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Field of Study: Financial and Taxation

**Financial Analysis
of EGP INVEST, Ltd.**

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ZADÁNÍ BAKALÁŘSKÉ PRÁCE

Jméno a příjmení: **Miluše Sigmundová**
Studijní obor: **Finance a daně**

Téma práce:

Finanční analýza společnosti EGP INVEST, spol. s r. o.

Cíl bakalářské práce:

Cílem bakalářské práce je vypracování finanční analýzy společnosti EGP INVEST, spol. s r. o. za poslední tři období hospodářské činnosti. V úvodu práce vypracujte teoretický základ problematiky. Charakterizujte společnost EGP INVEST, spol. s r. o., proveďte SWOT analýzu současného stavu, finanční analýzu dle poměrových ukazatelů, posuďte finanční zdraví podniku prostřednictvím Altmanova vzorce a finanční stabilitu firmy z dat za sledovaná období. Navrhněte opatření na řešení nedostatků a opatření pro zvýšení výkonnosti podniku. Zpracování bakalářské práce má pomoci podnikovému managementu při inovaci systému plánování, při zkvalitnění v podnikovém rozhodování a pro controlling. Bakalářská práce bude obhájena před vedením společnosti EGP INVEST, spol. s r. o. a hodnocení bude součástí bakalářské práce. Práci podrobíte testu z plagiátorství a výsledek předložíte komisi pro státní závěrečnou zkoušku.

Osnova:

Úvod

1. Teoretický základ
2. Charakteristika společnosti
3. SWOT analýza současného stavu
4. Finanční analýza dle poměrových ukazatelů
5. Altmanův vzorec finančního zdraví podniku
6. Návrh opatření na odstranění nedostatků a pro zvýšení výkonnosti podniku

Závěr

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I declare that this Bachelor Thesis has been written independently under the kind leadership of Mrs. Zuzana Pijáková and all the used literature and technical resources were noted in the Bibliography.

Kunovice, 2012

I would like to thank Mrs. Zuzana Pijáková for the very useful methodological assistance she provided me during the preparation of my Bachelor Thesis.

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INTRODUCTION

The key agent to determine the direction of development and distribution of financial resources in a company are the finances. Finances are an important instrument of economic and financial processes management. A high-quality financial management is the basis for the successful economic development of a company. The purpose of the financial management is to provide sufficient amount of financial resources and their effective exploitation. Those goals serve to achieve the financial balance between profitability, indebtedness and liquidity. An important part of the financial management of a company is this financial analysis.

The aim of this Bachelor Thesis **Financial analysis of EGP INVEST, Ltd.** is to assess the financial situation level of the company in the time period from 2007 to 2011 of its economic activity and the identifying of its strengths and weaknesses. This information is used to evaluate its financial health and financial stability and to suggest precautions to eliminate failings and increase the productivity of the company in order to provide the best possible economic development in the upcoming term. The financial situation and stability of the company is assessed with horizontal and vertical analysis, selected ratios and with the Altman' financial health index. SWOT analysis deals with the analysis of company internal resources and competences and the identification of the company's external environment.

The assignment and formulation of this bachelor thesis was requested by EGP INVEST, Ltd. The results of the bachelor thesis will be used for further development and modernization of the company. These will especially be used in the planning system innovation, company decision-making improvement and increasing the company's efficiency as a whole same as its individual organizational units by correctly and dynamically applied controlling.

The first chapter is focused on the theoretical description of the problematique. It describes the financial analysis as an important instrument for company management and decision-making. It focuses on input data analysis, as these are considered to be the basic information resources for the financial analysis. The financial position is assessed using horizontal and vertical analysis. The analysis is studied closely by selected index markers,

basic markers are described, including profitability markers, activity markers, indebtedness markers and liquidity markers. The chapter is concluded with a comprehensive evaluation of indexes and a strategic SWOT analysis. The technical literature is the basis for the development of the theoretical part.

The company that asked for this bachelor thesis formulation and which it is compiled for is introduced in the second chapter. There is basic information about the company, its history, the focus of business, company structure, human resources, technical equipment. The practical SWOT analysis is executed in the third chapter. Strong and weaknesses of the company are identified, same as its opportunities and threats.

The fourth chapter follows the development items of the financial statement using horizontal analysis at a time. Vertical analysis examines proportionality of financial statement items in relation to the basic quantity. Financial ratios express mutual relation and connection between the two items of the financial statements. The golden balance rule compares the time bound of assets and liabilities. Differential liquidity indicators of net working capital shows the relationship between current assets and short-term liabilities. The source materials are dates from financial statements and come from the period from 2007 to 2011. The resulting values are given in tables. By virtue of the established results the actual financial situation of the company is described. It is made by a graphical representation of the calculated values.

In the fifth chapter the financial economic situation of the company and its performance is assessed also with one number – the calculation of the summary index by Altman's financial health formula and by the index credibility IN05.

In conclusion, the Bachelor thesis is an evaluation of financial analysis. The obtained financial data are an important source of information about the company, reflecting its level and its competitiveness. These results of financial analysis reveals the strengths and weaknesses of financial management and give an overview of the overall financial situation. An important aspect is the correct interpretation. Based on the results of financial analysis are proposed measures to eliminate the deficiencies that may contribute to the subsequent resolution of the situation. Recommendations are proposed for planning the future development of the company.

1 Theory

Challenging conditions of current market, complexity, and dynamism of business environment put pressure of hard competition to companies. The important factors that influence the business progress include economic, political and social conditions. All these factors together are entitled as business environment. The main characteristics of current business environment are sharpened competitive struggle in all branches, financial resources restrictions, interest rates, inflation, increasing expenses according to the increasing prices of energies, tax burden on work, globalisation of markets, rapid changes and the influence of the state and international companies on the business.

Securing prosperity and development of a company is not a simple matter. Overall success of a company also depends on ability to introduce modern management methods which reflects market situation and requirements of current economic environment. All decision processes have to be adapted for incoming changes in a company to prevent losing of a position in a market and the company can be successful in a competition.

Analysis of a financial situation represents an important factor to reach the task. A system of financial indicators known as financial analysis represents a source of information for managers to reach operational and strategic decisions. [20]

1.1 The financial analysis

Financial analysis is an analysis of finance in a company and has a major influence on the overall corporate image. It represents systematic analysis of harvested data which are contained in balance sheets. The main goal is to get ready full set of records for qualitative assessment about an operating company. Financial analysis can reveal the strengths and weaknesses of company and allows to assess the financial health of company.

Financial analysis has a long tradition in countries with developed market economy. In the Czech the concept of financial analysis started to use since 1989. It is an important element of a company management and significant instrument to evaluate real economic situation

of a company. Financial results become basic criteria for economic decisions and company finance is considered to be in a centre of attention of company owners. The main goal of financial control is to reach a financial stability. [13, p. 10]

The global financial and economic crisis showed importance of a financial stability of a company to survive. Economists and managers who are focused on cost management are important for company. The goal of these managers is to reduce business costs and economic stabilization of a company to ensure proper functioning of a company during poorer periods. [20]

This goal can be reach by considering of following two assumptions:

- ability to make a profit, keep rising amount of property, and increase a price of invested capital
- keeping an ability to pay by a company.

Financial analysis can assess the economic situation of the company from two-time scale. In the first case, the financial analysis evaluates history of a company in that it works with data ex-post. In the second case it serves as a base for financial planning and interests about financial perspective of the company in that it works with data ex-ante. A business analyst should evaluate both aspects of the financial analysis in order to arrive at a complex assessment of a company's financial health.

Financial analysis offers a lot of methods to evaluate financial health of a company. Basic tools of the financial analysis are financial indicators. Selection of different financial indicators depends on a subject to whom or who uses the financial analysis. The financial analysis can be used by owners (stockholders), management, banks, suppliers, subscriber, employees, government institutions, and or competitors.

Financial analysis is not used only for financial control but it has an influence on a company itself. It is a part of marketing SWOT analysis which allows find out strong and weak sides of a company. Further it is a diagnostic tool which identifies and weakness in company financial health. Weak company financial health can lead to problems. On the other hand knowledge of strong sides is important for increasing value of a company.

[13, p. 10]

Financial analysis is a management information instrument that should be used for successful business management. Financial analysis is one of manager information models which can be successfully employ in companies of different sizes and different field of interests. Financial analysis should be done continuously and carefully evaluated at least once per year with respects of importance of the financial analysis. The results of a financial analysis show a financial situation of a company. The correct evaluation of the results of financial analysis can help to a change in management decision making and to improve the financial situation of the company. [20]

1.2 Information sources of the financial analysis

The financial analysis requires large amount of input data from different informational sources and different characters. The main information sources of financial analysis are financial statements. The financial statements provide outlook about state and structure of a property, shielded sources, creation and using of profit and about cash flow. This information must be provided publicly by a company at least once per a year. The obligation imposed by law on accounting. [13, p. 21]

Financial statements are:

- balance sheet
- profit and loss statement
- statement on creation and use of funds – cash flow.

Balance sheet and profit and loss are part of financial statements whose structure is defined by Ministry of Finance. They are mandatory part of financial statements in the double-entry bookkeeping. [13, p. 21]

Next source of financial analysis are internal financial statements which originates from internal requirements of a company and they refine results of the financial analysis. They do not have legally defined design. These financial statements are done more often and they allow doing more precise time lines.

Following information are used for creation of the financial analysis:

- quantifiable non-financial information - company production statistics, sales, employment, consumption standards, internal guidelines
- non-quantifiable information - news provided by executives of company departments, manager's comments, independent assessment, forecasting, personal contacts. [21, p. 13]

Financial analysis compares reached data among all of them. The main purpose of analysis of financial statements is to reach certain conclusions about over all financial situation. Different decisions can be done base on these conclusions. Quality of output indicators of the financial analysis depends on correct and complete accounting. [3, p. 34]

1.2.1 Balance sheet

Balance sheet is a financial statement which reflects state of property of a company (assets) and sources funding (liabilities of a company) at a certain time. Balance sheet is prepared for the period, usually at the last day of each year. According to the accountancy law., the accounting period is defined as twelve months following consecutively. The accounting period matches the calendar year or the economic year. Economic year is an accounting period which may begin on the first day of a month other than January.

Assets represent property structure of a company and they show which kind of property a company owns and investments in other companies. Following items are count among assets: permanent assets, current assets, other assets.

Permanent assets are not used in one time. They are depreciated and their value is transferred gradually to costs of a company. Time of transfer into cash is longer than one year. We divide them in following manner: intangible assets, tangible assets, investments. Mainly patents, licenses, trademarks, and software belong to a group of intangible assets. Cost value of these assets is higher than 60,000 CZK. Goodwill is an item of the intangible assets no matter of its value. It is a difference between accounting and market assessments depreciated evenly. Tangible assets contain land, buildings, vehicles, master piece etc. Purchase price is higher than 40,000 CZK. Land is not depreciated. [13, p. 24]

Obese assets are cash and material items of property (raw, materials, finished goods, semi-finished products), where it is expected that change their form during one reproduction cycle several times and migrate to consumption at once. They convert into funds within one year. **Others assets** represent mainly account balances of time-scale-resolved costs in next periods. There are also accrued income, ie. made but not yet unbilled work, exchange rate differences, pre-paid rent. [13, p. 25]

Liabilities show a way of funding of assets in that company resources and debts to other economic subjects. Liabilities are divided in terms of funding resources on their own and foreign.

Table 1 contains list of assets and liabilities.

Assets	Balance sheet to	Liabilities
A. Receivables for subscribed capital B. Fixed assets B.I. Intangible assets B.II. Tangible assets B.III Investments C. Current assets C.I. Stocks C.II. Long-term receivables C.III. Short-term receivables C.III. Financial assets - cash - money in bank accounts - cash equivalents - short-term securities D. Others Assets	A. Equity A.I. Capital A.II. Capital funds A.III. Retained earnings A.IV. Retained earnings A.V. Profit for the period B. Extraneous funds B.I Reserves B.II Long-term extraneous funds Long-term liabilities Long-term bank loans B.III. Short-term extraneous funds Current liabilities Short-term bank loans C. Others Liabilities	
Total Assets	Total Liabilities	

Table 1. Simplify form of balance sheet
Source: [21, p. 16]

1.2.2 Profit and loss statement

Statement is written overview of revenues and expenses and profit for a certain period. This source has a great importance for financial analysis because it allows recognize factors which lead to creation of profit. Information from profit and loss statement is an important source for evaluation of company profit. Profit and loss account relates to a specific time interval, and is an overview of the results of operations for this period.

$$\text{Profit} - \text{Costs} = \text{The economic outcome [24, p. 54]}$$

Profits include: Goods sales, Own products sales, Sale of the property. Costs equal production factors consumption expressed in finance: Costs for goods, Products, Capacities, Wages.

1.2.3 Cash flow

Cash flow statement provides information about income and expenses of a company and allows recognize causes of changes of funds in a relevant period. Cash flow report examines the actual cash flows and serves to evaluate the actual financial situation. It indicates the company's ability to release funds and repay obligation. It issues from the time discrepancy between economic transactions and their financial purchase. The company can show high incomes and profit in the accountancy, but its financial incomes and the condition of the funds may be low. The growth of the profit does not mean the growth of the funds. Profit and finance are not the same.

Statement of cash flows is determined structure. Cash flows are stated in the classification: operating activities, investing activities, financial activity. The economic profit is always considered.

The cash flows from the operation activity are equal to the difference between costs and incomes for the usual activity influence by changes of the working capital (Receivables from operating activities, short-term obligations from operations , supply). The cash flows from investment activity include costs regarding investment property purchase, investment property sales income and changes in the area of owned stocks and debentures. The result

of financial activity is formed by long-term commitments, which are increases and decreases of long-term capital. It is lowered by the dividend wages. Cash flow from the self-financing is formed by depreciations and other costs, which do not represent the decrease of resources (e.g. reserves). They are lowered by returns that do not initiate the money circulation. [3, p. 46]

A general rule:

- the increase of assets' price \Rightarrow the decrease of the amount of money
- the decrease of assets' price \Rightarrow the increase of the amount of money
- the increase of the liabilities' price \Rightarrow the increase of the amount of money
- the decrease of liabilities' price \Rightarrow the decrease of the amount of money

The structure of the cash flow report is clearly represented in the Table no.2.

Opening balance of cash
Profit after taxation and interest payment
+ depreciation
+ other costs
- revenues that do not cause movement of money
= Cash flow from self-financing
\pm change in receivables (+decrease, - increase)
\pm change in short-term securities (+decrease)
\pm change in inventories (+decrease)
\pm change in current liabilities (+increase)
= Cash flow from operating activities
\pm change of fixed assets (+decrease)
\pm change the purchased shares and bonds (+decrease)
= Cash flow from investing activities
\pm change in current liabilities (+increase)
+ increase in equity due to share issue
- dividend payments
= Cash flow from financing activities
Cash flow total = $CF_{P\check{C}} + CF_{I\check{C}} + CF_{F\check{C}}$
Closing balance of cash

Table 2. Structure of statement about generation and usage of funds
Source: [13, p. 36]

The report of the cash flow provides the information about the general condition of the funds and their circulation. It reflects the reality. It provides the information about the company's production and use of the resources. Practically, the cash flow report is used for evaluation of the ability to pay, in the financial analysis for evaluation of investment effectivity or to determine the market price of a company.

1.2.4 Relationship accounting profit and cash flow

Positive results together with ensuring of sufficient amount of funds are important for normal function of a company. Reported profit does not show anything about the company funds. Therefore relationship of accounting profit and cash flows has a great importance from this point of view. We can reach following situations by comparing of these two items.

1. **Profit from operational activities is yield and cash flow from operational activities is positive.** \Rightarrow The best situation. A company works efficiently with entrusted funds.
2. **Profit from operational activities is yield and cash flow from operational activities is negative.** \Rightarrow A company does not collect fast enough funds. Such situation can lead to problems with securing necessary amount of money for normal operation of the company.
3. **Profit from operational activities is loss and cash flow from operational activities is positive.** \Rightarrow This situation indicates possible future problems in economy. Management is not able efficiently valorize capital investment.
4. **Profit from operational activities is loss and cash flow from operational activities is negative.** \Rightarrow The worse situation. Both statements indicate problems in economy of a company. [13, p. 38]

1.3 Methods for the Financial Analysis

Reliable management has to i) continuously analyze situation of a company; ii) care about growth of efficiency; and iii) build good position for time of boom and or recession. Financial health of a company can be judged by a system of financial indicators which must be selected in such way that the indicators will reflect all important sides of financial situation of the company.

Several methods, which can be applied, were developed for the financial analysis to rate financial health of a company. There is a rule: more precise methods are used more reliable conclusions are. It means in practice that a risk of a wrong decision is decreased on the contrary probability of success rises. [20]

Figure 1 shows one possibility of division of methods employed in the financial analysis.

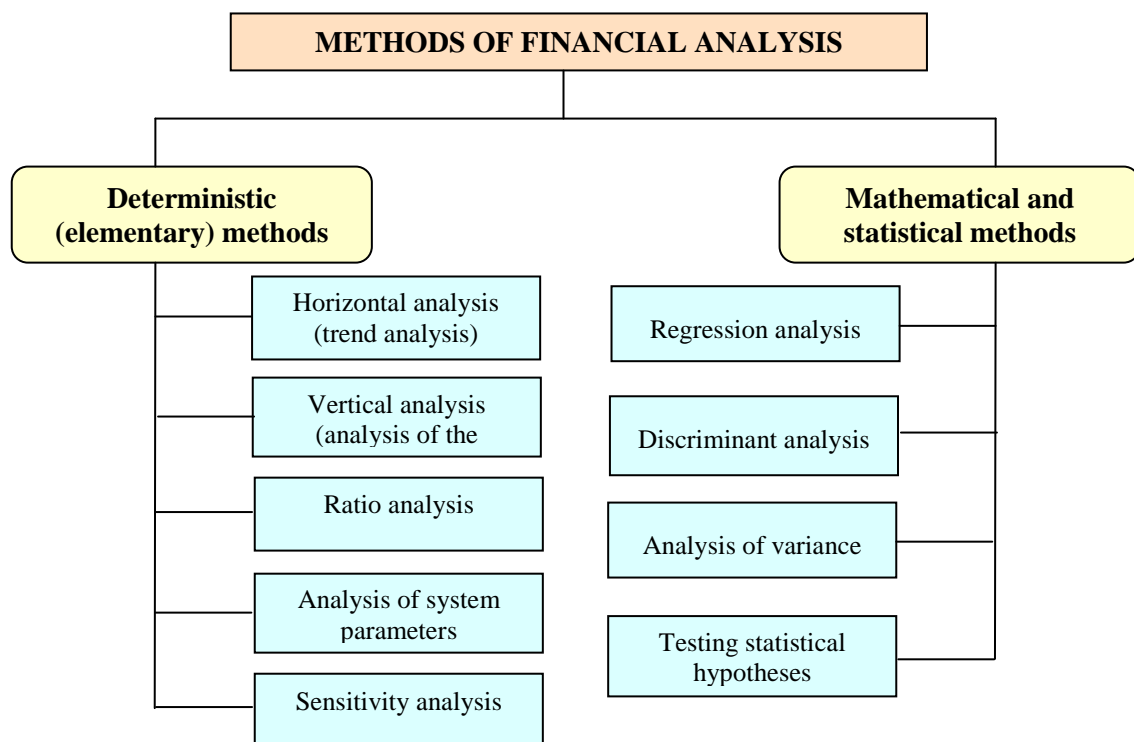


Figure 1: Division of methods for the financial analysis
Source: [24, p. 70]

Deterministic methods are often called as elementary methods. Elementary methods are standard tools for ordinary financial analysis. A very popular elementary analysis is cash ratios which generate a certain base of the financial analysis. They represent the largest and

also the most used group of indicators. Mathematics-statistical methods take data from long-term period and serve especially for assessing determinants and factors of progression. They are based on exact methods including evaluation of statistical reliability of results. [24, p. 69]

1.4 Horizontal and vertical analysis

The horizontal analysis follows the development of the examined quantity through time – usually of the past period. It is appropriate to compare at least three consecutive periods in the particular data.

