

Analyzing Financial Statement of Centroprojekt Inc

Bolor Zorigt

Bachelor Thesis
2010



Tomas Bata University in Zlín
Faculty of Humanities

Analyzing Financial Statement of Centroprojekt Inc

Tomas Bata University in Zlín
Faculty of Humanities
Department of English and American Studies
Academic Year: 2009/2010

**BACHELOR'S THESIS
ASSIGNMENT**
(PROJECT, ARTWORK, ARTISTIC PERFORMANCE)

Name and Surname: **Bolor ZORIGT**
Study Programme: **B 7310 Philology**
Field of Study: **English for Business Administration**

Thesis Topic: **Analyzing Financial Statement**

Thesis Guidelines:

Define the financial analysis of the financial statements from a theoretical point of view.
Conduct a financial position and performance analysis.
Make possible recommendation for improving the financial management system.

Thesis Extent:

Supplement Extent:

Form of Thesis Elaboration: printed/electronic

Bibliography:

Ing. Vladimír Kudela generální ředitel a předseda přestavenstva. Výroční zpráva za rok 2008. Centroprojekt a.s. Štefánikova 167, 760 30 Zlín, ČR www.centroprojekt.cz

Anne Britton, Chris Waterston. Financial Accounting. Financial Times., Prentice Hall; 4 edition (10 Nov 2005). Pp 350 ISBN-10: 0273703609.

Brealey, Richard A. Principles of corporate finance. New York: Mc Graw-Hill, 2003. 1071. ISBN 0-07-286946-1.

Pamela Peterson Drake; Frank J. Fabozzi, Analysis for financial statements. 2nd edition Hoboken, New Jersey: Wiley; [Chichester: John Wiley, distributor], 2006. ISBN: 9780471719649 0471719641.

Tim Boyce and Cathy Lake. The Commercial Manage. Thorogood (23 May 2007). ISBN-10: 1854183583.

Stephen H. Penman. Financial Statement Analysis and Security Valuation [online]. Irwin. [Http://parkercenter.johnson.cornell.edu/research_highlights_dow30.htm](http://parkercenter.johnson.cornell.edu/research_highlights_dow30.htm)

Thesis Supervisor:

Ing. Marie Paseková, Ph.D.

Department of Finance and Accounting

Date Assigned:

8 January 2010

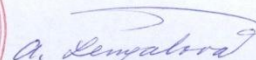
Thesis Due:

7 May 2010

Zlín, 8 January 2010



Prof. PhDr. Vlastimil Švec, CSc.
Dean



Doc. Ing. Anežka Lengalová, Ph.D.
Head of Department

Bachelor Thesis Author Statement

I hereby acknowledge that:

- Upon final submission of my Thesis, I agree with its publishing in accordance with Act No. 111/1998 Coll., on Higher Education Institutions and on Amendment and Supplement to Some Other Acts, (The Higher Education Act), without regard to the defence result;
- I approve of the release of my Bachelor Thesis in electronic form on the university information system, accessible for reading only;
- To my Bachelor Thesis fully applies Act No. 121/2000 Coll., on Author Proprietary Rights, as well as the Modification and Amendment of Other Acts (Author Proprietary Rights Act), connected to author's proprietary rights and their changes in later versions of legal directives, esp. Section 35 Para 3;
- In accordance with Section 60 Para 1 of the Author Proprietary Rights Act, TBU in Zlín is entitled to enter into a licence agreement about the use of the Thesis to the extent defined in Section 12 Para 4 of the Author Proprietary Rights Act;
- In accordance with Section 60 Para 2 and 3, I can use my Bachelor Thesis, or render the licence to its use, only with the prior expressed written agreement of TBU in Zlín, which is in such case entitled to require from me appropriate financial compensation to cover the cost of creating the Bachelor Thesis (up to the total sum);
- If the software provided by TBU or other entities was used only for study and research (non-commercial) purposes in the development of the Bachelor Thesis, it is not possible to use the Bachelor Thesis commercially.

I herewith declare that:

- The contents of the file handed over are identical with the printed copies;
- I have created this master thesis on my own and cited all used sources. In case the results are published, I shall be cited as author.

In Zlín 29. April 2010

date

3. Janop

signature

Note: Relevant Czech legislation applied.

ABSTRAKT

Cílem bakalářské práce bylo analyzovat účetní závěrky společnosti Centroprojekt, a. s. a poskytnout informace o společnosti a její finanční situaci v období 2004-2008. Tato práce je rozdělena na dvě části teoretickou a analytickou. Teoretická část obsahuje kritickou literární rešerši zaměřenou na problematiku finančního řízení. Analytická část je zaměřena na praktické využití nástrojů a technik, které označuje konkrétní hodnocení ve srovnání v rámci odvětví. V závěru práce jsou navržena doporučení a návrhy s cílem zvýšit ziskovost a stabilitu společnosti.

Klíčová slova: finanční analýza, absolutní ukazatele, průmysl průměru, vertikální analýza, horizontální analýza, du-rybník analýzu a analýzu poměru.

ABSTRACT

The aim of this bachelor thesis is to analyze the financial statement of a company Centroprojekt, Inc, and provide information about the company, and its financial position in a period 2004-2008.

This thesis is divided into two parts- a theoretical and analytical. The theoretical part contains critical review of research that focused on financial management issues. Conversely, the analytical part concentrates on the practical usage of tools and techniques that indicates particular evaluation compared within the construction industry. Finally in conclusion contains recommendation and suggestions in order to enhance the profitability and stability of the company in the future.

Keywords: Financial Analysis, Absolute Indicators, Cumulative indicator, Industry Average Basis, Vertical Analysis, Horizontal Analysis, and Ratio Analysis.

ACKNOWLEDGEMENTS

This thesis would not have been complete without support of Basics of Finance subject and its coursework. I would like to thank my teacher Mgr. Magdalena Bailed for her guidance on the analytical part. I deeply appreciate my thesis supervisor Ph.D. Marie Pasekova and her support, advice and guidance.

DECLARATION OF ORIGINALITY

I hereby declare that the work presented in this thesis is my own and certify that any secondary material used has been acknowledged in the text and listed in the reference.

April 29, 2010

.....

CONTENTS

INTRODUCTION	9
I THEORY	10
1 CHARACTERISTICS OF FINANCIAL STATEMENT ANALYSIS	11
1.1 The purpose of financial reporting	11
1.2 The scope of financial analysis.....	12
1.3 Major financial statements and sources of information.....	12
1.4 Comparative financial statement	14
2 ANALYSING TOOLS AND TECHNIQUES	15
2.1 Absolute indicators	15
2.1.1 Vertical analysis	15
2.1.2 Horizontal analysis	15
2.2 Subtractive indicators.....	16
2.3 Ratio analysis	16
2.3.1 Liquidity ratio	17
2.3.2 Profitability ratio	19
2.3.3 Solvency ratio	21
3 LIMITATION OF FINANCIAL STATEMENT ANALYSIS	23
II ANALYSIS	24
4 CHARACTERISTICS OF CENTROPROJEKT	25
4.1 The scope of services	25
5 ANALYSIS OF FINANCIAL STATEMENTS OF <i>CENTROPROJEKT A.S.</i>	27
5.1 Absolute indicators	27
5.1.1 Horizontal analysis	28
5.1.2 Vertical analysis of balance sheet and income statement.....	31
5.2 Subtractive indicators	37
5.3 Ratio analysis	38
5.3.1 Liquidity ratio	38
5.3.2 Profitability ratios.....	40
5.3.3 Solvency ratios.....	41
CONCLUSION	44
REFERENCES	46
LIST OF FIGURES	47
LIST OF TABLES	48
APPENDICES	50

INTRODUCTION

In modern world, every business entity is recording commercial activity, presented in facts and figures. Those data are translated by experts to consider the overall effect of financing and investment decisions ensuring that financial strategy is in place to support the business plan for the future profit. In hence, analyzing financial statement is the most useful tool to understand for business persons in terms of future growth. Therefore, entrepreneurs who engaged in business scope should understand the translation of financial analysis.

The statements consist of three main statements. Balance sheet provides the financial source and assets of a business. Another important statement is income statements that records profitability of a business during operating activity. These statements contain important information that summed up is called financial analysis. In fact, the most commonly used analysis from balance sheet and income statement is vertical, horizontal and ratio analysis. These analyses are written briefly in financial books. The analysis reveals the reason why the company conducted in a particular way. This also used by managers, investors, borrowers, business partners, state institutions for decision making process.

The goal of writing this statement is to explain the main tools and techniques of financial statement analysis in theoretical point of view as well as practical application of the use of tools and techniques.

In theoretical part, the provisions and conditions are concluded concerning the financial analysis. In practical part, the evaluation of the financial situation of the construction company Centropjekt a.s Zlín (headquarter) in years 2004-2008 are given. Primary reason of choosing this topic is for further study in the field, which is in connection to future interest of working in financial department. Following reason is to gain experience from European business sector, and scope. An example of Centropjekt a.s was the perfect example of successful Czech company dealing with engineering, consulting and contracting services. At the end there is an evaluation and recommendation for the company, in terms of future development.

I. THEORY

1 CHARACTERISTICS OF FINANCIAL STATEMENT ANALYSIS

The main role of financial reporting by companies are to provide information about their financial position, performance, profitability, risk, and changes in financial position which gives relevant information in making economic decisions for the investors and creditors. The process of recording those reports is referred as analyzing financial statement. The financial statement is prepared by companies to evaluate the past, present, and future prospective performance.

According to investors, creditors and managers to make a decision based on evaluating three characteristics of company: its ability to meet short- term obligations referred to as *liquidity*, its ability to generate positive cash flow from operation referred to *profitability*, and its ability to meet short- term obligations is usually referred to as *solvency*. The analysts must apply those comparative techniques in terms of determining the correlation among financial statement fundamentals and compare with other sources of financial from annual report. (Fridson and Alvarez, 2002, 166)

1.1 The purpose of financial reporting

Analysts believe that the standards of accounting textbook's idealistic, but not compulsory, notion of the purpose of financial reporting. It presents a high minded view of matter:

“The primary goal in financial reporting is the dissemination of financial statements that accurately measure the profitability and financial condition of a company”

Financial statement, that accurately measure the financial condition and profitability of the company, management can advance that objective through dissemination. From corporate perspective of issuers of financial statement is to obtain cheap capital. Attentive readers may find objections of statement such as unrealistically bright framework; misleading the users of financial statement is not excellent strategy of corporate long run. Therefore, not even analysts' second line of defense, a declaration by independent auditors that the statements have been prepared with Generally Accepted Accounting Principles (GAAP), guarantees reliability of statement. (Fridson and Alvarez; 2002, 5-6)

1.2 The scope of financial analysis

Financial statement analysis is to prepare the reports and combine with other information. While evaluating financial statement, economic decisions need to be considered. Examples include the following:

- Evaluating an equity investment for inclusion in a portfolio.
- Evaluating acquisition and take over applicant.
- Evaluating a subsidiary or headquarter of the company.
- Deciding whether to make a venture capital or other private equity investment.
- Determining the creditworthiness of a company that has made a loan request.
- Enlarging acknowledgment to a consumer.
- Allocating the resource or bond issue.
- Valuating a security for making an investment recommendation to other investors.
- Anticipating future income and cash flow. (Robinson et al. 2009, 2-5)

1.3 Major financial statements and sources of information

Statement must be reliable for the users join the statistics prepared by sources external to the company being analyzed. The following sources can provide additional information that can be used when analyzing financial statements:

