

**Mendel University in Brno**  
**Faculty of Regional Development and International Studies**

**Analysis of Financial Performance of the Selected  
Enterprise**

Bachelor thesis

Author: Kateřina Mrkosová

Supervisor: Ing. Ivana Blažková, Ph.D.

Brno 2016



## **Declaration**

I declare that I carried out this thesis: Analysis of Financial Performance of the Selected Enterprise independently, and only with the cited sources, literature and other professional sources. I agree that my work will be published in accordance with Section 47b of Act No. 111/1998 Coll. on Higher Education as amended thereafter and in accordance with the Guidelines on Publishing University Student Theses.

I understand that my work relates to the rights and obligations under the Act No. 121/2000 Coll., the Copyright Act, as amended, in particular the fact that Mendel University in Brno has the right to conclude a license agreement on the use of this work as a school work pursuant to Section 60 paragraph 1 of the Copyright Act. Before closing a license agreement on the use of my thesis with another person (subject) I undertake to request for a written statement of the university that the license agreement in question is not in conflict with the legitimate interests of the university, and undertake to pay any contribution, if eligible, to the costs associated with the creation of the thesis, up to their actual amount.

In Brno:

Signature:

### **Acknowledgement**

I would like to thank my supervisor **Ing. Ivana Blažková, Ph.D.**, for the guidance of my Bachelor thesis, her valuable advices and remarks and for sharing of her professional knowledge and experience which helped me to complete the thesis. Also I would like to thank my sister Mgr. Veronika Mrkosová for contributive comments and language correction.

## **Abstract**

The bachelor thesis is focused on the financial situation of the company Vinařství Lahofer a.s. and its localization in the region.

In the theoretical part the literature about financial analysis, its data sources, methods and indicators necessary for the calculations of the company's situation are used. The term region and regional development is also explained.

The practical part contains description about the company and its competition on the market. Goal of the thesis is fulfilled by the calculations of financial analysis in the years 2009 - 2013. The concrete region where the company is located is introduced together with its development factors. Subsequently, the results are summarized and some suggestions and recommendations for the potential improvement of the company are offered.

## **Key words**

Financial analysis, Absolute indicators, Ratio analysis, Pyramidal decomposition, Bankruptcy models, Vinařství Lahofer, South Moravian region.

## **Abstrakt**

Bakalářská práce je zaměřena na finanční situaci Vinařství Lahofer a.s. a jeho umístění v regionu.

V teoretické části je použita literatura o finanční analýze, jejích zdrojích dat, metodách a indikátorech nezbytných pro výpočet firemní situace. Dále jsou vysvětleny pojmy region a regionální rozvoj.

Praktická část obsahuje popis firmy a její konkurence na trhu. Cíl práce je splněn pomocí výpočtů finanční analýzy v letech 2009 – 2013. Je zde představen konkrétní region, kde se společnost nachází, a také jeho rozvojové faktory. Výsledky jsou následně shrnuty a pro společnost jsou navržena doporučení pro její zlepšení.

## **Klíčová slova**

Finanční analýza, Absolutní ukazatele, Poměrová analýza, Pyramidový rozklad, Bankrotní modely, Vinařství Lahofer, Jihomoravský kraj.

# Content

1. Introduction.....	8
2. Objective and methodology .....	9
3. Literature review .....	10
3.1 Explanation of Financial analysis .....	10
3.2 Users of financial analysis .....	11
3.3 Sources of information.....	11
3.4 Basic explanation of financial statements.....	12
3.5 Types of financial analysis .....	13
3.6 Methods .....	13
3.6.1 Absolute indicators .....	13
3.6.2 Ratio analysis .....	14
3.6.3 Pyramidal decomposition .....	18
3.6.4 Models of bankruptcy .....	19
3.7 Region, Regional development.....	20
4. Practical part .....	22
4.1 The analysed company Vinařství Lahofer a.s.....	22
4.1.1 Basic data .....	22
4.1.2 History of the company.....	22
4.1.3 Description of the company .....	23
4.1.4 Competition .....	24
4.2 Financial analysis of the company.....	26
4.2.1 Vertical analysis.....	26
4.2.2 Horizontal analysis .....	27

4.2.3 Profitability ratios .....	29
4.2.4 Activity ratios .....	30
4.2.5 Liquidity ratios.....	31
4.2.6 Debt ratios.....	33
4.2.7 ROA decomposition .....	35
4.2.8 ROE decomposition.....	35
4.2.9 Altman Z-score .....	36
4.2.10 Index IN 95, 99 .....	37
5. South-Moravian region and its development.....	39
6. Overall assessment and recommendations .....	44
7. Conclusion .....	46
8. List of References .....	47
9. Appendix.....	52

# 1. Introduction

Nowadays, modern companies which would like to be developing, to take step with new technology and competition or to be one step before competition need to be productive and efficient. To make profit is one of the main important goals of each company.

To find out which weaknesses should be improved the use of financial analysis is popular. The evaluation of real economic activities of a company serves as the most important tool for company's owners and potential investors. The first mentioned can evaluate last periods and learn from it for future plans and the second mentioned can find out if the company could be a good investment.

The analysis compared year development of individual items horizontally and vertically, calculates if the firm is profitable, how much is active and how high its liquidity and indebtness is. It creates pyramidal decomposition to know which influences return on assets and equity and for overall assessment the analysis uses bankruptcy models.



## **2. Objective and methodology**

The goal of the thesis is to find out and to evaluate financial situation of the selected company on the basis of accounting statements and data provided by the company. According to the gained results, it is necessary to make overview and recommend some possible solutions which would help to the company's financial situation. The company's past and present will be evaluated, on one hand some options to keep strong points will be suggested and on the other hand how potential problems or weaknesses could be improved. Region where the company is located will be analysed – important indicators of development of the region and the company's contribution to the region will be described.

First, the literature which explains the term financial analysis will be used. Second, types of users and sources of data for these users will be defined. Third, the most important information about the data sources and methods which will be used for the calculations will be briefly explained. Finally, it will be shortly described how the term region and regional development is understood in the literature.

In the practical part the analysed company, its basic data and history will be described and its competition will be also mentioned. Then, the most important part consisted of calculations of chosen indicators and its evaluation will continue. This part will finish with the brief analysis of concrete region and description how it influences the company and also how the company helps to develop the region.

The thesis will be finished by an overall assessment of the company's financial situation and by recommendations for the company's future working.

### **3. Literature review**

#### **3.1 Explanation of Financial analysis**

Today the economic environment is still changing and it also influences firms which are an inseparable part of this environment. (Růčková, 2015) Companies need to gain new skills and develop the old ones to be successful. It is necessary to add new achievements and learn from their own and competitor's mistakes. Learning never stops if the company wants to be good and especially useful. For the management of the company the financial analysis serves as a base for decision-making about overall economic activities and financial situation of the company. (Sedláček, 2011)

Financial analysis represents systematic analysis of achieved data mainly from accounting statements. (Růčková, 2015) The gained data are collected, aggregated, compared and connections are found between them. (Sedláček, 2011) It evaluates company's past, present and predict future. (Růčková, 2015) It uncovers the influence of economic and noneconomic factors and estimates its future development. It identifies problems, strengths and weaknesses. (Sedláček, 2011)

A person who creates the analysis prepares materials which serve mainly as a quality decision making about company's running, but also for example in the case of evaluation and choice of potential partners in business area. (Růčková, 2015)

The analysis can be divided according to the time into two levels, first, the look to the past and evaluation of how the firm has changed till the present and second, the basis for short-term planning of common firm's operation or long-term strategy planning of firm's development. The analysis identifies weak points in firm's financial health which can lead to the difficulties in the future and strong points of possible future devaluation of firm's property. (Růčková, 2015)

For the management, owners, creditors and other external users more complicated type of financial analysis on the level of the company is important. They are interested in profitability, ability to pay invoices in time, quality and timekeeping of delivery, wages. (Růčková, 2015)

First, it is necessary to set a goal which should be reached by the analysis. Then appropriate methods with the appropriate time and costs are chosen. There are used only selected financial indicators which are observed in long time horizon and have better information ability. (Růčková, 2015)

### 3.2 Users of financial analysis

Among the users belong investors-owners, shareholders, managers, trading partners (customers and suppliers), banks and creditors, the competition, employees, accountants and tax adviser, stockbroker, government. (Hrdý, Horová, 2009) All of them use financial analysis to meet their specific information requirements. (Koen, Oberholster, 1999) They can be divided into internal and external.

**Internal users** are usually employed by company and are responsible for management, they prepare and present financial statements of the enterprise. The management has free access to all required financial and statistical data which leads to detailed analysis of the performance. (Koen, Oberholster, 1999)

**External users** have real or potential financial interest in the enterprise. This type of users usually stands outside of the company which causes that they have only limited access to the published information. The results of external analysis can be more superficial than the results of internal analysis. (Koen, Oberholster, 1999)

### 3.3 Sources of information

The sources have different availability but can be generally divided on the internal and external. (Růčková, 2015)

**The internal sources** consist of two groups – financial reports and voluntary reports. The first mentioned group has to be published according to the legal requirements (Sinha, 2012) and contains accounting statements of the company as a balance sheet, profit and loss statement, cash flow statement, overview about changes of capital and final accounts or annual report. (Knápková, Pavelková, Šteker, 2013) Letters to shareholders, management forecast or management's report create the voluntary reports, the second group of internal sources. (Sinha, 2012)

Some basic information can be also gained from **external sources** - from the company's statistics of production, analysts' report, official economic statistics, stock exchange news, professional journals, independent evaluations and prognosis. (Knápková, Pavelková, Šteker 2013) According to the Drake and Fabozzi (2012), a company's basic information presents for example type of business, product or services, strategic objectives, financial condition and operating performance, major competitors, position in the industry, trends of industry, regulatory issues, corporate governance, economic environment and others.

### 3.4 Basic explanation of financial statements

The **balance sheet** ranks among the four major financial statements. It has two sections that must be equal to each other. The first section called ASSETS represents all the resources available to the company to conduct business including cash and cash equivalents, inventory, land and buildings equipment. LIABILITIES and EQUITY creates the second section. They represent how every asset was bought or acquired. Liabilities consist of loans and financial obligations whereas shareholder's equity includes profits made from sales together with all resources free from loans or any obligations, everything that business owns. (Kline, 2007)

The **income statement's** primary focus is profitability of company's operations over a specific period of time. It reports detailed description of revenues and expenses incurred during a year. (Singhvi, Bodhanwala, 2012) The difference between revenues and expenses creates gross profit – the profit before taxation. Activities related to revenues and expenses – operational activities (material, services, and depreciation), financial activities (how the activities are financed) and extraordinary activities (unplanned and irregular) are important there. (Jindřichovská, Blaha, 2001)

The **cash flow statement** has purpose to inform financial statement users about the sources and use of cash in operating, investing and financing activities. (Wahlen, Baginski, Bradshaw, 2014) It observes how many cash came to the company and left the company. (Jindřichovská, Blaha, 2001)

## 3.5 Types of financial analysis

The analysis could be divided into Technical - quantitative and Fundamental – qualitative.

**Technical analysis** uses mathematical, statistical and other similar methods for quantitative processing of economic data with consecutive evaluation of results. (Jindřichovská, Blaha, 2001) It contains 4 stages – characteristics of environment and sources of data, choice of method and basic data processing, advanced data processing and suggestions for achievement of target state. (Sedláček, 2011)

**Fundamental analysis** is based on extensive economic and microeconomic knowledge, specialist's experiences and its subjective estimations. The basis of qualitative analysis is usually an identification of surroundings where the company is situated. It is mainly influenced by internal and external economic environment of a firm, current stage of firm's life and character of company's goals. It includes for example SWOT analysis, method of success rate's critical factors, Argenti's model, BCG matrix or balanced scorecard method. (Jindřichovská, Blaha, 2001)

## 3.6 Methods

### 3.6.1 Absolute indicators

The analysis of absolute indicators includes horizontal and vertical analysis.

