

Institute for testing and certification, a.s.

Annual Report 2010

Chairman of the Board of Directors: Ing. Jiří Heš

Approved by the Shareholder's decision on 24 June 2011



**Svět kvality a bezpečnosti
Safety and Quality World**

Institut pro testování a certifikaci, a. s.

www.itczlin.cz



2011 Annual Report







Table of Contents of the Annual Report for the Institute for Testing and Certification (Institut pro testování a certifikaci, a. s.)

Introductory Word by the General Manager	5
Key Financial Indicators of the Company	12
Company's Sphere of Business	13
Company's Competencies	15
Overview of Membership in Associations	18
Company's Organizational Chart	19
Persons Holding the Key Functions in the Company	20
Company's Quality Policy	23
Company's Balance Sheet – Comments	25
Company's Economic Results – Comments	28
Major Clients	31
Company's Exports – Comments	32
Auditor's Report	34
Foreign Branch of Institut pro testování a certifikaci, a.s.	35
Company's Balance Sheet in full format	36



Dear friends,

The year of 2010 has marked the twentieth anniversary of the Institute for Testing and Certification (Institut pro testování a certifikaci, a. s.), operating on the Czech market as an independent economic entity. According to Pythagoras, number 2 symbolizes cooperation, a team player, willingness to support and take care of others. Yes, this ancient thinker was pondering about the human characteristics when developing his system; however, I believe that these characteristics can be – without any hesitation – indicated as the attributes of our Company, the Institute for Testing and Certification.

The Czech economy has proven its stable position, which was also reflected in the exchange rate of the Czech crown. The financial and economic crisis is gradually falling into the background and the particular businesses – our clients – have restored their performance. Our Company has proven to proudly stand side-by-side with the successful businesses. Although we did not achieve a profitability growth last year, a strong improvement has been reported in all other economic parameters. These results show that the changes in our business strategy, launched in 2007 and still ongoing, have been justified and correct.

After the crisis, the economy in the Czech Republic, as well as in most EU countries returned to its growth path in 2010. With its year-on-year GDP growth by 2.2%, it was slightly lagging behind the German economy, but outperformed the eurozone as a whole in moderate terms. The key drivers behind its growth, pushing forward from the very start of the year, included export and stock replenishment. In the second half of the year, they were also supported by a certain stabilization of the fixed capital formation, mainly due to business investments in solar power plants, the testing of which has become a new activity for our Company. On contrary, the government investments and consumption reversed their initial growth to come to a year-on-year fall in the second half of the year, as a response to the austerity measures announced by the government.

Private consumption expenditures stagnated in yearly terms, reporting, however, a slight year-on-year decrease in the last quarter of the year. On the part of the production, the GDP expansion was pulled predominantly by industrial production, seconded by moderately growing output performance in business services, transport and trade. Nevertheless, many other sectors, particularly the construction industry, continued to suffer from the recession. This situation was also manifested in a decrease of new job orders in this field coming from the Czech Republic; however, it was compensated by the abroad sales of services in this field. The promising accelerating GDP dynamics has weakened by the end of the year, but this seemed to be caused by unfavourable climatic conditions rather than by a longer-term demand drop.

The policy statement of the government that was formed following the general elections has promised the implementation of essential economic reforms designed to address, among others, the long-term neglected problems with pension and health care financing, thus mitigating the existing fiscal imbalance. The first step towards that objective was the adoption of a national



budget, which should ensure a further decrease of the general government deficit from 4.7% GDP announced for 2010.

The key measure on the expenditure side of the 2011 budget consists in wage cuts in the public administration as well as in most public institutions by 10%.

The fundamental direction followed by the joint-stock company Institute for Testing and Certification remained unchanged in 2010, as the Company continued to develop its services in the same areas as in the previous years. Due to legislative amendments in Act No. 455/1991 Coll., on Trade Licensing, formal changes have been made in the description of the activities (sphere of business and sphere of activities) in the Commercial Register; however, the substantive contents of activities and services provided by the Company remained unchanged.

During the year, there were some changes in the persons holding an office in the Board of Directors and the Supervisory Board of our Company, but also these newly constituted bodies confirmed the correctness of the current direction followed by our joint-stock company.

The certification of prize gaming machines is an activity performed based on an authorization by the Ministry of Finance of the Czech Republic to certify the operability of gaming machines and to carry out subsequent technical inspections in relation to the operation of gaming machines in terms of Act No. 202/1990 Coll., on Lotteries and Other Similar Games. In December 2008, the authorization by the Ministry of Finance of the Czech Republic has been renewed so that our Company can provide these services to its clients until 30 June 2011. At present, there is an administrative procedure taking place in order to extend this authorization to 5 years.

The sales revenue in this field decreased, which results particularly from the legislative periodicity of requirements for this type of products. The expectations of large companies operating on the Czech market in connection with anticipated modifications (amendment) of Act No. 202/1990 Coll., on Lotteries and Other Similar Games, also play their role, together with the increasing share in the gaming business for betting games operated on the Internet without a review by and without a license from the Ministry of Finance of the Czech Republic, i.e. illegally in the Czech Republic. In addition, this field is strongly affected by the problems faced by Sazka, a.s. and by the wait-and-see attitude of its competitors.

In the past period, the Company has also obtained an international authorization to certify gaming machines (Lithuania, Croatia), with the export of these services – together with the services for foreign clients when introducing their products to the Czech market (Croatia, Germany, the Netherlands, Austria, Slovenia, Great Britain) – reaching ca. 11% of the total output for this area. Also in the Czech market, the market share of these services recorded an increase based on the growing number of primarily smaller clients and on the problems of the competitors' clients in the sector of the gaming machines. The stability of these services depends on good cooperation with the sub-contractors and, particularly, on correct relationships vis-à-vis the dominant businesses on the market.

The area of testing and expert services intended for the suppliers of automotive components and materials has been recording growth for several consecutive years. This trend continued in 2010



as well regardless of the intense consequences of the financial and economic crisis, while even at present, there seems to be no clear growth prognosis lying ahead of the Czech economy. This area of the Company's services can currently be defined as its core business, covering primarily the testing of a wide range of components for car interiors; in the recent years, however, we have also initiated various tests of functional aggregates for the suppliers of car seats and dashboards. The plan to introduce in 2010 new ageing tests for entire large-size automotive units has not been implemented, but the completion of this part of testing will become necessary in 2012. The "solar boom" in the Czech Republic has practically come to its end; it is shifting towards Slovakia and other countries in the Eastern region. Here we have successfully captured this trend in the testing field of performance parameters and service-life parameters for solar collectors and domestic hot water heating collectors.

In 2006, as part of improving the quality of the services and bringing them closer to the key clients, an accredited detached testing laboratory started its operations in TESCOVA, a. s., Zlín; further development of this cooperation took place in 2010 following the move of the detached testing laboratory to a new building within the premises of TESCOVA, a.s., making this company the second largest client of our Company in terms of sales revenue. The testing laboratory for materials, semi-finished products and footwear, which was purchased by the Company as at 1 January 2006, has become a full-fledged and reputable part of the Company, which resulted in an increase of the ITC's market share in these services in the Czech Republic. The positions of the Czech government and the expert public on the amendment of Act No. 36/1967 Coll., on Experts and Interpreters, and the related implementing decree No. 37/1967 Coll. was gradually consolidated in 2010. Although the activities of certified experts are not the primary source of revenue for our Company, they are an important marketing tool and, in addition, there are other activities in the field of certifying gaming machines linked to the authorization by the Ministry of Finance of the Czech Republic for this activity.

The information services and standardization activities remained approximately at the same level as in 2009, while the Company management sees a scope for further development of these services. In 2010 the Company management adopted a plan to develop an electronic tool for these services (information services) in cooperation with the SGP-Standard. As at 31 December 2008, the Czech Office for Standards, Metrology and Testing assumed all obligations of the Czech Standardization Institute, which was dissolved as an organization. The Company management sees a major opportunity for further development of technical information services in the establishment of the CTN (Technical Standardization Center) attached to our Company. However, the success of this unit depends also on a review of the financing policy in relation to the development of standards at the European level (CEN, CENELEC) as well as at the global level (ISO) on the part of the Czech government and the Ministry of Industry and Trade of the Czech Republic. The assumption that this review would be gradually taking place starting from 2010 was not materialized; on contrary, this area is also negatively affected by the pressure from the Ministry of Finance to cut public expenditures.

After several years of stagnation, the activities of the calibration laboratory and metrological services recorded a strong recovery in 2010, achieving a 12% growth. The success of these



activities is determined by the diligent care, as the realized prices are very low due to the great competition pressures. In spite of that, the management of this laboratory was successful and managed to win major contracts from large clients (ČEZ). The acquisition of the accredited calibration laboratory of VUCHZ, a.s. Brno took place in October 2010. The total price for this acquisition was CZK 0.8 million. By December 2010, the system of this laboratory was integrated in the Company's management system, including the accreditation of the new business location. As a result, our Company acquired new calibration devices and, in particular, significantly extended its capacities in the individual calibration services so that now we are able to offer calibration services also to clients in the Brno sub-region. In connection with the amendment of Act No. 505/1990 Coll., on Metrology, the operation of the Calibration Service Centres (SKS) was closed down in 2010; as a result, also our Company is no longer providing these services. Since SKS has already become an established "mark", our Company is striving to have the aforesaid abbreviation registered in favour of ITC.

The testing laboratory for electronic products, operating on the premises of MESIT in Uherské Hradiště, has very well maintained its market position in spite of the fact that this is one of the few activities of the Company that were directly affected by the economic crisis. Although we have not yet returned to the successful performance from 2008, the year-on-year increase of sales revenue in this field exceeded 7%. In order to ensure prosperity of the business unit and to provide the services to our clients within the periods of time required by them, it will be necessary to make significant investments in the technical equipment of the business unit. The expected amount of investment funds for this area is estimated to more than CZK 8 million in the period of 2011–2013.

The services related to the certification of management systems achieved only below-average results in 2010, when the total output decreased by 6% compared to 2009, particularly due to the decline in primary certifications. The management system certification services are indeed under great competition pressures, still supported by the aftermath of the economic crisis. However, the activities are becoming close to unprofitable, which is most certainly a reason to reflect upon how to find either new activities (which is what the management strives for – such as GLOBAL-GAP, ISO 16001) or to make maximum use of all known reserves and seek for further savings, as appropriate. The latter path is surely more painful ...