- Financial service organizations, provide financial statistics, histories, and current development for publicity companies and industries
- Credit collecting organizations, which published key business ratio for most industries
- Industry trade associations, often publish industry statistics that is useful for comparison purposes
- Investment and brokerage companies, often provide comparative statics related to individual companies, selected companies in an industry, or whole industry
- Exchange and economic news

Financial statements are records that provide indication of company's financial condition within their operation periods. These records summarized for use by investors, creditors, analysts and other interested in a company's performance and financial position. There are four major financial statements: *balance sheets*, *income statement*, *statements of cash-flow* and *statements of stockholders' equity*. (Woelfel 1993, 64) (Robinson et al. 2009, 5-6)

Balance sheet states the company's current financial position by displaying resources the company allocate at the end of an operating period a fiscal year. It represents the *company's assets*, *liabilities* and *stockholders' equity*, and their correlation to each other. In other words it indicates what a company owns and owes. Balance sheets are one of the most useful forms of accounting documents, and can easily understand their currents financial status. Referring balance means *total assets* must equal to *total liabilities* and *stockholders' equity*. (Robinson et al. 2009, 165-170)

Fundamental accounting equation:

$$\text{Total assets} = \text{Stockholder' equity} + \text{Total liabilities}$$

Income statement also called statement of earnings, displays the net results of company's operations over a period of time. It declares how much the company generated during a period and what costs it incurred in term of generating that revenue. It is one of the fundamental accounting choices, estimates, and judgments that affects result; such as business policy, condition of economy and many other factors affects the results. Net income, in which the revenue deducted from all costs, referred to as the "bottom-line". (Weygandt et al. 2008.52-53)

Cash Flow Statement displays the reasons for the change in the company's cash balance from beginning to the end of the period. For the users of cash help investors and creditors to evaluate the liquidity, solvency and financial flexibility. It categorizes all company cash inflow and outflows into operating, investing and financing activities. Statement divides into those three categories: Cash flow from operations, related to determine net income through selling production or service during operating activity. Cash flow from investing is consists acquiring or diverts long-term assets or investment securities. Cash flow from financing includes lending money from creditors and pays back debts, also receive fund

from stockholders, and pay dividends to them and reselling shares from stockholders. (Soffer, and Soffer. 2004, 77-79)

Statement of stockholders' equity, reports the changes in the components of the stockholders' equity section of the balance sheet. The owners' investment in the business over time and assists the analyst in understanding the changes in financial position reflected on the balance sheet which contains the amount of capital earned by the company in exchange stock, it also records the capital that is donated by the company and the retained earnings because it reveals more about the equity transaction that took place during accounting period. It records non-realized profit or loss on long term investment as well as changes in the value of the foreign exchange. (Needles et al. 2007, 654-655)

1.4 Comparative financial statement

Comparability of financial statements is critical requirement for the objective financial analysis. It occurs when information is measured and reported in a similar manner over time and different companies. Comparison could be prepared by using different methods.

Intracompany basis compares an item within the company in the current year with item with same relationship in more than one year. The advantage of comparing items within the company is useful in revealing changes in financial figures and important trends in given years.

Industry averages compares a company with industry averages with an item or financial relationship. From industry average (norms), a company can compare how effective or ineffective the performance is within the market.

Intercompany basis one or more competing companies are compared with an item or financial relationship. The intercompany comparisons are useful in identifying company's competitive position (Weygandt et al. 2008, 666-667)

2 ANALYSING TOOLS AND TECHNIQUES

The tools and techniques evaluate the company's data. Evaluation requires comparisons. Those tools can assist looking thorough within quarterly or annual financial statements, in any monetary currency, to determine how effective or ineffective the company has performed over the time periods. The evaluation process could be improved by experience and the use of analytical tool, techniques are listed below. (Weygandt et al. 2008, 667-681)

2.1 Absolute indicators

2.1.1 Vertical analysis

Vertical analysis, also called common-size analysis, involves expressing financial data, including entire financial statements, in relation to a single statement item or base. Items generally used the bases are total assets or revenue. In other words it creates ratio between every financial statement item and base item.

Vertical analysis demonstrated in chapters for the income statement, balance sheet, and cash flow statement. Vertical analysis of balance sheet, prepared by dividing each item on the balance sheet by the same period's total assets and expressing the results as percentages, highlights the composition of the balance sheet. In other words, computing the increase or decrease in percentage terms of each item from the prior year, highlights items that have changed unexpectedly or have unexpectedly remained unchanged. On the other hand in income statement, divides each item by revenue. Revenue is separated into the company's four services, each shown as percentage of total revenue. (Weygandt et al. 2008, 681-682)

2.1.2 Horizontal analysis

Horizontal analysis, also called trend analysis, provides important information regarding historical performance and growth and, given a sufficiently long history of accurate seasonal information, it can be great assistance as a planning and forecasting tool for management and analysts.

Past trends are more valuable when macroeconomic or competitive environments are relatively stable and when analysts are reviewing a stable mature business. Historical analysis can serve as basis for developing expectations; it assists whether these trends are

likely to continue or if the trend is likely to change direction. Horizontal analysis can be compared across financial statements. For example, company's growth in the revenue compared over the same period of time. The disadvantage of trend analysis is, if an item has no value in the base year, the preceding year and a value, no percentage of change could be compute. And if negative amounts occur in the base or following year and a positive amount exists the following year, no percentage could be computed. (Weygandt et al. 2008, 678-680) (Robinson et al. 2009, 152-154)

2.2 Subtractive Indicators

Subtractive indicators are essential tool for analyzing and managing financial situation within the company to indicate the feature of its liquidity. One of the useful indicators is net working capital.

The Net Working capital is generally referred to net working capital and gross working capital. This measures the extent to which company is be protected from liquidity difficulties.

$$\text{Net working capital} = \text{Current assets} - \text{Current liabilities}$$

Small companies, current liabilities are the main source of financing. They don't have much long-term capital markets, but have mortgage on a building. Large companies on the other hand use its current liabilities in financing. Because of these reasons, the manager and staff offer plenty of their time to working capital matters. Managing the cash, marketable securities, accounts receivable, accounts payables, accruals, and other means of short term financing is the main responsibility of management. But indirect responsible will be inventories. However the effect that working capital decision have on the company's risk, return and share price. (Van Horne and Wachowicz 1997, 202)

2.3 Ratio analysis

Financial statements contain large sum of data- that needs to be simplified. In order to reduce into a convenient form, experts focus on few significant ratios.

Ratio analysis expresses the relationship among selected items of financial statement data, one quantity in relation to other both in percentage and amount. These are calculated by

dividing current year amount to the previous year's amounts in terms of judging the performance of the company in certain aspects. Ratios are affective in selecting investments and predicting financial distress. Professionals routinely use ratios to communicate the value of companies and securities. First, the ratio is indicator of some aspect of company's performance, telling what happened but not why happened. Second, the differences in accounting policies can distort ratios, meaningful comparison may, therefore involve adjustments to the financial data. Third, not all the ratios are necessarily relevant to a particular analysis.

There are several ratios could be calculated from the financial statements referring to a company's performance, activity, solvency, profitability, valuation and liquidity. (Robinson et al. 2009, 265-267)

2.3.1 Liquidity ratio

Liquidity analysis, measures a company's ability to pay its short-term debt. Liquidity measures duration of assets that could convert into cash. Short-term creditors such as bakers and suppliers are especially interested in assessing liquidity. In day-to day operations, its management is concerned on using the assets effectively.

The figures of liquidity assets are more reliable source that experts rely on. Disadvantage is that short-term assets and liabilities are rather inconsistent; measures of liquidity can suddenly be outdated. (Myers. 2003, 685)

Current ratio

Current ratio also referred to as the working capital ratio, is limited in its informational value. The measure of liquidity, the current ratio, facilitates to compare the liquidity of companies of different sizes and of one company over time. The ability to meet its short-term obligation is the primary objective of the ratio. A higher ratio shows a higher level of liquidity, higher ability to meet short- term obligation. A lower ratio indicates less liquidity, implying reliance on operating cash flow and outside financing to meet short-term obligation. The current ratio is only one measure of liquidity, but it cannot create current assets. (Porter and Norton 2004, 66)

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liability}}$$

The acid-test ratio

Also called quick ratio, reflects the fact that certain current assets- such as prepaid expenses, some taxes, and payments for staff are may not be easily converted into cash. Inventories sometimes are not easily converted or carry less value especially in terms to sell in short period. In such situations where inventories are illiquid, the quick ratios are may be more efficient ratio for creditors to consider. (Weygandt et al. 2008, 686)

$$\text{Acid - test ratio} = \frac{\text{Cash} + \text{short - term investment} + \text{Net receivables}}{\text{Current liability}}$$

Cash ratio

The ratio generally represents a reliable measure of an individual company's liquidity in crisis situation. Moreover, only saleable short-term investments and cash are included such as cash and marketable securities, which are truly liquid current assets, and cash flow from operating activities. (Robinson et al. 2009,286)

$$\text{Cash ratio} = \frac{\text{Cash} + \text{Marketable securities}}{\text{Current liability}}$$

Net working capital ratio

It measures cash flow and ability to meet obligations to its debt. Positive net working capital indicates that the firm has enough money in order to maintain or expand its operations. Net working capital doesn't add much to the business, but helps to keep running on a day-to-day basis. The ratio frequently indicates the efficiency usage of a company in its assets. (accessed March 1- April 28)

$$\text{Net working capital ratio} = \frac{\text{Current assets} - \text{Current liability}}{\text{Total assets}}$$

Receivables turnover

It measures how quickly the company collects its account receivables the number of times, on average. It is often reported in terms of number of days that credit sales remain in accounts receivable before they are collected.

By recording accounts receivable, companies are indirectly extending interest-free loans to their customers. A high ratio implies either that a company operates on a cash basis or that its extension of credit and collection of accounts receivable is efficient. A low ratio indicates the company should re-assess its credit policies in order to assure the timely collection of informed credit that is not earning interest for the company.

$$\text{Receivables turnover} = \frac{\text{Net credit sales}}{\text{Average net receivables}}$$

$$\text{Days of receivables turnover} = \frac{365 \text{ days}}{\text{receivables turnover}}$$

Inventory turnover

It measures the number of times on average the inventory is sold and replaced during one accounting period. Main purpose is to measure the liquidity of the inventory. A low turnover implies poor sales and therefore excess inventory. A high ratio implies either strong sales or ineffective buying. Calculating the average days to sell the inventory is by dividing the inventory turnover into 365 days. (Weygandt et al. 2008, 689)

$$\text{Inventory turnover} = \frac{\text{COGS}}{\text{Average inventory}}$$

$$\text{Average days to sell the inventory} = \frac{365}{2\text{Inventory turnover}}$$

2.3.2 Profitability ratios

The ability to generate on capital invested is a defining feature of a company's general value and the cost of the securities it issues. Accordingly, many equity analysts would consider profitability to a key focus of their analytical efforts.

