European Polytechnical Institute, Ltd. Kunovice

Field of study: Finance and Taxes

FINANCIAL ANALYSIS OF COMPANY

Bachelor Thesis

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Kunovice, March 2007

I declare that I have elaborated my bachelor thesis independently and my list of information sources contain all literary and professional sources used.

Kunovice March 2007

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signature of the author

I would like to thank Mr. Jiří Lunga for very useful methodical help, which he provided me during elaboration of my bachelor's thesis.

Kunovice, March 2007
Miroslava Valová

Odstraněno: březen

Naformátováno: Angličtina (Velká Británie)

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Změněn kód pole

1 Introduction

In year 1989 occurred changes that led to transition from central planned economy to market based economy. In all companies, current management system had to be revaluated. Previously, management of corporations did not have to deal with arrangements such as: what to produce, for what price and where to find for market for production. Everything was fixed by unyielding plan in advance.

Nowadays, management of contemporary businesses is quite different. Companies introduce themselves on market and seek for way, how to hold out in highly competitive environment and acquire customer Economics environment, in which company has been operating and in which conducts its activities, is in changing permanently. In practice, management of entrepreneurial firms tries to improve the quality of financial management. Necessary condition that enable to improve the quality of management is understanding and application the results of financial analyses that revise any other decisions making.

Financial analysis is an instrument, which has been used for a long time. Its demandingness and complexity always corresponded with time, in which it was compiled. Financial analysis was transforming with development of economy until it has come to the form, in what it is known nowadays. In Czech Republic, similarly as in other countries with central planning economies, financial analysis was not being paid enough attention till the end of 1980s. However, situation changed after transition to market based economy. Corporations acquire knowledge of financial analysis and subsequently use it for financial management and decision making.

One of the main task of financial analysis is to point out possible future problems and present proposals how to minimize these problems. Evaluate the last and current financial performance of a company. Financial analysis and financial accounting are closely connected. Financial analysis takes data from financial accounting and with help of it, financial situation is assessed and information about financial health company gained. This data are provided by financial accounting via financial statements such as balance sheet, profit and loss statement and cash flow statement. But, outputs from financial accounting itself can't be automatically used for financial analysis. Certain modification according to logic of financial analysis is needed. This is applicable especially for Czech accounting.

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Mere outputs of accounting do not provide comprehensive picture about performance of company, its financial situation, stability or risks. Hereto the financial analysis is used. It evaluates certain data, thanks to various methods and thus it increases their utilizabibility.

In former times, financial analysis was performed only by limited circle of team, so - called „top managers". Gradually, the circle of users of financial analysis extended. Nowadays, financial analysis is performed by almost any prospering business. Outputs of financial analysis are important also for suppliers, customers, banks or investors who are making decisions to which company they invest their capital.

It is not possible to expect that the mere usage of financial analysis and comparison the results with current standards brings expected outcomes. Unless a qualified and complex economic analysis and correct interpretation of outcomes of financial analyses is made, the results are misrepresented. If incorrect conception and witless conclusions are accepted, wrong decisions in financial management may be done ass well and thereby influence also firm's financial situation. It is necessary to know that the financial analysis is an instrument that exposes financial shape of a company. However, the reason why it is performed, is not to change this shape and to eliminate established weaknesses. Based on the outcomes, owners and managers may verify shortages and then try to eliminate weaknesses and suppress consequences.

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2 The aim of thesis and methodology

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2.1 The aim of thesis

The aim of my thesis is complex evaluation of current financial situation of company and to provide the company management with well-arranged image about actual economy situation. Further I concerned with evaluation of development of financial situation in five-year period, i.e. in years 2001 – 2005. My thesis should contribute to improvement of financial management, to prepare documents that can be used to improve economic situation of company, to arrange and improve the quality of decision-making process, e.g. decisions making about future investments.

Financial analysis will not concentrate only on data relating to actual company situation, but it should be useful as help while producing future company analyses.

The aim of thesis will be assessment of company asset and financial structure, measurement of indebtedness and ability pay off debts and consideration the level of utilization of company assets. In particular, I will focus on evaluation of profitability of capital used, further on production and utilization of monetary funds and on company's liquidity. Another aim is to predict, how the company will be doing in future – to predict possibility of possible financial distress.

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2.2 Methodology

First, theoretic part, is based on study of specialized sources, both economic and managerial literature, and also literature concerning with leading and managing a company and literature concentrating on financial analysis. This first, theoretical, part should familiarize readers what financial analysis is and what is the purpose it is used for, further, what requirements are laid on financial analyses.

In second part, there is processed financial analysis of a concrete company. My sources were also Internet and, again, scientific literature initiated in content of literature.

3 Methods of financial analysis

Method of evaluation and interpretation of financial indicators depends on method used by financial analysis. By "indicator", we understand every numeral characteristic of company's economic activities, accompanied data attribute sufficient for the purpose of analysis. These attributes are numbers from financial statements (balance sheet, profit and loss statement and cash flow statement), but also other entries of analytical and synthetical books of accounts [Hlačina, 2004].

Generally, there exist two approaches in financial analysis that evaluate economic activities:

- Fundamental analysis is based on extensive knowledge of mutual connections among economic and extraeconomic phenomena, on experience of experts and on their subjective presumptions and also on a sense for situations and trends. Financial analysis processes rather qualitative information. Its conclusions are derived without using algorithmic progress.
- Technical analysis uses mathematical, statistical and other algorithmic methods to quantify business data processing with subsequently rating of economic outcomes.

According to Živělová (2003), when processing financial analysis, principally methods of technical analysis are used. These methods can be divided according to other points of view:

I. According to methods of comparison the values of indicators:

- space matrix analysis,
- trend analysis,
- comparison with a plan,
- comparison with a prediction of expert.

Space matrix analysis (comparative) is based on comparison of calculated values of indicators with the same values in other competition companies. *Trend analysis* is based on comparison of indicator's values in time. Trend analysis is the most frequent method of evaluation of indicators, whose principal advantage is synchronization and possibility to

intercept positive and negative evolutionary tendencies inside the company. *Comparison with a plan* is based on comparison of actually achieved values with values calculated on the basis of planned input information. *Comparison with a prediction of expert* is based on assessment of experienced analyst and his subjective notions about how optimum values should be in a given company.

II. According to used mathematical methods:

- elementary methods of financial analysis,
- higher mathematical-statistical methods of financial analyses.

III. According to used indicators:

- horizontal analysis,
- vertical analysis,
- ratio indicators analysis,
- pyramidal indicators analysis,
- prediction of company's financial distress.

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3.1 Horizontal analysis

Horizontal analysis enables to compare development of individual items of financial statements. Comparison is performed line by line – horizontally. From changes, it is possible to derive also probable progress (trend) of appropriate indicators in the future. However, it is necessary to keep time series long enough. Percentage changes come out of absolute changes, established as a difference of two values in time:

- Absolute change = $\text{indicator}_{t} - \text{indicator}_{t-1}$
- Relative change = absolute change / indicator_{t-1} x 100

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t = relevant year

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3.2 Vertical analysis

When carrying out vertical analysis, we compare individual items of financial statements to a set benchmark determined as 100 % basis. We find out percentage proportion of individual items to set basis. Vertical analysis is used to show structure of assets, liabilities

and equity and to analyse profit and loss statement. When analysing the income statement, total revenues are used as a basis for computation the percentage proportion of individual items. When analysing balance sheet, total assets are used. If we have side by side data for a longer period of time, we can identify the most important changes [Živělová, 2003].

3.3 Ratio indicators analysis

Ratio indicators analysis is the most used method of financial analysis. It is based on using the ratio indicators. The ratio indicators are computed as proportional share of two absolute indicators.

- indicators of liquidity,
- indicators of control (utilization) of assets,
- indicators of indebtedness (insolvency),
- indicators of profitability.

[Synek, 2003]

3.3.1 Indicators of liquidity

Liquidity indicators are intended to measure the ability of company to meet its outstanding obligations. They should answer the question, whether company will be able to settle its debts, when the maturity date comes.

- ***Current ratio = current assets / current liabilities***

Current ratio is usually calculated for shorter period (monthly). Values in interval 1,5 – 2,5 are generally considered to be acceptable. Higher the value is the risk of insolvency is smaller. Indeed we do not have to forget that too high value of current assets lowers the profitability of a company [Synek, 2003].

- ***Quick ratio = (current assets – inventories) / current liabilities***

This indicator suitably describes instantaneous solvency. Inventories are usually less liquid than other short-term assets. Standard values are within 1 – 1,5, threshold (critical) value is 1 [Synek, 2003].

- ***Cash ratio = financial assets / current liabilities***

Cash ratio can be labelled also as liquidity ratio. Recommended value of this indicator is 0,2 – 0,5.

In connection with payment solvency, we encounter three basic notions: solvency – common ability of a company to acquire financial resources to settle its liabilities, liquidity – instantaneous ability to cover its liabilities, it measures of short-term or instant solvency, liquidity – is one of the characteristics of a concrete type of asset. It references an asset's ability to quickly be converted into cash form [Živělová, 2003].

3.3.2 Asset utilization ratios (activity ratios)

Asset utilization ratios measure, how effectively a company manages its assets. Indicators are calculated for individual categories of assets: inventories, accounts receivables, fixed assets and total assets [Synek, 2003].

- ***Inventory turnover = revenues / inventory***

The indicator gives number of inventory turnovers per monitored period (usually per annum). If a number 360 is divided by the number of turnovers, we will get inventory turnovers in the days. General interest is to increase the number of inventory turnovers (decreasing the time of turnovers), which leads to increasing of profit, respectively to reducing the capital necessary to reach equivalent profit.

- ***Day's sales in receivables = accounts receivable / annual revenues / 360***

Shows the average time of accounts receivable settlement, i.e. how long it takes to turn the receivables into cash. Standard value is 48 days.

- ***Fixed asset turnover = revenues / fixed assets in net book value***

Measures, how effectively a company uses buildings, machines, equipment and other fixed assets. It indicates how many times fixed assets turn per annum. This indicator is important when thinking about purchasing new investments (its low value evidences low utilization of industrial production capacity). Standard value is 5,1.

- ***Total asses turnover = revenues / fixed assets***

Low value shows that the company entrepreneurial activity is low and that it is necessary to increase it (to increase revenues), to get rid of part assets or to combine both methods.

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3.3.3 Insolvency indicators (financial gearing) and financial stability indicators

Insolvency indicators measure the extent, in which a company uses external sources of finance (debts) to cover its assets and activities. Using external sources of finance affects both return on capital employed and business risk profile.

For evaluation the financial structure, several indicators of indebtedness are used. They are derived out of balance sheet, come out of interrelationships between liabilities, share capital and of the total equity. A proportion of debts that finance assets is computed [Valach, 1997].

- ***Debt to asset ratio = total liabilities / total assets * 100***

Item total liabilities include both long-term and short-term debts. A company is considered to be overextended, when debts outmatch value of its property.

- ***Equity to asset ratio = equity / total assets * 100***

This indicator is a complementary indicator to the previous one. Sum of these two ratios equals 1, or 100 %. It is used for evaluation of economic and financial company stability and in conjunction with indicator of solvency is considered of the most significant indicator for evaluation general company financial situation.

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- ***Financial gearing (financial leverage) = total assets / equity***

Inverse value of equity to asset ratio is another possible way of measuring the indebtedness of a company. It has a big significance when evaluating rate of company's return through pyramidal system.

If we need to know, whether the company is capable to settle interest payable and debts, we need to come out of the income statement and compute interest coverage ratio.

Interest coverage = profit (before interest and taxation) / total interest

The indicator informs about how many times general reproduction effect exceeds interest payments. Higher the value is the better for the company. Value 3 represents company with difficulties, value around 8 represents trouble-free company.

3.3.4 Indicators showing the ability of management to control financial situation

High proportion of equity might indicate overcapitalization of a company. It means that the company, because of excessive caution, inadequately uses external sources of finance. The opposite of overcapitalization is undercapitalization of a company. Undercapitalization is a lot more dangerous for the company because it arises while the firm is too indebted [Živělová, 2003].

