remains unchanged, because accounting depreciation is not associated with cash flow. In the profit and loss statement however the depreciation and its method can dramatically affect the profit/loss.

3.4.4 Relations between financial statements

The fact that there are certainly strong relations among the before mentioned three main financial statements – balance sheet, profit and loss statement and cash flow statement – is indisputable as already Rao (2011, pp. 35) confirms when stating that balance sheet and the profit and loss statement are "twin parts of the final accounts", because they complement each other and one is linked to the other in several ways. These two financial statements reflect the accrual basis accounting used by companies in order to match revenues with the expenses that are associated with generating those revenues.

Figure 1 – Relations between financial statements



Source: Harna, L.; Rezková, J.; Březinová, H. (2007), self translated and edited.

Even though Růčková (2010, pp. 38) considers the balance sheet to be the most important and fundamental of all the statements, she recognizes in the end the importance of all three statements to be able to get a clear view of performance of the company while highlighting the importance of relation between the (accounting) profit/loss and cash flow. To keep the company in good running condition it is not important only to create accounting profit, however also to keep sufficient amount of cash. When examining the profit and loss statement and cash flow statement there are four possible situations that company managers may encounter:

- **Profit in operating activities + cash-flow from operating activities is positive** – this is the most desirable condition for all companies as it indicates company's performance ad funds management is solid

- **Profit in operating activities + cash-flow from operating activities is negative** – such a result indicates that the company does not collect cash quickly enough which may in consequence jeopardise the ordinary functioning of the company. The liquidity and activity of the company may be endangered.

- **Loss in operating activities + cash-flow from operating activities is positive** – such a condition often reflects the inability of management to capitalize invested capital and may discourage the investors to join in the company. From the analytical point of view the company may come across problems with its profitability.

- **Loss in operating activities + cash-flow from operating activities is positive** – the worst of all four options as it clearly indicates the company's performance is deficient. In the long run such a state leads to unsustainability of the company.

3.5 Primary instruments of financial analysis

Among basic analytical instruments that are based on data obtained from financial statements are:

- **Horizontal and vertical analysis**
- **Financial ratio analysis**
- **Analysis based on various models using business ratios**

3.5.1 Horizontal and vertical analysis

Horizontal and vertical analysis of financial statements serves as a starting point for financial analysis. Both methods are applied in order to be able to understand and interpret absolute data from financial statements. Moreover they provide a possibility to study data in certain relations and contexts.

HORIZONTAL ANALYSIS

Horizontal analysis is used to compare financial data over a series of time. Most typically year over year comparison is applied. As Landa (2008, pp. 71) mentions this type of analysis is very utilitarian when revealing the changes that occur in the assessed company throughout the time. It also discovers the trends in company's performance.

When performing horizontal analysis the elementary principle is to calculate differential values (Year **x** – Year **x-1**) and express the percentage changes of one certain figure in the Year **x** in comparison with the same figure in the Year **x-1**.

We talk about indexes when observing the changes of certain figures in absolute numbers rather than in percentage changes.

VERTICAL ANALYSIS

The core concept of vertical analysis is based on that the individual figures in the financial statements are looked at in relation to certain figure. Vertical analysis therefore serves as a great tool when determining the significant items in the financial statements.

One of the examples of vertical analysis may be the profit and loss statement, where each line item is listed as a percentage of sales of goods and product and service revenue.

3.5.2 Financial ratio analysis

In order to be able to analyse the relations between indicators it is necessary to put absolute values into relations which is how financial ratios are created. Using the financial ratios that are usually calculated by dividing of one item or group of items by other item or group items we can get basic idea of financial characteristics of the company.

When assessing company's performance via financial analysis using the financial ratios it is always necessary to select the most suitable and meaningful set of financial ratios in order to obtain the right set of data necessary for correct analysis. Accumulation of huge number of various unsuitable financial ratios as well as drawing any conclusions from just one financial ratio does not depict the real conditions in the company.

A great number of financial ratios have been utilized over the past years. Nowadays we can divide them into several of the following groups according to the aspect they examine:

- **Rentability ratios**
- **Activity ratios**
- **Indicators of financial stability**
- **Liquidity ratios**
- **Cash Flow ratios**

RENTABILITY RATIOS

Rentability ratios also sometimes called as profitability ratios are described as ratios of certain kind of profit (mostly EAT and EBIT) to certain kind of an input such as the total assets or equity etc. As Růčková (2010, pp. 51) mentions the primary sources for rentability ratios are the profit and loss statement and balance sheet. In general rentability is explained as a ratio of profit to investment.

Rentability = Profit / Investment

This formula may be then more specified into detail throughout various concrete ratios such as:

Return of Capital Employed (ROCE) – expresses how much of the earnings before interest and taxes the company generated from 1 CZK invested by owners, creditors and shareholders. A higher ROCE indicates more efficient use of capital; therefore investors usually tend to prefer companies with stable or rising ROCE. ROCE proved over the years to be useful when comparing the performance of companies in the same sector.

ROCE = EBIT / Equity + Long-term liabilities

Return on Assets (ROA) – is considered according to Vochozka (2010, pp. 22) a key measure of rentability of the company. Return on equity ratios are characterised as proportions of different kinds of profit to total assets invested into the company regardless the fact whether these were financed by liabilities or equity. Růčková (2010, pp. 52) adds that ROA may also serve as a valuable tool to asses past performance of managerial workers, because the financial structure is at this moment irrelevant – only the reproduction of capital is assessed.

ROA = EBIT / Total Assets

Return on Equity (ROE) – defines how much of earnings after taxes is created by 1 CZK invested by owners of the company. As Růčková (2010, pp. 54) declares the increase of this indicator may be the result of improved profit, decrease in the proportion of equity in the company or decline of the debt interest. Bearing in mind the fact that ROE expresses the rate of profit for owners, ROE should be higher than alternative investments with the same level of risk or rate of profit of risk-free allocation of capital in the financial market.

$$\textbf{ROE} \quad = \quad \textbf{EAT / Equity}$$

Besides the abovementioned we can come across a few more rentability ratios such as the Return on Sales (ROS) or Return on Investment (ROI) etc.

ACTIVITY RATIOS

In order to gain closer information about company's asset/resources management we can use activity ratios, sometimes called also simply performance or efficiency ratios. Kislingerová and Hnilica (2005, pp. 34) define two different modes in which the activity ratio can be applied:

- **Ratio expressing number of turnovers in one accounting period**
- **Ratio expressing number of days (or years) it takes to make a single turnover**

Among the most commonly used activity ratios belong:

Asset Turnover Ratio – expresses how many times total assets are turned over in the period of one year. It is important to distinguish ROA and asset turnover as the asset turnover concentrates only at the revenues relative to the assets and not the profit relative to the assets.

$$\textbf{Asset Turnover} \quad = \quad \textbf{Sales Revenue / Total Assets}$$

Inventory Turnover Ratio – is a ratio calculating the average number of times inventory is sold or used in a time period of one year or average number of days inventories are bound in the company until their consumption or sale. In case of inventories in the form of finished products as Vochozka (2011, pp. 25) adds the inventory turnover serves as the indicator of liquidity while expressing the number of days in which the inventory is converted into cash or liability.

Inventory Turnover = Sales Revenue / Inventories

<u>Liability Turnover Ratio</u> – indicates the average number of days it takes after issuing the invoice until a company receives the payment. Longer the period is the longer the company provides its customers/business partners free trade credit. The length of liability turnover indicates the morale of customers/business partners and quality and choice of these customers/business partners. According to Landa (2008, pp. 88) optimal liability turnover is shorter than the period of 30 days and unfavourable liability turnover is longer than the period of 90 days. Růčková (2010, pp. 60) emphasizes that the business partners' failure to fulfil the timely payments of invoices may lead into financial problems, especially in case of smaller companies.

Liability Turnover = Liabilities / (Sales Revenue/360)

<u>Creditors Payment Period</u> – is identified as an average payment period taken by the company in making payments to its creditors. The result usually expresses the number of days it takes to the company to pay the invoice since its receipt.

Creditors Payment Period = Short-term Liabilities / (Sales Revenue/360)

During the financial analysis we can encounter variety of other types of activity ratios such as Capital Intensity Ratio that informs us how many times is the capital converted into sales revenues in a period of one year.

INDICATORS OF FINANCIAL STABILITY

Indicators of financial stability also often collectively called and simplified into debt ratios are closely related to the capital structure of the company, especially the ratio between liabilities and equity.

Debt Ratio – is the primary indicator of financial stability. Even though Kislingerová and Hnilica (2005, pp. 44) do not include any specific numbers, they mention that high debt ratio does not necessarily mean negative characteristics of the company. Růčková (2010, pp. 57) mentions the fact that using solely the equity with no doubt carries the reduction of the rate of profit of invested capital. In general, the higher the debt ratio is the higher is the risk for owners and creditors of the company. When calculating the debt ratio we have to be careful about assets that were acquired with the help of leasing as such assets do not appear in the balance sheet (they appear only as expenditures in the profit and loss statement). The debt ratio is also suitable tool for year-to-year comparison.

Debt Ratio = Total Debt / Total Assets

Equity Ratio – is a financial ratio indicating the relative proportion of equity that is used to finance assets of the company. Both components the equity as well as the assets is mostly taken from the balance sheet. Equity ration serves as a complementary indicator to debt ratio. It is quite popular in the Czech Republic and the whole Central Europe; however in the US debt-equity ratio is more common.

Equity Ratio = Total Equity / Total Assets

Debt-Equity Ratio (D/E) – expresses the proportion of total debt to total equity. Vochozka (2011, pp. 26) states that the recommended proportion of these two components is 1:1, regarding the financial risk basic safe debt ratio is 40 % of total debt in relation to total equity. The inverted value of D/E is often used to indicate the financial independence of the company. When calculating total debt again we cannot forget to add the leasing financing.

Debt-Equity Ratio = Total Debt / Total Equity

LIQUIDITY RATIOS

Liquidity is a vital factor for a quality long-term functioning of the company. Liquidity ratios measure the ability of the company to pay its obligations in time. As Vochozka (2011, pp. 26) mentions liquidity is always in conflict with rentability as the company is forced to maintain certain amount of current assets in order to be able to pay its obligations. The notion of liquidity expresses the ability of the company to convert current assets into cash that will serve to pay the obligations. According to the liquidity we can divide current assets into three levels:

- **Current financial assets**
- **Current receivables**
- **Inventories**

When completing the liquidity ratios the numerator is always based on current assets, which is sorted according to the liquidity form the least liquid assets such as inventories through the current receivables to the most liquid assets such as cash. This can be demonstrated on the ratios below.

Current Ratio – sometimes also called as the liquidity of the 3rd level examines how many times company would be able to pay its obligations (meet creditors demand) if it would convert its all current assets into cash. This ratio basically measures how many times the current assets cover the current liabilities. Vochozka (2011, pp. 27) claims that current ratio should not decrease under 1 meanwhile the optimal current ratio should be in the range from 1.6 to 2.5.

Current Ratio = Current Assets / Current Liabilities

Quick Ratio – in the literature often described as the liquidity of the 2nd level omits the least liquid assets which is inventories. The recommended quick ratio according to Růčková (2010, pp. 50) is 1:1, optionally may increase to 1.5:1. The before mentioned recommended ratio numbers indicate that if the ratio was 1:1 the company would be able to deal with its liabilities without the need to sell any inventories. The higher the quick ratio is more satisfied are the creditors, however less contented are the owners and managers of the company as excessive amount of current assets leads to unproductive use of resources invested to the company. When creating the quick ratio Vochozka (2011, pp. 27) reminds it is desirable to omit bad debts in the numerator to obtain more real picture.

Quick Ratio = Current Assets - Inventories / Current Liabilities

Operating Cash Ratio – is often called the liquidity of the 1st level. Operating cash ratio is the last of the group of liquidity ratios and also the most precise of them as it measures the ability to pay company's obligations at the very moment. In the numerator only cash, cash in bank, short-term securities and cheques are included. The recommended operating cash ratio taken from the US is situated in the range of 0.9 – 1.1, however for the Czech Republic the lower level is shifted down to 0.2.

Operating Cash Ratio = Current Financial Assets / Current Liabilities

3.5.3 Bankruptcy models

Bankruptcy models are designed to inform about the current state of certain company and predominantly to predict the risk of getting into major financial difficulties that could in the worst case end up with bankruptcy. In simple words, these models reflect the company's ability to meet its obligations in the future period of time.

Altman's Z-score

In 1968 Edward Altman published his Z-score formula for predicting bankruptcy that is supposed to be able to predict bankruptcy of the company within two years. The Z-score utilizes multiple corporate income and values from the balance sheet in order to measure the financial health of given company. The Z-score is a linear combination of four or five commonly used financial ratios that are weighted by coefficients, which were estimated by identifying a set of firms that declared bankruptcy and then collecting a matched sample of companies that survived.

It is necessary to mention that Z-score was designed in the late 1960's and especially for the US market. Therefore the relevance of the results is sometimes being disputed.

The Z-score formula can be described as follows:

$$\boxed{\mathbf{Z = 1.2T1 + 1.4T2 + 3.3T3 + 0.6T4 + 0.99T5}}$$

where:

T1 = Working Capital / Total Assets

T2 = Retained Earnings / Total Assets

T3 = Earnings Before Interest and Taxes / Total Assets

T4 = Market Value of Equity / Book Value of Total Liabilities

T5 = Sales/ Total Assets

The interpretation of Altman's Z-score:

Table 3 - The Interpretation of Altman's Z-score

Z-score value	Interpretation
Z > 2,99	Safe Zones
1,81 to 2,99	Grey Zones
< 1,81	Distress Zone

The indisputable disadvantage of Altman's Z-score formula for predicting bankruptcy is the existence of the Grey Zone. If the Z-score results in the value that is ranking from 1,81 to 2,99 this bankruptcy model is not able to answer the crucial question whether the company is still profitable or whether it is close to bankruptcy.

4. ANALYSIS OF BUSINESS ECONOMY OF GIVEN COMPANY

4.1 Primary characteristics of the company

Trade name for the purposes of this diploma thesis:	Czech Transport Company
Location:	East Bohemia, Czech Republic
Legal form:	Limited Liability Company
Date of registration:	11.10.2000
Registered capital:	2.000.000 CZK
Scope of Business:	International road freight transport and forwarding services

4.2 Brief introduction of the company

For the purposes of this diploma thesis given analysed private company is called "*The Czech Transport Company*". The real trade name of existing transport company is not mentioned in the thesis at the request of the owners.

The Czech Transport Company was established in the year 2000 being already built on the previous business activities of its founder in the field of road freight transport that dates back to the year 1993. The company is based in the Czech Republic, East Bohemia, and operates in the whole Europe. The primary business activities of the company are road freight transport provided using its own fleet and forwarding services arranged in cooperation with its business partners operating in the same economic sector of road freight transport.

Nowadays company's fleet consists of four trucks covering a wide range of transport capacities from two through eleven up to eighteen and nineteen Euro-pallet spaces. The owners structure encountered significant changes in the year 2013 when the founder of the company (hereinafter referred to as "the Founder") and the only owner transferred his complete ownership of the company among two new owners, out of which one is a majority owner with 51 % of business share. This may be easily explained as both the Founder and new owners are in a close family relationship, which reveals the family nature of the company. At the moment Czech Transport Company employs four employees on different professional positions.

The company is mainly engaged in importing and exporting goods to/from the Czech Republic, meanwhile it has been since its establishment strongly focused on transport destinations in the territory of Federal Republic of Germany. Other European countries such as Austria, Switzerland, Italy, Spain, France, Belgium, The Netherlands, Poland, Hungary, Bulgaria and occasionally also Denmark, Sweden, Norway, Finland or The United Kingdom appear on the contemporary list of transport destinations. However, not only the international and intra-community traffic is in concern of the company as it also provides domestic transport services in the Czech Republic. Among other business activities of the company we can incorporate forwarding services and peripherally also retail trade of motor vehicles and their accessories as well as rental of movables.

4.3 Development of the company in accordance with the Czech law

As already mentioned in the previous chapter Czech Transport Company was built on the foundations of preceding commercial activities of the Founder that started back in the year 1993. Therefore to gain better understanding of the background and origin of the company it is necessary to become familiar with the business activities that preceded the establishment of the company. For this purpose it is appropriate to divide its development into two follow-up periods. The first era of the commercial activities of the Founder as a self-employed person dating from the year 1993 to 2000 and the second period starting in the year 2000 when the Founder transformed his business into a legal entity and since then until now has been operating as a limited liability company.

4.3.1 Business activities in the period from 1993 to 2000

New economic system that brought after the year 1989 complete changes of possibilities into the Czech Republic allowed the Founder to move into private sector and start his own business. At the very beginning due to very modest experience in running private business throughout the whole country it seemed to be rather difficult to start limited liability company. Therefore the Founder decided to become self-employed (natural) person (hereinafter referred to as "entrepreneur") carrying out business according to the rules of the Czech law (as being located in the Czech Republic), specifically Act No. 455/1991 Coll. on Trades (Trade Act).

The above mentioned Act defines trading as "*a continuous activity carried out independently, in their own names on their own responsibility*". Furthermore divides these continuous activities into two main categories:

- trades operated through the declaration (notifiable trades),
- trades operated under concession (licensed trades).

Majority types of trade such as craft trades and regulated or unregulated trades are carried out through the declaration. These are also often called the reporting or notifiable trades, which essentially means that to start trading all that has to be done is to report this intention to the competent authority - Trade Licensing Office, which issues the trading license, if the basic conditions are met, without any further investigation. From that moment an entrepreneur is able to trade legally.

With trades operated under concession (also called "business license") that are listed in the Act No. 455/1991 Coll. on Trades the situation is more complicated as to obtain such business license an entrepreneur has to prove professional qualification. According to the above mentioned Act, the scope of business, specifically the "*road transport - freight operated vehicles or combinations of vehicles the maximum permissible weight exceeding 3.5 tonnes, are intended for the transport of animals or things*", is included in the type of trade that strictly requires obtaining business license. Even though this could be seen as a significant obstacle to start a business in road freight transport, fortunately in 1993 to prove the professional qualification it was enough to submit documents testifying certain period of experience in the field. This was not a problem for the Founder due to his previous long-term work experience in the road freight transport.

Throughout the next seven years demands on road carriers grew rapidly, which led in the year 2000 to adopting new regulations that ordered all entrepreneurs in road freight transport to clearly prove meeting the requirements of good reputation, financial eligibility and professional qualification according to the Act No. 111/1994 Coll. on Road Transport. This fact forced the Founder to perform more detailed analysis of his business and implement relevant detailed agenda. Moreover, the Founder had to engage himself under professional supervision in studying whole variety of new information considering his field of trading, which he could have outsourced up to that time and direct knowledge was not required.

According to newly enacted regulations in the year 2000 the professional qualification to perform road freight transport could be obtained only when passing the so called "*professional examinations*" at the local Transport Authority in the following subjects: business and labour relations; road freight transport and international agreements related thereto; prices, taxes, tax management, fees, insurance and custom procedures; technical base; occupational safety and safety during servicing and operating vehicles and its technical equipment. The Founder managed to pass the exam in given limited period of time on his first attempt. The indisputable advantage is the fact that once the entrepreneur passes the professional examinations successfully, the validity of professional qualification of the entrepreneur is perpetual.