**Vertical analysis** is the percentage analysis of the relationships of each component in financial statement to a total within the statement. Each asset item is stated as a percent of the total asset and each liability and stockholder's equity item is stated as a percent of total liabilities and stockholder's equity. (Warren, Reeve, Duchac, 2015)

*Percentage of basement = (Amount of individual item / amount of base) \* 100*

(Živělová, 2013)

**Horizontal analysis** or Time series analysis finds out how the various factors were changed every year. The upward or downward movement over years is compared with

the previous year which is considered as a base year. (Sinha, 2012) It is used to compare dollar change and percent change. (Godwin, Alderman, 2010)

$$\text{Absolute change} = \text{Indicator}_t - \text{Indicator}_{t-1}$$

$$\text{Relative change} = (\text{Absolute change} * 100) / \text{Indicator}_{t-1}$$

(Knápková, Pavelková, Šteker, 2013)

### 3.6.2 Ratio analysis

The ratios are used to generate an overall picture of the company's financial health and to monitor the firm's performance from period to period. (Megginson, Lucey, Smart, 2008)

In the ratio analysis Time series comparison can be used in which ratios over several years are compared or Cross sectional comparison where there are compared ratios of two firms in the industry. (Palepu, 2007)

#### 3.6.2.1 Profitability ratios

The profitability ratios measure how much the management has been successful, its ability to reach a good return by using of invested capital. (Koen, Oberholster, 1999) These ratios evaluate overall efficiency of a given activity (Růčková, 2015) and it serves as an assurance that the business is healthy and will continue to be successful. (Megginson, Lucey, Smart, 2008) The profitability indicators are interesting mainly for owners and lenders but it has its own importance also for management and other groups. (Koen, Oberholster, 1999)

**Return on equity (ROE)** expresses a rate of return of capital invested by stockholders or owners. [Moyer, McGuigan, Rao, 2007] By using this ratio the investors can consider if its capital brings enough profit appropriate to investment's risk. (Hrdý, Horová, 2009)

$$\text{Return on equity} = \text{Net Income} / \text{Stockholder's equity}$$

(Moyer, McGuigan, Rao, 2007)

**Return on assets (ROA)**, sometimes called return on investment (ROI), is used as a measure of a firm's overall financial performance regardless of from which sources the activities were financed. (Keown, Scott, Martin, Petty, 1994) An efficiency of a company, its profitable ability or production power is expressed. (Růčková, 2015)

*Return on assets before taxation = EBIT / Total assets*

*Return on assets after taxation = EBIAT / Total assets*

(Moyer, McGuigan, Rao, 2007)

**Profit margin** shows company's ability to reach profit in case of given level of sales and how profitable firm's sales are when we deduct all expenses including taxes and interest.

*Profit margin = Net income / Sales*

(Moyer, McGuigan, Rao, 2007)

### 3.6.2.2 Activity ratios

They measure efficiency of business activity, how fast a chosen item of balance sheet (inventory, receivables, fixed assets or current liabilities, accounts payable) can be converted into sales or cash. (Megginson, Lucey, Smart, 2008)

**Inventory turnover ratio** shows how many times the inventory is sold and stored again during the common period.

*Inventory turnover = Sales / Inventory*

(Vochozka, 2011)

**Average collection period** measures amount of time that pass from a sale on credit until the payment becomes a usable funds for a firm, it shows average number of days when it remains outstanding. [Megginson, Lucey, Smart, 2008]

*Average collection period = Accounts Receivables / Daily credit sales*

(Keown, Scott, Martin, Petty, 1994)

**Average debt period** expresses how fast the firm's liabilities are paid.

*Average debt period = Total liabilities / Daily sales*

(Růčková, 2015)

**Total assets turnover** is presented by Moyer, McGuigan and Rao (2007) as an indicator of firm's efficiency of using its total resources to generate sales.

*Turnover of total assets = Sales / Total assets*

(Moyer, McGuigan, Rao, 2007)

**Fixed asset turnover** assesses the extent to which a firm uses fixed assets to generate sales. (Megginson, Lucey, Smart, 2008)

*Turnover of fixed assets = Sales / Fixed assets*

(Megginson, Lucey, Smart, 2008)

### **3.6.2.3 Liquidity ratios**

Liquidity presents an ability to convert noncash assets into cash quickly and without great loss to meet obligations in time. (Shim, Siegel, 2007) The lack of liquidity leads to inability of using profitable opportunities or impossibility to pay common liabilities which can result in insolvency and bankruptcy. (Růčková, 2015)

**Current ratio** is considered according to the Megginson, Lucey and Smart (2008) as one of the most common financial ratios. It measures the firm's ability to meet its short term obligations, how much units of current assets cover one unit of current liabilities. How high this ratio should be is individual, depending on the type of business under consideration, on the costs and benefits of having too much versus too little liquidity.

*Current ratio = Current assets / Current liabilities*

(Sinha, 2012)

**Quick ratio** or acid test measures the ability to settle up its liabilities without selling its inventories. For the ratio is valid, when numerator equals denominator, ratio from 1:1 to 1,5:1. (Růčková, 2015) Unlike the current ratio it excludes an inventory which causes small difference between these two ratios. (Megginson, Lucey, Smart, 2008)



*Quick ratio = (Current assets – inventories) / Current liabilities*

(Megginson, Lucey, Smart, 2008)

Megginson, Lucey and Smart (2008) proved that when a firm's inventory cannot be easily converted into cash the quick ratio provides a better measurement of overall liquidity. However, when an inventory is liquid the current ratio is preferred.

**Cash ratio** presents the most restrictive definition of liquidity including the most liquid items from balance sheet. Recommended value differs in literature where the lower limit used to be expanded. (Růčková, 2015)

*Cash ratio = Short term financial assets / current liabilities*

(Růčková, 2015)

**Net working capital** serves as a liquid reserve available to meet any uncertainties. (Shim, Siegel, 2007) It could be also freely usable for the company in case of realization of its own purposes. (Růčková, 2015) When the company is not able to borrow short term loan a high net working capital is required. (Shim, Siegel, 2007)

*NWC = Current assets – Current liabilities*

(Shim, Siegel, 2007)

#### **3.6.2.4 Debt ratios**

Indebtedness of a company expresses which part of assets is financed by company's liabilities. (Jindřichovská, Blaha, 2001) It states a relationship between owned and loaned sources of company's funding. (Sedláček, 2011) Condition of financial stability is equilibrium between financial and property's structure of a company. (Hrdý, Horová 2009)

**Total debt ratio** measures percentage of assets provided by creditors. (Godwin, Alderman, 2010) The higher the result is the higher indebtedness of the whole company's assets and risk for creditors occurs. (Živělová, 2013)

*Total debt ratio = (Total liabilities / Total assets) \* 100*

(Moyer, McGuigan, Rao, 2007)

**Current debt ratio** presents portion of short term liabilities from the total liabilities.

$$\text{Current debt ratio} = (\text{Short-term liabilities} / \text{Total assets}) * 100$$

(Živělová, 2013)

**Long-term debt ratio** presents portion of long term liabilities from the total liabilities.

$$\text{Long-term debt ratio} = (\text{Long-term liabilities} / \text{Total assets}) * 100$$

(Živělová, 2013)

**Equity multiplier** can be called degree of self-financing and presents company's assets which are financed by the owner's money.

$$\text{Equity multiplier} = (\text{Equity} / \text{total assets}) * 100$$

(Živělová, 2013)

**Debt equity ratio** measures company's capital structure and financial leverage.

$$\text{Debt equity ratio} = \text{Total liabilities} / \text{equity}$$

(Godwin, Alderman, 2010)

**Times interest earned** or interest coverage expresses how many times the profit is higher than interest paid. A firm uses this ratio to find out if portion of debts is still acceptable for future working and for shareholders, it is important information if the firm is able to repay its interests. (Hrdý, Horová, 2009)

$$\text{Times interest earned} = \text{EBIT} / \text{interest expense}$$

(Keown, Scott, Martin, Petty, 1994)

### 3.6.3 Pyramidal decomposition

The system of ratio indicators has a goal which covers expression of overall characteristic of overall financial and economic situation and productivity of company by one summary indicator.

The core of these indicators is decomposition of top indicator to partial ones.

$ROE = ROA * \text{Financial leverage} = \text{Net profit/sales} * \text{Sales/Total assets}$

$ROA = \text{Net profit/sales} * \text{Sales/Total assets}$

(Hrdý, Horová, 2009)

### 3.6.4 Models of bankruptcy

Bankruptcy models find out if a company will bankrupt until some period. It is working according to the fact that each endangered company shows typical bankruptcy symptoms in a specific time before (higher liquidity, higher net working capital and profitability problems). Altman Z-score and Indexes IN measure this probability. (Hrdý, Horová, 2009)

**Altman Z-score** was created by Altman who used discriminatory method for predictions of company's future problems. Values of individual ratio indicators came out from statistics of USA companies. (Hrdý, Horová, 2009)

For the joint stock companies it is valid:

$$Z = 1,2 x_1 + 1,4 x_2 + 3,3 x_3 + 0,6 x_4 + 1,0 x_5$$

$$x_1 = \text{NWC} / \text{Total assets}$$

$$x_2 = \text{Retained earnings} / \text{Total assets}$$

$$x_3 = \text{EBIT} / \text{Total assets}$$

$$x_4 = \text{Shareholder's equity} / \text{Total liabilities}$$

$$x_5 = \text{Sales} / \text{Total assets}$$

If the result of Z-score is higher than 2,99 – that means low probability of bankruptcy, if it is lower or equal to 1,81 – there is high probability of bankruptcy, scores between these two are in grey area. (Kalouda, 2008)

**Indexes IN 95 and 97** were created by Ivan and Inka Neumaier. They made the indexes with the consideration of Czech Republic specifics similar to Z-score. There are more variants named on the basis of its origin's year or a year of its publication. (Kalouda, 2008)

$$IN\ 95 = (0,022 * x_1) + (0,11 * x_2) + (8,33 * x_3) + (0,52 * x_4) + (0,1 * x_5) + (-16,8 * x_6)$$

$$IN\ 99 = - 0,017 x_1 + 4,573 x_3 + 0,481 x_4 + 0,015 x_5$$

$x_1$  = Total assets / Total liabilities

$x_2$  = EBIT / Interest expense

$x_3$  = EBIT / Total assets

$x_4$  = Total revenues / Total assets

$x_5$  = Current assets / Short term liabilities

$x_6$  = Liabilities overdue / Total revenues

(Vochozka, 2011)

If the results of Index In 95 are higher than 2,0 the company is in a good situation. Results between 1,0 – 2,0 are neutral and numbers smaller than 1,0 presents danger of serious financial problems. (Kalouda, 2008)

When the results of Index IN 99 are higher than 2,07 the company is in excellent situation, between 1,42 – 2,07 the company is successful and between 1,089 – 1,42 is an average. (Knápková, Pavelková, Šteker, 2013)

### 3.7 Region, Regional development

According to the Pike, Rodriguez-Pose and Tomaney (2006) the local and regional development is an increasingly global issue. Enhancing prosperity, improving well-being and increasing living standards became acute for each region.

Krejčí (2012) defined region in more possible ways:

- 1) Result of regionalization
- 2) Area where concrete regional is realized
- 3) Voluntary cooperation of municipalities
- 4) Created by relationships of spatial interactions
- 5) Complex of landscape differentiation

Klapka and Tonev (2008) see the region as a limited complicated dynamic and spatial system which is based on natural and social-economic interaction and which shows specific type of organization unit different from other regions.

Folmer and Oosterhaven (2013) defined regional development as the changes that take place in the states of the regional system as time progresses.

Krejčí (2012) defined regional development as a science discipline which explores spatial, political, social, economic and other aspects of development of concrete regions. They have different character, position, size and importance.

## 4. Practical part

### 4.1 The analysed company Vinařství Lahofer a.s.

#### 4.1.1 Basic data

Name of the company: Vinařství LAHOFER, a.s.