Although the Company successfully defended and further extended the authorization in the area of conformity assessments, it was not able to prevent a decrease in sales revenues in this field in 2005 and 2006 due to the fierce competition in the Czech Republic and, particularly, due to the entry of large foreign certification companies to the Czech market after 1 May 2004. In spite of that and after several years of stagnation, these services recorded a moderate growth in 2006, which continued dynamically in 2007, 2008 as well as in 2009 and 2010 – in comparison with 2009, the sales revenue here increased by more than 15% (with the export of these services increasing by more than 25%). This growth is achieved primarily through increased exports (mainly in the field of medical devices and construction products) as well as through growing sales revenue from "returning" clients (particularly toys and products for children). The share of export in the conformity assessment (authorization/notification) services exceeded 57% of the



overall sales revenue of the authorized body. As a result of the capacity reinforcement in the field of medical devices, the Company opened a business office in Bratislava with the effect from 1 January 2007 (an ITC branch is also registered in Slovakia since 30 January 2007); it was also thanks to the activities of this unit that our Company has become an important global provider of conformity assessment services for medical devices. In 2010, the personnel capacities in the field of conformity assessment of medical devices were strengthened to a total of 10 persons. The sales revenue in this field recorded a year-on-year increase of close to 40%. In 2009 the Company management requested assistance from the Czech Office for Standards, Metrology and Testing to have our Company included in the list of businesses under the so-called MRA (multilateral recognition agreements – agreements between the EU and third countries – specifically for Australia and New Zealand) that would enable us to make use of our notification competence to provide services to the clients, who export their products into these countries.

New directives (or regulations, as appropriate) were adopted at the EU level in 2010 (and beginning of 2011, respectively) to respond to the adoption of the new legislative framework (NLF) for conformity assessment in EU (thus, also, in the Czech Republic). These are new documents covering the conformity assessment procedures for toys, construction products and other products – according to the directive and the government order applicable to EMC and LVD. At the time of preparation of this report, a new authorization procedure for toys is under way for our Company (pending the decision of the Czech Office for Standards, Metrology and Testing in this matter); the same is ahead of us for other fields in 2011 or the first half of 2012, as appropriate.

New authorizations and notifications for construction products have fully paid off in 2009 and 2010 thanks to the cooperation with our partners on the Polish and Korean markets. Although there is a continuous decline in sales revenue in conformity assessments of construction products pursuant to the national legislation of the Czech Republic, which was not compensated in the past by increasing sales revenue in conformity assessments of construction products pursuant to the European legislation (CE marking), this trend was reversed in 2008, particularly thanks to the exports, and continued growing further in 2009 (nearly 8%) and 2010 with additional ca. 4%. The main export destination for our services in the conformity assessment of construction products in 2010 was once again Poland, with a year-on-year increase of 25%.

However, it was beyond any doubt Korea that became the 2010 most successful export destination. The local representative operates also on other markets (particularly in China). Its strategy is to address also clients in the U.S., which has not been part of the strategic plans pursued by the Company management, particularly due to the high business risk insurance. In connection with the preparation of a new strategy for the Institute for Testing and Certification, it will be appropriate to resume this issue.

In 2010 our Company successfully completed a public grant called “**ITC-BFRtest**” – to find a new efficient and reliable method to identify the presence of polybrominated biphenyls (PBBs) and polybrominated diphenyl ether (PBDEs) in polymer matrices. This grant was co-financed from the National Research Programme II “Permanent Prosperity”, No. 2A-1TP1/020; the total budget of the grant: CZK 9.78 million, the projected subsidy from the national budget: 50%.



The table below shows the subsidies actually received from the national budget as well as the actual and projected costs for the ITC-BFRtest project throughout the period of dealing with this grant.

Year	Subsidy received from the national budget	Actual costs of the grant	Projected costs
2006	CZK 1,866,000	CZK 3,923,169	CZK 3,773,000
2007	CZK 1,267,000	CZK 2,558,877	CZK 2,533,000
2008	CZK 828,000	CZK 1,959,224	CZK 1,656,000
2009	CZK 399,000	CZK 969,010	CZK 798,000
2010	CZK 221,000	CZK 460,916	CZK 442,000



An application was filed in 2010 for the **ITC-AsiaFair** project – presentation of own services through prestigious international trade fairs in dynamically developing emerging countries and industrial regions in Asia. Following the consultations related to the recognition of eligible costs, the Company has withdrawn from its request for the participation in this grant.

In consistence with the adopted strategy and in order to provide ITC services to customers from foreign territories, in which there is a growing interest in certification services, particularly in the area of product conformity assessment pursuant to the applicable EU directives, as well as in the area of quality management systems and voluntary product certification, the efforts continued to systematically develop a network of ITC sales offices abroad.

At the end of 2010, this network consisted of 20 sales offices in 17 countries across Europe, Asia, Africa and Latin America. In addition, the Bratislava office in Slovakia acts as a branch of a foreign entity business. The correctness of the stipulated strategy and the focus on foreign markets was proven through a further increase in the exports of services in the period under consideration.

The share of services provided for foreign customers increased from 16.2% of total sales revenue in 2008 to 21.9% in 2009, to exceed 27% in 2010. In the first quarter of 2011, this share has already exceeded 31% and continues in the growing path. However, this trend also entails certain problems – particularly as regards exchange rate risks and increased administrative agenda in the application of international agreements on double taxation.

The success of ITC in the export of services in 2010 was rewarded by independent experts with an export prize in the category of **TERRITORY EXPORTER – INDIA**, awarded within the 13th year of DHL HSBC export prizes under the auspices of CzechTrade.



In 2010, the Company achieved the highest annual sales revenue ever in the history of its independent existence, amounting to CZK 163.4 million. The customer focus, the compliance with the quality requirements, together with the maximum effort to reduce the delivery deadlines, the individual payment and technical terms and conditions for the contracts – all those are the decisive moments for the Company's presence in the market and, in particular, our distinctive feature over the competitors. However, there are always some reserves and it is essential not only to find them, but also to make use of them. In the aftermath of the economic and financial crisis, this imperative becomes even more pressing.

The Institute for Testing and Certification entered into 2010 as a modern testing and certification company, which must be taken into account not only in the Czech market, but also at the European and global scale.

2011 marks the year of fundamental changes, particularly in the field of documenting the competence to perform our services. It is essential to realize that

- Competition is always growing if we are not able to make good use of our assets and advantages;
- Accreditation is no longer a competitive advantage; on contrary, it has become a necessary legislative requirement;
- The new EU legislation on conformity assessments, marketing of products and free movement of goods gives rise to new requirements for documenting our professional competence, and it is not possible to expect that it will create new opportunities, rather the contrary.

In spite of that I believe that our Company will make full use of all its instruments and acquired experience to overcome these potential threats, just like in the past, and to come out even stronger. I am strongly convinced about that. We have high-quality experts, we have a good marketing position, and we have satisfied clients. I would like to thank you all for your contribution.

RNDr. Radomír Čevelík

General Manager of the Company





Key Financial Indicators of the Company

			2008	2009	2010
Total Revenues	thous. CZK		153 941	156 904	163 405
	of the CR	thous. CZK	129 073	122 572	119 000
	of which export	thous. CZK	24 868	34 333	44 404
Value	thous. CZK		89 989	89 288	95 745
Staff costs	thous. CZK		73 222	73 662	81 410
Depreciation	thous. CZK		6 011	7 366	7 742
Profit for the period	thous. CZK		7 194	3 745	1 237
Assets	thous. CZK		62 405	61 444	59 672
Liabilities	thous. CZK		33 626	31 121	29 917
Equity	thous. CZK		28 192	29 624	28 858
Staff	FTE		131,6	132,0	136,8
Ratios					
Sales / of employees	thous. CZK		1 170	1 189	1 194
Value / Staff	thous. CZK		684	676	700
Profit / Equity	%		25,5%	12,6%	4,3%
Liabilities / Assets	%		53,9%	50,6%	50,1%
Sales / Equity	%		546,0%	529,7%	566,2%

The Institute for Testing and Certification Zlín (hereinafter referred to as ITC) is a joint-stock company established in 1993 in accordance with the Commercial Register. Its history dates back to the 1970's when the State Testing Laboratory No. 224 was established and attached to the then Research Institute for rubber and plastic technology in Zlín, in connection with the adoption of Act No. 30/1968 Coll., on State Testing. This State Testing Laboratory became an independent state economic entity in 1990 and was transformed to the current legal form in 1993 in connection with the amendment of the commercial law. ITC is since 2000 an independent joint-stock company with a sole shareholder – the Czech company ITC-SERVIS, spol. s r. o..





Company's Sphere of Business

The sphere of activities performed by the ITC joint-stock company was defined as follows as at 31 December 2009:

- Executing the functions of an authorized (notified) body pursuant to Act No. 22/1997 Coll. and its subsequent amendments 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, supervisory and inspection activities in relation to products and technologies;
- Validation, certification, supervisory and inspection activities in relation to quality assurance systems and environmental assurance systems for 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 in relation to the environment;
- Assessment of dangerous waste properties;
- Official measurements;
- Diagnostics and consulting in the field of environmental protection and formation;
- Environmental impact assessment;
- Emission and pollution measurements;
- Development of testing methods and complex methodologies for quality assessment as well as of technical facilities in those fields;
- Operation of calibration service centres;
- Executing the functions of an authorized metrology service centre;
- Expertise, assessment, consulting a technical services;
- Purchase of goods for resale and its resale;
- Rental of tangible and intangible assets, including non-residential and residential premises;
- Production of glass items;
- Testing of aircraft components and aeronautical technology products;
- Data processing, databank services, network administration;
- Operability certification of prize gaming machines and technical facilities necessary to run



betting games, as well as the performance of the subsequent technical inspection of their operation.

On 17 March 2010, changes were made – upon an invitation by the Registration Court – in the Company's records in the Commercial Register kept by the Registration Court in Brno to ensure that the records comply formally with the requirements of the amendment to Act No. 455/1991 Coll., on Trade Licensing (Trade Licensing Act) – as amended.

The new record for the Company's sphere of business and sphere of activities, valid as at 17 March 2010 (in force as at the approval date of this Annual Report) is provided below; however, there are practically no changes in the sphere of business and the sphere of activities of the Institute for Testing and Certification.

Sphere of business:

- Operability certification of prize gaming machines and technical facilities necessary to run betting games, as well as the performance of the subsequent technical inspection of their operation;
- Measurement of pollutants and odours; preparation of scatter studies;
- Manufacturing, trade and services not included in Schedules No. 1 to 3 of the Trade Licensing Act.

Sphere of activities:

- Activities of an authorized (notified) body for product conformity assessment pursuant 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;
- Activities of testing laboratories;
- Activities of calibration laboratories;
- Certification of products;
- Certification of management systems;
- Performance of inspections;
- Testing of living and working environmental components;
- Sampling and examination of product health safety;
- Official measurements;
- Activities of a calibration service centre;
- Verification of regulated measuring instruments;
- Assessment of construction suppliers;
- Activities of an expert institute.



