HITT
Annual report 2010

HITT nv

	YoY (%)	2010	2009	2008	2007	2006
Key figures (€ 1,000)						
Revenue	12	36.234	32.296	30.917	31.824	27.875
Operating profit		2.368	(25)	1.388	386	1.919
Net result (shareholders)	597	2.404	345	4.741	252	1.866
Depreciation and amortization expense		(2.252)	(1.656)	(2.860)	(2.582)	(3.135)
Employee benefit expense		(13.123)	(13.103)	(13.792)	(12.819)	(10.653)
Assets	17	31.293	26.790	27.648	28.021	26.839
Equity	4	17.291	16.607	16.552	13.632	13.550
Cash flow (€ 1,000)						
Operating activities	21.859	8.125	37	3.564	7.080	4.052
Investing activities	4	(1.745)	(1.685)	2.444	(3.360)	(5.788)
Financing activities	188	(1.554)	(539)	(2.159)	(1.150)	(1.004)
Net		4.826	(2.187)	3.849	2.570	(2.740)
Per share data (in €)						
Average number of shares (000)	(1)	4.659	4.694	4.694	4.694	4.694
Revenue	13	7,78	6,88	6,57	6,78	5,94
Operating profit		0,51	(0,01)	0,30	0,08	0,41
Net result (shareholders)	643	0,52	0,07	1,01	0,05	0,40
Depreciation and amortization expense		(0,48)	(0,51)	(0,61)	(0,55)	(0,67)
Cash flow		1,04	(0,47)	0,82	0,55	(0,58)
Equity	5	3,71	3,54	3,53	2,90	2,89
Dividend	–	0,14	0,14	0,35	0,14	0,11
Highest price	22	5,05	4,15	6,03	7,90	8,15
Lowest price	24	3,65	2,95	2,86	5,00	5,80
Closing price	35	4,85	3,60	3,50	5,30	6,14
Yield (in %)						
Return on equity		14	2	29	2	14
Return on capital employed		12	–	7	2	10
Return on sales		7	1	15	1	7
Solvency (in %)						
Equity / total assets		55	62	60	49	50
Equity / liabilities		123	163	149	95	102
Liquidity						
Current ratio		2,0	2,5	2,4	1,8	2,2
Quick ratio		1,1	3,5	2,3	1,6	2,7

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Preface

It gives me great pleasure to present the Annual Report of HITT NV for 2010 with its new look and fresh approach. The year 2010 was one of positive turning points in the history of our company. After a challenging year of recession we closed 2010 with a well-filled order book and increasing profitability. Our long term strategy, aimed at realizing more added value, began to yield results in 2010.
The orders and projects on which we are working at the moment, increasingly include our further developed software products as a base and they qualify as the highest standard in our niche markets worldwide.

With this Annual Report, the new design and photography, elements such as short interviews, photo reports and report by the Management Board, we hope to convey our new élan and strengthened confidence. With these new elements we would like to provide you with a clear perspective of the near future, for HITT and the sectors in which we operate.

Sjoerd Jansen

Report of the Management Board

Position, Vision and Strategy

HITT operates in the international markets for safety, security and efficiency of nautical and air traffic. With our highly skilled staff and with subsidiaries in Europe, North America and Asia, the company takes a leading position in the specialized markets for traffic control, traffic management, navigation and hydrographic software systems.

HITT's strategic business goal is to achieve and maintain a leadership position as a solutions provider that develops advanced software applications in the domains of navigation, traffic and logistic support. HITT's leadership position in these markets is achieved through the development of a highly sophisticated knowledge of traffic guidance, navigation, resource planning and related specializations such as hydrography, Geographic Information Systems (GIS) and Information and Communication Technology.

From the strong market positions in the areas as described in this annual report, it is expected that HITT will grow and expand in a profitable and sustainable way to the benefit of all stakeholders.

The current focus is on those markets in which safety, security and efficiency are the main drivers. The areas of interest are the aviation and marine markets, in which accurate and up-to-date information about aircraft, vehicle and vessel movements are vital.