Profitability reflects a company's competitive position in the market, and by extension, the quality of its management. The income statement reveals the sources of earning and the

components of revenue and expenses. Earning can be distributed to shareholders or reinvested in the company for further projects. Reinvested earnings enhance solvency and provide a protection against short-term obligations and problems. Profitability measures the return earned by the company during a period. (Weygandt et al. 2008, 291)

Gross profit margin

It indicates the amount of money earned from selling the product or service and covering operating and other expenses the product or providing the services. Higher gross profit margin indicates some combination of higher product pricing and lower product costs. The ability to charge higher price is forced by competition. If a product has competitive advantage, the charge is higher and more productive. On the cost side, higher gross profit margin can also indicate that a company has competitive advantage in product costs. (Siciliano 2002, 106)

$$\text{Profit margin} = \frac{\text{Net income}}{\text{Net sales}}$$

Assets turnover

Measure how efficiently a company uses its assets to generate sales or revenue – the higher the number the better. It also indicates pricing strategy: companies with low profit margins tend to have high asset turnover, while those with high profit margins have low asset turnover. The resulting number shows the amount of sales produced by each currency invested in assets. (Weygandt et al. 2008, 691)

$$\text{Assets turnover} = \frac{\text{Net sales}}{\text{Average assets}}$$

Return on Assets

Measures how profitable a company is relative to its total assets. It gives an idea as to how efficient management is at using its assets to generate earnings. Sometimes is referred to as: return on investment (ROI)”. The higher the ratio, the more income is generated by a given level of assets. (Weygandt et al. 2008, 692)

$$\text{Return on assets} = \frac{\text{EBIT} - \text{tax}}{\text{Average assets}}$$

Return on common stockholders' equity

The amount of net income returned as a percentage of shareholders equity. It measures a company's profitability by revealing how much profit a company generates with the money shareholders have invested. It measures the return earned by a company on its equity capital, including minority equity, preferred equity, and common equity. Hereafter will name as ROE. (Weygandt et al. 2008, 692-693)

$$\text{Return on common stockholders equity} = \frac{\text{Net income}}{\text{Average common stockholders' equity}}$$

2.3.3 Solvency ratio

Solvency refers to a company's ability to fulfill its long-term debt obligations. Assessment of a company's ability to pay its long-term obligations generally includes an in-depth analysis of the components of its financial structure. Solvency ratios provide information regarding the relative amount of debt in the company's capital structure and the adequacy of earnings and cash flow to cover interest expenses and other fixed charges as they come due. Solvency ratios are primarily of two types. Debt ratios focused on the balance sheet and measure the amount of debt capital relative to equity capital. Coverage ratio, focus on the income statement and measure the ability of a company to cover its debt payments. (Robinson et al. 2009, 207-209)

Debt to total assets ratio

This ratio measures the percentage of total assets provided by creditors. It indicated the company's level of leverage. Generally; the higher the percentage of debt to total assets, the greater the risk the company faces to meet its growing obligations. (Weygandt et al. 2008, 696)

$$\text{Debt to total assets ratio} = \frac{\text{Total debt}}{\text{Total assets}}$$

Debt to equity ratio

The debt to equity ratio measures the amount of debt relative to equity capital. Similar to above mentioned, higher ratio indicates weaker solvency. On the other hand, use the market value of stockholders' equity rather than its book value. (Robinson et al. 2009, 289)

$$\text{Debt to equity ratio} = \frac{\text{Total debt}}{\text{Total equity}}$$

Times interest earned

This ratio measures the number of times a company's Earnings before Income Tax and Interest Expense (EBIT) could cover its interest payments. A higher interest coverage ratio indicates stronger solvency, offering greater assurance that the company can service its debt. (Weygandt et al. 2008, 697)

$$\text{Times interest earned ratio} = \frac{\text{EBIT}}{\text{Interest expense}}$$

3 LIMITATION OF FINANCIAL STATEMENT ANALYSIS

Financial statement contains useful tools for manager to make a decision. However, the managers must understand the limiting factors.

- Balance sheet and income statements are record of past activities that is reflecting historical facts. Past financial performance is not able to predict the future performance. Whereas, definite inflation or deflation trend and value of current position are excluded.
- Significant factors are excluded from financial statements in connection with immeasurable terms like quality and reputation of the company, staff, and other factors.
- Financial statement includes number of estimation, which is used to determine the cost of allowance for uncollectible receivables, periodic depreciation, and cost of guarantee and loss of uncollectible receivables. Resulting from bankruptcy of an entity.
- Accounting principles vary in use; different method of accounting policy, for instance, inventory last-in, first –out (LIFO) or inventory first-in,) method would extensively affect the current ratio as well as other ratios. The difference might be detectable. But, adjusting the financial data to transfer for the different methods are complicated.
- Inadequate information or out of date information in financial statement indicates incorrect financial position of the company. Interpretation of ratio has either good or bad affect –high current ratio may indicate strong liquidity position, on the other hand holding unnecessary cash can translate ineffective use of assets.
- Fiscal year-end data might not be appropriate in certain types of industry in given accounting year. Therefore, companies exclude certain account such as cash, receivables, payables, and inventories. And establish a fiscal year-end at the lowest point in operating activity or in production period.
- Variation of the industry also affects the use of financial statement. Many industries today varied into more specific or broader activities with different production that cannot be classified by a solitary industry sector, in order to compare with industry. (Jerry et al. 2008, 706)

II.

ANALYSIS

4 CHARACTERISTICS OF CENTPROJEKT

Centroprojekt, a private held company, is one of the leading supplier that focused on architectural, engineering, procurement and construction services in the Czech Republic for industrial and energy sectors, residential and commercial facilities, water and effluent treatment plants as the same as parks and pool equipment. The company has gained great professional experience within the industry more than 80 years of its history.

Centroprojekt use maximum efficiency services offered by individual experts, or work together with team members with sufficient professional profile skills within its own as well as other company division, depending on the capacity of certain project. Having chartered engineers are in the main field with certificates acknowledged both in Czech and Slovak republics.

Business activity has expanded abroad following growing demand of its services. Centroproejekt has established subsidiary companies Centroprojekt do Brasil S.A. in Sao Paulo, Centroprojekt Chile S.A. in Santiago and Centroprojekt s.r.o. Based in Nové Mesto nad Váhom in Slovakia. Centroprojekt's headquarter is located in Zlin, Czech Republic.

4.1 The scope of services

- Surveys
- Design services
- Consulting engineering
- Supply procurement and construction services
- Heat and power plants
- Public building
- Water system
- Pools
- Invent system
- Copying center

The long term perspective of the company is aimed at perceiving individual demands of its clients and provides high quality of services. Thus special emphasis is put on managing all the processes inside the company through the application of an integrated management system. Therefore, company has implemented and certificated the Quality Management

System to CSN EN ISO 9001:2001, the Environment Management System to CSN EN ISO 14001:2005 as well as Occupational Health and Safety Management System to OHSAS 18001:1999 series of standards. Henceforward, the company is number of holder of award and certificate confirmed over the years.

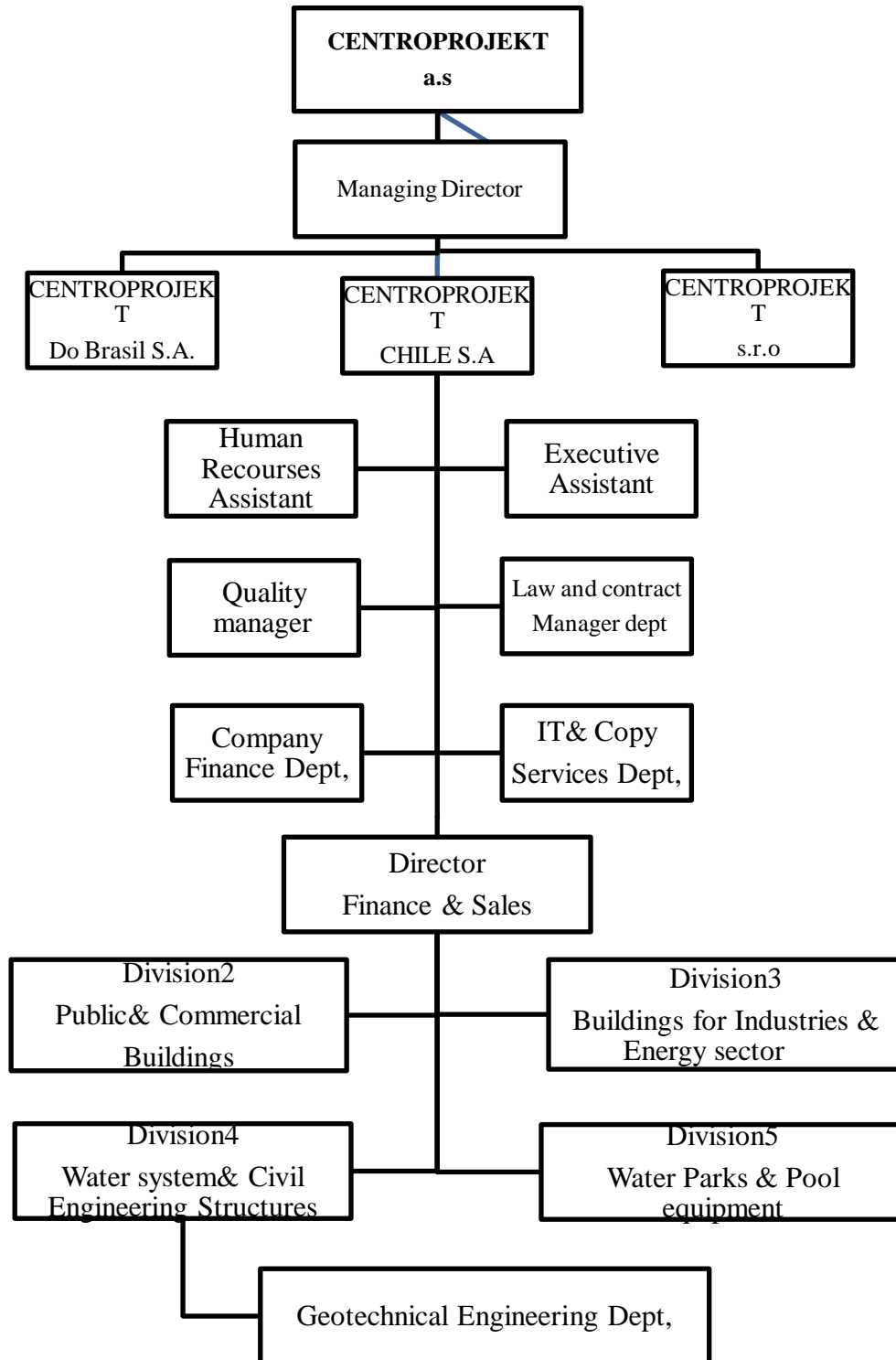


Figure1. Organism of Company Centroprojek

5 ANALYSIS OF FINANCIAL STATEMENTS OF *CENTROPROJEKT A.S*

The financial statement analysis on compare with industry average, Czech construction industry, is applied for horizontal, vertical and ratio analysis.

Centroprojekt is not typical construction company, even though it still belongs to the construction industry. Given the reason Centroprojekt has compared with this type of industry. Admitting that searching the statistics of industry average data and analysis from Ministry of Industry and Trade, was not enough available sources in English, was a disadvantage of compare within the industry.

According to global economy underwent dramatic development, which affected in Czech Republic as well. Mainly in financial sectors, resulted a slowdown in economic growth, which was 3.1% for the year as a whole. According to Ministry of Industry and Trade's statistic, the total outputs at construction dropped by 2.6% year- on- year. Contracted construction work carried out by construction enterprises, same branch as Centroprojekt, decreased by 2.2% year-on-year at constant prices. New construction, reconstruction and modernization dropped slightly. But building construction fell by 10.7% and civil engineering grew by 17.8%, more favorable amount of rate for Centroprojekt, such as contract and engineering company. Approximate value of constructions permitted in December 2008 decreased by 28.6% year—on—year and reached only 26.0 billion CZK. (Accessed, April 2-23)

5.1 Absolute indicators

The snapshot of the property and financial situation of the company provides the insight into various items in the balance sheet and the income statement.