The vertical analysis follows the structure of the absolute marker to some quantity, e.g. total balance sum. The vertical analysis enables the comparison of structure of the company's possessions to the other companies of the same size, branch, character. The calculation for the vertical analysis is performed by relating particular items of the accounting period to the sum total of all the assets or all the liabilities (balance sum). [13, p. 85]

1.5 Analysis by the Cash Ratios

The cash ratios allow reaching fast and inexpensive picture about basic financial characteristics of a company. Analysis which employs the cash ratios takes data only from basic financial statements. The cash ratios are ordinarily calculated as a ratio of one item (or a group of items) to other item (or their group) given in the statements. Certain connections exist between these items. Choice of the cash ratios depends on a desired indicator. Every company applies its own system of indicators for internal purposes. The system should reflect nature of business in the best. [13, p. 47]

Basic field of indicators of the financial analysis are following indicators:

- Profitability ratios
- Asset utilization ratios
- Debt ratios
- Liquidity ratios

1.5.1 Profitability Ratios

Profitability, or capitalizing invested capital, is generally defined as a ration of profit and invested capital (fund).

- Profitability ratios show an ability of a company to generate new funds and to reach profit by using of the invested capital.
- They describe long-term yield of used funds.
- They allow finding and comparing if it is more efficient to use own funds or extraneous funds.
- They compare profit with amount of the invested capital.
- Desired outcome is seen as growth of estate.

Generally, profitability is expressed by a ratio of profit to invested capital. It is important for the financial analysis which yield is used for calculation:

- **EBIT** – Earnings before deduction of interests and taxes (It is not influenced by changes of tax and interest rates)
- **EAT** – Earnings after taxation (net profit)
- **EBT** – Earnings before taxation (operating profit already decreased or increased by financial and extraordinary results of economy in which taxes are not deducted)
- **EBITDA** – Earning before interest, taxes, depreciation and amortization (earnings before depreciation, interest expense payment and paying income taxes is one of the operating activities company) [25, p. 15]

The ROA indicator (Return on Assets)

$$ROA = \frac{EAT}{total\ assets} \quad [21, p. 22]$$

ROA is considered a key indicator of profitability. It evaluates the ability of reproduction of capital and compares earnings with all over invested assets into business without considering of funds. It shows how the total annual capital returns in the form of profit.

The ROI indicator (Return on Investment)

$$ROI = \frac{EAT + int\ erest}{total\ assets} \quad [21, p. 22]$$

It is one of basic indicators for quantification of investment efficiency. It represents overall earnings from investment. Net profit is a part of the capital which is own capital. Interest is a part of the capital which represents extraneous capital. The reference values are in the range 12 to 15 %, higher values are considered very good, on the contrary, less favourable.

The ROCE indicator (Return on Capital Employed)

$$ROCE = \frac{EBIT}{long\ term\ capital + equity} \quad [13, p. 53]$$

It represents a quantity overall assets of a company funding by own and extraneous long-term capital. It shows efficiency of company economy in a complex. It quantifies how much of operating economy result before taxation the company reaches from 1 CZK which was invested by owners of the company and deposited for a long-term by creditors.

The ROE indicator (Return on Equity)

$$ROE = \frac{EAT}{equity} \quad [21, p. 22]$$

Profitability of equity represents return of the capital invested by owners of a company. It shows how much of net profit is connected with each 1 CZK of invested capital. It provides information how far a company reproduces own funds without influence of extraneous funds. Growth of the indicator can indicate improvement of economy, lowering own capital in the company, or decline in interest of extraneous capital.

The ROS indicator (Return on Sales)

$$ROS = \frac{EAT}{total\ sales} \quad [13, p. 56]$$

The indicator quantifies how many crowns of net profit are connected with one crown of sales. It shows how many percent are profit after tax. Low value of the indicator shows wrong management of a company, regular value then points to good management, and high value is a sign of excellent management.

The ROC indicator (Return on Costs)

$$\text{ROC} = 1 - \frac{EAT}{\text{total sales}} \quad [13, \text{p. 56}]$$

It represents a ration of overall expenses to sales of a company. Lower value of the indicator is better results of economy a company reaches because 1 CZK of sales was generated with lower expenses.

1.5.2 Asset Utilization Ratios

Indicators of the asset utilization ratios represent ability of a company to exploit invested financial resources and quantify bounded capital in different forms of assets. They are combined indicators which measure items of balance sheet (estate) and profit and loss statements (sales).

- It is evident from indicators of the assets utilization ratios how efficiently a company exploits with funds or what power a company has during negotiation with suppliers.
- High amount of estate which is not efficiently used is connected with non-naturally high expenses.
- Low amount of estate (e. g. not sufficient amount of stock) leads to lower volume of production and hence also sales.
- High speed of transformation of stock to cash is an essential assumption of good company's prosperity.

$$\text{Sales to Total Assets} = \frac{\text{total assets}}{\text{sales}} \cdot 360 \quad [21, \text{p. 23}]$$

This indicator represents speed of equity and extraneous funds in relationship with sales. The desire result is the lowest value of the indicator as possible.

$$\text{Sales to Equity} = \frac{\text{equity}}{\text{sales}} \cdot 360 \quad [21, \text{p. 23}]$$

The indicator shows speed of equity turnover in relationship with sales. The value of the indicator should be as low as possible.

$$\text{Sales to Inventory} = \frac{\text{inventory}}{\text{sales}} \cdot 360 \quad [21, \text{p. 24}]$$

Indicator of sales to inventory is a ratio of sales and average amount of stock. It represents an average number of days which stocks are bound in a company until they are used (material, stuff) or until they are sold (stock of own production). Situation is good if inventory turnover drops and speed of stock turnover is high. Inventories turnover should be as short as possible.

$$\text{Debtor Collection} = \frac{\text{short term accounts receivable}}{\text{sales}} \cdot 360 \quad [21, \text{p. 24}]$$

This indicator shows how many days in average it takes to collect claims – transform to cash. Longer is collection period is more financial funds are needed and it is connected with higher financial expenses. The indicator is important with respect of cash flow planning.

$$\text{Creditors Payment Period} = \frac{\text{current liabilities}}{\text{sales}} \cdot 360 \quad [21, \text{p. 24}]$$

The indicator illustrates how company commitments are paid. Creditors payment period has to be longer than average collection period to do not interfere financial stability of a company.

1.5.3 Debt Ratios

Nature of debt analysis is to look for an optimal relationship between own and extraneous capital. The debt ratios are also called as indicators of long-term financial stability. The indicators show how much estate of a company is financed by extraneous capital. A ratio of own and extraneous funds influences financial stability of a company. High ratio of own funds builds a company stable and independent on the contrary low ration of own funds can lead to instability and to insecure creditors. Financing only from own funds decreases return on invested capital. Financing only from extraneous funds is not possible due to legislative reason. Companies must have a certain amount of own capital to start business.

$$\text{Total Debts Ratio} = \frac{\text{extraneous funds}}{\text{total assets}} \quad [21, \text{p. 26}]$$

This indicator represents range of property cover of a company by extraneous funds. Value of the indicator should be between 0.3 to 0.7. Extraneous capital should not be greater than 70 % of total capital. It applies generally that higher value of the indicator greater risk of creditors is. In good condition is considered to be 30 to 50 % coverage of the property to extraneous capital.

$$\text{Debt Equity Ratio} = \frac{\text{extraneous funds}}{\text{equity}} \quad [24, \text{p. 75}]$$

The indicator represents a ration of property cover by extraneous funds. Value of the indicator should be between 0.3 and 1.0 in a market economy. The indicator is important for a bank whether the bank provides a loan or not. Value 1.0 indicates already a risk client.

$$\text{Interest Covered Ratio} = \frac{EBIT + \text{interest expense}}{\text{interest expense}} \quad [21, \text{p. 26}]$$

Interest coverage ratio expresses the company's ability to pay interest. The higher the interest coverage, the financial situation is better Interest coverage ratio has be in the range of values from 2.0 to 3.0.

$$\text{Equity Ratio} = \frac{\text{equity}}{\text{total assets}} \quad [21, \text{p. 26}]$$

Equity ratio characterizes overall stability of a company. It represents how much of own capital is bound in volume of total capital. Creditors require a minimal value of the coefficient at least 50 percentages. A condition of 50 percentages arises from a requirement that a company provides at least a half of capital to business risk. Growing value of the indicator shows on increasing stability of the company.

$$\text{Financial Leverage} = \frac{\text{assets}}{\text{equity}} \quad [21, \text{p. 27}]$$

It is the opposite value equity ratio. The indicator reflects a portion of assets which are own capital. It is an important indicator. Equity should be in a minimum of 30 percentage of total capital - share capital, reserve fund, other funds, retained earnings. Acceptable amount of extraneous capital is 70 percentages.

$$\text{Insolvency} = \frac{\text{liabilities}}{\text{accounts receivable}} \quad [21, \text{p. 27}]$$

Indicator of insolvency quantifies a relationship of obligations and claims. If the indicator is higher than one then it means primary insolvency (consequence of wrong management company which leads to insolvency). Value which is lower than one shows secondary insolvency. (consequence of non-transparent subscriber-supplier relationships; insolvency due to do not reimbursed services and supplies).

1.5.4 **Liquidity Ratios**

It is a decisive indicator of solvency company. Liquidity represents how fast a certain item of estate can be transformed to cash.

- Liquidity is important for financial stability of a company.
- It signalises, how a company is able to pay its obligations; an ability of a company to acquire sufficient amount of financial funds to proceed payments.
- Lack of liquidity decreases ability of a company to grasp profitable opportunities which can appear.
- Indicator of liquidity ratios can be expressed as a ratio of payments which might be paid to payments which must be paid.

$$\text{Cash Ratio} = \frac{\text{liquid assets}}{\text{current liabilities}} \quad [21, \text{p. 31}]$$

The most liquid assets belong to this group (money in accounts, cash, cash equivalents, checks). Ideal value is in range between 0.9 and 1.0. It means that a company can cover by own funds 90 to 100 percentages of short-term obligation. For companies dealing with manufacturing activities, it is acceptable interval 0.2 to 0.6.

$$\text{Quick Ratio} = \frac{\text{short term assets} - \text{stock}}{\text{current liabilities}} \quad [21, \text{p. 31-32}]$$

Stand-by items of circulating assets are only taken into stand-by liquidity (cash, money in accounts, shares, net claims in that claims which are after a correction by a corrected item towards claims). Recommended value of the indicator should be in a range from 1.0 to 1.5. If the value is 1, the company is able to settle their liabilities without selling inventory.

$$\text{Current ratio} = \frac{\text{short term assets}}{\text{current liabilities}} \quad [24, \text{p. 79}]$$

It refers to ability of a company to satisfy creditors in a case that a company transforms all circulating assets in a time to cash. Reasonable value of the indicator is considered to be a range from 2.0 to 2.5.

1.6 Horizontal liquidity

Horizontal liquidity analyzes the relationship between asset and liabilities. The source of the balance sheet.

1.6.1 Golden balance rule

An important part of the horizontal balance sheet liquidity is golden rule. Golden balance rule requires that the structure of assets and liabilities of the time even. Fixed assets should be covered by long-term liabilities, ie capital stock, long-term extraneous funds, current assets should be covered by short-term liabilities. Rule of funding should be in proportion 50 % of equity, 50 % extraneous funds.

$$\text{Fixed assets} \leq \text{capital} + \text{long-term extraneous funds} \quad [21, \text{p. 30}]$$

The volume of long-term foreign assets must equal at least the value of fixed assets. If fixed assets are smaller, the company is overcapitalized. This is a situation where we have fixed assets financed by short-term funds. If the volume of fixed assets exceed

liabilities, it is an undercapitalised. This situation occurs when extraneous funds is short-term indoor and long-term assets

Current assets \geq *short-term extraneous funds* [21, p. 30]

Short-term assets and liabilities is satisfactory relationship if current assets are greater than short-term foreign capital. The difference arises enterprise net cash assets. This is the case when current assets of the firm to gain long-term funds. If current assets are lower than short-term extraneous funds, there is a debt uncovered.

1.6.2 Differential liquidity indicators

The analysis of liquidity indicators are also differences. They are referred to as financial funds. The most widespread is the indicator of net working capital. Represents the amount of available funds remaining after payment of all business of common short-term liabilities. It is calculated as the difference between the circulating assets and current liabilities (debts).

Net working capital = *current assets – totalcurrent liabilities* [21, p. 32]

A calculation shows that it is current assets financed by long-term resources, which are used to control the flow of the manufacturing process. Relationship between circulating assets and short-term liabilities has a significant impact on the solvency of the firm. Construction of net working capital is based on the resolution of current assets with a turnover of less than one year, which is intended to cover short-term debt, and a part tangible property, which is relatively free and is designed to ensure the economic activity. The higher net working capital, the greater the company's ability to pay its financial obligations. It takes a pointer to the negative values, ie short-term foreign capital exceeds current assets, it is uncovered debt. Excessive size of net working capital has also a negative because it reduces the profitability of own funds. [21, p. 32]

1.7 Summary of evaluation indexes

Comprehensive evaluation indexes are employed in financial analysis besides using of cash ratios. Goal of the comprehensive evaluation indexes is representation overall financial-economic situation and business performance by one number. The indexes were done with arising need to recognize instabilities of companies in time which can signalize decline in business.

Bankruptcy models are systems of several ratios, which are assigned weights and the weighted sum gives only one result - score. Score provide an answer for a question if a company is threatened by bankruptcy. It is assumed that a company a certain time before bankruptcy shows symptoms which are typical for bankruptcy. It is for example amount of net working capital or a problem with regular liquidity. A group of the bankruptcy models is represented by Altman's model, Taffler's model, Model "IN" Index of trust. [3, p. 183]

Creditworthy models determine creditworthiness of a company in that their goal is concluded if a company belongs among good or bad firms. It is a comparison of companies in a framework of one business field. The level of creditworthiness of the borrower's ability to repay its financial liabilities. This group consists of Tamari's model, Kralick's Quicktest, a System of Balance Analysis by Rudolf Douche. [3, p. 191]

1.7.1 Altman methodology

Altman's model is taken from the U.S. market economy conditions. It is one of the ways to cumulatively assess the financial health of the company. Altman's model is called after professor of finance Edward Altman whom is published in 1968. Prof. Altman analysed a group of 66 companies of which half of them represented prosperous companies and the second half were non-prosperous companies. Goal of Altman's model was found how it would be possible to distinguish companies bankrupt and companies with a low probability of bankruptcy. He estimated Z-score model from original system of 22 cash ratios. The Z score model became the starting point for further research in this field. [24, p. 92]

Altman Z-score is based on an analysis of the five ratios that best evaluate the financial situation and its future development. It incorporates profitability, debt, liquidity and capital structure. Indicators is given different weight. The greatest weight the return on total capital.

The indicators used in the calculation of the Altman model are shown in Table 3.

Liquidity Ratios	X₁	Net operating capital / Total assets (Net operating capital = short term assets – current liabilities)
Long term Profitability Ratios	X₂	Retained earnings / Total assets
Profitability Ratios	X₃	Earning before interest and taxes (EBIT) / Total assets
Debt Ratios	X₄	Market value equity / Extraneous funds (Market value equity = equity)
Asset Utilization Ratios	X₅	Total sales / Total assets

Table 3: Altman model
Source: [3, p. 103]

Altman's model for determining the zone of prosperity for **companies are not publicly traded on the stock exchange** is expressed by the equation:

$$Z = 0,717 \cdot X_1 + 0,847 \cdot X_2 + 3,107 \cdot X_3 + 0,42 \cdot X_4 + 0,998 \cdot X_5 \quad [13, p. 73]$$

Intervals resulting values:

- the Z-value is lower than 1.20 zone of bankruptcy, the financial situation is critical
- the Z-value is in an interval of 1.20 to 2.90 grey zone, the health of the company decidedly can not decide
- the Z-value is higher than 2.90 zone of prosperity, company is financially healthy

Altman's model is also used for companies with shares publicly traded on the stock exchange. In this case, the same indicators are assigned different weights. Intervals of values results are also slightly different.

1.7.2 The IN05 model

The IN05 model was worked out by the the Neumaiers and by the Czech economists, it is considered as the most suitable for the evaluation of Czech companies. It ranks among the bankrupt models. Except the evaluation of the fact whether the company faces the bankrupt or not, it also evaluates the company's ability to create a profit and repay its commitment on the due dates. It is used for evaluation of the past, the current performance and supposed future performance of the company. Same as the Altman's index, the IN05 index is formed by several partial indexes. The key to the overall evaluation of the company is the appropriate configuration of the scales of these coefficients. Selection and weight coefficients were determined using discriminant analysis.

Index IN05 - Equation:

$$\text{IN05} = 0,13 \frac{\text{assets}}{\text{extraneous funds}} + 0,04 \frac{\text{EBIT}}{\text{interest expense}} + 3,97 \frac{\text{EBIT}}{\text{assets}} + 0,21 \frac{\text{yields}}{\text{assets}} + 0,09 \frac{\text{current assets}}{\text{current liabilities} + \text{short term bank loans}} \quad [38, \text{p. 176}]$$

Intervals resulting values: yields current assets

- the value is lower than 0.90 zone of bankruptcy (probability 86 %)
- the value is in an interval of 0.9 to 1.60 grey zone
- the value is higher than 1.60 zone of prosperity (probability 67 %)

Index IN05 and Altman's are methods that estimate with greater probability impending bankruptcy of the company about two years in advance. Their advantage is simplicity and speed to determine its financial health.

1.8 SWOT analysis

The SWOT analysis is a type of strategic analysis which is part of strategic planning of a company. It deals with testing and evaluation present state of the company and current situation of neighborhood of the company. It looks for and evaluates strength and weak sites of the company. It examines opportunities and evaluates threats which can influence operation of the company. Functional of the company can be evaluated in its complexity by the SWOT analysis or problems can be found as well as new opportunities to growth. The SWOT analysis is especially employed in marketing. It provides background for formulation of new ways, company strategy, and strategic goals. [23, p. 78]

SWOT is a shortcut of four words:

- S – Strengths
- W – Weaknesses
- O – Opportunities
- T – Threats [22]

SWOT analysis enables a precise formulation of the strategic visions by the development of strengths and elimination of the weaknesses, the effective use of future possibilities and the avoiding of threats.

Analysis of strength and weak sites is concentrated especially on inner factors of business. The strengths and weak sites of a company are those factors which generate or vice versa decrease inner value of the company (assets, efficiency of process, reliability and motivation of employees, skills, company sources etc.). The company can influence them and change their progression.

On the other hand, evaluation of opportunities and threats is concentrated on external environment of the company. These factors cannot be controlled efficiently by the company however they can be at least identified by appropriate analysis e. g. analysis of competitors, economic, political, social, legislative, and cultural factors working in neighbourhood of the company. Among external factors are counted exchange rate, change in interest rates, change in legislation etc. [22]

Formation of the SWOT analysis brings a linking between the factors of particular categories. New services and products can emerge by the connection of strengths and opportunities. The connection of weaknesses and opportunities can help the company change its run by elimination of the weaknesses in the way that the company can grab new opportunities on the market. The connection of strengths and threatens often bring aggressive strategy of approach to competetion or even to the govenrnment (lobbying). In the connection of weaknesses and threatens there are safety measures or crisis plans to emerge. [32]

A good SWOT analysis has a variety of important characteristics. It points out the nature of strong and weaknesses. The strengths mean power only if the company is better in the particular activity than its rivals. Similarly, it's necessary to examine the deficiencies from the point of organization, where the company falls behind its rivals. A well-done SWOT analysis serves to suggest the goals which it resulted logically. SWOT should include clear markers, clear key factors of the success. [18, p. 37]

Evaluation of the strength and weak sites, the opportunities and the threats has to be done systematically to avoid omitting important factors of analysis. A SWOT table called SWOT matrix is a good tool for identification the all possible factors influencing operation of the company.