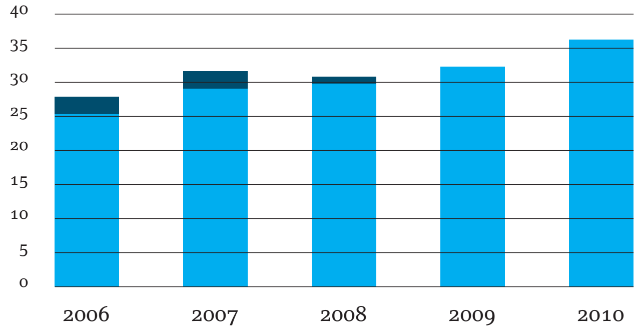
In these highly competitive markets, HITT has gradually moved away from integrated once-only projects and instead prefers to be recognized as the number one, first class supplier of software as product and solid base of our systems. This product oriented approach ensures long term relationships with our clients by giving support and regular updates for the software. Moreover this strategy results in cost efficient use of the systems by clients as well as lower costs and recurring revenues for HITT.

The world-wide market environment of HITT is dominated by government and semi-government agencies that have public responsibility for infrastructure, security, safety and environment. Furthermore, the company serves a growing number of customers with primarily affiliated commercial objectives, such as organizations that use the infrastructure (airports, ports, waterways, pilotage, etc.) or contribute various services to support operations.

Revenue by region

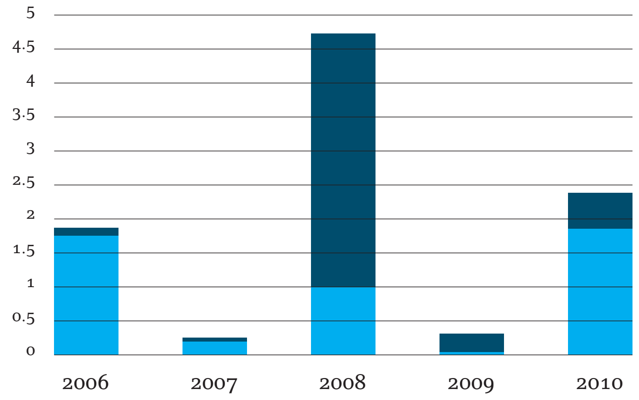
The Netherlands 37%
Rest of Europe 16%
Asia 34%
Rest of the world 13%

Revenue (in € million)



Continuing operations
Discontinued operations

Net result shareholders (in € million)



Continuing operations
Discontinued operations

Market developments in 2010

Markets and economies relevant to HITT gradually improved during 2010 after a poor 2009. On February 2nd, we were cautious in our press release: 'Although HITT still feels the effects of the worldwide economic recession, activities in China continue to grow. Delays in the Aviation market will continue in 2010. Outstanding proposals for the Marine sector will hopefully lead to orders in 2010'. In short, modest optimism in a year that had just started.

One of the largest orders in HITT's history

The first orders soon came in. Only a few days after this press release, HITT received one of the biggest orders in its history: 'HITT has been notified by the Netherlands Ministry of Transport, Public Works and Water Management (Rijkswaterstaat – RWS) of its intention to award HITT with an order for the design, delivery, testing and commissioning of a vessel traffic guidance and control system on the Noordzeekanaal (North Sea Canal) and surrounding waterways, as well as the maintenance of the entire system for a period of 10 years'. The entire order represents a value of about EUR 17 million. Although legal action by a competitor caused some delay, the project started on April 1st.

A day after the first announcement about the Noordzeekanaal project, HITT was again selected by the same RWS for a vessel traffic control system for the region Den Helder, with a value of about EUR 2.3 million. Both the Belgian ports of Antwerp and Ghent subsequently selected HITT's vessel traffic control systems. This meant that in the first half of the year important steps were made towards maintaining a strong position in the domestic maritime market.

China is growing fast

Aviation also booked a number of successes in the first half year. The fifth order in a row was received from the Chinese Civic Aviation Administration (CAAC), this time for Chengdu Shuangliu International Airport near the capital of the Province of Sichuan. This is the sixth airport of China when it comes to traffic density. The Advanced Surface Movement Guidance and Control System (A-SMGCS) is a state of the art system that assists air traffic controllers with quick, safe and efficient guidance of aircraft and vehicles on the ground in all weather conditions.

The Egyptian National Air Navigation Services Company subsequently selected HITT for the extension of the existing air traffic control system for Cairo International Airport, the second airport of Africa when it comes to the number of passengers and first where it concerns cargo. Swedish and German Air Traffic Control authorities also signed for the extension of existing systems. Later in the year, more orders for A-SMGCS systems were to follow from China, including one in September for the airport of Xi'an, which is the eighth largest in China, located in a central part of the country, best known for the terracotta army. The new airport of Kunming in the southwest and the seventh in size followed with an order in November.