The case of proving financial eligibility is just the opposite. It has to be executed every single year, under the supervision of the Department of Transport and Road Management of Regional Authority, which issues the confirmation when all conditions are fulfilled. To become financially eligible to perform road freight transport by operating vehicles or combinations of vehicles of the maximum permissible weight exceeding 3.5 tonnes according to the Act No. 366/1999 Coll. on proving financial eligibility a business has to keep total net assets reduced by liabilities at the level of at least 330,000 CZK on the first vehicle and then at least 180,000 CZK for each additional vehicle. If necessary it is possible to compensate for the deficit of net assets by saving the missing amount on the bank account opened solely for that purpose. Another possibility to sort out the deficit to obtain the confirmation of financial eligibility is to procure guarantee issued by certified bank institution or leasing/insurance company. The last two solutions has never been used by the Founder as his total net assets reduced by liabilities has always fulfilled minimal levels that has been set by law.

4.3.2 Establishment of the limited liability company in the year 2000

Hand in hand with the growth of business activities, expansion of the truck fleet and increasing number of employees the idea of transforming the business activities proceeded as a self-employed person into running business as a limited liability company was transformed into reality and in the year 2000 the Czech Transport Company was established. The Founder of the limited liability company became executive director and professional employee in one person.

There were several reasons that led to the decision of the Founder to transform his business activities into the above mentioned legal entity. The primary reason was effective utilization of tax legislation when in the year 2000 and presumably in the upcoming years the linear corporate income taxation, in comparison with the progressive income taxation of natural persons and the ever-increasing payments for social security and health insurance as a self-employed person, appears to be more favourable. Especially in those cases, when the business owner does not wish to take money from the business for his own consumption, but wants to leave the taxed resources in the company for its further development.

Another equally important and very pragmatic reason for the transformation of fully functioning business from the long-term perspective was a fact that it is very hard to cope with the possible radical changes such as suspending the business activities or changing the owner/operator when operating as a self-employed person. In such case, the form of limited liability company is much more suitable as there is a possibility to sell business share while applying the tax exemption to the income generated by the sale if respecting the five year time period of ownership. Moreover, in the case of unexpected death of the owner of the company it is much easier to continue commercial activities than when such an event occurs in case of self-employed person. Furthermore, due to the Labour Code, originally Act No. 656/1965 Coll. and subsequently Act No. 262/2006 Coll., employees receive certain benefits compared to the self-employed persons, and these will then apply to all company employees including the owner of the company.

To make final justification of transformation from a self-employed person to a limited liability company it is necessary to take into consideration the verity supported by several years of experience which shows in terms of cooperation with foreign business partners that limited liability company is perceived to be more prestigious and credible form of business than operating as a self-employed person. This fact, from the perspective of the Czech law, has always been great paradox as the liability of the Founder in case of self-employed person is much greater and falls directly on him and all his property unlike in case of a limited liability company where the Founder cannot be held personally liable for debts unless he would sign a personal guarantee.

4.3.3 Legal changes after the Czech Republic EU Accession in the year 2004

After the accession of the Czech Republic into the European Union (hereinafter referred to as "the EU") in the year 2004 major changes could have been observed concerning the functioning of the Custom authorities of the Czech Republic and its neighbours. In May 2004 regular inspections of imported and exported goods were completely cancelled. At the same time all Custom Offices on the Czech borders with other EU countries were abolished due to entering the European Union Common Market characterised by free movement of goods and services. For exporters and hence also for the transport companies this meant elimination of the duty of custom clearance at the border crossings within the European Union.

All the above mentioned facts resulted in a very positive progression that meant not only that the exporters were relieved of custom duty, but above that it also brought considerable time and labour savings for the carriers in case of transporting goods to another Member state. For the Czech Transport Company, which has always focused mainly on transports of goods within the European Union, specifically exports and imports from Germany, much greater efficiency that helped to boost the services into completely new speed level was now achievable.

With gained possibilities incorporated by applying newly accepted EU regulations there appears in contrast also new legal requirements on the carriers that are engaged in international transport within the territory of the EU. One of the main conditions for the transport company to be able to carry goods in between the Member States is the ownership of so called *Eurolicence* (see Supplement 9, pp. 109). Eurolicence is a document which replaced the previously used foreign entry permits and authorizes the implementation of bilateral and transit shipments between EU Member States. Legal regulation of this document is based on Council Regulation (EEC) No. 881/92 of 26 March 1992 on access to the market in the carriage of goods by road within the Community to or from the territory of a Member State or passing across the territory of one or more Member States. In the Czech Republic Eurolicences are issued by the local authority where the transport company declares its official headquarters and according to the Council Regulation (EEC) No. 881/92 every Eurolicence has a five-year validity and one copy of this document has to be placed in every truck of the carrier's fleet at all times for the cases of commercial vehicle roadside inspection.

Other changes that occurred after the accession of the Czech republic into the EU are mostly slightly altering, amending and more precisely specifying previously established legal standards. The control of legal compliance however seems to be much more tightened since the EU regulations are implemented. Special emphasis is placed on compliance with the European Agreement concerning the work of crews of vehicles engaged in international road transport also known as European Road Transport Agreement, sometimes called shortly "*the ERTA*" or "*AETR*" from French *Accord européen sur les Transports Routiers*.

In response to strengthening the position of AETR, which precisely defines the whole scale of maximum time limits drivers of commercial vehicles are allowed to spend driving on the roads under certain conditions and orders implementation of clearly specified safety breaks, and in connection with the abolition of Custom Offices on border crossings, which resulted in reduced control capacity, the Czech Republic created so called Mobile surveillance units composed essentially of former employees of Customs Offices. These mobile units have been in cooperation with other state authorities ensuring the compliance with AETR via direct roadside inspections. This of course placed great pressure on transport companies and their employees towards absolute compliance with AETR as large penalties are applied in case of its breach.

4.4 Development of technical equipment in relation to changes in business strategy

Among basic production factors of every road freight transport company is a truck fleet, which plays absolutely crucial role in functioning of the company when providing its services. As a truck fleet is expected to reflect the needs of the company that are based on the requirements of its customers it is no surprise that the truck fleet is often renewed, modified, reduced or expanded. This depends mostly on business and management strategy of given company. Since the truck fleet is a core production factor of the company it is a subject to the most important decision-making processes made by the Founder. Upon closer examination presented in the following subchapters, it can be stated that the size and modifications of the truck fleet in given periods of time often mirrors the economic growth or decline in business economy. To be able to interpret changes of the truck fleet in the Czech Transport Company correctly it is necessary to follow its development from the very beginning. The following subchapters does not serve only as a description of the company's truck fleet, however it should also mirror and enlighten changes in business economy and strategy of the company.

4.4.1 Starting own truck fleet in the early 1990's

The roots of the truck fleet of the Czech Transport Company are again associated with the establishment of commercial activities of the Founder as a self-employed person in early 1990's even though the company itself became a legal entity a few years later in the year 2000.

In the year 1993 the Founder terminates his current employment with unnamed transport company, where he works as a truck driver, and decides to start new business activities in the private sector of transport and forwarding services. Having enough experience with operating trucks the Founder finds it easy to choose the proper reliable commercial vehicle that would meet his needs to start his own business. The selection of the vehicle appears to be the easy part in the contrary with scheduling own capital for its purchase and preparing for running costs in the times when very little people around had enough experience in operating private businesses.

At the end of the year 1993 the Founder finally reaches the sufficient amount of own capital by selling his personal property and due to the lower prices abroad imports his first and the only affordable truck, previously used, with the gross vehicle weight (hereinafter referred to as "GVW") under 3.500 kg and with the load capacity of 1.500 kg and 6 Euro-pallet spaces. The purchase preceded a series of discussions with potential customers in the close neighbourhood, who the Founder contacted in advance to consult their specific needs in order to be able to meet 100% their requirements in the future and thus gain competition advantage.

The purchased commercial vehicle proved to be a good choice and the Founder quickly cooperates with several customers on a long term basis. During the second year of business the Founder purchases his first trailer and creates his first combination of vehicles (truck and trailer combination) while doubling the loading capacity. During the first half and the beginning of the second half of the 1990's the Founder purchased and sold several trucks with similar loading capacity, always operating only one vehicle or combination of vehicles at a time.

At the end of the 1990's however the demand for transport services of the Founder exceeded the available both labour and transport capacity of the company and the Founder made a decision to employ another driver to fill the deficit and cover the demand he could not cover by himself exclusively. Hand in hand with this decision he expands his truck fleet to two combination of vehicles of the same size consisting of the truck with the GVW of 3.500 kg and trailer of GVW of 2.000 kg. This composition of vehicles with combined GVW of 5.500 kg ranks Founder's transport business into the lowest tonnage segment of transport industry. At the turn of the millennium the truck fleet consists of 3 trucks with GVW of 3.500 kg and two trailers with GVW of 2.000 kg. In the year 2000 the Founder decides to transform his business and establishes the Czech Transport Company.

4.4.2 Truck fleet expansion and modification commenced in the year 2001

Several significant changes were introduced in the year 2001 concerning the truck fleet of the Czech Transport Company. Due to the rapid business growth of major customers and increasing volume (cubic capacity and weight) of single shipments the capacity of individual commercial vehicles in the fleet appears to be insufficient. Therefore the Founder decides to start the process of shifting the company’s fleet partially into the middle-size tonnage segment with the gross weight of commercial vehicles being equal to 7.500 kg. Two light trucks with GVW of 3.500 kg as well as one trailer with the GVW of 2.000 kg are sold and larger truck with GVW of 7.500 kg is purchased. With the load capacity of 3.100 kg and 16 Euro-pallet spaces the newly acquired truck is easily incorporated into the fleet and serves the current needs of the company much better than smaller commercial vehicles.

During the time period from the year 2001 to 2004 the Czech Transport Company transfers its activities completely into higher tonnage segment. In my opinion the Founder estimated very well the right moment to shift his business activities to another level and expanded his truck fleet hand in hand with the expansion of his customers cooperating on long term basis. At the end of 2004 company’s fleet consists of four middle-sized trucks with GVW of 7.500 kg, two trailers with GVW of 3.500 kg and one light truck with GVW of 3.500 kg used to deliver small shipments meanwhile it employs five employees out of which four working on a position of a truck driver and one employee works as a truck fleet operator organizing shipments for customers.

As the demand for transport services in the tonnage segment of GVW of 7.500 kg during the following next two years decreases, company yet again transforms its truck fleet by selling the light truck and one of the trucks with GVW of 7.500 kg and purchasing in years 2006 and 2007 two new commercial vehicles with the GVW of 12.000 kg and loading capacity of 6.000 kg and 18/19 Euro-pallet spaces. This transformation shifts the company services to higher tonnage sector. At the end of the year 2007 the Czech Transport Company sells two more of its trucks with GVW of 7.500 kg and remains with the fleet consisting of two trucks with GVW of 12.000 kg and one truck with GVW of 7.500 kg with a trailer with GVW of 3.500 kg.

4.4.3 Reduction of the truck fleet beginning in the year 2008

The economic recession that started spreading across Europe in 2008 is accompanied by rapid decline of demand for transport services and the company is forced to reduce its staff down to two employees working on driver position and one employee organizing the shipments for customers. Attempts to expand into higher tonnage segment with GVW of 24.000 kg by purchasing large trailers to combine with existing trucks fails almost immediately due to weak demand and introduction of road toll collection on the Czech highways.

At the turn of the year 2009 and 2010 company manages to sell large trailers and the last remaining truck with the GVW of 7.500 kg leaving the company's fleet at the beginning of the year 2010 with two commercial vehicles with GVW of 12.000 kg and the same reduced employee structure as in the year 2008. As far as I am concerned after studying the economic data the reduction of the truck fleet as well as reduction in number of employees was inevitable. I asses very positively that the Czech Transport Company reacted that quickly and proved good ability to adapt to the changing conditions in the market.

4.4.4 Current size of the truck fleet in the Czech Transport Company

Nowadays company's fleet consists of four trucks covering a wide range of loading capacities from two through eleven up to eighteen and nineteen Euro-pallet spaces. Two commercial vehicles with GVW of 12.000 kg that create the major part of the fleet were accompanied by newly purchased light trucks with GVW of 3.500 kg and 2 or 11 Euro-pallet spaces out of which one serves as a light commercial vehicle for express shipments and the other is utilized to save costs when transporting smaller shipments for customers that wish their shipments not to be forwarded to other carriers.

4.5 Financial analysis of the company

The financial analysis of the Czech Transport Company I carried out on the basis of theoretical knowledge presented in the theoretical background of this diploma thesis while using the real data and information obtained directly from the management of the company. Similar data in reduced form can be easily reached by public due to the fact that company is obliged to present its financial statements to the Ministry of Justice which subsequently displays all documents publicly via its official website. Figures I used for various calculations are all sourced from the financial statements that can be found in the Supplements 1 - 2 of this diploma thesis.

4.5.1 Horizontal analysis

Horizontal analysis is used to compare financial data over a series of time. For the purposes of this analysis I have selected the period of last five finished and closed (in terms of accounting) years from the year 2009 to 2013. To reach more detailed insight into the year to year changes I evaluated the Balance Sheet and Profit and Loss Statement by quantifying both absolute and relative changes. Due to great changes in certain years generating large percentages (one thousand % or more) I prefer to refer to results of absolute changes in such cases. All results of horizontal analysis of financial statements could be found in the Supplements 3 - 6.

Horizontal analysis of the Balance Sheet

Large decrease by 36,4% in fixed assets could be observed in the year 2009 and even larger decline in 2010 by 68 % in comparison with the previous year. Such results are partly the cause of year to year depreciation of fixed assets. The extensive decline in 2010 was stimulated largely by the reduction of the truck fleet and sale of commercial vehicles included in the tangible assets of the balance sheet. In absolute numbers the decline of tangible fixed assets (vehicles) in the year 2009 in comparison with the previous year was 1 191 thousand CZK and in the year 2010 in comparison to previous year it was 1 417 thousand CZK.

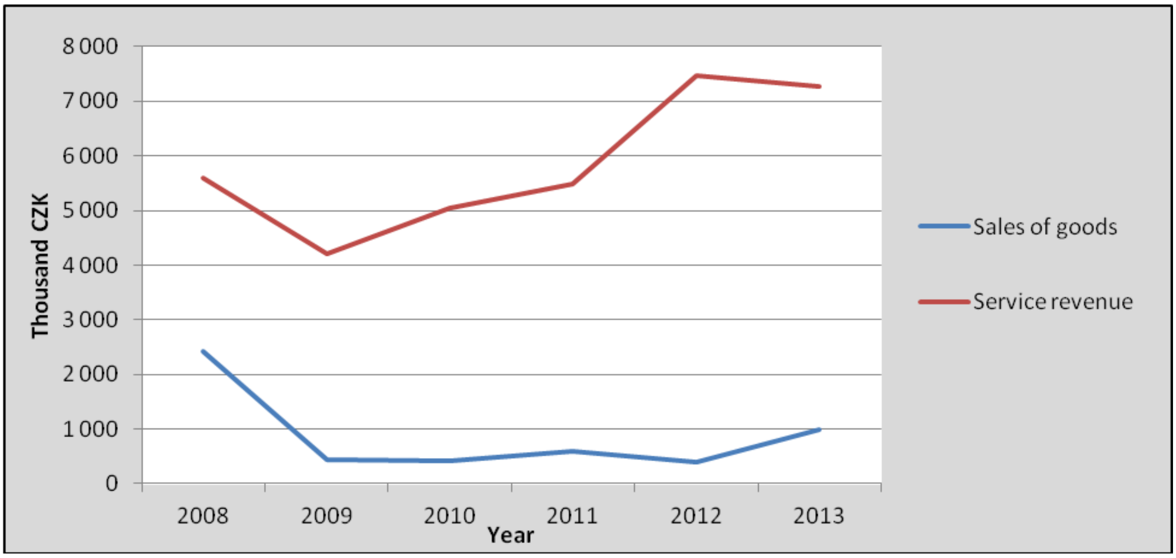
Decrease of goods by 100% in 2009 and its zero quantity in the following years could be explained by the fact that the company reduced its retail trade of motor vehicles and focused rather on carrying out transport services. The last imported motor vehicles on stock recorded in a balance sheet as goods are sold in 2009 and since then only the import of vehicles directly to customers' order is implemented. In 2009 and 2010 with the expansion of economic recession trade receivables raised by 14,8% and 76,9% in year to year comparison. This is most likely caused by customers seeking to improve their economic situation by prolonging or even passing due dates of the invoices, which is unfortunately a common practice in the Czech Republic. The increase of trade receivables by 44% (568 thousand CZK) in 2012 however rather indicates partial recovery of the economy and growth in service revenues.

Reduction of current financial assets is obvious in the year 2009. An explanation of 529 thousand CZK decline is found when focusing on the road freight transport market which suffered rapid decrease in demand for transport services that led to dismissal of employees (as a result of redundancy) and severance payments. This also enlightens the increase of payables to partners by 1 242 thousand CZK when partners decided to leave money in the company to be able to pay off the rest of the long-term bank loan (978 thousand CZK) in 2009 so that it does not have to pay the interest anymore and survive difficult period less painfully. In 2010 an increase in current financial assets by 761 thousand CZK indicates that the company has adapted to new conditions in the industry. The increase of current financial assets is caused partly at the expense of the increase of trade payables, when company negotiated longer due dates of invoices with its suppliers (mostly other transport companies cooperating on forwarding services). Significant increase of trade payables by 479 thousand CZK (921,2%) in 2012 is associated with growth in service revenues and prolonging of invoice due dates which creates another possible source of financing the development of the company. From the year 2010 to 2013 there as an average decrease of payables to partners by 305 thousand CZK year to year that could be explained by company's management decision to pay the liabilities to partners as the company recovers from the shock of economic recession started in 2009.

Horizontal analysis of Profit and Loss Statement

Enormous decrease by 81,5% in sales of goods and 24,7% in service revenues in the year 2009 is closely related to the economic recession that hit the whole Europe, the transport industry being one of the first sectors that has been hit radically by the crisis. Demand for transport services decreased rapidly, especially the demand for exports from the Czech Republic to the Western Europe and imports the other way round, which are the company's core services. The decrease in sales of goods is lower than the decrease in service revenues as the management of the company had made during the year 2009 strategic decision to focus primarily on transport services. From this period sales of goods is perceived as rather marginal business activity averaging 563 thousand CZK per year. In the Graph 1 below further development of sales of goods and service revenues is depicted. It confirms the lesser importance of sales of goods to transport services, which were increasing in the following three year period in 2010 by 19,9%, in 2011 by 8,5% and in 2012 by 36,3% in year to year comparison.

Graph 1 - Development of Sales of Goods and Service Revenues from 2008 to 2013



Source: Author

Hand in hand with a decrease in production in the year 2009 the consumption of production decreases proportionally, mostly caused by the decrease of fuel consumption generated by the truck fleet. Inevitable dismissal of employees for the reason of redundancy again in 2009 causes 32,3% decrease in wages and salaries and 41,6% decrease in social security and health insurance costs. This results in reduction of staff costs by 396 thousand CZK in comparison with the year 2008.

Depreciation and amortization was declining throughout the whole five-year period from 2009 to 2013 ranging the year to year decrease from 10,0% to 55,5% due to the fact that there were no larger investments into truck fleet renewal that was aging up to the year 2014, when company invested into new trucks. However these changes are not yet captured in the analysis due to the fact that only final data from closed annual financial statements are the subject of the analysis. Finally, the development of net book value of fixed assets sold is worth mentioning first experiencing 665 thousand CZK decrease in the year 2009, then rapid increase by 1 135 thousand CZK in 2010 and again decrease by 1 239 thousand CZK in 2011. Upon closer examination of events we can clearly attribute enormous increase (1091,3% relative to previous year) in 2010 to the sale of that part of the truck fleet that was redundant due to the economic recession and rapid decrease in demand for transport services that was initiated in 2009.