Registration: 5<sup>th</sup> of January 1998

Legal form: joint stock company

Identification number: 255 13 940

Address: Brněnská 523, 671 82 Dobšice

Web page: [www.lahofer.cz](http://www.lahofer.cz)

(justice.cz)

Picture 1: logo



Source: lahofer.cz

Lahofer is a brand that covers one of the most popular wine production in the small village near Znojmo, South Moravia. An exact place of the production is Dobšice.

The name LAHOFER isn't included only in Vinařství LAHOFER but also in linked firms Hotel LAHOFER and Vinice LAHOFER. All these companies together employ more than one hundred people in total and for the customers are known as a label which ensures stable quality, original design and high-level service. (lahofer.cz)

#### 4.1.2 History of the company

The company was founded in 2003 in Znojmo under the name První znojemská vinařská a.s. As a first step it introduced first three years of attributive wines in the market. (2003, 2004 and 2005) (lahofer.cz)

After the completion of new production area in the small village Dobšice near Znojmo in 2006, the company changed not only its basement but also its name to Vinařství Lahofer a.s. The name and label was chosen and inspired by the art woodcarver Jan Lahofer from Dobšice. (lahofer.cz)

After the reconstruction of Jewish house in historical centre of Znojmo, hotel Lahofer was opened on the Veselá street. The reconstruction started in 2008 and in the 2009 the hotel was already working. (lahofer.cz)

After the founding of the company Vinice Lahofer in 2011 and also purchasing new vineyards, Lahofer became one of the biggest winegrowers in the Czech Republic. (lahofer.cz)

Today the Vinařství Lahofer uses the newest technologies and procedures and produces wines mainly from its own grapes from its own vineyards except for grapes which it sells to other winemakers from surroundings. (lahofer.cz)

### 4.1.3 Description of the company

The production of the winery is about half million bottles of wine per year. The winery makes the main varieties of wine growing in the middle Europe however, we can find also less known varieties like Kerner or Dornfelder. (lahofer.cz)

Picture 2: corks



Source: lahofer.cz

Picture 3: wine bottles



Source: lahofer.cz

The winery devotes appropriate care to the production and the same requires from dealers and sellers who offer wines to the customers. Therefore, this wines with brand Lahofer cannot be purchased in supermarkets but in wine shops, hotels, restaurants, specialized shops and on the internet. (lahofer.cz)

Besides, people can buy also Laho-must, Laho-jam, Laho-champagne which the company offers. (lahofer.cz)

The Vinařství Lahofer is one of the members of VOC Znojmo which is an association composed of wineries growing and producing special varieties (Sauvignon, Veltlínské zelené and Ryzlink rýnský) under the special conditions. Each bottle filled by this controlled grapes has the VOC label. (vocznojmo.cz)

Picture 4: VOC label 1



Source: lahofer.cz

Picture 5: VOC label 2



Source: lahofer.cz

The most typical activity which can be experienced in winery is degustation. Lahofer offers various possibilities as a degustation in a small castle Lampelberg, in Rajská vinice, in wine cell Chvalovice or directly in the hotel Lahofer where you can also taste Czech cuisine or stay overnight. (lahofer.cz)

Among new experiences which you can try with this company the project “Mějte svoji hlavu” belongs. This project lies in adoption of a “head” of wine bush which will be one year under the adopter’s care. The person will have a possibility to experience what the work of wine grower is and finally the Lahofer’s wine makers will produce a special variety of wine from the adopted grapes. (mejtesvojihlavu.cz)

Picture 6: label



Source: mejtesvojihlavu.cz

Vinařství Lahofer is popular not only among customers but also among specialists who award this winery by many prizes even in abroad. (lahofer.cz)

#### 4.1.4 Competition

The South Moravian landscape and its unique natural conditions create a basis for special and diverse character of local wines. The Vinařství Lahofer falls into the Znojmo sub-region – the smallest one among the all four wine sub-regions. (wineofczechrepublic.cz)

The two main and biggest competitors which are located near the residence of Lahofer are Znovín Znojmo, a.s. and Vinné sklepy Lechovice, s.r.o. These two wineries



have long-time tradition and position on the market and they are really famous and popular in Czech Republic and also abroad.

**Vinné sklepy Lechovice** is the biggest producer of bottled wines in Znojmo wine-growing sub-region which are filled by the grapes from its own vineyards. The company has been working since the year 1993 in Lechovice (14 km from Znojmo) and besides the making of wine they offer gastronomy in restaurant Lechovice but without the possibility of its own overnight sleeping. They also have many wine awards from various competitions. (vslechovice.cz)

**Znovín Znojmo** was founded in the year 1992 and up to now it belongs to the permanent Moravian wineries. The exact place of production is Šatov (11 km from Znojmo). [znovin.cz] The company owns one of the best vineyards of the Czech Republic in the National Park Podyjí. Together with Vinařství Lahofer and Vinné sklepy Lechovice the Znovín is also one of the members of VOC Znojmo and acquires awards from many competitions. (vocznojmo.cz)

Since the South Moravian region is typical for wine growing, there are countless competitors competing in high-quality product. Specifically in Znojmo wine-growing sub-region we can find for example Adámkovo vinařství, s.r.o., Vinařství Kořínek, VINICE – HNANICE, s.r.o., VINO HORT, s.r.o., mentioned Znovín Znojmo, a.s. and Vinné sklepy Lechovice, s.r.o. and many others. (wineofczechrepublic.cz)

## 4.2 Financial analysis of the company

### 4.2.1 Vertical analysis

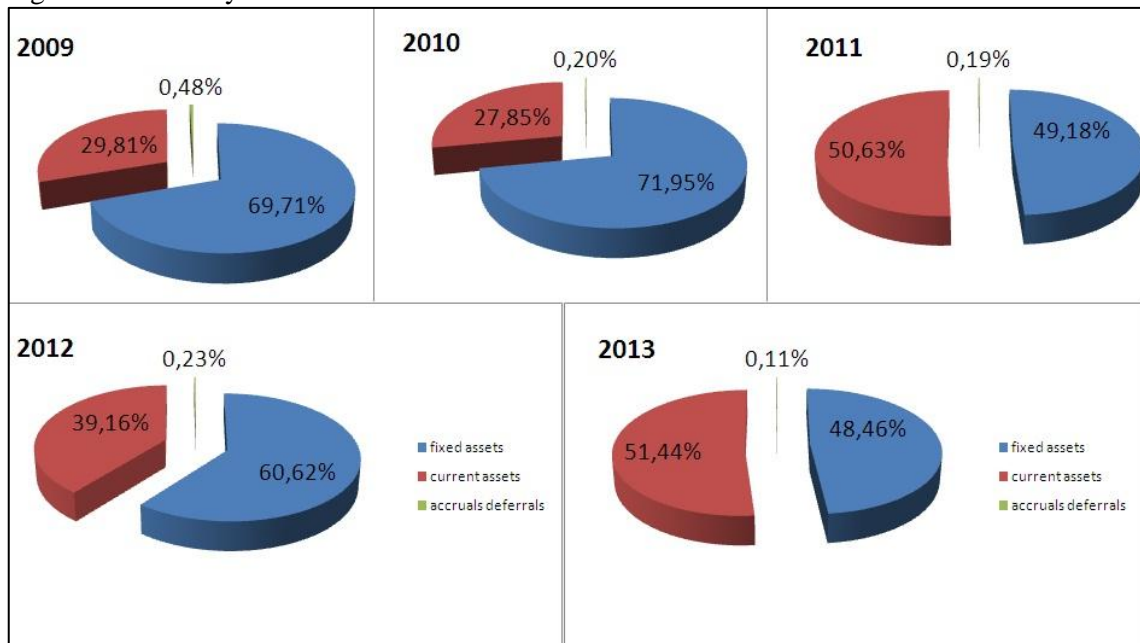
For the producing companies it is typical to have the property structure with the dominated fixed assets which is expressed in the table 3 and figure 1. The current assets are created mainly by inventories and semi-finished products. The accruals and deferrals create only less than 1% of the total assets.

Tab.1 Vertical analysis of assets

Share in %	2009	2010	2011	2012	2013
Total assets	100,00%	100,00%	100,00%	100,00%	100,00%
Fixed assets	69,71%	71,95%	49,18%	60,62%	48,46%
Current assets	29,81%	27,85%	50,63%	39,16%	51,44%
Accruals, deferrals	0,48%	0,20%	0,19%	0,23%	0,11%

Source: own calculations

Fig.1 Vertical analysis of assets



Source: own calculations

Vertical analysis of capital shows the structure of capital which is created more than 50% from short term liabilities, as is seen in table 4 and figure 2. There is an exception in 2013, bank loan and overdrafts increase from 0% to 48% which is connected with

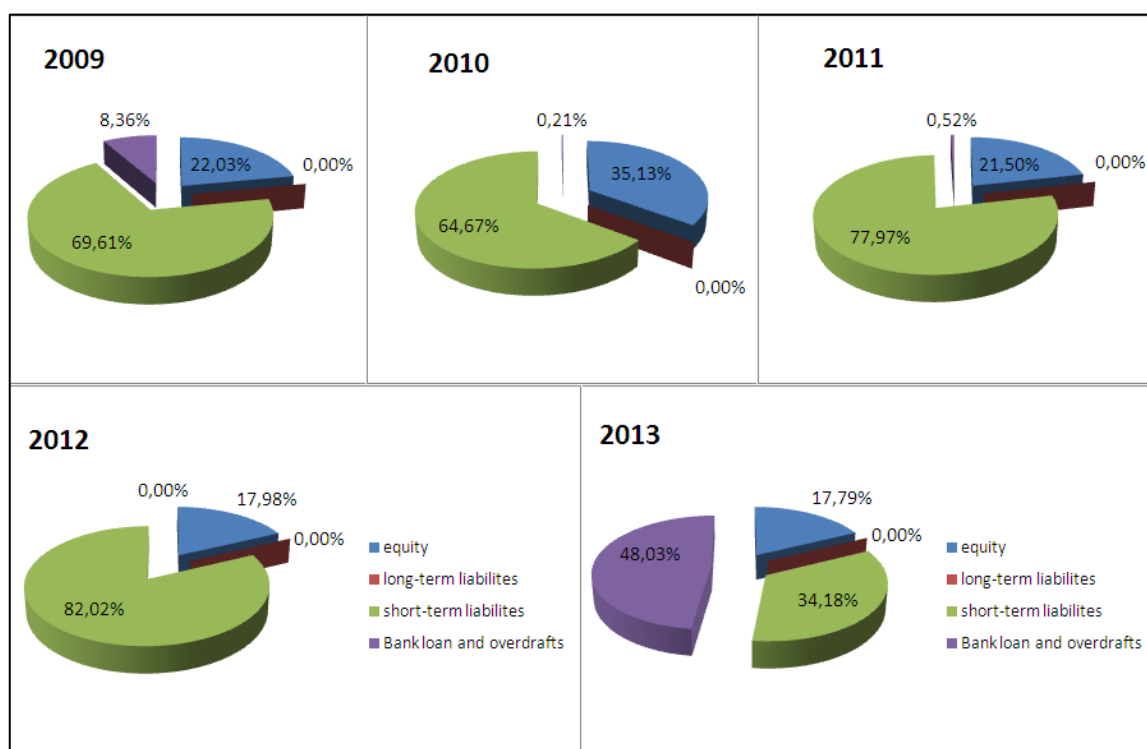
decreasing of short-term liabilities from 80% to 34%. The equity covers only about 20% from the overall capital and it is slowly decreasing in the last years. The long-term liabilities are not used in examined years.

