



Annual Report for
2007

Chairman of the Board of Directors: Ing. Jiří Heš
Approved by the shareholder's decision on 22 June 2007







Dear friends,

In 2007, the joint-stock company Institute for Testing and Certification has already been operating independently in the Czech testing and certification services market for 16 years. The incorporation and the step-by-step development of the Company have always been driven by our determination to provide our clients with quality services in the area of testing, certification, conformity assessment, metrology and information. At the beginning, the Company had almost no equity (for your information – the total assets amounted to CZK 14.4 million in 1992), while – at present – we hold the second place (in terms of the total sales revenues) in the imaginary ranking of similar Czech companies.

Not all development stages of the Institute for Testing and Certification have been easy, and not all changes in the external environment have had positive impact on the Company. On one hand, the accession of the Czech Republic to the European Union allowed us to directly provide services in the area of regulated conformity assessment to all clients from the EU, and in particular from third countries, without any restrictions; on the other hand, it brought a huge competition of thousands of notified bodies throughout the EU, and particularly – in compliance with the principle of free movement of goods within the EU – also a direct drop in the sales of services related to import of products to the territory of the Czech Republic. However, it should be noted that some other macroeconomic trends are clearly positive for our Company. The growth of the Czech economy and especially the inflow of foreign investments to both the Czech Republic and the Slovak Republic in the automotive industry resulted in growing sales in the field of testing for subcontractors of large automobile factories. Also, the possibility to supply conformity assessment (CE) services to clients from third parties is undoubtedly a significant opportunity, of which the Company has been intensely taking advantage since 2006, with the activities continuing throughout 2007. Exporting services with high value added is not simple. The clients require full customer and economic comfort – no payments in advance, long maturity of invoices, short delivery periods and, above all, competitive prices. In order to do well among the strong and globally operating competitors, it is absolutely essential for this comfort to become a standard also for our Company. However, the year of 2007 was marked by macroeconomic trends, which often significantly hindered the implementation of these export service characteristics. The increase in energy prices and, at the close of the year, the relatively high inflation resulted in high wage pressures, with wages being the largest cost item in the service sector. In addition, the unfavourable development of the Czech currency exchange rate in relation to foreign currencies creates pressure to raise the export prices (EUR/CZK exchange rate as at 31.12.2005: 29.01 CZK/EUR – as at 31.12.2006: 27.50 CZK/EUR – as at 31.12.2007: 26.62 CZK/EUR – as at 16.6.2008: 24.19 CZK/EUR). In this context, the prices of services have “dropped” by nearly 17% since 2006 and by more than 9% since the beginning of 2008).

In 2007, the Institute for Testing and Certification adhered to its main sphere of activities and continued to develop its services in the same areas as it did in the previous years. The following paragraphs describe the year-to-year changes, which had the most significant effect on the organizational and economic development of ITC.

Certification of gaming machines is an activity carried out based on an authorization issued by the Ministry of Finance of the Czech Republic to certify the operability of gaming machines and to perform subsequent technical inspection on the operation of gaming machines in accordance with Act No. 202/1990 Coll., on Lotteries and Other Similar Games. The sales revenues in this area increased by 26% compared to 2006, as a result of the legislative periodicity of requirements for this type of products, the changed position of the Czech Ministry of Finance to Section 50 par. 3 of Act No. 202/1990 Coll., on Lotteries and Other Similar Games, and – in this connection – the ITC’s new authorization to carry out expert assessment and certification of technical equipment for operating lotteries and other similar games, and the Company’s successful efforts to win a position of a strong player, which must be taken into consideration in this segment of services in the Czech Republic. The Company also obtained an international authorization to certify gaming machines (Latvia, Croatia) and, together with the services designed for foreign clients to assist them in introducing their products to the Czech market (Slovakia, Germany, Netherlands), the export of this service amounted to ca. 8% of the total production for this segment. As the number of our smaller clients in the gaming machine



field grows, the share of this service in the Czech market is also increasing (by about 60% by estimation). Stability of this service depends on good co-operation with the subcontractors and, in particular, on fair relations with the major players in the market. In 2007, an amendment to Act No. 202/1990 Coll., on Lotteries and Other Similar Games, triggered a discussion among the professional community (particularly with respect to gambling operated in the form of Internet betting), where the final solution remains very open and unclear at the moment.

The volume of testing and expert services for supplier of components and materials for the automotive industry has been growing for several consecutive years. At present, this segment of services can be considered as the Company's core business, consisting mainly in the testing of a wide range of components for vehicle interiors. It should be noted that, in this field of expert services, our Company is a leader in the Czech Republic in the long run. A dynamic development has also been reported in the field of testing the service life of both active and passive electronic elements for passenger cars in the testing laboratory in Uherské Hradiště, as well as in the "traditional" field of testing sanitary properties of materials and products. In order to improve the quality of our services and to bring them closer to our customers, a detached accredited testing station started to operate in the company the TESCO, a. s., Zlín in 2006. Further development of this co-operation continued also in 2007, with TESCO, a. s. becoming the second largest client of our Company in terms of sales. At present, the Company has three employees in the testing station. The testing station for materials, semi-finished products and footwear, which was acquired by the Company on 1 January 2006, became a full and respected part of the Company, resulting in a strong increase of the ITC's share in this market segment of services. Testing in the area of food and microbiology has not met the management's expectations so far. In 2007 and in the beginning of 2008, major investment projects in technical equipment of the accredited testing laboratory No. 1004 were implemented in the form of new leasing contracts.

Services in the field of information and standardization activities failed to reach the expected results, although the respective department reported black numbers at the end of the year. In 2007, due to the financial policy of the Czech Standards Institute, sales have declined even further in the field of preparation and translation of standards, making it necessary to explore new ways and methods on how to market this service in the Czech market, and particularly in third countries. In the opinion of the Company's management, the recent changes in the legislation and the dissolution of the Czech Standards Institute as an organization as of 31 December 2007 offer an excellent opportunity for further development of our services in the field of technical information. CTN (Centre for Technical Standardization), attached to our Company, could take advantage of the vacant market niche and play an important methodological role in searching for the new standard development and distribution model.

After several years of stagnation, the activities of the calibration laboratory and metrological services saw a recovery in 2007, in spite of the major personnel changes in the management of this centre and in the management of division 4. The developments in 2007 and 2008 have so far confirmed that this solution was correct. Another option to ensure prosperity of the branch is to focus on calibration services in the field of (high frequency) communications, which would, however, require significant investments in the technical equipment of the branch.

The Electrical Products Testing Laboratory, operating on the premises of MESIT QM, s. r. o. in Uherské Hradiště, successfully retained its strong position in the market and doubled its sales in the period of 2004/2007 (thanks to the extensive investments in the past period and the good work of all its staff). The narrow portfolio of clients poses a certain risk for this activity, despite the fact that, currently, the laboratory has almost reached its capacity limits. Investment support for this activity is also an option to solve the situation, whether in the form of purchasing new testing facilities or through acquisition of a testing station with similar orientation. The year of 2008 has confirmed this risk – although we have not lost any key customers, the uncertainty related to the changes in the clients' ownership resulted in a decline of sales achieved by the centre in the first quarter of 2008.

The lease of MESIT QM, s. r. o. was terminated in March 2007, as the Company became its owner.