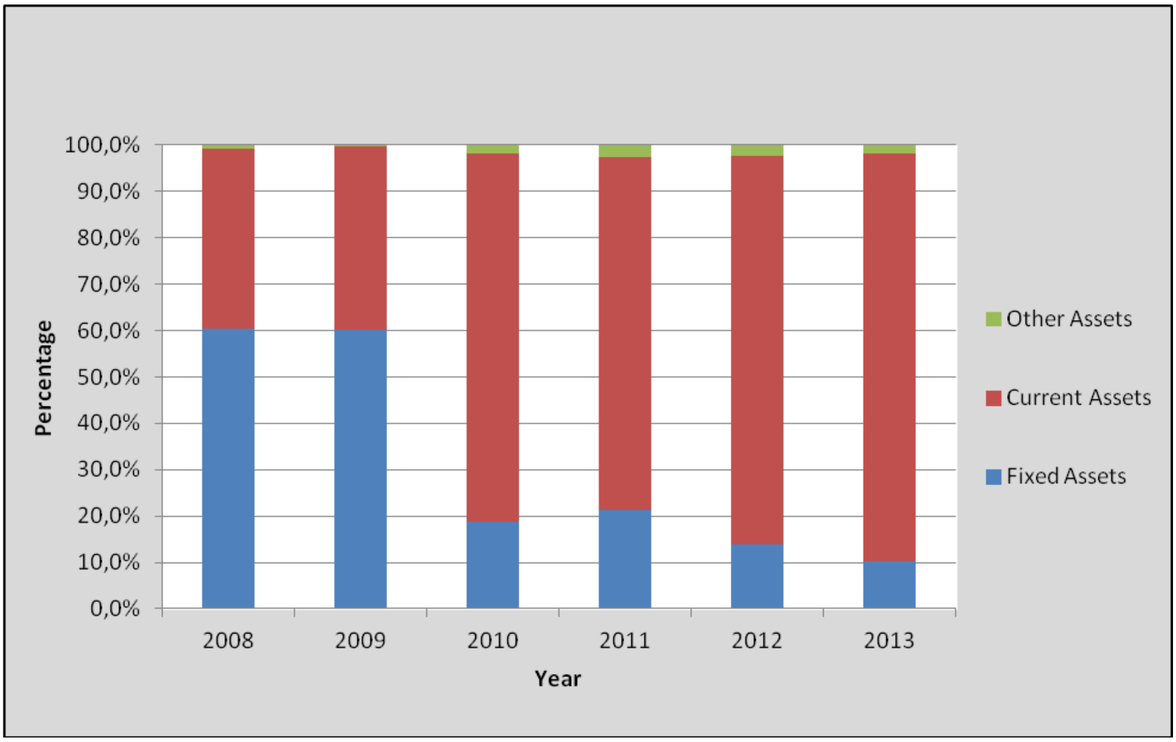
4.5.2 Vertical analysis

Vertical analysis serves as an optimal tool when determining the significant items in the financial statements. It focuses mainly on the share of individual items in the financial statements related to a given total. To perform vertical analysis of financial statements I have selected the period of time from the year 2008 to 2013. With the vertical analysis of the Balance Sheet I have determined Total Assets/Liabilities and Equity as 100% base. For the purposes of vertical analysis of the Profit and Loss Statement sales of goods together with production (total sales) create 100% base. Detailed results of the vertical analysis are depicted in the Supplements 7 - 8.

Vertical analysis of the Balance Sheet

As could be seen in the Graph 2 below the proportion of fixed assets that consists 100% of vehicles (tangible fixed assets) on total assets except the year 2011 has been declining throughout the past six years starting at 60,3% in 2008 and finishing at 10,3% in 2013. This is caused primarily by depreciation and aging of the truck fleet which leads to lowering its value. On the contrary the proportion of current assets to total assets has been increasing proportionally starting at 38,9% in 2008 and ending at 87,8% in 2013. Current assets consists mostly of short-term receivables and current financial assets. In the period from the year 2008 to 2013 trade receivables created from 91,4% to 99,6% of short-term receivables meanwhile 100% of current financial assets were created by cash and bank accounts.

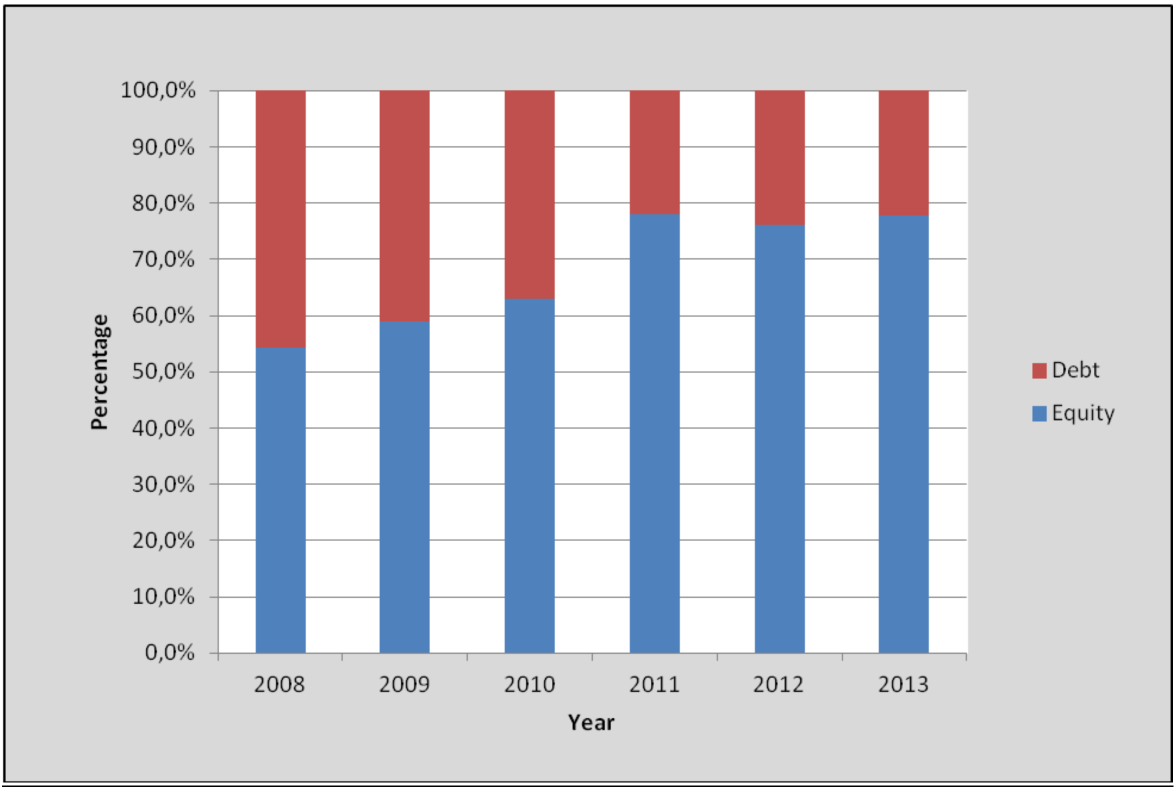
Graph 2 - Development of the Total Assets structure from 2008 to 2013



Source: Author

The proportion of equity to total liabilities and equity has been increasing every single year starting at 54,2% in 2008 and finishing at 77,8% in 2013. In relation to this fact liabilities (debt) as is depicted in the Graph 3 were decreasing throughout the whole examined period. Bank loans and borrowings after paying off the loan in 2009 are of negligible amount. During the whole examined time period equity has created more than 50% (68,1% in average) of the proportion to total assets. With the type of given company this could be evaluated more or less positively. However, there is another point of view that would denounce such a high proportion of equity as financing the assets by debt is often a cheaper way. All depends on the level of risk company's management is willing to bear.

Graph 3 - Relative proportion of Equity to Debt used to finance company's assets



Source: Author

Vertical analysis of Profit and Loss Statement

The largest proportion of total sales is created by product and service revenue starting at 69,8% in 2008 and increasing rapidly to 90,4% in 2009. Since that year the proportion of product and service revenue to total sales ranks from 88,1% to 95,1%. This fact confirms the change in the strategy at the end of the year 2009 which resulted in management's decision to focus primarily on transport services (product and service revenue) rather than on trading with motor vehicles (sales of goods), which created since the year 2009 only 4,9% - 11,9% of the total sales.

In the past two years from 2012 to 2013 we can observe increased proportions of consumption from production to total sales. This is not caused by the consumption of material and energy which was declining in the past three years from 2011 to 2013 however by the increase of services that are outsourced from other transport companies via forwarding services which are commonly used since the reduction of the truck fleet in the years 2009 and 2010 and increasing demand for transport services that started again at the end of the year 2010.

4.5.3 Financial ratio analysis

Financial ratio analysis characterizes relations between two or more indicators. In the analysis listed below I have selected the most suitable financial ratios that will contribute to a deeper understanding of the operations and functioning of the company.

<u>Rentability ratios</u>

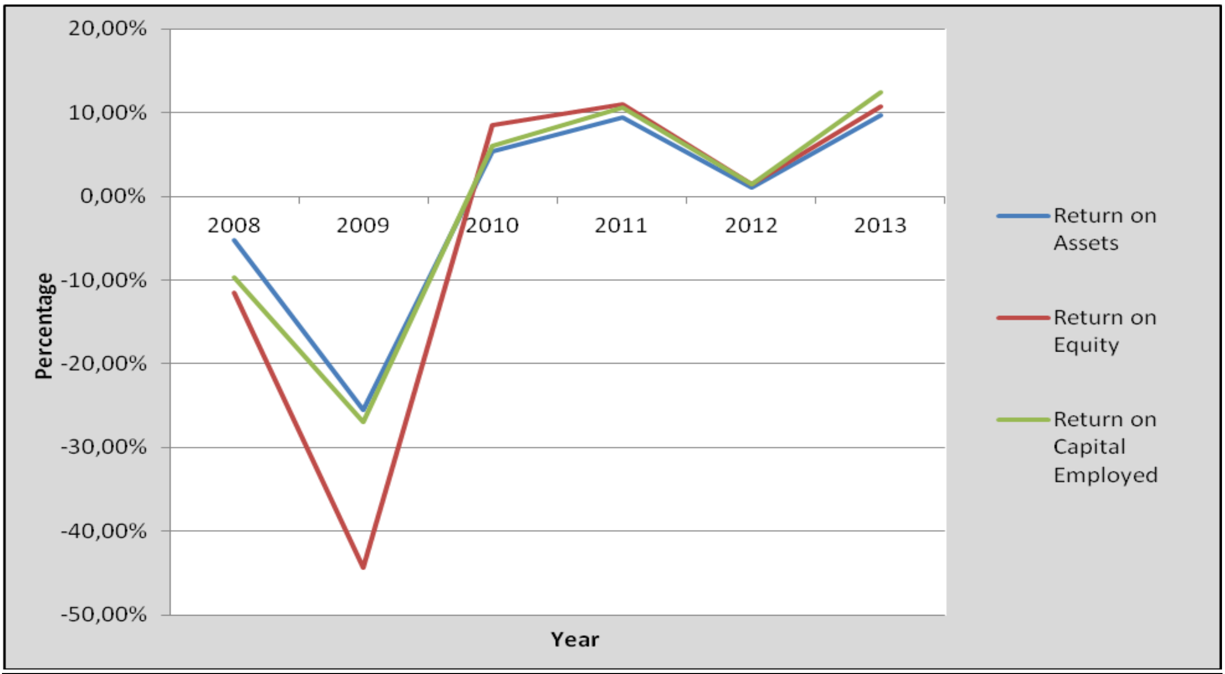
Rentability ratios reflect the earning ability of the company and appreciation of capital invested in the company. In general, rentability is explained as a ratio of profit to investment.

<u>Table 4 - Rentability ratios for the period from 2008 to 2013</u>

Rentability Ratios	2008	2009	2010	2011	2012	2013
ROA	-5,23%	-25,53%	5,40%	9,50%	1,08%	9,72%
ROE	-11,47%	-44,39%	8,57%	10,97%	1,42%	10,74%
ROCE	-9,64%	-26,90%	6,02%	10,66%	1,40%	12,40%

To depict development of the rentability ratios of the company in the past six years there is a Graph 4 enlisted below.

Graph 4 - Development of Rentability Ratios in the period from 2008 to 2013



Source: Author

As already indicated in previous analyzes the worst results appear in the year 2009 which is generally considered to be the initial year of the economic recession across the whole Europe. Return on Equity reached in 2009 the lowest values out of all rentability ratios. Due to rapid decrease in demand for transport services starting at the end of the year 2008 and following to the year 2009, company reached negative values of all rentability ratios. Economic recession was not the only reason for such a poor result as one of the major customers of the company terminated the cooperation on transport services. In 2010 the overall situation changes and positive development in economy causes increase in demand for services and thus increased rentability values. Since the year 2010 rentability ratios values fluctuate within acceptable limits except the year 2012 which brought slight undesirable decrease in rentability. In the year 2013 the value of Return on Assets hits its record value of 9,72%, which means that for every single invested CZK the company earned 0,0972 CZK.

Activity ratios

Activity ratios measures how effectively the company manages its assets. An activity ratio expresses either number of days it takes to make a single turnover or number of turnovers there are in one accounting period. Detailed results are listed in the Table 5 below.

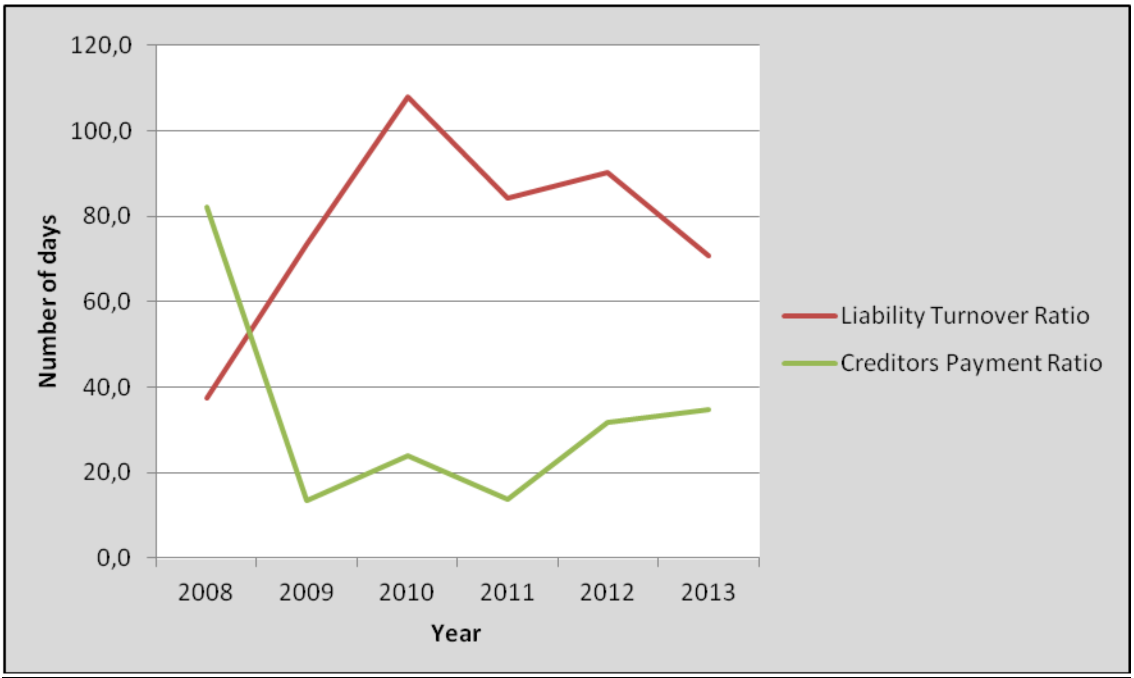
Table 5 - Activity ratios for the period from 2008 to 2013

Activity ratios	2008	2009	2010	2011	2012	2013
Asset Turnover Ratio	1,5	1,3	1,5	1,9	2,4	2,3
Liability Turnover Ratio	37,5	73,5	108,0	84,2	90,3	70,9
Creditors Payment Period	82,1	13,4	24,0	13,8	31,8	34,7

Liability turnover ratio expresses the average number of days it takes after issuing the invoice until the company receives the payment. Recommended maximal number of days in the road freight transport industry is 30 meanwhile the values above 90 are considered to be critical. Last acceptable values of liability turnover ratio appeared in the year 2008. With the spread of economic recession, as we can observe in the Graph 5, the number of days raised rapidly in 2009 up to 73,5 and one year later even up to 108 days. Since then the average value of 81,8 in the years from 2011 to 2013 is lower compared to the value of the year 2010, however still considered to be critical. The Czech Transport Company should definitely make an effort to lower the number of days by engaging in negotiations with its customers in order to reduce the period after which the customers pay their liabilities to the transport company.

Creditors payment period means the average period taken by the company in making payments to its creditors. With the average number of 23,5 days in the period from the year 2009 to 2013 the Czech Transport Company appears to be very reliable customer proving not to deal with any late payment issues. In the year 2009 dramatic decrease by 68,7 in the number of days is observed. This fact seems to be surprising as with the introduction of economic recession completely opposite development may be expected. However the management of the Czech Transport Company brought different strategy and decided to decrease the number of days to possible minimum to gain competitive advantage and retain very high credibility of the company. Due to this contrasting business strategy different development of liability turnover ratio and creditors payment ration can be clearly seen below.

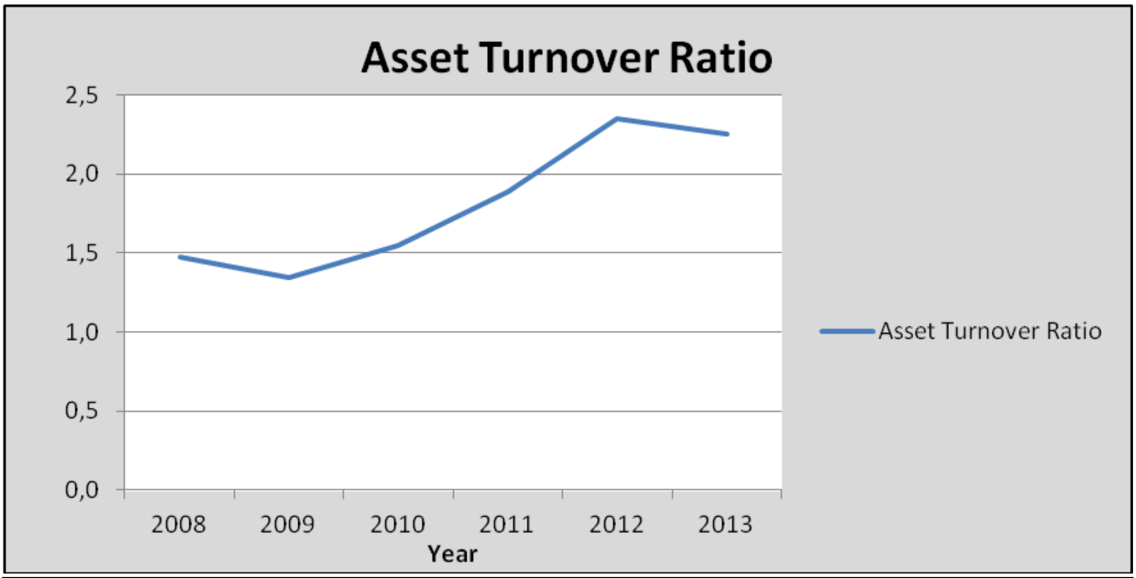
Graph 5 - Development of Activity Ratios in the period from 2008 to 2013



Source: Author

Asset turnover ratio as depicted in the Graph 6 ranks in the past six years between the value 1,3 and 2,4. With the current average asset turnover ratio in the logistic industry being 2, the company appears to be doing well in comparison with the whole industrial sector. Moreover, asset turnover ratio has been increasing steadily in the period from the year 2010 to 2012 and even though we can observe minor decrease in the year 2013, the development of the ratio values is positive.