- ***Undercapitalization ratio = (long-term liabilities + equity) / fixed assets***

Value of the ratio should definitely be higher than 1.

- ***Overcapitalization ratio = equity / fixed assets***

Undercapitalization ratio indicates a situation, when as a consequence of increase of assets a company seeks for additional sources of financing. Therefore it runs into debts, part of its fixed assets is covered by not own or long-term sources of finance but by short-term finances. There is an insolvency risk. That's why undercapitalisation is considered to be more dangerous than overcapitalisation, when a company doesn't use external sources of finance sufficiently.

[Source: http://www.eamos.cz]

3.3.5 Profitability (rentability) ratios

Profitability ratios measure the success of the firm at generating profits. They combine liquidity, utilization and insolvency indicators and show their influence to company's profit after taxes [Synek, 2003].

- ***Return on sales = net profit / sales***

The indicator measures a proportion of a net profit to a 1 CZK of sales. It evaluates a company's ability to transform inputs into outputs. In a timeline, the ratio should grow gradually (e.g. 5 % – 10 % – 15 %).

- ***Return on equity (ROE) = net profit / equity * 100***

This indicator is the most crucial one, because it measures the rate of return on the ownership interest (shareholders' equity). It measures a firm's efficiency at generating net

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profits from 1 CZK of money shareholders have invested. Management has three instruments to its control: return on sales (operating gearing), return on assets and financial gearing. ROE is viewed as one of the most important ratios when measuring financial efficiency. However, one has to be careful when using the ratio. There are three major problems connected.

1. timing problem (some activities, e.g. introducing the new assortment line, cause increase of cost and thus decrease of ROE, which will yet increase in the following years),

2. problem of risk, which is omitted by ROE (generally, higher the risk is higher the value of ROE is requested),

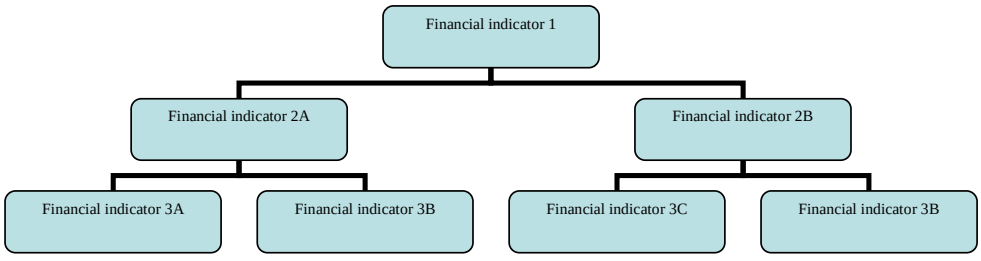
3. pricing problem, because the method uses historical booked values and not the market values.

- ***Return on cost = net profit / cost * 100***

The indicators states percentage proportion of company's profit to 1 CZK cost [Synek, 2003].

3.4 The analysis of pyramid system of indicators

The analysis of pyramid system of indexes enables to show mutual connections between financial indicators. Individual indicators are grouped together into systems, called pyramid systems of indexes. By using the pyramid systems of indexes, it is possible get into the substance of feature, to see the causalities. The pyramid systems are based on decomposition of top indexes [Živělová, 2003].



Picture 1: Pyramidal system

[Source: Živělová, 2003]

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3.5 Prediction of financial distress of company

Financial distress is a financial shape of a company, when the company records serious financial problems, that can't be solved otherwise than a radical change of its activity or structure.

The possibilities of prediction of financial distress of a company are always a matter of interest and research. We use ratio indicators and other forms of financial-accounting information. The term of "financial distress" is a direct opposite to term "financial health". Between these two extremes, there exists endless amount of financial shapes that can be described by various names. It's not possible to quantify a financial health of a company by a sole index.

There exist several basic groups of indicators of financial distress that can be expected in future: analysis of actual and future cash flows, analysis of financial-accounting statements, external characteristics (e.g. market value of shares) and indicators derived from it.

3.5.1 Prediction models

- ***One dimension model*** – they try to find simple characteristics (e.g. ratio indicators), that would be able to point out to companies, that are in financial distress.

This procedure is called profile analysis. The company is inserted into examined group, and other company without financial problems, from same field of business, is compared to it. For example 30 basic financial ratio indexes for 5 year period is compared.

- ***Multiple dimension models*** – they try to build a model consisting of more simple characteristics, for which various weighs are assigned [Grünwald, 1996].

3.5.2 Altman (Z-score) model

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

x_1 – Working capital / Assets

x_2 – Retained earnings / Assets

x_3 – (Profit before taxes + interest) / Assets

x_4 – Equity / Total liabilities

x_5 – Revenues/ Assets

[Grünwald, 1996]

Z	>	2,99	financially strong company
Z	=	1,81 – 2,99	company with certain financial problems
Z	<	1,81	company with serious financial problems

The more the Z coefficient reaches the value – 4, the higher is the risk of bankruptcy for company. Altman model is capable to predict bankruptcies approximately 2 years in advance [Konečný, 1997].

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Odstraněno: For companies carrying business in Czech environtment, in which significant factor is financial insolvency, the formula was supplemented with indicator x6, that represents ratio of payables after due date to total revenues. (Zdroj)

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Odstraněno: Z = 1,2 x1 + 1,4 x2 + 3,3 x3 + 0,6 x4 + 1,0 x5 + 1,0 x6¶
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4 Description of company

4.1 Basic information

Limited liability company, J.P. PLAST, s.r.o. is a company operating at south Moravia from 1992. It was founded by two partners, physical persons.

4.2 Shareholders and managing directors

Nowadays, there are four owners – physical persons. Their shares are split up as follows: 30 %, 30 %, 20 %, 20 %.

4.3 Primary business

– construction and production of moulding forms,

– production of plastic products,

– commercial trading activities,

–wastage management business,

– real-estate activities.

4.4 History

J.P. PLAST, s.r.o. was founded in 1992 by Mr. Jiří Šušák and Mr. Petr Holeček. From the very beginning, it has been concentrating on plastic package production using blow moulding technology. The company has gone through a dynamical development and nowadays takes up significant position on the market in the Czech Republic.

In 1998, the company relocated into our new manufacturing plant in Kyjov, which meets with all plastic production requirements and in 2004 the plant was extended of a new production hall and storage.

J.P. PLAST, s.r.o. manufactures packages, i.e. bottles, canisters, barrels in the range from 0,5 litre up to 60 litre and a lot of technical blow mouldings for various reason such as water tanks, road signs, parts for gardening technology and children car seats.

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Odstraněno: Plast

Throughout the years of development our company started focusing on technical mouldings mainly for automotive industry. The most important supplies are parts for fascia boards of SKODA OCTAVIA, OPEL CORSA.

As a part of capital interconnection and cooperation Moravaplast Břeclav produces closures and some other items using injection moulding technology and Terra Plast in the Ukraine produces up to 10 litre packaging.

The principal objective is to create conditions which our customer will be satisfied with and J.P. PLAST, s.r.o. will be linked with the highest quality. The key-stones of our company are high quality of offered products and services, adherence to ethic business relationships, care of our employees and sensitive approach to the environment.

J.P. PLAST, s.r.o. also supplies parts for air distribution system for new TOYOTA AYGO which is manufactured in TPCA Kolín.

4.5 Company's assortment

The company splits its production into three lines:

- Packaging material (products) – this product line forms the biggest part of company's production assortment (approximately 67 %). The product line is represented by canisters, bottles and barrels.
- Production for automotive industry (22 %) – mainly products for Daewoo-Avia, Škoda Auto and TPCA Kolín.
- Technical parts – mouldings (11 %) – main customer in this assortment line is company Black & Decker.

Packaging products

Technology of extrusion blow moulding allows a production of miscellaneous assortment of packages that come in useful in various activities and we meet them practically every day. Products of company J.P. PLAST, s.r.o. can be sorted out according to market segments they supply. The most important ones are food processing industry, construction

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and pharmacy industry. These segments of industry are supplied by packaging products – bottles, canisters, cans and barrels with capacity of 0,5 litre up to 60 litres. These packages are, in order to achieve better capacity determination and manipulation, furnished with tangible measuring scale. Coloured products are supplied with sight-glass. Containers can be closed by various types of closures, e.g. classical screw ones, closures with child safety catch, or closures with release tap.

Automotive industry products

Among these products we can rank plastic technical components supplied into newly designed cars (Škoda Octavia, Opel Corsa, Daewoo-Avia) and, in particular, air duct parts for cars manufactured in automotive plant TPCA Kolin (Toyota). They are produced in black style and they have to fulfill very strict attestation in respect to inflammability and content of heavy metals.

Blow moulding technology products

Blow moulding technology products are used as components for other industrial products. Prime customers are Meyester CZ, Black & Decker Ltd., ETA a.s.

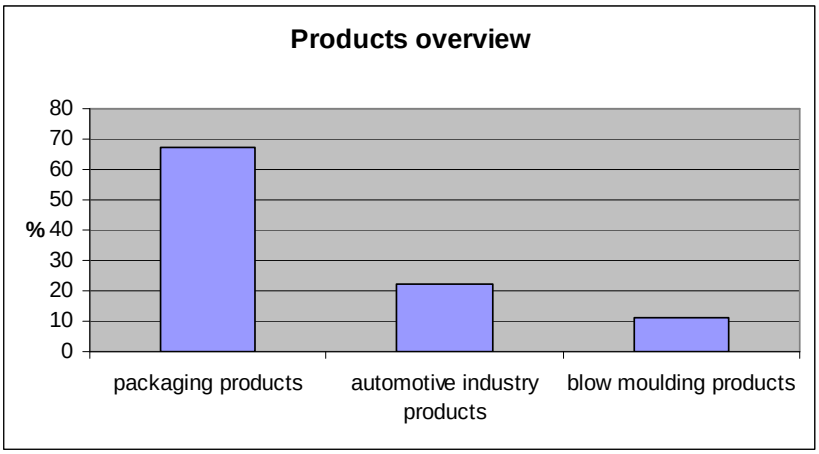

Diagram 1: J.P. PLAST, s.r.o. products overview

[Source: Own workings based on data from company]

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4.6 Competitors, market and customers

There are several producers in Czech Republic, who are direct competitors of J.P. PLAST, s.r.o. The most important ones are:

- LP PLAST s.r.o., Valašské Klobouky,
- Greiner Packaging Slušovice s.r.o.,
- Motoron s.r.o., Načeradec,
- Jan Kašník – DIXI Hlohovec,
- Kautex Textron Bohemia s.r.o., Kněžmost,
- Mergon Czech s.r.o., Brno,
- Sotallia a.s., Ostrava,
- Polfin Ploština s.r.o., Újezd u Valašských Klobouk

Foreign competitors do not pose a threat. This is chiefly caused by high transportation cost. When transporting packaging products, it is strictly speaking, "air" that is transported. Thus, consignment shipped for greater distances noticeably influence total purchase price of a product. Despite this fact, Czech market is being supplied by few foreign companies, e.g. E + E VERPACKUNGSTECHNIK GmbH & Co. KG (Germany), Emballator Lagan Plast AB (Sweden), Plasti – Bac (France). However, share of these companies on Czech market is insignificant.

Market share of company on Czech packaging materials market is approximately 36 %. The share is significantly lower on market of blow moulding technology products, because there exist huge number of types of these products. Market share is approximately 10 %. Nevertheless, regarding moulding technology products used in automotive industry, the company is the sole supplier in Czech Republic.

Nowadays, the company sells 90 % of its production on domestic market and the residual 10 % is exported. Low export, similarly as low import of competitive product on Czech market, as it was already mentioned, is chiefly caused by high transportation cost. The biggest export share ends up in neighbouring Poland and Slovakia (approximately 70 %). The residual 30 % is exported to Austria, Germany and France.