Completions

The aviation market steadily improved in 2010. The number of worldwide flights increased by 8 per cent compared to the year before. With busier airports, demand grows for HITT's traffic control systems to enhance safe and efficient traffic guidance and control at airports. In the second half of the year more projects for our systems came to the market. We fortunately had a well filled order book at the

end of the first half of the year, as a result of which the number of completions during the rest of the year showed an unprecedented pace. To this list of successes in 2010 we should add that the fierce competition in the aviation markets put profit margins under pressure.

In the Aviation sector, one of the milestones in 2010 was the completion of a complicated project in Turkey, where three airports (Istanbul, Antalya and Ankara) were equipped with a system including radar and multilateration (transponder technology). An ambitious project in Cairo was completed after which a new order was immediately placed.
The system for Hongqiao Airport near Shanghai was completed after the other airport – Pudong – was fully automated by HITT. Significant work was done at airports in Russia, China, Singapore and Germany. In the United States, HITT was and is working on a system in San Jose, California, a first foothold in this difficult market for foreign companies.

Our Canadian subsidiary Klein Systems Group Ltd. (KSG) has been active for a long time in the North American market, where it was selected by the Port of Los Angeles to supply a comprehensive billing system. The Port of Los Angeles is the busiest container port in the US and the 8th busiest port in the world. KSG provides software solutions to meet the diverse and changing needs of maritime ports and vessel traffic regions. The company KSG has done this successfully for over 25 years, deploying solutions in over 45 ports globally. Additionally, KSG has provided solutions for numerous Pilotage and Tug organizations around the world. HITT Traffic and Klein Systems made important steps in 2010 to further integrate the most important solutions and products.

Amphibious operation

Full subsidiary Quality Positioning Services, QPS, is a more product than project driven organization – the type of organization HITT Traffic is gradually becoming. The main activities of QPS are focused on system integration and development of survey systems. Recently QINSy data acquisition software is additionally used for Mobile Laser Mapping applications; also in combination with Multibeam survey systems on board of survey vessels around the world. The key technology of QPS is based on the collection and presentation of large volumes of navigation data and depth data, all in real-time.

Traditionally QPS acquires data under the waterline. Last year there was a breakthrough which allowed measuring and mapping to be conducted simultaneously both under and above the waterline and even aboard moving vessels. The Port of Rotterdam has now started with the new QPS technology for one centimeter accurate measurements and qualitative assessment of the Botlek area, including the quays, poles, jetty's, cranes, etc.

In 2010, QPS moved further onshore by detaching the technology from the hydrographic market – in which it has a leading position – towards land based applications. It has since sold systems for mobile laser scanning for, among others, assessing the quality of asphalt roads. A scanner-equipped car measures the quality of a road, without influencing the traffic flow. QPS is breaking through in North America with an elementary variation of this technology for measuring stocks of quarries and mining operations. Toward the end of 2010, QPS together with Ad Navigation, another HITT subsidiary (51% interest), developped the new generation Portable Pilot Unit, to be introduced to the pilotage market early 2011. Both QINSy and

Qastor software applications were extremely successful in 2010, leading to record sales for QPS in countries such as China and Russia, but also in Canada and for the navies in Morocco and Malaysia. The Malaysian order included an extensive training program as well. Large orders for Qastor were received from the Belgian Pilot organization in summer and from the Dutch pilots last December.

Turning point

All these activities were achieved in 2010 in highly competitive markets, where some competitors could benefit from funding possibilities by large parent companies and others felt relatively well protected from foreign players due to their own national borders. HITT does not have either of these advantages.
In addition to state of the art technology and hard work, the successes in 2010 are a result of the company's strategy and policy for the short and longer term.

- Revenue could be increased without increase of staff or operating costs.
- HITT has been working for some time to change from a project oriented to a product oriented organization. Now the development costs are spread over a larger customer base, and as a result HITT can better compete on pricing. For the sector in which HITT operates, this is seen by many as an innovative strategy. Particularly in the maritime sector, our existing software packages can by now be configured without project specific adjustments of the software being necessary. Although customers often still require specific adjustments, the existing products are getting more and more complete. The result is lower costs for HITT. Lower initial costs and maintenance costs for the client result in an improved market position. Instead of project specific development costs there is now the possibility to subscribe to new developments, applications and modernization in so-called 'time based releases'. This ensures a long term relation with the client and recurring revenues for HITT.
- Parallel to the far reaching standardization of the most important software packages, HITT has for years been very active in participating in international discussions at various platforms and knowledge institutes related to standardization in the areas of aviation, maritime and hydrographic developments.