Graph 6 - Development of Asset Turnover Ratio in the period from 2008 to 2013



Source: Author

Indicators of financial stability

Indicators of financial stability that are often called simply debt ratios are closely related to the capital structure of the company, especially the ration between liabilities and equity, and display the proportion of liabilities and equity in relation to financing company's total assets.

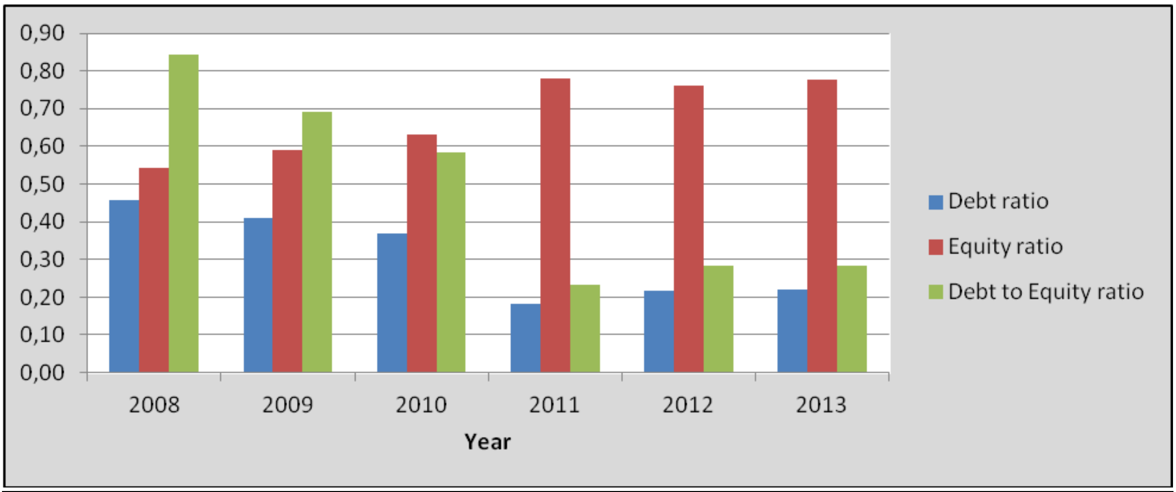
Table 6 - Indicators of financial stability for the period from 2008 to 2013

Indicators of fin. stability	2008	2009	2010	2011	2012	2013
Debt ratio	0,46	0,41	0,37	0,18	0,22	0,22
Equity ratio	0,54	0,59	0,63	0,78	0,76	0,78
Debt to Equity ratio	0,84	0,69	0,58	0,23	0,28	0,28

Debt ratio is the primary indicator of financial stability. The highest debt ratio could be observed in the year 2008. This value at the same indicates the worst financial stability of the company throughout the whole examined time period. In the years from 2009 to 2011 the value of debt ratio was decreasing to become consistent in the years 2012 and 2013 with the value of 0,22.

From the Graph 7 attached below we can clearly see positive development of the equity ratio indicating the increasing proportion of equity that is used to finance assets of the company. In the past three years from the year 2011 to 2013 equity ratio averaged 77,3.

Graph 7 - Development of Indicators of Fin. Stability in the period from 2008 to 2013



Source: Author

Debt to equity ratio expresses the proportion of total debt to total equity. It is commonly accepted that the maximal value of this ratio should not exceed 0,5 as the recommended proportion is 1:1. In the Czech Transport Company the debt to equity ratio was decreasing in the years from 2008 to 2011. In the past two years 2012 and 2013 the value of the debt to equity ratio settled on 0,28. This result indicates very good financial stability when the risk of over-indebtedness of the company for owners is minimized. On the other hand, it also raises a question whether using such a proportion of owners equity does not bring reduction in the rate of profit, which is very probable concerning the Czech Transport Company. Therefore the management of the company should revise its capital structure and consider reasonable increase in the debt in order to raise the rate of profit.

Liquidity ratios

Liquidity ratios measure the ability of the company to pay its obligations in time via converting its current assets into cash.

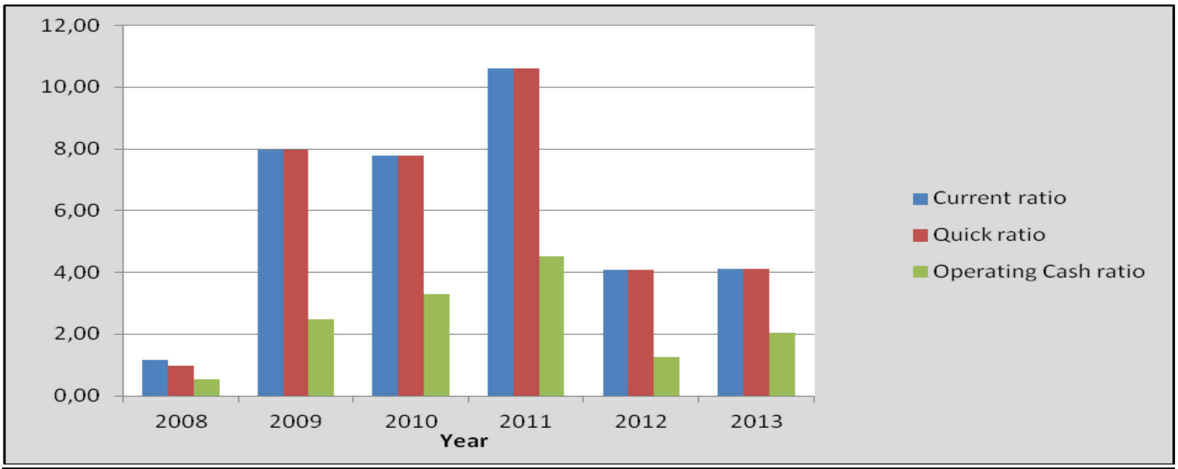
Table 7 - Liquidity ratios for the period from 2008 to 2013

Liquidity ratios	2008	2009	2010	2011	2012	2013
Current ratio	1,17	7,98	7,79	10,61	4,09	4,10
Quick ratio	0,99	7,98	7,79	10,61	4,09	4,10
Operating Cash ratio	0,53	2,49	3,30	4,52	1,24	2,05

Obviously all values of liquidity ratios listed in the Table 7 except the quick ratio and operating cash ratio in the year 2008 are above generally agreed and commonly recommended limits. In the years from 2008 to 2011 we can observe positive development of examined liquidity ratios. Even though that there appears rapid decrease in the past two years in comparison with the year 2011, all of the above mentioned ratio values in 2012 and 2013 are still exceeding generally agreed limits.

Current ratio in the past two years as could be seen in the Graph 8 below settled around the value of 4,1 which is exceeding commonly recommended value of 1,5 by 173%. Similar situation could be observed with quick ratio results in the same values and exceeding commonly recommended value of 1,0 by 310%. Operating cash ratio is the ability of the company to pay its obligations at the very moment using only cash, cash in bank and short-term securities. Therefore the operating cash ratio values depicted in the Graph 8 below are the lowest. Nevertheless, the generally agreed value ranking from 0,2 to 0,8 is except the year 2008 exceeded in all following years of examined period.

Graph 8 - Development of Liquidity Ratios in the period from 2008 to 2013



Source: Author

According to the above mentioned liquidity ratio results the Czech Transport Company should reconsider, even though that high levels of liquidity ratios are positive fact at the first sight, the utilization of cash which should be rather more effective.

4.5.4 Cash flow statement and its analysis

To assemble company's cash flow statement I have decided to focus on last five years of business, therefore the time period from the year 2009 to 2013 is included. As the management of the Czech Transport Company has never used or even created a cash flow statement before I was able to optimize the cash flow statement for the needs of the company without being limited by certain forms of previously formed cash flow statements. In the Table 8 below newly created cash flow statement could be found.

In the cash flow statement we can observe significant changes in the cash generated from operations which resulted to be slightly positive in the year 2009 to become negative in 2010 and again positive in 2011. Large decrease in the year 2012 was then followed by significant increase in 2013. Similarly to the cash generated from operations also the net cash used in investing activities fluctuated throughout the whole five-year period which brought rather large differences in year to year comparison. Only in the year 2012 we can observe zero values as no investing activities were proceeded.

Table 8 - Cash flow of the Czech Transport Company 2009 - 2013

in TCZK		2009	2010	2011	2012	2013
P	**Cash at beginning of the reporting period**	**955**	**426**	**1187**	**1040**	**850**
A.	**Cash flow from operating activities**					
	Profit/loss before tax	-906	192	306	36	356
	Depreciation and amortization	1087	874	499	222	138
	Provision for losses on accounts receivable	-26	6	-1	42	-1
	Profit/loss from proceeds on fixed assets and accruals and defferals	35	-592	-73	-70	-49
	Increase/decrease in trade receivables	-114	-677	215	-568	344
	Increase/decrease in inventories	331	0	0	0	0
	Increase/decrease in trade payables	-390	81	-718	137	86
	Tax payed	0	0	-30	0	-50
	Cash generated from operations	17	-116	198	-201	824
B.	**Cash flow from investing activities**					
	Purchase of fixed assets	-8	-696	-518	0	-52
	Proceeds from sale of fixed assets	163	1573	173	0	0
	Net cash used in investing activities	155	877	-345	0	-52
C.	**Cash flow from financing activities**					
	Change in liabilities: loans	-678	0	0	11	-11
	Dividends paid	0	0	0	0	0
	Withholding tax on payments of dividends	0	0	0	0	0
	Loan interests paid	-23	0	0	0	0
	Net cash used in financing activities	-701	0	0	11	-11
R.	**Cash at the end of the reporting period**	**426**	**1187**	**1040**	**850**	**1611**

A lot can be explained upon a closer look at year to year development of certain accounts in the cash flow statement. In the year 2010 proceeds from sale of fixed assets raised rapidly up to 1 573 thousand CZK as the Czech Transport Company was reducing its truck fleet. This fact positively influenced the net cash used in investing activities. The decrease of cash used in investing activities in the following year 2011 was caused by investing into purchase of fixed assets, when even part of the trade receivables that were paid before the due date (positive cash flow from trade receivables of 215 thousand CZK in 2011) were utilized for the purchase. The rest of proceeds from sale of fixed assets were then used to decrease trade payables which has changed from 81 thousand CZK in previous year to – 718 thousand CZK in 2012.

Worth noticing is also the net cash used in financing activities in 2009 with the value – 701 thousand CZK. This result was caused mostly be the managerial decision of the company to immediately pay off the loan in the amount of 678 thousand CZK before the economic recession hits the company at its full strength. Significant increase of cash flow in 2013 can be also justified by other managerial decision of the company to prepare cash to finance the purchase of fixed assets planned for the year 2014, when company intends to renew some of its truck fleet.

4.5.5 Bankruptcy model application

Altman's Z-score

$$Z = X1 * 4,10 + X2 * 0,09 + X3 * 0,10 + X4 * 2,48 + X5 * 2,25$$

Table 9 - Altman's Z-score model based on values from the year 2013

Altman's model	Value 2013	Weight	Weighted Value
X1	4,10	0,717	2,94
X2	0,09	0,847	0,08
X3	0,10	3,107	0,30
X4	2,48	0,420	1,04
X5	2,25	0,998	2,25
TOTAL			6,61

As we can assume from the Table 9 attached above the Z - score in the last examined year 2013 equalled 6,61, which according to Altman's interpretation ranks the company into the Safe Zones (Z > 2.99). This can be also expressed in a way that the company is according to the data obtained from the last year profitable and there is very low probability of bankruptcy. This result is acceptable as it more or less corresponds with the horizontal and vertical analysis as well as analysis of financial ratios.

4.6 Cost analysis of the company

In the past the Czech Transport Company proceeded several cost analyzes that were in majority of cases concerned with shorter period of time such as one or two years. To acquire broader and long-term perspective and contribute to better understanding of the way company manages its expenditures throughout the time I have decided to analyse the history of company's expenditures in the period of past ten years (ten accounting periods) to get a complex view which I can later on link to the development of the company and changes in its truck fleet.

In order to ensure having precise and detailed data I have contacted the accounting firm serving the Czech Transport Company that provided me with all data, figures and information needed. Processed data could be found in the consolidated tables below (Table 10 and Table 11).

Table 10 – Cost analysis of the Czech Transport Company 2004 - 2008

Year / in TCZK	2004	2005	2006	2007	2008
Total Revenues	7 082	9 339	7 777	8 868	9 111
Total Expenditures	6 798	8 999	8 020	8 604	9 449
Profit/Loss	284	340	-243	264	-338
Fuel Costs	1 064	1 367	1 474	1 448	1 500
Service and Maintanace	373	336	424	394	296
Employee Travel Reimbursement	848	788	686	682	588
Other Services	245	244	150	175	260
Mobile Phone fees	142	173	169	156	142
Insurance	146	160	218	243	216
Outsourced Transport Services	345	614	921	1 072	578
Wages and Salary	875	982	955	1 067	1 136
Tax and other fees	145	99	92	81	124
Depreciation	665	675	1 083	1 182	1 208

Table 11 – Cost analysis of the Czech Transport Company 2009 - 2013

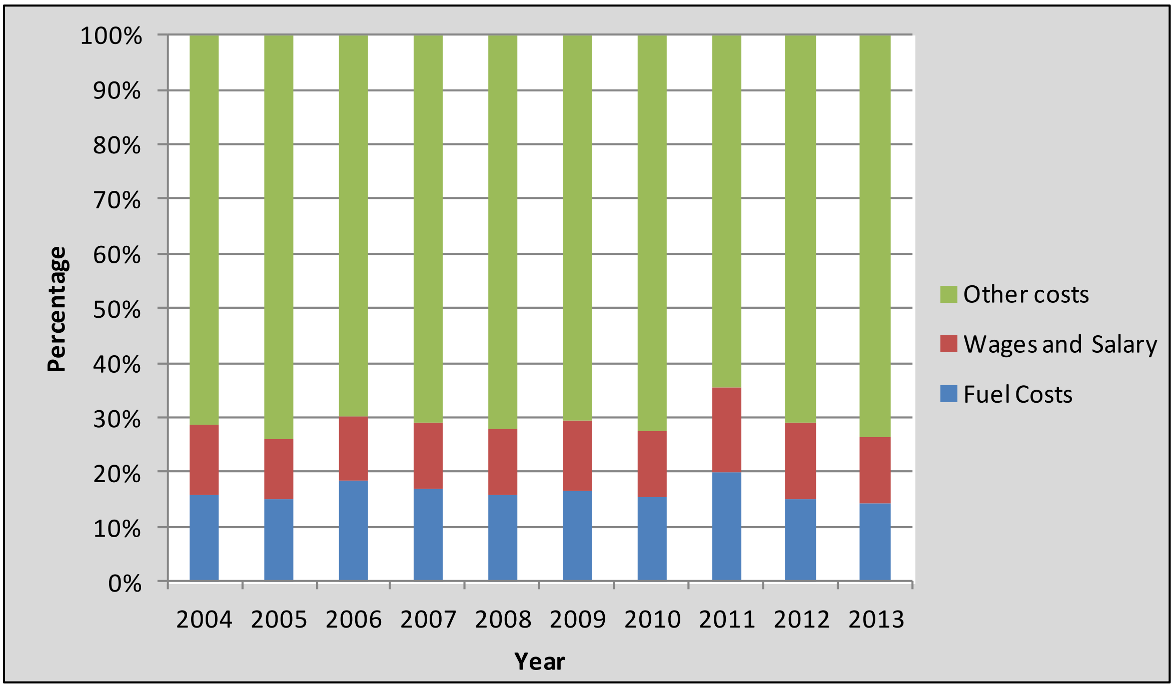
Year / in TCZK	2009	2010	2011	2012	2013
Total Revenues	4 852	7 068	6 299	7 913	8 432
Total Expenditures	5 758	6 876	6 023	7 877	8 127
Profit/Loss	-906	192	276	36	305
Fuel Costs	945	1 067	1 213	1 194	1 160
Service and Maintanace	415	178	91	161	243
Employee Travel Reimbursement	513	405	369	294	417
Other Services	270	116	215	206	192
Mobile Phone fees	116	109	90	93	73
Insurance	95	90	92	92	91
Outsourced Transport Services	624	1 172	1 441	3 512	3 190
Wages and Salary	740	828	932	1 088	985
Tax and other fees	129	84	117	108	107
Depreciation	1 087	874	499	222	138

The initial two years of the examined period result in a constant profit that is interrupted by the loss in 2006, which was a consequence of larger investments into the renewal of the truck fleet and purchase of new operational equipment. Due to the fact that 80% of the modernization was successfully proceeded in the year 2006, the following year results in profit. Thanks to the first signs of economic recession in the middle of the year 2008, this year ends with a loss of 338 thousand CZK. In 2009 the economic recession hits the company with its full strength and the Czech Transport Company ends up at the end of the year with a loss in the amount of 906 thousand CZK. Such a devastating result forces the management of the company to reduce the truck fleet immediately and dismiss employees in order to reduce expenditures radically. Measures taken proved to be correct surviving the worst and ending up with a profit in the year 2010 as well as all other following years of the examined period.

Fuel costs occupy the largest proportion of total expenditures of the company. Therefore every movement of fuel prices upwards causes the carriers complications with regard to keeping the budgets balanced. Given the fact the logistics market is not inclined to increase prices for transport services it is a common practice of transport companies to compensate for increase in the price of fuel by reducing other costs of the company. It is noticeable that in the years from 2005 to 2008 the company managed to keep its fuel expenses relatively constant even thought the price of diesel fuel, which is the type of fuel used by company's whole truck fleet, as the data collected by the Czech Statistical Office proves raised from

27,87 CZK per 1 litre in 2005 to 31,74 CZK per litre in 2008. Discussing this fact with the chief truck operator of the company I can come to a conclusion that this desirable results were the effect of a rear combination of permanent demand for services and effective route planning and operating the trucks in combination with renewed truck fleet where an individual commercial vehicle could carry larger amount of goods with only a very little increase in fuel consumption. Decrease in fuel costs in 2009 is a direct result of lesser demand for services that caused lowering the mileage of the truck fleet. Since the year 2007 there are no significant changes in fuel costs except slight increase by 13,7% in 2011 compared to 2010. In the Graph 9 below the proportion of two major expenditures - fuel costs and wages and salary - to total expenditures are depicted.

Graph 9 – Proportion of Fuel Costs and Wages and Salary to Total Expenditures in the period from 2004 to 2013



Source: Author

Service and maintenance expenditures appeared to be quite constant in the period from the year 2004 to 2009 with only minor deviations throughout the years. This is generally associated with the fact that higher service costs associated with operating older commercial vehicles before the year 2007 were replaced since 2008 by expensive mandatory inspections of new commercial vehicles in the fleet in order to maintain warranty periods. Thus no service and maintenance expenditures were reduced by modernization of the truck fleet. We can observe a huge drop of service and maintenance expenditures in 2010 which is directly associated with the sale of the part of company's truck fleet. Since the year 2011 up to now there is an increase in expenditures on service and maintenance caused by increasing age of the fleet demanding more expensive servicing with increasing mileage.