5.1.1 Horizontal analysis of balance sheets and income statement

In horizontal analysis of Centroprojekt a.s in 2004-2008, shows the changes in its operating results and financial position over time in percentage. Comparative data are disclosed in percentage, the preceding year is used as the base year for the later year, which is year-to-year approach applied both balance sheet and income statement. Construction industry analysis illustrated in analysis, in order to compare with Centroprojekt a.s, within year 2005-2008. Only adjusted data depicted in order to be specific, applied to all following statement.

Table 1. Horizontal analysis of Balance sheet-Centroprojekt a.s

	05/04	06/05	07/06	08/07	08/04
TOTAL ASSETS	8.4%	36.0%	-21.5%	-4.5%	10.6%
Intangible/tangible assets and investment	3.8%	3.7%	-86.7%	17.6%	-76.8%
Intangible assets	11.7%	10.5%	-46.6%	30.5%	-7.7%
Tangible assets	0.6%	51.0%	-93.0%	52.7%	-83.8%
Financial investment	28.5%	22.2%	-26.8%	-17.6%	-27.2%
Current assets	12.2%	31.4%	33.8%	-6.8%	83.9%
Inventory	19.6%	16.4%	119.1%	-1.5%	65.8%
Long term receivables					
Short-term receivables	6.2%	5.8%	-22.3%	68.9%	102.8%
Financial accounts	25.0%	40.0%	152.3%	-69.2%	36.1%
TOTAL CAPITAL LIABILITIES	8.4%	7.7%	-21.5%	-4.5%	10.6%
Capital	2.9%	2.8%	-43.0%	10.9%	-23.7%
Basic capital	0.0%	0.0%	-100.0%	0.0%	-50.0%
Capital funds	0.0%	72.1%	-71.9%	-6.6%	-54.8%
Statutory and other funds	57.7%	36.6%	66.2%	-64.1%	76.9%
Retained earnings				265%	
Profit and losses of current accounting period	25.1%	20.0%	40.6%	-68.8%	60.3%
Liabilities	12.3%	28.9%	3.3%	-0.2%	49.3%
Reserves			0.0%		
Total long-term liabilities	0.0%	-3.3%	-100.0%		
Total current liabilities	21.5%	26.3%	31.7%	-1.4%	99.3%
Bank loans and short-term notes					

Table2. Horizontal analysis of Balance sheet-Construction industry

	06/05	07/06	08/07	08/05
TOTAL ASSETS	19.47%	-2.64%	7.52%	25.06%
Intangible/tangible assets and investment	17.81%	-1.73%	-3.42%	-0.14%
Intangible assets	6.08%	-1.73%	-3.42%	0.14%
Tangible assets				
Financial investment	27.52%	40.43%	15.67%	89.26%
Current assets	22.16%	-0.96%	10.39%	33.66%
Inventory	12.16%	8.07%	-8.06%	11.44%
Long term and short-term receivables	31.77%	6.87%	12.95%	59.08%
Financial accounts	-3.71%	45.26%	15.80%	-38.96%
Accruals and deferrals				
TOTAL CAPITAL & LIABILITIES	19.47%	-2.64%	7.52%	25.06%
Capital	13.56%	-5.90%	1.29%	11.13%
Basic capital	0.75%	-2.98%	1.36%	0.92%
Capital funds	31.80%	28.92%	0.17%	-6.15%
Reserve fund, non-distributable fund				
Retained earnings	18.35%	0.62%	6.85%	27.25%
Profit and losses of current accounting period				
Liabilities	22.85%	2.31%	9.36%	37.15%
Reserves	47.52%	-21.64%	15.48%	41.74%
Total long-term liabilities	18.20%	16.11%	3.27%	33.49%
Short-term liability	21.59%	9.32%	7.06%	31.36%
Bank loans and short-term notes	13.13%	14.97%	14.16%	16.53%

Horizontal analysis: biggest changes in property structure, (table1) the declension in long-term assets in year 2007 by 86.7%, Centroprojekt set aside part of its assets, which must be accordance with Czech law. The asset portion divided to form a new sister company of the same shareholder structure, by selling the entire land and building. The reason was *Centroprojekt a.s* spitted the management activity that is unrelated to the main business activity. These include real estate activity, which resulted from the ownership of the building headquarters. Assets and liabilities related to the real state. Thus, following year 2007 and 2008, the proportion declined compare to previous years. Consequently, current asset increased gradually from year 2004 to 2006. Financial account decreased by -69.2% in 2008, but increase of short-term receivables increased by 68.9%. Due to economic crisis, payment has been postponed. In addition, there is CZK 20million loan provided by the company's developers in 2007 in order to obtain interest rate.

From the capital and liabilities' point of view (table1) in year 2007 dropped by -21.5%, resulting from capital fund reduction cut by-71.9%. Related to the reason of spin-off, which part of the capital was transferred to the new sister company. The perspective of liability increased considerably in 2008 than previous year by 49.3%, resulting from unpaid salaries. Company paid back all its long-term liabilities by the end of 2006. Again in connection to split- off, its long-term liability related to property that transferred to the new company. Centropjekt has sufficient fund from its many years' savings, which is unnecessary to take out a bank loan with high interest rate. Instead, it financed from its internal workers with low interest rate. At the same time, construction industry has borrowed about 13-16% of bank loan and short-term notes.

Table3. Horizontal analysis of Income statement- Centropjekt a.s

	05/04	06/05	07/06	08/07	08/04
Revenue from goods sold	-75.0%	6.7%	31.6%	-15.0%	-70.2%
Cost of sales	-80.7%	-1.6%	21.9%	-11.3%	-79.4%
Production	-44.1%	83.3%	1.6%	7.4%	11.9%
Production consumption	-55.1%	-122.8%	-5.6%	5.4%	-2.9%
Staff costs	83.5%	-17.9%	11.2%	64.5%	69.3%
Taxes and fees	-17.9%	64.1%	-3.2%	3.7%	35.2%
Depreciation of intangible and tangible assets	81.6%	-0.3%	-40.4%	22.8%	-40.4%
Operating profit	126.7%	51.6%	71.5%	-76.0%	7.4%
Interest expenses	-20.9%	32.6%	-5.1%	-28.6%	-28.9%
Financial profit (loss)	108.9%	8.4%	92.8%	-164.0%	-231.9%
Income tax on ordinary activities	37.9%	70.5%	76.4%	-73.7%	9.2%
Profit (loss) from ordinary activities after tax	26.1%	20.7%	68.2%	-68.8%	62.0%
Retained profit (loss) for the period	125.1%	8.2%	68.2%	-68.8%	60.3%
Profit (loss) before tax (+/-)	28.6%	120.7%	70.2%	-70.0%	44.8%

Table 4. Horizontal analysis of Income statement- Construction industry

	06/05	07/06	08/07	08/05
Revenue from goods sold	4.22%	-55.9%	-43.6%	-44.2%
Cost of sales	5.41%	-2.64%	-44.7%	-46.7%
Production	14.1%	-10.1%	2.39%	5.02%
Production consumption	14.08%	-0.96%	2.88%	6.97%
Staff costs	10.39%	-21.00%	10.52%	-3.62%
Taxes and fees				
Operating profit	29.50%	-20.55%	-6.52%	-3.83%
Financial profit (loss)	191.8%	379.2%	224.3%	1527%
Income tax on ordinary activities	20.03%	-18.05%	1.75%	0.09%
Retained profit (loss) for the period (+/-)	31.80%	-15.56%	11.53%	24.12%
Profit (loss) before tax (+/-)	26.69%	-8.33%	2.99%	19.60%

From income statement (table 3), revenue fell by -75% in year 2005 and continued to recognize similar percentage of revenue in the following years. Since 2005, level of operation had been reduced in order to cut unprofitable services. But the following year production rose back rapidly by 83.3%. Construction industry has -10.1% of production compare to Centroprojekt, which has positive result of 1.6%. From cost, level amount of staff cost increased due to its managers incentive compensation and fees debited tax cost. Therefore, the net income was lower in 2008 compared with the previous years as well as level of production. In hence, net income lowered by -68.8%. There is a tendency in construction industry decreased operating profit by -6.26 as well as Centroprojekt by -76% in 2008. However, the retained profit for the period grew faster than revenue in 2007, and is highest among the given years, which indicates increasing profitability. Centroprojekt has excellent result of net income from 2004-2007.

5.1.2 Vertical analysis of the balance sheet and income statement

Centroprojekt's monetary relationships between item on balance sheet and income statement for year 2004-2008 in percentage as well as Construction industry for year 2005-2008, in order to compare items are more easily identified. On the balance sheet, total assets represent 100% as well as stockholder's equity and liability represent 100%. On the income statement production represents 100%.

Table 5. Vertical analysis of balance sheet- Centropjekt a.s

Assets c	2004	2005	2006	2007	2008
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%
Intangible/tangible assets and investment	45.7%	43.7%	45.9%	7.8%	9.6%
Intangible assets	0.5%	0.5%	0.3%	0.3%	0.4%
Tangible assets	40.2%	37.3%	41.4%	3.7%	5.9%
Financial investment	5.0%	5.9%	4.1%	3.8%	3.3%
Current assets	53.8%	55.7%	53.8%	91.6%	89.4%
Inventory	7.9%	8.7%	4.1%	11.5%	11.9%
Long term receivables					
Short-term receivables	34.2%	33.6%	35.9%	35.5%	62.8%
Financial accounts	11.6%	13.4%	13.7%	44.2%	14.3%
TOTAL CAPITAL LIABILITIES	100.0%	100.0%	100.0%	100.0%	100.0%
Capital	48.6%	50.0%	68.4%	39.0%	36.3%
Basic capital	23.2%	21.4%	15.7%	10.0%	10.5%
Capital funds	26.2%	24.2%	30.6%	10.9%	10.7%
Other capital funds	26.6%	23.7%	17.4%	10.8%	11.3%
Profit and losses of current accounting period	3.3%	3.8%	6.8%	14.6%	4.8%
Liabilities	47.1%	48.8%	46.3%	60.9%	63.6%
Reserves	2.1%	1.2%	3.0%	4.0%	4.7%
Total long-term liabilities	12.3%	11.0%	9.2%	0.0%	0.0%
Total current liabilities	32.7%	36.6%	34.0%	57.0%	58.9%
Accounts payable	13.3%	16.9%	15.9%	28.3%	17.7%
payables to employees	11.4%	12.5%	11.7%	12.1%	22.3%
Social and health security payable	1.5%	1.4%	1.3%	2.0%	2.5%
Taxes payable	1.8%	2.0%	3.8%	5.4%	4.6%
Short-term deposits received	4.0%	2.8%	0.7%	8.5%	5.5%
Other Payables	0.7%	0.7%	0.7%	0.7%	1.2%
Bank loans and short-term notes					