Company's Competencies

The ITC's technical, organizational, personnel and legislative competencies for the above activities are based on the following appointments, authorizations and accreditations (as at 31 May 2010):

- **Authorized Body No. 224** (see https://ams.cmi.cz/index.php?menu=73&kategorie=3&id_sidlo=414&vyhledavani=0)
 - Government Decree No. 173/1997 Coll. (as amended by the last amendment to Government Decree No. 329/2002 Coll.) laying down selected products for conformity assessment;
 - Government Decree No. 163/2002 Coll. (as amended by the last amendment to Government Decree No. 312/2005 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/index.cfm?fuseaction=notifiedbody.notifiedbody&refe_cd=EPOS_46625)
 - Government Decree No. 336/2004 Coll. laying down technical requirements for medical devices (Directives 93/42/EEC, 2003/12/EEC, 2003/32/EEC), as amended;
 - Government Decree No. 453/2004 Coll. laying down technical requirements for in vitro diagnostic medical devices (Directive 98/79/ES); as amended;
 - Government Decree No. 154/2004 Coll. laying down technical requirements for active implantable medical devices (Directive 90/385/EEC); as amended;
 - Government Decree No. 17/2003 Coll. laying down technical requirements for low voltage electrical equipment (Directive 73/23/EEC); as amended;
 - Government Decree No. 616/2006 Coll. laying down technical requirements for products as regards their electromagnetic compatibility (Directive 2004/108/ES); as amended;
 - Government Decree No. 19/2003 Coll. laying down technical requirements for toys (Directive 88/378/EEC); as amended;
 - Government Decree No. 21/2003 Coll. laying down technical requirements for personal protective devices (Directive 89/686/EEC); as amended;
 - Government Decree No. 190/2002 Coll. (as amended by the last amendment to Government Decree No. 128/2004 Coll.) laying down technical requirements for construction products bearing the CE marking (Directive 89/106/EEC); as amended;
 - Government Decree No. 26/2003 Coll. (as amended by the last amendment to Government Decree No. 621/2004 Coll.) laying down technical requirements for pressure devices (Directive 97/23/ES); as amended.



- **Accredited Testing Laboratory No. 1004**
- **Accredited Testing Laboratory No. 1004.3**
- **Accredited Calibration Laboratory No. 2222**
- **Authorized Metrology Centre K 123**
- **Accredited certification body for management systems No. 3002** (accreditation for the following standards: ISO 9001:2008, EN ISO 9001:2009, ISO 9001:2000, EN ISO 9001:2001, ISO 13485:2003, EN ISO 13485:2003, ISO 14001:2004, EN ISO 14001:2005, BS OHSAS 18001:2007, OHSAS 18001:2008, HACCP, ISO 22000:2005, EN ISO 22000:2006);
- **Accredited certification body for products No. 3020**
- **Accredited certification body for qualification in the system of certified construction suppliers** pursuant to Act No. 137/2006 Coll.;
- **Accredited certification body for Good Agricultural Practice (GLOBALGAP) certification** by IFA for Fruit and Vegetable – this authorization was granted to the Company at the beginning of 2010;
- **Accredited inspection body No. 4035**
- **Operator of the Technical Standardization Association** for rubber and plastic industry (SGP – Standard);
- **Technical Standardization Centre** authorized by the Czech Standardization Institute;
- **Authorized Site** for official measurements;
- **Site accredited by the Ministry for Environment of the Czech Republic** to assess the biological degradability of polymers, lubricants and fuels;
- **Based on a 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 expert activities in electronics, with the authorization covering expert assessments required by state authorities and self-government authorities for gaming machines and technical facilities necessary to run betting games and lotteries as regards hardware and software, expert assessments to verify the functional and technical requirements of cash registers including the fiscal memory;
- **Based on a 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 expert activities in the following fields: air quality, transport, economy, energy, chemistry, leather and fur, packaging, nature protection, food industry, services, sport, construction industry, mechanical engineering, various technical industries, textiles, handcrafts, water management, health care, agriculture;



- **Certificate of professional competence** to provide expert opinions pursuant to Article 11 of the Act on Integrated Prevention;
- **Authorization by the Ministry of Finance** to certify the operability of prize gaming machines and to perform subsequent technical inspection of their operation;
- **Authorization by the Ministry of Finance** to perform expert assessments of and to certify the operability technical facilities and systems to operate lotteries and other similar games, and to perform the subsequent technical inspection of such operated facilities and systems;
- **OPEL/GM** recommendation as a testing laboratory for automotive components;
- **Authorized testing and certification site OZCM/10/2001** to perform certification, testing and supervisory activities in the scope of granting licenses to use the CSN-TEST marking;
- **Authorization by the Civil Aviation Authority L-3-061/3** for verification tests of electrical and electronic aircraft components and device;
- **Authorization by the Ministry of Defence MAA 009** to assess and verify the compliance of properties of military aeronautical technology products with the requirements defined by technical safety standards for aeronautical engineering;
- **Authorization by the Ministry of Health of the Czech Republic No. Z0060101007** pursuant to Act No. 258/2000 Coll. for activities concerning the sampling and examination of health safety in relation to products coming into direct contact with drinking, hot and raw water, health safety of products intended for children up to three years of age, and health safety of products coming into contact with food and foodstuffs;
- **Administrator of the “Safe Toys” mark** registered in the Czech Quality programme.





Overview of Membership in Associations

Another proof of the ITC's broad-based involvement in the technical activities in the Czech Republic is its active participation in many professional and social associations and communities.

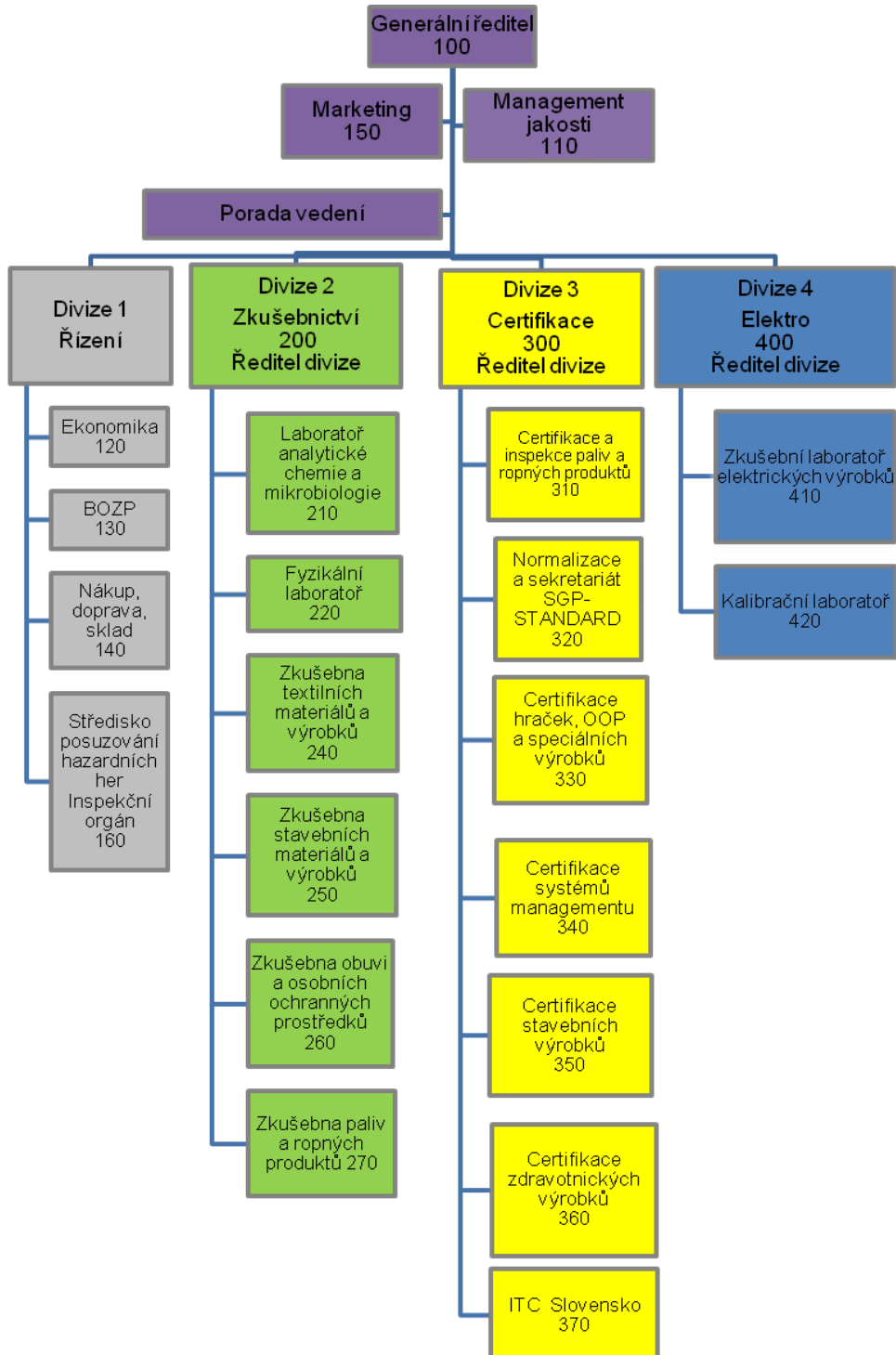
- AAAO – Association of Accredited and Authorized Organizations, Prague;
- SZV - Svaz zkušeben pro výstavbu (Alliance of Construction Testing Laboratories), Prague;
- Sdružení českých zkušeben a laboratoří (Association of Czech Testing Stations and Laboratories), Zlín;
 - Together, the aforesaid associations form Eurolab-CZ, which is a full member of EUROLAB since 1 May 2004 (www.erolab.org);
- ČSJ – Czech Society for Quality, Prague;
- Sdružení pro hračku a hru (Toy and Game Association), Prague;
- Obchodní a hospodářská komora (Commercial and Economic Chamber) in Zlín;
- CQS – Sdružení pro certifikaci systémů jakosti (Quality System Certification Association), Prague, member of the international IQNET association;
- ČOKA – Czech Footwear and Leather Association based in Zlín;
- EURACHEM ČR, Řež near Prague;
- ATOK – Association of Textile, Clothing and Leather Industry, Prague;
- SCOV – sdružení certifikačních orgánů pro certifikaci výrobků (Association of Product Certification Bodies), Dobrá;
- CTS – interest-based association of selected authorized legal entities, Prague;
- Road Contractors Association, Prague;
- Česká společnost průmyslové chemie (Czech Society for Industrial Chemistry), Gumárenská skupina (Rubber Industry Group) Zlín;
- České kalibrační sdružení (Czech Calibration Association), Brno;
- EMCas, Prague – sdružení na ochranu proti elektromagnetickým vlivům (Association for Protection against Electromagnetic Effects);
- SGP STANDARD – Sdružení technické normalizace gumárenského a plastikářského průmyslu (Association for Technical Standardization in Rubber and Plastic Industry).