According to the Act No. 262/2006 Coll. Labour Code employees of the company travelling abroad during their service are entitled to **employee travel reimbursement** which creates considerable amount of money transport companies pay to their drivers. During the drivers' travels outside the Czech Republic the Czech Transport Company is paying its drivers the highest possible rate of travel reimbursement set by the Act No. 262/2006 Coll. Labour Code as the travel reimbursement in not a subject to taxes or social or health security. In relation to the company's management long-term effort to plan the routes for truck drivers in a way that the shortest possible period of time is spent abroad we can observe decreasing tendency throughout the whole ten-year period of time except the last two years from the year 2012 to 2013. Increase in the past two years is caused by the change of the business strategy and introduction of cabotage transports in the territory of the Federal Republic of Germany.

Among **other services** that are purchased by the company we rank mainly services of an external accountant and consulting firm, while the price of these services is always derived from total revenues of the Czech Transport Company. Customs services and ferry payments also ranks into this cost group.

Mobile phone (GSM) fees are calculated separately in order to demonstrate its relatively large proportion to total expenditures. In the transport industry most of the deals are negotiated via the phone line and constant connection with business partners and customers as well as own drivers is essential. From the year 2005 up to now we can observe decreasing trend of mobile phone fees due to the lower rates negotiated with providers of mobile networks.

Slight changes are noticeable with **insurance costs** that were with the expansion of the truck fleet increasing every single year in the period from 2004 to 2007. Rapid changes were introduced in the year 2009 when company cut several truck accident insurances as well as the insurance for legal protection provided by DAS Insurance Company.

While practising forwarding services many **transport services** are being **outsourced**. In principle forwarding of transport services means assigning the service to another transport company for a commission. Costs of outsourced transport services therefore consist of the price for these services. The proportion of outsourced services to total expenditures was increasing every year since 2004 to 2007 hand in hand with the integration of the company to the cooperating groups within the industry. In 2008 with the start of economic recession the demand for transport services decreased rapidly which caused diminution of forwarding services. In 2010 forwarding services strengthen their position in the Czech Transport Company due to the reduction of own truck fleet and in the following years the costs of outsourced transport services grow tremendously with the rise of demand for transport services that cannot be covered by company's own truck fleet.

The second greatest expenditures of the company are associated with **wages and salary**. In the development of this cost group we can clearly identify the dismissal of employees proceeded in the years 2009 and 2010 as a part of strict measures implemented to overcome the crisis period. In 2009 we could observe drop in wages and salary costs by 34,9% in comparison to the previous year.

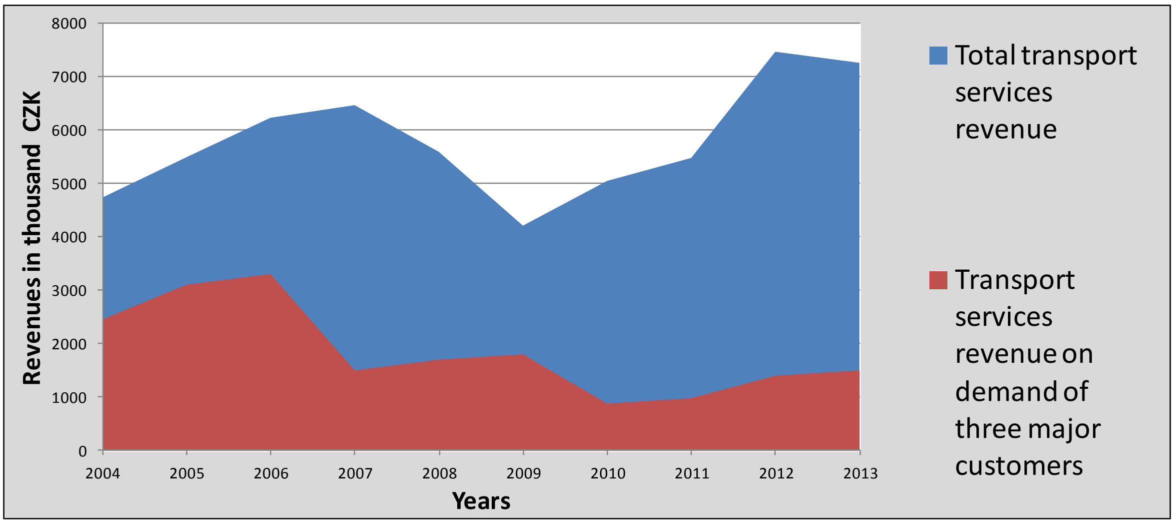
Taxes and other fees including Czech and Polish Road Toll Collection does not represent any major percentage of total expenditures. This is however supposed to change in 2015 if German government passes the bill that would impose a road toll collection on German highways for commercial trucks of GVW under 12.000 kilograms. This would dramatically increase the fees paid due to the high mileage carried out on German highways.

Depreciation has been declining since the year 2008 due to the fact that company has not made any greater investments that would be reflected in depreciation.

4.7 Economic growth and stability of the company in relation to customer structure

Every tertiary sector company offering services is more or less dependent on its customers and customer structure. It is not an exception that there are small and middle-sized companies in the transport industry which are entirely dependent on the demand of one single customer that they have been cooperating with on long-term basis. There is no doubt that long-term cooperation on regular basis with one, two or three major customers ensures certain level of demand stability resulting in constant revenues. Even more positively the revenues from transport services and the transport company itself may even grow hand in hand with the expansion of its customer.

Graph 10 – Proportion of Total Transport Services Revenue to Transport Services Revenue on Demand of Three Major Customers in the period from 2004 to 2013



Source: Author

Such scenario could have been observed with the Czech Transport Company in the period starting from the year 2004 to 2007 when three major customers were expanding and total services revenue was obviously directly influenced by the transport services revenue on demand of three major customers as depicted in the above listed Graph 10. The rapid growth in total transport services revenues enabled significant expansion of the company's truck fleet.

However, in the year 2007 the cooperation with the greatest customer comes to a turning point when the customer company changes its supplier of transport services due to the new ownership of the customer company. In the middle of the year 2008 the cooperation with the former greatest customer is terminated completely causing tremendous decrease in total revenues. The only solution to such a problematic situation is to replace former greatest customer with another single customer with similar demand for transport services, which could be a real struggle in the times when the supply exceeds the demand for transport services, or rely on larger number of smaller customers. Due to the past experience the management of the Czech Transport Company decides to offer its services to larger number of customers in an effort to expand the customer portfolio and thus minimize the probability that such a situation will repeat ever again.

This effort leads to quite high level of customer diversification, in which only one of all customers creates more than 10 percent (about 18 % in 2013) of total transport services revenue. Even though the cooperation with many customers on time to time basis does not prove to be as effective as the cooperation with one or two great customers on regular basis, company's management prefer to minimize the risk by higher level of customer diversification so that the whole future functioning of the company does not rely on one or two major customers.

4.8 Change of business strategy after the road toll introduction

Following the example of neighbourhood countries the Czech Republic introduced on 1st of January 2007 new Road Toll Collection system which according to the Act No. 80/2006 Coll. on Roads made it mandatory for commercial vehicles with GVW over 12.000 kg to pay toll fees for each kilometre passed on designated roads. This new cost burden was published just in the time when the Czech Transport Company made the first attempts to move into the higher tonnage sector with GVW above 12.000 kg by using trucks with GVW of 12.000 kg in combination with trailers of the same tonnage.

The cost and revenue analysis made after six months of operating with the combination of vehicles with GVW of 24.000 kg did not support the intention to modify the most of the truck fleet for the heavy tonnage segment with the road toll fees being one of the major barriers against ensuring profitability of operating the combination of vehicles with GVW of 24.000 kg. The decision was made and the company abandons the idea of shifting the truck fleet into the 24.000 kg tonnage sector, sells the heavy tonnage trailers and continues to operate with commercial vehicles with GVW just under 12.000 kg, on which no duty of paying road toll fees in the Czech Republic or the Federal Republic of Germany is levied.

However, on 1st of January 2010, precisely three years later since the Road Toll Collection system was introduced, new changes in the Act No. 13/1997 Coll. on Roads established the obligation for all four-wheel vehicles with the GVW greater than 3.500 kg to pay the toll fees on designated roads (which is most of the highways and some of the 1st class roads the Czech Transport Company uses on a daily basis). This means the end of the company's truck fleet advantage of operating the commercial vehicles of high utility value just slightly under the weight limits that determine paying the toll fees in the Czech Republic if exceeded. Again the idea of shifting company's operations into the heavy tonnage segment comes to a mind, however is rejected due to the current high level of competition in the segment that would be hard to overcome being rather small company with less capital. Company's former business strategy to operate trucks with GVW just under 12.000 kg prevails. Yet certain strategic modifications of the truck fleet are made. As there is no difference in the height of toll fees for the commercial vehicle with GVW of 7.500 kg and truck with GVW just under 12.000 kg (being in the same rate group) company's management realizes that it is less profitable to operate trucks with lower GVW and thus lower loading capacity. This fact leads to the sale of the last commercial vehicle in the fleet with GVW of 7.500 kg which means a reduction of the truck fleet to only two trucks with GVW just under 12.000 kg.

In the attitude of company's management towards the road toll fees introduction we can observe an evident pursuit to optimize the truck fleet in relation to the legislative setting for toll fees collection with respect to tonnage segments. Significant role in the strategy of the company is also attributed to road toll fees collected in other European countries, especially in Germany where all the roads and highways are for the commercial vehicles of GVW just under 12.000 kg still free.

Today it is possible to claim that purchasing commercial vehicles with the GVW just under 12.000 kg in the years 2006 and 2007 was a great strategic decision that enabled the company to operate the highest possible loading capacity with no road toll fees up to the date where all trucks (even the light ones with GVW of 6.000 or 7.500 kg) got involved in the road toll fees collection in the Czech Republic. Moreover, with the increase of cabotage transports on the territory of Federal Republic of Germany, where commercial vehicles with GVW just under 12.000 kg are not a subject to road toll collection, the choice of truck tonnage proved to be priceless.

At the moment the best strategy appears to stay settled in the proven tonnage sector and operate trucks with GVW just under 12.000 kg. Shifting into heavy tonnage sector would mean struggling with capital and facing greater competition. Moving downwards into lower tonnage sector transports are less profitable due to the same rate of road toll fees while operating lower loading capacity. Nevertheless reconsidering of business strategy related to road toll fees collection will be probably inevitable as German Minister of Transport Dobrindt said earlier in the interview this year (BMVI, 2014) that The Ministry of Transport has already prepared a bill that sets the obligation to pay road toll fees for the commercial vehicles of GVW of 7.500 kg and heavier.

4.9 Insurance in road freight transport

For transport companies three types of insurance are considered when operating in the road freight transport industry. These include the insurance for damage caused by operating the vehicle, cargo insurance and also vehicle accident insurance covering various types of dangers such as crash, fire, explosion, lightening, windstorm or theft and robbery etc.

Motor third party liability insurance (hereinafter referred to as "MTPL insurance") is mandatory liability insurance and all motor vehicles participating in road traffic must have valid MTPL insurance. Thanks to the fact that many foreign insurance companies entered the Czech market in past few years the insurance price increasing tendency slowed down and negotiable prices of MTPL insurance are quite reasonable, even though we find out that there are great price differences among various offers. It lays upon the management of the company to choose the most suitable and expedient offer. The Czech Transport Company has changed an insurance partner quite a few times in order to be able to reach the best price rates and thus decrease the insurance costs.

The cargo insurance is not mandatory, however the common practise in the road freight industry strictly requires such an insurance. The transport company with no cargo insurance would hardly be able to cooperate with any other transport company in Europe.

The vehicle accident insurance is in small and middle-sized transport companies subject to many disputes. The reason for that are very high prices of such insurance that are often reducing the profitability of business activities of the company. In companies where the truck fleet is financed by bank loans or leasing there is no choice as the vehicle accident insurance is in most cases one of the conditions of singing the contract. In transport companies where all bank loans have been paid off or trucks are purchased using own capital arranging the vehicle accident insurance is always a great question whether to accept the risk and operate the vehicle with no vehicle accident insurance or give up significant part of incomes and invest into the insurance.

The Czech Transport Company has always been among those who refused to risk, however the economic situation at the end of the year 2008 forced the company to give up on particular vehicle accident insurance contracts bearing in mind that possible accident that would not be caused by a third person or the theft of the commercial vehicle would be a fatal problem for which solution will be hardly found. The development of the insurance cost for the period of past ten years is described in the cost analysis in the Chapter 4.6.

4.10 Payment terms in road freight transport market

Unfortunately, in the Czech Republic very unfavourable terms of payment for the transport services providers have been raised. In the past few years due to strong competition on the market and large number of service providers customers seem to gain stronger position in the partnership with transport companies. The common practise has settled on payment terms which allow customers to pay within 60 up to 90 days since receiving the invoice for the services provided. As could be seen in the Chapter 4.5.3 the liability turnover ratio averaged 80,6 days in the past two years from 2012 to 2013.

Such adverse conditions thus force a small firm which the Czech Transport Company is to have a large proportion of its capital bound in trade receivables. Moreover, often in case of poor payment morale of the customer it happens that some trade receivables are never enforced to be paid and become bad debts with almost no possibility of changing such state. Often in an effort to force the customer to pay its trade payables to transport company it entails additional costs for legal fees and legal assistance payments with no major results which leads to the fact that small and medium businesses prefer to choose the path of debt write-off rather than its recovery. This situation may become even more problematic when dealing with foreign customers. Dealing with customers situated in Germany, who forms 95% of foreign customers the Czech Transport Company cooperates with, this has fortunately not been an issue yet.

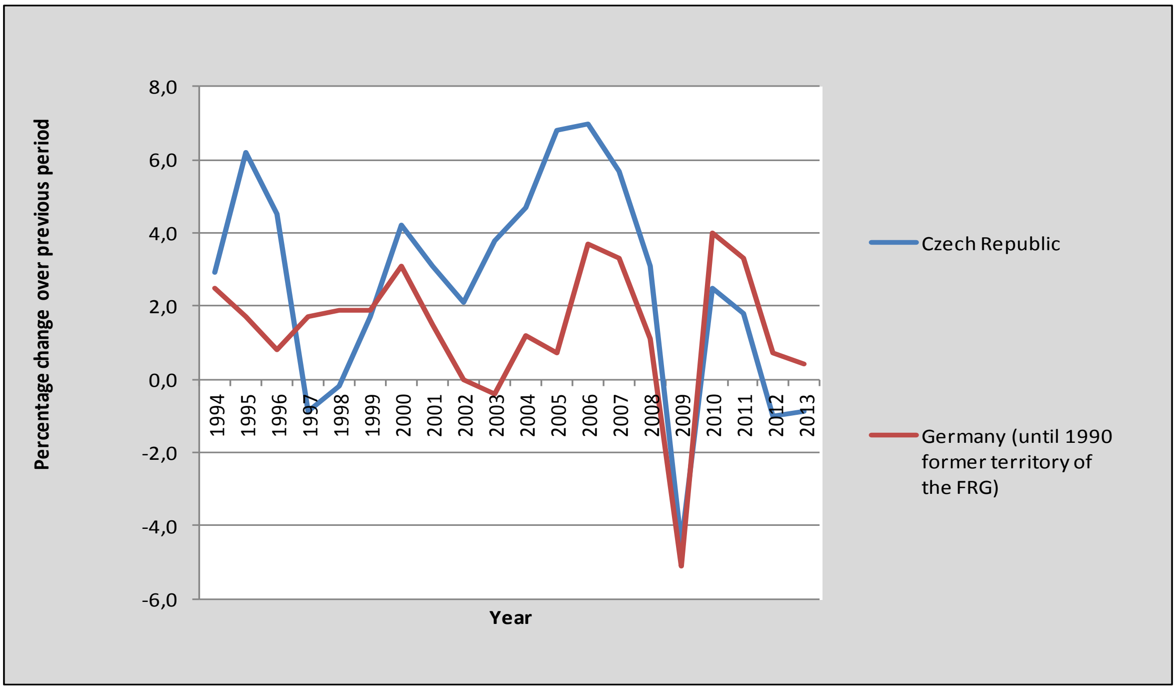
The only effective method how to prevent from bad debts is as far as I am concerned the verification of customer payment behaviour before engaging in any transport service contract. This is however not an easy task as there is no central database that would indicate customer payment behaviour and at the speed at which transport contracts are concluded every day unconscious engaging in providing a service to unreliable customer from time to time seems inevitable.

4.11 Forecasted development of the road freight sector of transport industry

Hand in hand with the prospect of improving the overall economic situation in Central and Western Europe there is a hope for minor but positive development and growth of the road freight transport market in the Czech Republic. Even though we can observe in the year 2013 according to the Eurostat (2014, Electronic resources [6]) slight decrease in the amount of tons of goods shipped via road freight transport in the EU in the comparison with the year 2012 both the Czech Republic as well as Germany recorded growth in the amount of tons shipped on the road in the same years.

The Czech Republic, being primarily an exporter, is almost fully dependent on western markets and the decrease or increase in demand on these markets. Focusing on Germany being one of the main final destinations of the Czech Transport Company, it is no surprise that the correlation between both economies in the past 15 years has been so high. To prove the undoubted relation between both economies Graph 11 depicting real GDP growth rates expressed by percentage change is displayed below.

Graph 11 – Real GDP growth rate of Germany and the Czech Republic



Source: Eurostat 2013

The Czech Transport Company that has always focused on export and import services is therefore with the implementation of the cabotage transport on the territory of Germany even more dependent on economic growth and growth of demand in the Federal Republic of Germany.

Another significant factor playing the role in the amount of exports and imports is the proportion of shipments implemented via road freight sector of transport industry in comparison with other sectors within the industry such as the railway cargo transport, which is generally considered to be the major competitor to the road freight transport industry in Europe (Urbánek, 2010, pp 53). With great pressure of the EU to lower emissions of harmful gasses by shifting much larger proportion of shipments from the road freight transport into the railway cargo transport a new concern appears delivering the question whether the road freight transport will function only rather as some sort of the last link in the chain where most of the shipments will be transported via railway cargo transport and the road freight transport will be used only to ship the goods from the railway docs to the final destination where no other means of transport are possible. What prevents implementing most of the shipments via railway cargo transport is the flexibility, complexity of the service and self-sufficiency that road freight transport can offer.

To sum it up, the development of the road freight transport sector of industry is dependent on two major factors first of them being the demand for goods and subsequently imports and exports of goods and second being the proportion of goods carried on road and goods transported by other means thinking especially of the railway cargo sector.

Considering the Czech Transport Company it can take advantage of the fact that its customer portfolio consists of small and middle-sized companies for which the great volume railway cargo transport is not an option due to shipping rather small amount of goods. Road freight transport is still No.1 solution for shipping goods with the small and middle-sized private companies, on which the Czech Transport company should focus on when offering its services.

5. RECOMMENDATIONS FOR THE COMPANY BASED ON THE ANALYSIS OF ITS ECONOMY

In my opinion, the management of the Czech Transport Company operates on the road freight transport market quite effectively proving in the past two decades its adaptability to changes in the industry while always placing an emphasis on its core values that are flexibility, speed, quality and reliability.

Despite all this, I can draw several recommendations for the company based on complex analysis of its economy that I have studied, researched and examined in previous chapters of this thesis.

Starting with the financial analysis new data were obtained by using various instruments of financial analyses. Both horizontal and vertical analyses of Balance sheet pointed out long-term steady decrease of fixed assets indicating that the company has not been investing into the renewal or expansion of its truck fleet in the examined period from the year 2008 to 2013. As the truck fleet is considered to be the main production factor of the company it is highly recommendable to invest certain capital into its renewal to ensure its functioning on the adequate level. Even though the cost analyses revealed that renewal of the truck fleet did not affect service and maintenance costs positively as it could be expected, there are other reasons to invest into the truck fleet such as lower rates of road toll fees for newer commercial vehicles with lower gas emissions or improved fuel efficiency not mentioning reduced reliability of aging truck fleet itself. Considering the value of the company in relation to its assets, fixed assets create no more any significant value of the company, which could be also seen as an obstacle in case of offering the company for sale.