Tab.2 Vertical analysis of capital

Share in %	2009	2010	2011	2012	2013
Capital	100,00%	100,00%	100,00%	100,00%	100,00%
Equity	22,03%	35,13%	21,50%	17,98%	17,79%
Long-term liabilities	0,00%	0,00%	0,00%	0,00%	0,00%
Short-term liabilities	69,61%	64,67%	77,97%	82,02%	34,18%
Bank loan and overdrafts	8,36%	0,21%	0,52%	0,00%	48,03%

Source: own calculations

Fig.2 Vertical analysis of capital



Source: own calculations

#### 4.2.2 Horizontal analysis

After the negative change of total assets between year 2009 and 2010 positive changes are visible till the year 2012, then there is a decrease in 2013. (Seen in Table 1) Fixed assets have the same development although the changes are even higher and they

are caused mainly by differences between equipment and cultivated areas. The rapid changes occur in the year 2010 and 2011 in all items, mainly in the case of current assets (changes in inventory and semi-finished products).

Tab.3 Horizontal analysis of assets

<b>Absolute change in CZK</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Total assets	-1 539 000	3 734 9000	8 490 000	-2 563 000
Fixed assets	-47 000	7 948 000	14 651 000	-12 383 000
Current assets	-1 356 000	29 338 000	-6 214 000	9 934 000
Accruals, deferrals	-136 000	63 000	53 000	-114 000
<b>Percentage change in %</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Total assets	-3,25%	81,60%	10,21%	-2,80%
Fixed assets	-0,14%	24,14%	35,84%	-22,30%
Current assets	-9,62%	230,17%	-14,77%	27,69%
Accruals, deferrals	-59,65%	68,48%	34,19%	-54,81%

Source: own calculations

The changes of total capital that are shown in Table 2 are equal to changes of total assets in all examined years according the rule. Changes of the own capital are not so high meanwhile the changes of short term liabilities become significant. The change of bank loan and overdrafts is high in the last examined period because in the year 2012 Lahofer doesn't have bank loan which causes increase from 0 to almost 43 000 000 CZK.

Tab.4 Horizontal analysis of capital

<b>Absolute change in CZK</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Capital	-1 539 000	37 349 000	8 490 000	-2 563 000
Equity	5 655 000	1 795 000	-1 404 000	-629 000
Long-term liabilities	0	0	0	0
Short-term liabilities	-3 334 000	35 214 000	10 329 000	- 44 706 000
Bank loan and overdrafts	-3 860 000	340 000	-435 000	42 772 000
<b>Percentage change in %</b>	<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
Capital	-3,25%	81,60%	10,21%	-2,80%
Equity	54,26%	11,17%	-7,86%	-3,82%
Long-term liabilities	0,00%	0,00%	0,00%	0,00%
Short-term liabilities	-10,12%	118,98%	15,94%	-59,50%
Bank loan and overdrafts	-97,60%	357,89%	-100,00%	0,00%

Source: own calculations

### 4.2.3 Profitability ratios

The majority of profitability indicators is in the years 2009, 2012 and 2013 in negative values. (See table 5 and figure 3) It is caused by the negative profit for accounting period in these years. Years 2010 and 2011 show gradual improvement which was achieved by increase in profit and also maybe by no raw material in these years. In 2012 the results decrease again due to negative profit however last year is a little bit better which could continue for future. The Profit margin ratio shows how many profit the company gained from one crown of sales which is in 2009 the worse.

Tab.5 Profitability ratios

Indicators in %	2009	2010	2011	2012	2013
ROA before tax	-12,13%	1,43%	2,16%	-1,53%	-0,71%
ROA after tax	-11,70%	1,64%	2,20%	-0,49%	0,60%
ROE	-55,08%	4,08%	10,04%	-8,53%	-3,98%
Profit margin	-22,45%	2,37%	3,51%	-2,81%	-1,19%

Source: own calculations

Fig.3 Profitability ratios



Source: own calculations

#### 4.2.4 Activity ratios

Results of Total assets turnover in years 2009 – 2013 are lower than 1,5 which means that company has too high amount of assets. The company should sell them or increase sales which can be seen in table 6 and figure 4. The fixed assets turnover also signalizes low values which show low usage of these assets. It would be necessary to increase own production capacity or sell the assets. Better values occur in 2011 and again in 2013, after small decrease in 2012. In the case of Inventory turnover the values are also low. It presents that Lahofer sells its inventory and stores it again only few times per year. In the year 2010 the value increases however next years there is a decrease again.

Tab.6 Activity ratios

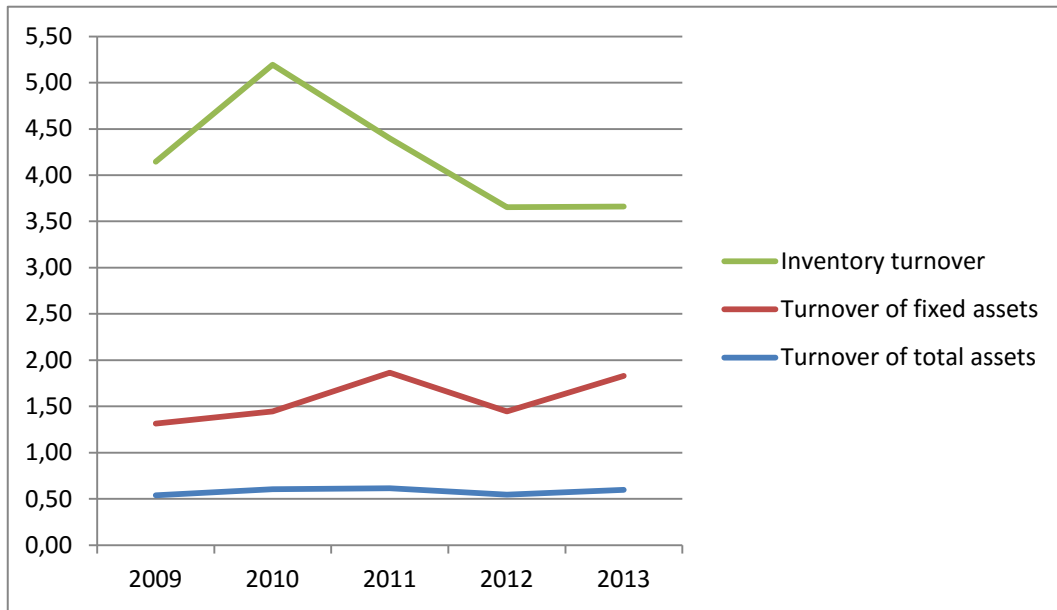
<b>Indicators</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Total assets turnover	0,54	0,60	0,61	0,55	0,60
Fixed assets Turnover	0,78	0,84	1,25	0,90	1,23
Inventory turnover	2,8	3,7	2,5	2,2	1,8
Average collection period (days)	45,4	48,5	128,3	82,9	110,1
Average debt period (days)	519,4	386,2	459,6	541,2	495,8

Source: own calculations

It is not possible to find out if the Lahofer's invoices issued are paid in time because of no access to them. We can see rapid increase from 49 days to 128 days in years 2010 – 2011, then small decrease and increase again. If we consider that the standard time period is one month, the values are acceptable in the first two years.

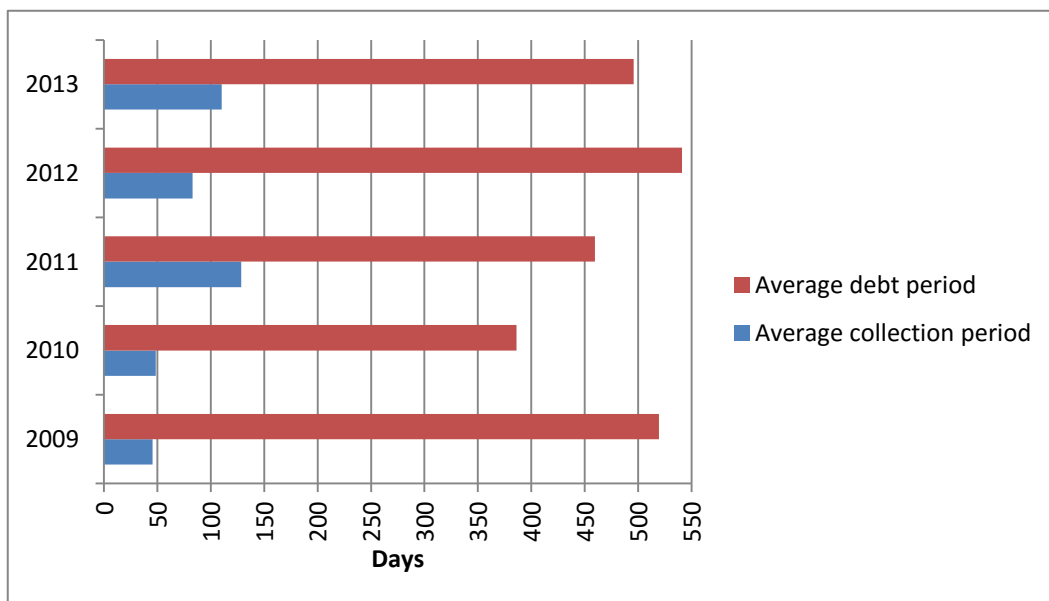
Values of average debt period in 2009 – 2013 are higher than values of average collection period which means that Lahofer gets money from customers faster than it pays to its suppliers. (see table 6 and figure 5)

Fig.4 Activity ratios a)



Source: own calculations

Fig.5 Activity ratios b)



Source: own calculations

### 4.2.5 Liquidity ratios

According to the Current ratio or Liquidity of 3<sup>rd</sup> level in 2009 - 2012 it could be said that even if Lahofer sold its all assets it would not be able to cover all liabilities which

the company has which can be seen in table 7 and figure 6. However, in 2013 gained value shows increase into recommended boundaries (higher than 1) and big improvement compared to previous years.

Liquidity of 2<sup>nd</sup> level presents ability to pay common liabilities as liabilities to employees. Results in all analysed years are very low and to the recommended value (1-1,5) only the last year's result is close again.

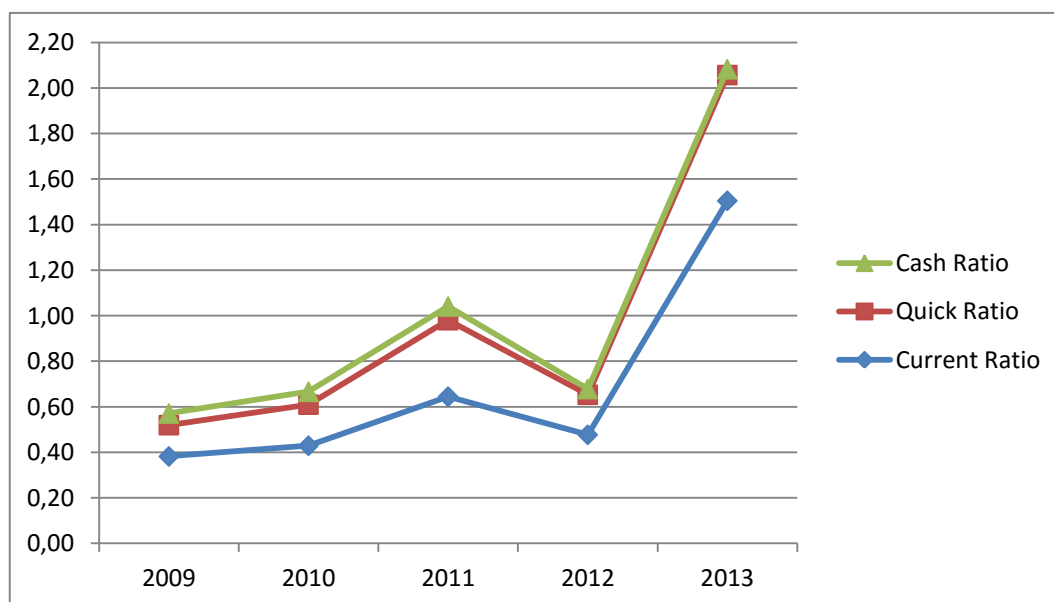
Gained numbers of the 1<sup>st</sup> level liquidity are critically low and it is clear that the company has not enough money necessary for meeting of current financial obligations neither in cash box, on bank account nor in short term securities. That probably increases also the average debt period of the company.