Company's Organizational Chart

The Company pursues its activities in a divisional organizational structure – the diagram below shows the organizational chart as at 31 May 2011:





Persons Holding the Key Functions in the Company

The particular activities and functions in the Company are held by experienced staff; the Company's bodies include representatives from various areas of the civic life in the Czech Republic, with emphasis on the representation of the community and the Zlín Region.

Board of Directors

Function	Held by	
Chairman of the Board of Directors	Ing. Jiří Heš	ITC Division Director
Vice-Chairman of the Board of Directors	RNDr. Radomír Čevelík	ITC General Manager
Member of the Board of Directors	MgA. Pavlína Úlehla Senić	Entrepreneur

Supervisory Board

Function	Held by	
Chairman of the Supervisory Board	Mgr. Jiří Heš	Private entrepreneur
Member of the Supervisory Board	Ing. Petr Karlík	Head of ITC centre, representative of the Company's employees
Member of the Supervisory Board	Magdaléna Čevelíková	Manager of PAP-OIL, s.r.o.

Mgr. Jiří Heš, birth certificate No. 720318/4120, residing at Prague 4, Láskova 1793/21, postcode 148 00, was appointed a member of the Supervisory Board on 15 February 2010. As at 15 February 2010, Mr. Mgr. Jiří Heš was elected the Chairman of the Supervisory Board. In accordance with Section 190 (1) of the Commercial Code, as amended, the following members of the Board of Directors of the Institute for Testing and Certification were dismissed on 23 November 2010 by the sole shareholder of the joint-stock company Institut pro testování a certifikaci, a.s. - ITC-SERVIS, spol. s r.o., acting as the General Assembly, based on the termination of the period of office: RNDr. Radomír Čevelík, Ing. Jiří Heš, Ing. Jiří Kraus. In accordance with Section 190 (1) of the Commercial Code, as amended, the following members of the Supervisory Board of the Institute for Testing and Certification were dismissed on 23 November 2010 by the sole shareholder of the joint-stock company Institut pro testování a certifikaci, a.s. - ITC-SERVIS, spol. s r.o., acting as the General Assembly, based on the termination of the period of office: Magdaléna Čevelíková, Ing. Petr Karlík. In accordance with Section 190 (1) of the Commercial Code, as amended, the following members of the Board of Directors of the Institute for Testing and Certification were appointed on 23 November 2010 by a decision of the sole shareholder of the joint-stock company Institut pro testování a certifikaci, a.s. - ITC-SERVIS, spol. s r.o., acting as the General Assembly: RNDr. Radomír Čevelík, office commencement date: 23 November 2010, Ing. Jiří Heš, office commencement date: 23 November 2010, MgA. Pavlína Úlehla Senić, office commencement date: 23 November 2010. In accordance with Section 190 (1) of the Commercial Code, as amended, the following member of the Supervisory Board of the Institute for Testing and Certification was appointed on 23 November 2010 by a decision of the sole shareholder of the joint-stock company Institut pro



testování a certifikaci, a.s. - ITC-SERVIS, spol. s r.o., acting as the General Assembly: Magdalena Čevelíková, office commencement date: 23 November 2010. The elections for the employees' representative in the Supervisory Board of the Institute for Testing and Certification took place on 15 October 2010. Ing. Petr Karlík was elected the employees' representative in the Supervisory Board of the Institute for Testing and Certification for another period of office. The Company's Board of Directors submitted a proposal to have the aforesaid employee registered in the Commercial Register as the third member of the Company's Supervisory Board, with 15 October 2010 as the office commencement date.

Certification Council (CC)

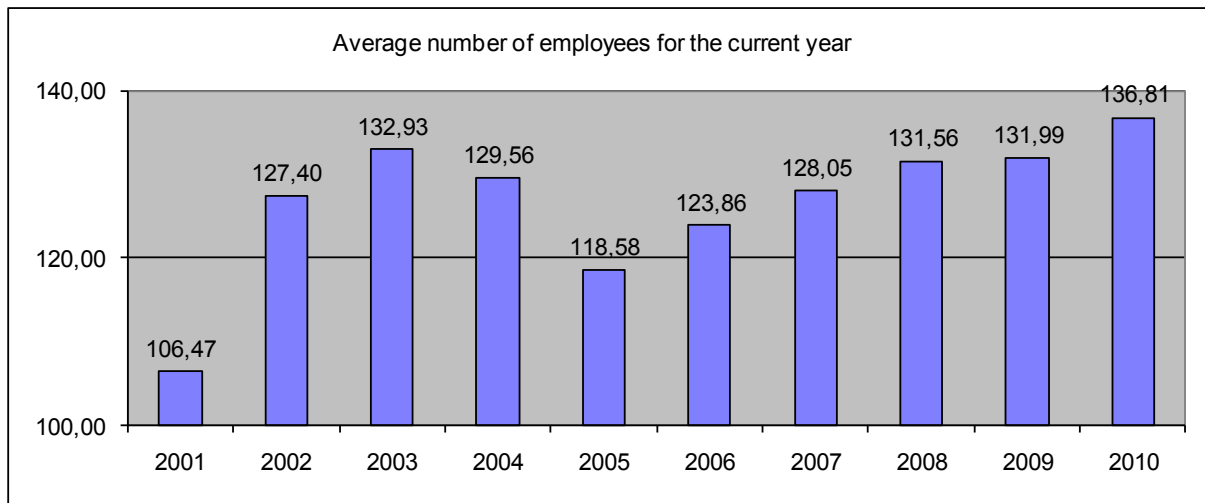
Function	Held by	
Chairman of the Council	Doc. Ing. Josef Špaček, CSc.	University of T. Baťa Zlín
Vice-Chairman of the Council	RNDr. Anna Christianová, CSc.	Centre for Innovation and Development (CIR), Prague
Member of the Certification Council	Ing. Iva Matějková	Entrepreneur, Zlín – CC advisor for the environment
Member of the Certification Council	Zdeněk Krul	Czech Trade Inspection Authority, Zlín, Inspectorate for the Southern-Bohemia and Zlín Regions based in Brno, Zlín office, Technical Inspection Department
Member of the Certification Council	Ladislav Koželuha	Czech News Agency, Journalists Syndicate
Member of the Certification Council	Ing. Petr Langer	Retired – CC advisor for construction and project activities
Function	Held by	
Member of the Certification Council	Ing. Václav Korvas	PSG, a. s., Otrokovice
Member of the Certification Council	Ing. Milan Sahaj	Retired – CC advisor for the environment
Member of the Certification Council	MUDr. Milena Dostálková	General practitioner, Zlín
Member of the Certification Council	Ing. Milan Báša	Entrepreneur, self-employed, Hodonín – CC advisor for the productive sector (plastic industry)
Member of the Certification Council	Bc. Aleš Gavalec	Certified specialist in OSHA, Zlín
Member of the Certification Council	Ing. Jaroslav Rapant	ITC
Member of the Certification Council Council Secretary	Ing. Milan Kovář	ITC



Commission responsible for ensuring impartiality

Function	Held by	
Member of the Commission	Doc. Ing. Josef Špaček, CSc.	University of T. Baťa Zlín, representative of the non-productive sector
Member of the Commission	RNDr. Vlastislav Trnka	GESOS, s.r.o. – representative of the productive sector
Member of the Commission	Ing. Jaroslav Rapant	ITC

As at 30 April 2011, there were 142.31 (full-time equivalent) persons employed in the Company; the average gross monthly salary per employee in 2010 (including bonuses) reached CZK 34,866.





Company's Quality Policy

The quality policy of ITC was adopted by the Company's Board of Directors effective 1 January 2010, focusing on the following areas of business development:

The basic principle of the Company's activities is to generate intellectual and material values through permanent satisfaction of the needs of the customers and other persons interested in the Company's products, with a highly professional, quick, perfect and complex output. The satisfaction of the customer's needs and expectations must be the driver of the Company's development. A team of satisfied, qualified and motivated employees is a warranty for quality and reliability of all provided products.

Customer focus:

- Customer satisfaction is a priority for the Company.
- A non-discriminatory approach is always applied when providing our products.
- The customer's requirements concerning the quality of the provided product, the compliance with the contractual terms and conditions, duties and liabilities in relation to the customer must be fully met. Respecting the agreed deadlines forms an integral part of the basic principles behind the Company's activities.
- Every employee should know what the customer requires or might require, as the case may be, what the customer needs or might need, as the case may be, what we can offer to the customer in addition, and what can be done to this end by the organizational unit, which that employee belongs to.
- Every employee is obliged to seek ways for permanent improvement of activities and procedures in the Company in order to retain or expand its current competencies, ensuring – in addition to the required quality and professional level of the products offered – also their complexity.
- Every employee must make every effort to satisfy the customer's wishes.
- Every delivery of a product should generate recommendations for further business at the destination.

Staff focus:

- The managers and the Company as a whole shall create suitable conditions for a stable team of professionally competent and motivated employees striving for permanent improvement of the expert level and complexity of the products offered.
- Through internal cooperation between the employees, we generate synergies externally, multiplying the Company's reputation as a homogenous cluster of top-class professionals who know what the customer needs, wants or might want, as well as what they may fairly require for their work.
- The Company requires its employees to show pro-active approach, loyalty and personal contributions to the further development of the Company, including interest in enhancing their professional qualifications.
- As regards industrial relations, the Company applies the fundamental principles of the Corporate Social Responsibility.



Focus on processes and process management:

- The Company generates sufficient own resources as a prerequisite for its future development.
- Searching for ways leading towards high profitability, improved efficiency of the management system and to continuous quality improvement of products and all activities forms an integral part of the corporate culture. The organization and method of work are both subject to that culture.
- The principles of the management system are seen by the Company as a means to meet the expectations of the stakeholders (employees, shareholders, customers, public administration bodies and general public).

Supplier focus:

- The Company cooperates with its suppliers based on the principle of a long-term partnership, which brings benefits to all stakeholders.
- The Company requires a high quality of the products delivered by the suppliers.

Focus on the environment:

- The Company pays attention to environmentally responsible behaviour and to efficient energy use.
- The Company requires all its employees to ensure environmentally responsible behaviour.
- The Company undertakes to efficiently use all kinds of energy resources.
- When providing services, the Company makes every effort to prevent wastage of all kinds of resources, materials and energy.

The 2010 quality objectives for the particular services provided by the Company were not met in all areas; there are still reserves, in particular, in the use of new competencies in favour of complex services for the clients.