Financial ratio analysis of the data outsourced from company’s financial statements revealed lots of interesting information several recommendations could be built upon. Lesser investment into the truck fleet had a positive impact on debt to equity ratio which was already observed during the vertical analysis of Liabilities and Equity. Debt to equity ratio decreased dramatically in the examined period averaging the value of 0,26 in the past three years. Considering the 1:1 proportion of debt to equity ratio to be ideal for the company operating in the transport industry, there is obviously great untapped potential for improving the efficiency of the firm’s business operations. Raising foreign capital in the company is according to my interpretation of the results very desirable.

Closely related to the above mentioned fact are the alarming results of the liability turnover ratio and creditors payments ratio that are depicted in the Graph 5 in the Chapter 4.5.3. The results discovered that the liability turnover ratio value is twice as high as the creditors payment ratio value indicating either one or both that the company pays trade payables prematurely and company’s customers in contrary do not pay the invoices issued by the Czech Transport Company on time or the company was unsuccessful in negotiating shorter periods for due dates, which is the most likely the issue due to problematic payment terms in the road freight industry described in the Chapter 4.10.

Nevertheless, examining the results of debt to equity ratio and creditors payment ratio while also studying the results of the cash flow statement analysis I have concluded that there is a great possibility of reaching more capital that could be invested into developing the company or other profitable business transactions. Therefore I would definitely recommend allowing more foreign capital entering the company as well as avoiding premature payments of trade payables. Even though I understand concerns of the management based on previous experience in the year 2008 when the economic recession hit the company while higher debt was allowed, financing the development of the company only by its own capital could be disastrous due to the impossibility of company’s effective expansion without which the company may lose the fight with its competition on the road freight transport market.

The ineffective use of cash was also confirmed by liquidity ratios that resulted in values which are way above generally agreed limits that are considered to be the most suitable. Again I would recommend to keep only the sufficient level of liquidity to be able to meet the liabilities of the company. Any higher level of liquidity reduces the risk but at the cost of reduced efficiency.

Based on the results of cost analysis I would recommend focusing on reducing costs by utilization of modern technologies. The mobile phone fees averaged in the past five year 96,2 thousand CZK per year. New communication technologies operated on the basis of the internet network connection (to which the Czech Transport Company has already access) rather than on GSM connection could cause dramatic reduction in the costs paid for remote communication. Even greater costs could be saved by joining one of the discount fuel card systems that are arranged for transport services and other businesses operating in the territory of the Czech Republic. The total fuel costs spend per year by the Czech Transport Company already fulfils the conditions for granting of discounts on diesel fuel up to the 0,4%.

Considering the customer portfolio analysis examining the customer portfolio of the past ten years in relation to demand for services expressed by total services revenue in Chapter 4.7 I recommend following the trend of reducing dependency on individual major customers to minimize the risk of unexpected drops in demand.

In respect to business strategy concerning the road toll fees introduction mentioned in Chapter 4.8 I strongly recommend the company to explore the options of transferring part of its business activities into another foreign country that has not introduced nor proposed to introduce road toll fees collection for the commercial vehicles of GVW under 12.000 kg (majority of current truck fleet of the Czech Transport Company) as Germany recently did. In future (Germany announces to start collecting road tax fees for commercial vehicles with GVW under 12.000 kg already in October 2015) being able to transfer part of the commercial activities out of Germany should contribute to significant reduction of initial impacts of road toll collection introduction.

6. CONCLUSION

Primary aim of this diploma thesis was to complete a comprehensive overview of the business economy of given small private company while placing and emphasis on studying both historical and current data. This objective was fulfilled completely as throughout the whole analysis an emphasis was placed on comparison of several consecutive time periods, mostly accounting years, ranging from the year 2004 up to the latest closed accounting year 2013.

The whole variety of instruments that has never been used in the company or is not commonly used has been implemented through the financial ratio analysis providing company's management with results revealing completely new facts or confirming previous assumptions of the owners with certainty. To able to understand values of individual indicators throughout the time the detailed development of the company reflecting changes in the business strategy was described so that newly obtained indicators could have been related to certain events that evolved in the past and influenced the operations of the company.

All generated data were described in meaningful units in particular chapters in respect to their further utilization during the decision-making processes. The majority of new data was presented chronologically with great emphasis placed on linking individual derogations with events or decisions that could have been actively involved in their formation.

In the last Chapter 4.12 final suggestions were made built on the coherent results proving their correctness throughout all parts of the analysis of business economy. Subsequently a set of evidence-based recommendations was drafted offering the management of the Czech Transport Company valuable guideline for raising the efficiency of the company's business activities and giving direction to future decision-making processes.

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8. SUPPLEMENTS

Supplement 1 - Balance Sheet 2008 - 2013 (in TCZK)

ASSETS	line no.	2008	2009	2010	2011	2012	2013
TOTAL ASSETS	001	5 433	3 459	3 536	3 212	3 338	3 661
Receivables for subscribed capital	002	0	0	0	0	0	0
Fixed assets	003	3 274	2 083	666	685	463	377
Intangible assets	004	0	0	0	0	0	0
Formation expenses	005	0	0	0	0	0	0
Research and development	006	0	0	0	0	0	0
Software	007	0	0	0	0	0	0
Valuable rights	008	0	0	0	0	0	0
Goodwill (+/-)	009	0	0	0	0	0	0
Other intangibles	010	0	0	0	0	0	0
Intangible assets under construction	011	0	0	0	0	0	0
Advances for intangible assets	012	0	0	0	0	0	0
Tangible fixed assets	013	3 274	2 083	666	685	463	377
Land	014	0	0	0	0	0	0
Buildings and structures	015	0	0	0	0	0	0
Machinery, equipment, vehicles	016	3 274	2 083	666	685	463	377
Orchards and vineyards	017	0	0	0	0	0	0
Livestock (herd and draught animals)	018	0	0	0	0	0	0
Other tangible fixed assets	019	0	0	0	0	0	0
Tangible fixed assets under construction	020	0	0	0	0	0	0
Advances for tangible fixed assets	021	0	0	0	0	0	0
Valuation differences to acquired assets (+/-)	022	0	0	0	0	0	0
Financial assets	023	0	0	0	0	0	0
Investments in subsidiaries	024	0	0	0	0	0	0
Investments in associates	025	0	0	0	0	0	0
Other securities and investments	026	0	0	0	0	0	0
Loans and borrowings - controlling persons and associates	027	0	0	0	0	0	0
Other investments	028	0	0	0	0	0	0
Investments in the process of acquisition	029	0	0	0	0	0	0
Advances for investments	030	0	0	0	0	0	0
CURRENT ASSETS	031	2 111	1 365	2 803	2 441	2 796	3 213
Inventories	032	331	0	0	0	0	0
Raw material	033	0	0	0	0	0	0
Work-in-progress and semi-finished products	034	0	0	0	0	0	0
Finished products	035	0	0	0	0	0	0
Animals	036	0	0	0	0	0	0
Goods	037	331	0	0	0	0	0
Prepayments on inventories	038	0	0	0	0	0	0

ASSETS	l.n.	2008	2009	2010	2011	2012	2013
Long-term receivables	039	0	0	0	0	0	0
Trade receivables	040	0	0	0	0	0	0
Receivables from controlling entities	041	0	0	0	0	0	0
Receivables from associates	042	0	0	0	0	0	0
Receivables from partners, cooperative member	043	0	0	0	0	0	0
Dlouhodobé poskytnuté zálohy	044	0	0	0	0	0	0
Estimated accrued revenues	045	0	0	0	0	0	0
Other receivables	046	0	0	0	0	0	0
Deferred tax receivable	047	0	0	0	0	0	0
Short-term receivables	048	825	939	1 616	1 401	1 946	1 602
Trade receivables	049	770	884	1 564	1 280	1 848	1 595
Receivables from controlling entities	050	0	0	0	0	0	0
Receivables from associates	051	0	0	0	0	0	0
Receivables from partners, cooperative member	052	0	0	0	0	0	0
Social security and health insurance	053	0	0	0	0	0	0
Government - tax receivables	054	2	2	2	1	0	0
Short-term advances	055	53	53	50	120	98	7
Estimated accrued revenues	056	0	0	0	0	0	0
Other receivables	057	0	0	0	0	0	0
Current financial assets	058	955	426	1 187	1 040	850	1 611
Cash	059	164	77	314	278	687	532
Bank accounts	060	791	349	873	762	163	1 079
Short-term securities and investments	061	0	0	0	0	0	0
Current financial assets in the process of acquisition	062	0	0	0	0	0	0
Prepayments and accrued income	063	48	11	67	86	79	71
Prepaid expenses	064	43	11	67	86	79	71
Complex prepaid expenses	065	0	0	0	0	0	0
Accrued income	066	5	0	0	0	0	0

LIABILITIES	line no.	2008	2009	2010	2011	2012	2013
TOTAL LIABILITIES AND EQUITY	067	5 433	3 459	3 536	3 212	3 338	3 661
Equity	068	2 946	2 041	2 230	2 507	2 543	2 849
Subscribed capital	069	2 000	2 000	2 000	2 000	2 000	2 000
Subscribed capital	070	2 000	2 000	2 000	2 000	2 000	2 000
Treasury shares	071	0	0	0	0	0	0
Changes in subscribed capital	072	0	0	0	0	0	0
Capital reserves	073	0	0	0	0	0	0
Share premium	074	0	0	0	0	0	0
Other reserves	075	0	0	0	0	0	0
Valuation differences from revaluat. of assets and liab.	076	0	0	0	0	0	0
Valuation differences from revaluat. of assets and liab. in comp. tr.	077	0	0	0	0	0	0
Reserves, indivisible reserve and other revenue reserves	078	284	284	39	200	200	200
Legal reserve /Indivisible fund	079	284	284	39	200	200	200
Statutory and other reserve	080	0	0	0	0	0	0
Retained earnings	081	998	660	0	31	307	343
Retained earnings of previous years	082	998	660	0	31	307	343
Accumulated losses of previous years	083	0	0	0	0	0	0
Profit / loss of current accounting period	084	- 336	- 903	191	276	36	306
Liabilities	085	2 482	1 413	1 302	584	721	807
Provisions	086	0	0	0	0	0	0
Provision according to special legal regulations	087	0	0	0	0	0	0
Provisions for pensions and similar obligations	088	0	0	0	0	0	0
Provision for income tax	089	0	0	0	0	0	0
Others provisions	090	0	0	0	0	0	0
Long-term liabilities	091	0	1 242	942	354	26	23
Trade payables	092	0	0	0	0	0	0
Payables to controlling entity	093	0	0	0	0	0	0
Payables to associates	094	0	0	0	0	0	0
Payables to partners, cooperative member	095	0	1 242	942	354	26	23
Long-term advances received	096	0	0	0	0	0	0
Bonds issued	097	0	0	0	0	0	0
Long-term notes payable	098	0	0	0	0	0	0
Estimated accrued items	099	0	0	0	0	0	0
Other payables	100	0	0	0	0	0	0
Deferred tax liabilities	101	0	0	0	0	0	0
Short-term liabilities	102	1 804	171	360	230	684	784
Trade payables	103	127	17	98	52	531	582
Payables to controlling entity	104	0	0	0	0	0	0
Payables to associates	105	0	0	0	0	0	0
Payables to partners, cooperative member	106	1 213	10	13	15	20	19
Payables to employees	107	68	34	34	49	49	32
Payables to social security and health insurance	108	28	18	23	23	28	28
Government - tax payables and subsidies	109	363	94	197	94	61	128
Short-term advances received	110	0	0	0	0	0	0
Bonds issued	111	0	0	0	0	0	0

LIABILITIES	l.n.	2008	2009	2010	2011	2012	2013
Bank loans and borrowings	114	678	0	0	0	11	0
Long-term bank loans	115	678	0	0	0	11	0
Short-term bank loans	116	0	0	0	0	0	0
Short-term borrowings	117	0	0	0	0	0	0
Accruals and deferred income	118	5	5	4	121	74	5
Accrued expenses	119	5	5	4	121	74	5
Deferred income	120	0	0	0	0	0	0

Supplement 2 - Profit and Loss Statement 2008 - 2013 (in TCZK)

PROFIT/LOSS STATEMENT	line no.	2008	2009	2010	2011	2012	2013
Sales of goods	01	2 419	447	409	587	386	984
Costs of goods sold	02	2 214	512	373	579	367	933
Sale margin	03	205	- 65	36	8	19	51
Production	*04*	*5 601*	*4 217*	*5 055*	5 486	7 476	7 268
Product and service revenue	05	5 601	4 217	5 055	5 486	7 476	7 268
Increase/decrease in finished goods and in work in progress	06	0	0	0	0	0	0
Own work capitalized	07	0	0	0	0	0	0
Consumption from production	*08*	*3 627*	*3 051*	*3 304*	3 724	5 873	5 640
Consumption of material and energy	09	1 625	983	1 197	1 391	1 473	1 362
Services	10	2 002	2 068	2 107	2 333	4 400	4 278
Value added	11	2 179	1 101	1 787	1 770	1 622	1 679
Staff costs	12	1 136	740	812	916	1 090	985
Wages and salaries	13	832	563	601	687	827	724
Social security and health insurance costs	15	279	163	208	221	248	246
Other social costs	16	25	14	3	8	15	15
Taxes and fees	17	125	42	106	127	108	107
Depreciation and amortization	18	1 208	1 087	874	499	222	138
Proceeds on fixed assets and material	19	1 040	167	1 579	173	0	3
Proceeds on sale of fixed assets	20	1 029	163	1 573	173	0	0
Proceeds on sale of material	21	11	4	6	0	0	3
Net book value of fixed assets and material sold	22	769	104	1 239	0	0	0
Net book value of fixed assets sold	23	769	104	1 239	0	0	0
Material sold	24	0	0	0	0	0	0
Changes in provisions and adjust. relating to op. act. and def. exp.	25	15	- 15	- 6	1	41	- 1
Other operating income	26	26	8	18	7	46	118
Other operating expenses	27	38	26	126	106	120	236
Transfer of operating income	28	0	0	0	0	0	0
Transfer of operating expenses	29	0	0	0	0	0	0
P/L from operating activities /= I. 11-12-17-18+19-22-25+26-27+(-28)-(-29)/	30	- 46	- 708	233	301	87	335
Revenues from sale of securities or direct investments	31	0	0	0	0	0	0
Net book value of securities or direct investments sold	32	0	0	0	0	0	0
Revenues from long-term investments	33	0	0	0	0	0	0
Revenues from investments in subsidiaries and associates	34	0	0	0	0	0	0
Revenues from other long-term securities and investments	35	0	0	0	0	0	0
Revenues from other long-term investments	36	0	0	0	0	0	0
Revenues from short-term investments	37	0	0	0	0	0	0
Costs of investments	38	0	0	0	0	0	0
Revenues from the revaluation of securities and derivatives	39	0	0	0	0	0	0
Costs of the revaluation of securities and derivatives	40	0	0	0	0	0	0
Changes in provisions and adjustments relat. to financial activities	41	0	0	0	0	0	0
Interest income	42	1	0	0	0	0	0
Interest expense	43	54	23	0	0	0	0
Other financial revenues	44	24	13	7	47	4	59
Other financial expenses	45	263	188	49	43	55	38
Transfer of financial income	46	0	0	0	0	0	0

PROFIT/LOSS STATEMENT	l.n.	2008	2009	2010	2011	2012	2013
P/L from fin. activ. **/= l. 31-32+33+37-38+39-40+41+42-43+44-45-(-46)+(-47)/**	48	- 292	- 198	- 42	4	- 51	21
Income tax on ordinary activities	49	0	0	0	30	0	50
- Due	50	0	0	0	30	0	50
- Deferred	51	0	0	0	0	0	0
Profit/loss from ordinary activities	52	- 338	- 906	191	275	36	306
Extraordinary revenues	53	0	0	0	0	0	0
Extraordinary expenses	54	0	0	0	0	0	0
Income tax on extraordinary activities	55	0	0	0	0	0	0
- Due	56	0	0	0	0	0	0
- Deferred	57	0	0	0	0	0	0
Profit/loss from extraordinary activities **/= line 53 - 54 -55/**	58	**0**	**0**	**0**	0	0	0
Transfer of profit to partners (+/-)	59	0	0	0	0	0	0
Profit/loss for the period (+/-) **/= line 52 + 58 - 59/**	60	- 338	- 906	191	275	36	306
Profit/loss before tax (+/-) **/ = line 30+48+53-54/**	61	- 338	- 906	191	305	36	356

Supplement 3 - Horizontal analysis of the Balance sheet (in TCZK): Absolute change

ASSETS	line no.	2009	2010	2011	2012	2013
TOTAL ASSETS	001	-1974	77	-324	126	323
Receivables for subscribed capital	002	0	0	0	0	0
Fixed assets	003	-1191	-1417	19	-222	-86
Intangible assets	004	0	0	0	0	0
Formation expenses	005	0	0	0	0	0
Research and development	006	0	0	0	0	0
Software	007	0	0	0	0	0
Valuable rights	008	0	0	0	0	0
Goodwill (+/-)	009	0	0	0	0	0
Other intangibles	010	0	0	0	0	0
Intangible assets under construction	011	0	0	0	0	0
Advances for intangible assets	012	0	0	0	0	0
Tangible fixed assets	013	-1191	-1417	19	-222	-86
Land	014	0	0	0	0	0
Buildings and structures	015	0	0	0	0	0
Machinery, equipment, vehicles	016	-1191	-1417	19	-222	-86
Orchards and vineyards	017	0	0	0	0	0
Livestock (herd and draught animals)	018	0	0	0	0	0
Other tangible fixed assets	019	0	0	0	0	0
Tangible fixed assets under construction	020	0	0	0	0	0
Advances for tangible fixed assets	021	0	0	0	0	0
Valuation differences to acquired assets (+/-)	022	0	0	0	0	0
Financial assets	023	0	0	0	0	0
Investments in subsidiaries	024	0	0	0	0	0
Investments in associates	025	0	0	0	0	0
Other securities and investments	026	0	0	0	0	0
Loans and borrowings - controlling persons and associates	027	0	0	0	0	0
Other investments	028	0	0	0	0	0
Investments in the process of acquisition	029	0	0	0	0	0
Advances for investments	030	0	0	0	0	0

CURRENT ASSETS	031	-746	1438	-362	355	417
Inventories	032	-331	0	0	0	0
Raw material	033	0	0	0	0	0
Work-in-progress and semi-finished products	034	0	0	0	0	0
Finished products	035	0	0	0	0	0
Animals	036	0	0	0	0	0
Goods	037	-331	0	0	0	0
Prepayments on inventories	038	0	0	0	0	0
Long-term receivables	039	0	0	0	0	0
Trade receivables	040	0	0	0	0	0
Receivables from controlling entities	041	0	0	0	0	0
Receivables from associates	042	0	0	0	0	0
Receivables from partners, cooperative member	043	0	0	0	0	0
Dlouhodobé poskytnuté zálohy	044	0	0	0	0	0
Estimated accrued revenues	045	0	0	0	0	0
Other receivables	046	0	0	0	0	0
Deferred tax receivable	047	0	0	0	0	0
Short-term receivables	048	114	677	-215	545	-344
Trade receivables	049	114	680	-284	568	-253
Receivables from controlling entities	050	0	0	0	0	0
Receivables from associates	051	0	0	0	0	0
Receivables from partners, cooperative member	052	0	0	0	0	0
Social security and health insurance	053	0	0	0	0	0
Government - tax receivables	054	0	0	-1	-1	0
Short-term advances	055	0	-3	70	-22	-91
Estimated accrued revenues	056	0	0	0	0	0
Other receivables	057	0	0	0	0	0
Current financial assets	058	-529	761	-147	-190	761
Cash	059	-87	237	-36	409	-155
Bank accounts	060	-442	524	-111	-599	916
Short-term securities and investments	061	0	0	0	0	0
Current financial assets in the process of acquisition	062	0	0	0	0	0
Prepayments and accrued income	063	-37	56	19	-7	-8
Prepaid expenses	064	-32	56	19	-7	-8
Complex prepaid expenses	065	0	0	0	0	0
Accrued income	066	-5	0	0	0	0