Naformátováno: Angličtina (Velká Británie)
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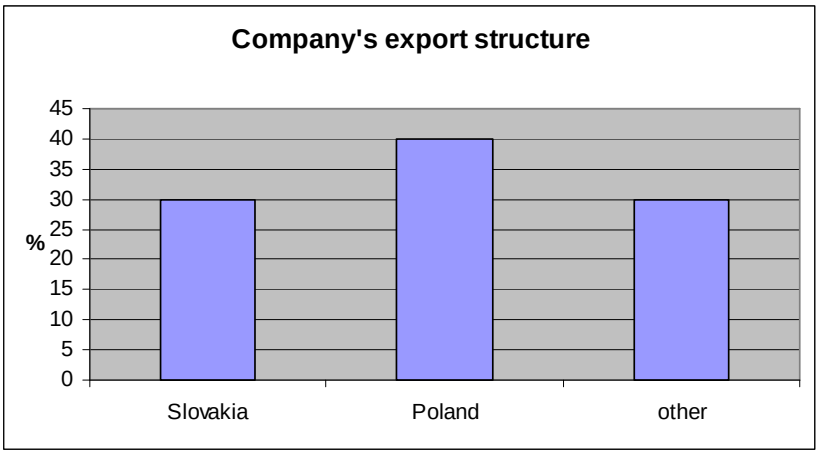


Naformátováno: Angličtina (Velká Británie)

Odstraněno: <sp>

Diagram 2: Company's export structure

[Source: Own workings based on data from company]

Most important customers of J.P. PLAST, s.r.o. are following companies:

Naformátováno: Angličtina (Velká Británie)

- PEGUFORM PLASTIC – 16 %,
- CHEPORT – 8 %,
- Jiří Dobiáš + VDD 7 %,
- DF Partner – 5,5 %,
- BOCHEMIE – 4,5 %,
- HEKRA – 4,5 %,
- J.P. PLAST Slovakia – 3,5 %,
- BLACK & DECKER – 3 %,
- VDP – 3 %,
- Other customers – 45 %.

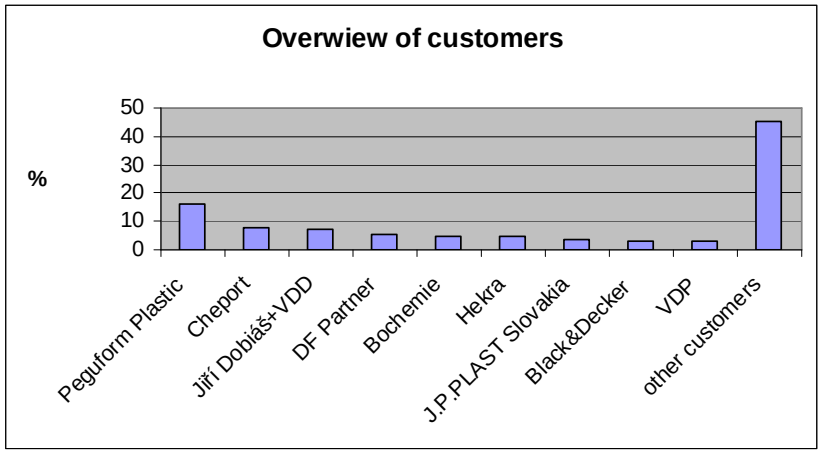


Diagram 3: Overview of company's customers

[Source: Own workings based on data from company]

As we can find out of above diagram, the company supplies its production to great amount of small customers, therefore the company does not depend on any of them.

The aim is a satisfied customer. Company's basic principles are ability to supply products on timely manner and in high quality, adherence to ethic business relationships, care of our employees and sensitive approach to the environment. For company, it is important to achieve and maintain professionalism, credibility, 100% customer orientation and helpful relationship that respect both customers requirements surroundings expectations.

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

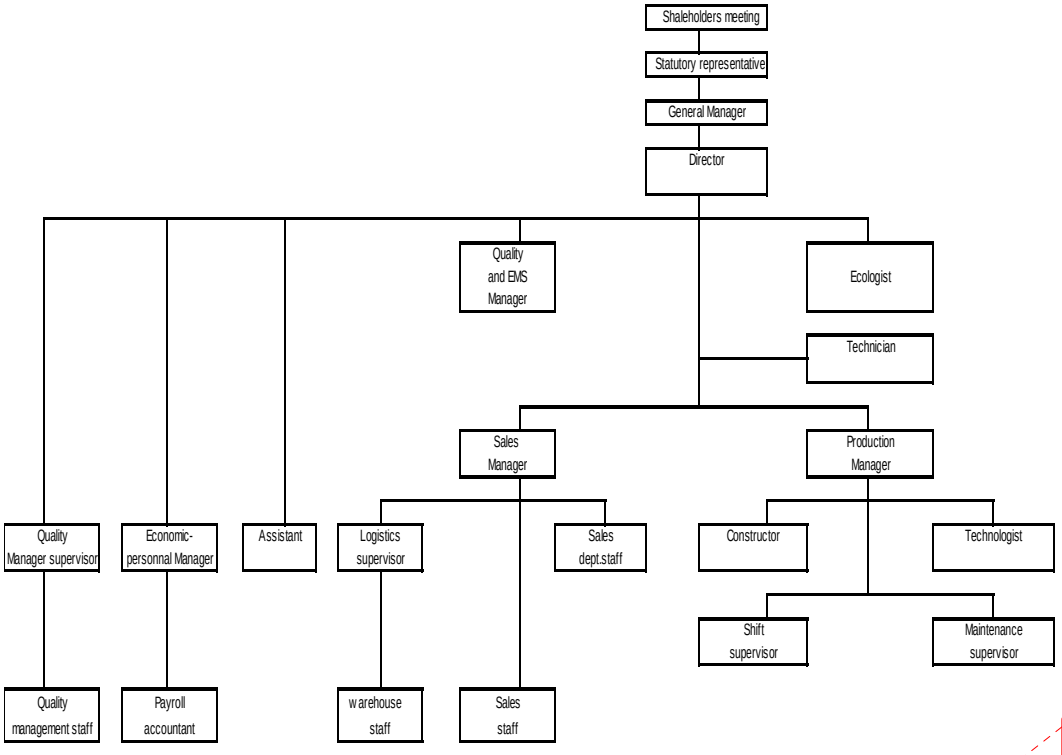
Komentář [p4]: opakuje se kapitola 4.4 historie!

Naformátováno: Angličtina (Velká Británie)

Odstraněno:

4.7 Organizational chart of company

Naformátováno: Angličtina (Velká Británie)



Naformátováno: Angličtina (Velká Británie)

Picture 2: Organisational chart of company J.P. PLAST, s.r.o.

Naformátováno: Angličtina (Velká Británie)

[Source: Own workings based on data from company]

Naformátováno: Angličtina (Velká Británie)

EMS ..... Environmental Management System

On the top of company's organisational structure, there is shareholders meeting. Statutory bodies consist of four statutory representatives (owners of the company). They manage the company's activities, act on behalf of company and control the key decisions. The top management of company represents General Manager, who is in charge of both subsidiary and mother company. Day to day activities of J.P. PLAST, s.r.o. are managed by Director of the company.

5 Analysis of financial indicators of company

5.1 Horizontal analysis

Horizontal analysis uses absolute and differential indicators. Percentage changes of individual lines of financial statements are computed and compared to previous period financial statements values.

5.1.1 Balance sheet horizontal analysis

In the balance sheet below, there are both relative and absolute changes of individual numbers, for period 2001 – 2005.

Indicator / change	2002 / 2001		2003 / 2002		2004 / 2003		2005 / 2004	
	Δ	%	Δ	%	Δ	%	Δ	%
TOTAL ASSETS	**13 356**	**12,01**	**18 664**	**14,99**	**154 104**	**107,63**	**58 080**	**19,54**
receivables for subscribed capital	-550	-100,00	0	0,00	0	0,00	0	0,00
fixed assets	**11 849**	**22,05**	**11 580**	**17,65**	**115 508**	**149,67**	**56 431**	**29,29**
intangible fixed assets	-6	-100,00	0	0,00	0		0	
tangible fixed assets	11 876	22,63	11 233	17,46	116 812	154,55	-47 325	-24,60
long-term investments	-21	-1,66	347	27,85	-1 304	-81,86	103 756	35901,73
current assets	**3 333**	**6,33**	**3 691**	**6,59**	**1 486**	**2,49**	**4 791**	**7,83**
inventories	5 237	55,22	-2 718	-18,46	1 467	12,22	6 731	49,97
long-term receivables	0	0,00	-3 498	-81,42	6 054	758,65	-2 562	-37,39
short-term receivables	-2 224	-6,12	8 797	25,80	-6 001	-13,99	1 063	2,88
financial assets	320	12,40	1 110	38,28	-34	-0,85	-441	-11,09
accruals and deferrals	**-1 276**	**-30,49**	**3 393**	**116,64**	**37 110**	**588,86**	**-3 142**	**-7,24**
TOTAL LIABILITIES AND EQUITY	**13 356**	**12,01**	**18 664**	**14,99**	**154 104**	**107,63**	**58 080**	**19,54**
equity	**16 175**	**203,28**	**-6 742**	**-27,94**	**4 831**	**27,78**	**12 126**	**54,57**
share capital	1 000	100,00	3 000	150,00	0	0,00	0	0,00
capital contributions	2 000	200,00	-2 639	-87,97	-2 156	-597,23	-15	0,84
reserve funds	-58	-13,18	300	78,53	4	0,59	62	9,04
hretained earnings	286	11,88	-1 369	-50,82	10 106	762,72	6 839	59,83
profit(loss) for the current period	**12 947**	**416,44**	**-6 034**	**-37,58**	**-3 123**	**-31,16**	**5 240**	**75,95**
liabilities	**-1 790**	**-1,77**	**25 859**	**26,04**	**121 250**	**96,88**	**74 205**	**30,11**
provisions	-1 570	-28,19	2 000	50,00	-3 398	-56,63	155	5,96
long-term liabilities	3 769	87,73	-443	-11,75	12 594	378,65	140 757	884,15
short-term liabilities	-1 496	-3,83	20 782	55,39	46 011	78,92	-47 700	-45,73
bank loans and overdrafts	-2 493	-4,41	3 520	6,52	66 043	114,79	-19 007	-15,38
accruals and deferrals	**-1 029**	**-48,61**	**-453**	**-41,64**	**28 023**	**4413,07**	**-28 251**	**-98,58**

Table 1: Horizontal analysis of selected balance sheet items (in ths. CZK, in %)

[Source: Own workings based on company data]

Development of company's assets

First of all, development of assets was watched. Both percentage and absolute changes were monitored. Development of total assets was steady up to year 2004. Regarding the percentage change, the greatest increase was reached between years 2003 and 2004, concretely by 107,63 %.

In year 2004, the increase was caused by increase of tangible fixed assets. Company wasn't able to satisfy increasing demand for its products with standing production capacity and management decided to increase the fixed assets value by purchasing new machinery and by constructing a new assembly hall. Increase of advance payments was caused by high advance payment rendered for purchase of the new machinery in the amount of 28,4 million CZK. The advance payment was financed by a bank loan.

Komentář [p5]: ma to logiku? zalohy nejsou v tabulce nahore

Naformátováno: Angličtina (Velká Británie)

In 2005, financial assets increased. This was caused by purchase of share in related party company.

There is a different trend in development of current assets. From 2001 till 2005 they keep increasing steadily. Only in 2004, there was a conversion of short-term receivables to long-term receivables.

When observing the development of other assets, we can spot similar situation as it is at fixed assets. In 2004 and 2005, the percentage increase amounted to 588,86 %, which significantly impacted other assets. The increase was caused by including the future leasing payments into accruals and deferrals.