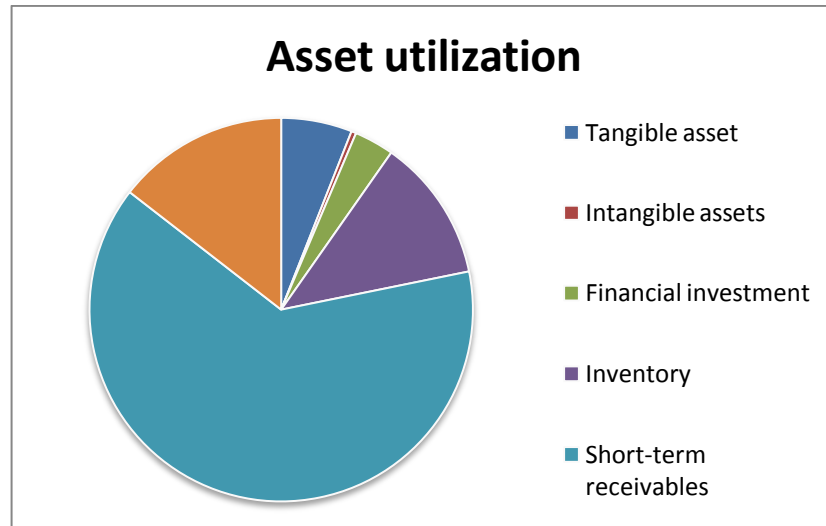


Figure1. Vertical analysis of Centroprojekt- Asset structure 2008

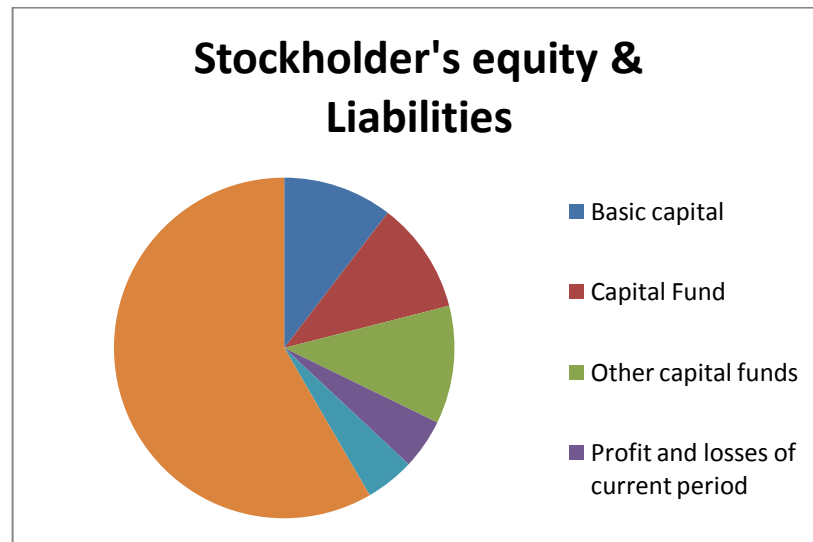


Figure2. Vertical analysis of Centroprojekt – Capital &Liabilities structure 2008

Table6. Vertical analysis of the Balance sheet- Construction industry

	2005	2006	2007	2008
TOTAL ASSETS	100,0%	100,0%	100,0%	100%
Stock subscription receivable				
Intangible/tangible assets and investment	27,79%	25,63%	22,6%	24,56%
Tangible assets	22,44%	19,92%	15,6%	15,81%
Financial investment	5,35%	5,71%	6,9%	8,75%
Current assets	70,91%	72,56%	76,30%	74,09%
Inventory	9,44%	8,86%	8,63%	6,82%
Long term receivables	0,0%	0,0%	0,0%	
Short-term receivables	47,67%	52,58%	53,88%	53,31%
Financial accounts	13,80%	11,12%	13,78%	13,96%

Accruals and deferrals	1,30%	1,81%	1,17%	1,34%
TOTAL CAPITAL& LIABILITIES	100,0%	100,0%	100,0%	100,0%
Capital	35,18%	33,44%	30,83%	33,08%
Basic capital	13,70%	11,58%	10,36%	11,46%
Capital funds				
Reserve fund, non-distributable fund				
Retained earnings	16,06%	15,91%	15,41%	15,98%
Profit and losses of current accounting period	5,41%	5,97%	5,01%	5,61%
Liabilities	62,25%	63,97%	67,27%	65,86%
Reserves	4,55%	5,62%	5,62%	5,87%
Total long-term liabilities	3,95%	3,90%	4,82%	5,86%
Short-term liabilities	48,47%	49,93%	51,13%	50,91%
Bank loans and short-term notes	13,13%	14,97%	14,16%	16,53%
Accruals				

Vertical analysis: from the property structure (table 5, 6) the proportion of fixed asset and current assets are utilized similar amount in 2004-2006, except from year 2007-2008 that current asset has increased by 91.6-89.4%, because of the changes in tangible assets; such as land and building has been sold out. Note that, company split to create a new company with same stockholders structure. Also the following year Centroprojekt preparing to invest in fixed assets is another reason for holding this much of cash. Increases of short-term receivables were due to economic crisis, the ability of customers debt payment postponed. Compare to the industry, 2007-2008, portion of asset utilizations were not balanced. Centroprojekt is holding rather high amount of financial assets. The amount of stockholder's equity decreased about 15% from previous three years in 2007- 2008, because equity was transferred to sister company. Retained earnings and long-term receivables indicate (table5) that the company is making more of its sales by cash rather than credit basis or long-term receivables. Profit of the current period increased notably in 2007 by 14.6% overall equity structure, compare with industry, which was 5.01%. Accounts payables were paid and reduced, meanwhile employee payables increased by 22.5% in 2008. Centroprojekt has paid back all of its long-term debt by 2007. According to industry, the level of bank loan is approximately 16%, whereas Centroprojekt has no record of bank loan and short-term notes. From the analysis liabilities tend to be exceeding the claim; on the other hand construction industry has almost same proportion of equity and liability, which refer to be healthy.

Table7. Vertical analysis of income statement-Centroprojekt a.s

	2004	2005	2006	2007	2008
Revenue from goods sold	1.9%	0.9%	0.5%	0.6%	0.5%
Cost of sales	1.7%	0.6%	0.3%	0.4%	0.3%
Production	100.0%	100.0%	100.0%	100.0%	100.0%
Production consumption	72.9%	58.6%	69.4%	64.5%	63.3%
Staff costs	21.7%	32.4%	19.6%	21.4%	32.8%
Depreciation of intangible and tangible assets	1.9%	2.7%	1.5%	0.9%	1.0%
Operating profit	2.9%	6.5%	7.3%	12.4%	2.8%
Financial profit (loss)	-0.4%	-0.8%	-0.4%	-0.8%	0.5%
Income tax on ordinary activities	0.7%	1.8%	1.7%	2.9%	0.7%
Profit (loss) from ordinary activities after tax	1.7%	3.9%	5.2%	8.6%	2.5%
Retained profit (loss) for the period (+/-)	1.8%	3.9%	5.2%	8.6%	2.5%
Profit (loss) before tax (+/-)	2.5%	5.7%	6.9%	11.6%	3.2%

Table8. Vertical analysis of Income statement- Construction industry

	2005	2006	2007	2008
Revenue from goods sold	2.17%	1.98%	1.98%	1.24%
Cost of sales	1.98%	1.74%	1.73%	1.08%
Production	100.0%	100.0%	100.0%	100.0%
Production consumption	77.18%	77.09%	71.33%	84.62%
Staff costs	10.77%	10.41%	8.40%	10.63%
Taxes and fees				
Operating profit	4.47%	5.07%	4.03%	4.40%
Financial profit (loss)	-0.04%	0.03%	0.16%	0.61%
Income tax on ordinary activities	1.20%	1.26%	1.04%	1.22%
Profit (loss) from ordinary activities after tax	3.11%	3.59%	3.03%	3.96%
Retained profit (loss) for the period (+/-)	3.61%	3.84%	3.33%	3.96%
Profit (loss) before tax (+/-)	4.31%	4.85%	4.66%	5.18%

Looking at the income statement (table7, 8), REVENUES of Centroprojekt is composed by sales of its own production and services. Data is similar in construction industry's sales (table8), operating profit is almost 97% from its sales of own production and services and the rest of 3% consists from revenues of goods sold. The use of materials and production consumption has decreased in year 2006 by 58.6% due to its little amount of production, which dramatically dropped by nearly half of the total sum of other production periods. Finally, production process became healthy in the following years. Production consumption is slightly higher portion in construction industry than Centroprojekt. That means Centroprojekt manages its resource more effective than the industry. But critically

the cost of staff is moderately higher in than the industry average by 2008 it was 32.8% whereas industry average staff cost is only 10.63% overall the cost. The final result of net income was rather low in 2008 by 2.5% due to the rise of net income the portion of tax has been increased. Whereas, construction industry keeps rather stable proportion of net income as well as proportion of income tax.

Table9. Profit and loss 2004-2008- Centroprojekt a.s

<i>(In CZK thousands)</i>	2004	2005	2006	2007	2008
Operating profit	9665	12244	25280	43347	10384
Financial profit (loss)	-1352	-1473	-1446	-2788	1783
Extraordinary revenues	90	32	3	3	1
Profit (loss) for the period (+/-)	5911	7393	18038	30344	9474
Profit (loss) before tax (+/-)	8403	10803	23837	40572	12168
Interest expenses	975	771	1022	970	693
Income tax on ordinary activities	2467	3402	5799	10228	2694

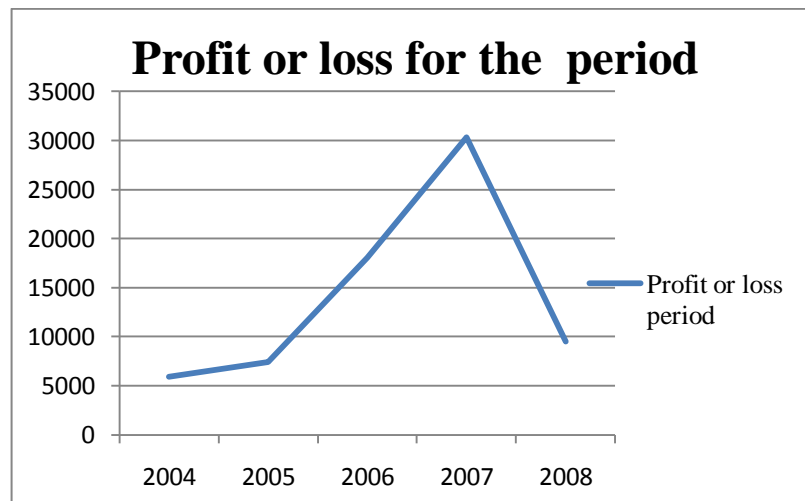


Figure3. Profit or loss for the period- Centroprojekt a.s 2004 - 2008 (in thousands)

Table10. Subdivision of EBIT 2004-2008 –Centroprojekt a.s

<i>(in CZK thousands)</i>	2004	2005	2006	2007	2008
EBIT	9353	11566	25037	41542	12861
Interest expense	975	771	1022	970	693
Tax	2467	3402	5799	10228	2694
EAT	5911	7393	18038	30344	9474

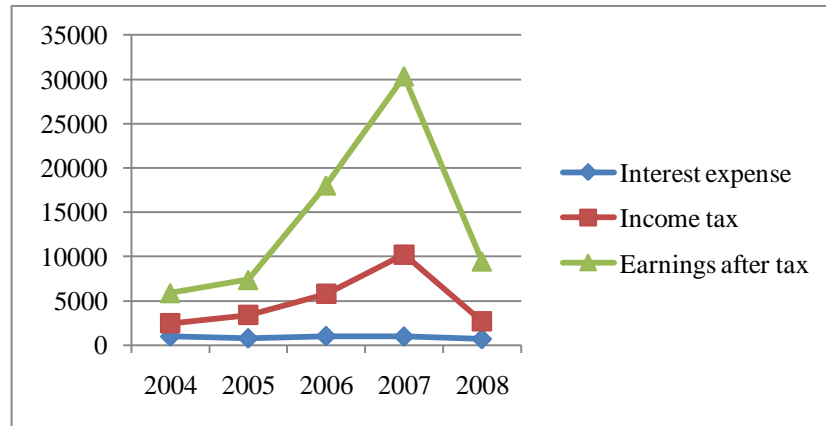


Figure4. Subdivision of EBIT 2004-2008- Centroprojekt a.s

The tables 9, 10 and figures 3, 4 indicate how healthy Centroprojekt a.s is undergoing with natural increase of profitability, despite the year 2008. As mentioned above, Centroprojekt adopted incentive compensation scheme to its top managers. In hence, debited tax, costs, and profit fell down in 2008. Most significant increase occur in 2007, compare with year 2004 to 2008, the net income increased almost five times more in figure 4. Income tax was the highest in 2007, in connection to high rate of net income. Interest expense (figure4) is very low, because there were no bank loans but only short-term liabilities in the given periods. When earnings after tax are growing rapidly is more approving for the company’s profitability. In contrast, the tax rate is increasing slightly but less than predicted amount.