LIABILITIES	line no.	2009	2010	2011	2012	2013
TOTAL LIABILITIES AND EQUITY	067	-1974	77	-324	126	323
Equity	068	-905	189	277	36	306
Subscribed capital	069	0	0	0	0	0
Subscribed capital	070	0	0	0	0	0
Treasury shares	071	0	0	0	0	0
Changes in subscribed capital	072	0	0	0	0	0
Capital reserves	073	0	0	0	0	0
Share premium	074	0	0	0	0	0
Other reserves	075	0	0	0	0	0
Valuation differences from revaluat. of assets and liab.	076	0	0	0	0	0
Valuation differences from revaluat. of assets and liab. in com	077	0	0	0	0	0
Reserves, indivisible reserve and other revenue reserves	078	0	-245	161	0	0
Legal reserve /Indivisible fund	079	0	-245	161	0	0
Statutory and other reserve	080	0	0	0	0	0
Retained earnings	081	-338	-660	31	276	36
Retained earnings of previous years	082	-338	-660	31	276	36
Accumulated losses of previous years	083	0	0	0	0	0
Profit / loss of current accounting period	084	-567	1094	85	-240	270
Liabilities	085	-1069	-111	-718	137	86
Provisions	086	0	0	0	0	0
Provision according to special legal regulations	087	0	0	0	0	0
Provisions for pensions and similar obligations	088	0	0	0	0	0
Provision for income tax	089	0	0	0	0	0
Others provisions	090	0	0	0	0	0
Long-term liabilities	091	1242	-300	-588	-328	-3
Trade payables	092	0	0	0	0	0
Payables to controlling entity	093	0	0	0	0	0
Payables to associates	094	0	0	0	0	0
Payables to partners, cooperative member	095	1242	-300	-588	-328	-3
Long-term advances received	096	0	0	0	0	0
Bonds issued	097	0	0	0	0	0
Long-term notes payable	098	0	0	0	0	0
Estimated accrued items	099	0	0	0	0	0
Other payables	100	0	0	0	0	0
Deferred tax liabilities	101	0	0	0	0	0

Short-term liabilities	102	-1633	189	-130	454	100
Trade payables	103	-110	81	-46	479	51
Payables to controlling entity	104	0	0	0	0	0
Payables to associates	105	0	0	0	0	0
Payables to partners, cooperative member	106	-1203	3	2	5	-1
Payables to employees	107	-34	0	15	0	-17
Payables to social security and health insurance	108	-10	5	0	5	0
Government - tax payables and subsidies	109	-269	103	-103	-33	67
Short-term advances received	110	0	0	0	0	0
Bonds issued	111	0	0	0	0	0
Estimated accrued items	112	-7	0	0	0	0
Other payables	113	0	-3	2	-2	0
Bank loans and borrowings	114	-678	0	0	11	-11
Long-term bank loans	115	-678	0	0	11	-11
Short-term bank loans	116	0	0	0	0	0
Short-term borrowings	117	0	0	0	0	0
Accruals and deferred income	118	0	-1	117	-47	-69
Accrued expenses	119	0	-1	117	-47	-69
Deferred income	120	0	0	0	0	0

Supplement 4 - Horizontal analysis of the Balance sheet: Relative change

ASSETS	line no.	2009	2010	2011	2012	2013
TOTAL ASSETS	001	-36,3%	2,2%	-9,2%	3,9%	9,7%
Receivables for subscribed capital	002	0,0%	0,0%	0,0%	0,0%	0,0%
Fixed assets	003	-36,4%	-68,0%	2,9%	-32,4%	-18,6%
Intangible assets	004	0,0%	0,0%	0,0%	0,0%	0,0%
Formation expenses	005	0,0%	0,0%	0,0%	0,0%	0,0%
Research and development	006	0,0%	0,0%	0,0%	0,0%	0,0%
Software	007	0,0%	0,0%	0,0%	0,0%	0,0%
Valuable rights	008	0,0%	0,0%	0,0%	0,0%	0,0%
Goodwill (+/-)	009	0,0%	0,0%	0,0%	0,0%	0,0%
Other intangibles	010	0,0%	0,0%	0,0%	0,0%	0,0%
Intangible assets under construction	011	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for intangible assets	012	0,0%	0,0%	0,0%	0,0%	0,0%
Tangible fixed assets	013	-36,4%	-68,0%	2,9%	-32,4%	-18,6%
Land	014	0,0%	0,0%	0,0%	0,0%	0,0%
Buildings and structures	015	0,0%	0,0%	0,0%	0,0%	0,0%
Machinery, equipment, vehicles	016	-36,4%	-68,0%	2,9%	-32,4%	-18,6%
Orchards and vineyards	017	0,0%	0,0%	0,0%	0,0%	0,0%
Livestock (herd and draught animals)	018	0,0%	0,0%	0,0%	0,0%	0,0%
Other tangible fixed assets	019	0,0%	0,0%	0,0%	0,0%	0,0%
Tangible fixed assets under construction	020	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for tangible fixed assets	021	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences to acquired assets (+/-)	022	0,0%	0,0%	0,0%	0,0%	0,0%
Financial assets	023	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in subsidiaries	024	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in associates	025	0,0%	0,0%	0,0%	0,0%	0,0%
Other securities and investments	026	0,0%	0,0%	0,0%	0,0%	0,0%
Loans and borrowings - controlling persons and associates	027	0,0%	0,0%	0,0%	0,0%	0,0%
Other investments	028	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in the process of acquisition	029	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for investments	030	0,0%	0,0%	0,0%	0,0%	0,0%
CURRENT ASSETS	031	-35,3%	105,3%	-12,9%	14,5%	14,9%
Inventories	032	-100,0%	0,0%	0,0%	0,0%	0,0%
Raw material	033	0,0%	0,0%	0,0%	0,0%	0,0%
Work-in-progress and semi-finished products	034	0,0%	0,0%	0,0%	0,0%	0,0%
Finished products	035	0,0%	0,0%	0,0%	0,0%	0,0%
Animals	036	0,0%	0,0%	0,0%	0,0%	0,0%
Goods	037	-100,0%	0,0%	0,0%	0,0%	0,0%
Prepayments on inventories	038	0,0%	0,0%	0,0%	0,0%	0,0%

Long-term receivables	039	0,0%	0,0%	0,0%	0,0%	0,0%
Trade receivables	040	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from controlling entities	041	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from associates	042	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from partners, cooperative member	043	0,0%	0,0%	0,0%	0,0%	0,0%
Dlouhodobé poskytnuté zálohy	044	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued revenues	045	0,0%	0,0%	0,0%	0,0%	0,0%
Other receivables	046	0,0%	0,0%	0,0%	0,0%	0,0%
Deferred tax receivable	047	0,0%	0,0%	0,0%	0,0%	0,0%
Short-term receivables	048	13,8%	72,1%	-13,3%	38,9%	-17,7%
Trade receivables	049	14,8%	76,9%	-18,2%	44,4%	-13,7%
Receivables from controlling entities	050	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from associates	051	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from partners, cooperative member	052	0,0%	0,0%	0,0%	0,0%	0,0%
Social security and health insurance	053	0,0%	0,0%	0,0%	0,0%	0,0%
Government - tax receivables	054	0,0%	0,0%	-50,0%	-100,0%	0,0%
Short-term advances	055	0,0%	-5,7%	140,0%	-18,3%	-92,9%
Estimated accrued revenues	056	0,0%	0,0%	0,0%	0,0%	0,0%
Other receivables	057	0,0%	0,0%	0,0%	0,0%	0,0%
Current financial assets	058	-55,4%	178,6%	-12,4%	-18,3%	89,5%
Cash	059	-53,0%	307,8%	-11,5%	147,1%	-22,6%
Bank accounts	060	-55,9%	150,1%	-12,7%	-78,6%	562,0%
Short-term securities and investments	061	0,0%	0,0%	0,0%	0,0%	0,0%
Current financial assets in the process of acquisition	062	0,0%	0,0%	0,0%	0,0%	0,0%
Prepayments and accrued income	063	-77,1%	509,1%	28,4%	-8,1%	-10,1%
Prepaid expenses	064	-74,4%	509,1%	28,4%	-8,1%	-10,1%
Complex prepaid expenses	065	0,0%	0,0%	0,0%	0,0%	0,0%
Accrued income	066	-100,0%	0,0%	0,0%	0,0%	0,0%

LIABILITIES	line no.	2009	2010	2011	2012	2013
TOTAL LIABILITIES AND EQUITY	067	-36,3%	2,2%	-9,2%	3,9%	9,7%
Equity	068	-30,7%	9,3%	12,4%	1,4%	12,0%
Subscribed capital	069	0,0%	0,0%	0,0%	0,0%	0,0%
Subscribed capital	070	0,0%	0,0%	0,0%	0,0%	0,0%
Treasury shares	071	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in subscribed capital	072	0,0%	0,0%	0,0%	0,0%	0,0%
Capital reserves	073	0,0%	0,0%	0,0%	0,0%	0,0%
Share premium	074	0,0%	0,0%	0,0%	0,0%	0,0%
Other reserves	075	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences from revaluat. of assets and liab.	076	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences from revaluat. of assets and liab. in com	077	0,0%	0,0%	0,0%	0,0%	0,0%
Reserves, indivisible reserve and other revenue reserves	078	0,0%	-86,3%	412,8%	0,0%	0,0%
Legal reserve /Indivisible fund	079	0,0%	-86,3%	412,8%	0,0%	0,0%
Statutory and other reserve	080	0,0%	0,0%	0,0%	0,0%	0,0%
Retained earnings	081	-33,9%	-100,0%	N/A	890,3%	11,7%
Retained earnings of previous years	082	-33,9%	-100,0%	N/A	890,3%	11,7%
Accumulated losses of previous years	083	0,0%	0,0%	0,0%	0,0%	0,0%
Profit / loss of current accounting period	084	N/A	N/A	44,5%	-87,0%	750,0%
Liabilities	085	-43,1%	-7,9%	-55,1%	23,5%	11,9%
Provisions	086	0,0%	0,0%	0,0%	0,0%	0,0%
Provision according to special legal regulations	087	0,0%	0,0%	0,0%	0,0%	0,0%
Provisions for pensions and similar obligations	088	0,0%	0,0%	0,0%	0,0%	0,0%
Provision for income tax	089	0,0%	0,0%	0,0%	0,0%	0,0%
Others provisions	090	0,0%	0,0%	0,0%	0,0%	0,0%
Long-term liabilities	091	N/A	-24,2%	-62,4%	-92,7%	-11,5%
Trade payables	092	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to controlling entity	093	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to associates	094	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to partners, cooperative member	095	N/A	-24,2%	-62,4%	-92,7%	-11,5%
Long-term advances received	096	0,0%	0,0%	0,0%	0,0%	0,0%
Bonds issued	097	0,0%	0,0%	0,0%	0,0%	0,0%
Long-term notes payable	098	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued items	099	0,0%	0,0%	0,0%	0,0%	0,0%
Other payables	100	0,0%	0,0%	0,0%	0,0%	0,0%
Deferred tax liabilities	101	0,0%	0,0%	0,0%	0,0%	0,0%

Short-term liabilities	102	-90,5%	110,5%	-36,1%	197,4%	14,6%
Trade payables	103	-86,6%	476,5%	-46,9%	921,2%	9,6%
Payables to controlling entity	104	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to associates	105	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to partners, cooperative member	106	-99,2%	30,0%	15,4%	33,3%	-5,0%
Payables to employees	107	-50,0%	0,0%	44,1%	0,0%	-34,7%
Payables to social security and health insurance	108	-35,7%	27,8%	0,0%	21,7%	0,0%
Government - tax payables and subsidies	109	-74,1%	109,6%	-52,3%	-35,1%	109,8%
Short-term advances received	110	0,0%	0,0%	0,0%	0,0%	0,0%
Bonds issued	111	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued items	112	0,0%	0,0%	0,0%	0,0%	0,0%
Other payables	113	N/A	N/A	N/A	N/A	N/A
Bank loans and borrowings	114	-100,0%	0,0%	0,0%	N/A	0,0%
Long-term bank loans	115	-100,0%	0,0%	0,0%	N/A	0,0%
Short-term bank loans	116	0,0%	0,0%	0,0%	0,0%	0,0%
Short-term borrowings	117	0,0%	0,0%	0,0%	0,0%	0,0%
Accruals and deferred income	118	0,0%	-20,0%	2925,0%	-38,8%	-93,2%
Accrued expenses	119	0,0%	-20,0%	2925,0%	-38,8%	-93,2%
Deferred income	120	0,0%	0,0%	0,0%	0,0%	0,0%

Supplement 5 - Horizontal analysis of the P&L Statement (in TCZK): Absolute change

PROFIT/LOSS STATEMENT	line no.	2009	2010	2011	2012	2013
Sales of goods	01	-1 972	-38	178	-201	598
Costs of goods sold	02	-1 702	-139	206	-212	566
Sale margin	03	-270	101	-28	11	32
Production	*04*	-1 384	838	431	1 990	-208
Product and service revenue	05	-1 384	838	431	1 990	-208
Increase/decrease in finished goods and in work in progress	06	0	0	0	0	0
Own work capitalized	07	0	0	0	0	0
Consumption from production	*08*	-576	253	420	2 149	-233
Consumption of material and energy	09	-642	214	194	82	-111
Services	10	66	39	226	2 067	-122
Value added	11	-1 078	686	-17	-148	57
Staff costs	12	-396	72	104	174	-105
Wages and salaries	13	-269	38	86	140	-103
Social security and health insurance costs	15	-116	45	13	27	-2
Other social costs	16	-11	-11	5	7	0
Taxes and fees	17	-83	64	21	-19	-1
Depreciation and amortization	18	-121	-213	-375	-277	-84
Proceeds on fixed assets and material	19	-873	1 412	-1 406	-173	3
Proceeds on sale of fixed assets	20	-866	1 410	-1 400	-173	0
Proceeds on sale of material	21	-7	2	-6	0	3
Net book value of fixed assets and material sold	22	-665	1 135	-1 239	0	0
Net book value of fixed assets sold	23	-665	1 135	-1 239	0	0
Material sold	24	0	0	0	0	0
Changes in provisions and adjust. relating to op. act. and def. exp.	25	-30	9	7	40	-42
Other operating income	26	-18	10	-11	39	72
Other operating expenses	27	-12	100	-20	14	116
Transfer of operating income	28	0	0	0	0	0
Transfer of operating expenses	29	0	0	0	0	0
P/L from operating activities /= I. 11-12-17-18+19-22-25+26-27+(-28)-(-29)/	30	-662	941	68	-214	248
Revenues from sale of securities or direct investments	31	0	0	0	0	0
Net book value of securities or direct investments sold	32	0	0	0	0	0
Revenues from long-term investments	33	0	0	0	0	0
Revenues from investments in subsidiaries and associates	34	0	0	0	0	0
Revenues from other long-term securities and investments	35	0	0	0	0	0
Revenues from other long-term investments	36	0	0	0	0	0
Revenues from short-term investments	37	0	0	0	0	0
Costs of investments	38	0	0	0	0	0

Revenues from the revaluation of securities and derivatives	39	0	0	0	0	0
Costs of the revaluation of securities and derivatives	40	0	0	0	0	0
Changes in provisions and adjustments relating to fin. activities	41	0	0	0	0	0
Interest income	42	-1	0	0	0	0
Interest expense	43	-31	-23	0	0	0
Other financial revenues	44	-11	-6	40	-43	55
Other financial expenses	45	-75	-139	-6	12	-17
Transfer of financial income	46	0	0	0	0	0
Transfer of financial expenses	47	0	0	0	0	0
P/L from fin. activ. **/= l. 31-32+33+37-38+39-40+41+42-43+44-45-(-46)+(-47)/**	48	94	156	46	-55	72
Income tax on ordinary activities	49	0	0	30	-30	50
- Due	50	0	0	30	-30	50
- Deferred	51	0	0	0	0	0
Profit/loss from ordinary activities	52	-568	1 097	84	-239	270
Extraordinary revenues	53	0	0	0	0	0
Extraordinary expenses	54	0	0	0	0	0
Income tax on extraordinary activities	55	0	0	0	0	0
- Due	56	0	0	0	0	0
- Deferred	57	0	0	0	0	0
Profit/loss from extraordinary activities **/= line 53 - 54 -55/**	58	0	0	0	0	0
Transfer of profit to partners (+/-)	59	0	0	0	0	0
Profit/loss for the period (+/-) **/= line 52 + 58 - 59/**	60	-568	1 097	84	-239	270
Profit/loss before tax (+/-) **/ = line 30+48+53-54/**	61	-568	1 097	114	-269	320

Supplement 6 - Horizontal analysis of the P&L Statement: Relative change

PROFIT/LOSS STATEMENT	line no.	2009	2010	2011	2012	2013
Sales of goods	01	-81,5%	-8,5%	43,5%	-34,2%	154,9%
Costs of goods sold	02	-76,9%	-27,1%	55,2%	-36,6%	154,2%
Sale margin	03	-131,7%	N/A	-77,8%	137,5%	168,4%
Production	*04*	*-24,7%*	*19,9%*	*8,5%*	*36,3%*	*-2,8%*
Product and service revenue	05	-24,7%	19,9%	8,5%	36,3%	-2,8%
Increase/decrease in finished goods and in work in progress	06	0,0%	0,0%	0,0%	0,0%	0,0%
Own work capitalized	07	0,0%	0,0%	0,0%	0,0%	0,0%
Consumption from production	*08*	*-15,9%*	*8,3%*	*12,7%*	*57,7%*	*-4,0%*
Consumption of material and energy	09	-39,5%	21,8%	16,2%	5,9%	-7,5%
Services	10	3,3%	1,9%	10,7%	88,6%	-2,8%
Value added	11	-49,5%	62,3%	-1,0%	-8,4%	3,5%
Staff costs	12	-34,9%	9,7%	12,8%	19,0%	-9,6%
Wages and salaries	13	-32,3%	6,7%	14,3%	20,4%	-12,5%
Social security and health insurance costs	15	-41,6%	27,6%	6,3%	12,2%	-0,8%
Other social costs	16	-44,0%	-78,6%	166,7%	87,5%	0,0%
Taxes and fees	17	-66,4%	152,4%	19,8%	-15,0%	-0,9%
Depreciation and amortization	18	-10,0%	-19,6%	-42,9%	-55,5%	-37,8%
Proceeds on fixed assets and material	19	-83,9%	845,5%	-89,0%	-100,0%	N/A
Proceeds on sale of fixed assets	20	-84,2%	865,0%	-89,0%	-100,0%	0,0%
Proceeds on sale of material	21	-63,6%	50,0%	-100,0%	0,0%	N/A
Net book value of fixed assets and material sold	22	-86,5%	1091,3%	-100,0%	0,0%	0,0%
Net book value of fixed assets sold	23	-86,5%	1091,3%	-100,0%	0,0%	0,0%
Material sold	24	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in provisions and adjust. relating to op. act. and def. exp.	25	-200,0%	N/A	N/A	4000,0%	-102,4%
Other operating income	26	-69,2%	125,0%	-61,1%	557,1%	156,5%
Other operating expenses	27	-31,6%	384,6%	-15,9%	13,2%	96,7%
Transfer of operating income	28	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of operating expenses	29	0,0%	0,0%	0,0%	0,0%	0,0%
P/L from operating activities /= l. 11-12-17-18+19-22-25+26-27+(-28)-(-29)/	30	N/A	N/A	29,2%	-71,1%	285,1%
Revenues from sale of securities or direct investments	31	0,0%	0,0%	0,0%	0,0%	0,0%
Net book value of securities or direct investments sold	32	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from long-term investments	33	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from investments in subsidiaries and associates	34	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from other long-term securities and investments	35	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from other long-term investments	36	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from short-term investments	37	0,0%	0,0%	0,0%	0,0%	0,0%
Costs of investments	38	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from the revaluation of securities and derivatives	39	0,0%	0,0%	0,0%	0,0%	0,0%
Costs of the revaluation of securities and derivatives	40	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in provisions and adjustments relating to fin. activities	41	0,0%	0,0%	0,0%	0,0%	0,0%