The SWOT analysis is considered to be effective, operative, and transparent tool for exploring possible changes and development. The SWOT analysis should be done periodically and actualise always accordingly to dynamics of changes of inner and outer environment of the company.

The goal of the SWOT analysis it to find out if the strategy of the company is right and able to conform to the changes of environment. Results can be starting point for decision at different levels. Advantage of the SWOT analysis lies in a fact that it is management of the company itself if management decides whether to improve strength sites, minimize weak sites, capitalize opportunities and prevent threats despite of findings of the SWOT analysis. Everything depends on people and their point of view. [32]

Examples of factors which can influence operation of a company are listed in Table 4.

SWOT MATRIX	
STRENGTHS (S)	WEAKNESSES (W)
<p>The factors that influence the strengths of the company:</p> <ul style="list-style-type: none"> - unique or different products and services - unique know-how, technologies, trade mark - production processes and methods that bring a competition advantage - expense advantage - special marketing analysis - exclusive access to sources of information - the location of the company - the financial health and strength of the company - the level of specialization 	<p>Examples of the weaknesses of the company:</p> <ul style="list-style-type: none"> - inefficient differentiation of the products and services in relationship to the competition - bad quality of the products and services - high expenses, low productivity, poor effectivity and efficiency of the production - weak reputation and trade mark - limited access to distributional channels
SO strategy (strategy of usage): maximalization of opportunities by maximalization of strengths	WO strategy (strategy of searching): maximalization of opportunities by minimalization of weaknesses
OPPORTUNITIES (O)	THREATS (T)
<p>Examples of opportunities:</p> <ul style="list-style-type: none"> - development and utilization of new markets, - development and utilization of new distributional channels (Internet) - addressing new customer segments opening of new market - development of new products and branches - strategic partnership - outsourcing of business processes (outsourcing of accountancy, human sources) 	<p>Examples of threats:</p> <ul style="list-style-type: none"> - competition of the market - change or phase of life cycle of a product, service or branch - pricing strategy - new rival company approaching the market with new product or service - market adjustment - market barriers (custom duty implementation, increase of taxes)
ST strategy (strategy of confrontation) : minimalization of threats by maximalization of strengths	WT strategy (strategy of avoiding): minimalization of threats by minimalization of weaknesses

Table 4: SWOT Matrix
Source: [22]

2 Characteristics of the company

Trade name:	EGP INVEST, Ltd.
Registration:	Regional Court in Brno, section C, file 2580
Address:	Antonína Dvořáka 1707, 688 01 Uherský Brod
Legal form:	Limited liability company
Statutory body:	Executives of company
Company ID No.:	16361679
VAT No.:	CZ16361679
Share capital:	300.000 Czk
Main Lines of Business:	Construction design

EGP INVEST, Ltd. is a modern developing company with a 50-year tradition of designing and engineering activities. It was established in 1991. In its business activities and production program it has continued in experience of the project centers, which was in operation in Uherský Brod since 1960.

To provide project services and engineering activities in the Slovak Republic was established the company EGP Invest, Ltd. as the Trnava organisational division (subsidiary) at the registered address Jána Bottu 2, Trnava. The organisational division was established in 1994 with the 100 percent capital participation of EGP INVEST, Ltd.

The only owner of EGP INVEST Ltd. is since 2009 company ÚJV Řež, a.s. (Institute of Nuclear Research). Company became in this year part of group of companies forming of Group of ÚJV Řež. The company's statutory body consists of three Company Executives. At least two Company Executives must authorise any action on the company's behalf. Supervisory Board oversees the activities of the Company. Supervisory Board consists of three members – Chairman of the Supervisory Board and two Members of the Supervisory Board.

Management of the Company consists:

- Managing Director
- Production Executive Manager
- Sales Executive Manager

- Executive Manager for Economy and Finance.

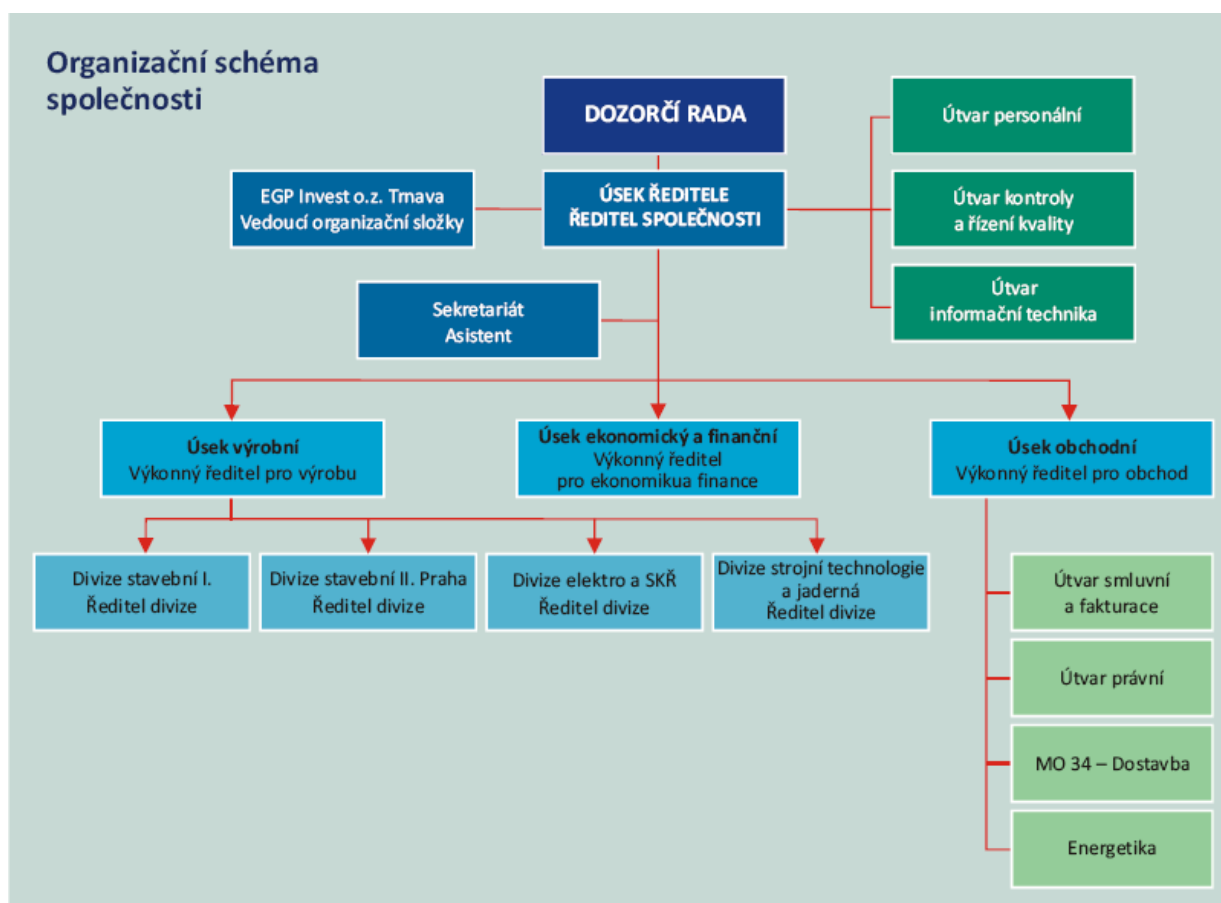


Figure 2: Organizational structure EGP INVEST, Ltd.
Source: [31, s. 6]

Basic Lines of Business of the Company:

- Investment construction project services
- Engineering and investment management
- Assessing environmental impact
- Ecology, water and air conservation project services [31, p. 4]

The main line of business activity has been the execution of project business in construction. The Company and services in the field of investment construction, reconstruction, modernizations and innovation of buildings. In addition to project preparation residential, commercial and industrial buildings the company focuses primarily on the field of nuclear and conventional power engineering, as well as on projects dealing with energy supply from renewable sources. The company also offers its services in other areas such as petrochemicals, water buildings, transport infrastructure.

Headquarters of Company there are in own area in Uhersky Brod. The Company has other workplace in Prague 8 and in Dukovany, in Slovak Republic in Trnava, Mochovce and Jaslovske Bohunice. The workplace which there are found in power plants and at construction sites primarily perform engineering activities and author's supervision.

The Company is given a strong emphasis to product quality, i.e. project documentation, engineering and other services for investors. The goal is expertise, a high technical level, efficiency, completeness and an environmental approach with respect to every order. The company has established a certified integrated Quality Management System to ISO 9001 standard, Environmental Management System according to ISO 14001 standard and its Occupational Health and Safety (BOZP) System according to OHSAS 18001 standard. Continuous quality assessment and improvement are integrated in the company's activities quality policy. The company possesses the respective authorizations for project management and engineering activities, including works and deliveries for constructions with nuclear equipment.

The company has about 110 regular employees. 55 % percent from the total number of employees have university education, 40 % of employees has secondary education and the 5 % left are employees certificated in apprenticeship. The main part of the staff are developers who are appropriately qualified and authorised for the particular proffession sector – ground contstructions, transport, static, heating, electrotechnologies, mechanical technologies, waterworks. The average age of the employees is about 45 years and it decreases permanently. Schooling and specialization of staff id worked out every year to develop the skills and knowledge of the employees. Senior managers break the young employees in. [31, p. 4]

The technical equipment of the company includes computers with the appropriate software and specialized programs. The company has also its own copy center equipped with modern printers and plotters. The company equipment and human potential enable the bussiness partners communicate and exchange date in all usual computer applicattions.

Extensive archives that the company disposes with provide the archivation of project documentation databases, containing all of the projects that the company worked out in the past, especially the documentation of building with nuclear device. [31, p. 5]

3 SWOT analysis of current condition

EGP INVEST, Ltd. provides project labours and services in the area of capital construction and focuses on the area of nuclear energy industry. The goal of the SWOT analysis is to characterise key factors that influence the strategic position of the company in this area and confront the internal sources and company skills with the changes of environment.

SWOT MATRIX	
STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Strong owner - Good reputation in experted investor class - Experience in the are of designing and engineering - Positive references - Project capacities - Experted qualification of the employers - The age structure of the staff ũ - Education, schooling - Determination of responsibility - Projecting in modern technologies - Flexible delivery of designed projects - Controlling meetings - Evaluation of the commissions - Developed archive of the commissions - Quality system, certificates, licences - The existence of vision, strategy and bussiness plan 	<ul style="list-style-type: none"> - Staff's poor knowledge of foreign languages - The level of subcontracting activities - Setting subcontracting - High overhead expenses - High subdelivery expenses
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Development and utilization of new markets - Strategic partnership with important suppliers - Price strategy - Support of inovation projects - Alternative resources - Legislative changes - International missions 	<ul style="list-style-type: none"> - Increased competition on the market - Stagnation of the demand - Decrease of the number of commissions in the result of worldwide crisis - Lower profitability - Currence exchange rates differences - Increasing prices of the energy - Legislative changes

Table 5: SWOT Matrix EGP INVEST, Ltd.
Source: [22], own processing

3.1 Strengths

The strong point of the company is its current owner which is the company ÚJV Řež, that belongs to the ČEZ group.

EGP INVEST, Ltd. has achieved a very strong position on the Czech market in the last 50 years of its activity, and even in Slovakia thanks to the location of its residence near to the Slovak borders. Through the years of experted work it has gained a lot of experience in the area of projecting and engineering. The company is well known in the experts' class and it is considered as a high-quality and reliable supplier.

Another strength of the company is the human potetial. The company disposes of qualified all-professions team of developers with experted competence which provides the processing of project documentation mostly for power buildings – especially classic and nuclear plants. The use of the senior generation in schooling young developers guarantees the provision of sufficient project capacities for the future period. The management of the company heeds the education and schooling of the employees, being aware of the crucial importance of qualified human sources in the current business environment.

The design in the modern technology and flecibility in the delivery of project works guarantee the company's ability to keep in step in the competition. Among other things, evaluation of the contracts and the regular controlling meetings on the company and particular divisions managers levels serve to control that.

EGP INVEST, Ltd. efforts to be strong and prospering company. The management of the company searches fot new way to provide better working of the company. A team of employees is selected and they perform operative analyses of the current condition of the company within the framework of ÚJV Řež, group. The mottos of the the comany management are: We know what we want. and We know, how to achieve it. The results of the analyses serve to formulate the development tendencies and activities.

3.2 Weaknesses

Overhead costs for the year 2011 equal 135 % of the direct labour costs. Though it has decreased in comparison to the year 2010 (it was 148 % in 2010), the overhead costs are still the weak point of the company.

The weaknesses also include the high expenses for the subdelivery. The company is forced to solve some of the tasks by the subdelivery. These task rank among highly experted and specialised ones which cannot be provided by the company's own capacities. Another factor leading to subdelivery provision are the close deadlines, required by the customers, which cannot be met due to the high workload of the company's own capacities.

The staff's poor knowledge of the foreign languages is another of the the company's weaknesses. The managment efforts to provide intensive language education for the leading managers who meet English speaking representants of collaborational companies in the bussiness. There are also English lessons available for other developer available in the framework of the company.

The lack of language skills mostly in the expertise area leads to need for translation of the project documentation by the translational companies; this leads to another increase of the expenses.

A huge and up-to-date threat is the continuing worldwide economic crisis. In the result of the crisis, the commision securing decreases and lowering the number of employees is necessary. The current political effort to provide sufficient power supplies raises a hopeful perspective to improve the commission securing in the next period.

3.3 Opportunities

It's necessary to remember that opportunities and threats cannot be affected by our actions; we can only conform ourselves to them. It's important to gain new strategic partnerships with important suppliers, which can appear, and to use all of the possibilities of new markets. International mission can be helpful too.

3.4 Threats

A huge threat for the company is the increasing of competition pressure in the area of design. Companies that are able to attract interest and rival the long-established companies are coming to the foreground, especially with their specialization, services quality, flexibility and fierceness. The defence strategy lies in provision of partnership with other subjects that would bring the company a comparative advantage. This advantage is an opportunity for the company.

According to the weakening of Czech crown value, the money exchange differences may influence the economy of the company in a very negative way, concerning the fact that an important part of the company activities are focused on Slovakia. Also, rising energy prices increase the share of company total costs and lead to reduced competitive.

The company must face also the possible stagnation of the demands among all threats, leading to possible decrease of the customers' number.

To sum it up, it is possible to say that the SWOT analysis results mentioned above represent the most important strengths and opportunities for the management to be inspired by. The weaknesses and threats to be eliminated are also characterised.

4 The financial analysis by the index markers

In the practical part of the theoretical knowledge applied onto the conditions of the company. The data from the annual reports from the years 2007 to 2011 were used as the source for the financial analysis.

4.1 Horizontal analysis

4.1.1 Horizontal analysis of the assets

Balance sheet	2006/2007		2007/2008		2008/2009		2009/2010		2010/2011	
	th. CZK	%	th. CZK	%	th. CZK	%	th. CZK	%	th. CZK	%
Assets total	2 885	9,03	8 127	23,34	8 685	20,22	18 012	34,88	46 404	66,63
Fixed assets	-233	-1,98	-96	-0,83	-3 764	-32,89	11 221	146,11	-175	-0,93
Intangible assets	-36	-15,06	116	57,14	232	72,73	173	31,40	390	53,87
Tangible assets	-197	-1,71	-212	-1,87	-3 996	-35,92	11 048	154,97	-565	-3,11
Investments	0	0,00	0	0,00	0	0,00	0	0,00	0	0,00
Current assets	3 092	15,66	8 352	36,57	12 204	39,13	6 964	16,05	46 576	92,49
Stocks	-551	-17,49	-697	-26,81	926	48,66	-2 317	-81,90	2 958	577,73
Long-term receivables	57	9,44	-26	-3,93	-249	-39,21	-160	-41,45	-94	-41,59
Short-term receivables	1 377	9,85	5 768	37,55	6 598	31,23	12 276	44,28	34 837	87,09
Financial assets	2 209	110,06	3 307	78,44	4 929	65,52	-2 835	-22,77	8 875	92,28
Others assets	26	6,18	-129	-28,86	245	77,04	-173	-30,73	3	0,77

Table 6: Horizontal analysis of the assets

Source: [27 – 30, 34], own processing

The development of the assets in the time compared to the past period is examined by the horizontal analysis. The horizontal analysis of general assets screens out an increasing tendency. An increase is visible between years. The slowest tempo of the increase was registered in the year 2007 when it only has risen of 9,03 % compared to the year 2006. Since the year 2008 there is a regular increase more than 20 % between the years. The assets has increased of almost 35 % in the year 2010. A huge increase can be observed also in the year 2011 when the assets has risen of 66 % compared to the year 2010.

Permanent assets of EGP INVEST, Ltd. are formed by long-time incorporeal property and long-time corporeal property. The company has never recorded any long-time financial property in the whole period of observation.

The long-time incorporeal property has decreased for 15 % compared to the previous year in 2007. Since 2008 it tends to increase. The company has invested in new incorporeal property every year. The increase was caused by the purchase of new software for the company. The long-time corporeal property has the same tendency to decrease and increase as the long-term incorporeal has. Since 2007 to 2009 the corporeal possession decreased only, the increase is marked since 2010 when the residence of the company was reconstructed. There is a moderate decrease of the long-time incorporeal possessions in 2011. In this year, the company did already not invest in the long-time corporeal property; the decrease is caused by accumulated depreciation of the long-time property.

Liquid assets are formed by supplies, long-time debts, short-time debts and short-time financial property, which creates the most liquid part of the assets – money. In the comparison between years, the decrease of the supplies is positive in the years 2007, 2008. The supplies increase by 50 % in 2009, but the company goes back to the decreasing trend in 2010. The supplies had fallen by 82 %. In the opposite, the huge increase in 2011 may be considered as negative turn. The work-in-progress had risen by 577 %. The increase of the supplies was caused by high work-in-progress of the commissions. The company should control its supplies (the work-in-progress commissions) because they are less liquid. There is a great amount of money bound in them in 2011. This negative condition has influenced also the effective exploitation of the supplies, which is described in the following.

The long-time commission are lowering except the year 2007, which is a positive tendency. The company is able to control its customers' balance accounts. Since 2007 to 2011 these were decreased by more than 500 thousand Czech crowns, which is more than 500 %. In the opposite, the short-time commissions keep increasing, what can be considered as negative condition. There was an increase by 59 478 thousand Czech crowns since 2007 to 2011, what is almost 500 % in the examined period. The biggest items of the short-time commissions are the commissions from business relations. A huge part of the commission is created by retaining that results from the contract relations with the customers.

The short-time financial property is formed by financial resources in cash and on the bank accounts. The short-tim financial property had risen in the years 2007 to 2009, then it had decreased slightly in 2010. It has increased by 92 % in the year 2011.

Other assets, which means time differentiation, is formed by the items of costs and incomes in the following periods. In all of the observed years, the height of other assets is insignificant compared to the total sum of the assets. Since 2007 to 2011 the height of these items is registered as regular.

The structure of the company's assets in the year 2007 to 2011 is displayed on the following diagram.