Company's Balance Sheet – Comments

The total balance-sheet sum of assets and liabilities was CZK 59.67 million as at 31 December 2010. On the asset side, **fixed assets** decreased by **CZK 4.5 million**. This decrease is caused by the very prudent investment activity of the Company in 2010 because – as apparent from the economic development of the Czech Republic and the EU countries – the global economic crisis has much longer lasting effects than expected. In 2010, the Company had contracts on the financial leasing with the subsequent purchase of the leased item for motor vehicles and technological equipment. The instalments of the rent throughout the rental period amount to CZK 16,904,868 as at the balance-sheet date, of which CZK 13,059,292 was paid by 31 December 2010; instalments amounting to CZK 3,845,576 are expected for 2011 and onwards.

Current assets increased by ca. CZK 2.6 million, with the inventory (particularly work in progress) growing by ca. CZK 0.4 million, the accounts receivable increasing by ca. CZK 0.3 million and, in particular, the Company's financial assets growing by CZK 1.8 million compared to 31 December 2009.

Deferrals and accruals on the asset side increased by CZK 0.2 million (prepaid expenses), which is related to the newly opened leasing contracts.

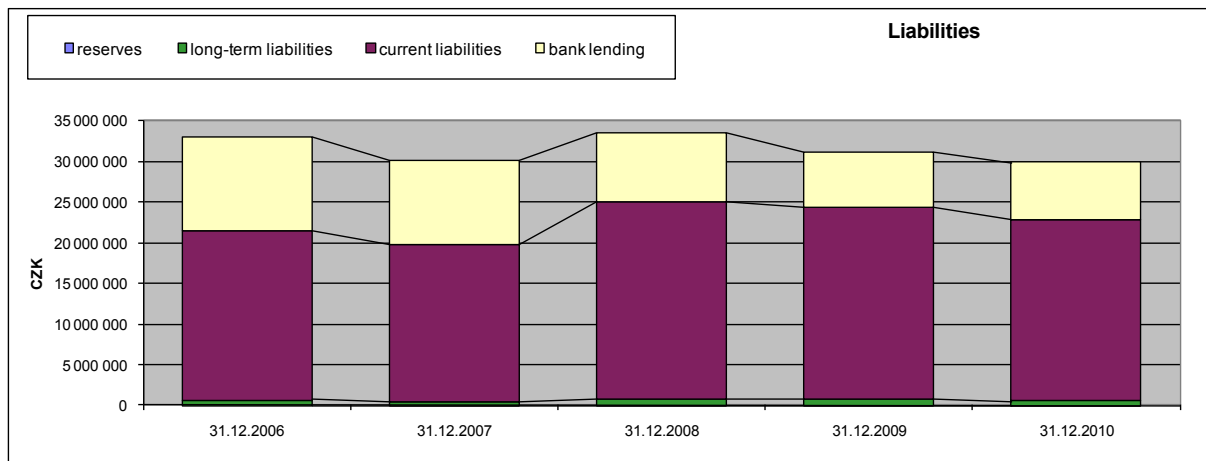
The Company's **equity** decreased by CZK 0.7 million, mainly due to the significantly lower economic profit achieved in 2010 compared to the previous periods.

Liabilities decreased by CZK 1.2 million, mainly as a result of the decline in the current liabilities by CZK 1.42 million. New bank loans show a contrary trend (increase by CZK 0.3 million; repayment of the long-term loan in 2010 – CZK 0.7 million; increase in the revolving credit line from CZK 6 million to CZK 7 million).

CZK	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010
Total assets	55 507 659	52 916 155	62 404 536	61 443 580	59 672 082
Subscription receivables	0	0	0	0	0
Fixed assets (devices, buildings etc.)	29 382 257	26 359 422	27 015 762	26 764 683	22 217 693
Current assets (money, receivables)	22 902 230	23 614 202	31 973 642	31 790 383	34 371 980
Sundry assets - temp. accounts of assets	3 223 172	2 942 531	3 415 132	2 888 514	3 082 410
	0	0	0	0	0
Total liabilities	55 507 659	52 916 155	62 404 536	61 443 580	59 672 082
Owner's equity (registered capital, funds)	21 750 785	22 398 307	28 191 808	29 624 078	28 858 015
Not-own capital (payables, advance payments received, loans)	33 037 528	30 106 645	33 625 658	31 120 607	29 916 660
Sundry liabilities	719 345	411 203	587 071	698 895	897 408

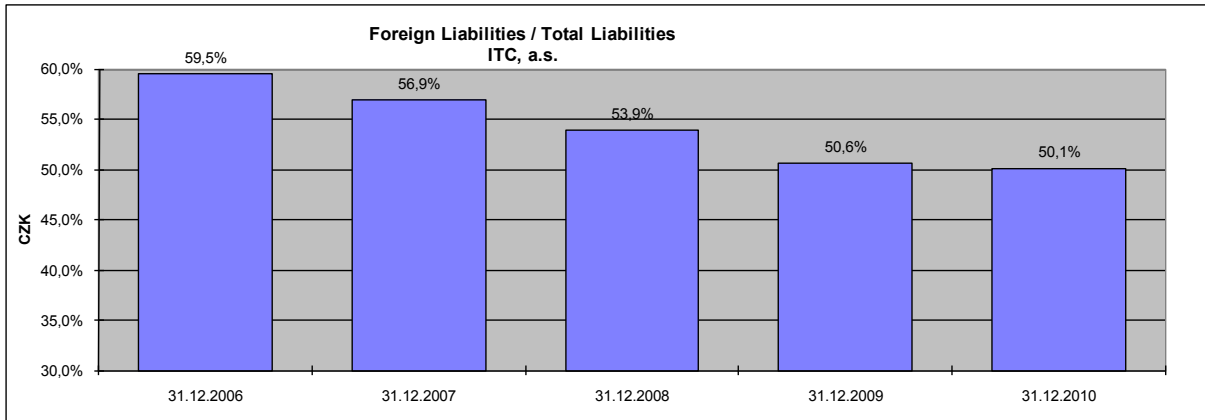


Since liabilities continue to constitute a significant part of the Company's liabilities, their development is shown in the diagram below for comparison.



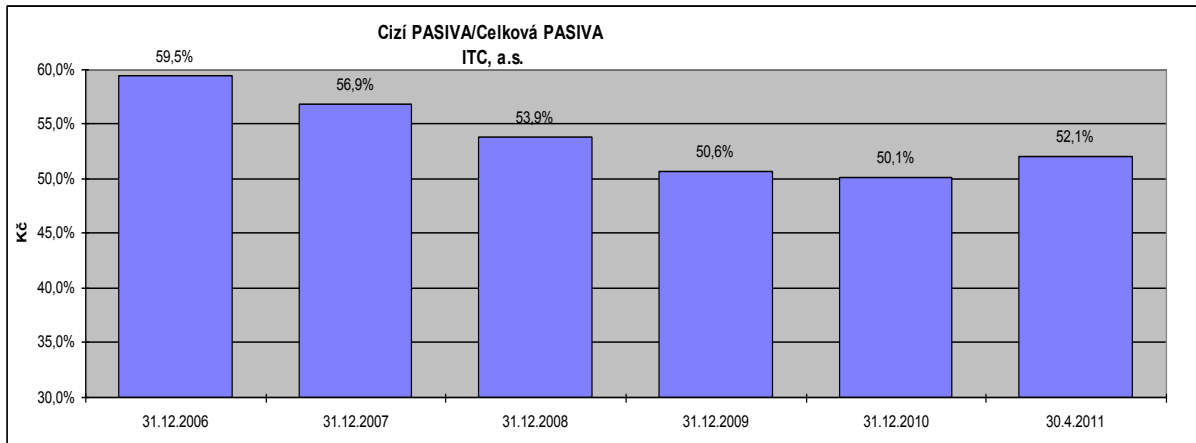
The diagram shows, in particular, that liabilities are composed of current trade liabilities (invoices, leasing, received advance payments for contracts), bank loans (increase compared to 31 December 2009 – see the comments in the previous paragraph). The total amount of bank loans as at 31 December 2010 is CZK 7.00 million.

The purchase agreement between our Company and the Statutory Town of Zlín to buy land in the cadastral area of Lužkovice (municipality of Zlín) and Příluky (municipality of Zlín), with a total area of 20,607 sq. m for the price of CZK 6,182,100, entered into effect on 2 February 2011. This purchase price was paid on 1 March 2011; the financing comes from a three-year medium-term loan from KB, a.s. Zlín in the amount of CZK 4 million, a medium-term loan from the sole shareholder ITC-SERVIS, spol. s r.o. amounting to CZK 0.6 million CZK, and the amount of CZK 1,582,100 from the Company's own resources. The Company's management intends to use the aforesaid land to build a new head office of the Company. As a result, the total loan burden of the Company as at 31 May 2011 thus amounts to CZK 11,371,400, of which CZK 7 million for the revolving loan from KB, a.s. Zlín (maturity on 30 November 2011), balance of the medium-term loan for real-estate purchase of CZK 3,771,400 (maturity on 24 February 2014) and a loan from the Company's sole shareholder amounting to CZK 0.6 million (maturity on 31 December 2012).



The diagram above demonstrates a decrease in the ratio indicator (liabilities to total liabilities), which proves the Company's ability to cope also with the problematic times of economic crisis and to meet all its financial liabilities.

For comparison, I also provide the same diagram including the data as at 30 April 2011 (which covers the liabilities in relation to the purchase of land as commented on above).





Company's Economic Results – Comments

The Company's economic profit for 2010 after taxes amounts to CZK 1.237 million. This result is significantly lower than in the past two years; however, it ultimately means a “return to the standard path” – see the 2006 profit, for example, in the table below. Nevertheless, this result is most certainly not satisfactory since the results achieved in 2008 and 2009 showed that the Company is able to generate profits at substantially higher levels.