Financial developments

HITT's profit recovered after a reorganization and low profitability in the preceding year. The year ended with a net profit of EUR 2.2 million (2009: EUR 0.3 million), including results from discontinued operations of EUR 0.5 million (2009: EUR 0.3 million). The order backlog increased to EUR 45 million (end of 2009: EUR 28 million).
Revenue significantly increased from EUR 32.3 million in 2009 to EUR 36.2 million in 2010. After a slow start in 2010, HITT could start up several projects in 2010. The purchased goods for projects increased from EUR 14.2 million in 2009 to EUR 16.3 in 2010, resulting in an increased added value of EUR 19.9 million (2009: EUR 18.1 million).
The larger part of the revenue and added value growth was realized through a significant increase of revenue from construction contracts in the Traffic segment. Revenue in the Hydrography segment showed a stable growth, despite the low revenue from onboard hardware in the year. The geographical distribution of the intake illustrates the international nature of HITT's markets: 37% in the Netherlands, 16% in the rest of Europe, 34% in Asia and 13% in the rest of the world.
The increase of revenue could largely be handled with the existing staff. Total employee benefits expense did hardly increase in 2010, although there was some upward tendency during the year. This is due to increased hire of temporary staff and the effect of profit sharing agreements with permanent staff. Depreciation and other expense were slightly lower than last year.
The profit from continuing operations increased from EUR 47,000 in 2009 to EUR 1.7 million in 2010. The positive trend from 2007 to 2008, which was interrupted by the economic crisis in 2009, could therefore be resumed. The result from discontinued operations mainly concerns earn-out considerations from subsidiaries divested in preceding years.
With a total of EUR 54 million new order bookings (2009: EUR 26 million), the year ended with an order backlog of EUR 45 million (end of 2009: EUR 28 million). This backlog covers a significant number of long term engagements which is in line with HITT's strategic focus. From the December 31 backlog, approximately EUR 18 million (40%) concerns revenue which will be realized in 2012 and the years thereafter. The pipeline of outstanding proposals and prospects for 2011 and beyond is in proportion to HITT's growth ambitions.
Despite the significant revenue growth, HITT managed to reduce the working capital significantly in 2010. More acceptable payment conditions could be agreed and HITT received large advance payments from customers. This resulted in a cash flow from operating and investing activities of EUR 6.4 million (2009: minus EUR 1.6 million). The Indian projects still require a relatively high prefinancing.
The solvency stayed on an acceptable level in 2010 due to significant cash flows from operating activities and despite pay-out of dividend and repurchase of own shares.

Technology, markets and opportunities

Emerging trends in technology and demand from the international markets in 2010 have also set the agenda for 2011. In this report for the year 2010, we focus on three trends in our industry and investigate what this means for HITT, what the possibilities and opportunities are, especially for our maritime and aviation systems and clients.

- So called 'collaborative decision making' will grow in importance.
- The importance of camera technology will continue to grow.
- Man-machine interfaces for our core business will become three dimensional.

Collaborative decision making

Marine

During 2010 HITT's vessel traffic control systems were linked to a management information system, so that the identity and other data of the ship are now directly presented to the operators. The actual arrival data and other information can be included as well. Especially in China, traffic control and navigation authorities want to connect HITT's traffic control systems to a management system for the various services and functions in their ports. A management system for the logistics in ports, the handling of the ships and cargo, their positioning in the port, and the services they require, is the specialty of HITT's subsidiary Klein Systems in Vancouver. In 2010 we therefore integrated both systems up to a more sophisticated level, resulting in new options for our customers. By the end of 2010 we started to implement the new multipurpose systems in China.

By combining the plans, intentions and business of a ship owner on the one side and the status of a ship on its way to or in a port on the other, the total flow of information will be more complete for all participants and interested parties. This means that all participants are equipped to perform better than before.
The systems for Vessel Traffic Services (VTS) have now been expanded and upgraded to Vessel Traffic Management and Information Systems (VTMIS). This is one example of innovative thinking in travel management and paves the way for Collaborative Decision Making, or in other words Travel Management Level 2.

Aviation

'Airport Insight' is our new web portal for Collaborative Decision Making, with a comprehensive package of solutions for any party involved in airside operations. Airport Insight gathers information from existing systems at airports, such as Air Traffic Control, Flight Plan Management and Airport Operational Database, to create real-time overviews of what goes on at the airport.