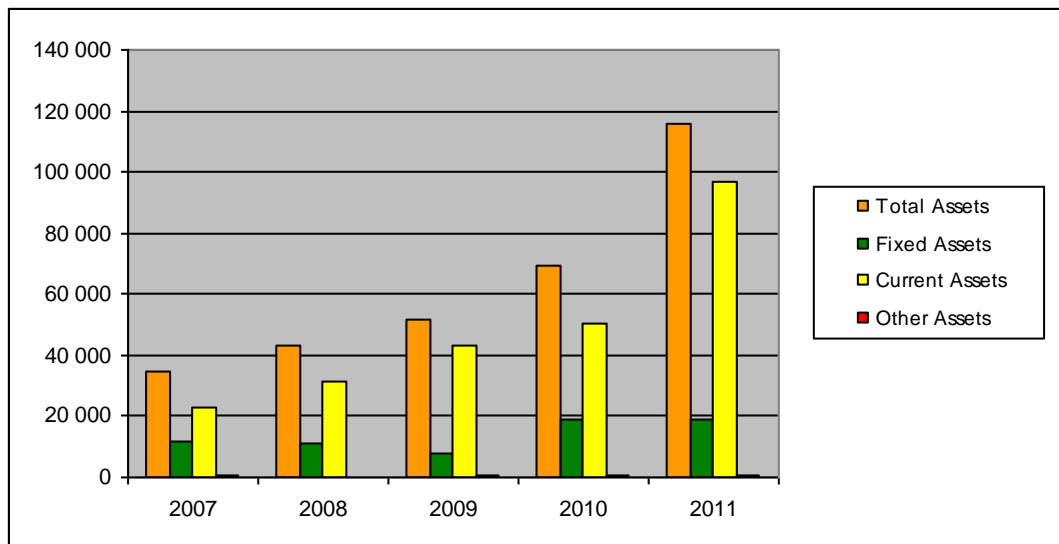


Diagram 1: Structure assets 2007 - 2011
Source: [27 – 30, 34], own processing

4.1.2 Horizontal analysis of the liabilities

Balance sheet	2006/2007		2007/2008		2008/2009		2009/2010		2010/2011	
	th. CZK	%	th. CZK	%	th. CZK	%	th. CZK	%	th. CZK	%
Liabilities total	2 885	9,03	8 127	23,34	8 685	20,22	18 012	34,88	46 404	66,63
Equity	3 365	30,89	2 801	19,65	13 508	79,19	3 489	11,41	3 413	10,02
Capital	0	0,00	200	200,00	0	0,00	0	0,00	0	0,00
Retained earnings	31	0,53	-46	-0,79	-3 893	-67,06	4 050	211,82	69	1,16
Retained earnings	-7 473	-76,83	5 692	252,53	6 826	85,90	9 412	63,72	3 361	13,90
Profit for the period	12 365	-195,87	-3 045	-50,31	10 575	351,68	-9 973	-73,43	-17	-0,47
Extraneous funds	-525	-2,51	5 400	26,49	-4 715	-18,29	13 432	63,75	44 019	127,59
Reserves	41	32,28	-42	-25,00	353	280,16	1 716	358,25	3 106	141,50
Long-term liabilities	-10	-100,00	0	0,00	0	0,00	0	0,00	35	100,00
Current liabilities	-299	-1,46	5 442	26,92	-10 332	-40,27	2 422	15,80	24 147	136,05
Bank loans	-257	-100,00	0	0,00	5 264	0,00	9 294	176,56	16 731	114,93
Others liabilities	45	32,85	-74	-40,66	-108	-100,00	1 091	100,00	-1 028	-94,23

Table 7: Horizontal analysis of the liabilities
Source: [27 – 30, 34], own processing

The horizontal analysis of the liabilities displays the tendency to increase in the period since 2007 to 2011. Similarly to the assets, the liabilities increase between the years. The lowest increase was registered in 2007, when it was only 9,03 %. Since 2008 the increase becomes regular. It was 23,34 % in 2008, 20,22 % in 2009, 34,88 % in 2010 and 66,63 % in 2011.

The company's capital is formed by the basic capital, reserve capital, indivisible capital and other funds from the profit, the result of management from the past years and the economic outcome of regular accounting period. The highest items of the capital are formed by the results of the management in the past year and statutory funds. The highest increase of the capital itself was registered between the years 2008/2009 when it has increased by 79,19 %. In 2009, the company had reached the highest economic outcome in the examined period – 13 million Czech crowns. The average economic outcome in the other years in 3,5 million Czech crowns.

The external resources include stockpiles, short-time commitments and bank accounts and assistances. The company did not register any long-time commitments until 2010.

The stockpiles since 2007 to 2011 are increasing between the years. They only had decreased in 2008. They has increased by 5 175 thousand Czech crown since 2008 to 2008, which means 1 306,5 %.

The short-time commitments are formed by commitments from the business relation, commitments to the partners and employees, commitment from the social support tax commitments, advances, assumption items and other commitments. The highest part of the short-time commitments are the commitments from the business relations. Compared to the year 2007, the short-time commitments had decreased by 2 468 thousand Czech crowns until 2010, which is 12,2 %. The short-time commitments increased rapidly in 2011, by 136 % compared to 2010. This is a negative tendency. The increase was caused by short-time commitments from business relations.

The company uses the bank loans and assistance since 2009. In 2009, the company had applied for short-time bank loan. In 2010 it also applied for long-time bank loan. The loan has increased by 9 294 between the years 2009 and 2010, which means 176,56 %. Another increase of both loans and assistance was done in 2011 and it were the short-time bank loans. The company uses the bank loan for operation financing provision.

The structure of the liabilities in the years 2007 - 2011 is displayed in the following diagram.

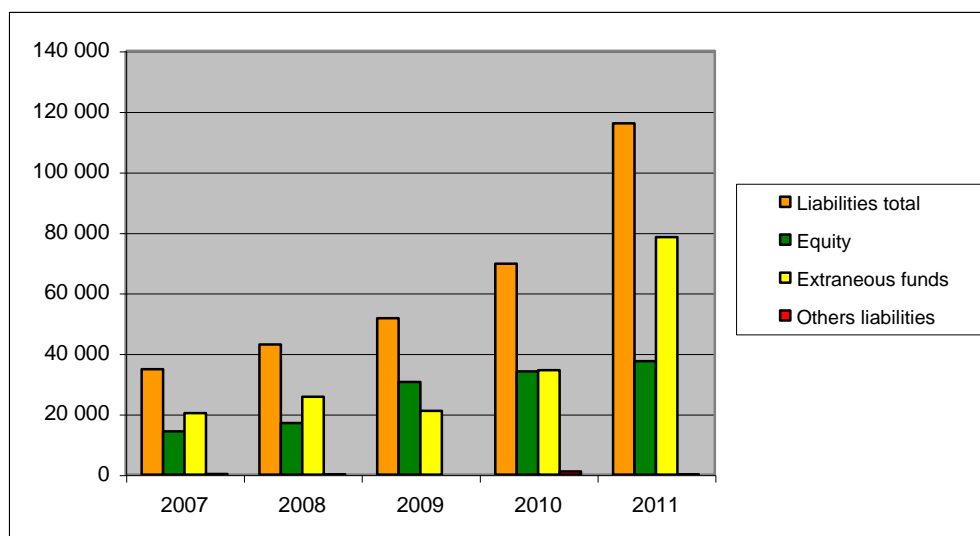


Diagram 2: Structure of the liabilities 2007 - 2011
Source [27–30, 34], own processing

4.1.3 Horizontal analysis of the profit and loss report

Profit and loss	2006/2007		2007/2008		2008/2009		2009/2010		2010/2011	
	th.CZK	%	th.CZK	%	th.CZK	%	th.CZK	%	th.CZK	%
Sales of goods	-39	-12,34	48	17,33	-234	-72,00	-91	-100,00	0	0,00
Sales of own products and services	25 556	47,74	17 369	21,96	26 425	27,40	-540	-0,44	15 275	12,49
value	15 288	53,91	4 402	10,09	25 425	52,91	-6 541	-8,90	3 524	5,26
Sales of fixed assets and material	56	0,00	-50	-89,29	184	3 066,67	-186	-97,89	6	150,00
Operating profit	12 820	0,00	-3 197	-43,44	16 915	406,32	-13 982	-66,33	-534	-7,53
Financial result	-645	104,71	131	-10,39	-498	44,07	-459	28,19	850	-40,73
Profit on ordinary activities	12 365	-195,87	-3 045	-50,31	13 812	459,33	-13 210	-78,54	-17	-0,47
Extraordinary profit	0	0,00	0	0,00	-3 237	0,00	3 237	-100,00	0	0,00
Profit for the period	12 365	-195,87	-3 045	-50,31	10 575	351,68	-9 973	0,00	-17	0,00
Profit before tax	12 175	-200,38	-3 066	-50,27	13 180	434,55	-11 204	-69,11	316	6,31

Table 8: Horizontal analysis of the profit and loss report
Source: [27–30, 35], own processing

The horizontal analysis of the profit and loss report displays the values on the examined period 2007 to 2011.

The incomes from the goods purchase keep decreasing in the years 2007 to 2009. In 2009, the company had made a crucial decision – the sell of the money-losing part of the company, the service station centre. Since that moment in the half of the year 2009 the company deals with goods purchase no longer. The company is focused solely only on one area of business, and it is project engineering. The company is focused solely on one area of business and project engineering. From that reason, the company assigns no more incomes from the goods purchase in 2010 and 2011.

The main item of the incomes is formed by the company's own products purchase. Compared to the incomes from the goods purchase, the incomes from the company's own products purchase had been increasing since 2007, what is very positive condition. In 2007, the incomes had risen by 47,74 % 21,96 % in 2008 and 27,40 % in 2009. Compared to 2009, the incomes had decreased slightly in 2010. The decrease was caused by the nervousness on the market in the time of economic crisis. The company was not

able to keep the standard from the year 2007 in 2010. The incomes had decrease by 0,44 %. In 2011, the result had shown an increase of the incomes from the company's own products and services purchase again. The company has returned to the positive tendency of the increase – the incomes had risen by 12,49 %

The incomes from the purchase of long-time nonmaterial and material property are insignificant A slight increase was registered only in 2009, reflection the sale of the part of the company – the service station centre.

The operational result of the management in the years 2007 to 2011 reaches similar values. It has decreased in 2008, in the opposite, a huge increase was registered in 2009, when the operational result of the management has reached 21 078 thousand Czech crowns, which was a rise of 406,32 % compared to the year 2008. Operating profit in 2009 greatly influenced the contract, which this year began to implement a new customer and Kosice Engineered construction, general contractor of the project Completion of 3rd and 4 block of Mochovce power plant in the Slovak Republic. In 2010, operating profit decreased by 66 % next year and a decrease of 7.5 %. So a big drop in operating profit is negative, because the operating activities is the foundation of the company's business.

The financial result of the management had kept decreasing since 2007 to 2010. The decreasing tendency represents negative condition. Financial expenses rise above the financial profits. The company trades with the EU currency, for which reason the exchange rates influence the course profits, but also the course losses.

The economic results constantly remains in the range about 5 mil. Czech crowns, except the year 2009. In the year 2009, the company has reached the economic result of 16 mil. Czech crowns. This result was reached thanks to the increasing of incomes from the company's own products and services. In 2010 and 2011 the incomes from services has reached similar values as in 2009, but the service expenses had also increased. Even the economic result shows that in 2009 was influenced by work on new business projects for the completion of Mochovce power plant.

Remarkable economic result was created only in the year 2009. But it has reached negative values. The extra expenses were 178,95 % higher than extra incomes.

The structure of the company's incomes in 2007 - 2011 is displayed in the following diagram.

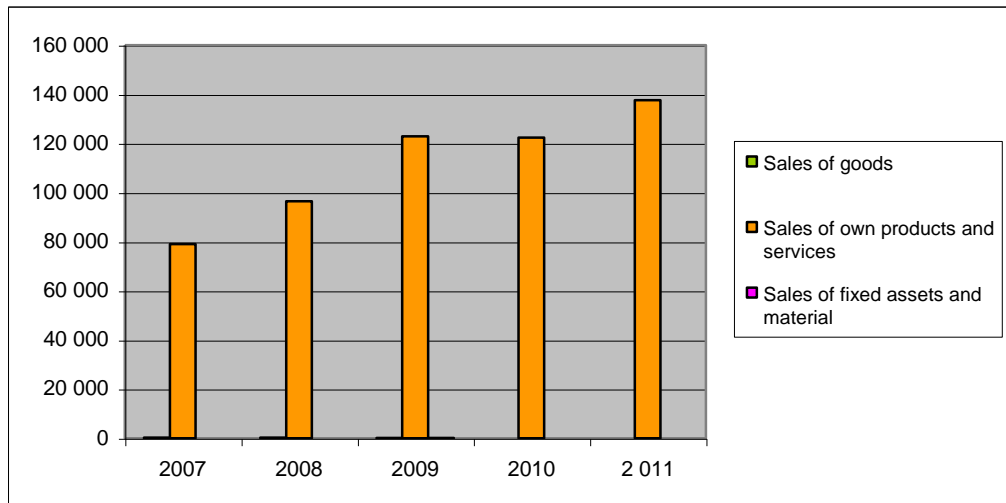


Diagram 3: Structure incomes 2007 - 2011
Source: [27–30, 35], own processing

In the next paragraph, the economic results of the company in 2007 - 2011 are displayed.

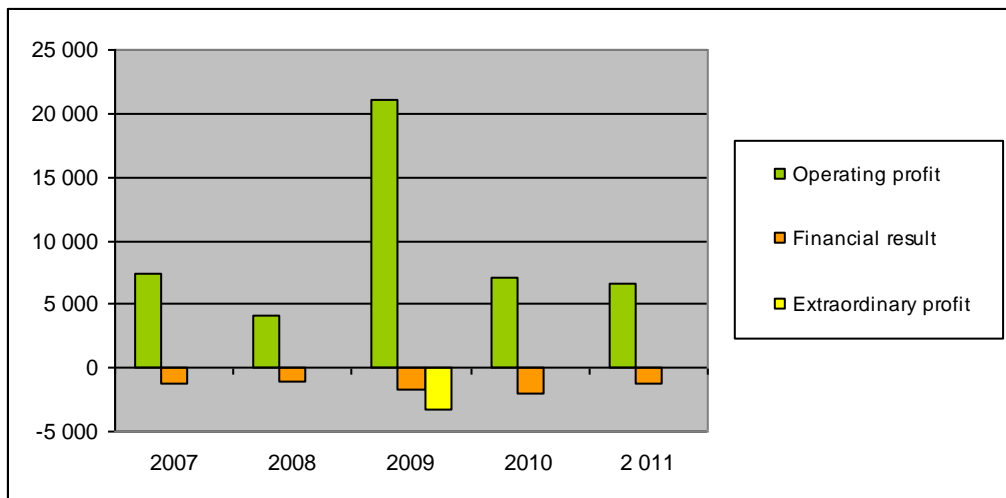


Diagram 4: Economic results of the company 2007 - 2011
Source: [27–30, 35], own processing

4.1.4 Horizontal analysis of the cash flow report

CASH FLOW	2007/2008		2008/2009		2009/2010		2010/2011	
	th.CZK	%	th.CZK	%	th.CZK	%	th.CZK	%
Cash equivalents at beginning of year	2 209	110	3 307	78	4 929	66	-2 835	-23
Cash flow operating activities	-1 329	-22	-2 034	-43	948	35	10 257	279
Cash flow investing activities	-147	13	3 301	-259	-15 790	-779	10 837	-79
Cash flow financing activities	2 574	-93	355	-197	7 078	4 045	-9 384	-129
Cash equivalents at the end of year	3 307	78	4 929	66	-2 835	-23	8 875	92

Table 9: Horizontal analysis of the cash flow report

Source: [27–30, 34, 35], own processing

Cash flow from the operating activity is influence mostly by the increasing of the value of the depreciations, the decrease of short-time commissions and growth of the bank loans and assistances. Cash flow from the operating activity reaches positive values in all of the observed periods. Between the years it had decreased in 2007, 2008 and 2009, in 2010 the operating cash flow had increased by 35 %, 279 % in 2011.

The cash flow from the investment activity is in negative values except the year 2009. The change of the cash flow from the investment activity was influence in 2010 by the increase of the long-time material property and long-time nonmaterial property. The main reason was the reconstruction of the company's residence in 2010, which means an evaluation of long-time material property.

The cash flow from the financial activity kept decreasing in the years 2007 to 2009. The company has reached the increasing trend in the year 2010. The cash flow from the financial activity was influenced by the set bank loans, growth of the ground capital, the change of the funds from the profit and the economic results. In the years 2007 and 2008 the company reaches negative values, in 2009 and 2010 it has reached positive values. The fluctuating tendency of the cash flow was confirmed in 2011, when it decreases by 129 % compared to the previous period.

The following diagram shows the company's cash flow in 2007 - 2011.

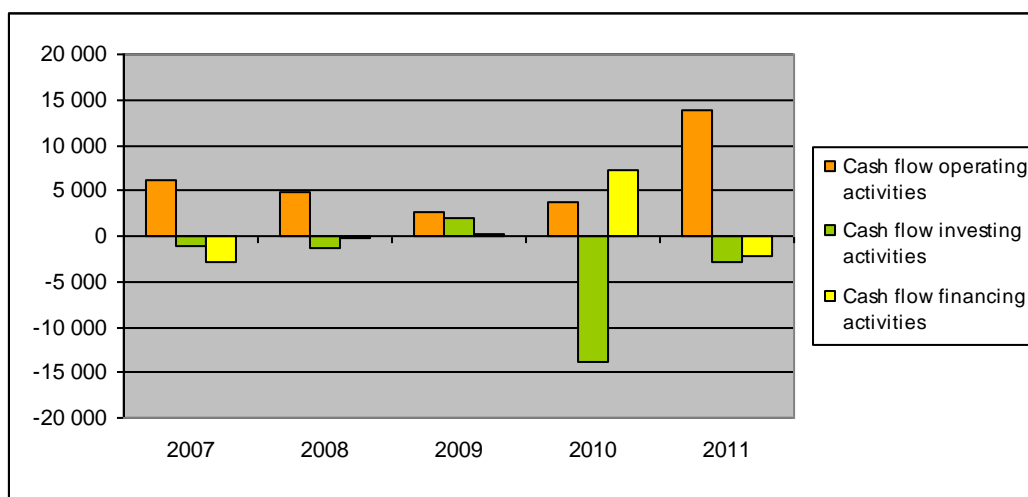


Diagram 5: Cash flow 2007 - 2011
Source: [27–30, 34, 35], own processing

4.2 Vertical analysis

4.2.1 Vertical analysis of assets

Balance sheet (%)	2007	2008	2009	2010	2011
Assets total	100,00	100,00	100,00	100,00	100,00
Fixed assets	33,14	26,64	14,87	27,14	16,14
Intangible assets	0,58	0,74	1,07	1,04	0,96
Tangible assets	32,56	25,90	13,81	26,10	15,18
Investments	0,00	0,00	0,00	0,00	0,00
Current assets	65,58	72,61	84,04	72,30	83,53
Stocks	7,47	4,43	5,48	0,74	2,99
Long-term receivables	1,90	1,48	0,75	0,32	0,11
Short-term receivables	44,11	49,19	53,69	57,43	64,49
Financial assets	12,11	17,52	24,12	13,81	15,93
Others assets	1,28	0,74	1,09	0,56	0,34

Table 10: Vertical analysis
Source: [27–30, 34], own processing

The structure of the company's assets is in the same distribution on all of the examined periods. The share of the fixed assets is lower than the share of the liquid assets. The reason for this distribution is the subject of the company's business. The main subject of the company's business is the provision of services. From this reason, the main part of the assets are the liquid assets. The height of the fixed assets is 27,14 % from the overall

assets. The liquid assets form 72,30 % from the overall assets. Due to the investment to the company's property, the fixed assets had slightly increased in 2010, same as the liquid assets had decreased. The year 2011 follows the trend from 2009.