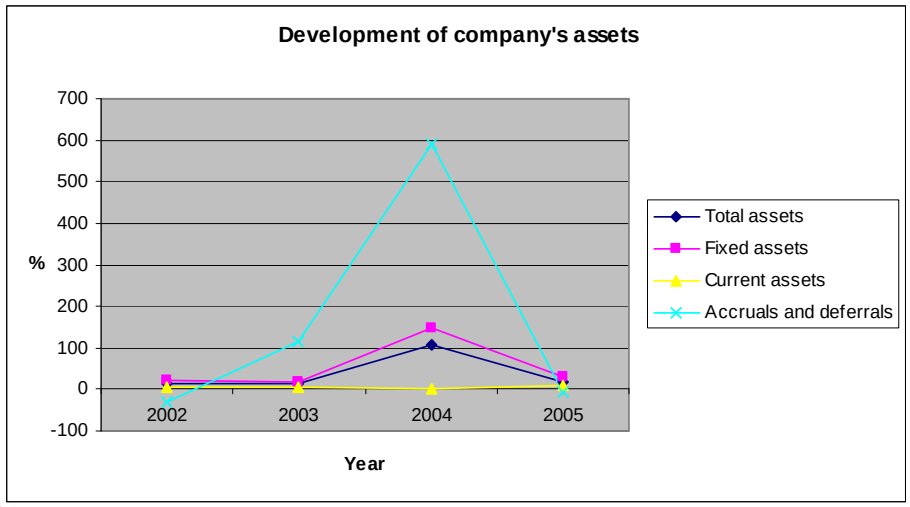


Diagram 4: Development of company's total, fixed and current assets

[Source: Own workings based on company data]

Development of company's liabilities and equity

Development of total amount of liabilities and equity, as it results from balancing principle, is similar as development of total assets. Similarly, both percentage and absolute changes were monitored.

Equity chiefly consists of profit for the financial period – both retained earnings and profit/loss for current period. In 2003, share capital was increased by 150 % i.e. from 2 million CZK to 5 million CZK. For the whole monitored period, there were increases of equity.

Regarding liabilities, except for year 2002, they are increasing through the whole monitored period. Because the company invested rapidly into fixed assets in year 2004, liabilities had to increase as well. The company financed these investments mainly by external sources of finance. In year 2004, liabilities increased by 96,78 %. Biggest proportion of that represented bank loans and short-term and long-term liabilities as well. Amount of long term liabilities was influenced by purchase of related party company (see assets) and instalments were spread. Accrual and deferrals movements are connected with machinery purchase. Machinery was activated, but disbursed later.

Naformátováno: Písmo: 12 b., Angličtina (Velká Británie)

Změněn kód pole

Odstraněno: <sp>

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

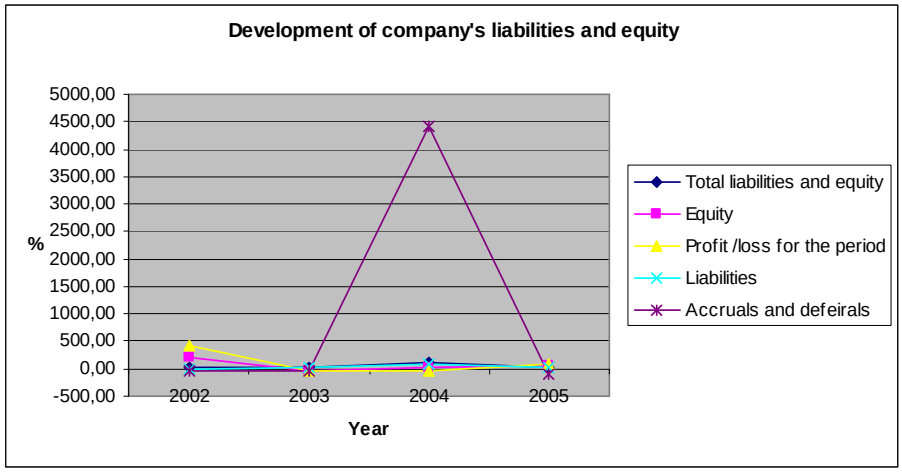


Diagram 5: Development of company's liabilities and equity

[Source: Own workings based on data from company]

5.1.2 Horizontal analysis of income statement

In the income statement below, there are both relative and absolute changes of individual numbers, for period 2001 – 2005.

Indicator / change	2002 / 2001		2003 / 2002		2004 / 2003		2005 / 2004	
	Δ	%	Δ	%	Δ	%	Δ	%
business margin	1 039	44,04	659	19,39	1 782	43,92	2 616	44,80
sales	5 562	4,94	1 352	1,14	15 005	12,56	35 218	26,19
cost of sales	-6 077	-7,73	5 648	7,79	18 997	24,31	20 793	21,40
of that: mat.and energy consumed	-6 005	-10,00	6 051	11,19	9 861	16,40	15 097	21,57
services	-72	-0,39	-403	-2,19	9 136	50,67	5 696	20,97
added value	**12 678**	**34,90**	**-3 637**	**-7,42**	**-2 210**	**-4,87**	**17 041**	**39,48**
staff cost	1 631	8,80	1 586	7,87	4 373	20,11	7 529	28,82
depreciation	-528	-6,55	-1 418	-18,83	1 951	31,93	4 123	51,14
sale of assets and material	-6 335	-25,13	-6 198	-32,85	-1 855	-14,64	6 315	58,39
NBV of assets nad mat.sold	-9 709	-39,52	-3 204	-21,56	-2 198	-18,86	5 837	61,72
operating result	19 525	295,56	-9 764	-37,37	-2 869	-17,53	8 590	63,64
financial result	1 318	-25,21	-548	14,02	-1 672	37,51	-270	4,40
tax on profit or loo on ordin act.	**4 576**	**287,98**	**-4 278**	**-69,39**	**-1 418**	**-75,15**	**3 084**	**657,57**
result on ordin activ after tax	16 267	-7709,48	-6 034	-37,58	-3 123	-31,16	5 236	75,90
extraordinary profit/loss	**-3 320**	**-100,00**	**0**	**0,00**	**0**	**0,00**	**0**	**0,00**
net profit/loss for the period	12 947	416,44	-6 034	-37,58	-3 123	-31,16	5 240	75,95

NBV …. net book value

Table 2: Horizontal analysis of selected income statement items (in ths. CZK, in %)

[Source: Own workings based on data from company]

In table 2, there is substantial part of horizontal analysis is of income statement included – items, that participated a lot on revenues and cost. As it clear from the table, revenues from sales of production were increasing constantly. This is caused by steady company's expanding by assembly halls, machinery and employees as well. The growth in cost of sales is caused not only by amount of main material consumed (polyethylene liten), but also by increase of its price. This fact is closely connected to crude oil price on market.

Very important item in income statement is added value. For each single firm, it is important to reach its steady growth. The company achieved increase of added value in first years and in last year – 2005. In the meanwhile, the decrease is not such significant (- 7,42 % and - 4,87 %).

Historically, the highest operational result was reached in year 2002. This was caused by high sales, low prices of material purchased, low leasing cost. In other years, operational result fluctuates.

Profit/loss for the financial period (after corporate income tax) is, except for operating result, influenced also by financial result and corporate income tax. This tax had highest influence on profit in year 2002. The added value of information about corporate income tax itself is not high. During the monitored period, corporate income tax rate changed from 31 % to 26 %.

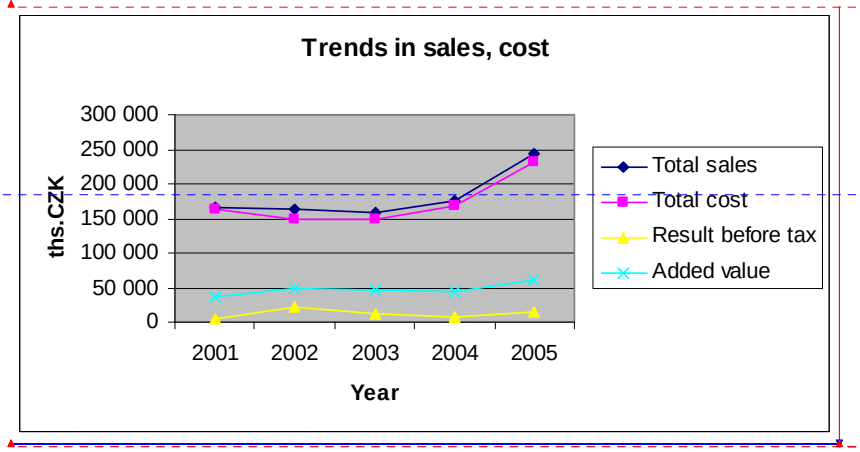


Diagram 6: Sales, cost of sales, result before taxes, added value

[Source: Own workings based on data from company]

Komentář [p8]: uprava! – ths. CZK pootocit

Změněn kód pole

Naformátováno: Písmo: 12 b., Angličtina (Velká Británie)

Odstraněno: <sp>

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Odstraněno: ths. CZK

Komentář [p9]: co je tohle za cislo? jaky je to radek v tabulce?

Naformátováno: není zvýrazněné

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

5.2 Vertical analysis

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

When carrying out vertical analysis, we compare individual items of financial statements to a set benchmark. In the balance sheet, as a basis for percentage comparison, total assets were set. In the income statement we use as a basis total sales and cost of sales.

In the balance sheet, we usually set a total value of assets as a basis. In this concept, balance sheet items are compared to total value of assets (liabilities and equity). In the income statement, total sales are usually used as a basis.

Thanks to vertical analysis, we can find out, whether in our monitored period, there were changes in assets and liabilities and equity structure, in structure of sales and cost of sales and whether individual items increased or decreased compared to total value of assets (sales).

Substantial advantage of vertical analysis, compared to horizontal analysis, is a fact, that vertical analysis is not distorted by year to year inflation. Therefore, vertical analysis is suitable for comparison of more years or for comparison of companies of various sizes. On the contrary, disadvantage is that vertical analysis does not show the causes of changes. It only states the changes.

5.2.1. Vertical analysis of balance sheet

	2001	2002	2003	2004	2005
TOTAL ASSETS	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
receivables for subscribed capital	0,5%	0,0%	0,0%	0,0%	0,0%
fixed assets	48,3%	52,7%	53,9%	64,8%	70,1%
intangible fixed assets	0,0%	0,0%	0,0%	0,0%	0,0%
tangible fixed assets	47,2%	51,7%	52,8%	64,7%	40,8%
long-term investments	1,1%	1,0%	1,1%	0,1%	29,3%
current assets	47,4%	45,0%	41,7%	20,6%	18,6%
inventories	8,5%	11,8%	8,4%	4,5%	5,7%
long-term receivables	3,9%	3,5%	0,6%	2,3%	1,2%
short-term receivables	32,7%	27,4%	30,0%	12,4%	10,7%
financial assets	2,3%	2,3%	2,8%	1,3%	1,0%
accruals and deferrals	3,8%	2,3%	4,4%	14,6%	11,3%
TOTAL LIABILITIES AND EQUITY	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
equity	7,2%	19,4%	12,1%	7,5%	9,7%
share capital	0,9%	1,6%	3,5%	1,7%	1,4%
capital contributions	0,9%	2,4%	0,3%	-0,6%	-0,5%
reserve funds and other funds	0,4%	0,3%	0,5%	0,2%	0,2%
retained earnings	2,2%	2,2%	0,9%	3,8%	5,1%
profit/loss for the current period.	2,8%	12,9%	7,0%	2,3%	3,4%
liabilities	90,9%	79,7%	87,4%	82,9%	90,2%
provisions	5,0%	3,2%	4,2%	0,9%	0,8%
long-term liabilities	0,0%	3,0%	2,3%	5,4%	44,1%
short-term liabilities	35,1%	30,1%	40,7%	35,1%	15,9%
bank loans and overdrafts	50,8%	43,4%	40,2%	41,6%	29,4%
accruals and deferrals	1,9%	0,9%	0,4%	9,6%	0,1%

Table 3: Vertical analysis of selected balance sheet items (in %)

[Source: Own workings based on data from company]

Naformátováno: Písmo: 13 b., Angličtina (Velká Británie)

Naformátováno: Písmo: 13 b., Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Změněn kód pole

Naformátováno: Písmo: 12 b., Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Proportion of fixed assets on total assets increases for the whole monitored period 2001 to 2005, which is demonstrated by diagram 7. In year 2001, fixed assets amounted to 48,3 % of total assets and current assets amounted to 47,4 % of total assets. However, this, almost equal proportion inverts gradually. The share of fixed assets keeps on increasing, in year

2005 it is already 70,1 % and current assets decrease to 29,3 %. Long-term investments increased up to 29,3 % in 2005. This is caused by purchase of share in related party company. Regarding current assets, its development is driven by movements of inventories. These are decreasing, because the company established a consigned storehouse for primary material polyethylene liten. Receivables, when compared to total assets as a percentage, decrease.