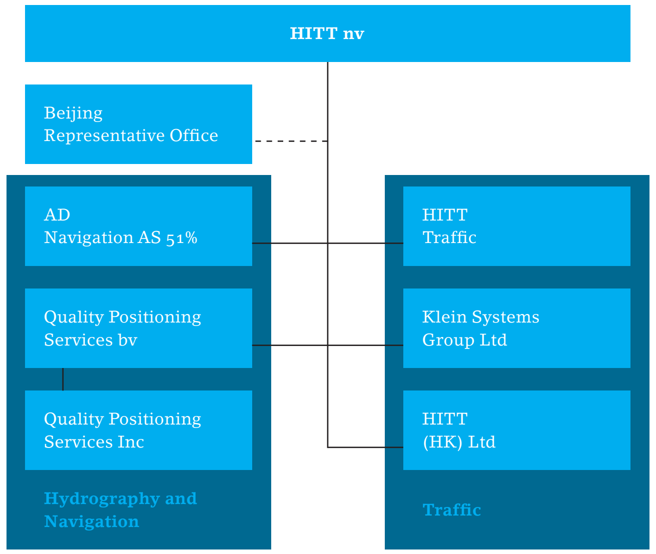
This also applies to Electronic Flight Strips. Most air traffic controllers are literally working with paper strips with the flight data of the arriving and departing planes. Changes are made with pen and paper and during handover to a colleague; the paper strip is transferred too. Such data were not available electronically. Many years ago HITT – to no avail – introduced an electronic version. But now there is demand from the market and an electronic version of the Flight Strip can be supplied by HITT. Now that the data become available electronically, all sorts of combinations of data are possible that can further support the work of air traffic control. Additionally, these data are of growing importance for the logistics on the ground.

As a next step, HITT's routing guidance system is ready to be integrated for use by our existing customers. Air traffic controllers in fact manually control all moves at the airports, on runways as well as the local traffic of buses, trucks, etc. Software can of course assist in calculating the most efficient routes and sequences. The calculations can further be extended to Guidance, such as the follow-the-green method, where the pilot after landing in the dark only needs to follow the green lights to his gate, and thus enhancing the efficiency and the safety at the airport. This is Travel Management Level 2 as well. Where airlines in the air have become familiar with a gate-to-gate approach, HITT focuses on the air-to-air concept, where sustained capacity is offered and planes can be utilized more efficiently.

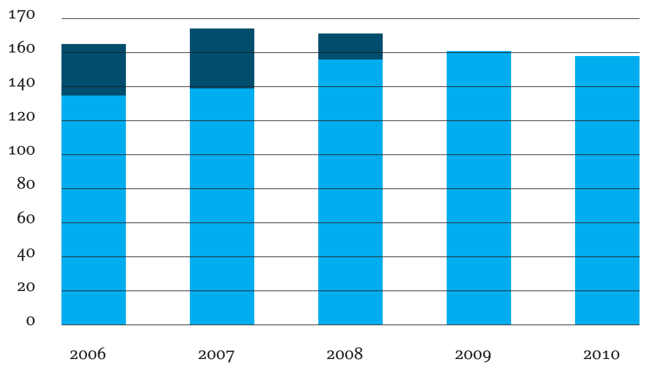
Camera technology

During the year 2010 increasing efforts in research and development were made to integrate new camera technology in HITT's products, particularly in the maritime sector. Radar and transponder were dominant technologies in this sector for many years, where recently automated cameras (both daylight and infrared) have become increasingly important, for instance in coastal areas. Factors that play an important role in integrating cameras in overall surveillance and guiding systems are the enormous amounts of data that are generated and must be distributed, recorded, linked in real time to other information, and evaluated for specific purposes.

Organization



Average full-time equivalent staff



Continuing operations
Discontinued operations

Software solutions must additionally provide accurate and trustworthy data in instable conditions. Some coastal areas pose a special problem, where tidal influences within a short time can transform land into sea and vice versa. This means an additional flow of data, imperative corrections and filters to produce real accurate information.

Somewhat related to this is the quantity of data that is now generated by the measurements with lasers by HITT's subsidiary QPS on shore and further inland. Measurements with 'multi beam' are recording some 20,000 depths per second; with a laser this is 10 to 20 times higher. But then again, this provides a much better, three-dimensional model of the terrain, in which you cannot only see the seagulls at the docks, but you can even see what they are eating.