The main part of the fixed assets is created by the long-time material property. In 2007 the long-time material property was 32,56 % of the assets, in 2010 it was 27,14 % of the assets. An insignificant part of the assets is formed by the long-time nonmaterial property in the height of 1,04 % of the assets in 2010. It has increased since 2007, when the long-time nonmaterial property stood for 0,58 % of the assets. The company does not own any long-time financial property.

The liquid assets are created mostly by the short-time debts, which stand for 57,43 % of the assets in 2010. It had increased in comparison to 2007, when the short-time debts formed 44,11 % of the assets. Other items are supplies, long-time debts and short-time financial property. The short-time financial property has reached its maximum in 2009, when it was 24,12 % of the assets. The supplies and long-time debts are insignificant items in the overall assets. The time differentiation is around 1 % of the overall assets for the whole observed period.

The following diagram displays the company's assets in the years 2007 - 2011 in percentage.

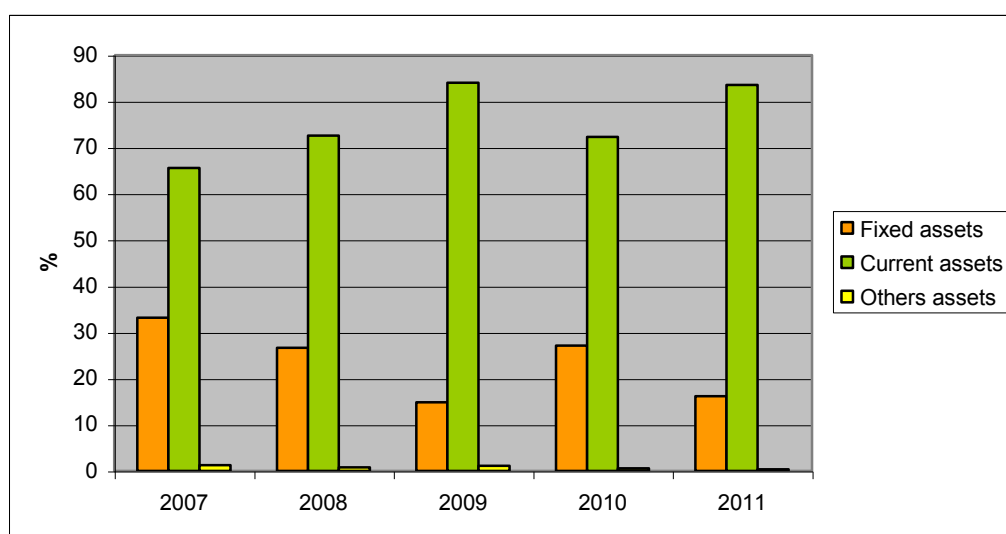


Diagram 6: Structure of assets 2007 – 2011
Source: [27–30, 34], own processing

4.2.2 Vertical analysis of the liabilities

Balance sheet (%)	2007	2008	2009	2010	2011
Liabilities total	100,00	100,00	100,00	100,00	100,00
Equity	40,94	39,72	59,20	48,90	32,29
Capital	0,29	0,70	0,58	0,43	0,26
Retained earnings	16,80	13,52	3,70	8,56	5,20
Retained earnings	6,47	18,50	28,61	34,72	23,74
Profit for the period	17,38	7,00	26,30	5,18	3,10
Extraneous funds	58,54	60,03	40,80	49,54	67,66
Reserves	0,48	0,29	0,93	3,15	4,57
Long-term liabilities	0,00	0,00	0,00	0,00	0,03
Current liabilities	58,05	59,74	29,68	25,48	36,10
Bank loans	0,00	0,00	10,19	20,90	26,96
Others liabilities	0,52	0,25	0,00	1,57	0,05

Table 11: Vertical analysis of the liabilities
Source: [27–30, 34], own processing

The structure of the company's liabilities is in the years 2007 and 2008 in following proportion: 40,94 % and 39,72 % the company's own capital, 58,54 % and 60,03 % external sources. The external sources predominate the company's own capital. So the company finances its activity mostly from external capital. The situation changes in 2009, when the company's own capital predominates the external capital. The company's own capital forms 59,20 % of the liabilities, external sources 40,80 %. This increase is caused especially by the increase of the economic result. In 2010, the company's own and external capital got balanced. The company evenly distributes the financing in 2010. In 2011, the capital is formed by 32 % of the company's own and 67 % of the external capital. This condition is rather negative for the company from the liquidity viewpoint. The company finances its activity mostly from external sources again

The highest items of the company's own capital are created by the results of the economic management from the past years and the economic result from the regular accounting period. Reserve, indivisible and other funds from the income had been decreasing since 2007. In 2007, the funds stood for 16,80 % of the liabilities, in 2010 it was 8,56 % of the liabilities. The basic capital represents a minimal item in the overall liabilities.

The external sources are created by the stockpiles, short-time commitments and bank loans and assistances.

The stockpiles kept increasing since 2007 to 2011. They stood for 0,48 % of the liabilities in 2007, in 2011 it was 4,57 %.

The company did not have any long-time commitments to its suppliers since 2010. In 2011, the long-time commitments represent 0,03 % from the overall liabilities. The short-time commitments create significant and the main part of the external sources. A positive effect is their decreasing between the years until 2010. The short-time commitments stood for 58,05 % of the liabilities, in 2010 it was 25,48 % of the liabilities. This decrease was caused by the ser of short-time bank loan in 2009 and long-time bank loan in 2010. It enabled the company repay their debts to the suppliers, in the opposite, the commitments to the banks had increased. In 2011, the short-time commitments increased again by almost 11 % in comparison to the previous period. The external sources have the greatest share from all examined periods in 2011. The proportion of external sources and the company's own capital is 67,66 % to 32,29 %. The condition of the indebtedness should not exceed 70 %. It means that the company is on the border of using the external sources in 2011. This marker interests especially the banks that decide on loan provision according to this marker. [36, p. 24]

The time division is about 0 % -1,57 % from the overall liabilities in the observed period.

The diagram shows the percentage of company's liabilities dividing in the years 2007 - 2011.

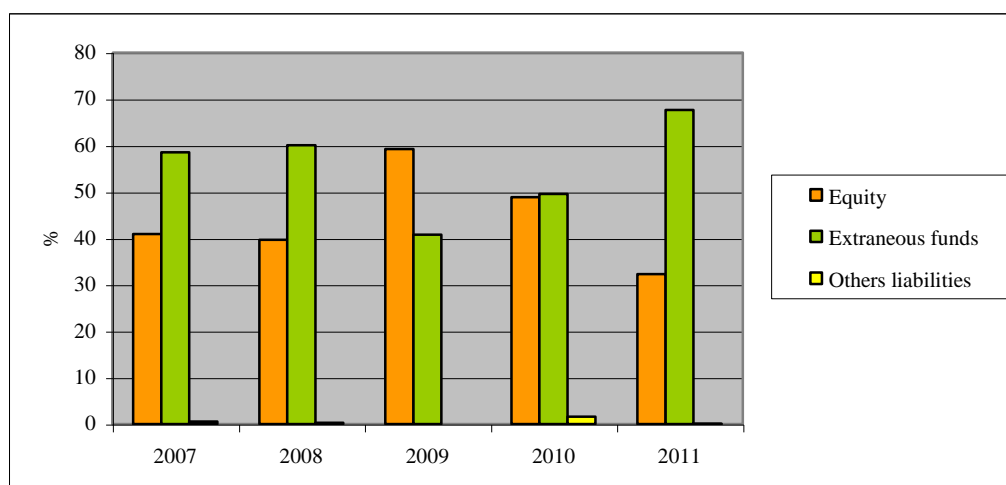


Diagram 7: Structure of liabilities 2007 – 2011
Source: [27–30, 34], own processing

4.3 The financial analysis according to the index markers

4.3.1 Profitability markers

Index		2 007	2 008	2 009	2 010	2 011
ROA – Return on Assets	%	17,38	7,00	26,30	5,18	3,10
ROI – Return on Investment	%	20,02	9,18	27,20	5,31	3,46
ROE – Return on Equity	%	42,45	17,63	44,43	10,60	9,59
ROS – Return on Sales	%	7,63	3,11	11,04	2,95	2,61
ROC – Return on Costs	%	-6,63	-2,11	-10,04	-1,95	-1,61

Table 12: Profitability markers

Source: [27–30, 34, 35], own processing

The profitability marker of the overall assets (ROA) measures net profit to the assets. It has fluctuating character in the examined period. It decreases because of fluctuant profitability of the incomes. The ROA marker has reached its maximum in 2009, in 2010 it decreases rapidly. This fact cannot be evaluated as negative, because the company had invested in 2010 and it has increased its long-time property for more than a half more than in the year 2009. The overall assets had increased. This means that the company has created a growth potential for the future with unchanged incomes. The decreasing trend continues also in 2011. In the year 2011 the assets increased quite rapidly because of huge growth of short-time debts, but in comparison to 2010, the incomes has increased minimally in 2011.

The mentioned fact is also confirmed by the profitability marker of the overall input capital (ROI), which copies the values of ROA in the observed period. The profitability of the ROI capital was exceeding the recommended values in 2007 and 2009. The recommended interval is 12 % - 15 %. In these years, the company's profit was 20 or 27 halers to 1 Czech crown invested. These values are referred to be very good. In the years 2008, 2010, 2011 are the values deep down under the recommended values. The profit on 1 Czech crown was only 5 halers in 2010 and 3,5 halers in 2011. This situation is not good.

The profitability of the company's own capital (ROE) had registered highest values in the years 2007 and 2009, when it has reached more than 40 % of the productivity. The increase of this marker in 2009 was influence by remarkable improvement of the management results. In the years 2007 – 2009 the profit was 0,42 CZK, 0,17 CZK, and

0,44 CZK for 1 Czech crown invested. The ROE decreases rapidly in 2010. This negative result shows that the increasing of the company's own capital brings the decrease of the incomes. The productivity of the company's own capital remains at the same level in 2010 and 2011, 1 Czech crown invested externally brings only 10 halers.

The diagram shows the profitability markers ROA, ROI and ROE in the years 2007 – 2011.

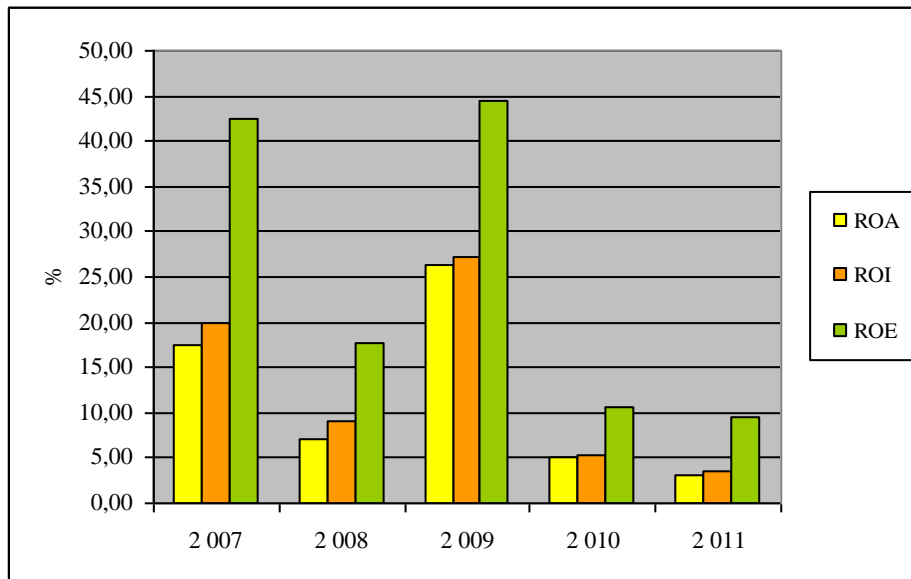


Diagram 8: Profitability ROA, ROI, ROE 2007 - 2011

Source: [27–30, 34, 35], own processing

The profitability of the incomes (ROS) shows the percentage of the profit from the overall incomes. This marker has reached its best values in the years 2007 and 2009. In 2010, the marker had decreased by 8 % in comparison to 2009. The proportion of the profit to the incomes had decreased by several more decimals of a percent in 2011. In 2011, the company has reached 2 halers profit for 1 Czech crown. Another marker is the marker of profitability of the costs (ROC), which marks the proportion of overall costs to the incomes. Also this marker resulted the year 2009 as the best from the observed period, because the company was able to create 1 Czech crown incomes at the lowest expenses.

The marker of the profitability of the overall invested capital (ROCE) was not used, because the company did not finance the assets by long-time external capital in the examined period (except 2011).

The profitability indicators are visible, and that these values were influenced by an exceptional 2009. Design and engineering for the reconstruction and completion of the Mochovce nuclear power plant resulted in a good management company.

The diagram shows the profitability of the incomes and costs in 2007 – 2011

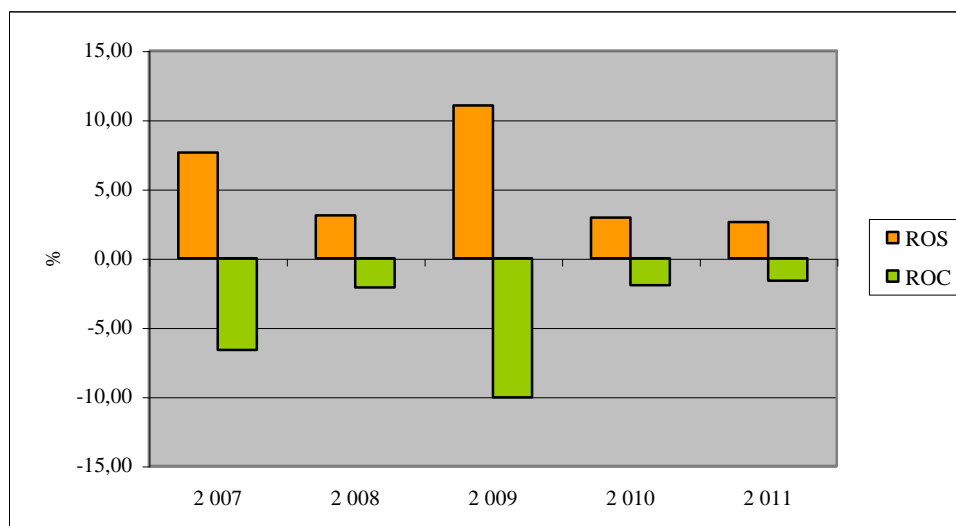


Diagram 9: Profitability of the incomes and costs 2007 - 2011

Source: [27–30, 34, 35], own processing

4.3.2 Asset Utilization Ratios

Index (days)	2 007	2 008	2 009	2 010	2 011
Turnover time of total capital	157,85	159,75	150,92	204,94	303,57
Turnover equity	64,63	63,45	89,34	100,21	98,01
Inventory turnover	11,79	7,08	8,27	1,51	9,08
Receivables turnover	69,62	78,58	81,04	117,70	195,76
Turnover time short-term liabilities	91,64	95,44	44,80	52,22	109,59

Table 13: Asset Utilization Ratios

Source: [27–30, 34, 35], own processing

The markers show the efficiency of the property exploitation. This efficiency is the higher the lower is the time of the reverse of all of observed markers. The result of the calculated values show the time of reverse of the overall capital and also the time of the reverse of the company's own capital is increasing. While the time of the reverse of the company's own capital had only slightly increased since 2009, the value of the overall capital has increased rapidly in 2010 and much worse situation occurs in 2011, when the marker reached the

value of almost 304 days. This time is too long for the company and shows the inefficient use of the capital. This result has negative influence on the company.

The diagram shows the time of overall reverse of the capital in the years 2007-2011.

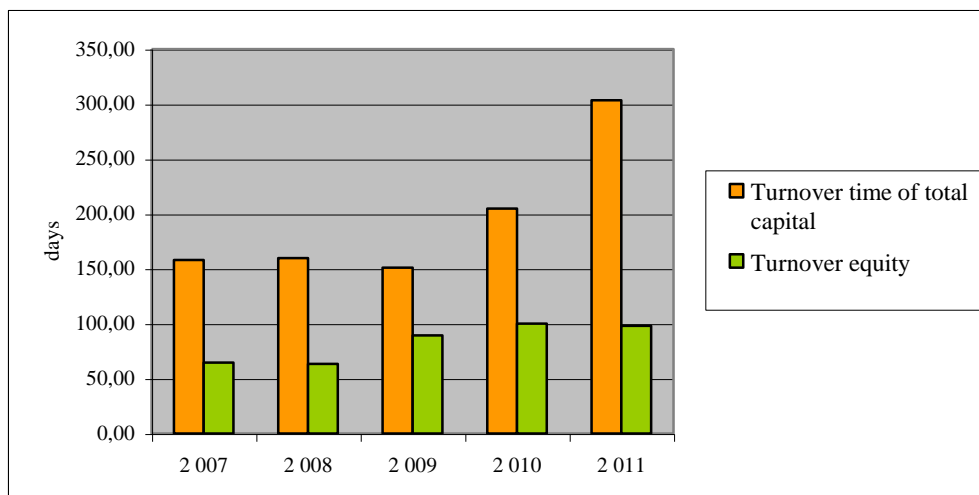


Diagram 10: Turnover time and total equity 2007 – 2011

Source: [27–30, 34, 35], own processing

The trend in the reverse time for the supplies is fluctuant. In 2008, it decreases from 11,79 days to 7 days. In 2009, it registers the increase by 1 day. In 2010 the reverse time of the supplies to the overall amount of the incomes reaches the value of 1,51. This means that for one and half day, the supplies are bound to the time of their consumption. The marker of the supplies activity had developed very well in 2010. But in 2011, it has reached the value of 9,08 days. This is 600 % increase compared to 2010. This condition shows a negative development in the year 2011.

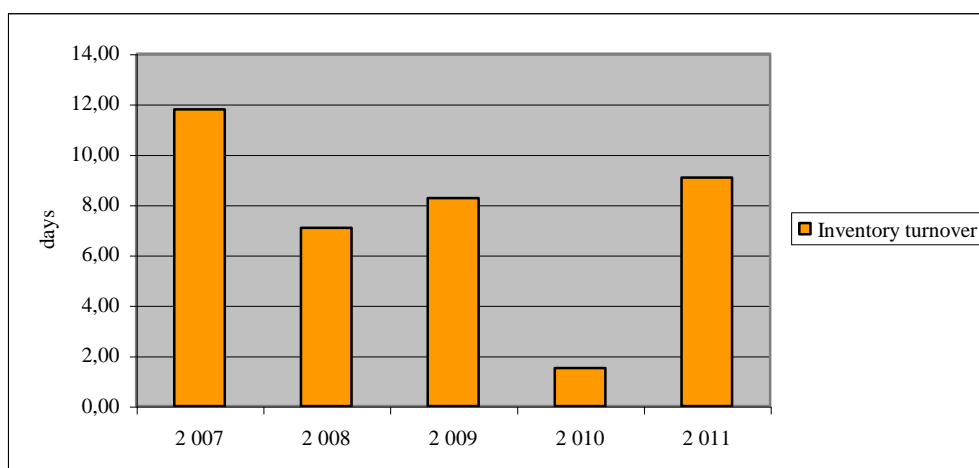


Diagram 11: Inventory turnover 2007 – 2011

Source: [27–30, 34, 35], own processing

Also short-time debts are included in the calculation of the debts reverse. The number of days that the customers owe the money is increasing in the observed period. In the year 2010, the reverse time has increased by 36 days in comparison to the previous period, 78 days more in 2011. This situation is bleak for the company. It shows the disadvantageous current trend of the economic environment, when the due dates keeps extending; in the opposite, the time of the company's short-time commitments has decreased significantly in 2009 and 2010. Though it has increased by 100 % in 2011, the reverse of the commitments forms the half of the debts reverse. The due date of the short-time commitments is shorter than the due date of the debts, which means that the company has to use external sources to repay them. The longer is the reverse time of the commitments, the more financial recourses is required to cover them, especially the bank loans.