Accruals and deferrals solely comprise of prepayments. Prepayments were booked by company, because the company arranged financial leasing of fixed assets.

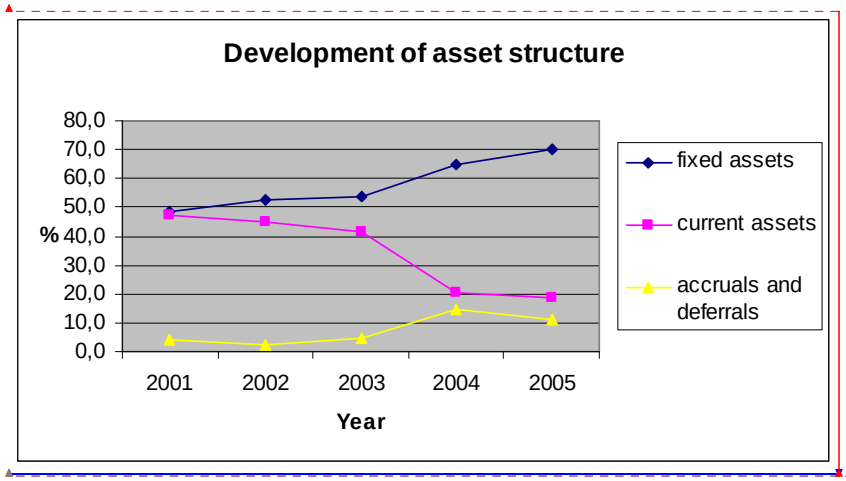


Diagram 7: Development of asset structure (in %)

[Source: Own workings based on data from company]

Total liabilities and equity of J.P. PLAST, s.r.o. last consist of equity, liabilities and accruals and deferrals. As it is clear from diagram 8, liabilities exceed equity several times in the whole monitored period. Such a high value of liabilities is closely connected with constant expanding of company (see fixed assets). Optimal proportion of equity and liabilities is not exactly set. First capital structure rule recommends equity to liabilities ratio 1:1. For quickly growing companies we can accept ratio up to 25:75. High indebtedness might cause financial problems. Thus, the risk that the company would not be able to settle its debts in timely manner, rises. Ratio analysis should tell us more. Negative amounts in capital contributions line is caused by recalculating the negative equity of subsidiary companies.

Komentář [p10]: upravit graf

Naformátováno: Písmo: 12 b., Angličtina (Velká Británie)

Odstraněno: <sp>

Změněn kód pole

Naformátováno: Angličtina (Velká Británie)

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Naformátováno: Angličtina (Velká Británie)

Odstraněno: omputing

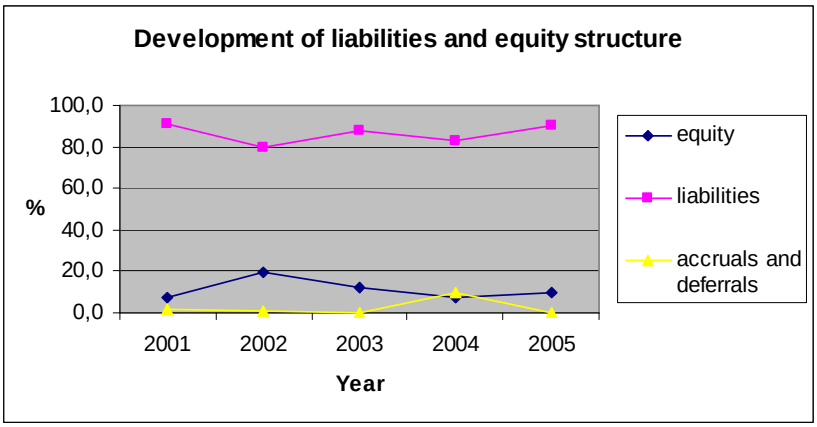

Diagram 8: Development of liabilities and equity structure (in %)

[Source: Own workings based on data from company]

5.2.2. Vertical analysis of income statement

	2001	2002	2003	2004	2005
Total sales	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
sales of goods	13,7%	15,2%	15,5%	16,2%	20,0%
sales of own production	67,8%	71,8%	75,8%	76,9%	69,4%
sale of assets and raw. mater.	15,2%	11,5%	8,0%	6,2%	7,0%
other operating income	0,1%	0,5%	0,1%	0,1%	2,7%
extraordinary income	1,2%	1,0%	0,6%	0,5%	0,9%
mimořádné výnosy	2,0%	0,0%	0,0%	0,0%	0,0%
Total cost	**100,0%**	**100,0%**	**100,0%**	**100,0%**	**100,0%**
cost of goods sold	12,5%	14,6%	13,8%	13,4%	17,4%
cost of sales	48,2%	48,8%	52,9%	57,8%	50,7%
staff costs	11,4%	13,6%	14,7%	15,6%	14,5%
depreciation	5,0%	5,2%	4,2%	4,9%	5,3%
NBV of assets and mater.	15,1%	10,0%	7,9%	5,6%	6,6%
other operating charges	2,3%	0,0%	1,5%	-1,8%	0,3%
interest paid	3,4%	2,7%	2,3%	1,9%	1,8%
other financial expenses	1,1%	1,0%	1,3%	2,3%	1,9%
income tax	1,0%	4,2%	1,3%	0,3%	1,5%

Table 4: Vertical analysis of income statement (in %)

[Source: Own workings based on data from company]

Vertical analysis of income statement shows that sales of own production comprise most of total sales. Sales of raw material range from 6,2 % to 15,2 %.

Cost of sales is the greatest item on cost. This is caused mainly by consumption of material. Staff costs range from 11,4 % to 14,5 %.

Odstraněno:

Naformátováno: Angličtina (Velká Británie)

Odstraněno: to 6,2 %

5.3 Ratio analysis

5.3.1 Liquidity indicators

Naformátováno: Písmo: 13

Naformátováno: Písmo: 13

Liquidity refers to a company's ability to meet its obligation. Information relating to liquidity are crucial mainly for finance institutions, company's business partners, but for company itself as well and also for competition. Liquidity indicators may be distinguished into three categories, which are: Current ratio (working capital ratio), quick ratio (acid-test ratio) and cash ratio (liquidity ratio). All these ratios are quantified in table 5 below.

Naformátováno: Písmo: 12 b., Angličtina (Velká Británie)

Odstraněno: <sp>

Změněn kód pole

Selected ratios descriging company's solvency					
	2001	2002	2003	2004	2005
current ratio	1,35	1,49	1,02	0,59	1,17
quick ratio	1,11	1,10	0,82	0,46	0,81
cash ratio	0,07	0,08	0,07	0,04	0,06

Table 5: Selected ratios describing company's solvency

[Source: Own workings based on data from company]

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Current ratio is a comparison of firm's current assets to its short-term (current) liabilities. It shows, how many times a company is able to meet short-term obligations, if, at a certain point in time, company would change all current assets to cash. It is obvious that the ratio is strongly influenced by the amount of short-term liabilities. Recommended value for this ratio is between 1,5 and 2. In monitored period, the company never reached it. Company was closest to the recommended value in year 2002. On the contrary, in year 2004, the worst ratio was achieved. In this year, we can note hundred-per-cent increase of trade payables and increased payables to shareholders.

When deducting inventories (since it is the least liquid current assets item) from numerator of current ratio we get *quick ratio*. Quick ratio value should range between 1 and 1,5. Only in years 2001 and 2002 the ratio is slightly higher than the optimum. Its value in year 2004 indicates that 1 CZK of short-term liabilities was covered by 0,46 CZK of current assets.

The *cash ratio*, which is also known as the liquidity ratio, is defined as a proportion of financial assets (cash in hand and bank accounts) and short-term liabilities of company. It shows immediate ability of company to meet its obligations. Recommended values of this ratio range between 0,2 and 0,5. Values that were achieved by the company depict that the company is not able to meet its obligations by cash. In year 2004, the company is able to satisfy creditors only 0,04 times, in case it would change all financial assets into cash.

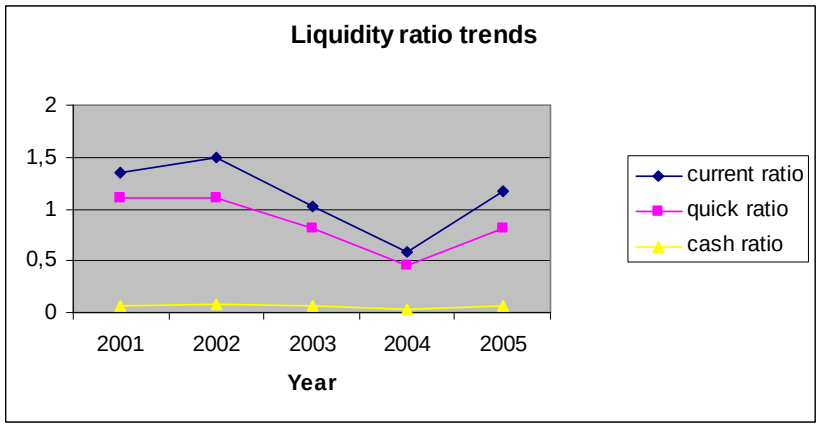

Diagram 9: Liquidity ratios trends

[Source: Own workings based on data from company]

All three liquidity ratios reached very low values in the monitored period. This is caused by short-term debts. If we look at the diagram, we can see that from year 2002 the values decrease and from year 2004 they have rising tendency.

5.3.2. Asset utilization ratios

Asset utilization ratios, also known as turnover indicators measure how effectively a company manages its assets. If it has more assets than it is useful, extra costs arise and thus low profit is reached. If a company has less assets than it is useful, it loses revenues that could be gained.

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Asset utilization ratios					
Ratio	**2001**	**2002**	**2003**	**2004**	**2005**
Inventory turnover	14,35	9,80	11,95	12,24	11,01
Inventory turnover in days	25,40	36,73	30,13	29,41	30,70
Day's sales in receivables	108,21	95,81	109,70	95,52	68,40
Fixed asset turnover	2,57	2,24	1,90	0,86	1,53
Total asset turnover	1,22	1,16	1,00	0,55	0,63

Table 6: Asset utilization ratios

[Source: Own workings based on data from company]

Inventory turnover ratio reaches the average value. Higher the ratio is, better for company. That means that there aren't any illiquid inventories. Highest value was achieved in year 2001, when it was 14,35. On the contrary, the worst value was in year 2002, the ratio reached only 9,80.

Inventory turnover ratio is closely connected with *inventory turnover in days*. Low values of this ratio mean that inventories are kept too long at storehouse. Best result was, again, achieved in year 2001. Value 25,40 means that current assets were, in average, kept at storehouse for 25,40 days. High values of ratio are caused by low inventories utilization.

Day's sales in receivables indicator shows both the age, in terms of days, of a company's accounts receivable and the average time it takes to turn the receivables into cash. The aim is to reduce the period as possible. Company's average days are about 95 days (standard time is 50 days). Extending of receivables due date is general phenomenon in Czech economy. The reason is not due to fact that account receivables aren't settled in due date, but because customers claim new and longer contractual payment conditions.