Tab.7 Liquidity ratios

Indicators	2009	2010	2011	2012	2013
<b>Current ratio</b>	0,3823	0,4293	0,6450	0,4774	1,5050
<b>Quick ratio</b>	0,1374	0,1805	0,3356	0,1760	0,5522
<b>Cash ratio</b>	0,0511	0,0565	0,0602	0,0250	0,0254
<b>Net working capital (CZK)</b>	-22 784 000	-16 946 000	-23 162 000	-39 270 000	15 370 000

Source: own calculations

Fig.6 Liquidity ratios

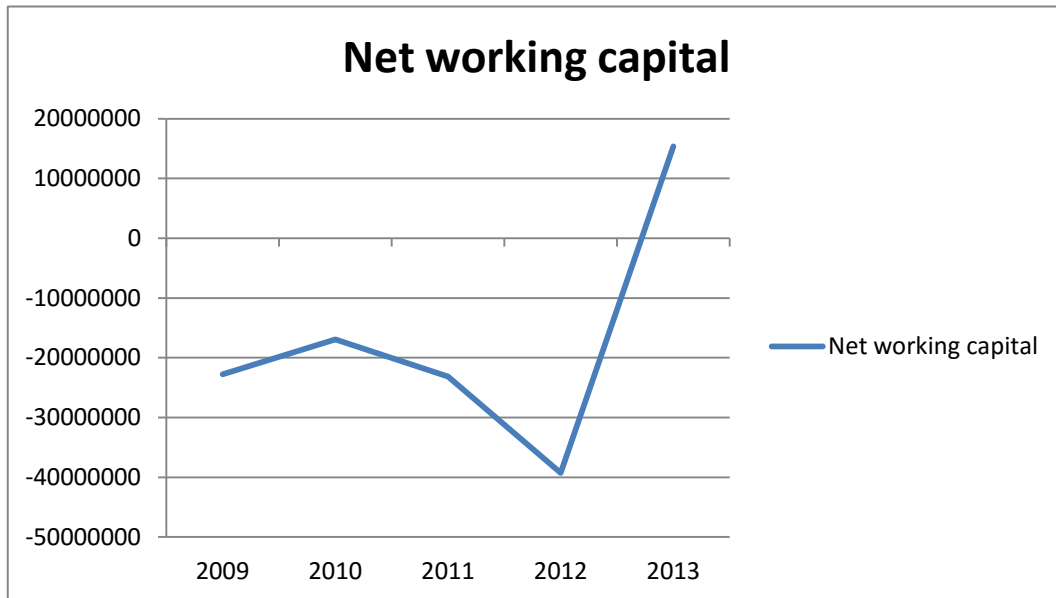


Source: own calculations



According to the negative values of Net working capital, the company is not able to pay its short term liabilities in time. However, the last year comes with complete turnover to positive number because of decrease of short term liabilities and change of short term bank loan to long term one. (see table 7 and figure 7)

Fig.7 Liquidity ratios NWC



Source: own calculations

#### 4.2.6 Debt ratios

It is recommended to keep the Total debt ratio under the level of 50%. After the 2009 there can be seen in table 8 and figure 8 an attempt to decrease higher values however next three years there is a turn and the values are increasing again. Since the company doesn't have long-term debts except for last year total debts are managed as short term obligations.

Equity multiplier completes the indicator Total debt ratio, their sum is 100 %. It expresses proportion in which the assets are financed by shareholder's money which is between 17% - 35% in this case that is quite stable. The highest cover of total assets by own capital is in 2010 and the lowest in 2012 and 2013.

Value of Debt equity ratio grows with share of liabilities. It is ratio between own and borrowed capital. The company has higher borrowed capital in all period. The higher values are in 2012 and 2013 (when the cover by own capital is the lowest).

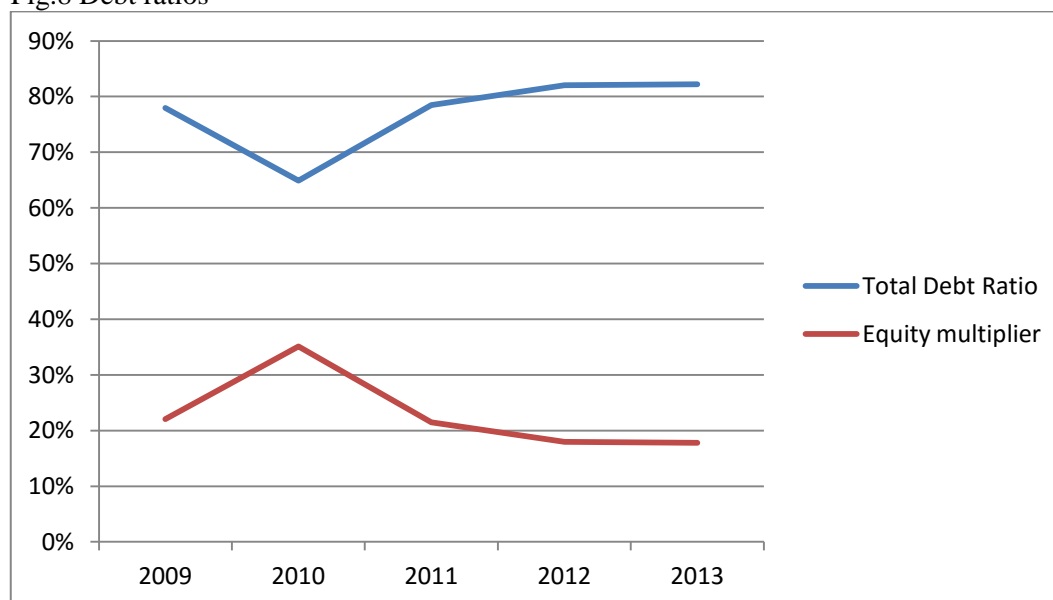
To the company could be able to pay interests from its profit the value of Time interest earned should be higher than 3. This condition Lahofer fulfill in 2010 and 2011. Next two years the time interest earned is not high enough but we can see small improvement and values are not as critical as in the year 2009. Negative numbers are caused by negative profit in these years.

Tab.8 Debt ratios

Indicators	2009	2010	2011	2012	2013
<b>Total debt ratio</b>	77,97%	64,87%	78,50%	82,02%	82,21%
<b>Current debt ratio</b>	77,97%	64,87%	78,50%	82,02%	34,18%
<b>Long-term debt ratio</b>	0,00%	0,00%	0,00%	0,00%	48,03%
<b>Equity multiplier</b>	22,03%	35,13%	21,50%	17,98%	17,79%
<b>Debt equity ratio</b>	3,5392	1,8469	3,6507	4,5628	4,6219
<b>Times interest earned</b>	-22,4219	5,7043	47,2368	-1,1919	-0,4378

Source: own calculations

Fig.8 Debt ratios



Source: own calculations

## 4.2.7 ROA decomposition

The difference between ROA 2010 and ROA 2011 is created by change of Profit Margin from almost 96% and by change of Total assets turnover from 4%. Differences between other analysed year can't be processed because of negative values in there years.

Tab.9 ROA decomposition

<b>Indicator</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
ROA before tax	-12,13%	1,43%	2,16%	-1,53%	-0,71%
Profit margin	-22,45%	2,37%	3,51%	-2,81%	-1,19%
Turnover of TA	0,54	0,60	0,61	0,55	0,60
<b>Index</b>		<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
I ROA		-	1,5067	-	-
I PM		-	1,4818	-	-
I TAT		-	1,0168	-	-
<b>Percentage change</b>		<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
ROA		-	100,00%	-	-
Profit margin		-	95,94%	-	-
Turnover of TA		-	4,06%	-	-

Source: own calculations

## 4.2.8 ROE decomposition

The difference between ROE 2010 and ROE 2011 is created by change of profit margin from almost 44%, by change of total assets turnover from almost 2% and by change of financial leverage from 54%. Differences between other analysed year can't be processed because of negative values in there years.

Tab.10 ROE decomposition

<b>Indicator</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
ROE	-55,08%	4,08%	10,04%	-8,53%	-3,98%
Profit margin	-22,45%	2,37%	3,51%	-2,81%	-1,19%
Turnover of TA	0,54	0,60	0,61	0,55	0,60
Financial leverage	4,54	2,85	4,65	5,56	5,62
<b>Index</b>		<b>2009/2010</b>	<b>2010/2011</b>	<b>2011/2012</b>	<b>2012/2013</b>
I ROE		-	2,4615	-	-
I PM		-	1,4818	-	-
I TAT		-	1,0168	-	-
I FL		-	1,6336	-	-

Percentage change		2009/2010	2010/2011	2011/2012	2012/2013
ROE		-	100,00%	-	-
Profit margin		-	43,66%	-	-
Turnover of TA		-	1,85%	-	-
Financial leverage		-	54,49%	-	-

Source: own calculations

#### 4.2.9 Altman Z-score

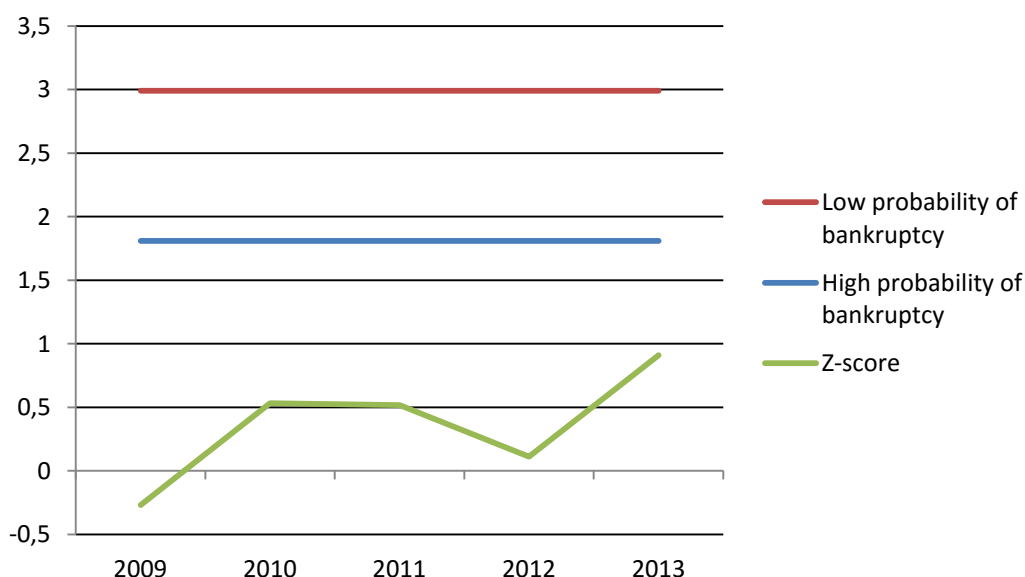
Results of Altman analysis in 2009 – 2013 in table 11 and figure 9 fall into the category in which the risk of bankruptcy is present. There is a visible improving tendency until the 2012 where is a small decrease again. However, in the next year there is quite huge improvement which could continue in next years.