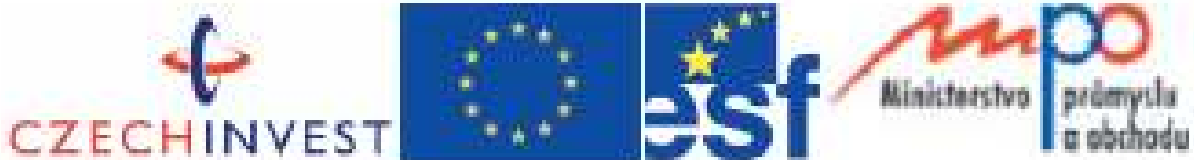


Certification of management systems, in spite of the accreditations for new services (in addition to certification according to ISO 9000 series standards), did not continue in the sharp growth from previous years in terms of sales. The sales dropped by ca. 8%, which is especially unfavourable due to the fact that the reason behind this drop is the decline in sales from new customers. In spite of that, the activity continues to be profitable, given the intensive use of both internal and external resources. 2007 was marked by a transition to the new accreditation standard for this field (CSN EN ISO 17021), which leads to increased demands on the documentary evidence of particularly the independence and impartiality of the respective certification body. The Company's Board of Directors and the Shareholder have already taken the necessary steps in this matter.

Although the Company succeeded in defending and further extending its authorization in the field of conformity assessment, it was not able to avoid a decline in sales in this field during 2005 and 2006 due to strong competition in the Czech Republic and, in particular, due to the entry of large foreign certification companies to the Czech market after 1 May 2004. Nevertheless, after several years of stagnation, in 2006 this service reported a slight growth, which continued in a dynamic way throughout 2007 – the sales increased by nearly 24% compared to 2006. This growth was achieved primarily thanks to higher exports (especially in the field of medical devices and construction products) and also to the increased sales achieved with the “old new” clients (mainly toys and children's products) – TESCO retail chain, the German client Theo Klein GmbH, Global Express a.s. Prague. In order to increase its capacities for activities in the field of medical devices, the Company established a branch in Bratislava as of 1 January 2007 (moreover, an organizational unit of the Company was registered in the Slovak Republic on 30 January 2007). It is also thanks to the activities of this organizational unit that our Company became an important world provider of conformity assessment services for medical devices.

Services under the new authorization and notification for construction products represent a product, which stayed far behind the expected results. The area of conformity assessment of construction products according to the national legislation has seen a continuous drop in sales, which is by far not compensated by the growth of sales in the area of conformity assessment of construction products according to the European legislation (CE marking). The question is whether we were able to respond timely and appropriately to the market needs and the clients' requirements. Further development in this area remains open. In any case, however, it is necessary to at least bring the costs and revenues for this field into balance. In addition, the conditions for the marketing of these services might be subject to some major changes as a result of the new European legislation, which is currently under preparation (proposal for a Regulation of the European Parliament and of the Council laying down harmonised conditions for the marketing of construction products from May 2008).

In 2005, the Company successfully completed the solution of the grant “ITC-XENOLAB” from the Operational Programme Industry and Enterprise in the total amount of CZK 3.8 million with a 47% subsidy from the national budget.



Several other grants were completed in 2006:

- **PHARE 2003 TECHNOLOGY** – Extension and stabilization of the activities carried out by the Accredited Testing Laboratory No. 1004.3 under the EU conditions, including modernization of its technical facilities – total grant budget: CZK 7.6 million, with a 44.8% subsidy;



- **ITC-TurEx** - OPPP, MARKETING programme, 213 – Marketing project to open a sales office of ITC in Turkey – total grant budget: CZK 312 thousand, with a 45.8% subsidy;
- **ITC-Profex** – Increasing the Company's competitiveness by implementing the concept of continuous education system – OPRLZ, GS MPO – Professions, 3.4.2-1/102 – total grant budget: CZK 1.57 million, with a 33.2% subsidy.

No grants were completed in 2007. This year – being the first year of the new budget of the European Union – no additional new projects were commenced with the support of public funds. The Company is currently engaged in the following grants, with the scheduled completion in 2008 and later:

- **ITC-Profex** – Increasing the Company's competitiveness by implementing the concept of continuous education system – OPRLZ, GS MPO - Professions, 3.4.2-1/102 - total grant budget: CZK 1.57 million, all the necessary particulars solved, documented by the Company and submitted to Czechinvest; a subsidy amounting to CZK 0.366 million was paid out in May 2008;
- **ITC-BFRtest** – Finding a new efficient and reliable method to identify the presence of polybrominated biphenyls (PBBs) and polybrominated diphenyl ethers (PBDEs) in polymer matrices – National Research Programme II "Permanent Prosperity" program, 2A-1TP1/020, total grant budget: CZK 9.78 million, planned subsidy: 50%;
- **ITC-Profex II** – Applying specialized educational activities to working teams of certification personnel, OPRLZ, GS MPO 3.4.2-2/102, total grant budget: CZK 0.658 million, planned subsidy: 70%. Project implemented; its administrative closeout is currently under way;
- **ITC-Profex III** – Export-oriented education of certification personnel, OPRLZ, GS MPO – Professions, 3.4.2-3/143 ITC, total grant budget: CZK 0.626 million, planned subsidy: 70%. Project not implemented; the planned activities were carried out in a different form not corresponding to the initial structure;
- **ITC-ProExport** – Marketing project to expand to the Asian testing market, OPPP, MARKETING programme, total grant budget: CZK 0.751 million, planned subsidy: 46%. Project completed, all the necessary particulars solved, documented by ITC and submitted to Czechinvest; the subsidy has not yet been paid.

In order to document its technical competence and other qualifications, the Company applies a system of accreditations issued by the Czech Accreditation Institute, a public service company. Given the number of these accreditations, the Company, the system of its work as well as the individual employees are under permanent supervision by the aforesaid institute, which imposes considerable time, organization and financial demands on each employee as well as on the Company's management. In spite of that, we managed to obtain the so-called "flexible accreditation" for the accredited certification body and the accredited testing laboratory in 2007, which is not only a useful tool to easily document the Company's competence for authorization/notification, but also an evidence of our ability to solve our clients' requirements correctly and according to the state of the art. New European legislation is being drafted in the field of accreditation (with an expected effective date of 1 January 2010). This legislation will, in particular, impose increased demands on "accreditation for notification", where a clear direction is still missing on part of European Co-operation for Accreditation (EA) and the Czech Accreditation Institute. In view of the previous developments, there are some well-justified concerns that the increased (mainly financial) requirements for new accreditation will not be translated correspondingly into higher sales of the authorized/notified body and, thus, that the new accreditation will have a zero added value.

Nevertheless, I am very optimistic regarding the future and, in addition, the above facts together with the successful conclusions of other supervising sessions by other state administration bodies (Czech Office for Standards, Metrology and Testing, Civil Aviation Authority, Army of the Czech Republic) and



by the certification specialist Qualiform, a.s. give a clearly positive view of the Company's management system and the system applied to provide the particular services.

In consistence with the defined strategy and in order to bring the ITC services closer to customers in the foreign territories showing an increasing interest in certification services, particularly in the field of product conformity assessment according to the relevant EU directives, as well as in the field of quality management systems and voluntary product certification, the Company continued to systematically develop its network of ITC representations abroad. At the end of 2007, this network consisted of 15 sales offices in Europe and Asia, see the attached table. Further increase in the export of services in the reported period only confirmed the correctness of the defined strategy and the orientation on foreign markets. The share of services provided to foreign clients raised from 9.38 percent of total sales in 2006 to 12.44 percent last year. In the first quarter of 2008, this share has already exceeded 15 percent.