Fixed asset turnover reached very low values. In the monitored period, it ranges between 0,86 and 2,57. Standard benchmark for this indicator is considered to be 5,1. The reached values in this indicator are significantly under average. This manifests that the company poorly utilizes its buildings, machinery, individual tangible fixed assets and other assets. Fixed assets are mainly newly purchased, therefore their net book value is high and turnover indicator is low. In year 2005 the improvement is remarkable.

Total asset turnover measures a company's efficiency at using all its assets in generating sales or revenue. Generally, the higher the total asset turnover is the better for company. Reached numbers, similarly as previous indicator, are decreasing steadily. Low value of indicator demonstrates that business activity is on low level and it there is a need to increase it (increase sales), get rid of part of assets or combine both methods.

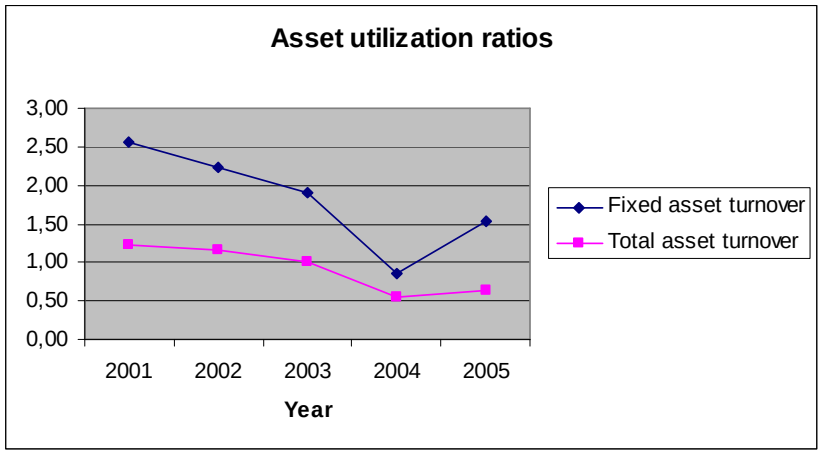

Diagram 10: Asset utilization ratios

[Source: Own workings based on data from company]

Generally, the company can be, from the point of view of asset utilization ratio indicators, assessed as average or below average. Negative results are reached mainly by both fixed asset turnover and total asset turnover (see diagram 10). The company annually increases assets value (particularly tangible fixed assets), but is unable compensate this increase by increase of revenues. Year 2004 was the worst regarding asset utilization. When analyzing, it's necessary to realize that in this year, tangible fixed assets increased by 116 million CZK. This significant increase was caused by a need for expanding the current manufacturing capacity, so that the company would be able to begin cooperation with automotive industry. Both buildings and machinery are new, not amortized. In the following years, the indicator should improve, which is possible to find out also from diagram 10.

Změněn kód pole

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5.3.3 Insolvency ratios

To determine the total amount of required capital and the right composition of company's sources of finance (also known as financial structure) rank among basic problems of financial management. Proportion of a company's equity to its liabilities (debt financing) differs in various countries, but also in companies conducting business in other industry. For example, there is a requirement of a bank to keep equity to asset ratio of company J.P. PLAST, s.r.o. 20:80 to 25:75 in a long term horizon. The ratio was recommended by experts – financial analyst specialising in plastic industry. General principle applied is to keep equity, if possible, higher than external sources of finance. This is due to fact that debts will have to be repaid. Low proportion of equity to debt is generally considered as a financial weakness of a company and it endangers its financial stability due to relying on debt financing. Recommended proportion of debts on total equity and liabilities is 35 % in the average. However, in practice the amount can't be set exactly. The ratio always has to be compared in relation with overall profitability.

For the purposes of the bachelor thesis, five debt indicators are calculated – debt to asset ratio, equity to asset ratio, financial gearing, interest cover and under-capitalization ratio.

	2001	2002	2003	2004	2005
Debt to asset ratio	92,84%	80,62%	87,85%	92,52%	90,33%
Equity to asset ratio	7,16%	19,38%	12,15%	7,48%	9,67%
Financial gearing	13,97	5,16	8,23	13,38	10,35
Interest coverage ratio	1,20	6,43	4,89	4,27	5,38
Under-capitalization ratio	0,15	0,43	0,27	0,20	0,77

Table 7: Debt ratios analysis

[Source: Own workings based on data from company]

Debt to asset ratio values reached high values in the whole five year period. This indicates significant share of external sources of finance on equity (see table 7). The company beared the highest indebtedness in years 2001 and 2004, namely over 90 %. The company pays off high bank loans, which are provided for purchases of tangible fixed assets. In year 2004 there was unfavourable influence of accruals and deferrals. In year 2005, new current account was opened to finance current assets. The ratio didn't decrease as it was supposed to. Unfavourable situation is caused by rapid expansion ant the

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company has to try to achieve decreasing of the ratio. Company owners can retain their earnings in company or consider increasing the equity from private financial resources. Lack of cash can also be solved by admission of a rich investor into company.

Complementary indicator to debt to asset ratio is *equity to asset ratio*. It evaluates the same area as debt to asset ratio does, but from owners point of view. Sum of these two ratios has to be 100 %. Higher the value of ratio is, more independent the company is and the owners don't have to worry about company being more and more indebted. If the ratio reaches more than 30 %, financial situation can be characterized as favourable and depending on the situation, it can be decided, whether a company's profit is high enough. In our case, the values are very low. In year 2001, the company was able to cover its total assets only by 7,16 % with equity. In year 2002, its assets are equity covered by 19,38 %. In the following years, the ratio decreases again

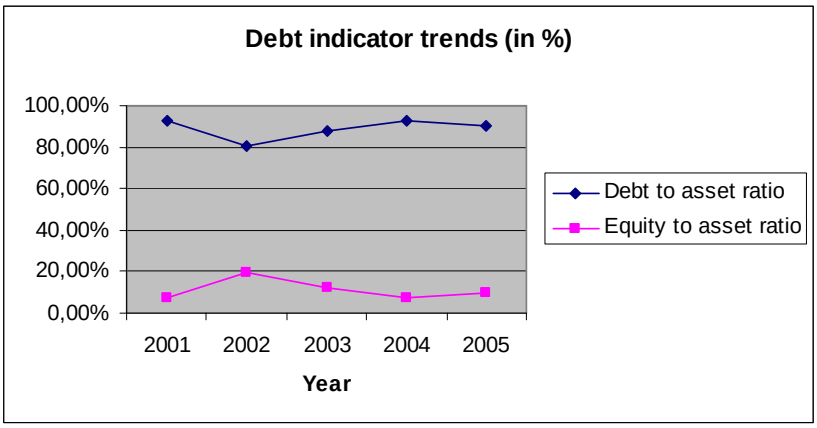

Diagram 11: Debt indicators trends (in %)

[Source: Own workings based on data from company]

Financial gearing ratio reflects changes in indebtedness of a company in respect to changes of return on equity. It is very important when analyzing profitability of a company by pyramid system of indicators.

Interest coverage reached, except for year 2001, positive and acceptable values. It exceeded the minimum value of 3 in all following years, when profit covers interest expense almost six times.

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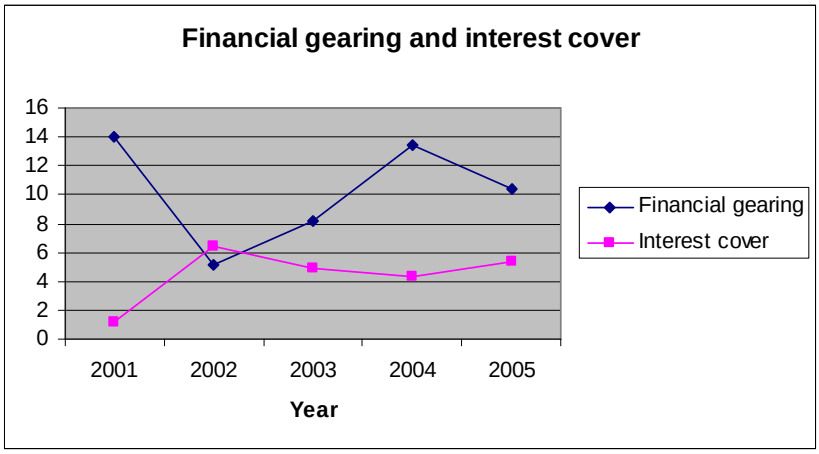

Diagram 12: Financial gearing and interest cover

[Source: Own workings based on data from company]

When watching the undercapitalization ratio of company, we find out that it didn't reach value 1 in none of monitored years. This means that fixed assets are not covered by long term equity, which should be high enough not only to enable financing of fixed assets but also to create enough amount of working capital that is essential to keep the business running. This is caused mainly by high long-term loans, increase of day's sales in receivables, low value of equity to asset ratio, and by unfavourable liquidity ratios as well. Keeping the formula long term liabilities + equity / fixed assets is also known as "golden balancing rule".

5.3.4 Profitability ratios

Profitability ratios (see table 8) rank among the most important financial indicators that assess company's business activity. They inform on the outcome of company's effort. Profitability is a benchmark measuring company's ability to create new sources and gain profit thanks to capital invested.

Construction of profitability ratios and their calculation differs in various countries. Numerator of formula is not unambiguously defined and also opinions on what exactly invested capital (number used as denominator of formula) differ.

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Profit set into formulas numerator can be defined in many ways and often the choice depends only on analyst and a purpose, analysis is used for:

- earnings before interest and taxes (EBIT),
- earnings before long term interest and taxes
- earnings before taxes (EBT)
- earnings after taxes (EAT)
- earnings plus interest paid

For my analysis, earnings after taxes were used (EAT)

Profitability indicators					
Indicator	**2001**	**2002**	**2003**	**2004**	**2005**
Return on sales (ROS)	1,87	9,76	6,36	3,95	4,96
Returrn on equity (ROE)	39,07	66,53	57,63	31,05	35,34
Return on cost (ROC)	1,91	10,81	6,79	4,11	5,22

Table 8: Profitability ratios analysis (in %)

[Source: Own workings based on data from company]

Return on sales gives evidence of company's ability to control its cost. In year 2002, very good result was achieved thanks to high profit. In this year, low purchasing price of primary material, polyethylene, was driver of good results. In the following years, the indicator kept decreasing. This was chiefly caused by increase of external sources of financing. External sources increase is caused by increase of sources needed for financing of construction and equipment of a new assembly hall. Increase of this indicator is expected also in the following years.

Return on equity (ROE) indicates whether capital, that shareholders invested into company generates sufficient revenues and whether it is used intensively enough when taking into account their investment risks. The highest value, reached in year 2002, tells us that 1 CZK of invested capital generates 66,53 haler of profit for the owners. In Czech Republic, return on equity in most of companies nowadays doesn't meet investor's expectations. ROE of J.P. PLAST, s.r.o. reaches excellent values thanks to financial gearing.

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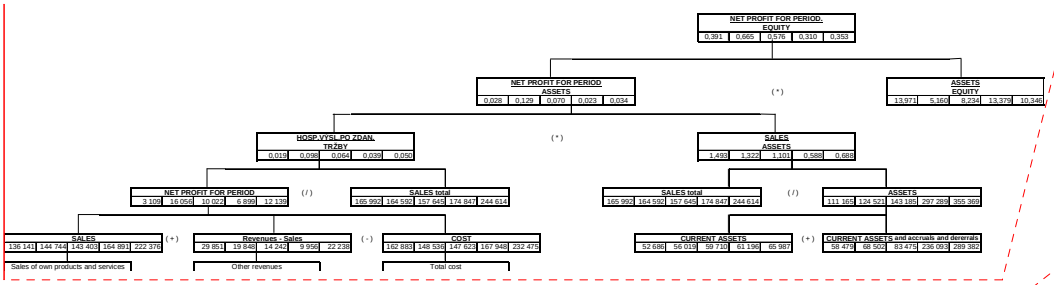
Return on cost indicates what is the percentage ratio of profit to 1 CZK cost. Most unfavourable was year 2001. In this year, the reason, in comparison with the following years, was low profit.