Tab.11 Altman Z-score

Indexes	2009	2010	2011	2012	2013
x1	-0,4816	-0,3703	-0,2787	-0,4287	0,1726
x2	0	0	0	0	0
x3	-0,1213	0,0143	0,0216	-0,0153	-0,0071
x4	0,2825	0,5415	0,2739	0,2192	0,2164
x5	0,5404	0,6047	0,6148	0,5456	0,5969
<b>Z-score</b>	-0,2684	0,5326	0,5161	0,1121	0,9105

Source: own calculations

Fig.9 Altman Z-score



Source: own calculations

#### 4.2.10 Index IN 95, 99

Index 95 shows increase after 2009 to the neutral values and then even into the company's good situation. Then there is a high decrease to negative numbers and to the danger of serious financial problems which follows in 2013. (seen in table 12 and figure 10)

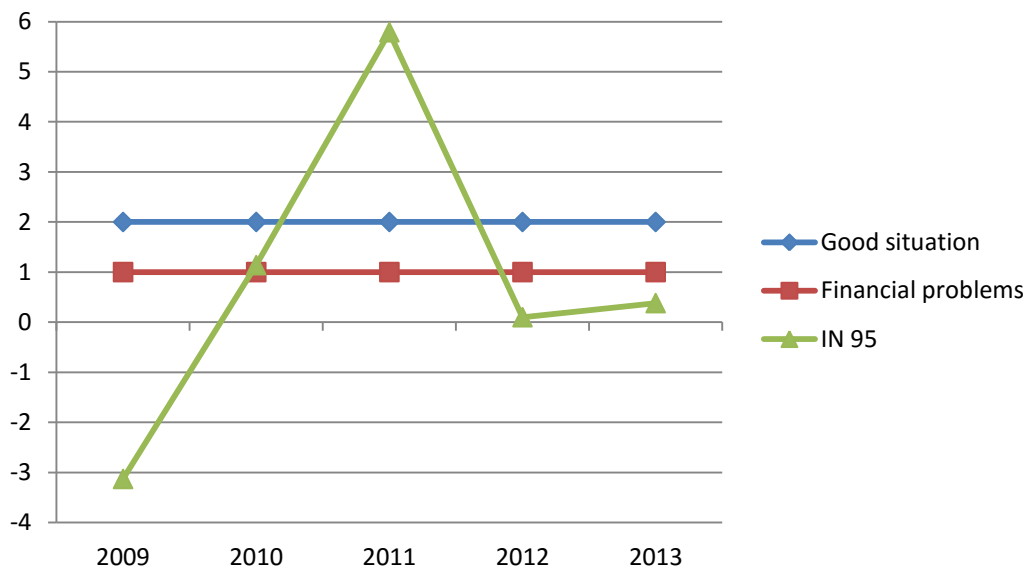
Index 99 presents danger of bankruptcy in all examined years. The development of values is similar to the development of values of IN 95 although the changes are not so high and don't reach recommended values. (seen in table 12 and figure 11)

Tab.12 Index IN 95, 99

Indexes	2009	2010	2011	2012	2013
x1	1,2825	1,5415	1,2739	1,2192	1,2164
x2	-22,4219	5,7043	47,2368	-1,1919	-0,4378
x3	-0,1213	0,0143	0,0216	-0,0153	-0,0071
x4	0,5404	0,6047	0,6148	0,5456	0,5969
x5	0,3823	0,4293	0,6450	0,4774	1,5050
x6	0	0	0	0	0
<b>IN 95</b>	-3,1297	1,1381	5,7882	0,0995	0,3806
<b>IN 99</b>	-0,3110	0,3366	0,3825	0,1788	0,2566

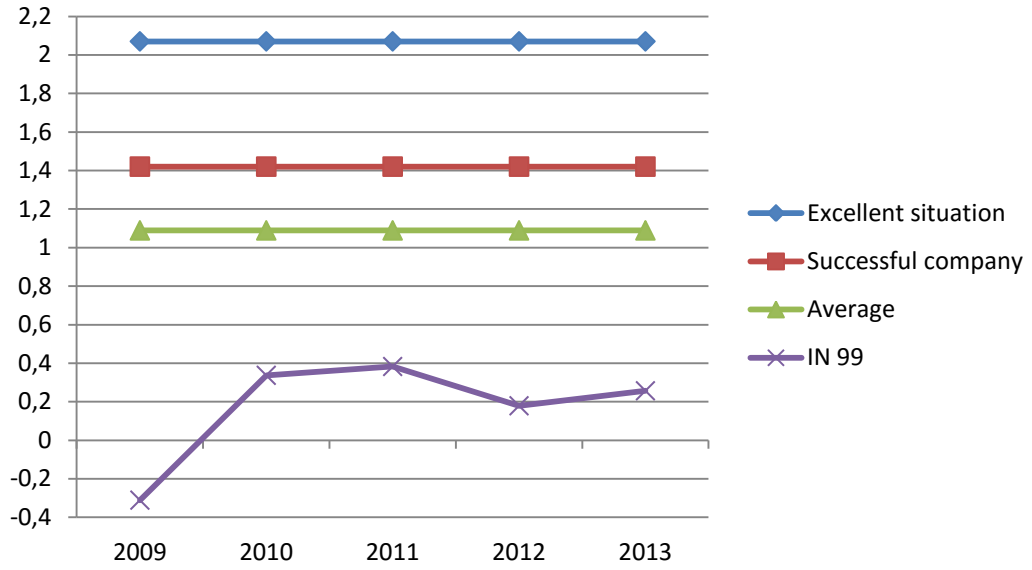
Source: own calculations

Fig.10 Index IN 95



Source: own calculations

Fig.11 Index IN 99



Source: own calculations

## **5. South-Moravian region and its development**

### **South-Moravian region**

The South-Moravian region is located in the south-east part of the Czech Republic with the borders of Austria and Slovakia. Area of the region is 719 555 ha with 1 169 000 inhabitants. There are situated 673 municipalities and 49 cities where the biggest one is Brno.

The region has strong economic potential of increasing number of entrepreneurs and above-average education level of inhabitants because of high-quality system of universities.

The South-Moravian agriculture has also high quality, agricultural land creates 60% of the area and arable land covers 83% from it. Naturally, winemaking is the most special for this region (there is situated 90% from overall area of vineyards in the Czech Republic). Besides, strong tradition is in fruit growing and in north territories there are centres of forestry and wood production.

Natural heritage Unesco has some representatives there – e.g. vila Tugendhat, Lednicko-Valtický areál, Pálava, Bílé Karpaty. We can find there one National Park – Poddyjí.

There are many other cultural and natural heritages connected with South-Moravian traditions, warmth and kindness of local people. ([kr-jihomoravsky.cz](http://kr-jihomoravsky.cz))

### **Znojmo**

The city is located in the close of river Dyje, 55 km from Brno and only 8 km from the Austrian borders. It is the second largest city of South-Moravian region and it is historic centre of south-west Moravia with 34 000 inhabitants.

Znojmo is famous because of the beautiful historic centre and its monuments as well as due to local winemakers and local wines. The city is called city with attribute. In Znojmo there is situated majority of events and activities organized by the company Lahofer and there is also located the company Hotel Lahofer. ([znojmocity.cz](http://znojmocity.cz))

The exact place of production of Vinařství Lahofer is **Dobšice**. In the municipality live 2335 inhabitants in the area of 474 ha. The village belongs to the most significant wine villages of the region. It is proved by three wine cell streets and by many wine cells inside of particular building. (dobsice.cz)

Picture 7: map



Source: cs.wikipedia.org

### Population development in the South Moravian region

The South Moravian population is slowly increasing both in the case of males and females. (seen in table 13) The portion of females is dominant. Nowadays, the number could be higher because of migration of escapists. The South Moravian region has the 4<sup>th</sup> highest number of population (after Central Bohemian region, Prague region, Moravian-Silesian region). (czso.cz)

Tab.13 Development of population

year	2011	2012	2013	2014	2015
<b>Population</b>	1 166 313	1 168 650	1 170 078	1 172 853	1 175 025
<b>Males</b>	570 795	571 982	572 533	574 178	575 536
<b>Females</b>	595 518	596 668	597 545	598 675	599 489

Source: czso.cz



### Migration in the South Moravian region

From the table 14 it is apparent that quantity of immigrants and emigrants is still increasing. In this region there is the highest number of emigrants and immigrants after Prague region and Central Bohemian region. As was mentioned the migration to the Czech Republic continues, therefore, the number of immigrants will be probably increasing. (czso.cz)

Tab.14 Development of migration

year	2011	2012	2013	2014	2015
<b>Immigrants</b>	8 658	9 472	9 308	10 050	10 537
<b>Emigrants</b>	6 910	7 765	8 654	8 678	9 030

Source: czso.cz

### Development of guests in the South Moravian accommodation services

As can be seen from the table 16 the number of guests in accommodation services is increasing. It positively influences economy of the region. Tourists spend money in local services, visit local monuments and contribute to region's fame. It is the second most visited region after Prague region. (czso.cz)

Tab.15 Development of guests

Year	2012	2013	2014	2015
<b>Number of guests</b>	1 317 690	1 427 154	1 499 974	1 536 172

Source: czso.cz

### Education in the South Moravian region

Importance of the table 15 comes out from the number of university students who travel or stay in Brno because of high quality education. The numbers are high and they present the region in very positive way.

Tab.16 Development of education

year	2010/2011	2011/2012	2012/2013	2013/2014	2014/2015
<b>Children in kindergartens</b>	36 377	38 072	39 489	40 498	41 330
<b>Pupils of primary schools</b>	84 974	85 672	87 444	89 755	92 481
<b>Pupils of secondary schools</b>	60 184	56 500	52 638	65 514	47 791
<b>Students of universities</b>	72 185	71 329	68 929	65 514	60 625

Source: czso.cz

### Development of GDP in the South Moravia

GDP in the South Moravia has increasing tendency which expresses economic productivity of the whole country. It is seen in table 17. The South Moravia is the 3<sup>rd</sup> region with the highest portion of GDP after Prague region and Central Bohemian region. (czso.cz)

Tab.17 Development of GDP

Year	2010	2011	2012	2013	2014
<b>GDP in mil CZK</b>	407 139	420 506	432 467	450 629	465 032
<b>GDP in CZK/inhabitant</b>	353 185	361 063	370 535	385 622	397 233

Source: czso.cz

### Average wages per month

Average monthly wages per capita are increasing which could bring new people to the region or prevent from leaving local people for better working conditions. (see table 19) After the Prague region and Central Bohemian region the South Moravian region is the third region with the highest average wage per month.

Tab.18 Development of average wages per month

year	2011	2012	2013	2014	2015
<b>Wage/month</b>	22506	23253	23482	23889	24774

Source: czso.cz

### Development of unemployment rate in the South Moravia

We can see in table 18 that unemployment rate in the South-Moravian region is between 6% - 8% and last two years has decreasing tendency. It is known that this region has high number of unemployed people although there are worse regions in the Czech Republic as Moravskoslezský region, Ústecký region, Karlovarský region, Olomouc region, Královehradecký and Liberec region. The South Moravian region is on the 8<sup>th</sup> position from 14 regions. (czso.cz)

Tab.19 Development of unemployment rate

Year	2009	2010	2011	2012	2013	2014
<b>Unemployment rate %</b>	6,8	7,7	7,5	8,1	6,8	6,1

Source: czso.cz

### **Contribution of the company to the regional development**

Vinařství Lahofer owns all three certificates of quality ISO – system of quality control, system of environmental protection control, Hazard analysis and critical control points HACCP.

Vinařství Lahofer regularly participates on and wins many wine competitions in the Czech Republic as for example Král vín ČR, Jarovín Rosé, Salón vín ČR and other. Important is that Lahofer makes the region famous also abroad, it acquires medals from AWC Vienna, Vino Slovenija, France Le mondial de rosé, Concours Mondial de Bruxelles or Decanter world wine awards 2014 in London.

Hotel Lahofer which falls into the group Lahofer gained a prize Traveller's choice 2015 in category The most favourite and price-available hotel of the Czech Republic.

Apart from the project Mejte svoji hlavu, Lahofer also organizes Lahofer author cup which brings tourists to the region.

As was mentioned since 2009 when the Hotel Lahofer was opened the group Lahofer has been employing more than 100 people which positively affect the region where the unemployment rate is quite high. People got new jobs in various working positions as a waitress, cook, chambermaid, wine taster, receptionist and others. (lahofer.cz)

### **Influence of the regional development to the company**

If it is considered that the number of inhabitants and immigrants is increasing it can influence the company in both ways. First, the increasing numbers of inhabitants mean increasing numbers of customers so increasing company's income. Second, if the company would need more employees or replace the old ones it would have wider range of candidates. Location near the city Znojmo also affects the company positively - there is a quite huge potential of Czech and foreign (mainly Austrian) customers who visit this famous historic city. High numbers of university students together with increasing wages causes for the company complications with obligations to its employees who could have higher requirements. If the company would like to have high-quality personnel it should pay higher wages or manage some benefits for them.