A new ITC sales office was opened in the first quarter of 2008 in Brazil where a co-operation agreement was signed with Hi-Power.

As at 1 January 2007, the Company established a branch in Bratislava, and a Slovak organizational unit of the Company was registered in the Slovak Commercial Register on 30 January 2007. This organizational unit, employing 3 specialists in conformity assessment of medical devices, achieved a sales volume of SKK 2.6 million in 2007. Until now, its activities covered conformity assessments for foreign clients; in 2008, more attention will be paid to the Slovak market, both in relation to medical devices as well as other fields, such as construction products where we strive to obtain an authorization for conformity assessment of these products in the regulated non-harmonized field.

In 2007, the Company achieved the highest annual sales revenues in the history of its existence as an independent company, amounting to CZK 132.4 million. Customer orientation, compliance with quality requirements, maximum efforts to reduce lead times, individual payment conditions and technical specifications for job orders - these are the key factors in the Company's operation in the market and especially the features distinguishing us from our competitors. There are always margins for improvement, and the key is to not only find them, but also take advantage of them.

The Institute for Testing and Certification has entered into the year of 2008 as a modern testing and certification company, which should be taken into account not only in the Czech market, but also on the European and global scale. The period from 2008 onwards can be a period of significant changes since

- The competitors always grow, when we are not able to take full advantage of our assets;
- Since quite some time, accreditation is no longer a competitive advantage;
- The prepared privatization of Czech authorized bodies (state enterprises) can bring major changes in the conditions on the Czech market;
- The new legislation on conformity assessment in the EU, placing products on the market and free movement of goods will result in new requirements for documenting our professional competence, and it is unlikely that it would create new opportunities, rather the contrary.

In spite of the above, I strongly believe that our Company will make full use of all the tools available and all the experience acquired to overcome these potential threats and come out stronger, similarly to previous years. I am convinced of it. We have high-quality experts, we have a strong marketing position, and we have satisfied customers. I want to thank all of them for their contributions.

RNDr. Radomír Čevelík
Managing Director of the Company





Main Financial Indicators of the Company

			2005	2006	2007
Total sales revenues		thous. CZK	107 986	119 273	132 453
	of which CZ	thous. CZK	100 077	107 378	115 939
	of which export	thous. CZK	7 909	11 895	16 514
Value added		thous. CZK	67 219	72 955	81 890
Personnel expenses		thous. CZK	55 617	62 687	68 955
Depreciation		thous. CZK	5 119	5 434	7 178
Profit (loss) for the current period		thous. CZK	2 537	1 294	2 273
Total assets		thous. CZK	50 967	55 508	52 916
Total liabilities		thous. CZK	29 470	33 038	30 107
Equity		thous. CZK	20 872	21 751	22 398
Staff		FTE	118,6	123,9	128,1
Ratio indicators					
Sales revenues / Staff		thous. CZK	911	963	1 034
Value added / Staff		thous. CZK	567	589	640
Profit (loss) / Equity		%	12,2%	6,0%	10,1%
Liabilities / Assets		%	57,8%	59,5%	56,9%
Sales revenues / Equity		%	517,4%	548,4%	591,4%





Institute for Testing and Certification, based in Zlín (hereinafter referred to as "ITC"), is a joint-stock company established in 1993 in accordance with the Commercial Code. Its history dates back to 1970's, when the State Testing Laboratory No. 224 was established as a part of the Research Institute for Rubber and Plastics Technology in Zlín in connection with the adoption of Act No. 30/1968 Coll., on State Quality Control. This State Testing Laboratory became an independent economic entity in 1990 based on the decision of the Czech Office for Standards, Metrology and Testing. It was transformed to the current legal form in the context of the amendment to the commercial law in 1993. Since 2000, ITC has been a truly independent joint-stock company with a sole shareholder – a Czech company ITC-SERVIS, spol. s r. o.

The sphere of business activities carried out by ITC is defined as follows (as of 31 May 2008):

- Execution of the function of an authorized (notified) body according to Act No. 22/1997 Coll., as amended, in the scope as defined in the authorization issued by the Czech Office for Standards, Metrology and Testing;
- Testing, conformity assessment and certification of products and materials;
- Testing, certification, supervision and inspection activities in the area of products and technologies;
- Attestation, certification, supervision and inspection activities in the area of quality assurance systems and environmental management systems of manufacturers and services;
- Activities of an accredited testing laboratory;
- Activities of an accredited calibration laboratory;
- Activities of an accredited certification body for products;
- Activities of an accredited certification body for quality management systems;
- Activities of an accredited certification body for environmental management systems;
- Activities of a certification body – verifier for environmental issues;
- Assessment of dangerous properties of wastes;
- Official measurements;
- Diagnostics and consulting in the protection and creation of environment;
- Environmental impact assessment;
- Measurement of emissions and pollutants;
- Development of testing methods and comprehensive methodologies for quality assessment and technical devices in the specified sectors;
- Operation of calibration services centres;
- Execution of the function of an authorized centre for metrological services;
- Expertise, appraisal, consulting and technical services;
- Purchase of goods for the purpose of their resale, and sale of goods;
- Lease of tangible and intangible assets, including non-residential and residential areas;
- Production of glass articles;
- Testing of aircraft components and aviation equipment products;
- Data processing, databank services, network administration;
- Certification of operability of gaming machines and technical equipment designed for operation of gambling games, and execution of subsequent technical inspection of their operation.



The technical, organizational, personnel and legislative competence of ITC for these activities is based on the following licences, authorizations and accreditations (as of 31 May 2008):

- Authorized body No. 224 (see <http://www.unmz.cz/cz/as.htm>)
 - Government Order No. 173/1997 Coll., laying down specific products for conformity assessment;
 - Government Order No. 163/2002 Coll., laying down technical requirements for selected construction products (Directive 89/106/EEC);
- Notified body No. 1023 (see <http://ec.europa.eu/enterprise/newapproach/nando/>)
 - Government Order No. 336/2004 Coll., laying down technical requirements for medical devices (Directive 93/42/EEC), as amended;
 - Government Order No. 453/2004 Coll., laying down technical requirements for in vitro diagnostic medical devices (Directive 98/79/EC), as amended;
 - Government Order No. 154/2004 Coll., laying down technical requirements for active implantable medical devices (Directive 90/385/EEC), as amended;
 - Government Order No. 17/2003 Coll., laying down technical requirements for low-voltage electrical equipment (Directive 2006/95/EC), as amended;
 - Government Order No. 616/2006 Coll., laying down technical requirements for products as regards their electromagnetic compatibility (Directive 2004/108/EC), as amended;
 - Government Order No. 19/2003 Coll., laying down technical requirements for toys (Directive 88/378/EEC), as amended;
 - Government Order No. 21/2003 Coll., laying down technical requirements for personal protective equipment (Directive 89/686/EEC), as amended;
 - Government Order No. 190/2002 Coll., laying down technical requirements for CE-marked construction products (Directive 89/106/EEC), as amended;
- Accredited testing laboratory No. 1004;
- Accredited testing laboratory No. 1004.3;
- Accredited calibration laboratory No. 2222;
- Calibration service centre C 222;
- Authorized metrological centre K 123;
- Accredited certification body for quality systems No. 3002 (accreditation for the standards ISO 13485:2003, ISO 9001:2000, OHSAS 18001:1999, HACCP, ISO 22000:2005);
- Accredited certification body for EMS No. 3046 (accreditation for the standards ISO 14001:2004);
- Accredited certification body for products No. 3020;
- Accredited certification body for qualification in the system of certified construction suppliers;
- Accredited certification body for assessment of the chain-of-custody of forest products;
- Accredited inspection body No. 4035;
- Operator of the Association for Technical Standardization in Rubber and Plastics Industry (SGP - Standard);
- Technical standardization centre authorized by the Czech Standards Institute;
- Authorized station for official measurements;
- Station accredited by the Ministry of Environment of the Czech Republic to assess biodegradability of polymers, lubricants and fuels;
- Based on the decision of the Ministry of Justice ref. No. 163/2005-ODS-ZN/2 dated 25 July 2005, ITC is registered in the first section of the list of institutes qualified for experts' activities in electronics, with the scope of the authorization covering expert opinions required by public authorities and local government authorities for gaming machines and technical equipment to



operate betting games and lotteries in terms of hardware and software, expert opinions for inspection of functional and technical conditions of fiscal cash registers, including fiscal memory;