Three dimensions

And hence the third trend which is to be highlighted in this 2010 annual report: the man-machine interface for traffic control and management systems, navigation and precision measurement, the technologies in which HITT is leading in the world, will irrevocably become three-dimensional in the near future. QPS' new land activity is a vivid example. By using the three-dimensional mapping of roads and street furniture without hindering traffic, quick answers can be found for how much asphalt can be added to a road without trucks getting stuck under the flyover. This is a preventative form of traffic control and management operation in itself.

Around the world small cars with rooftop cameras are registering the images on street view level for the benefit of mainly consumers and the retail sectors. Virtual reality, virtual guidance and virtual navigation will soon be a fact of life. QPS and HITT Traffic operate on the upper end of these technologies in professional sectors such as transport and engineering. For the Benelux, the international coasts of the North Sea and parts of Scandinavia, QPS already operates a Real Time Kinetic (RTK) correction network, so even the vertical positions of objects, or of moving vessels and planes, reach precision margins of less than a centimeter.
All necessary technologies are available, though not low priced. This is expected to change in the future.

Suppliers and partners

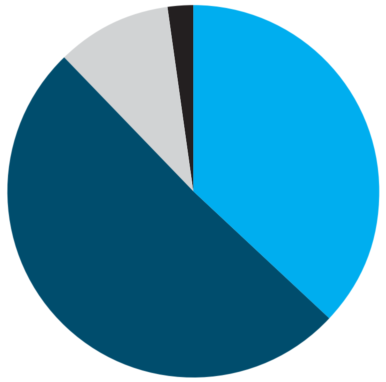
In both the aviation and the marine sector, there is a selected choice of suppliers for radars and Multi Lateration (MLAT) systems which are often a significant part of the total scope of our projects. HITT is independent in the field of applying sensors and interfacing as a result of the standardization of products and the use of open standards.
For installation and construction activities, HITT relies on a wide variety of suppliers.

HITT supports the involvement of regional partners for the realization of projects in Asia, India and Australia. In China HITT actively uses its own local company in Hong Kong for sales, installation and support. The hydrographical software sales are supported by a global network of resellers.

Organization and staff

HITT N.V. (HITT) was incorporated under the laws of the Netherlands on May 20, 1998 as a public company with limited liability (naamloze vennootschap), having its statutory seat in Amsterdam. On this date

Education



University 37%
Polytech 51%
Professional 10%
Basic 2%

Staff averages

	Year
Average age	44
Average employment	9
Average expertise	20

it acquired all shares in HITT Holland Institute of Traffic Technology B.V. that was incorporated on January 28, 1994. HITT shares are listed at Euronext Amsterdam.

The corporate structure of HITT comprises 6 directly or indirectly owned subsidiaries. The figure *Organization* on page 12 shows the corporate structure as of December 31, 2010.

- HITT Holland Institute of Traffic Technology B.V. (HITT Traffic) is active in the Air Traffic Control and Vessel Traffic Services markets.
- Klein Systems Group Ltd specializes in management systems for port authorities, harbors, pilotage organizations and other maritime organizations.
- HITT (HK) Ltd serves as a local office to support existing customers in Asia and to expand HITT's activities in that region.
- Ad Navigation AS is a specialist in satellite supported positioning systems.
- Quality Positioning Services B.V. and its wholly owned subsidiary QPS US Inc, specialize in the market for Hydrographic Surveying and Navigation Support.

In 2010, the HITT workforce increased slightly to 162 at year-end (2009: 161). The average number of staff is 158 (see graph *Average full-time equivalent staff* on page 12).

HITT operates in a dynamic business environment that is continuously changing. Both market situations and technology change rapidly, as well as organizational conditions and company requirements.
As HITT is operating in a highly competitive business environment, its employees play a crucial role.

The objective of the company is to be a good and responsible employer and to offer its staff a pleasant working environment. HITT is continuously investing time, effort and money in optimizing staff and organization, both key factors in maintaining its competitive edge.