## **6. Overall assessment and recommendations**

On the basis of results in the period 2009 – 2013 Vinařství Lahofer a.s. is not in a good financial condition. Profit for accounting period is in most years in negative values which are reflected in calculations. The worst values are reached in 2009 which continues with big improvement in next two years. Then there is a drop to negative values again but in 2013 the value is two times better than in 2012. Nowadays, the company could achieve even better numbers.

Vertical and horizontal analysis of assets indicates higher share of fixed assets created only by tangible fixed assets than the current assets which are also less stable than the fixed assets in analyzed years.

Vertical and horizontal analysis of capital shows high portion of borrowed money. It is created mainly by short-term liabilities except for last year where a bank loan creates almost 50% of overall capital. Equity covers about 20% of capital in average.

As was said negative profit in 2009, 2012 and 2013 influences profitability ratios and causes negative values of these indicators.

Turnover of total and fixed assets is too low in all years which the company should solve by increasing of production or selling part of the assets. Values of inventory turnover are also low and if the company stores the inventory for a long time it loses its value. Payment periods of invoices issued are the shortest in the first two years. In total the invoices issued are paid faster than invoices received which could be perceived as positive.

Indicators of Liquidity, including also net working capital, are very low in all analyzed years. Better values are reached in 2013 by all these ratios which is connected with decrease of short term liabilities. The company replaces it by long term bank loan which could be more acceptable for company's liquidity and its payment of short term liabilities in time.

Average collection period in 2011 and 2013 exceeds 100 days which could mean problems with receiving money from the company's customers. It should be solved to avoid possible problems with solvency of the firm.

The total debt ratio is created only by short term liabilities except for last year where long term bank loan is borrowed. In total the company is financed more than 50% by borrowed capital. Times interest earned is acceptable in 2010 and 2011 where there is a positive profit for accounting period.

Results of bankruptcy models present danger of bankruptcy in almost all period. Best numbers are achieved again in 2010 and 2011 because of positive values of profit for accounting period. The alarming values could be warning for future investors.

Because of negative profit for accounting period in three analyzed years the Vinařství Lahofer should increase sales and decrease costs. The company could use new technology of wine production which would be faster and costless. Also various types of wine caps which the firm combines exist (corks with screw-caps) and various types of bottles and labels. In the case of the most important raw material for wine production – the grapevine – it should be gained for reasonable prices from Vinice Lahofer because of cooperation in the group Lahofer.

The financing of assets by borrowed capital should be decreased and partially replaced by own capital. Specifically the short-term liabilities are too high and on the contrary short term financial assets are too low. If it is solved the company will have more money in cash or in bank account and it will be able to pay short term liabilities in time.

## 7. Conclusion

The Bachelor thesis was focused on the evaluation of financial situation of the selected company. The selected company Vinařství Lahofer a.s. was analyzed in the period 2009 – 2013 according to the data from balance sheet and profit and loss statement. Horizontal and vertical analysis was used, ratio analysis, pyramidal decomposition and bankruptcy models followed.

Based on the gained values of the five-year period financial situation of the company is not favourable. Best results are mainly in 2010 and 2011 and they are connected with positive values of profit for accounting period in these two years. The company's capital is created mainly by short term liabilities, which is connected to low liquidity. Last year there is a visible improvement because of decrease of short term obligations. The bankruptcy models confirm the bad situation of the company, their values are low.

Since the evaluated firm Vinařství Lahofer a.s. is still working and producing plenty of various wines which are more and more popular among customers and also experts who give to the Lahofer's label many various medals there is an option that the company was developing and improving and in these days its situation could be completely different. As I found out the Vinařství Lahofer a.s. together with Hotel Lahofer s.r.o. and Vinice Lahofer s.r.o. (nowadays also with Vinařství Hanzel s.r.o.) falls into group called LAHOFER. According to the available data from justice.cz there can be seen that the same or similar entrepreneurs have the share of property in all these mentioned companies. In reality it could be managed as the other cooperating companies are in better financial and structural situation and help Vinařství Lahofer in some economic activities when it is necessary.

## 8. List of References

- 1) DRAKE, Pamela Peterson, Frank J. FABOZZI. *Analysis of Financial Statements*. 3<sup>rd</sup> ed. New Jersey : John Wiley & Sons, 2012. 352 pages. ISBN 978-1-118-29998-2
- 2) FOLMER Henk, Jan OOSTERHAVEN. *Spatial inequalities and regional development*. Holland : Springer science & Business media, 2013. 258 pages. ISBN 978-94-0173-046-4
- 3) GODWIN, Norman, C. ALDERMAN. *Financial ACCT*. 2<sup>nd</sup> ed. Mason, USA : Cengage Learning, 2010. 387 pages. ISBN 0-538-79896-3
- 4) GRIER, Waymond A. *Credit analysis of financial institutions*. 2<sup>nd</sup> ed. London : Euromoney books, 2007. 333 pages. ISBN 978-1-84374-274-6
- 5) HRDÝ, Milan, Michaela HOROVÁ. *Finance podniku*. 1<sup>st</sup> ed. Praha : Wolters Kluwer ČR, 2009. 180 pages. ISBN 978-80-7357-492-5
- 6) JINDŘICHOVSKÁ, Irena, Zdenek S. BLAHA. *Podnikové finance*. 1st ed. Praha : Management Press, 2001. 316 pages. ISBN 80-7261-025-2
- 7) KALOUDA, František. *Základy podnikových financí*. 1<sup>st</sup> ed. Brno : Václav Klemm – Vydavatelství a nakladatelství, 2008. 135 pages. ISBN 978-80-904083-0-2
- 8) KEOWN, A.J. a kol. *Foundations of finance : The Logic and practice of financial management*. New Jersey : Prentice Hall, 1994. 601 pages. ISBN 0-13-211087-3
- 9) KLAPKA, P., TONEV, P. Regiony a regionalizace. In TOUŠEK, V., KUNC, J., VYSTOUPIL, J. Et al. *Ekonomická a sociální geografie*. Plzeň : Aleš Čeněk, 2008. 411 pages. ISBN 978-80-7380-114-4
- 10) KLINE, Brian. *How to read and understand financial statements : When you don't know what you are looking at*. Ocala, Florida : Atlantic Public Pressure group, Inc., 2007. 288 pages. ISBN 1-60138-012-7
- 11) KNÁPKOVÁ, Adriana, Drahomíra PAVELKOVÁ and Karel ŠTEKER. *Finanční analýza : Komplexní průvodce s příklady*. 2<sup>nd</sup> ed. Praha : Grada Publishing, a.s., 2013. 240 pages. ISBN 978-80-247-4456-8
- 12) KOEN, Marius, Johan OBERHOLSTER. *Analysis and Interpretation of Financial Statements*. 2<sup>nd</sup> ed. Kenwyn : Juta and Company Ltd, 1999. 136 pages. ISBN 0-7021-51823

- 13) KREJČÍ and coll. *Regionální rozvoj – teorie, aplikace, regionalizace*. 2nd ed. Brno : Ediční středisko, 2012. 155 pages. ISBN 978-80-7375-414-3
- 14) MEGGINSON, William L, Brian M. LUCEY, Scott B. SMART. *Introduction to Corporate Finance*. London : Cengage Learning EMEA, 2008. 656 pages. ISBN 978-1-84480-562-4
- 15) MOYER, R. Charles, James R. MCGUIGAN and Ramesh P. RAO. *Fundamentals of contemporary financial management*. 2<sup>nd</sup> ed. USA : Thomson South-Western, 2007. 624 pages. ISBN 0-324-40635-5
- 16) PALEPU, G. Krishna, Paul M. HEALY, Victor L. BERNARD, Erik PEEK. *Business analysis and valuation, IFRS edition : text and cases*. 1st ed. Hampshire : C&C Offset, 2007. 788 pages. ISBN 978-1-84480-492-4
- 17) PIKE, Andy. Andres RODRIGUEZ-POSE. John TOMANEY. *Local and regional development*. Taylor and Francis, 2006. 312 pages. ISBN 978-04-1535-717-3
- 18) RŮČKOVÁ, Petra. *Finanční analýza : metody, ukazatele, využití v praxi*. 5th ed. Praha : Grada Publishing, a.s., 2015. 160 pages. ISBN 978-80-247-5534-2
- 19) SEDLÁČEK, Jaroslav. *Finanční analýza podniku*. 2<sup>nd</sup> ed. Brno : Computer Press, a.s., 2011. 152 pages. ISBN 978-80-251-3386-6
- 20) SHIM, Jae K, Joel G. SIEGEL. *Handbook of Financial Analysis, Forecasting and Modeling*. 3<sup>rd</sup> ed. Chicago : CCH, 2007. 478 pages. ISBN 978-0-8080-1593-2
- 21) SINGHVI, N.M., Ruzbeh J. BODHANWALA. *Management accounting : Text and cases*. 2<sup>nd</sup> ed. New Delhi, India : PHI private limited, 2012. 496 pages. ISBN 978-81-203-4656-7
- 22) SINHA, Gokul. *Financial statement analysis*. 2<sup>nd</sup> ed. New Delhi : PHI Learning Pvt. Ltd., 2012. 636 pages. ISBN 978-81-203-4660-4
- 23) VOCHOZKA, Marek. *Metody komplexního hodnocení podniku*. Praha: Grada Publishing a.s., 2011. 248 pages. ISBN 978-80-247-3647-1
- 24) WAHLEN, James M., Stephen P. BAGINSKI, Mark T. BRADSHAW. *Financial reporting, financial statement analysis and valuation*. 8<sup>th</sup> ed. Boston, USA : Cengage Learning, 2014. 1200 pages. ISBN 978-1-285-19090-7
- 25) WARREN, Carl S., Jim REEVE, Jonathan DUCHAC. *Financial accounting*. Boston, USA : Cengage Learning, 2015. 960 pages. ISBN 1-305-08843-3



26) ŽIVĚLOVÁ, Iva. *Business Finance*. 1<sup>st</sup> ed. Brno : Astron studio CZ, a.s., 2013. 180 pages. ISBN 978-80-7375-849-3

### Online sources

- *Český statistický úřad* [online]. Available at: <<https://www.czso.cz/>>
- *Jihomoravský kraj* [online]. Available at: <<http://www.kr-jihomoravsky.cz/Default.aspx>>
- *Lahofer – víno jako zážitek – hotel jak víno* [online]. Available at: <<http://lahofer.cz/>>.
- *Mějte svoji hlavu - Lahofer* [online]. Available at: <<http://www.mejtesvojihlavu.cz/>>.
- *Obec Dobšice* [online]. Available at: <<http://www.dobsice.cz/>>.
- *Oficiální server českého soudnictví* [online]. Available at: <<http://portal.justice.cz/Justice2/Uvod/uvod.aspx>>
- *VOC Znojmo – vína originální certifikace* [online]. Available at: <<http://www.vocznojmo.cz/>>.
- *Vinné sklepy Lechovice* [online]. Available at: <<http://www.vslechovice.cz/>>.
- *Vína z Moravy vína z Čech* [online]. Available at: <<http://www.wineofczechrepublic.cz/>>
- *Znojmo, město s přívlastkem* [online]. Available at: <<http://www.znojmocity.cz/>>
- *Znovín Znojmo* [online]. Available at: <<http://www.znovin.cz/>>.
- *Wikipedie, otevřená encyklopedie*. [online] Available at: <<https://cs.wikipedia.org/>>