Profit and Loss Account [CZK]	2006	2007	2008	2009	2010
I. Revenues from sales of goods	1 715 000	28 499	2 181	31 790	4 998
A. Costs of goods sold	-1 715 000	-28 629	-27 220	-1	0
II. Sale of production	120 519 545	131 841 481	154 844 297	158 067 097	163 705 640
B. Production consumption	-47 564 456	-49 951 046	-64 859 669	-68 782 057	-67 965 550
Value added	72 955 089	81 890 305	89 989 198	89 288 439	95 745 088
C. Personnel costs	-62 686 624	-68 954 630	-73 221 928	-73 661 762	-81 409 992
D. Taxes and charges	-198 780	-210 794	-97 495	-95 454	-162 326
E. Depreciation of intang. and tang. fixed assets	-5 434 009	-7 178 292	-6 011 181	-6 703 052	-7 741 648
VI. Other operating revenues	1 888 123	2 031 831	2 028 110	615 325	373 624
I. Other operating expenses	-3 028 740	-3 558 509	-3 360 860	-3 403 301	-3 607 506
Profit (loss) from financial operations	-1 123 586	-1 372 955	-624 081	-1 303 484	-1 671 880
R. Income tax on ordinary activities	-796 513	-818 106	-1 928 958	-998 788	-484 837
Extraordinary profit (loss)	-293 691	30 330	81 781	5 618	118 653
Profit (loss) for the current period	1 294 408	2 273 130	7 194 321	3 745 469	1 237 308

The table provided above clearly implies the following:

- The production output increased by 3.6% on a year-to-year basis;
- The production consumption decreased by 1.2%; the main item here concerns external cooperation in matters of assessment/certification of prize gaming machines and subdeliveries of the cooperating partner in Poland;
- The added value generated by the Company declined by 7.2% compared to 2009;
- Labour costs represent a major cost item – their sum recorded a year-to-year increase by 10.5%. This increase is caused by the growth in the average number of employees (by 3.7% in full-time equivalent) and by the employee remuneration method – up to 20% personal bonus paid when the defined conditions are met. On a year-to-year basis (2009/2010), the average scale wage increased by 1.4%, the average wage paid (including supplements, bonuses and personal extras) increased by 5.1%. The share of supplements, bonuses and personal extras (variable salary components) in the wage scale reached 32% in 2010;
- Labour productivity (in terms of CZK sales revenue / CZK wage costs) decreased (a year-to-year decrease by 3.04%) to 2.77; with the average annual sales revenue per employee amounting to CZK 1,194 thousand (increase by 0.49% compared to 2009).



The following table illustrates the distribution of the Company's sales revenue by the type of contracts, implying certain trends.

- Further growth of sales revenue by 4.2% was recorded in conformity assessment activities (AO) in 2010. This growth in the conformity assessment area is determined primarily by sales revenue from abroad (Korea, China, Poland, India, Brazil) with the subsequent increase by 42% in supervisory activities for this field.

Invoicing (full year)	2006	2007	2008	2009	2010	09 / 10
Grants, Development, CQS	881 747	955 929	1 333 450	1 011 837	1 143 654	13,0%
Gaming machines + Authorized body module A	16 153 027	20 615 326	35 358 588	32 453 908	27 326 021	-15,8%
Performance of Authorized body 224 in the regulated area	14 728 906	20 129 602	23 804 931	24 332 950	25 373 876	4,3%
Supervision of Authorized body 224	6 488 036	6 194 083	7 089 649	9 743 688	13 836 436	42,0%
Product Certification of Product certification body No. 3020 + ITC (+ supervision)	3 142 643	4 105 176	3 919 058	4 867 953	5 562 356	14,3%
Supervision of Product certification body No. 3020 + ITC	165 925	340 720	678 670	626 246	543 942	-13,1%
Management systems certification	11 608 169	7 214 109	9 870 855	10 507 003	7 765 407	-26,1%
Supervision Management systems certification	4 877 900	7 075 750	6 808 584	5 962 271	7 378 029	23,7%
Performance in an accredited laboratory	52 728 846	57 495 283	57 018 759	56 119 782	60 012 610	6,9%
Information, SGP, normalization	2 380 409	2 119 714	2 333 218	2 567 195	2 276 247	-11,3%
Metrology	4 632 056	4 768 742	5 177 379	5 084 898	5 709 467	12,3%
Assessment, education	667 788	1 229 533	378 288	333 952	413 086	23,7%
Environmental Services	585 445	485 675	583 890	465 192	479 329	3,0%
Technical Inspection	418 040	190 400	266 668	3 351 893	6 546 652	95,3%
Other	-226 698	-474 625	-699 495	-512 444	-996 412	94,4%
Total	119 232 239	132 445 418	153 922 494	156 916 324	163 370 699	4,1%

- Certification through the accredited product certification body (CO V) increased by nearly 14% against the previous period. The reasons behind this trend are similar as in the previous case – sales revenue from abroad, particularly Korea and China. Nevertheless, there is still a great potential in voluntary markings (“Safe Toy”, “Certified Quality” and “Certified for Construction” (a project in cooperation with the Alliance of Construction Testing Laboratories) or in the project concerning a joint marking of ITC and ADPP (Association of Plastic Piping Suppliers) that needs to be fully unlocked in the future periods.



- The activities of the accredited laboratory (technological support for clients, analyses of competitor products, automotive industry, etc.) recorded a 7% growth, following a certain stagnation or even decline since 2007 – possibly this trend might finally indicate the fading of the economic crisis. These activities (testing) play an irreplaceable role in the Company's portfolio, and the direct sales revenue from this area amounts to 37% of all output by the Company; in addition, nearly all other competencies and authorizations are linked to these activities.
- The stagnation of sales revenue in educational activities in the period 2009/2010 was expected, particularly in connection with the new requirements for independence and



impartiality of accredited notified bodies; at the same time, these services have no influence on the activities of the Company as a whole and are considered complementary by the Company management. However, there is most certainly also potential for further growth.

- Metrological services provided by the accredited calibration laboratory of Division 4 recorded a slight decline in 2009 (compared to 2008); I believe that this area of the Company's output was the most affected by the economic crisis. In 2010 the Company completed an investment project to strengthen the metrological services for very high frequencies, which should stabilize this area in the future. A new metrological laboratory in Brno was also acquired in 2010, enhancing and facilitating the regional coverage and, thus, increasing the sales revenue in this area by 12%.
- The management system certification (QSM, EMS and other) dropped overall by 8% compared to 2009, particularly due to the decrease of primary certification of supervisory activities (supervisory activities themselves increased by 23%). The quality management certification services are under great competition pressures, further reinforced by the fading economic crisis. Development of new services in this field is extremely desirable in view of the slowly exhausted potential of certifications according to ISO 9001:2001. Although the Company in 2009 abandoned the implementation of some services (certification of consumer wood chain), it also launched new projects such as certification of suppliers for chain stores and the GLOBALGAP project – certification of food production.
- Sales revenue from services for prize gaming machines accounted for 19% of the total sales revenue of the Company in 2010; the Company has a dominant position on the Czech market with these services. Although the total sales revenue from these activities recorded a ca. 8% decrease in 2010, these activities continue to be highly profitable. In 2011, the situation in this sector is subject to major changes, particularly in connection with the circumstances in SAZKA, a.s. and with the entry of new players to the Czech market or, as appropriate, with the modified policies of the current lottery companies. In 2011 our Company will defend its competence in this area before the Ministry of Finance of the Czech Republic, while this area may also be significantly influenced by the forthcoming legislative changes to the "Act on Gambling".





Major Clients

The table below provides an overview of the Company's most important clients in terms of sales revenue in 2010:

ITC ASIA Co. Ltd.	Soul, Korea	CE conformity assessment, certification of QMS
Intacto Games a.s.	Brno	Assessment of gaming machines
SYNOT TIP, a.s.	Uherské Hradiště	Assessment of gaming machines
TESCOMA s.r.o.	Zlín	Testing, household
Synot W, a.s.	Uherské Hradiště	Assessment of gaming machines
Tesco Stores ČR, a.s.	Praha	Chain store
Magna Exteriors & Interiors (Bohemia) s.r.o.	Liberec	Automotive Industry
LEGO System A/S	Billund, Dánsko	Testing, toys
Helvet Group a.s.	Praha	Testing, Automotive Industry
Amatic Industries GmbH	Rutzenmoos, Rakousko	Assessment of gaming machines
Mürdter Dvořák, lisovna, spol. s r.o.	Olšany u Prostějova	Testing, Automotive Industry
BONVER WIN, a.s.	Ostrava	Assessment of gaming machines
NET and GAMES a.s.	Brno	Assessment of gaming machines
Semperflex Optimit s.r.o.	Odry	Testing, Automotive Industry
ZENITH QUALITY ASSESSORS Pvt.Ltd.	Puna, Indie	CE conformity assessment, certification of QMS
C.S.G. SOFTWARE GROUP LIMITED	Brno	Assessment of gaming machines
Continental Automotive Systems Czech	Frenštát pod Radhoštěm	Testing, Automotive Industry