5.2 Subtractive indicators

Table10. Net working capital- Centroprojekt a.s

(in CZK thousands)	2004	2005	2006	2007	2008
Working capital	38914	37059	52340	72009	60703

Table 10 illustrates how current asset was financed in Centroprojekt in years 2004-2008. Net working capital increased when current asset was financed through noncurrent sources. That means the liquidity of current assets will affect the terms and availability to meet its short term credit. And more approving matter is that net working capital tends to increase and is greater than zero.

5.3 Ratio analysis

The use of ratio involves the division of more items on Centroprojekt's financial statement by another related item. These are useful indicators and computed routinely, and industry average basis in 2005-2008 are to be compared.

5.3.1 Liquidity ratio

Centroprojekt's liquidity position is measured, whether the company is able to pay off its debt in 2004-2008. The ratio is compared with construction industry average or norm in year 2005-2008. Result is represented by times and days.

Table 11. Liquidity ratio 2004-2008 – Centroprojekt a.s

	2004	2005	2006	2007	2008
Current ratio	1.65	1.52	1.58	1.61	1.52
Acid-Test Ratio	1.40	1.28	1.46	1.41	1.36
Cash ratio	0.35	0.36	0.40	0.77	0.24
Receivables Turnover		2.96	4.30	4.15	3.77
Days of receivables turnover		123.3	84.8	88.59	96.8
Inventory turnover		7.06	17.16	12.98	5.02
Days of inventory turnover		51.69	21.27	28.12	72.71

Table 2. Liquidity ratio 2005-2008 - Construction industry

	2005	2006	2007	2008
Current ratio	1.46	1.47	1.44	1.49
Acid-Test Ratio	1.26	1.29	1.25	1.32
Cash ratio	0.28	0.22	0.13	0.13
Receivables Turnover		3.32	2.52	2.37
Days of receivables turnover		109.93	144.84	133.69
Inventory Turnover		15.29	12.67	13.08
Days of inventory turnover		23.87	28.80	27.9

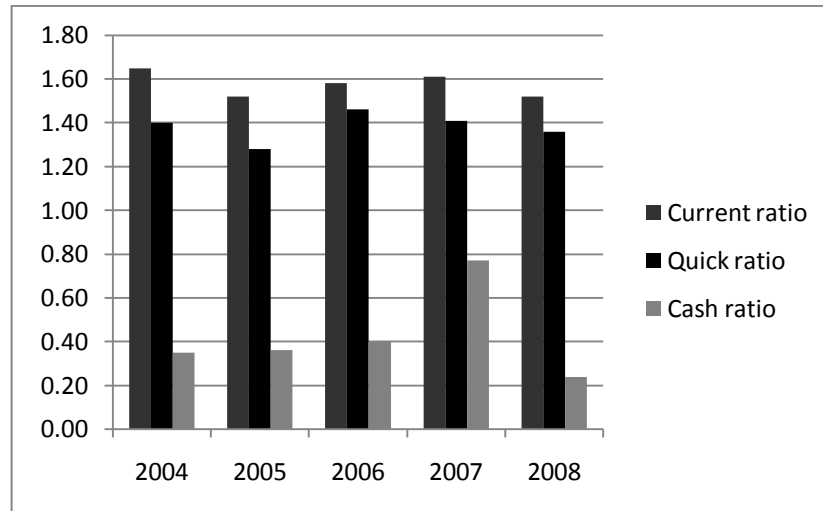


Figure 5. Liquidity ratios 2004-2008 - Centroprojekt a.s

Looking at liquidity ratio of Centroprojekt (table 11, 12) is generally quite healthy compared with construction industry (Table 12). Current ratio indicates more than 1.0 which means company would be able to meet its short term obligation, and it is faintly higher than the industry. That implies greater reliance on outside financing. On the other hand, quick ratio is even more conservative and reliable source than current ratio, which carried out similar proportion with industry but slightly higher. While cash ratio is rather higher compare to industry, which illustrates the liquidity in crisis situation. Especially in year 2007, Centroprojekt sold its land and building that effected big sum of financial account. Receivables turnover has improved in 2006-2007, but declined in 2008. Due to economic crisis, still construction industry is inferior to the Centroprojekt's average 3.77 times, which means within 96.8 days receivables collected. Thus, company has highly efficient collection and credit. Looking at the inventory turnover was quite unbalanced fluctuation, due to little inventory in 2005, turnover is only 7.06 times. Vice versa in 2007 the highest rate reached up to 17.16 times, which is 21.27 days, is less than construction industry average days. Again in 2008 ratio fall by 5.02 times, a low turnover indicates poor sales and therefore excess inventory. Its volume of inventory depends on contractual terms of invoicing as well as disposed to the billings the relevant part of work in progress. Analysts rely more on liquidity assets. But short-term assets and liabilities are rather inconsistent depending on the economic situation that can change the value of assets. Cash ratio is 0.24 in 2008, relatively higher than industry 0.13. Holding excessive amount of cash is unbeneficial, instead short-term investment in the money fund market would accomplish interest rate.

5.3.2 Profitability ratios

The ratio will define the effectiveness of Centroprojekt’s operations in year 2004-2008. Construction industry in 2005-2008 has also compared with ratio, to illustrate the level of the profitability within its business section. Ratios will both represent in percent and by number of times.

Table13. Profitability ratio - Centroprojekt a.s

	2004	2005	2006	2007	2008
Profit margin	1.75%	5.74%	6.91%	11.56%	2.50%
Assets turnover		1.01	1.50	1.48	1.86
ROA		3.9%	7.8%	12.8%	4.6%
ROE		7.7%	15.0%	27.2%	12.3%

Table14. Profitability ratio- Construction industry

	2005	2006	2007	2008
Profit margin	3.37%	3.88%	3.67%	3.96%
Assets Turnover		1.67	1.52	1.40
ROA		6.5%	5.6%	5.6%
ROE		19.0%	15.5%	17.9%

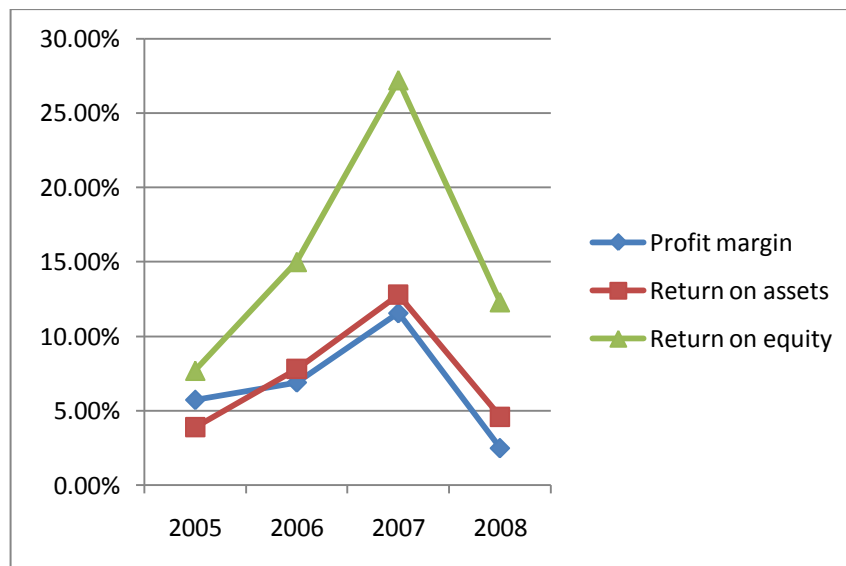


Figure6. Profitability ratio2004-2008 - Centroprojekt a.s

The profitability ratio table 13, 14 and figure 6, shows that Centroprojekt a.s is profitable in the analyzing period. Overall, the year profitability in 2006-2007 by 6.91- 11.56% increased noticeably in connection to higher production pricing and lower product costs as

well as increase of inventory. Ratio fell dramatically in the following year by 2.50%, because Centrorprojekt pay incentive compensation to its top managers and fees are debited tax costs, so profit is lower. The business performance during the years achieved from highly professional team managers. Whereas, construction industry profit margin is quite steady. Assets turnover is similar to industry, Centrorprojekt has low asset turnover when profit margin is high. ROA increased substantially in 2007, it would not need large investment when the ratio is high and vice versa when ratio is low investment is sufficient. ROA of Centrorprojekt is 12.8% is rather high, compare with industry average of 5.6% in 2007. Centrorprojekt's ROE had significant increase from 7.7% up to 27.2% within year 2005-2007 then fell down again in 2008. Accordingly, favorable to its stockholders, investing makes it worth. Consider industry average of is up to 19%. More comprehensible frame of profitability is seen from figure 6.

5.3.3 Solvency ratios

Main ratios are to indicate whether Centrorprojekt a.s is able to pay debts with its assets, and measured between years 2004-2008. Construction industry compared with ratio. Thus, available data in industry is limited from 2005-2008 only excluding year 2004. Result is based on percentage as well as number of times.

Table15. Solvency ratio – Centrorprojekt a.s

	2004	2005	2006	2007	2008
Debt to Total Assets Ratio	47.1%	48.8%	46.3%	60.9%	63.6%
Debt to Equity Ratio	0.89	0.97	0.86	1.56	1.75
Times Interest Earned Expense	9.59	15.00	24.50	42.82	18.56

Table16. Solvency ratio- Construction industry average

	2005	2006	2007	2008
Debt to Total Assets Ratio	62.2%	63.8%	67.1%	68.3%
Debt to Equity Ratio	1.76	1.91	2.07	2.18
Times Interest Earned Expense	17.83	23.58	8.03	13.71

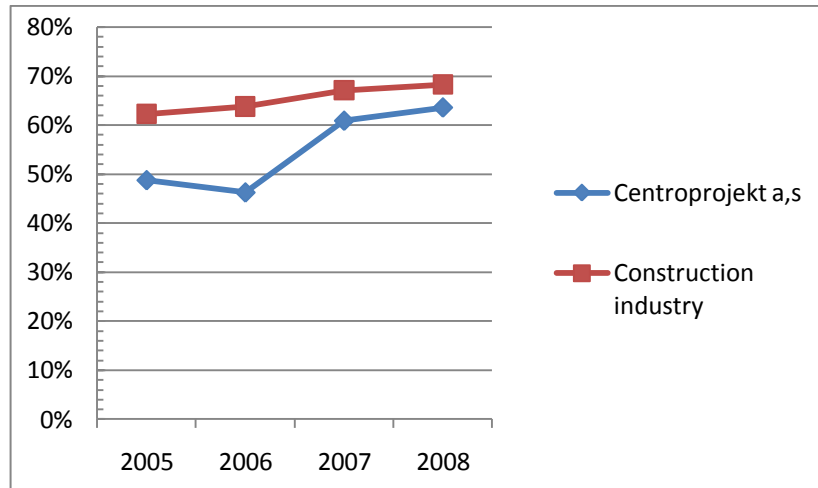


Figure7. Debt to Total Assets ratio- Centropojekt a.s and Construction industry 2005-2008