- Based on the decision of the Ministry of Justice ref. No. 218/2004-ODS-ZN/16/2 dated 29 April 2005, ITC is registered in the second section of the list of institutes qualified for experts' activities in the following fields: air purity, transport, economics, power engineering, chemistry, leather and fur, packaging, protection of nature, food industry, services, sports, building industry, mechanical engineering, miscellaneous technical fields, textiles, art handicrafts, water management, health care, agriculture;
- Certificate of professional competence to provide expert opinions in accordance with Section 11 of the Act on Integrated Prevention;
- Authorization from the Ministry of Finance to certify the operability of gaming machines and to perform subsequent technical inspection of their operation;
- Authorization from the Ministry of Finance to carry out professional assessment and certify the operability of technical equipment and systems designed to operate lotteries and other similar games, and to perform subsequent technical inspection of these equipment and systems in operation;
- OPEL/GM recommendation of the car component testing laboratory;
- Authorized testing and certification station OZCM/10/2001 to perform certification, testing and supervision activities within the framework of granting the licence for the use of ČSN-TEST marking;
- Authorization L-3-061/3 from the Civil Aviation Authority to carry out verification tests of electrical and electronic aircraft components and equipment;
- Authorization MAA 009 from the Ministry of Defence to assess and verify the compliance of properties of military aviation equipment products with the requirements laid down by technical standards for safety of aviation equipment;
- Authorization No. Z0060101007 from the Czech Ministry of Health pursuant to Act No. 258/2000 Coll. to take samples and examine the health safety of products coming into contact with drinking, warm and raw water, the health safety of products intended for children under the age of three, and the health safety of products coming into contact with foodstuffs and meals;
- Administrator of the "Safe Toys" brand registered in the Czech Quality programme.

However, the clients' interest in our Company's products and the fact that our customers keeps coming back to the services offered by our Company remain the main proof of our competence and ability to be successful in the Czech testing and certification services market.





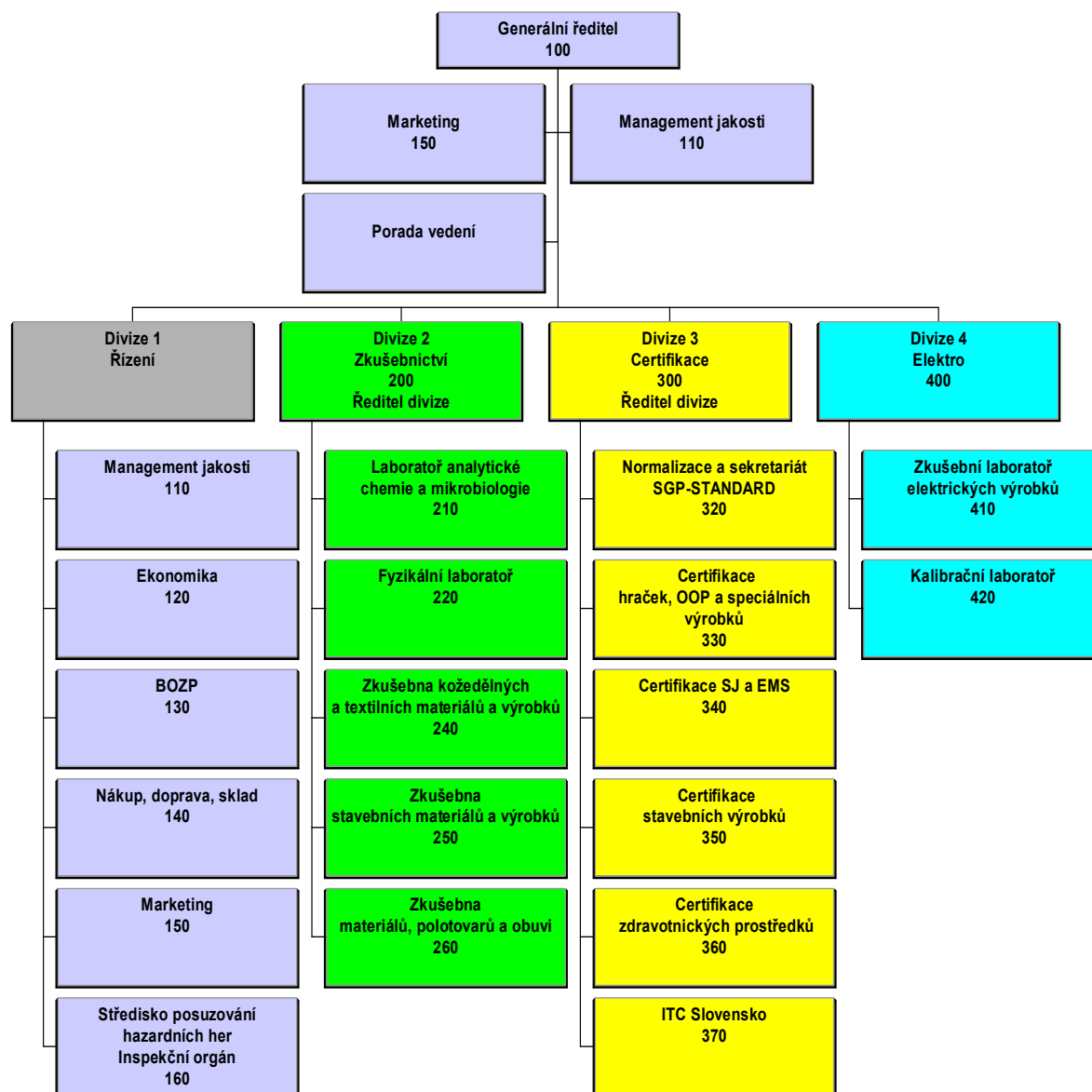
Another evidence supporting the broad involvement of ITC in technical activities within the Czech Republic is its active work in a number of both professional and community societies and associations.

- AAAO – Association of Accredited and Authorized Organizations, Prague;
- SZV – Union of Construction Testing Stations, Prague;
- Association of Czech Testing Stations and Laboratories, Zlín;
 - The aforesaid associations together constitute the Eurolab-CZ association, which has been a full member of EUROLAB since 1 May 2004;
- ČSJ – Czech Society for Quality, Prague;
- Association for Toys and Games, Prague;
- Commercial and Economic Chamber in Zlín;
- CQS – Czech Association for Quality Certification in relation to quality management systems, Prague, member of the international IQNET association;
- ČOKA – Czech Footwear and Leather Association having its headquarters in Zlín;
- EURACHEM Czech Republic, Řež u Prahy;
- ATOK – Association for Textiles, Cloths and Leather, Prague;
- SCOV – Association of Certification Bodies for Product Certification, Dobrá;
- CTS - interest group of selected authorized legal entities, Prague;
- Road and Highway Contractors Association, Prague;
- Czech National Quality Award Association, Prague;
- Czech Industrial Chemistry Society, Rubber industry group in Zlín;
- SHD OOPP, Prague – Association for Voluntary Evaluation of Personal Protective Equipment;
- Czech Calibration Association, Brno;
- EMCas, Prague – Association for Protection against Electromagnetic Influence;
- SGP STANDARD – Association for Technical Standardization in Rubber and Plastics Industry.