The diagram shows turnover of the debts and the short-time commitments in the years 2007 - 2011.

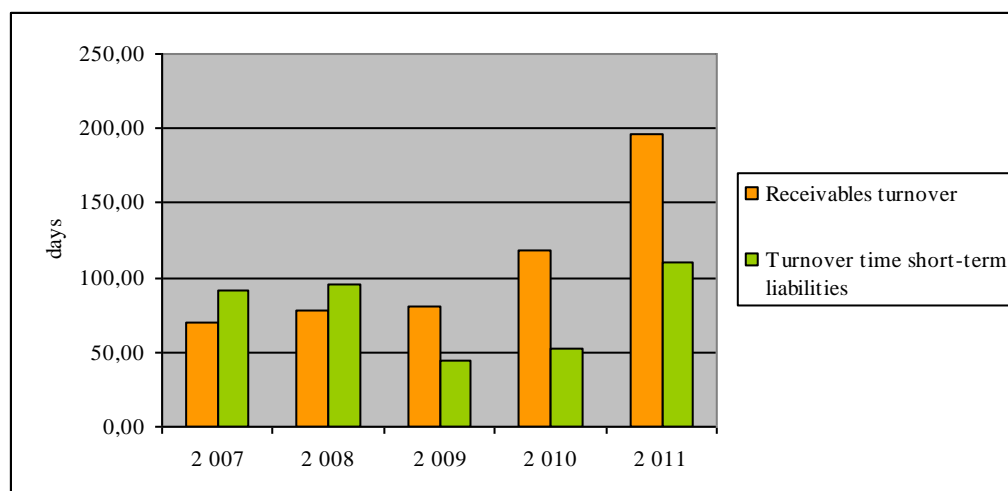


Diagram 12: Turnover of the receivables and the short-time liabilities 2007 - 2011

Source: [27–30, 34, 35], own processing

4.3.3 Debt Ratios

Index	MJ	2 007	2 008	2 009	2 010	2 011
Total Debts Ratio	%	58,54	60,03	40,80	49,54	67,66
Debt Equity Ratio	koef.	1,43	1,51	0,69	1,01	2,10
Interest Covered Ratio	koef.	7,58	4,21	30,40	42,01	9,37
Equity Ratio	%	40,94	39,72	59,20	48,90	32,29
Financial Leverage	koef.	2,44	2,52	1,69	2,05	3,10
Insolvency	koef.	1,26	1,18	0,55	0,44	0,56

Table 14: Debt Ratios

Source: [27–30, 34, 35], own processing

The overall indebtedness represent the share of overall commitments to the company's overall property. An indebtedness value over 50 % is considered as high. The result of the calculated values shows that the company's overall indebtedness in 2007 and 2008 is high. The degree of the company's property coverage by external sources is about 60 %. In 2009, the liquid assets had increased while the short-time commitments had decreased. The indebtedness had decreased to 40 %. The long-time material property was increased in 2010, but the bank loans and assistances had also increased. The indebtedness had risen to almost 50 %. The liquid assets had risen thanks to supplies and short-time debts. On the liability side, the external sources had increased. The company had fallen to high values of overall indebtedness.

The diagram shows total debt in the years 2007 - 2011.

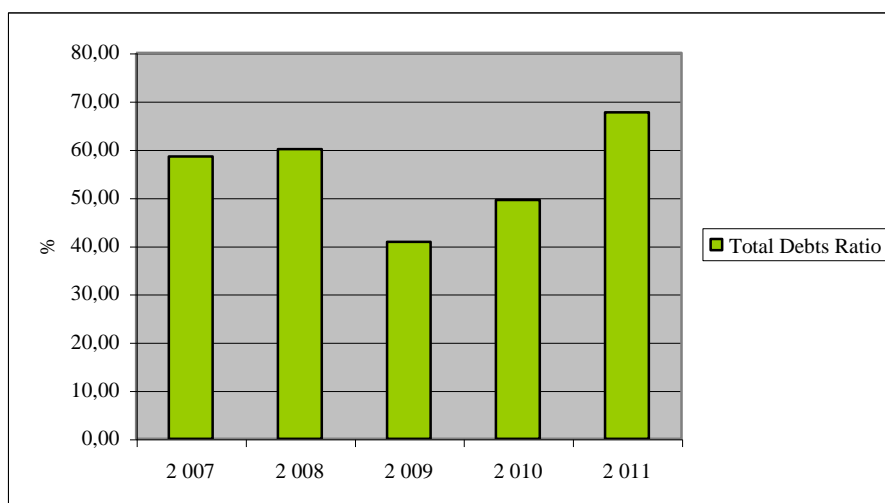


Diagram 13: Total debt 2007 - 2011

Source: [27–30, 34, 35], own processing

The level of indebtedness of the company's own capital represents the proportion of external and the company's own sources. The company reaches the recommended values range from 0,3 to 1,0 only in the years 2009 and 2010, when it tightly fits the range's higher border. In the other years of the observed period, the indebtedness of the company's own capital is relatively high. Especially in 2011, when the company had reached the coefficient 2,10. This marker may be negative from the bank's view, while it may consider the company as a risk client.

The diagram shows debt equity ratio in the years 2007 - 2011.

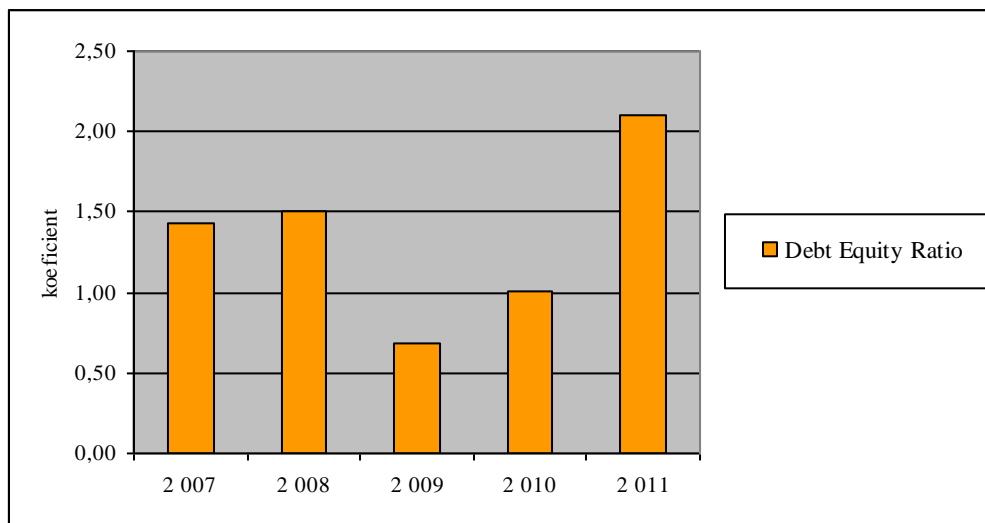


Diagram 14: Debt Equity Ratio 2007 - 2011

Source: [27–30, 34, 35], own processing

The interest coverage gives the information about the fact how many times the net profit covers the interest expenses. The interest coverage marker calculation show that the company is unchallenged by this marker, because the values that it reaches are far over the recommended range from 2,0 to 3,0.

The interest covered ratio in 2007 - 2011 is displayed in the following diagram.

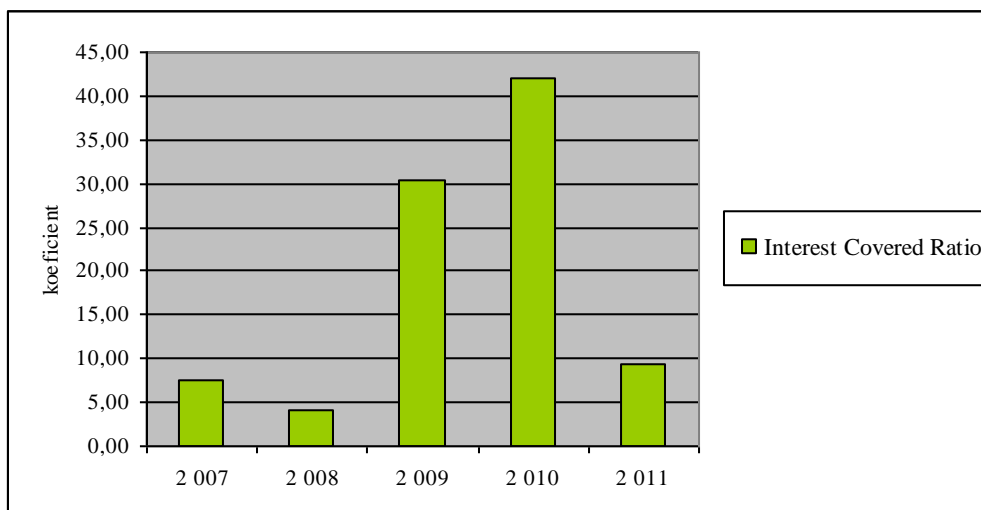


Diagram 15: Interest Covered Ratio 2007 - 2011
Source: [27–30, 34, 35], own processing

The degree of self-financing indicates the part of the assets that is financed by the company's own sources. The company's own capital is about 50 % of the overall capital in the observed period, what is a positive trend. The only exception is the year 2011, when the self-financing coefficient reaches only 32 %.

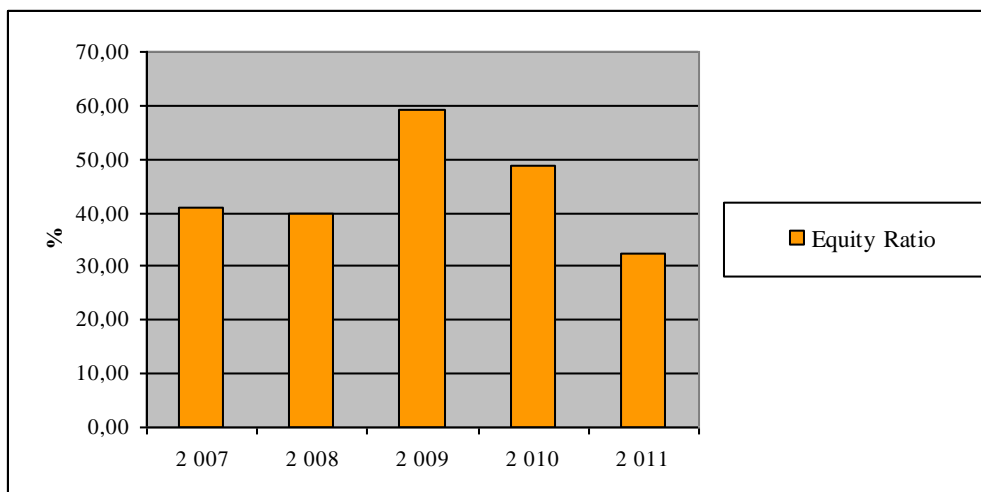


Diagram 16: Equity Ratio 2007 - 2011
Source: [27–30, 34, 35], own processing

The marker financial lever indicates the share of the assets on the company's own capital. Its value should reach the coefficient 3. The higher the marker is, the higher is the share of external sources. In the result of the previously said, the external sources participate in the assets financing the most in the year 2011. The reached value is 3,10.

The diagram shows financial leverage in the years 2007 - 2011.

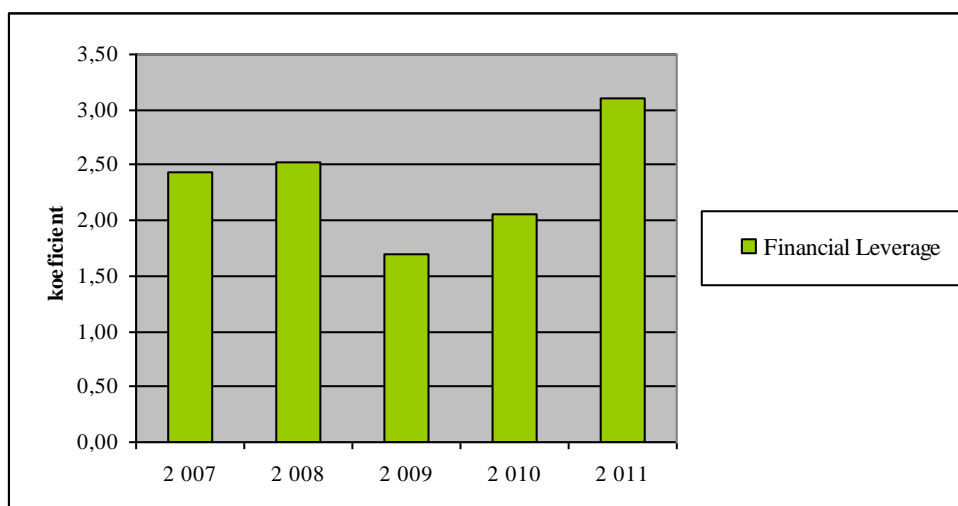


Diagram 17: Financial Leverage 2007 - 2011

Source: [27–30, 34, 35], own processing

The insolvency marker is calculated as the proportion of the commitments to the debts. The results of the 5 observed years of the company's economic activity show that the value is higher than 1 in 2007 and 2008. This is a primary insolvency – the company had difficulties because of poor management, the commitments after the due date had risen over the debts. In 2009 – 2011, the insolvency is under the value 1. It is the secondary insolvency in these cases, caused by the bad supplier-customer relations.

The diagram shows insolvency in the years 2007 - 2011.

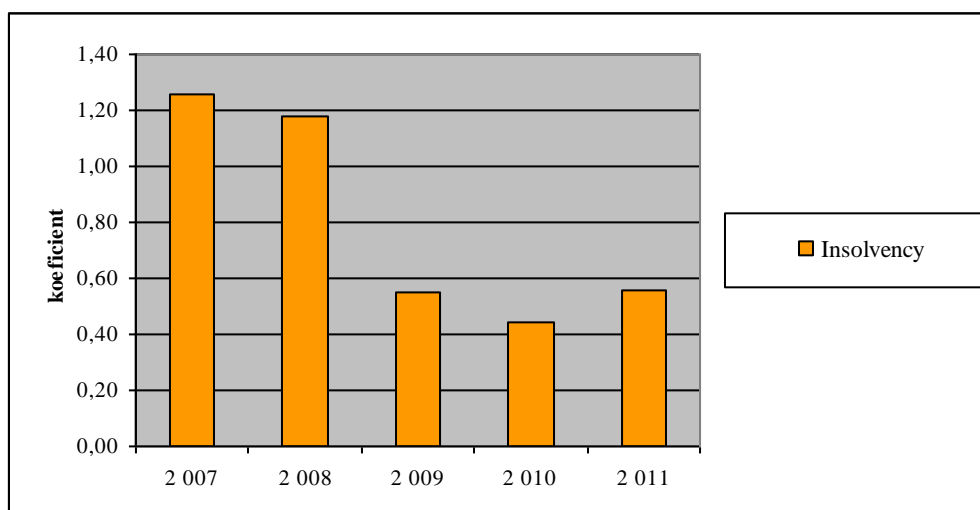


Diagram 18: Insolvency 2007 - 2011

Source: [27–30, 34, 35], own processing

4.3.4 Liquidity Ratios

Ukazatel	2 007	2 008	2 009	2 010	2 011
Cash Ratio	0,21	0,29	0,81	0,54	0,44
Quick Ratio	0,97	1,12	2,62	2,80	2,23
Current Ratio	1,13	1,22	2,83	2,84	2,31

Table 15: Liquidity Ratios

Source: [27–30, 34], own processing

All of the three liquidity ratios develop in fluctuant way. Only the disposable finance enter into the momentary liquidity. The value of this marker is acceptable for the production companies in the range from 0,2 to 0,6. Due to to calculated results, the marker shows that in 2007 and 2008 the company possessed the lowest financial property from all of the observed periods and it was on the borders of the lowest acceptable values of the marker. The best situation came in the year 2009, when the company covered 80 % of the short-time commitments by its own financial property. In 2010, the marker had decreased to 0,54. The horizontal analysis shown that in 20100, the company had increased its short-time financial property by 92 %, but the short-time commitments were increasing rapidly. The result of this is the decrease of the momentary liquidity marker to 0,44. This means that the company is able to cover its short-time commitments by the disposable finance resources only for 44 % by the momentary liquidity.

The marker of current liquidity for a well-working company should move about the range 1,0 to 1,5 at least. The results in the table shows that the value was under 1 in 2007, which may indicate certain problems in the development of the company's payment situation in the following period. In 2008, the value of the marker slightly increases to the value 1,12. In 2009 and 2010 the situation improves significantly. The coefficient assigns the values 2,62 and 2,80. The level decreases to the value 2,23 in 2011. In the last 3 observed years, the company does not have any troubles with the current liquidity ad is able to cover usual needs and short-time loans by the financial resources and short-time debts.

The overall liquidity is recommended for value range 2,0 and 2,5. The calculated values show that the company had troubles with overall liquidity in the years 2007 and 2009. The situation in the company had improved significantly since 2009. The values 2,83, 2,84 and 2,31 represent a good liquidity of the company. But it's necessary to be aware of the fact that the improved value of the marker is influenced by a huge increase of short-time

debts; and in 2011 also by a huge increase of the supplies. If the company fell into the situation that a part of the liquid assets turn into non-purchasable supplies, then even a good level of the overall liquidity could not prevent the company from an unfavorable situation.

The diagram shows the comparison of momentary, disposable and current liquidity in 2007 – 2011.

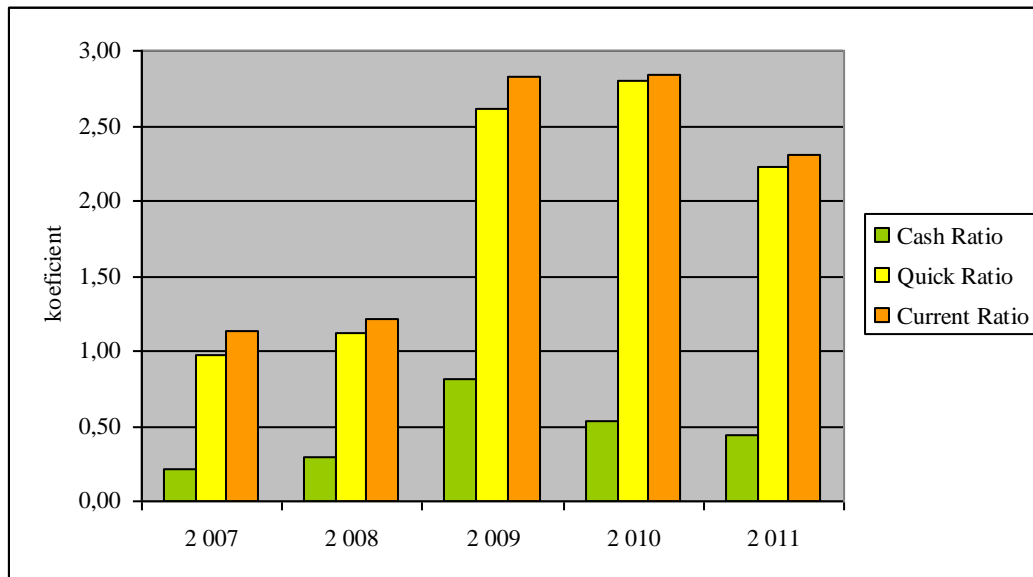


Diagram 19: Liquidity ratios 2007 - 2011
Source: [27–30, 34], own processing

4.4 Horizontal liquidity

4.4.1 Golden balance rule

Index (th. CZK)	2 007	2 008	2 009	2 010	2 011
Fixed Assets (SA)	11 540	11 444	7 680	18 901	18 726
Long-term funds (DZ)	14 425	17 184	31 045	43 463	47 936
DZ - SA (th. CZK)	2 885	5 740	23 365	24 562	29 210
DZ/SA (v %)	125%	150%	404%	230%	256%

Table 16: Golden balance rule – long-term capital
Source: [27–30, 34], own processing

Golden Rule requires the balance to cover the source of tangible assets were long-term resources. From the results it is clear that long-term sources throughout the period exceed the fixed assets. This means that the company is overcapitalized and long-term source is also covered by current assets.