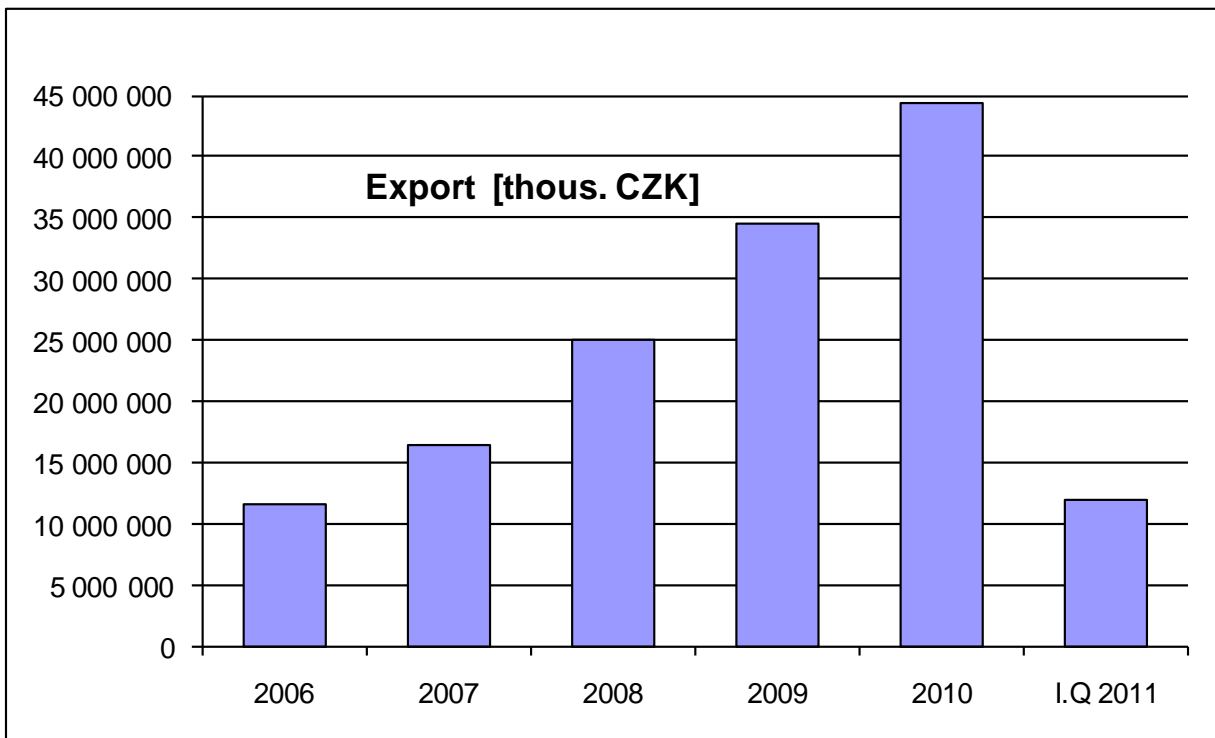
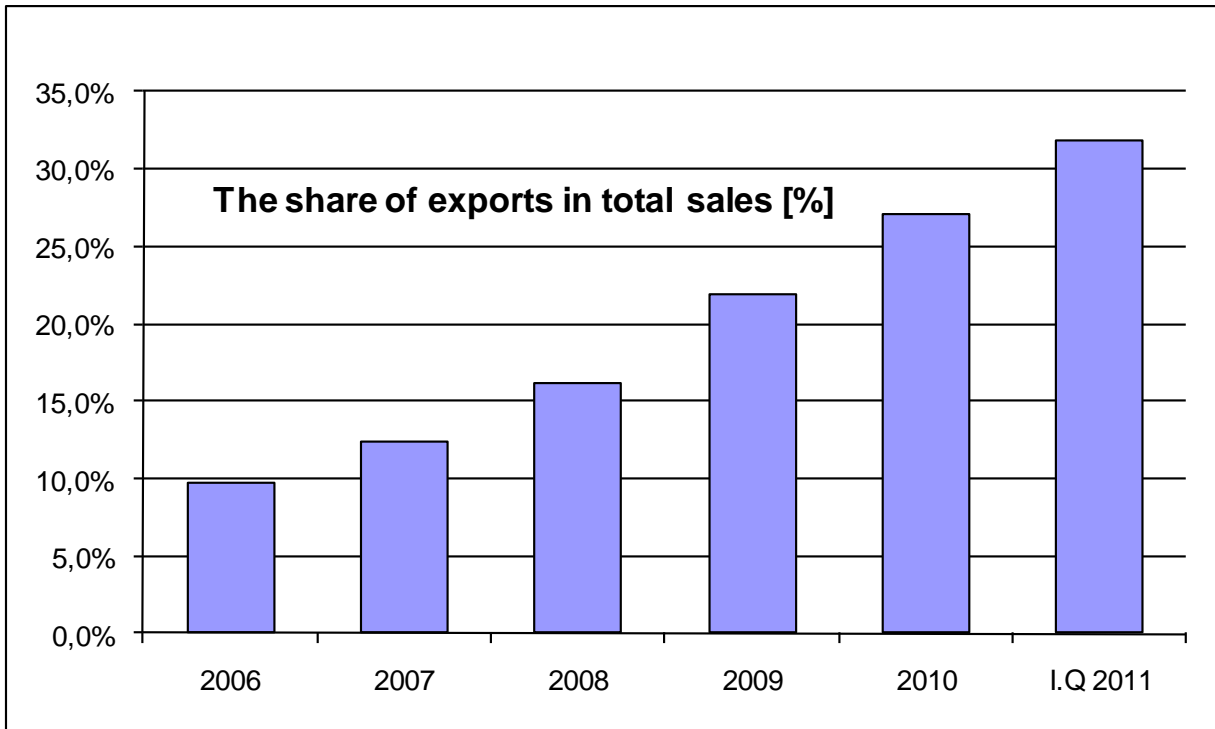
The average price per invoiced contract amounted to CZK 18,159 in 2010, with a total of 9,000 contracts (2009: average price per contract CZK 17,907 with 8,762 contracts).





Company's Exports – Comments

The diagrams below show the percentage representation of exports in the total sales revenue of the Company and the total volume of exports in the given period.





The following table is an overview of the Company's main export destinations (CZK):

Country	2006	2007	2008	2009	2010	I.Q 2011
Poland	1 880 278	3 615 109	7 298 574	10 052 341	11 292 288	2 706 959
Slovakia	3 278 227	3 717 794	3 812 053	3 561 802	4 448 123	1 187 495
Korea	759 231	2 147 967	2 850 457	4 211 920	6 344 002	1 665 102
Germany	1 698 233	1 942 356	2 735 067	2 614 732	2 247 358	350 574
Turkey	615 894	1 447 085	1 749 401	1 983 486	2 863 463	681 858
India	379 172	1 200 653	1 469 675	1 873 637	2 269 769	874 049
Austria	899 704	304 023	556 818	890 932	2 098 867	341 905
Netherlands	299 045	333 981	871 252	790 199	543 304	174 042
Russia	178 025	292 505	246 977	582 456	1 381 128	291 884
China		7 675	520 773	807 517	1 023 019	319 394
Italy	261 898	310 562	184 227	881 768	602 512	175 236
Denmark			168 206	210 365	1 756 671	263 130
Hungary	144 637	80 947	318 233	1 067 277	465 403	16 874
United Kingdom	342 293	188 804	226 628	247 575	783 273	109 283
Sweden	161 677	165 767	172 951	284 894	508 755	547 336
Others	722 580	737 775	1 753 736	4 392 936	5 745 415	2 136 623





Auditor's Report

ZPRÁVA NEZÁVISLÉHO AUDITORA Auditorská zpráva pro společníka a vedení účetní jednotky

Institut pro testování a certifikaci, a.s.

Zlín, tř. T. Bati 299, 764 21, IČ 479 10 381

Identifikace auditované účetní závěrky

Provedli jsme audit přiložené účetní závěrky k 31.12.2010 obchodní společnosti identifikované v přiložené účetní závěrce, která se skládá z rozvahy k 31.12.2010, výkazu zisku a ztráty za rok končící 31.12.2010 a přílohy této účetní závěrky obsahující popis použitých podstatných účetních metod a další vysvětlující informace. Převažujícím předmětem činnosti obchodní společnosti je provádění certifikace systému jakosti, EMS a výrobků.

Odpovědnost statutárního orgánu účetní jednotky za účetní závěrku

Statutární orgán účetní jednotky je odpovědný za sestavení účetní závěrky, která podává věrný a poctivý obraz v souladu s českými účetními předpisy, a za takový vnitřní kontrolní systém, který považuje za nezbytný pro sestavení účetní závěrky tak, aby neobsahovala významné (materiální) nesprávnosti způsobené podvodem nebo chybou.

Odpovědnost auditora

Naši odpovědnost je vyjádřit na základě našeho auditu výrok k této účetní závěrce. Audit jsme provedli v souladu se zákonem o auditorech, mezinárodními auditorskými standardy a souvisejícími aplikačními doložkami Komory auditorů České republiky. V souladu s těmito předpisy jsme povinni dodržovat etické požadavky a naplánovat a provést audit tak, abychom získali přiměřenou jistotu, že účetní závěrka neobsahuje významné (materiální) nesprávnosti.

Audit zahrnuje provedení auditorských postupů k získání důkazních informací o částkách a údajích zveřejněných v účetní závěrce. Výběr postupů závisí na úsudku auditora, zahrnujícím i vyhodnocení rizik významné (materiální) nesprávnosti údajů uvedených v účetní závěrce způsobené podvodem nebo chybou. Při vyhodnocování těchto rizik auditor posoudí vnitřní kontrolní systém relevantní pro sestavení účetní závěrky podávající věrný a poctivý obraz. Cílem tohoto posouzení je navrhnout vhodné auditorské postupy, nikoli vyjádřit se k účinnosti vnitřního kontrolního systému účetní jednotky. Audit též zahrnuje posouzení vhodnosti použitých účetních metod, přiměřenosti účetních odhadů provedených vedením i posouzení celkové prezentace účetní závěrky.

Jsmo přesvědčeni, že důkazní informace, které jsme získali, poskytují dostatečný a vhodný základ pro vyjádření našeho výroku.

Výrok auditora k účetní závěrce

Podle našeho názoru účetní závěrka ve všech významných ohledech podává věrný a poctivý obraz aktiv, pasiv a finanční pozice obchodní společnosti **Institut pro testování a certifikaci, a.s.** k 31.12.2010 a nákladů, výnosů a výsledku hospodaření za rok 2010 v souladu s českými účetními předpisy.

Ověřili jsme soulad informací o auditované společnosti za uplynulé období, uvedených ve výroční zprávě, s ověřovanou účetní závěrkou. Podle našeho názoru jsou tyto informace ve všech významných ohledech v souladu s touto účetní závěrkou, z níž byly převzaty.

Za úplnost a správnost zprávy o vztazích mezi propojenými osobami odpovídá statutární orgán společnosti. Ověřili jsme věcnou správnost údajů uvedených v této zprávě a nezjistili jsme významné nesprávnosti.

Datum vydání zprávy

Ve Zlíně dne 20. června 2011

Alois BERKA s. r. o.
auditorská a daňová kancelář
tř. T. Bati 640, 760 01 ZLÍN
DIČ: CZ60701331

odpovědný auditor ing. Berka Alois
osvědčení KA ČR č. 0249
auditorská firma: Alois Berka s.r.o.
osvědčení KA ČR č. 108



za auditovanou účetní jednotku

Příloha: auditovaná rozvaha
auditovaný výkaz zisku a ztráty
auditovaná příloha k účetní závěrce



Foreign Branch of Institut pro testování a certifikaci, a. s. Extract from the Commercial Register in Slovakia

Trade name of the foreign branch:	Institut pro testování a certifikaci, a.s., branch of a foreign entity business	(since: 30 January 2007)
Registered office of the foreign branch:	Mlynské Nivy 54 Bratislava 821 05	(since: 30 January 2007)
Comp. reg. No.:	36 731 307	(since: 30 January 2007)
Registration date:	30 January 2007	(since: 30 January 2007)
Legal form:	Foreign entity business (branch of a foreign entity business)	(since: 30 January 2007)
Sphere of activities:	Business consulting services in the scope of a non-regulated trade	(since: 30 January 2007)
	Letting of real-estates combined with provision of complementary services and procurement services related to the letting, in the scope of a non-regulated trade	(since: 30 January 2007)
	Purchase of goods for their resale to the end consumer (retail trade)	(since: 30 January 2007)
	Purchase of goods for their resale to other trade operators (wholesale trade)	(since: 30 January 2007)
	Rental of movable assets in the scope of a non-regulated trade	(since: 30 January 2007)
	Automated data processing	(since: 30 January 2007)
	Computer network administration	(since: 30 January 2007)
	Activities related to the Notified Body No. 1023 of the European Union	(since: 31 May 2007)
	Assessment and certification of management systems	(since: 31 May 2007)
	Activities of testing laboratories in the scope of a non-regulated trade	(since: 31 May 2007)
	Product certification in the scope of a non-regulated trade	(since: 31 May 2007)
	Impartial control of status check of certain matters, or verification of results of certain activities and issue of control certificates	(since: 31 May 2007)
Head of the branch:	Ing. <u>Jiří Heš</u> Louňovice 231 Mukařov 251 62 Czech Republic	(since: 30 January 2007)
Acting on behalf of the company:	In matters related to the branch, the Head of the branch shall individually represent and sign on behalf of the branch by attaching his authorized signature to the written or printed trade name of the branch.	(since: 30 January 2007)
Established by:	Institut pro testování a certifikaci, a.s. Comp. reg. No.: 47 910 381 Tř. T. Bati 299 Zlín 764 21	(since: 30 January 2007)
Any other legally relevant facts:	The branch of a foreign entity business was established on the basis of a decision of the founding entity of 21 December 2006 in accordance with Section 21 et seq. of the Commercial Code No. 513/1991 Coll., as amended.	(since: 30 January 2007)
	Decision by the founding entity of 29 March 2007.	