The Company develops its activities within a division-based organizational structure – the figure below show the organizational chart as of 31 May 2008.





The individual activities and functions in the Company are executed by experienced employees. The Company's bodies include representatives of various areas of the civil society in the Czech Republic, with emphasis on an adequate representation of the region and the Zlín Region.

Functions held and activities performed in the Company's bodies and structure as of 1 June 2006

Board of Directors		
Title	Name	
Chairman of the Board	Ing. Jiří Heš	Director of an ITC division
Vice-Chairman of the Board	RNDr. Radomír Čevelík	Managing Director of ITC
Member of the Board	Ing. Jiří Kraus	Czech Office for Standards, Metrology and Testing

Supervisory Board

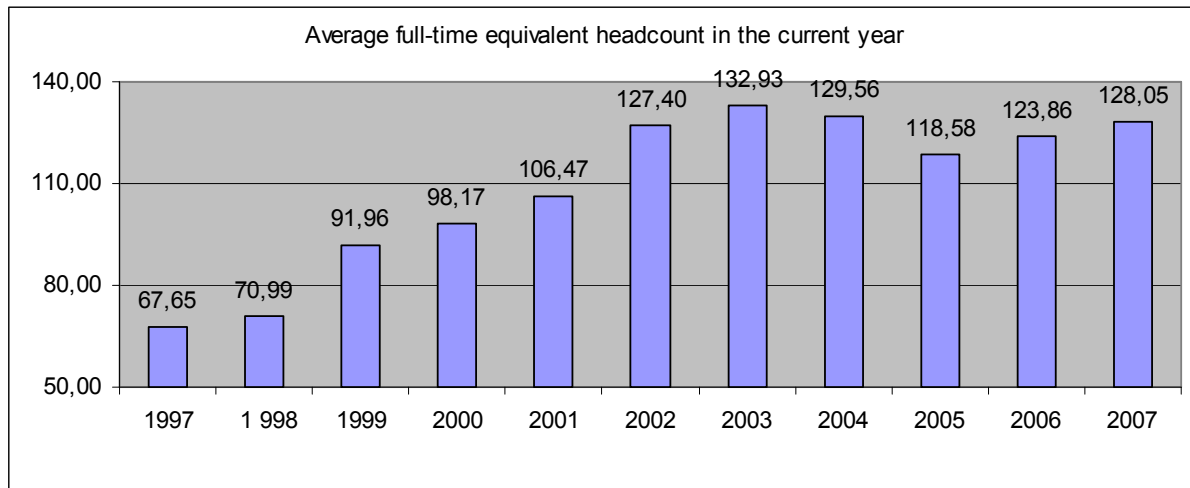
Title	Name	
Chairman of the Supervisory Board	Mgr. Marie Hešová	ČSOB, a. s., Prague
Member of the Supervisory Board	Ing. Petr Karlík	Head of an ITC centre, representative of the Company's employees
Member of the Supervisory Board	Magdaléna Čevelíková	Entrepreneur

Certification Board

Title	Name	
Chairman of the Certification Board	Doc. Ing. Josef Špaček, CSc.	University of T. Baťa, Zlín
Vice-Chairman of the Certification Board	RNDr. Anna Christianová, CSc.	Innovation and Development Centre (CIR), Prague
Member of the Certification Board	Ing. Iva Matějková	Entrepreneur, Zlín
Member of the Certification Board	Zdeněk Krul	ČOI – Czech Commercial Inspection, Zlín, Inspectorate for South-Moravia and Zlín Regions based in Brno
Member of the Certification Board	Ladislav Koželuha	ČTK – Czech Press Agency, Journalist Syndicate
Member of the Certification Board	Ing. Petr Langer	Centroprojekt, a. s., Zlín
Member of the Certification Board	Ing. Václav Korvas	PSG, a. s., Zlín
Member of the Certification Board	Ing. Milan Sahaj	retired
Member of the Certification Board	RNDr. Radomír Čevelík	ITC
Member of the Certification Board	MUDr. Milena Dostálková	General practitioner, Zlín
Member of the Certification Board	Bc. Aleš Gavalec	Certified specialist in OSHA, Zlín
Secretary of the Certification Board	Ing. Milan Kovář	ITC



As of 30 April 2008, the Company employed 129.50 (full-time equivalent) workers; the average monthly gross pay (including bonuses) per employee amounted to CZK 31,863 in 2007.



The ITC's Quality Policy was re-adopted by its Board of Directors in June 2007 and focuses on the following areas of the Company's development:

The main objective of the joint-stock company is to create intellectual and material values by permanently satisfying the needs of our customers and prospects interested in the Company's products, by means of highly professional, prompt, perfect and comprehensive service. Satisfaction of the customer's needs and expectations must be the driving force of the Company's development. Happy, qualified and motivated employees are a guarantee of quality and reliability of all products and services provided by our Company.

Customer orientation is essential in order to meet this objective:

- Customer satisfaction needs to be in the centre of our attention and all our efforts. Every employee must do everything possible for the customer.
- The customer's requirements in terms of quality of the services provided, compliance with the contractual terms and conditions, the obligations and liabilities towards the customer must be met. Respect of the deadlines promised must be considered an integral part of the basic principles for the Company's operations.
- Every employee must know what the customer requires and could require, what the customer needs or could need, and what can be done for those requirements and needs by the organizational unit, in which the employee works.
- Every employee searches for way to continuously improve the activities and procedures towards retaining or extending the existing competence, ensuring – in addition to the necessary quality and reliability of the services offered to the customers – also their adequate comprehensiveness.
- Every delivery of services should give rise to recommendations for further business at the place of destination.



Employee orientation is essential in order to meet this objective:

- The managers and the company as a whole will create conditions to stabilize the team of competent and capable professionals committed to continuous enhancement of the professional standard and comprehensiveness of the products and services offered.
- Through internal co-operation among the employees, create outward synergies multiplying the Company's reputation as a homogenous team of top professionals, who know what their customers need, want or might want; professionals who also know what remuneration they can fairly request for their work.

Orientation on **service provision processes** is essential in order to meet this objective:

- The Company will create sufficient own development resources as a prerequisite for the Company's future prosperity.
- We will continue to search for ways to ensure high profitability, improved efficiency of the management system and continuous quality improvement of products and all activities. This will be superior to all actions, including work organization and methods.
- For the organization, the management system principles constitute a tool to meet the expectations of all stakeholders (Company, its employees and shareholders, customers, public administration authorities and general public).

In 2007, the Company successfully passed a recertification audit of its management system, which gave rising only to a few recommendations aimed at improving the functioning of the entire system.





The 2007 quality objectives for the individual services provided by the Company were met in almost all areas – falling short of expectations were particularly the objectives concerning the utilization of new authorizations under Act No. 22/1997 Coll., on Technical Requirements for Products.

Therefore, in 2008, a stronger emphasis is placed primarily on addressing clients in these areas and on further extending the Company's export activities.