HITT's HR strategy is based on 5 pillars, each with its own instruments:

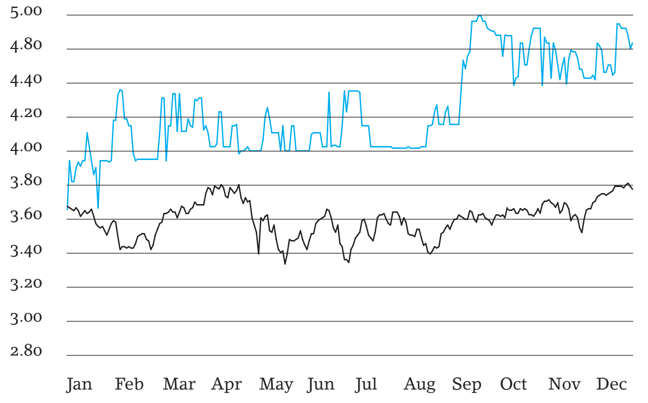
1. Develop an organization fit for its purpose and adapted to internal and external challenges.
2. Create a pleasant and inspiring company culture and climate to work in.
3. Facilitate and organize training and education opportunities to move the company and its people forward.
4. Provide a challenging (international) environment.
5. Reward and inspire people.

The average education level of HITT staff is high (see graph *Education*). The high level of education combined with the required high level of domain expertise implies a relatively high average age of staff (see table *Age of staff*).

Weighted average illness related absence stayed on a low level at 2.3% (2009: 2.3%), well below peer group average.

HITT has a well functioning Works Council. During 2010, Management and the Works Council held regular meetings and discussed the company's strategy, safety and risk issues, personnel policies and the competitive position of the company.

Share price 2010 (in €)



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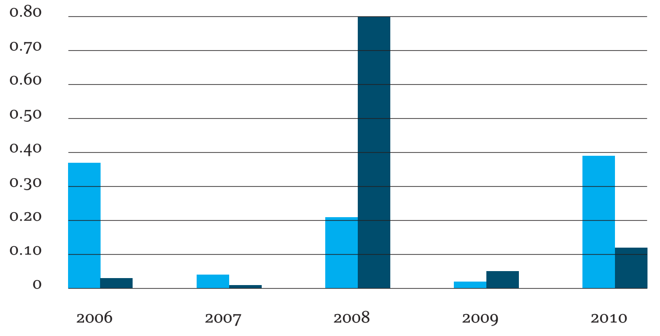
Earnings per share (in €)



Continuing operations
Discontinued operations

Share information

Listing

HITT is traded on the official market of the NYSE Euronext in Amsterdam. The HITT share is included in the Local Securities Compartment C (small caps).

The share

On 31 December 2010, a total of 4,694,158 ordinary shares with a nominal value of EUR 0.25 had been issued.

On 28 October 2010 HITT acquired 200,000 of the issued ordinary shares in its own share capital. As of 31 December 2010 these shares are still held by HITT.

In 2009 HITT decided to cancel its agreement with 'Stichting Preferente Aandelen HITT' (Foundation Preference Shares HITT; in short SPA) as there was no longer need for this agreement. Subsequently the directors of SPA decided to dissolve the Foundation in December 2009. The Management Board of HITT proposed to withdraw HITT's preference shares. This proposal was put forward and approved in the Annual General Meeting in March 2010, although not yet effectuated.

According to information provided by Euronext 458 thousand (or 9.8% of all) HITT shares were traded (2009: 307 thousand; 6.5%) thus generating a turnover of EUR 2.1 million (2009: EUR 1.0 million). The Closing Price on December 31 was EUR 4.85 (2009: EUR 3.60). The lowest closing price was EUR 3.65 and the highest closing price was EUR 5.05 (see graph *Shares*).

Major Holdings

Pursuant to the Financial Supervision Act, the Netherlands Authority for the Financial Markets (AFM) published the shareholders with an interest of 5% or more in the issued capital of HITT (see page 15 table *Major shareholdings*).

Share derivatives

There are no share or option plans in place. HITT has not issued depository receipts for shares HITT.

Dividend policy

HITT aims to have a stable dividend policy in the range of 30% to 40% of net profits.

Healthy balance sheet ratios are very important for the continuity of the company, and for the confidence of customers that enter into long term relationships with HITT. In determining the dividend to be paid, HITT takes into account the possibility of significant cash fluctuations during the year caused by large projects.

Investor relations policy

HITT aims to provide its shareholders, potential shareholders and other stakeholders with financial and other information in time and to the best of its ability in order to provide more insight into the company and its sector. To this end, relevant information is published in the form of press releases. Moreover HITT organizes meetings with analysts and the (financial) media to present and explain its full-year results and half-year results.