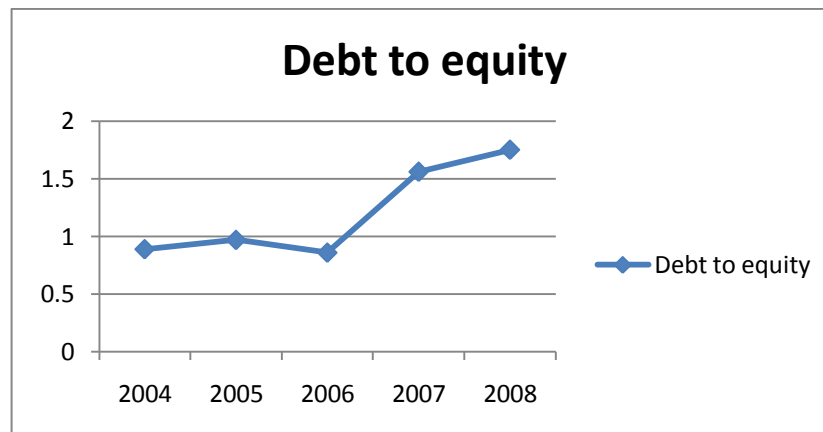


Figure8. Debt to Equity ratio 2004-2008 - Centropojekt a.s

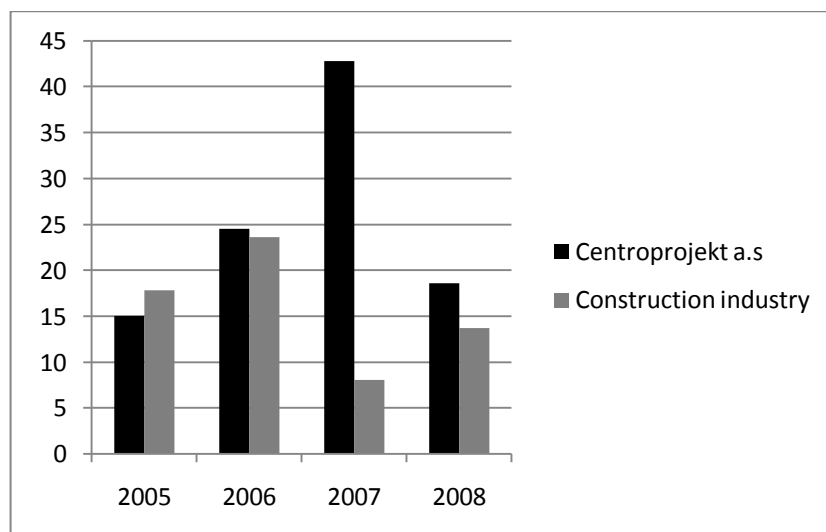


Figure9. Times Interest Earned Expense ratio 2005-2008- Centropojekt a.s and Construction Industry

From solvency ratio in table 15, 16 and figure 7,8 9, Centropjekt's rate of assets that has financed through debt is lower in 2004-2006 compare to construction industry. Although the rate tends to increase in 2007-2008 by 60.9-63.9%, nevertheless it is lower than industry anyways. The debt to equity ratio indicates that Centropjekt has high proportion of debt, especially in 2007-2008. Here total debt is used instead of long-term debt. Consequently high ratio indicates company is in a risky position- interest rates would rise. This ratio seems not capable to satisfy its debt obligations, however company is increasing its profit that financial leverage bring. At the same time Centropjekt has zero long-term debt, where little interest expense to be paid. Note that higher liability reduces income tax. Although, the rate is reasonably lower than the industry ratio. Centropjekt is very well covered its interest expense at all times during 2004-2008. Suggested ratio is 1.5 or more. The rate increased higher than the industry rate, even though the fluctuation in industry was not constant. That indicates the great assurance the Centropjekt can service its debt from operating revenues as well as construction industry.

CONCLUSION

Analyzing Centroprojek a.s financial statements was to evaluate the current financial position. For the usage of managers, investors and creditors, why Centroprojekt undertake in a particular way in order to make a decision.

Most highlighted structural change was a creation of new sister company in 2007. This investment breakaway affected to items in fixed asset, stockholders equity and parts of liabilities were transferred. Therefore, horizontal, vertical and ratio analysis condensed from previous years, is not outcome of unprofitable operation. Retained earnings rose up to 40% to CZK 30344 thousand in 2007 that profitability increased as of cost effective expenditure. Moreover, balance sheet structure increased by 36% in 2006, capital fund used for purchasing land and building.

Global financial crisis affected in economic growth as well as in the Czech Republic, slowdown in construction industry in general was 3.1% for the year as a whole, and total outputs dropped as well. In hence, receivables outdated its maturity date, and short-term debt outstanding loan and incentive fees from the owners increased at end of year 2008.

From the profitability view point Centroprojekt has positive performance, albeit the ratio was unstable. Given the reason of sister company, ratio analysis seems to be lessened.

Liquidity ratios are sufficient to be able to pay its debt in crisis situation, and rate is generally higher than construction industry as well as preferred rate. Cash ratio is rather high 0.24 where construction industry has 0.13 in 2008. Inventory turnover is also high that sales are good enough to make fast turnover. But fluctuation of turnover depends on its volume of specific date of the contractual terms invoicing.

Operation was satisfactory from profitability ratios except 2008, which was lowest with rate of 2.5%. Management was very cost effective, in 2007 by making 11.5% profit margin, via using its labor and raw materials. Although the ROE was high by 27.2% in 2007, in comparison with construction industry ratio was 15.2%. Following year was fallen down due to little profit margin. ROA is unbalanced in certain period, still reasonable rate of return on its asset but not desirable, high ROA again by 27.2% in 2007, which industry has 15.5%.

Solvency ratio signifies the debt to total assets ratio enhanced due to acquisition of new sister company that part of capital relocated onto it. Although, the ratio was similar, 63.6% in Centroprojekt in 2008, to construction industry, 68.3% in 2008, was not threatening. Debt to equity ratio was high 1.75 in 2008 is still in better condition than industry. Looking

at times interest earned expense, incredibly high rate to meet its interest obligation. Tension of further operating will be healthy and profitable.

Based on analysis few suggestions have been made. Instead of holding excessive cash, short-term investment could increase revenue. For instance, invest in money market mutual funds, it may bring higher risks to bear but brings potentially higher profit than other investments. Another option is to buy treasury bills; it could be more secure and provide flexible investment terms. Company should also invest in inventory to boost the return on profit, develop inventory turnover, by selling the material that has been bought and reduce the lead time from vendors and suppliers. Buying fewer products but more often might improve the turnover. Better inventory management should apply by single-product line to achieve for the productivity improvements. Firm should continue to increase the profit margin not only by improving its revenues and sales, but also reduce unnecessary internal and external costs e.g. staff, electricity, overtime job. One of the examples is Centropjekt took was cutting the product line, such as repealing shop façade paints was uneconomic, and operates only store swimming pool its chemicals and components, more profitable. Furthermore, they should expand and use their network of suppliers to find more opportunities abroad, since Centroporjet has foreign subsidiary in Slovakia, Chile and Brazil, or else to expand their product line broader. They could increase the price of the product and service by reinventing its unique product. Improving these factors would increase profit margin, accordingly return on equity ratio will rise. In hence, prominent dividends to shareholders would increase share value in the market, and more stocks should be issued. Reinvesting the profit would sustain higher-than-average growth instead of dividends. Borrow and benefit from it. The more liability Centropojekt has the less income tax will reduce, since they have sufficient solvency ratio. Thanks to the company workers, who deposited fund from many years savings, help in finance and receive higher interest than bank. Operating more cost effectively would enhance its profitability; also reinventing product for better price would lead to higher performance.

During 2004-2008, Centropjekt a.s continued successful growth building admirable results achieved. Long running experience, company has strong financial position and practical usage in managerial section that maintains their high reputation in the industry.

REFERENCES

- Robinson, Thomas R, Greuning, Hennie van, Henry, Elaine, and Broihahn, Michael A. 2009. *International Financial Statement Analysis*. New Jersey: John Wiley & Sons, Inc.
- Helfert, Erich A. 1987. *Techniques of Financial Analysis*. Illinois: Richard D. Irwin, Inc.,.
- Weygandt, Jerry J, Kieso, Donald E, Kimmel, Paul D, and De Franco, Agnes L. 2008 *Hospitality Finance Accounting*. New York: John Wiley & Sons Inc.
- Brealey, Richard, Myers, Stewart. 2003. *Principles of Corporate Finance*. New York: Mc Graw- Hill/ Irwin,.
- Martin, Fridson S, and Fernando, Alvarez. 2002. *Financial Statement Analysis: A Practitioner's Guide*. New York: John Wiley & Sons, Inc.,.
- Soffer, Leonard C, and Soffer, 2004. *Financial Statement Analysis: A Valuation Approach*. Prentice Hall .
- Van Horne, James C, and Wachowicz, John. 1997. *Fundamentals of Financial Management*. Handcover: Prentice Hall College .
- Woelfel, Charles. 1993 *Financial Statement Analysis: The Investor's Self-Study to Interpreting & Analysing Financial Statements*. Connecticut: Mc Graw- Hill.
- Soffer, Leonard C, and Soffer, Robin J. 2004. *Financial Statement Analysis: A Valuation Approach*. Prentice Hall .
- Ministry of Industry and Trade. Ministry of Industry and Trade Statistics of industry, 2005-2008: Short Survey of Construction Output.
<http://www.mpo.cz/dokument56058.html>
- Ratio: Working capital Ratio (Current Ratio)
www.investopedia.com/university/ratios/workingcapital.asp
- Maps of World Finance. Financial report: Statement of Stockholder's Equity.
<http://finance.mapsofworld.com/financial-report/basic/statement-of-stockholders.html> (accessed February 11- April 29)
- Gary A. Porter and Curtis L. Norton. 2004. *Financial Accounting: The impact on decision makers*. South-Western College Pub.
- Needles, Belvard E, Powers, Marian, and Crosson, Susan V. 2007. *Principles of Accounting*, South-Western College Pub.
- Siciliano, Gene. 2003. *Finance for Non- Financial Managers*, Mc Graw-Hill

LIST OF FIGURES

Figure1. Organism of Centroprojekt Company

Figure2. Vertical analysis of Centroprojekt- Asset structure 2008

Figure3. Vertical analysis of Centroprojekt – Capital &Liabilities structure 2008

Figure4. Profit or loss for the period- Centroprojekt a.s 2004 - 2008 (in thousands)

Figure5. Subdivision of EBIT 2004-2008- Centroprojekt a.s

Figure6. Liquidity ratios 2004-2008 - Centroprojekt a.s

Figure7. Profitability ratio2004-2008 - Centroprojekt a.s

Figure8. Debt to Total Assets ratio- Centropojekt a.s and Construction industry2005-2008

Figure9. Debt to Equity ratio 2004-2008 - Centroprojekt a.s

Figure10. Times Interest Earned Expense ratio 2005-2008- Centroprojekt a.s and Construction Industry