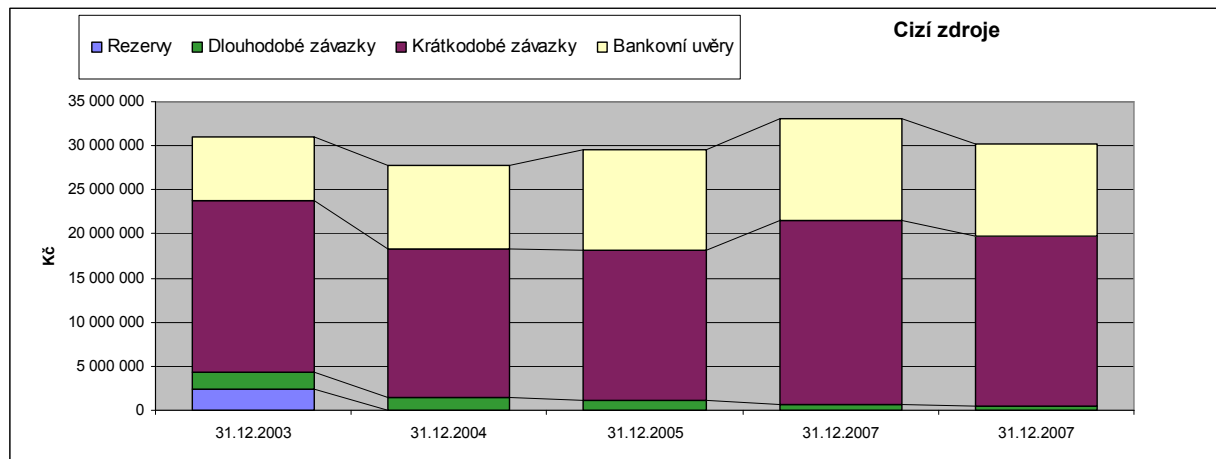
The total balance-sheet sum of assets and liabilities amounted to CZK 52.92 million as t 31 December 2007. On the asset side, **fixed assets** decreased by **CZK 3.02 million**. This decrease is primarily caused by depreciation of fixed assets and by a change in the depreciation rates valid since 1 January 2007 (in 2006, the Company purchased new assets for CZK 10.8 million, compared to only CZK 4.16 million in 2007). In 2007, the Company signed several financial leasing contracts with purchase option in relation to motor vehicles and technological equipment. The lease instalments throughout the expected leasing duration amount to CZK 8,159,731 as of the balance-sheet date, of which CZK 4,188,887 has been paid until 31 December 2007; the instalments in 2008 are expected to reach CZK 1,761,624, with CZK 2,209,220 for the following years. **Current assets** decreased by CZK 0.72 million with a decrease in inventory (particularly work in progress) by ca. CZK 0.86 million and an increase in accounts receivable by ca. CZK 2.25 million. The Company's financial assets went down by CZK 0.77 million compared to 31 December 2006. The Company's **equity** increased by CZK 0.65 million, primarily due to the increased profit achieved in 2007 – CZK 2.27 million (compared to CZK 1.29 million in 2006). **Liabilities** decreased by CZK 2.93 million (repayment of loans for CZK 1.29 million, decrease of short-term liabilities amounting to CZK 1.456 million, as a result of improved cash flow in 2007).

CZK	31.12.2003	31.12.2004	31.12.2005	31.12.2006	31.12.2007
TOTAL ASSETS	51 170 130	47 435 094	50 966 967	55 507 659	52 916 155
Receivables for subscribed equity capital	0	0	0	0	0
Fixed assets (plant, machinery)	30 432 938	27 539 864	26 609 172	29 382 257	26 359 422
Current assets (cash, receivables)	19 335 605	17 667 072	22 091 554	22 902 230	23 614 202
Accruals and deferrals	1 401 588	2 228 158	2 266 241	3 223 172	2 942 531
TOTAL LIABILITIES	51 170 130	47 435 094	50 966 967	55 507 659	52 916 155
Equity (registered capital, funds)	19 697 768	19 147 686	20 872 166	21 750 785	22 398 307
Liabilities (liabilities, advances received, loans)	30 998 536	27 738 313	29 469 969	33 037 528	30 106 645
Accruals and deferrals	473 826	549 095	624 832	719 345	411 203





Since liabilities still constitute a significant part of the Company's total liabilities and equity, the development of their level is shown in the chart below.



The above chart implies, in particular, that the liabilities comprise short-term trade payables (invoices, leasing, advance payments received for contracts), bank loans (increase – new bank loans drawn down to finance projects from public resources) and provisions (in 2002 and 2003). The progressively decreasing long-term liability owed to MESIT QM, spol. s r.o. (company lease) also represented a major item, terminating in April 2007.

The Company's 2006 profit after taxes amounts to CZK 2.273 million.

Profit and Loss Account [CZK]	2003	2004	2005	2006	2007
I. Revenues from sales of goods	0	5 000	2 181	1 715 000	28 499
A. Costs of goods sold	0	-3 042	-2 078	-1 715 000	-28 629
II. Sale of production	109 838 630	111 250 322	108 369 240	120 519 545	131 841 481
B. Production consumption	-42 503 874	-48 222 569	-41 150 158	-47 564 456	-49 951 046
Value added	67 334 756	63 029 712	67 219 184	72 955 089	81 890 305
C. Personnel costs	-56 926 058	-56 810 386	-55 616 983	-62 686 624	-68 954 630
D. Taxes and charges	-97 826	-107 595	-125 147	-198 780	-210 794
E. Depreciation of intang. and tang. fixed assets	-4 286 952	-4 437 017	-5 119 033	-5 434 009	-7 178 292
VI. Other operating revenues	969 324	749 147	764 764	1 888 123	2 031 831
I. Other operating expenses	-2 729 445	-2 953 857	-2 496 403	-3 028 740	-3 558 509
Profit (loss) from financial operations	-786 251	-824 923	-924 834	-1 123 586	-1 372 955
R. Income tax on ordinary activities	-1 431 582	-589 995	-1 216 222	-796 513	-818 106
Extraordinary profit (loss)	-219 581	-242 669	-296 000	-293 691	30 330
Profit (loss) for the current period	2 887 968	1 054 765	2 536 607	1 294 408	2 273 130



The above table clearly shows the following facts:

- The production increased by 9.39% on a year-to-year basis.
- The production consumption increased by 5.02%, with the main item being external co-operation to deal with issues related to assessment of gaming machines.
- The value added increased by 12.25% against 2006.
- Personnel costs constitute a major cost item, their sum increased by 10.00% on a year-to-year basis. This increase is caused by the growth of the headcount (by 3.38% in full-time equivalent) and by a change in the employees' remuneration method – an up to 20% individual bonus paid when the prescribed conditions are met). The average base rate wage showed a 1.99% year-to-year increase (2006/2007); the average wage paid (including premiums, rewards and individual bonuses) increased by 4.43%. The share of premiums, rewards and individual bonuses (variable wage components) in the base rate wage amounted to 31.98% in 2007.
- Labour productivity (in terms of CZK sales revenues / CZK wages and salaries) showed stagnation (year-to-year growth by 0.1% to 2.64, with the average sales revenue per employee amounting to CZK 1,034 thousand (increase by 7.42% compared to 2006).

The following table shows a breakdown of the Company's sales revenues by the type of contract, implying certain interesting trends:

- Sales revenues in the field of conformity assessment activities (AO) reported an increase by 36.7% in 2007. This growth in conformity assessment is attributable mainly to sales revenues abroad (Turkey, India, Korea, China, Poland).