Interest income	42	-100,0%	0,0%	0,0%	0,0%	0,0%
Interest expense	43	-57,4%	-100,0%	0,0%	0,0%	0,0%
Other financial revenues	44	-45,8%	-46,2%	571,4%	-91,5%	1375,0%
Other financial expenses	45	-28,5%	-73,9%	-12,2%	27,9%	-30,9%
Transfer of financial income	46	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of financial expenses	47	0,0%	0,0%	0,0%	0,0%	0,0%
P/L from fin. activ. /= l. 31-32+33+37-38+39-40+41+42-43+44-45-(-46)+(-47)/	48	N/A	N/A	N/A	-1375,0%	N/A
Income tax on ordinary activities	49	0,0%	0,0%	N/A	-100,0%	N/A
- Due	50	0,0%	0,0%	N/A	-100,0%	N/A
- Deferred	51	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss from ordinary activities	52	N/A	N/A	44,0%	-86,9%	750,0%
Extraordinary revenues	53	0,0%	0,0%	0,0%	0,0%	0,0%
Extraordinary expenses	54	0,0%	0,0%	0,0%	0,0%	0,0%
Income tax on extraordinary activities	55	0,0%	0,0%	0,0%	0,0%	0,0%
- Due	56	0,0%	0,0%	0,0%	0,0%	0,0%
- Deferred	57	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss from extraordinary activities /= line 53 - 54 -55/	58	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of profit to partners (+/-)	59	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss for the period (+/-) /= line 52 + 58 - 59/	60	N/A	N/A	44,0%	-86,9%	750,0%
Profit/loss before tax (+/-) / = line 30+48+53-54/	61	N/A	N/A	59,7%	-88,2%	888,9%

Supplement 7 - Vertical analysis of the Balance sheet

ASSETS	line no.	2008	2009	2010	2011	2012	2013
TOTAL ASSETS	**001**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
Receivables for subscribed capital	002	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Fixed assets	**003**	**60,3%**	**60,2%**	**18,8%**	**21,3%**	**13,9%**	**10,3%**
Intangible assets	004	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Formation expenses	005	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Research and development	006	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Software	007	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Valuable rights	008	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Goodwill (+/-)	009	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other intangibles	010	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Intangible assets under construction	011	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for intangible assets	012	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Tangible fixed assets	013	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Land	014	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Buildings and structures	015	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Machinery, equipment, vehicles	016	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Orchards and vineyards	017	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Livestock (herd and draught animals)	018	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other tangible fixed assets	019	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Tangible fixed assets under construction	020	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for tangible fixed assets	021	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences to acquired assets (+/-)	022	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Financial assets	023	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in subsidiaries	024	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in associates	025	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other securities and investments	026	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Loans and borrowings - controlling persons and associates	027	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other investments	028	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Investments in the process of acquisition	029	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Advances for investments	030	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
CURRENT ASSETS	**031**	**38,9%**	**39,5%**	**79,3%**	**76,0%**	**83,8%**	**87,8%**
Inventories	032	15,7%	0,0%	0,0%	0,0%	0,0%	0,0%
Raw material	033	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Work-in-progress and semi-finished products	034	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Finished products	035	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Animals	036	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Goods	037	100,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Prepayments on inventories	038	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Long-term receivables	039	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Trade receivables	040	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from controlling entities	041	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from associates	042	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from partners, cooperative member	043	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Dlouhodobé poskytnuté zálohy	044	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued revenues	045	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other receivables	046	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Deferred tax receivable	047	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Short-term receivables	048	39,1%	68,8%	57,7%	57,4%	69,6%	49,9%
Trade receivables	049	93,3%	94,1%	96,8%	91,4%	95,0%	99,6%
Receivables from controlling entities	050	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from associates	051	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Receivables from partners, cooperative member	052	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Social security and health insurance	053	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Government - tax receivables	054	0,2%	0,2%	0,1%	0,1%	0,0%	0,0%
Short-term advances	055	6,4%	5,6%	3,1%	8,6%	5,0%	0,4%
Estimated accrued revenues	056	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other receivables	057	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Current financial assets	058	45,2%	31,2%	42,3%	42,6%	30,4%	50,1%
Cash	059	17,2%	18,1%	26,5%	26,7%	80,8%	33,0%
Bank accounts	060	82,8%	81,9%	73,5%	73,3%	19,2%	67,0%
Short-term securities and investments	061	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Current financial assets in the process of acquisition	062	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Prepayments and accrued income	**063**	**0,9%**	**0,3%**	**1,9%**	**2,7%**	**2,4%**	**1,9%**
Prepaid expenses	064	89,6%	100,0%	100,0%	100,0%	100,0%	100,0%
Complex prepaid expenses	065	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Accrued income	066	10,4%	0,0%	0,0%	0,0%	0,0%	0,0%

LIABILITIES	line no.	2008	2009	2010	2011	2012	2013
TOTAL LIABILITIES AND EQUITY	067	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Equity	**068**	**54,2%**	**59,0%**	**63,1%**	**78,1%**	**76,2%**	**77,8%**
Subscribed capital	069	67,9%	98,0%	89,7%	79,8%	78,6%	70,2%
Subscribed capital	070	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Treasury shares	071	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in subscribed capital	072	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Capital reserves	073	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Share premium	074	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other reserves	075	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences from revaluat. of assets and liab.	076	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Valuation differences from revaluat. of assets and liab. in comp. tr.	077	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Reserves, indivisible reserve and other revenue reserves	078	9,6%	13,9%	1,7%	8,0%	7,9%	7,0%
Legal reserve /Indivisible fund	079	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Statutory and other reserve	080	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Retained earnings	081	49,9%	33,0%	0,0%	1,6%	15,4%	17,2%
Retained earnings of previous years	082	100,0%	100,0%	0,0%	100,0%	100,0%	100,0%
Accumulated losses of previous years	083	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Profit / loss of current accounting period	084	-11,4%	-44,2%	8,6%	11,0%	1,4%	10,7%
Liabilities	**085**	**45,7%**	**40,8%**	**36,8%**	**18,2%**	**21,6%**	**22,0%**
Provisions	086	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Provision according to special legal regulations	087	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Provisions for pensions and similar obligations	088	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Provision for income tax	089	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Others provisions	090	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Long-term liabilities	091	0,0%	87,9%	72,4%	60,6%	3,6%	2,9%
Trade payables	092	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to controlling entity	093	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to associates	094	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to partners, cooperative member	095	0,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Long-term advances received	096	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Bonds issued	097	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Long-term notes payable	098	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued items	099	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Other payables	100	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Deferred tax liabilities	101	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Short-term liabilities	102	72,7%	12,1%	27,6%	39,4%	94,9%	97,1%
Trade payables	103	7,0%	9,9%	27,2%	22,6%	77,6%	74,2%
Payables to controlling entity	104	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to associates	105	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Payables to partners, cooperative member	106	67,2%	5,8%	3,6%	6,5%	2,9%	2,4%
Payables to employees	107	3,8%	19,9%	9,4%	21,3%	7,2%	4,1%
Payables to social security and health insurance	108	1,6%	10,5%	6,4%	10,0%	4,1%	3,6%
Government - tax payables and subsidies	109	20,1%	55,0%	54,7%	40,9%	8,9%	16,3%
Short-term advances received	110	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Bonds issued	111	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Estimated accrued items	112	0,4%	0,0%	0,0%	0,0%	0,0%	0,0%
Other payables	113	-0,1%	-1,2%	-1,4%	-1,3%	-0,7%	-0,6%
Bank loans and borrowings	114	27,3%	0,0%	0,0%	0,0%	1,5%	0,0%
Long-term bank loans	115	100,0%	0,0%	0,0%	0,0%	100,0%	0,0%
Short-term bank loans	116	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Short-term borrowings	117	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Accruals and deferred income	**118**	**0,1%**	**0,1%**	**0,1%**	**3,8%**	**2,2%**	**0,1%**
Accrued expenses	119	100,0%	100,0%	100,0%	100,0%	100,0%	100,0%
Deferred income	120	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Supplement 8 - Vertical analysis of the P&L Statement

PROFIT/LOSS STATEMENT	line no.	2008	2009	2010	2011	2012	2013
Sales of goods	**01**	**30,2%**	**9,6%**	**7,5%**	**9,7%**	**4,9%**	**11,9%**
Costs of goods sold	02	91,5%	114,5%	91,2%	98,6%	95,1%	94,8%
Sale margin	03	8,5%	-14,5%	8,8%	1,4%	4,9%	5,2%
Production	***04***	***69,8%***	***90,4%***	***92,5%***	***90,3%***	***95,1%***	***88,1%***
Product and service revenue	05	69,8%	90,4%	92,5%	90,3%	95,1%	88,1%
Increase/decrease in finished goods and in work in progress	06	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Own work capitalized	07	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Consumption from production	*08*	*45,2%*	*65,4%*	*60,5%*	*61,3%*	*74,7%*	*68,3%*
Consumption of material and energy	09	20,3%	21,1%	21,9%	22,9%	18,7%	16,5%
Services	10	25,0%	44,3%	38,6%	38,4%	56,0%	51,8%
Value added	11	27,2%	23,6%	32,7%	29,1%	20,6%	20,3%
Staff costs	12	14,2%	15,9%	14,9%	15,1%	13,9%	11,9%
Wages and salaries	13	10,4%	12,1%	11,0%	11,3%	10,5%	8,8%
Social security and health insurance costs	15	3,5%	3,5%	3,8%	3,6%	3,2%	3,0%
Other social costs	16	0,3%	0,3%	0,1%	0,1%	0,2%	0,2%
Taxes and fees	17	1,6%	0,9%	1,9%	2,1%	1,4%	1,3%
Depreciation and amortization	18	15,1%	23,3%	16,0%	8,2%	2,8%	1,7%
Proceeds on fixed assets and material	19	13,0%	3,6%	28,9%	2,8%	0,0%	0,0%
Proceeds on sale of fixed assets	20	12,8%	3,5%	28,8%	2,8%	0,0%	0,0%
Proceeds on sale of material	21	0,1%	0,1%	0,1%	0,0%	0,0%	0,0%
Net book value of fixed assets and material sold	22	9,6%	2,2%	22,7%	0,0%	0,0%	0,0%
Net book value of fixed assets sold	23	9,6%	2,2%	22,7%	0,0%	0,0%	0,0%
Material sold	24	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in provisions and adjust. relating to op. act. and def. exp.	25	0,2%	-0,3%	-0,1%	0,0%	0,5%	0,0%
Other operating income	26	0,3%	0,2%	0,3%	0,1%	0,6%	1,4%
Other operating expenses	27	0,5%	0,6%	2,3%	1,7%	1,5%	2,9%
Transfer of operating income	28	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of operating expenses	29	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
P/L from operating activities /= l. 11-12-17-18+19-22-25+26-27+(-28)-(-29)/	30	-0,6%	-15,2%	4,3%	5,0%	1,1%	4,1%
Revenues from sale of securities or direct investments	31	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Net book value of securities or direct investments sold	32	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from long-term investments	33	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from investments in subsidiaries and associates	34	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from other long-term securities and investments	35	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from other long-term investments	36	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from short-term investments	37	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Costs of investments	38	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Revenues from the revaluation of securities and derivatives	39	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Costs of the revaluation of securities and derivatives	40	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Changes in provisions and adjustments relating to financial activitie	41	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%

Interest income	42	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Interest expense	43	0,7%	0,5%	0,0%	0,0%	0,0%	0,0%
Other financial revenues	44	0,3%	0,3%	0,1%	0,8%	0,1%	0,7%
Other financial expenses	45	3,3%	4,0%	0,9%	0,7%	0,7%	0,5%
Transfer of financial income	46	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of financial expenses	47	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
P/L from fin. activ. **/= l. 31-32+33+37-38+39-40+41+42-43+44-45-(-46)+(-47)/**	48	-3,6%	-4,2%	-0,8%	0,1%	-0,6%	0,3%
Income tax on ordinary activities	49	0,0%	0,0%	0,0%	0,5%	0,0%	0,6%
- Due	50	0,0%	0,0%	0,0%	0,5%	0,0%	0,6%
- Deferred	51	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss from ordinary activities	52	-4,2%	-19,4%	3,5%	4,5%	0,5%	3,7%
Extraordinary revenues	53	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Extraordinary expenses	54	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Income tax on extraordinary activities	55	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
- Due	56	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
- Deferred	57	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss from extraordinary activities **/= line 53 - 54 -55/**	58	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Transfer of profit to partners (+/-)	59	0,0%	0,0%	0,0%	0,0%	0,0%	0,0%
Profit/loss for the period (+/-) **/= line 52 + 58 - 59/**	60	-4,2%	-19,4%	3,5%	4,5%	0,5%	3,7%
Profit/loss before tax (+/-) **/ = line 30+48+53-54/**	61	-4,2%	-19,4%	3,5%	5,0%	0,5%	4,3%

Supplement 9 – Blanked example of Eurolicence

Evropské společenství

CZ [1]

Krajský úřad

LICENCE č.
OPIS č.
pro mezinárodní silniční nákladní přepravu pro cizí potřebu

Tato licence opravňuje [2] ______________________________

k výkonu mezinárodní silniční nákladní přepravy pro cizí potřebu jakoukoli trasou pro jízdy nebo jejich části prováděné na území Společenství podle nařízení Evropského parlamentu a Rady (ES) č. 1072/2009 ze dne 21. října 2009 o společných pravidlech pro přístup na trh mezinárodní silniční nákladní dopravy a v souladu s obecnými ustanoveními této licence.

Zvláštní poznámky: ______________________________

Tato licence je platná od ______________ do ______________

Vydáno v ______________, dne ______________

KRAJSKÝ ÚŘAD -18- OLOMOUCKÉHO KRAJE

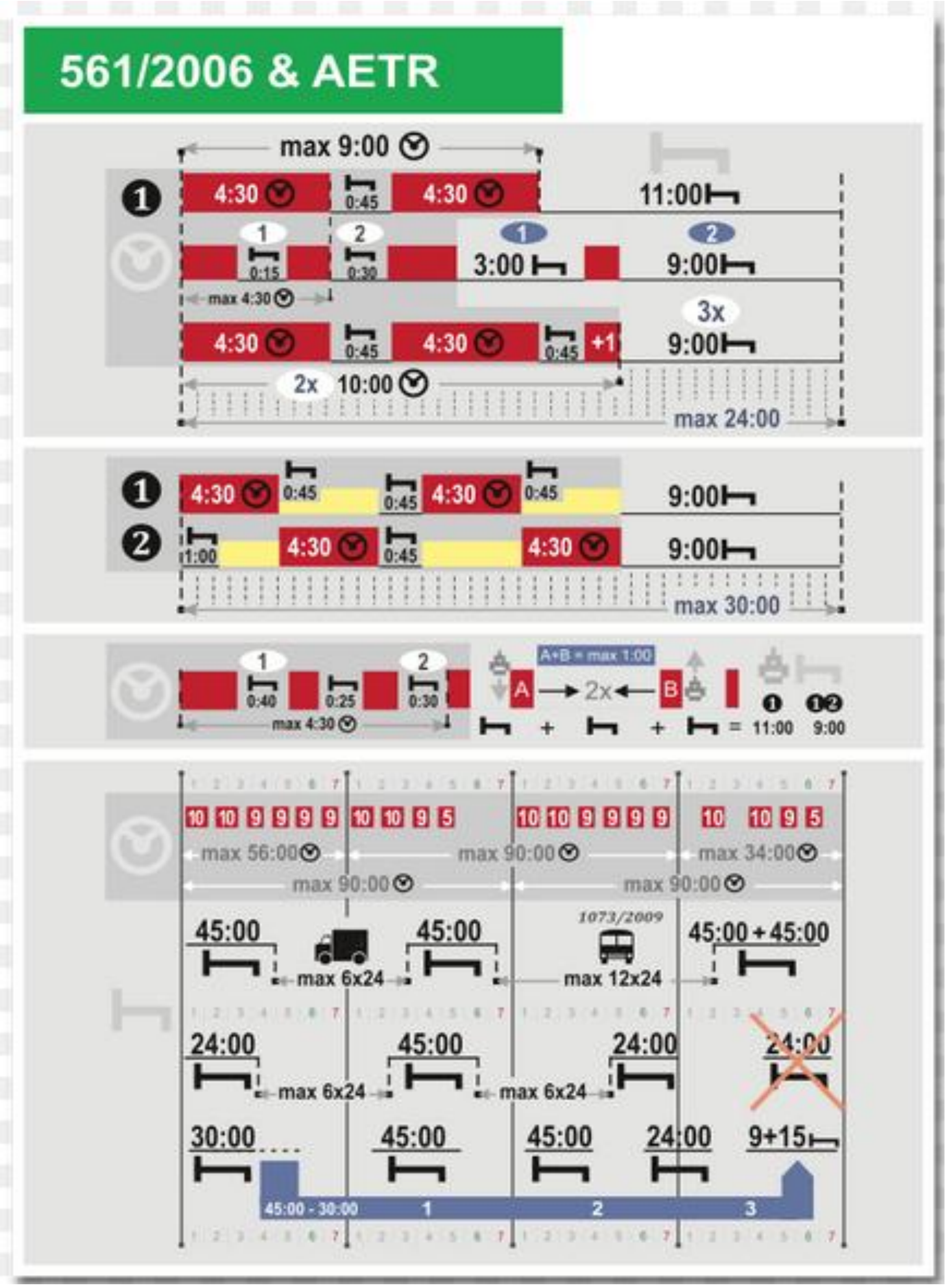
______________ [3]

[1] Rozlišovací značky členských států: (B) Belgie, (BG) Bulharsko, (CZ) Česká republika, (DK) Dánsko, (D) Německo, (EST) Estonsko, (IRL) Irsko, (GR) Řecko, (E) Španělsko, (F) Francie, (I) Itálie, (CY) Kypr, (LV) Lotyšsko, (LT) Litva, (L) Lucembursko, (H) Maďarsko, (MT) Malta, (NL) Nizozemsko, (A) Rakousko, (PL) Polsko, (P) Portugalsko, (RO) Rumunsko, (SLO) Slovinsko, (SK) Slovensko, (FIN) Finsko, (S) Švédsko, (UK) Spojené království.

[2] Jméno, název nebo obchodní firma a úplná adresa podnikatele v silniční nákladní dopravě.

[3] Podpis a razítko příslušného orgánu nebo subjektu vydávajícího licenci.

Supplement 10 – AETR: Time limits for driving commercial vehicles in the EU



Source: http://tachospeed.pl