Index (th. CZK)	2 007	2 008	2 009	2 010	2 011
Current Assets (OA)	22 836	31 188	43 392	50 356	96 932
Short-term extraneous funds (KCZ)	20 216	25 658	20 590	25 093	68 052
KCZ - OA (th. CZK)	-2 620	-5 530	-22 802	-25 263	-28 880
KCZ/OA (v %)	89%	82%	47%	50%	70%

Table 17: Golden balance rule – short-term capital
Source: [27–30, 34], own processing

Current assets are worth less than the value of short-term foreign capital. Results show in percentage terms how much of current assets covered by short-term foreign capital. Golden balance rule was not complied.

4.4.2 Differential liquidity ratio

Index (in thousands of CZK)	2 007	2 008	2 009	2 010	2 011
Current assets	22 836	31 188	43 392	50 356	96 932
current liabilities	20 216	25 658	15 326	17 748	41 895
Net working capital	2 620	5 530	28 066	32 608	55 037

Table 18: Net working capital
Source: [27–30, 34], own processing

The differential indicators of liquidity is one indicator of net working capital. It represents part of a long-term capital, which is designed for operating activities.

Net working capital is moving in the period in positive numbers. Values since 2007 gradually increased. A positive value of working capital means that part of current assets is covered by long-term capital. A high proportion of free capital reduces the financial risk and ensures the smooth management. The released portion of long-term resources could be used to fund emergencies. However, it should be borne in mind that long-term resources are relatively more expensive. This funding will reduce the profitability of their own resources and working capital earn. For cheaper funding should be sought proportion to what extent can replace expensive long-term resources for short-term sources.

The diagram shows the value of net working capital in 2007 – 2011.

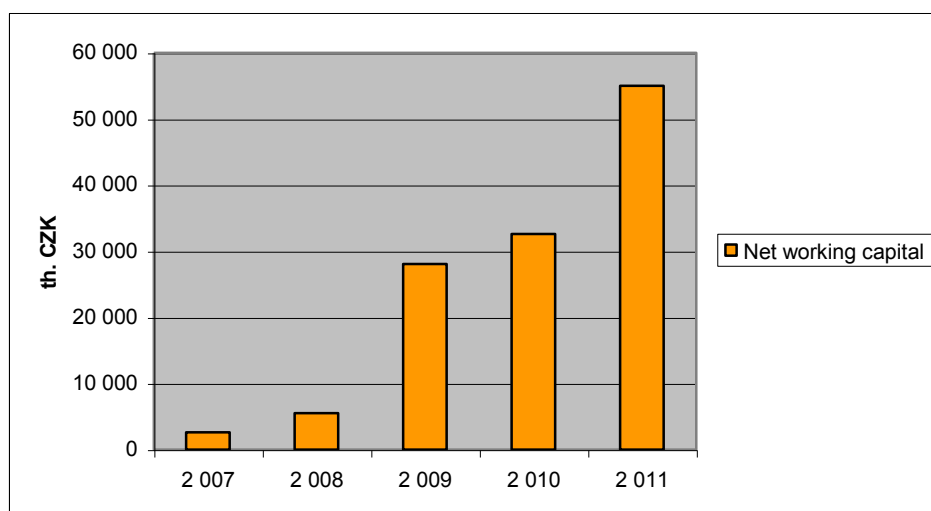


Diagram 20: Net working capital 2007 - 2011
Source: [27–30, 34], own processing

5 Altman's Formula of Financial Health of a Company

5.1 Altman's model (Z-score)

EGP INVEST, Ltd. is not publicly marketable on the stock exchange or any off-stock exchange market. For the determination of its prosperity zone – the Z-score calculation – the publicly non-marketable in the stock exchange formula is applied. The accounting value is considered as the company's basic capital market value. The basis of the values of financial statements - balance sheet and profit and loss.

Index		Váha ukaz.	2 007	2 008	2 009	2 010	2 011
Liquidity Ratios	X ₁	0,717	0,075	0,129	0,544	0,468	0,474
Long-term Profitability Ratios	X ₂	0,847	0,065	0,185	0,286	0,347	0,237
Profitability Ratios	X ₃	3,107	0,202	0,092	0,323	0,073	0,050
Debt Ratios	X ₄	0,420	0,699	0,662	1,451	0,987	0,477
Asset Utilization Ratios	X ₅	0,998	2,281	2,253	2,385	1,757	1,186
Z-score			3,31	3,06	4,63	3,02	2,08

Table 19: Altman's model (Z-score)

Source: [27–30, 34, 35], own processing

The Z-score values higher the 2,90 mean that the company is stable financially and no financial troubles are supposed. Due to the results of the Altman's index it's obvious that the company had reached the prosperity zone in almost all of the observed years. The year 2011 is the only exception. The company reaches the middle of the grey zone in this year. The analyzed values show that the company had reached the grey zone mostly because of the profitability of the overall capital. The assets had increased rapidly, but the incomes and the profit did not duplicate this increase.

The results of the Altman's model in the examined period show that EGP INVEST, Ltd. is financially stable. The best value was reached in 2009, when the financial situation was on a high quality level and reached the value 4,63. In 2010, the Z-score value decreases to 3,02. The results of the marker are still favorable for the company. In 2011, the situation between the years had deteriorated and the company gets within the grey zone. It is not threatened by the bankruptcy, but it also does not prosper.

The diagram shows the development of the company's financial situation based on the Altman's index.

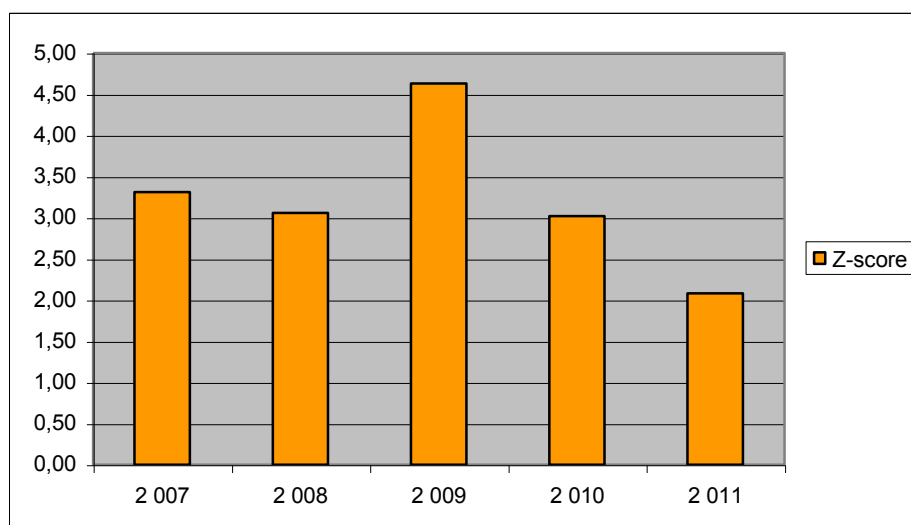


Diagram 21: Altman's model (Z-score) 2007 - 2011

Source: [27–30, 34, 35], own processing

5.2 The IN05 index

Index	Váha ukaz.	2 007	2 008	2 009	2 010	2 011
Assets/Extraneous funds	0,13	0,222	0,217	0,319	0,262	0,192
EBIT/Interest Expense	0,04	0,345	0,209	1,484	2,357	0,577
EBIT/Assets	3,97	0,800	0,367	1,282	0,291	0,197
Revenues/Assets	0,21	0,481	0,506	0,521	0,373	0,251
Current Assets/KZ + KBU	0,09	0,102	0,109	0,190	0,140	0,119
IN05		1,95	1,41	3,80	3,42	1,34

Table 20: Index IN05

Source: [27–30, 34, 35], own processing

The IN05 index has developed in the Czech environment, its results should be more respectful to the Czech conditions. According to this marker, the situation seem slightly more critical. According to the results, the company approaches the grey zone in 2008 and 2010. It is hard to decide about the health of the company.

6 The suggestion of precautions to eliminate deficiencies and to increase the effectivity of the company

The analysis of the EGP INVEST, Ltd company was worked out in order to establish the company's financial situation and stability. The aim of the analysis was to get information about the economic development of the company and discover the points in needs to remedy and improvement.

An important milestone for the company was the year 2009. In this year, the company's overall situation was influenced by the change of a partner. The joint-stock company ÚJV Řež became the only owner of the company. This made the company EGP INVEST a one hundred percent daughter company of ÚJV Řež. The mentioned events meant crucial changes to the company. Especially, a change in top management was performed, and also the company structure was changed. The performed changes influenced the company's economics and they were reflected in the financial analysis markers.

The company has established the vision:

„To be a dynamic company within the framework of the ÚJV group – popular partner of the important suppliers, operators and users of the nuclear and other technologies – providing top profitable solutions and services with high added value in project and engineering activity and also in the area of development and innovation.“ [31, p. 5]

The SWOT analysis has shown that the company builds its business on a solid ground and it can be labeled as a stable company which fully wants to stand up for fulfillment of the goals of the vision. The management aims for establishing of modern methods to the company's leadership. The analysis established that the company disposes of huge potential of strong points. The principle is that the company has to know how to grasp this strong advantage in order to preserve the company's position on the market. The strengths create the healthy core that helps the company running. The company has to protect its strong points and enhance them and struggle for the increasing of their amount.

The SWOT analysis also identified also several opportunities for the company. What is important is that the company has to be able to impose upon these opportunities and increase the responsiveness upon the outside environment factors. The possible threats

must be evaluated while the opportunities evaluation. The combination of the strengths with the opportunities may lead in new commissions, innovation of the services and focusing on new markets.

The company must focus also on the elimination of the weaknesses, though there were not established many of them by the analysis. Management cannot allow the weaknesses to become threats. By a consisted solution of the weaknesses, the company may get an advantage from the certain disadvantage and turn them into their strengths. Another solution that can lead in advantage provision is a punctual identification by the threats and their change into the opportunities. The acceptance of the business law is important to create the long-time profitability abilities and the company's stableness.

The SWOT analysis had recovered mostly the company's strengths. The company has a very solid base in the owner's company. It can be supposed the build-up good name in the area of projection and engineering and the strong potential will help to get new commissions. The weaknesses that the SWOT analysis pointed out can be solved by the right management of the company's expenses and business policy.

The recommendation for the practical use of the SWOT analysis is to create a team of several members which is able to evaluate the run of the company critically. The analysis must refer to concrete goals of the company. The aim is to reach the highest possible objectification of the evaluation. The evaluation must be focused on the important functional areas inside the company and also the environmental influences. The SWOT analysis worked out must be regularly reassessed in a specific period of time. The minimal period is one year. The frequency of the reassessment depends on the change rate inside and outside the company.

The financial analysis has mapped out the company's economical situation and its financial health. It had sourced from the accounting evidence from the years 2007 to 2011. It can said that based on the calculated results of financial analysis confirm that the company does not have any serious trouble. The financial markers obviously reflected the change of the owner in 2009. It is obvious that until 2008, the company had different values in the structure of the assets and liabilities. As the new owner came, the overall capital was increased, the company's own capital increased rapidly, same as the incomes from the company's own goods and services.

The horizontal analysis of the composure has shown that the liquid assets overweight the permanent assets – the long-time property. The decrease of the long-time property in 2009 was caused the sale of a part of the company. The grounds and buildings devaluated; and the company starts to invest more to the non-material property –software instead. The company decided to heighten the long-time material property in 201, when the company invested into the reconstruction of its residence.

A rapid increase was registered in the case of liquid assets. The most dramatic was the growth of the supplies in 2011, which increased thanks to a huge work-in-progress of the commissions and transfer of the billing of these commissions to the next accounting period. This was also reflected in the supplies reverse time marker by the increasing of the number of days of supplies boundless until their expiration time. The long-time debts gradually decrease. It was mostly influenced by the telephone advances return. A positive development was also registered in the case of short-time financial property. This trend was also reflected by the momentary liquidity marker. The momentary liquidity marker was decreased by the increasing short-time commitments.

The company's short-time debts have been significantly increasing. This is a negative trend; because a huge part of the assets is bound. The most significant of the short-time debts is formed by the debts from the business relations. Also the debts reverse marker results this unfavorable situation. The company's debts reverse time increases, which may mark that the payments are delayed by the customers. This fact is influenced by the customers' worsened payment morality, long due dates and retaining. The results show that in 2010, the debts reverse time was 118 days and in 2011 it has risen to 196 days. In the opposite, the reverse time of short-time commitments was 50 % shorter in average, compared to the debt reverse time. This means that the company repaid its commitments to its suppliers half the time earlier than it gets back the money from its customers. The unbalance of the reverse times can lead in need to solve the commitments payment by a bank loan use. This would lead to increase of the expenses and indebtedness of the company.

The horizontal analysis of the liabilities has shown a positive development of the company's own capital. The company's own capital was rapidly increased in 2009, mostly because of the good economic result in a common accounting period and an undivided

profit from the past years. In the case of the external capital, the reserves and the short-time commitments and bank loans and assistances increase. The reserves were created for bonuses and non-used holidays from the past years. The bank loans were set in order to provide financing of the building reconstruction and for the run of the business in 2011. The proportion of the external sources to the overall capital had increased. The company reaches the higher level of the indebtedness.

The vertical analysis has proven the fact that the share of the regular assets is lower than to share of the liquid assets. The reason for this division is the main subject of the business, which is the service provision. The company does not need a huge property structure to finance its activity. The liquid assets form about 80 % of the overall assets. They influence the company's liquidity because they show the part of the property that is possible to pay the commitments with. The short-time debts have the highest share. From this point of view, the company has a good liquid option, but only if we supposed that the short-time debts never become the irrecoverable debts. The higher share of the liquid assets is reflected in the profitability of the overall assets, which decreases in the comparison to the net profit. The vertical analysis of the liabilities shows that the capital structure of the company has fluctuant tendency. While in 2009 the company's own sources create the main part, in 2011 the company's economic activity is mostly financed by the external sources. This was reflected also on the marker financial lever.

The horizontal analysis of the profit and loss report shows that the company's own goods and services incomes increase in the observed period, what is a fine condition of the company. The operating economic result has reached its best in 2009, when the value had increased by 406 % compared to the previous year. Pitifully, the decreasing comes since 2010. The decrease of the operating economic result by two thirds is very alarming, because the operating economic result is the base of the business activity of the company. This fact is a current trend on the economic market, which is influenced by the low prices of the commissions because of massive competition and the high demand of the work.

The profitability ratios compare the profit with other quantities to evaluate the success in reaching the company's goals. The profitability of the liquid assets rapidly increased in 2011. The efficiency decreases, because the high increase of the liquid assets is not reflected in the economic result, the profit. Also the income profitability shows that

thought the incomes rise, the incomes efficiency decrease in the opposite. The other profitability markers register the same development.

The indebtedness area shows that the indebtedness is increasing overalls. In 2010, it was on the border that can be regarded as a good condition. The indebtedness increases in the next year thanks to the loan that was arranged to finance a new commission and the company reaches the high indebtedness. The company uses the external capital to finance its assets. The use of the external capital can be advantageous for the company if it uses the short-time loans, which are cheaper because of a lower level of the risk. But it's still necessary to manage thoroughly and provide the debts repayment by a contract in order to provide enough sources to cover the company's commitments.

One of the basic conditions for a successful existence of the company is a good payment ability. The analysis of the liquidity markers shown that the company is able to cover its common needs with its financial resources. The marker fit the recommended range of values. In 2009 and 2010 the current and the overall liquidity has overcome these values. The situation is advantageous in order to get new financial resources from the creditors because it guarantees the return of the financial resources. But the excessive liquidity also decreases the profitability, because the financial resources are stored in less profitable assets.

The calculation of the bankrupt model of the Altman's formula shows that the company reached very good values in the observed periods and fit the prosperity zone. The results from 2011 ranked the company into the grey tone. The analysis according to the IN05 model which respects the Czech environment more only confirmed the Altman's model results. The company is not threatened by a bankrupt in the future development, but it does not prosper.

On the base of the analyses worked out the following recommendations are made in order to improve the activity and the successful future development of the company.

Efficient debts management

The main goal of the economic activity of a company is to increase its market value through the profit. Profit can be provided by a right configuration of the property and

capital structure. In the property structure, the company has a huge trouble with short-time debts. The short-time debts rank among the problematic assets because the company holds its financial resources in them. If the debts are not repaid on time, it can get the company into secondary insolvency, which was reflected on the insolvency marker in the years 2009 to 2011. The most hazardous factor is the non-observing the commitment by a customer.

The precaution recommendation lies in the debts management. The debts management is a set of rules and methods leading to the minimalization of non-repayment of the debts by the customers. The height and kinds of non-repaid debts are observed, The insolvency or inaccessibility of the debts is examined, for example because of the open competition put on the customer.

The recommendation for the company lies in a continuous observation of the debts. The company sets the employees that will collect the information about the various customers. The information should be related to the origin of the business case, the way of the debts insurance, its extortion, the employees' interest on the debts repayment. The workers will focus on the common features of the customers that have troubles with payment morality and analyze the troubles with the company's information flow. After determining the reason for the non-repaid debts increase, its necessary to approach the solution recommendations, evaluation of these recommendations and the choice of the right solution for the optimalization. The result should bring a concrete recommendation of the customers' division into creditworthy groups according to the level of contribution they bring to the company, the rules how these groups will be provided and how the information in the company will be observed, which limits will be provided for the customer loans. The division of the customers to the creditworthy groups can work for example according to the customer's profitability and its contribution to the company. An important thing is to determine the criteria according to which the company will evaluate the customers. A criterion can be the solvency, incomes rate, liquidity.

The customers can be divided into three groups. They can be named according to the level of contribution for the company for example the golden, the white and the black.

The golden customers are highly appreciated because they bring the highest profits with high value of the net incomes and low expenses. The management strategie of the business relations should be based on building stronger business relations with these customers.

At the same time, the company's interests it also to increase the amount of purchase towards these customers, but still under permanent expenses control.

The white customers may be a source of higher profits if they were able to lower the expenses efficiently or increase the incomes for these customers that the expenses are relatively low, and so the incomes. The company must try to increase the purchase towards these customers without any more expenses growth.

The most hazardous group are the black customers. It is necessary to provide the observatio carefully. It is appropriate to ensure if there is the possibility to raise the incomes of lower the expenses in order to provide the company from the financial stability getting worse. [37]

The rules and methods for the debts management need to be defined by the company's internal regulation.

The debts management has to be an idvisible part of the whole-company strategy, while its goal is to provide the balance between the market position and financial efficiency which leads to the incomes increase. The debts management is closely connected with the financial management. It reflects the condition of the management of the whole company and its development. [37]

The bargaining power with the suppliers

The problem that ensued from the financial analysis markers is the dissonance between the debts reverse time and the short time commitments reverse time. It points out the fact that there is no linking between the contract conditions made with customers and the contract conditions made with the sub-suppliers provided. The recommendation lies in the company's bargaining power. It is necessary that the conditions set by the costumer reflected into the sub-suppliers contracts. The company must take the strong bargaining position towards the suppliers. From the view of company provision, it is inefficient to agree to the due date shorter than the due date with the customers was set. What is important is to work into the sub-suppliers contracts or orders (which replace the contracts very often) all of the important conditions that were set in the customer's contracts, The right and complete contracts and orders should be controlled by responsible

employees. The minimalization of the differences between the debts reverse time and short-time commitments reverse time will lead to the increase of the company's solvency and the decrease of the expenses.