5.3.5 Pyramid of ratios indicators

Pyramidal systems of indicators are used to search for causation of financial situation of a company. The key precondition is an existence of a synthetical indicator that depicts processes running in a company. Individual financial analysis indicators have only limited capability do describe company. Company's business activities constitute very complicated process that needs to be assessed coherently. On the top of the hierarchy of financial indicators, there is *profitability* as a significant business target. The top indicator gradually ramifies and enlarges downwards, it has a shape of a pyramid. Disintegration of financial indicators was started by the Du Pont Corporation, a chemical producer. Ratio indicator disintegrated in a form of diagram was profitability.

Pyramidal disintegration of profitability based on net profit for period



Picture 3: Du Pont analysis

[Source: Own workings based on data from company]

5.3.6. Prediction of financial distress of a company

Management of company's debt policy is connected to possible future financial problems as well. Therefore, to achieve failure free running, it is necessary to monitor and evaluate financial situation on an ongoing basis. It's important to initiate consequences resulting from findings.

Bankruptcy models are based on presumption that financial problems are possible to recognize according to certain characteristics before they can fully manifest themselves.

Altman Z-score model

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

x_1 – Working capital / Assets

Working capital = current assets – short-term liabilities

x_2 – Retained earnings / Assets

x_3 – (Profit before taxes + interest) / Assets

x_4 – Equity / Total liabilities

x_5 – Revenues/ Assets

	2001	2002	2003	2004	2005
Z-score	2,02	2,37	1,66	0,72	1,04

Table 9: Altman Z score model

[Source: balance sheet, income statement, own workings]

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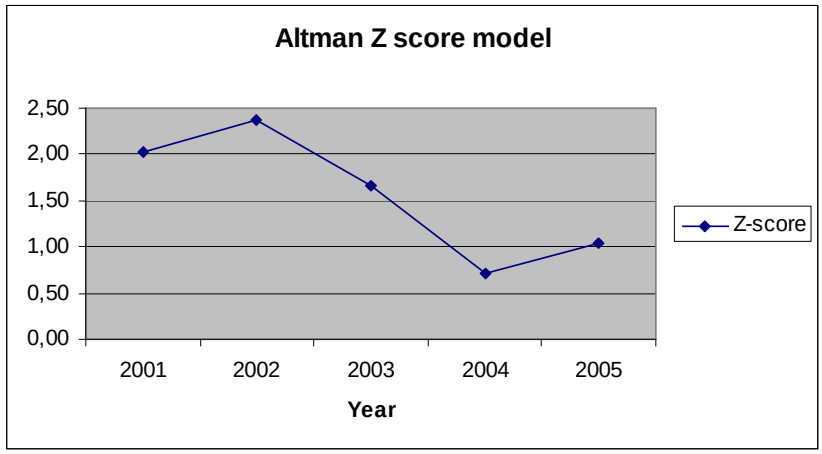

Diagram 13: Altman Z score model in years 2001 – 2005

[Source: Own workings based on data from company]

Companies with Z indicator lower than 1,81 are, according to Altman, considered to be direct candidates for bankruptcy. Companies with Z-score higher than 2,99 are financially stable. Decrease, beginning in year 2002, is caused by big amount of loan, which was provided the company in order to purchase assets. From year 2004, the value of Z-score increases gradually.

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6 Conclusion and recommendation

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The aim of this bachelor thesis was a complex examination of current financial position of a company, provide company's management with well-arranged overview of actual situation in company. Other partial aim was assessment of trends in financial position in years 2001 – 2005. The thesis should contribute to improvement of financial management, prepare supporting documentation that will help to improve economical situation in company, prepare and improve decision making, e.g. in respect to future investments.

According to my opinion, aforementioned aims were achieved. The thesis didn't concentrate only on analysis of information that describe current situation. Selected topic is valuable for both top and middle management. The analysis should serve as a help for future analysis of company.

The first step leading us to successful fulfilling of defined aims was familiarising with financial analysis problems. Materials that are used for both study and practice purposes were applied. Based on them, items needed for computation of financial indicators were determined. Selected indicators are commonly used, however, if the same problems of financial analysis were processed by someone else, different indicators could be used. However, this doesn't change anything on purpose of financial analysis. Only structure of required items would change. Possible solution would be to include all accessible indicators. Analysis such as this would include all possible indicators, but it would become rather chaotic and its contribution for final user would decrease significantly.

Company J.P. PLAST, s.r.o., in the time of its founding, didn't have enough capital and long-term assets. During its beginning, it had a seat in leased property. In the early years it purchased mainly manufacturing equipment – machinery. First rapid increase of assets occurred already in year 1998. In this year the company built own assembly hall in the value of approximately 50 million CZK. Simultaneously with new production halls a need for new moulding machines arouse as well.

A second significant increase of long-term fixed assets occurred in 2004. In this year the company won in tender for automotive industry supplies. This brought expanding not only the assembly hall, but also purchase of other machinery. All financing was done via external sources of finance, machinery was purchased through leasing. Balance sheet amount increased by 107 %. In the period from 2001 to 2003 share capital increased from 1 million CZK up to 5 million CZK. The company was able to maintain reasonable profit despite tough times it was going through. 75 % of total revenues comprise from sales of

own production and services. 50 % of total revenues present cost of sales. The biggest item of cost of sales is material consumptions – liten and energy consumption. Equity didn't decrease, which was important for future development. As it results from analyses, more than 50 % of assets represent fixed assets and external sources of finance make up 80 % of equity and liabilities. Current assets are more liquid than fixed assets and a proportion of them has decreasing tendency. This was achieved by setting up a consigned storehouse for main material in the firm's complex. Material is invoiced by company Chemopetrol not until consumption of material and with 90 days of due date.

According to ratio indicators analysis, the company is endangered in certain moments. This was in particular manifested in years 2003 and 2004. Liquidity ratios do not reach the lower threshold. The company delays its business payables settlements, but, on the contrary, liabilities resulting from business loans and leasing are paid exactly. Bank institutions and financial companies evaluate the company as very solvent client in spite of poor financial indicators. A big part plays payment discipline, company's history and stable position at Czech market. At the same time new contracts for supplies for automotive industry concluded for the period of 6 years are big plus.

Analysis of activity ratios is closely connected to liquidity ratios. Customers negotiate due date periods whereas suppliers due days are much shorter. Cash flow is not balanced and stable. Fast increase of fixed assets caused that they are not utilized by the company sufficiently. Assembly halls and production premises were built with unoccupied capacities, also machinery is not maximally utilised. Value of fixed asset turnover is very low.

In respect to insolvency indicators, external sources of finance exceed equity. Company's shareholders retain their profit in company because of high indebtedness. Shortage of financial resources was solved by the owners by personal loan provided to company. Other possible solution is entrance of a strong investor into company. In the following years, if company will be able to lower its indebtedness, the ratio should decrease.

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Because the company doesn't utilise its business assets optimally, my recommendation is to concentrate on maximum utilisation of them. Because fixes assets were financed mainly form external sources of finance, the company has tied financial sources that are missing in other activities. Furthermore, the company should look for all possible ways to increase equity. For example by higher investment of shareholders, entrance of a new investor or risk capital fund. Look for ways how utilise current machinery. Increase its profit steadily. Or, eventually, more radical method can be used and company may sell part of unused assets. Suitable is also combination of both methods. Innovate current products. Make them more attractive for customer, but look for new products as well. Increase potential markets, especially abroad. Increase marketing effort on foreign markets. This would require setting up a marketing department that is missing so far in J.P. PLAST. Export abroad represents only 10 % of total production.

All aforementioned proposals are posssible to be achieved by J.P. PLAST. It's quite young company, whose management and employees are capable to implement proposed measures.

Naformátováno: Písmo: není Tučné, Čeština

Summary

The bachelor thesis elaborates financial analysis of company J.P. Plast, s.r.o. for period 2001 to 2005. Elementary methods of technical analysis, concretely horizontal and vertical analysis of financial statements, ratio indicators analysis, pyramid of profitability indicators and prediction of financial distress of company. Aim of the thesis was to simplify orientation of wider circle of users in financial indicators of company. The thesis consists of six chapters that are interconnected. Financial analysis is introduced from very beginning, i.e. basic terms and explanation of individual indicators up to practical application of them and their interpretation. Aim of the thesis was not to include all available indicators, because thus the thesis would become chaotic. It should help to improve financial management, prepare supporting materials for improving the economic situation of company and optimize managerial decisions. In the conclusion section, there are proposed measures that may improve financial situation of the company. Application of the thesis will certainly be contribution for analysed company J.P. Plast, s.r.o.

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Appendixes listing

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Appendix 1

Balance sheet of company J.P. PLAST, s.r.o.

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	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
TOTAL ASSETS	**111 165**	**124 521**	**143 185**	**297 289**	**355 369**
A. Receivables for subscribed capital	550	0	0	0	0
B. FIXED ASSETS	**53 744**	**65 593**	**77 173**	**192 681**	**249 112**
B.I. INTANGIBLE FIXED ASSETS	**6**	**0**	**0**	**0**	**0**
1. Formation Costs	0	0	0	0	0
2. Intangible Research and Development	0	0	0	0	0
3. Software	6	0	0	0	0
4. Accumulated Depreciation	0	0	0	0	0
5. Goodwill	0	0	0	0	0
6. Other Long-term Intangible Assets	0	0	0	0	0
7. Long-term Intangible Assets in Progress	0	0	0	0	0
8. Deposits in Long-term Intangible Assets	0	0	0	0	0
B.II. TANGIBLE FIXED ASSETS	**52 471**	**64 347**	**75 580**	**192 392**	**145 067**
1. Land	1 531	1 737	2 131	4 119	4 134
2. Buildings and structures	44 195	41 323	52 215	66 374	96 509
3. Independent Items and Sets of Items	6 550	9 535	10 548	44 906	40 505
4. Permanent Growth	0	0	0	0	0
5. Primary Animal Stocks	0	0	0	0	0
6. Other Long-term Tangible Fixed Assets	0	0	0	0	0
7. Long-term Tangible Fixed Assets in Progress	195	11 752	616	31 955	1 499
8. Advance paym. for tangible fixed assets	0	0	10 070	45 038	2 420
9. Adjusted Items in Gained Assets	0	0	0	0	0
B.III. FINANCIAL INVESTMENT	**1 267**	**1 246**	**1 593**	**289**	**104 045**
1. Shares and Deposits in Subsidiary Companies	1 267	1 246	1 593	289	104 045
2. Shares and Deposits in Associate Companies	0	0	0	0	0
3. Other Investment Securities and Deposits	0	0	0	0	0
4. Debts in the Group	0	0	0	0	0
5. Other Financial Investments	0	0	0	0	0
6. Long-term Financial Investments in Progress	0	0	0	0	0
7. Deposits on Long-term Finacial Investments	0	0	0	0	0