Company's Balance Sheet in full format

	CZK	31.12.2006	31.12.2007	31.12.2008	31.12.2009	31.12.2010	
1	0	TOTAL ASSETS (lines 02 +03 +31 + 63) = r. 67	55 507 659	52 916 155	62 404 536	61 443 580	59 672 082
2	A.	Receivables for subscribed capital		0	0	0	0
3	B.	Fixed assets (r. 04 + 13 + 23)	29 382 257	26 359 422	27 015 762	26 764 683	22 217 693
4	<i>B.I.</i>	<i>Intangible assets (r. 05 to 12)</i>	<i>107 747</i>	<i>100 339</i>	<i>109 839</i>	<i>62 239</i>	<i>50 065</i>
5	1	Start-up costs	0	0	0	0	0
6	2	Research and development		0	0	0	0
7	3	Software	107 747	100 339	109 839	62 239	50 065
8	4	Royalties	0	0	0	0	0
9	5	Goodwill	0	0	0	0	0
10	6	Other intangible fixed assets	0	0	0	0	0
11	7	Intangible assets		0	0	0	0
12	8	Advance payments for intangible assets		0	0	0	0
13	<i>B.II.</i>	<i>Tangible assets (r. 14 to 22)</i>	<i>29 274 510</i>	<i>26 259 083</i>	<i>26 905 923</i>	<i>26 702 444</i>	<i>22 167 628</i>
14	1	Grounds	1 128 088	1 128 088	1 128 088	1 128 088	1 128 088
15	2	Buildings	8 023 743	8 309 129	8 469 210	8 572 837	8 181 613
16	3	Property, plant and fixtures	12 766 457	10 420 454	11 832 518	12 412 613	9 367 895
17	4	Cultivated areas		0	0	0	0
18	5	Basic Livestock		0	0	0	0
19	6	Other tangible fixed assets	38 559	19 444	11 512	9 027	9 027
20	7	Tangible fixed assets	116 050	116 050	134 372	185 350	22 171
21	8	Prepayments for tangible fixed assets	0	0	0	0	0
22	9	Adjustments to acquired assets	7 201 614	6 265 919	5 330 224	4 394 529	3 458 834
23	<i>B.III.</i>	<i>Long-term investments (L. 24 to 30)</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
24	1	Podíl.cen.pap.a shares in companies with rozh.vlivem		0	0	0	0
25	2	Podíl.cen.pap.a shares in associates		0	0	0	0
26	3	Other securities and investments		0	0	0	0
27	4	Loans to group companies		0	0	0	0
28	5	Other financial assets		0	0	0	0
29	6	Unfinished long. fin assets		0	0	0	0
30	7	Prepayments for long. fin own.		0	0	0	0
31	C.	Current assets (ř.31 + 38 + 48 + 58)	22 902 230	23 614 202	31 973 642	31 790 383	34 371 980
32	<i>C.I.</i>	<i>Inventories (lines 33 to 38)</i>	<i>3 806 502</i>	<i>2 942 253</i>	<i>4 173 051</i>	<i>4 421 144</i>	<i>4 860 428</i>
33	1	Material	516 432	455 136	788 568	796 551	944 201
34	2	Unfinished production and semi-	3 290 070	2 487 117	3 384 483	3 624 593	3 916 227
35	3	Products		0	0	0	0
36	4	Animals		0	0	0	0
37	5	Goods	0	0	0	0	0
38	6	Advance payments for inventory		0	0	0	0
39	<i>C.II.</i>	<i>Long-term receivables (L. 40 to 47)</i>	<i>527 140</i>	<i>527 140</i>	<i>527 140</i>	<i>507 358</i>	<i>510 693</i>
40	1	Trade receivables	0	0	0	0	0
41	2	Receivables - managing entity controlled		0	0	0	0
42	3	Receivables in units with substantial. Due		0	0	0	0
43	4	Receivables from partners, cooperative members and ...		0	0	0	0
44	5	Long-term receivables	527 140	527 140	527 140	507 358	510 693
45	6	State - tax receivables		0	0	0	0
46	7	Unbilled revenue		0	0	0	0
47	8	Other receivables	0	0	0	0	0
48	<i>C.III.</i>	<i>Short-term receivables (L. 49 to 57)</i>	<i>13 775 764</i>	<i>16 028 174</i>	<i>16 475 889</i>	<i>17 551 971</i>	<i>17 911 823</i>
49	1	Trade receivables	12 978 067	15 758 706	15 720 686	15 230 353	16 599 976
50	2	Receivables - managing entity controlled		0	0	0	0
51	3	Receivables in units with substantial. Due		0	0	0	0
52	4	Receivables from partners, cooperative members and ...		0	0	0	0
53	5	Social security and health security	0	0	0	0	0
54	6	The state-tax receivables	388 586	0	5 893	505 377	970 560
55	7	Short-term prepayments	254 557	124 796	227 408	606 867	241 602
56	8	Unbilled revenue	0	0	0	0	0



2011 Annual Report



57	9	Other receivables	154 555	117 672	521 903	1 209 374	99 685
58	C.IV.	Short-term investments (L. 59 to 62)	4 792 824	4 116 635	10 797 562	9 309 910	11 089 037
59	1	Money	226 440	282 369	161 983	409 789	403 013
60	2	Cash at bank	4 566 384	3 834 266	10 635 579	8 900 121	10 686 024
61	3	Short-term securities and shares		0	0	0	0
62	4	Pořizovaný short-term financial assets		0	0	0	0
63	D.I.	Accruals (ř.59 to 60)	3 223 172	2 942 531	3 415 132	2 888 514	3 082 410
64	1	Prepaid expenses	3 159 190	2 938 531	3 384 436	2 888 514	3 081 990
65	2	Comprehensive prepaid expenses	0	0	0	0	0
66	3	Accrued income	63 982	4 000	30 696	0	420
67		TOTAL LIABILITIES (lines 68 + 85 + 118) = 001 L	55 507 659	52 916 155	62 404 536	61 443 580	59 672 082
68	A.	Equity (lines 69 + 73 + 78 + 81 + 84)	21 750 785	22 398 307	28 191 808	29 624 078	28 858 015
69	A.I.	Registered capital (row 70 to 72)	5 455 000	5 455 000	5 455 000	5 455 000	5 455 000
70	1	Capital	5 455 000	5 455 000	5 455 000	5 455 000	5 455 000
71	2	Own shares and own shares		0	0	0	0
72	3	Changes in capital		0	0	0	0
73	A.II.	Capital funds (row 74 to 77)	10 847 208	10 847 208	10 847 208	10 847 208	10 847 208
74	1	Share premium		0	0	0	0
75	2	Other capital funds	10 847 208	10 847 208	10 847 208	10 847 208	10 847 208
76	3	Revaluation of assets and liabilities		0	0	0	0
77	4	Revaluation reserve on transformations		0	0	0	0
78	A.III.	Reserve funds and other reserves (lines 79 +80)	1 440 400	1 564 791	1 613 971	1 455 173	1 451 802
79	1	Statutory reserve / non-distributable reserves	1 100 000	1 100 000	1 100 000	1 100 000	1 100 000
80	2	Statutory and other funds	340 400	464 791	513 971	355 173	351 802
81	A.IV.	Retained earnings (line 82 + 83)	2 713 769	2 258 177	3 081 307	8 121 228	9 866 697
82	1	Retained earnings from previous years	2 713 769	2 258 177	3 081 307	8 121 228	9 866 697
83	2	Accumulated losses from previous years	0	0	0	0	0
84	A.V.	Profit for the period	1 294 408	2 273 130	9 857 242	3 745 469	1 237 308
85	B.	Liabilities (lines 86 + 91 + 102 + 114)	33 037 528	30 106 645	33 625 658	31 120 607	29 916 660
86	B.I.	Reserves (l. 87 to 90)	0	13 116	43 854	39 629	60 221
87	1	Reserves under special regulations	0	0	0	0	0
88	2	Provision for pension liabilities and podbné	0	0	0	0	0
89	3	Provision for income tax		0	0	0	0
90	4	Other reserves	0	13 116	43 854	39 629	60 221
91	B.II.	Long-term liabilities (L. 92 to 101)	644 363	448 755	760 795	663 148	570 415
92	1	Trade payables		0	0	0	0
93	2	Liabilities - controlling entity		0	0	0	0
94	3	Commitments - significant influence		2 766	9 661	14 184	11 198
95	4	Payables to partners, members of the team		0	0	0	0
96	5	Long-term advances received		0	0	0	0
97	6	Bonds		0	0	0	0
98	7	Long-term notes payable		0	0	0	0
99	8	Unbilled		0	0	0	0
100	9	Other long-term liabilities	0	0	263 345	131 793	19 441
101	10	Deferred tax liability	644 363	446 009	514 789	517 170	539 777
102	B.III	Short-term liabilities (l. 103 to 113)	20 802 452	19 345 941	24 321 446	23 699 672	22 286 023
103	1	Accounts Payable	8 014 559	6 148 515	8 350 795	8 653 881	6 071 008
104	2	Liabilities - controlling entity		0	0	0	0
105	3	Commitments - significant influence		0	0	0	0
106	4	Payables to partners, members of the team	0	0	0	0	0
107	5	Payables to employees	6 183	61 263	91 697	106 304	127 115
108	6	Liabilities for social security and health insurance	1 805 217	2 153 192	2 134 849	1 920 122	2 463 128
109	7	State - taxes and subsidies	1 112 521	2 306 613	2 698 656	1 417 053	1 642 644
110	8	Advances received	6 087 439	5 320 443	6 506 636	6 899 187	7 432 583
111	9	Bonds		0	0	0	0
112	10	Unbilled	66 138	1 979	534	15 261	15 234
113	11	Other liabilities	3 710 395	3 353 937	4 538 278	4 687 863	4 534 311
114	B.IV.	Bank loans and overdrafts (lines 115 to 117)	11 590 713	10 298 812	8 499 563	6 718 158	7 000 000



2011 Annual Report



115	1	Long term bank loans	5 298 812	2 999 563	718 158	0	0
116	2	Short-term bank loans	6 291 901	7 299 249	7 781 405	6 718 158	7 000 000
117	3	Borrowings	0	0	0	0	0
118	C. I	Accruals (r. 119-120)	719 345	411 203	587 071	698 895	897 408
119	1	Accrued expenses	531 345	388 603	587 071	698 895	897 408
120	2	Deferred revenues	188 000	22 600	0	0	0