Invoicing (whole year)	2004	2005	2006	2007	06 / 07
Grants, Development, CQS	2 127 998	553 863	881 747	955 929	8,41%
VHP + AO module A	18 839 445	13 032 608	16 153 027	20 615 326	27,63%
Services AO (SZ) 224 in regulated field	19 052 276	16 902 436	14 728 906	20 129 602	36,67%
Supervision AO 224	5 616 836	4 465 712	6 488 036	6 194 083	-4,53%
Product certification CO V 3020 + ITC (+supervision)	2 874 606	2 952 719	3 142 643	4 105 176	30,63%
Supervision CO V + ITC	253 810	213 010	165 925	340 720	105,35%
System certification	7 650 100	8 401 000	11 608 169	7 214 109	-37,85%
Supervision for system certification	5 625 400	5 900 500	4 877 900	7 075 750	45,06%
Services in accredited laboratory	40 789 910	46 698 767	52 728 846	57 495 283	9,04%
Information, SGP, standardization	2 711 344	2 432 431	2 380 409	2 119 714	-10,95%
Metrology	4 378 634	4 986 232	4 632 056	4 768 742	2,95%
Assessment, education	1 482 897	583 750	667 788	1 229 533	84,12%
Environmental services	543 459	642 380	585 445	485 675	-17,04%
Technical inspection	428 178	483 600	418 040	190 400	-54,45%
Miscellaneous	-128 935	-266 346	-226 698	-474 625	109,36%
Total	112 245 957	107 982 661	119 232 239	132 445 418	11,08%



- Certification by the accredited certification body for products (CO V) increased by 30.6%. The reasons behind this trend are similar to those in the previous case – sales abroad, in particular in Korea. Nevertheless, this field also requires the Company to make use of the potential offered by voluntary marks ("Safe Toy", "Certified Quality" and the projects under preparation on "Certified for Construction" or the project on common mark of ITC and the Association of plastic piping suppliers), as is the standard case in the EU countries with a stabilized market and, in particular, in non-European countries showing strong interest in this service.
- The activities of the accredited testing laboratory (technological support for clients, analyses of competitor products, automobile industry, etc.) showed a year-to-year increase by 9% – that is a very favourable trend.
- A significant growth of educational activities is related to providing these services to our partners abroad; however, it is unlikely that this trend would continue in the future, particularly in the context of the new requirements for independence and impartiality of the accredited notified bodies.
- Metrological services of the accredited calibration laboratory of division 4 reported growth in 2007, which is a favourable trend primarily in connection with the personnel changes in this field. However, the first quarter of 2008 showed that this activity has not by far reached its potential.
- The segment of management system certification (QSM, EMS and other) was marked by a total decrease by 13% against 2006, and particularly the decreasing sales revenues for new customers is unpleasant. However, development of new services in this field is highly desirable in view of the slowly saturating potential of certifications under ISO 9001:2001. On the other hand, this activity continues to be strongly profitable in spite of the decrease in sales revenues, and the number of new certificates issued for foreign businesses (Korea) showed significant growth.
- Sales revenue for services related to gaming machines reported a 15.5% share in the Company's total sales revenues in 2007, and the Company holds a dominant position in the Czech market with these services.



The table below shows an overview of the Company's most important customers in terms of the volume of sales revenue in 2007:

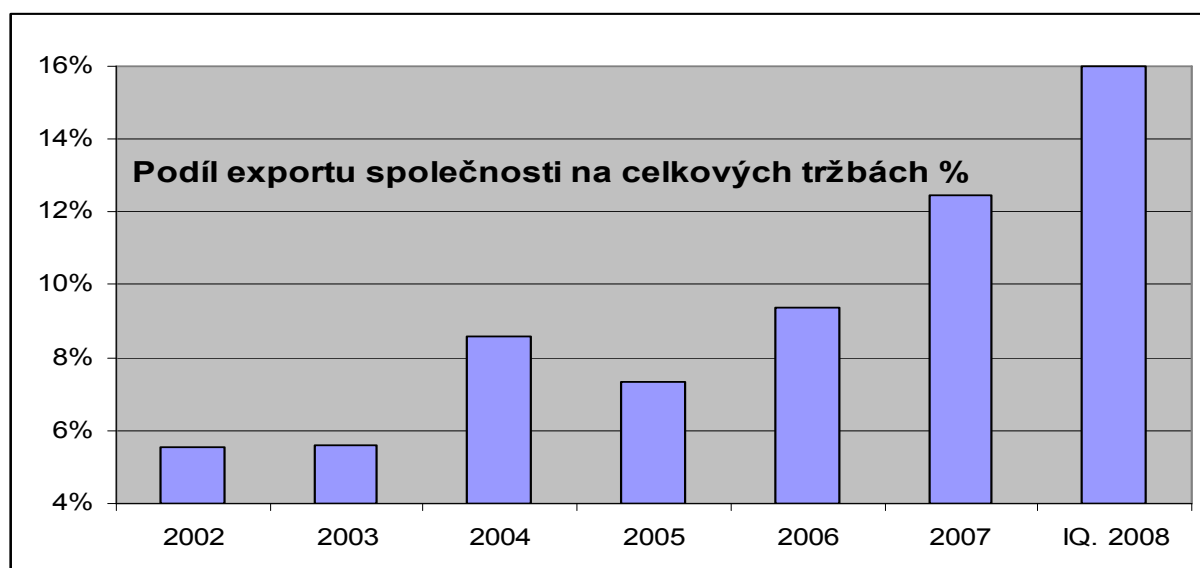
ALLTOYS s.r.o.	Praha	Výrobky pro děti, hračky
BAŤA, akciová společnost	Zlín	Obuv, textil
BUREAU VERITAS CZECH REPUBLIC	Praha	Zdravotnické prostředky
Cadence Innovation s.r.o.	Liberec	Automobilní průmysl
Continental Automotive Systems Czech	Frenštát pod Radhoštěm	Automobilní průmysl
E.S.G. European Software Group a.s.	Brno	Posuzování VHP
Fatra, a.s.	Napajedla	Plasty, fólie
Gumárny Zubří, akciová společnost	Zubří	Automobilní průmysl, pryž
GUMOTEX, akciová společnost	Břeclav	Automobilní průmysl, plasty, pryž
NOVOTERM Sp. z o.o.	Štětín, Polsko	Sanitární technika
Plastik HT a.s.	Horšovský Týn	Automobilní průmysl
PRIMALEX a.s.	Dolný Kubín, Slovensko	Nátěrové hmoty
Robert Bosch, spol. s r.o.	České Budějovice	Automobilní průmysl
Semperflex Optimit s.r.o.	Odry	Automobilní průmysl, pryž
Synot Lotto, a.s.	Uherské Hradiště	Posuzování VHP
Synot W, a.s.	Uherské Hradiště	Posuzování VHP
Tesco Stores ČR a.s.	Praha	Obchodní řetězec
TESCOMA s.r.o.	Zlín	Potřeby pro domácnost
Theo Klein GmbH	Ramberg, Německo	Výrobky pro děti, hračky
Visteon - Autopal, s.r.o.	Nový Jičín	Automobilní průmysl