The recommendations suggested show tat the company must focus its permanent attention to the development of activity markers and the right and consistent policy.

- to decrease the amount of the debts after the due date
- decrease the debts reverse time
- prevent the development of problematic debts by precautions
- solve the short-time commitments reverse time optimally
- decrease the dissonance between the due dates of debts and commissions
- strengthen its position from the point of bargaining power towards the suppliers.

Strategic cost management

Cost is an important issue for company. If a company is successful and revenues are growing rapidly, cost no remedy. The first place to receive, once the company begins to have problems. Strategic monitoring of costs and appropriate changes in the cost structure, companies can ensure long-term competitiveness. The cost structure is closely linked with the main objectives of the company. The aim of strategic management is quick to carry out measures that will lead to an immediate reduction in cost-saving strategy, but permanently. A strategic approach to cost management requires the full commitment of top managers who bear the main responsibility for reducing costs. Cost reduction must become a part of corporate culture. Revenue growth and cost reduction are activities that are important for the enterprise. If a company loses sight of the costs can be expected that a competitor with a more flexible cost structure will occupy part of the market. The correct cost culture provides a more secure future for both managers and employees. [39]

Recommendations for the company sounds systematically reduce costs, optimize costs to use long-term strategic cost management, cost observed in the period when the company grow revenues.

The profitability provision and efficiency

Proposed recommendation:

- increasing revenues with minimal increase in current assets
- high quality of the services provided and also the systematic professional preparation of the staff
- innovation processes – the use of modern management methods, technologies, information systems
- the strengthening of the relationships with important business partners both in the Czech republic and foreign countries
- gaining new markets.

CONCLUSION

The aim of the Bachelor Thesis was the assessment and evaluation of the financial situation of the company EGP INVEST, Ltd. in the last three years of the economic activity. To work the financial analysis out, the knowledge gained by the studies, reading of the specialized literature and the resources gained by the examined company were used. The work analyzed the economic activity of the company EGP INVEST, Ltd., which runs its business in the area of project provision and engineering activity in the construction.

In the analytic part, the financial – economic situation was evaluated by a set of financial markers, horizontal and vertical analysis. The prosperity evaluation was worked out with the Altman's formula of financial health of a company and the IN05 index. The analysis of strengths and weaknesses was examined and also the opportunities and threats, both with the SWOT analysis. The results were evaluated and described and also clearly displayed in tables and diagrams. The knowledge of strong and weak point should help the improvement of the decision process about the future direction of the company. The last part of the thesis includes the suggestions and recommendations for the company's efficiency improvement and its development.

The aim of the bachelor thesis was to analyze the economic activity of the company and to get a clear basis for further decisions about opportunity of improve corporate governance. The bachelor thesis has evaluated five periods of the economic activity. The analysis has shown that though there were some troubles, the company can be considered as quite stable. To provide the stability for the future, it is necessary to determine the right property and capital structure in order to provide the reach of the profit. It is important though to be aware of the fact that in the current conditions of the market environment, the company is still under high competition pressure and unless it solves the determined problems consistently, it would be more difficult to keep the position. So it is very important for the company management to observe and analyze rigorously the reached results and react to the negative ones as soon as possible with appropriate precautions. This step will provide the assumption to keep the company's position on both Czech and foreign markets.

The assigned aims of the bachelor thesis were fulfilled. This bachelor work will feed into management decision-making on the further development of society and to establish objectives.

COMPANY RATING



Hodnocení podniku

Cílem bakalářské práce bylo vypracování finanční analýzy společnosti za poslední tři období hospodářské činnosti a navrhnout opatření na řešení nedostatků a opatření pro zvýšení výkonnosti.

Práce je logicky strukturovaná, vyvážená a pečlivě zpracovaná. Vzhledem k tomu, že v roce 2009 došlo ke změně vlastníka EGP INVEST, spol. s r. o., jsou hodnocena ne tři, ale velmi správně pět období, čímž se získal solidní základ pro posouzení společnosti. Se závěry SWOT analýzy lze souhlasit, větší důraz bych kladl na příležitosti trhu.

Pozitivním rysem práce je, že je objektivní a v plné míře postihuje současný stav společnosti. Práce dokládá, že paní Miluše Sigmundová je kmenovou spolupracovnicí EGP INVEST, spol. s r. o., s problémy společnosti je obeznámena a umí ji i kriticky posoudit. Oceňuji, že zpracovatelka neskloňuje jen ke kritice, ale navrhuje i reálná řešení (řízení zadluženosti, práce s pohledávkami, příležitosti a hrozby, apod.). Práce je účelně doplněna řadou vypovídajících příloh.

Závěrem lze konstatovat, že paní Miluše Sigmundová prokázala teoretické znalosti, které v potřebné míře aplikovala na skutečnost. Práce bude ve společnosti EGP INVEST, spol. s r. o. využívána jako studijní materiál pro přípravu hlavních inženýrů projektu (HIP) v ekonomické oblasti.

Práci hodnotím stupněm **B**, tedy jako **v ý b o r n o u**.

A handwritten signature in blue ink, appearing to read 'P. Slácala'.

Ing. Petr Slácala, MBA
ředitel a jednatel společnosti

Uherský Brod 14. 5. 2012

ABSTRAKT

Miluše Sigmundová. *Název práce Finanční analýza společnosti EGP INVEST, spol. s r. o..*
Bakalářská práce. Evropský polytechnický institut, s.r.o. Kunovice

Vedoucí práce: Ing. Zuzana Pijáková

Klíčové pojmy: Finanční analýza, rozvaha, výkaz zisku a ztráty, cash flow, horizontální analýza, vertikální analýza, poměrové ukazatele, rentabilita, aktivita, zadluženost, likvidita, SWOT analýza, Altmanův model, index IN05

Bakalářská práce se zabývá tématem finanční analýzy společnosti EGP INVEST, spol. s r.o. v letech 2007 až 2011. Společnost působí v projektové oblasti a zajištění inženýrských činností.

Teoretická část práce zahrnuje přehled metod finanční analýzy a postupů výpočtu jednotlivých ukazatelů. Faktory ovlivňující chod podniku jsou uvedeny ve SWOT analýze. Praktická část obsahuje charakteristiku podniku, aplikaci vybraných metodologických postupů a komentáře, včetně zhodnocení zjištěných výsledků. Závěrem je navrženo opatření na odstranění nedostatků a doporučení pro zvýšení výkonnosti podniku.

ABSTRACT

Miluše Sigmundová. *Financial analysis of EGP INVEST, Ltd.* Bachelor thesis. European Polytechnic Institute, Ltd. Kunovice

Supervisor: Ing. Zuzana Pijáková

Key words: Financial analysis, balance sheet, profit and loss statement, cash flow, horizontal analysis, vertical analysis, cash ratios, profitability, asset utilization, debt, liquidity, SWOT analysis, Altman's model, index IN05

This Bachelor Thesis deals with the topic of financial analysis of EGP INVEST, Ltd. in the years 2007 - 2011. The company operates in the area of design activities and to ensuring engineering activities.

The theoretical part work includes methods of financial analysis and calculation procedures of individual indicators. Factors that affect the running of the company are shown in the SWOT analysis. The practical part contains the characteristics of the enterprise, application of selected methodologies and comments, including an assessment of the results found. In the conclusion are the proposed measures to eliminate shortcomings and recommendations to improve business performance.

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List of abbreviations

apod.	and so
CA	total assets
CZ	liabilities
č. ř.	line number
DZ	long-term liabilities
EAT	earnings after taxation
EBIT	earnings before deduction of interests and tax
EBITDA	earning before interest, taxes, depreciation and amortization
EBT	earnings before taxation
HV	profit
KBÚ	short-term bank loans and overdrafts
KCZ	short-term liabilities
KZ	current liabilities
MJ	unit of measure
NÚ	interest expense
O	opportunities
OA	current assets
resp.	or
ROA	return on Assets
ROC	Return on Costs
ROCE	return on capital employed
ROE	return on equity
ROI	return on investment
ROS	return on sales
S	strengths
SA	fixed assets
SW	software
T	threats
tj.	it is
tzn.	it means
W	weaknesses

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Annex No. 1: Balance Sheet EGP INVEST Ltd. in full

(thousand CZK)

AKTIVA		2007	2008	2009	2010	2011
	AKTIVA CELKEM	34 823	42 950	51 635	69 647	116 051
A.	Pohledávky za upsaný vlastní kapitál	0	0	0	0	0
B.	Dlouhodobý majetek	11 540	11 444	7 680	18 901	18 726
B.I.	Dlouhodobý nehmotný majetek	203	319	551	724	1 114
B.I.3.	Software	203	319	551	724	1 114
B.II.	Dlouhodobý hmotný majetek	11 337	11 125	7 129	18 177	17 612
B.II.1.	Pozemky	624	624	129	129	129
B.II.2.	Stavby	8 740	8 186	3 831	14 912	14 473
B.II.3.	Samostatné movité věci a soubory movitých věcí	1 203	1 545	2 605	3 127	3 010
B.II.7.	Nedokončený dlouhodobý hmotný majetek	770	770	564	9	0
B.III.	Dlouhodobý finanční majetek	0	0	0	0	0
C.	Oběžná aktiva	22 836	31 188	43 392	50 356	96 932
C.I.	Zásoby	2 600	1 903	2 829	512	3 470
C.I.1.	Materiál	1 403	1 131	113	108	84
C.I.2.	Nedokončená výroba a polotovary	1 197	772	2 716	404	3 386
C.II.	Dlouhodobé pohledávky	661	635	386	226	132
C.II.5.	Dlouhodobé poskytnuté zálohy	276	249	248	201	132
C.II.8.	Odložená daňová pohledávka	385	386	138	25	0
C.III.	Krátkodobé pohledávky	15 359	21 127	27 725	40 001	74 838
C.III.1.	Pohledávky z obchodních vztahů	13 896	19 512	26 265	39 388	73 593
C.III.6.	Stát – daňové pohledávky	80	61	390	0	233
C.III.7.	Krátkodobé poskytnuté zálohy	1 383	1 356	996	551	990
C.III.8.	Dohadné účty aktivní	0	198	74	62	22
C.IV.	Krátkodobý finanční majetek	4 216	7 523	12 452	9 617	18 492
C.IV.1.	Peníze	250	231	253	285	242
C.IV.2.	Účty v bankách	3 966	7 292	12 199	9 332	18 250
D.I.	Ostatní aktiva - Časové rozlišení	447	318	563	390	393
D.I.1	Náklady příštích období	256	318	563	390	393
D.I.3	Příjmy příštích období	191	0	0	0	0

PASIVA		2007	2008	2009	2010	2011
	PASIVA CELKEM	34 823	42 950	51 635	69 647	116 051
A.	Vlastní kapitál	14 257	17 058	30 566	34 055	37 468
A.I.	Základní kapitál	100	300	300	300	300
A.I.1	Základní kapitál	100	300	300	300	300
A.II.	Kapitálové fondy	0	0	0	0	0
A.III.	Rezervní, nedělitelný a ostatní fondy ze zisku	5 851	5 805	1 912	5 962	6 031
A.III.1	Zákonný rezervní fond / Nedělitelný fond	10	10	30	30	30
A.III.2	Statutární a ostatní fondy	5 841	5 795	1 882	5 932	6 001
A.IV.	Výsledek hospodaření minulých let	2 254	7 946	14 772	24 184	27 545
A.IV.1	Nerozdělený zisk minulých let	2 254	7 946	14 772	24 184	27 545
A.V.	Výsledek hospodaření běžného účetního období	6 052	3 007	13 582	3 609	3 592
B.	Cizí zdroje	20 384	25 784	21 069	34 501	78 520
B.I.	Rezervy	168	126	479	2 195	5 301
B.I.4	Ostatní rezervy	168	126	479	2 195	5 301
B.II.	Dlouhodobé závazky	0	0	0	0	35
B.II.10.	Odložený daňový závazek	0	0	0	0	35
B.III.	Krátkodobé závazky	20 216	25 658	15 326	17 748	41 895
B.III.1	Závazky z obchodního styku	5 403	10 492	4 062	8 862	31 856
B.III.4.	Závazky ke společníkům, členům družstva a k účastníkům sdružení	69	96	0	0	0
B.III.5.	Závazky k zaměstnancům	1 669	1 794	2 467	2 595	3 016
B.III.6.	Závazky ze soc. zabezpečení a zdravot. pojištění	1 104	1 198	1 530	1 603	1 765
B.III.7.	Stát – daňové závazky a dotace	1 297	1 325	5 473	3 873	4 559
B.III.8.	Krátkodobé přijaté zálohy	60	90	65	58	25
B.III.10.	Dohadné účty pasivní	1 231	1 286	1 732	698	622
B.III.11.	Jiné závazky	9 383	9 377	- 3	59	52
B.IV.	Bankovní úvěry a výpomoci	0	0	5 264	14 558	31 289
B.IV.1.	Bankovní úvěry dlouhodobé	0	0	0	7 213	5 132
B.IV.2.	Krátkodobé bankovní úvěry	0	0	0	2 081	20 893
B.IV.3	Krátkodobé finanční výpomoci	0	0	5 264	5 264	5 264
C.I.	Ostatní pasiva – Časové rozlišení	182	108	0	1 091	63

C.I.1.	Výdaje příštích období	25	17	0	1 091	63
C.I.2.	Výnosy příštích období	157	91	0	0	0

Table 21: Balance Sheet EGP INVEST, Ltd., 2007- 2011

Source: [27–30, 34, 35]

Annex No. 2: Profit and loss EGP INVEST, Ltd. in full

(thousand CZK)

Položka		2007	2008	2009	2010	2011
I.	Tržby za prodej zboží	277	325	91	0	0
A.	Náklady vynaložené na prodané zboží	252	297	79	0	0
+	Obchodní marže	25	28	12	0	0
II.	Výkony	79 086	96 455	122 880	122 340	137 615
II.1.	Tržby za prodej vlastních výrobků a služeb	79 396	96 785	120 801	124 533	134 633
II.2.	Změna stavu zásob vlastní činnosti	- 417	- 492	2 035	- 2 297	2 982
II.3.	Aktivace	107	162	44	104	0
B.	Výkonová spotřeba	35 463	48 433	49 417	55 406	67 157
B.1.	Spotřeba materiálu a energie	6 691	7 135	4 482	3 184	2 628
B.2.	Služby	28 772	41 298	44 935	52 222	64 529
+	Přidaná hodnota	43 648	48 050	73 475	66 934	70 458
C.	Osobní náklady	33 432	39 622	49 377	54 599	56 573
C.1.	Mzdové náklady	24 422	28 839	36 525	39 710	40 837
C.2.	Odměny členům orgánů společnosti a družstva	0	0	0	160	192
C.3.	Náklady na soc. zabezpečení a zdravot. pojištění	8 405	10 077	11 985	13 796	14 503
C.4.	Sociální náklady	605	706	867	933	1 041
D.	Daně a poplatky	211	267	878	200	210
E.	Odpisy dlouhodob. nehmot. a hmot. majetku	1 393	1 370	1 737	2 542	3 101
III.	Tržby z prodeje dlouhodob. majetku a materiálu	56	6	190	4	10
III.1.	Tržby z prodeje dlouhodobého majetku	56	6	190	4	10
F.	Zůstat.cena prodaného dlouhod. majetku a mater.	38	0	0	0	0
F.1	Zůstatková cena prodaného dlouhodob. majetku	38	0	0	0	0
G.	Změna stavu rezerv a opr.pol. v prov. oblasti a komplex. NPO	- 6	39	- 287	1 442	3 123
IV.	Ostatní provozní výnosy	27	5 707	127	26	18
H.	Ostatní provozní náklady	1 303	8 302	1 009	1 085	917
*	Provozní výsledek hospodaření	7 360	4 163	21 078	7 096	6 562

Položka		2007	2008	2009	2010	2011
M.	Změna stavu rezerv a opr. položek ve finanční oblasti	41	- 42	0	0	0
X.	Výnosové úroky	3	4	7	33	11
N.	Nákladové úroky	920	937	462	88	429
XI.	Ostatní finanční výnosy	253	1 060	702	1 311	1 079
O.	Ostatní finanční náklady	556	1 299	1 875	3 343	1 898
*	Finanční výsledek hospodaření	- 1 261	- 1 130	- 1 628	- 2 087	-1 237
Q.	Daň z příjmů za běžnou činnost	47	26	2 631	1 400	1 733
Q.1	- splatná	0	27	2 383	1 287	1 673
Q.2	- odložená	47	- 1	248	113	60
**	Výsledek hospodaření za běžnou činnost	6 052	3 007	16 819	3 609	3 592
XIII.	Mimořádné výnosy	0	0	4 100	0	0
R.	Mimořádné náklady	0	0	7 337	0	0
*	Mimořádný výsledek hospodaření	0	0	- 3 237	0	0
***	Výsledek hospodaření za účetní období (+ / -)	6 052	3 007	13 582	3 609	3 592
****	Výsledek hospodaření před zdaněním	6 099	3 033	16 213	5 009	5 325

Table 22: Profit and loss EGP INVEST, Ltd., 2007 - 2011
Source: [27–30, 34, 35]

Annex No. 3: Cash flow EGP INVEST, Ltd. for the period 2007 – 2011

č. ř.	V tisících Kč za období	2007	2008	2009	2010	2011
	Stav peněžních prostředků na začátku období	2 007	4 216	7 523	12 452	9 617
1	Hospodářský výsledek po zdanění	6 052	3 007	13 582	3 609	3 592
2	Odpisy	1 393	1 370	1 737	2 542	3 101
3	Změna rezerv	41	-42	353	1 716	3 106
4	Změna ostatních pasiv	45	-74	-108	1 091	-1 028
5	Změna ostatních aktiv	-59	129	-245	173	-3
6	Změna zásob	551	697	-926	2 317	-2 958
7	Změna krátkodobých pohledávek	-1 377	-5 768	-6 598	-12 276	-34 837
8	Změna krátkodobých závazků	-299	5 442	-10 332	2 422	24 147
9	Změna krátkodob. úvěrů a finanč.výpomocí	-257	0	5 264	2 081	18 812
	Cash flow z provozní činnosti	6 090	4 761	2 727	3 675	13 932
10	Změna pohledávek za upsaný vlastní kapitál	0	0	0	0	0
11	Změna nehmotného dlouhodobého majetku	36	-116	-232	-173	-390
12	Změna hmotného dlouhodobého majetku	-1 163	-1 158	2 259	-13 590	-2 536
13	Změna finančních investic	0	0	0	0	0
	Cash flow z investiční činnosti	-1 127	-1 274	2 027	-13 763	-2 926
14	Změna základního kapitálu	0	200	0	0	0
15	Změna kapitálových fondů	-1 558	0	0	0	0
16	Změna fondů ze zisku	31	-46	-3 893	4 050	69
17	Změna hospodář. výsledku minulých období	-1 160	-360	3 819	-4 170	-248
18	Změna dlouhodobých závazků	-10	0	0	0	35
19	Změna dlouhodobých bankovních úvěrů	0	0	0	7 213	-2 081
20	Změna přírůstků dlouhodobých pohledávek	-57	26	249	160	94
	Cash flow z finanční činnosti	-2 754	-180	175	7 253	-2 131
	Cash flow celkem	2 209	3 307	4 929	-2 835	8 875
	Hotovost na konci roku	4 216	7 523	12 452	9 617	18 492

Table 23: Cash flow EGP INVEST, Ltd. for the period 2007 – 2011

Source: [27–30, 34, 35]