## **List of tables**

### **List of tables**

Tab.1 Vertical analysis of assets

Tab.2 Vertical analysis of capital

Tab.3 Horizontal analysis of assets

Tab.4 Horizontal analysis of capital

Tab.5 Profitability ratios

Tab.6 Activity ratios

Tab.7 Liquidity ratios

Tab.8 Debt ratios

Tab.9 ROA decomposition

Tab.10 ROE decomposition

Tab.11 Altman Z-score

Tab.12 Indexes IN 95, 99

Tab.13 Development of population

Tab.14 Development of migration

Tab.15 Development of guests

Tab.16 Development of education

Tab.17 Development of GDP

Tab.18 Development of average wages per month

Tab.19 Development of unemployment rate

### **List of figures**

Figure 1 Vertical analysis of assets

Figure 2 Vertical analysis of capital

Figure 3 Profitability ratios

Figure 4 Activity ratios a)

Figure 5 Activity ratios b)

Figure 6 Liquidity ratios

Figure 7 Liquidity ratios NWC

Figure 8 Debt ratios

Figure 9 Altman Z-score

Figure 10 Index IN 95

Figure 11 Index IN 99

### **List of pictures**

Picture 1: logo

Picture 2: corks

Picture 3: wine bottles

Picture 4: VOC label 1

Picture 5: VOC label 2

Picture 6: label

Picture 7: map

### **List of appendixes**

Appendix 1: Balance sheet – Assets 2009 – 2013

Appendix 2: Balance sheet – Capital 2009 – 2013

Appendix 3: Profit and loss account 2009 – 2013

## 9. Appendix

### Appendix 1: Balance sheet – Assets 2009 – 2013

	Balance sheet (CZK)	2009	2010	2011	2012	2013
	<b>Assets</b>	47308000	45769000	83118000	91608000	89045000
A	Receivables for subscribed reg. capital	0	0	0	0	0
B	Fixed assets	32978000	32931000	40879000	55530000	43147000
B I	Intangible fixed assets					
B I 1	Incorporation expenses					
B I 2	Research and development					
B I 3	Software					
B I 4	Royalties					
B I 5	Goodwill					
B I 6	Other intangible assets					
B I 7	Intangible fixed assets under construction					
B I 8	Advance payments for intangible fixed assets					
B II	Tangible fixed assets	32978000	32931000	40879000	55530000	43147000
B II 1	Land	2648000	3039000	4167000	4507000	4553000
B II 2	Buildings, halls, structures	8810000	9562000	9330000	9099000	8971000
B II 3	Property, plant and equipment	5253000	7140000	16721000	31811000	21651000
B II 4	Cultivated areas	8274000	6099000	3924000	3382000	1635000
B II 5	Animals, livestock					
B II 6	Other tangible fixed assets					96000
B II 7	Tangible fixed assets under construction		29000	607000	1532000	1973000
B II 8	Advanced payments for tangible fixed assets					
B II 9	Oceňovací rozdíl k nabitému majetku (+/-)	7992000	7061000	6130000	5199000	4268000
B III	Long term investments					
B III 1	Investments in group undertakings					
B III 2	Investments in associated companies					
B III 3	Other long-term securities and ownership interests					
B III 4	Intercompany loans					
B III 5	Other long-term investment					
B III 6	Long-term investments (provisional value)					
B III 7	Advanced payments for long-term investments					
C	Current assets	14102000	12746000	42084000	35870000	45804000
C I	Inventories	9034000	7386000	20189000	22649000	28999000
C I 1	Raw materials	70000			862000	1862000
C I 2	Work in progress and semi-finished products	6908000	4541000	15635000	17624000	21526000
C I 3	Finished goods	618000	1104000	2464000	1961000	2988000
C I 4	Livestock					

C I 5	Goods for resale	1438000	1740000	2090000	2202000	2623000
C I 6	Advance payments for inventory					
C II	Long-term receivables					
C II 1	Trade receivables					
C II 2	Receivables from group undertakings					
C II 3	Receivables from associated companies					
C II 4	Receivables from shareholders and alliance					
C II 5	Estimated receivables					
C II 6	Other receivables					
C II 7	Accruals					
C II 8	Deferred tax assets					
C III	Short-term receivables	3183000	3681000	17969000	11345000	16032000
C III 1	Trade receivables	2923000	2822000	12924000	9282000	6100000
C III 2	Receivables from group undertakings					
C III 3	Receivables from associated companies					
C III 4	Receivables from shareholders and alliance					
C III 5	Social security and health insurance					
C III 6	Tax receivables and state subsidies receivable			1644000	3000	2000
C III 7	Other advances paid	41000	42000	2601000	802000	308000
C III 8	Estimated receivables	111000	761000	710000		
C III 9	Other receivables	108000	56000	90000	1258000	9622000
C IV	Short-term financial assets	1885000	1679000	3926000	1876000	773000
CIV 1	Cash	32000	57000	222000	873000	222000
C IV 2	Bank accounts	1853000	1622000	3704000	1003000	551000
C IV 3	Short-term securities and ownership interests					
C IV 4	Short-term investments					
D I	Accruals and deferrals	228000	92000	155000	208000	94000
D I 1	Prepaid expenses	228000	92000	155000	208000	94000
D I 2	Complex prepaid expenses					
D I 3	Accrued revenue					

Appendix 2: Balance sheet – Capital 2009 – 2013

	Balance sheet (CZK)	2009	2010	2011	2012	2013
	<b>Capital</b>	47308000	45769000	83118000	91608000	89045000
A	Equity	10422000	16077000	17872000	16468000	15839000
A I	Registered capital	31465000	31465000	31465000	31465000	31465000
A I 1	Registered capital	31465000	31465000	31465000	31465000	31465000
A I 2	Own shares held					
A I 3	Changes in registered capital					
A II	Capital contributions	10555000	15555000	15555000	15555000	15555000
A II 1	Share premium					
A II 2	Other capital contributions	10555000	15555000	15555000	15555000	15555000
A II 3	Revaluation of assets and liabilities					
A II 4	Revaluation reserve on transformations					
A III	Reserve funds	6000	6000	39000	129000	129000
A III 1	Statutory reserve	6000	6000	39000	129000	129000
A III 2	Retained earnings					
A IV	Retained profits	-25864000	-31604000	-30982000	-29277000	-30680000
A IV 1	Accumulated loss			622000	2327000	2327000
A IV 2	Profit (loss) for current period	-25864000	-31604000	-31604000	-31604000	-33007000
A V	Liabilities	-5740000	655000	1795000	-1404000	-630000
B	Provisions	36886000	29691000	65246000	75140000	73206000
B I	Tax-deductible provisions					
B I 1	Provisions for pension and other					
B I 2	Income tax provision					
B I 3	Non-deductible provisions					
B II	Long-term liabilities					
B II 1	Trade payables					
B II 2	Liabilities to group undertakings					
B II 3	Liabilities to associated companies					
B II 4	Liabilities to shareholders and alliance partner					
B II 5	Long-term advances received					
B II 6	Debentures and bond issues					
B II 7	Long-term bills of exchange payable					
B II 8	Estimated payable					
B II 9	Other long-term payable					
B II 10	Deferred tax liability					
B III	Short-term liabilities	32931000	29597000	64811000	75140000	30434000
B III 1	Trade payables	2767000	2326000	21914000	15461000	11579000
B III 2	Liabilities to group undertakings					

B III 3	Liabilities to associated companies					
B III 4	Liabilities to shareholders and alliance partner					
B III 5	Payables to employees	200000	221000	259000	366000	304000
B III 6	Payables to social security and health insurance	109000	125000	147000	202000	162000
B III 7	Tax liabilities	1314000	1043000	1171000	1394000	1161000
B III 8	Short-term advances received					
B III 9	Debentures and bond issued					
B III 10	Estimated payable	103000	107000	581000	257000	278000
B III 11	Other payables	28439000	25775000	40739000	57460000	16950000
B IV	Bank loan and overdrafts	3955000	95000	435000		42772000
B IV 1	Long-term bank loan					42772000
B IV 2	Short-term bank loan	3955000	95000	435000		
B IV 3	Short-term financial liability					
C I	Accrual and deferrals					
C I 1	Accrued expenses					
C I 2	Deferred revenues					

### Appendix 3: Profit and loss account 2009 – 2013

	Profit and loss account	2009	2010	2011	2012	2013
I	Revenue from goods	11290000	10024000	10565000	12745000	13346000
A	Cost of goods sold	8832000	7958000	8438000	9142000	9597000
+	Gross profit	2458000	2067000	2127000	3604000	3749000
II	Revenue from production	11855000	14983000	37858000	29716000	37360000
II 1	Revenue from own products and services	13729000	16991000	28863000	28213000	32377000
II 2	Change in inventory of own production	-1874000	-2008000	8995000	1503000	4983000
II 3	Own work capitalized					
B	Cost of sales	9597000	9722000	29875000	25868000	25802000
B 1	Materials and consumables	5382000	5365000	23631000	16913000	17485000
B 2	Services	4214000	4356000	6244000	8954000	8317000
+	Added value	4716000	7328000	10110000	7452000	15307000
C	Personnel expenses	3571000	4206000	4784000	6558000	6412000
C 1	Wages and salaries	2694000	3118000	3569000	4914000	4864000
C 2	Remuneration of board members					
C 3	Social security and health insurance expenses	821000	1033000	1164000	1529000	1377000
C 4	Social expenses	56000	56000	51000	115000	171000
D	Taxes and charges	78000	40000	225000	86000	89000
E	Depreciation of intangible and tangible fixed assets	5894000	4631000	5220000	7944000	9531000
III	Proceeds from disposals of fixed assets and raw material	2000		1075000	986000	251000
III 1	Proceeds from disposals of fixed assets and raw material	2000		1075000	986000	251000
III 2	Proceeds from disposals of raw material					
F	Net book value of fixed assets and raw material sold			121000	8000	
F 1	Net book value of fixed assets sold			121000	8000	
F 2	Raw material sold					
G	Change in provisions and adjustments relating to operating activity and change complex prepaid expenses	57000	170000	-21000	77000	154000
IV	Other operating revenues	2271000	2636000	1605000	6525000	2020000
H	Other operating expenses	2862000	210000	536000	491000	727000
V	Adjustments to operating revenues					
I	Adjustments to operating expenses					
*	<b>Operating profit (loss)</b>	-5472000	708000	1925000	-200000	665000
VI	Proceeds from sale of securities and ownership interests					
J	Securities and ownership interests sold					
VII	Revenue from long-term investments					
VII 1	Revenue from intercompany securities and ownership interests					



VII 2	Revenue from other long-term securities and ownership interests					
VII 3	Revenue from other long-term investments					
VIII	Revenue form short-term financial investments					
K	Financial assets expenses					
IX	Revenue from revaluation of securities and derivates					
L	Expenses for revaluation of securities and derivates					
M	Change in provisions and adjustments relating to financial activity					
X	Interest revenue	35000			1000	
N	Interest expense	256000	115000	38000	1178000	1439000
XI	Other financial revenue	111000	33000	2000	7000	173000
O	Other financial expenses	158000	-29000	94000	34000	29000
XII	Adjustments to financial revenue					
P	Adjustments to financial expenses					
*	<b>Profit (loss) from financial operations</b>	-267000	-52000	-130000	-1203000	-1295000
Q	Income tax on ordinary profit (loss)					
Q 1	- current					
Q 2	- deferred					
**	<b>Profit (loss) on ordinary activities after taxation</b>	-5740000	656000	1795000	-1404000	-630000
XIII	Extraordinary revenue					
R	Extraordinary expenses					
S	Income tax on extraordinary profit (loss)					
S 1	- current					
S 2	- deferred					
*	Transfer of profit or loss to partners					
T	<b>Extraordinary profit (loss)</b>					
***	<b>Profit (loss) for accounting period (EAT)</b>	-5740000	656000	1795000	-1404000	-630000
****	<b>Profit (loss) for accounting period before tax (EBIT)</b>	-5740000	656000	1795000	-1404000	-630000
	<b>Total revenues</b>	25564000	27676000	51105000	49980000	53150000
	<b>Total costs</b>	31304000	27022000	49310000	51385000	53780000