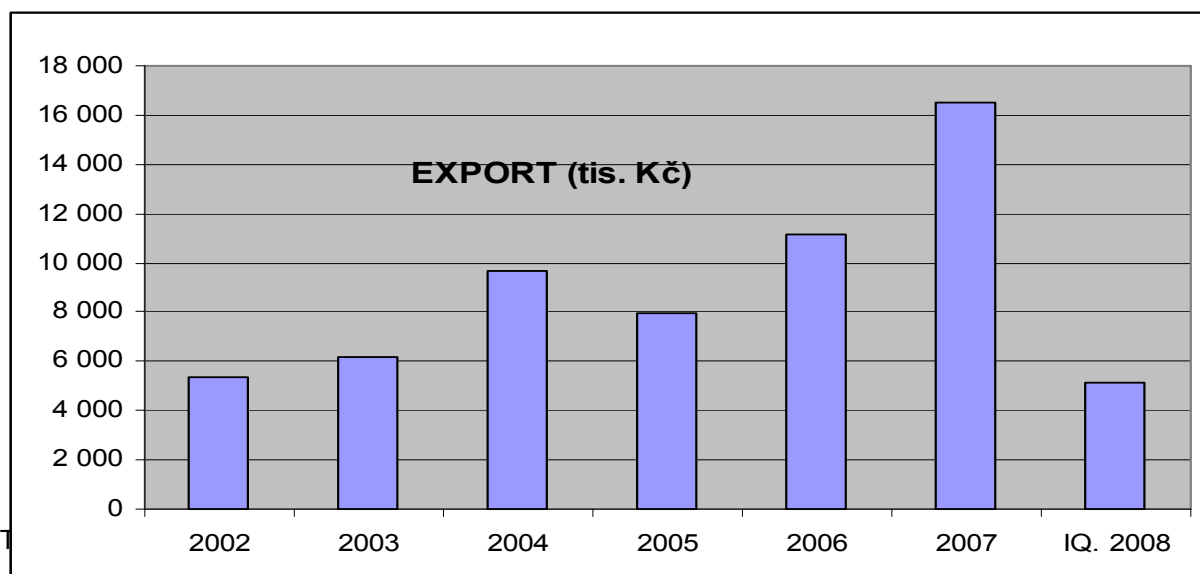
These are important clients providing very interesting reference; nevertheless – the sales revenue for customers indicated in the table (the top 20 customers) amounted to 30% of the Company's total sales revenues in 2007. This means that more than 70% of our clients are minor in size (in terms of sales revenue), but of high importance. This figure implies the highly labour-intensive administrative operations related to customers and marketing. The average price of an invoiced contract in 2007 amounted to CZK 16,090 – for 8,231 contracts in total (in 2006, the average price per contract was CZK 15,020 with 7,941 contracts).

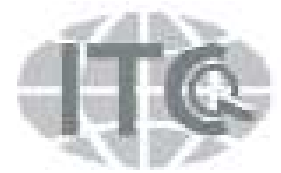
The charts below illustrate the percentage share of exports in the Company's total sales revenues for the reported period and the total export volume, respectively.

Share of ITC Export at turn-over



ITC Export





<i>Country</i>	<i>2 002</i>	<i>2 003</i>	<i>2 004</i>	<i>2 005</i>	<i>2 006</i>	<i>2 007</i>	<i>IQ. 2008</i>
Slovakia	2 623 484	2 606 285	2 760 099	3 130 677	3 192 812	3 717 794	1 489 630
Germany	1 246 014	833 754	1 256 016	821 285	1 669 359	3 615 109	472 657
Poland	520 041	736 975	1 702 049	1 079 828	1 848 027	2 338 410	536 098
Korea					759 231	2 147 967	789 016
Turkey				173 572	615 894	1 447 085	513 384
India					379 172	1 200 653	437 826
Netherland		168 158	316 170	350 601	299 045	333 981	25 865
Italy	277 498	242 154	372 635	34 444	261 898	310 562	35 775
Austria	190 210	713 137	1 233 232	371 141	899 704	304 023	17 134
Russia				620 069	178 025	292 505	55 620
Spain		5 509	1 392 980	495 653	105 627	79 792	2 276
Belgium	252 912	300 869	30 847	4 700	158 405	36 517	83 891





Nezávislá auditorská zpráva
k roční účetní závěrce za rok 2007
Institut pro testování a certifikaci, a.s.

Příjemce: Institut pro testování a certifikaci,
akciová společnost
Tř. T.Bati 299
764 21 Zlín - Louky

IČO : 47 91 03 81

Provedli jsme audit přiložené roční účetní závěrky t.j. rozvahy sestavené k 31.12.2007, výkazu zisku a ztrát, přehledu o změnách vlastního kapitálu a přehledu o peněžních tocích za období od 1.1. do 31.12.2007 a přílohy účetní závěrky, včetně popisu použitých významných účetních metod účetní jednotky Institut pro testování a certifikaci, a.s..

Roční účetní závěrka vyjadřuje stanovisko statutárního orgánu účetní jednotky - představenstva.

Za její sestavení včetně provedení významných odhadů, výběru přiměřených účetních postupů a metod odpovídá představenstvo účetní jednotky.

Naším úkolem je vyjádřit na základě provedeného auditu výrok o této roční účetní závěrce.

Audit roční účetní závěrky jsme provedli v souladu se zákonem o auditorech a Komofe auditorů ČR č.254/2000 Sb., auditorskými směrnicemi Komory auditorů ČR a zákonem o účetnictví č. 563/1991 Sb., ve znění pozdějších předpisů a vyhláškou č.500/2002 Sb., kterou se provádějí některá ustanovení zákona č.563/1991 Sb. a dále v souladu s Českými účetními standardy č. 001 až 023 a aplikačními doložkami Komory auditorů ČR k Mezinárodním auditorským standardům.

Audit byl naplánován a proveden ve dnech 27.- 30.5.2008 tak, abychom získali přiměřenou jistotu, že roční účetní závěrka neobsahuje významné nesprávnosti.

Audit zahrnoval výběrovým způsobem provedené ověření úplnosti a průkaznosti částek a informací uvedených v roční účetní závěrce včetně posouzení správnosti a vhodnosti použitých účetních postupů a významných odhadů, učiněných účetní jednotkou a zhodnocení celkové prezentace roční účetní závěrky.

Provedený audit roční účetní závěrky poskytuje přiměřený podklad pro vyjádření výroku.



Výroční zpráva o činnosti účetní jednotky za r.2007
je v souladu s údaji účetní závěrky.

Z á v ě r :

Podle našeho názoru roční účetní závěrka ve všech významných ohledech podává pravdivý a věrný obraz o stavu aktiv, závazků, vlastního kapitálu 22 398 246,79 Kč, výsledku hospodaření, zisku 2 273 129,88 Kč i finanční situaci včetně peněžních toků účetní jednotky Institut pro testování a certifikaci a.s. k 31.prosinci 2007 v souladu se zákonem o účetnictví č.563/1991 Sb., ve znění pozdějších změn a doplňků i prováděcí vyhláškou MF č.500/2002 Sb.i dalšími příslušnými platnými předpisy.

Na základě výše uvedených skutečností vyjadřujeme k příložené roční účetní závěrce roku 2007 účetní jednotky Institut pro testování a certifikaci, a.s. výrok:

b e z v ý h r a d



Ing.Jiří F i š e r a
účetní auditor č.reg.362
108 00 Praha 10
Limuzská 528



Ing.Dobromír S m u t n ý
účetní auditor č.reg.346
101 00 Praha 10
Arménská 1372

V Praze 30.května 2008

Přílohy : Rozvaha + příloha
Výsledovka