LIST OF TABLES

- Table1. Horizontal analysis of Balance sheet-Centroprojekt a.s
- Table2. Horizontal analysis of Balance sheet-Construction industry
- Table3. Horizontal analysis of Income statement- Centroprojekt a.s
- Table4. Horizontal analysis of Income statement- Construction industry
- Table5. Vertical analysis of balance sheet- Centroprojekt a.s
- Table6. Vertical analysis of the Balance sheet- Construction industry
- Table7. Vertical analysis of income statement-Centroprojekt a.s
- Table8. Vertical analysis of Income statement- Construction industry
- Table9. Profit and loss 2004-2008- Centroprojekt a.s
- Table10. Subdivision of EBIT 2004-2008 –Centroprojekt a.s
- Table11. Liquidity ratio2004-2008– Centroprojekt a.s
- Tabel2. Liquidity ratio 2005-2008 - Construction industry
- Table13. Profitability ratio - Centroprojekt a.s
- Table14. Profitability ratio- Construction industry
- Table15. Solvency ratio – Centroprojekt a.s
- Table16. Solvency ratio- Construction industry average

APPENDICES

Appendix P I: Balance sheet of Centropjekt a.s in 2004-2008.....	50
Appendix P II: Income statement of Centropjekt a.s in 2004-2008.....	53
Appendix P III: Balance sheet of Construction Industry	55
Appendix P IV: Income statement of Construction Industry	56

APPENDIX PI: BALANCE SHEET OF *CENTROPROJEKT A.S* IN 2004-2008

(In CZK thousands)	2004	2005	2006	2007	2008
TOTAL ASSETS	179804	194851	265088	208130	198849
Stock subscription receivable					
Intangible/tangible assets and investment	82094	85211	121554	16177	19018
Intangible assets	861	962	893	609	795
Expense of foundation and organization	88	59	30		
Research and development					
Software	298	903	849	609	795
Patent, rights and royalties					
Goodwill			14		
Small and other intangible					
Intangible in progress	475				
Advanced for intangibles					
Tangible assets	72286	72750	109860	7667	11709
Land	4132	4132	18345		
Building , halls and construction	62487	61936	86045		
Machinery & equip,means of transport, furn& fixtures	5272	6388	5176	7637	11709
Permanent growth					
Livestock not for sale					
Other tangible assets	294	294	294		
Tangible in progress	101				
Advances for tangible				30	
Adjustment to gained property					
Financial investment	8947	11499	10801	7901	6514
Majority shareholdings and participating interests (>50%)	6581	9133	8362	7901	6514
Substantial shareholdings and participating interests			73		
Other securities and deposits	2366	2366	2366	0	
Intergroup loans					
Other loans and financial investments					
Aquatinted investments					
Current assets	96678	108446	142521	190737	177795
Inventory	14220	17011	10929	23949	23583
Materials	4160	4464	4156	5299	5365
Work in process and semi-finished products	8446	8337	5627	17342	16577
Finished products					
Livestock					

Goods	1545	1385	1109	1211	1278
Advanced granted	69	2825	37	97	363
Long term receivables	53		0	930	994
Trade and other receivables	53				
Receivables from related companies (<50%)					
Receivables from related companies (20% to 50%)					
Receivables from partners associations					
Long0term advances					
Contingencies-gain					
Other receivables					
Deferred tax assets			0	930	
Short-term receivables	61577	65400	95144	73913	124862
Trade receivables	58007	62014	92819	71571	91920
Receivables from related companies (<50%)					
Receivables from related companies (20% to 50%)					
Receivables from partners and associations	38	2			
Social and health insurance					
Receivables from taxes and subsidiaries		256			5401
Short-term advances	270	237	257	461	5522
Contingencies-gain	80	112	330		34
Other receivables	3182	2779	1738	1881	21985
Financial accounts	20828	26035	36448	91945	28356
Cash	196	426	302	102	126
Bank accounts	20632	25609	36146	91843	28230
Short-term financial assets					
Acquainted short-term financial assets					
Accruals and deferrals	1032	1194	1013	1216	2036
Prepaid expenses	928	1191	1000	1216	1804
Total prepaid expenses					
Unbilled revenue	104	3	13		232
Liabilities					
TOTAL CAPITAL LIABILITIES	179804	194851	265088	208130	198849
Capital	94684	97403	142409	81104	72250
Basic capital	41663	41663	41663	20831	20831
Basic capital	41663	41633	41663	20831	20831
Own shares					
Changes in basic capital					
Capital funds	47084	47124	81079	22790	21289
Share premium (agio)					
Other capital funds	47783	46193	46047	22391	22391

Revaluation of assets and liabilities	-699	931	161	399	-1102
Revaluation of assets and liabilities	-699	931	161	399	-1102
Revaluation because of transformations			34871		
Reserve fund, non-distributable fund	26	1223	1629	2582	4017
Legal reserve fund/Non-distributable funds		1182	1552	2454	3971
Statutory and other funds	26	41	77	128	46
Retained earnings	0		0	4557	16639
Retained earnings of previous years				4557	16639
Accumulated losses of previous years					
Profit and losses of current accounting period	5911	7393	18038	30344	9474
Liabilities	84726	95140	122616	126677	126469
Reserves	3821	2324	8062	8249	9377
Reserves assorting special legislations					
Reserves for income and other liabilities					
Reserves for income tax					
Other reserves	3821	2324	8062	8249	9377
Total long-term liabilities	22141	21429	24373	0	0
Trade payables					
Long-term payables to related companies (<50%)					
Long-term payables to related companies (20% to 50%)					
Payables to partners and associations					
Long-term deposits received	21262	18685	16109		
Bonds payable					
Long-term notes payable					
Contingencies-loss					
Other Payables					
Deferred taxes	879	2744	8264		
Total current liabilities	58764	71387	90181	118728	117092
Accounts payable	23825	32914	42028	58997	35245
Short-term payables to relates companies (<50%)					10000
Short-term payables to relate companies (20% to 50%)		798	138		
Payables to partners and associations	13				
payables to employees	20493	24280	30897	25277	44414
Social and health security payable	2786	2685	3325	4170	4938
Taxes payable	3189	3977	10086	11141	9186
Short-term deposits received	7167	5370	1964	17645	10952
Bonds payable					
Contingencies-loss	87	46			8

Other Payables	1204	1317	1743	1498	2349
Bank loans and short-term notes	0		0	0	
Long-term bank loans					
Short-term loans					
Short-term notes					
Accruals	394	2308	63	49	130
Accruals	394	172	63	49	130
Deferred income		2136			
Control number					

APPENDIX PII: INCOME STATEMENT OF *CENTROPROJEKT A.S* IN 2004-2008

<i>(in thousands)</i>	2004	2005	2006	2007	2008
Revenue from goods sold	6453	1612	1720	2263	1923
Cost of sales	5717	1105	1087	1325	1175
Gross margin	736	507	633	938	748
Production	336812	188290	345203	350893	377013
-Revenues from own products and services	342139	188385	347914	339178	377779
-Changes in inventory	-5327	-109	-2711	11715	-766
- Capitalized costs		14			
Production consumption	245691	110285	239743	226374	238505
-Consumption of materials and energy	45062	23972	50107	27714	15363
-Services	200629	86313	189636	198660	223142
Value added	91857	78512	106093	125457	139256
Staff costs	73089	60995	67651	75233	123722
-Wages and salary	53065	44306	49211	54788	98628
-Remuneration of board members					
-Social and health insurance	18430	15413	17170	19101	22746
-Statutory social expenses	1594	1276	1270	1344	2348
Taxes and fees	435	357	586	567	588
Depreciation of intangible and tangible assets	6309	5150	5137	3062	3759
Sales of mixed assets and materials	1383	1462	3603	1495	1411
-Sales of fixed assets	503	100	2175	693	512
-Sales materials	880	1362	1428	802	899
Net book value of fixed assets or materials sold	620	1025	1991	656	724
-Net book value of fixed assets sold	114		981	133	198
-Net book value of materials sold	506	1025	1010	523	526
Change in balance of reserves and provisions in service area	-129	-1741	5789	1344	-713
Other operating revenues	779	552	1465	414	666
Other operating expenses	4030	2496	4727	3157	2869
Transfer of operating revenues					
Transfer of operating expenses					
Operating profit	9665	12244	25280	43347	10384
Revenues from sales of shares and ownership interests	500			2366	
Shares and ownership interests sold	500			2346	
Revenues from financial investments				0	
-Revenues from interest in group companies					
-Revenues from other financial investments, securities and deposits					
-Revenues from other financial investments					

Revenues from short-term financial assets					
Expenses from overvalued investments					
Revenues from overvalued investments					
Expenses from overvalues investments					
Changes in balance of reserves and provisions in financial area					
Interest revenues	549	147	238	1412	1834
Interest expenses	975	771	1022	970	693
Other financial revenues	396	271	650	4286	9535
Other financial expenses	1322	1120	1312	7526	8893
Transfer of of financial expenses					
Transfer of financial revenues					
Financial profit (loss)	-1352	-1473	-1446	-2788	1783
Income tax on ordinary activities	2467	3402	5799	10228	2694
-Current	2675	1537	6673	9911	2757
-Deferred	-208	1865	-874	317	-63
Profit (loss) from ordinary activities after tax	5846	7369	18035	30341	9473
Extraordinary revenues	90	32	3	3	1
Extraordinary expenses					
Income tax on ordinary activities	25	8			0
-current		8			
-Deferred					
Extraordinary profit (loss)	65	24	3	3	1
Distributed profit (loss)					
Retained profit (loss) for the period (+/-)	5911	7393	18038	30344	9474
Profit (loss) before tax (+/-)	8403	10803	23837	40572	12168

**APPENDIX III: BALANCE SHEET OF CONSTRUCTION INDUSTRY IN 2005-
5008**

(In CZK millions)	2005	2006	2007	2008
Sales of goods	5687	5927	5632	3173
Cost of goods sold	5170	5198	4981	2753
Trade margin	515	729	351	419
Operating outputs	244429	279023	250711	256713
Sales of goods and services	241494	276022	246411	255062
Changes in inventory	-311	-620	791	-2020
Activation	3246	3621	3508	3671
Consumption	201769	230196	209800	215852
Power consumed/value added	43175	49555	41562	41280
Personnel cost	28149	31075	24547	27129
Payroll/wages	20456	22261	17939	19836
Health& social insurance	7457	8540	6278	6942
Other personnel cost	236	275	329	350
Depreciation	3493	3921	3957	3690
Operating income	11684	15130	12020	11236
Interest expense	669	641	1726	1041
Financial result	-110	101	484	1570
Profit before tax	11265	14479	12132	13232
Income tax	3124	3750	3073	3127
Net profit	18140	10729	9059	10104
Total revenue	261431	298591	292383	289802
Total cost	250167	284112	280250	276570
EBIT	11934	15120	13859	14274

**APPENDIX P IV: INCOME STATEMENT OF CUNSTRUCTION INDUTRY IN
2005-2008**

<i>(in millions)</i>	2005	2006	2007	2008
Total assets	150330	179610	174855	188007
Fixed assets	41772	45035	44252	44047
Intangible assets	33726	35778	29845	28823
Tangible assets				
Financial investment	8044	10258	14406	15223
Current assets	106599	130331	129069	142485
Inventory	14184	15909	17194	15807
long& Short-term receivables	71669	94444	100940	114015
Financial accounts	20747	19977	10934	12662
Deferrals				
Total capital& Equity	150330	179610	174855	188007
Capital	52882	60058	56514	58772
Basic capital	20602	20757	20137	20412
Capital funds	8140	10729	7626	7639
Reserve fund				
Retained earnings	24140	28571	28750	30720
Profit and loss f current			-975	
Liabilities	93581	114720	117366	128355
Reserves	6843	10095	7910	9135
Long-term liabilities	5933	7013	8143	8410
Short-term liabilities	72862	88597	89399	95712
Bank loans and notes	7943	9015	11912	15097
Accruals				
Other liabilities	3867	4832	974	878