	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
C. C U R R E N T A S S E T S	**52 686**	**56 019**	**59 710**	**61 196**	**65 987**
C.I. STOCK ON HEND	**9 484**	**14 721**	**12 003**	**13 470**	**20 201**
1. Materials	2 815	5 962	2 010	2 137	5 544
2. Work in Progress and semi-finished products	0	0	0	0	0
3. Finished Goods	4 541	5 419	7 613	7 779	10 853
4. Animal Stock	0	0	0	0	0
5. Purchased Goods	2 128	3 340	2 380	3 554	3 804
6. Deposits on Stock	0	0	0	0	0
C.II. LONG-TERM RECEIVABLES	**4 296**	**4 296**	**798**	**6 852**	**4 290**
1. Trading Accounts Receivable	0	0	50	6 852	4 205
2. Loans to Employees	0	0	0	0	0
3. Loans to Subsidiary Companies	0	0	0	0	0
4. Loans to Associates	4 296	0	0	0	0
5. Long-term Advance Payment	0	0	0	0	85
6. Doubtful Debets	0	0	0	0	0
7. Other Receivables	0	4 296	748	0	0
8. Deffered Tax Receivables	0	0	0	0	0
. C.III. SHORT-TERM LOANS	**36 326**	**34 102**	**42 899**	**36 898**	**37 961**
1. Trade Debtors	34 040	32 943	40 242	30 015	36 453
5. Due from State-deferred tax receivables	0	0	0	0	0
2. Loans to Employees	0	0	0	0	0
3. Loans to Subsidiary Companies	0	0	0	0	0
4. Loans to Associates	0	0	0	0	0
5. Social security and Health Insurance	0	0	0	0	0
6. State-Taxation Receivables	0	366	2 656	4 841	0
7.Prepayments	0	0	0	1 991	1 457
8. Doubtful Debts	0	0	0	0	0
9. Other Debtors/Receivables	2 286	793	1	51	51
C.IV. SHORT TERM FINANCIAL ASSETS	**2 580**	**2 900**	**4 010**	**3 976**	**3 535**
1. Cash in Hand	944	1 116	956	1 223	2 066
2. Cash in Bank	1 636	1 784	3 054	2 753	1 469
3. Short-term Securities and Assets	0	0	0	0	0
4. Short-term Financial Assets in Progress	0	0	0	0	0
D. OTHER ASSETS-TEMPORARY ACCOUNT	**4 185**	**0**	**0**	**0**	**0**
D.I. ACCRUALS	**4 185**	**2 909**	**6 302**	**43 412**	**40 270**
1. Deferred Expenditure	1 591	2 909	6 302	43 292	40 174
2. Complex Deferred Expenditure	0	0	0	0	0
3. Deffered Income	2 594	0	0	120	96

	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
T O T A L L I A B I L I T I E S	**111 165**	**124 521**	**143 185**	**297 289**	**355 369**
A. SHAREHOLDERS EQUITY	**7 957**	**24 132**	**17 390**	**22 221**	**34 347**
A.I. ISSUED SHARE CAPITAL	**1 000**	**2 000**	**5 000**	**5 000**	**5 000**
1. Issued Share Capital	1 000	2 000	5 000	5 000	5 000
2. Own Shares and Interests	0	0	0	0	0
3. Changes in Equity	0	0	0	0	0
A.II. CAPITAL FUNDS	**1 000**	**3 000**	**361**	**-1 795**	**-1 810**
1. Share Premium	0	0	0	0	0
2. Other Capital Funds	1 000	3 000	0	0	0
3. Asset Revaluation Reserve	0	0	361	-1 795	-1 810
4. Merger Revaluation Reserve	0	0	0	0	0
A.III. PROFIT FUNDS	**440**	**382**	**682**	**686**	**748**
1. Legal Reserve fund/Unparted fund	100	100	500	500	500
2. Statutory and Other Funds	340	282	182	186	248
A.IV. PROFIT (LOSS) BROUGHT FORWARD	**2 408**	**2 694**	**1 325**	**11 431**	**18 270**
1. Retained Profit of Previous Years	2 408	2 694	1 325	11 431	18 270
2. Accumulated Losses of Previous Years	0	0	0	0	0
A.V. RETAINED PROFIT (LOSS) OF CURRENT	**3 109**	**16 056**	**10 022**	**6 899**	**12 139**
B. L I A B I L I T I E S	**101 091**	**99 301**	**125 160**	**246 410**	**320 615**
B.I. RESERVES	**5 570**	**4 000**	**6 000**	**2 602**	**2 757**
1. Legal Reserves	4 986	4 000	6 000	2 300	2 300
2. Provision for Pensions and Similar Liabilities	0	0	0	0	0
3. Income Tax Provisions	584	0	0	0	0
4. Other Provisions	0	0	0	302	457
B.II. LONG-TERM LIABILITIES	**0**	**3 769**	**3 326**	**15 920**	**156 677**
1. Trade Creditors	0	0	0	1 136	0
2. Liabilities to Subsidiary Companies	0	0	0	0	0
3. Liabilities to Associated Companies	0	0	0	0	0
4. Proposed Dividends	0	0	0	0	112 600
5. Long-term Accepted Deposits	0	0	0	12 805	2 164
6. Issued Bonds	0	0	0	0	0
7. Long-term Bonds Dued	0	0	0	0	0
8. Doubtful Debts	0	0	0	0	0
9. Other Long-term Liabilities	0	3 769	2 453	823	38 464
10. Deffered Taxation	0	0	873	1 156	3 449

	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
B.III. SHORT-TERM LIABILITIES	**39 013**	**37 517**	**58 299**	**104 310**	**56 610**
1. Trade Creditors	35 068	27 486	41 610	82 754	43 387
2. Liabilities to Subsidiary Companies	0	0	0	0	1 030
3. Liabilities to Associated Companies	0	0	0	0	0
4. Proposed Dividends	862	215	13 035	19 212	15
5. Employee Related Liabilities	832	879	1 007	1 230	1 715
6. Social Security and Health Insurance Liabilities	336	499	546	698	911
7. State - Taxation Liabilities and Subsides	1 368	5 370	2 032	163	6 770
6. Due to state-deferred taxes	0	0	0	0	0
8. Short Term Accepted Deposits	0	0	0	175	86
9. Issued Bonds	0	0	0	0	0
10. Provisions	0	2 985	0	0	2 627
11. Other Liabilities	547	83	69	78	69
B.VI. BANK LOANS AND BORROWINGS	**56 508**	**54 015**	**57 535**	**123 578**	**104 571**
1. Long-term Bank Loans	29 862	40 682	30 837	100 723	76 571
2. Current Bank Loans	24 106	13 048	26 698	22 855	28 000
3. Short-term Borrowings	2 540	285	0	0	0
C.I. ACCRUALS	**2 117**	**1 088**	**635**	**28 658**	**407**
1. Accrued Expenses	771	265	206	28 497	385
2. Deferred Revenues	1 346	823	429	161	22

Appendix 2

Income statement of company J.P. PLAST, s.r.o.

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
I. Sales Revenue	22 723	25 023	24 461	28 373	48 910
A. Cost of Goods Sold	20 364	21 625	20 404	22 534	40 455
+ GROSS PROFIT	**2 359**	**3 398**	**4 057**	**5 839**	**8 455**
II. PRODUCTION	**112 547**	**118 109**	**119 461**	**134 466**	**169 684**
1. Sales of own products and services	113 418	119 251	118 942	136 518	173 466
2. Change in Own Producted Stok	-871	-1 142	519	-2 052	-3 782
3. Own Closing Stock	0	0	0	0	0
B. DIRECT COSTS	**78 575**	**72 498**	**78 146**	**97 143**	**117 936**
1. Consumption of material and energy	60 068	54 063	60 114	69 975	85 072
2. Services	18 507	18 435	18 032	27 168	32 864
=+ VALUE ADDED	**36 331**	**49 009**	**45 372**	**43 162**	**60 203**
C. PERSONAL EXPENSES	**18 533**	**20 164**	**21 750**	**26 123**	**33 652**
1. Wages	13 581	14 784	15 956	19 080	24 229
2. Directors Emoluments (excl.Wages)	0	0	0	0	0
3. Social Security and Health Insurance Costs	4 737	5 153	5 569	6 776	8 469
4. Other social costs	215	227	225	267	954
D. Taxes and Fees	116	128	114	112	117
E. LongTerm Intangible and Tangible Assets Depreciation	8 057	7 529	6 111	8 062	12 185
III. Revenue from Sales of Long Term Assets and Materials	25 204	18 869	12 671	10 816	17 131
1. Revenue from Sales of Long Term Assets	0	3 587	438	818	1 071
2. Revenue from Sales of Materials	0	15 282	12 233	9 998	16 060
F. Net Book Value of Sold Long Term Assets and Materials	24 568	14 859	11 655	9 457	15 294
1. Net Book Value of Sold Long Term Assets	0	6	0	0	70
2. Net Book Value of Long Term Materials	0	14 853	11 655	9 457	15 224
G. Reserves and Deferred Income in Operating Revenue	0	-899	1 984	-3 427	446
IV. Other Operating Revenue	142	893	171	248	6 704
H. Other Operating Expeses	2 453	859	233	401	256
V. Operating Revenue Carried Forward	0	0	0	0	0
I. Operating Expenses Carried Forward	0	0	0	0	0
*** NET PROFIT FROM OPERATIONS**	**6 606**	**26 131**	**16 367**	**13 498**	**22 088**

	31.12.2001	31.12.2002	31.12.2003	31.12.2004	31.12.2005
VI. Revenues from Sold Securities and Shares	0	0	0	0	0
J. Sold Securities and Shares	0	0	0	0	0
VII. Revenue from Long Term Finacial Assets	0	0	0	0	0
1. Revenues from Securities and Shares in the Group	0	0	0	0	0
2. Revenues from Other Long Term Securities and Shares	0	0	0	0	0
3. Revenue from Other Financial Investments	0	0	0	0	0
VIII. Revenues from Short-term Financial Assets	0	0	0	0	0
K. Finance Costs	0	0	0	0	0
IX. Revenue from Revalued Securities	0	0	0	0	0
L. Expenses from Revalued Securities	0	0	0	0	0
M. Reserves and Provisions Adjustments	0	-584	0	0	0
XII. Accounting of reserves to financial revenues	0	0	0	0	0
N. Additions to reserves (financial expenses)	584	0	0	0	0
XIII. Accounting of adjustments to financial revenues	0	0	0	0	0
O. Accounting of adjustments to financial expenses	0	0	0	0	0
X. Interest Received	9	14	14	13	7
N. Interest Paid	5 484	4 064	3 348	3 162	4 104
XI. Other Financial Revenue	2 019	1 684	867	931	2 174
O. Other Financial Expenses	1 188	2 128	1 991	3 912	4 477
XII. Financial Revenue Carried Forward	0	0	0	0	0
P. Financial Expenses Carried Forward	0	0	0	0	0
*** PROFIT/LOSS FROM FINANCIAL OPERATIONS**	**-5 228**	**-3 910**	**-4 458**	**-6 130**	**-6 400**
Q. INCOME TAX ON ORDINARY ACTIVITIES	**1 589**	**6 165**	**1 887**	**469**	**3 553**
1. - Current	1 589	6 165	1 098	101	1 261
2. - Deferred	0	0	789	368	2 292
	0	0	0	0	0
**** PROFIT/LOSS FROM ORDINARY ACTIVITIES**	**-211**	**16 056**	**10 022**	**6 899**	**12 135**
XIII. Extraordinary Revenue	3 348	0	0	0	4
R. Extraordinary Expenses	28	0	0	0	0
S. Income Tax on Extraordinary Activities	**0**	**0**	**0**	**0**	**0**
1. - Current	0	0	0	0	0
2. - Deferred	0	0	0	0	0
*** EXTRAORDINARY PROFIT/LOSS**	**3 320**	**0**	**0**	**0**	**4**
T. Profit/Loss Attributed to Shareholders	0	0	0	0	0
***** PROFIT/LOSS FOR THE ACCOUTING PERIOD**	**3 109**	**16 056**	**10 022**	**6 899**	**12 139**
PROFIT/LOSS BEFORE TAXATION	**4 698**	**22 221**	**11 909**	**7 368**	**15 692**

Appendix 3

Examples of assortment of company J.P. PLAST, s.r.o.

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Angličtina (Velká Británie)

Naformátováno: Mezera Za: 6 b., Tabulátory: 0,63 cm, (Zarovnání vlevo)

Naformátováno: Písmo: 10

Stránka 17: [1] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie), není horní index/ dolní index

Stránka 17: [2] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie)

Stránka 17: [3] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie), není horní index/ dolní index

Stránka 17: [4] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie)

Stránka 17: [5] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie), není horní index/ dolní index

Stránka 17: [6] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie)

Stránka 17: [7] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie), není horní index/ dolní index

Stránka 17: [8] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie)

Stránka 17: [9] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie), není horní index/ dolní index

Stránka 17: [10] Naformátováno	**pvala002**	**26.5.2007 16:41:00**

Písmo: není Tučné, Angličtina (Velká Británie)