Major shareholdings

	2010 Number of shares	%
HITT Holding B.V. [1]	2,400,000	51.13
Holding Aarts Heerkens B.V.	237,000	5.05
Janivo Beleggingen B.V.	263,465	5.61
Todlin N.V.	244,055	5.20

1 HITT Holding B.V. is the holding company of the founders of the company.

The corporate website, www.hitt.nl, includes general information about the company, the latest news, information about corporate governance, annual reports, financial results, press releases and the financial calendar.

Policy for bilaterals with investors

In addition to the Annual General Meeting of Shareholders, HITT maintains bilateral contact with its investors. Such contact may be initiated by both the company and the shareholder. These contacts are meant to give a complete picture of the developments within HITT and to explain HITT's strategy and its results and answer questions from shareholders. These are based on information that has already been disclosed via (bi-)annual reports, press releases, presentations for investors and the website. During these conversations with shareholders the company will be represented by a member of the management board. There are no bilaterals taking place in the quiet periods. This is the period of two months immediately preceding the first publication of the annual figures and the period of three weeks immediately preceding the publication of an interim or quarterly report. HITT's bilateral contact with its shareholders will at all times be conducted in compliance with applicable rules and regulations, in particular those concerning selective disclosure, price sensitive information and equal treatment.

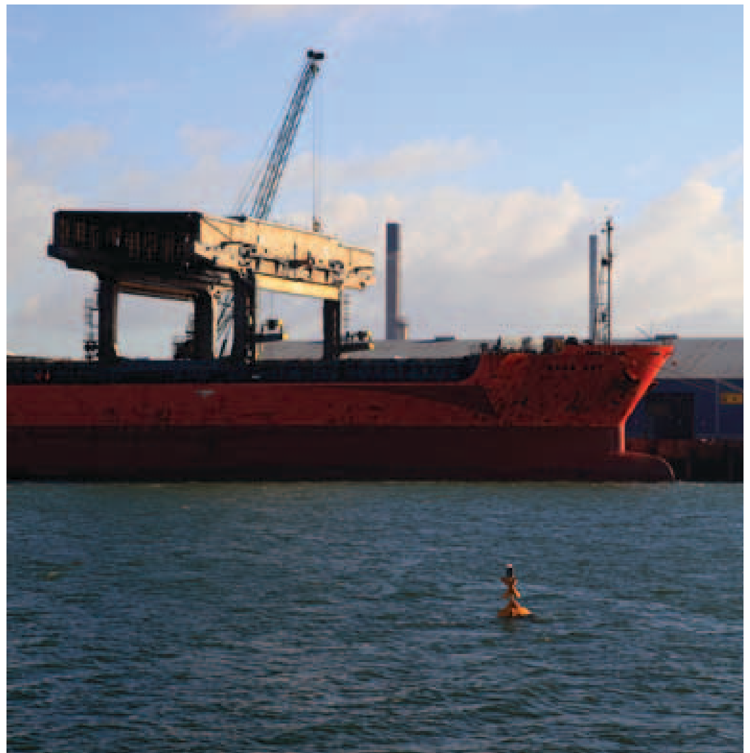
Outlook

As appears from this annual report, HITT's order book is well filled at the end of 2010. HITT also turned into a higher profitability in 2010.
No major investments, changes in finance structure or reorganizations are anticipated at the moment. The expected economic growth in the Asian region is well represented among the projects in the pipeline at the start of 2011. The management of HITT therefore has confidence and optimism for the year 2011, even though the world economy is not out of the danger zone yet. The OECD's last Economic Outlook at the end of 2010 mentioned 'Growth picking up steam but recovery uneven'. For the time being, this might apply to HITT as well.

Ed Heinen, Zeeland-Seaports

Zeeland-Seaports is, after the ports of Rotterdam and Amsterdam, the third largest in the Netherlands. The complexity of the port is partly determined by two locations: Flushing on the north and Terneuzen on the south shore of the Western Scheldt river. The river actually is more of a wide, sandy and salty estuary that also provides access to the ports of Antwerp and Ghent in Flanders, Belgium. The Common Nautical Authority in this area is therefore an independent international governing body of Flemish and Dutch, based on the so-called Tractaat (Treaty) of 1839, which was signed shortly after the separation of The Netherlands and Belgium.

Mr. Ed Heinen was interim Harbourmaster of Zeeland-Seaports until mid January 2011. The complexity of the implementation of the Port Management System by Klein Systems Group, the Canadian subsidiary of HITT NV, was – in the eighteen months he worked as Harbour Master – a major IT operation which was not yet fully completed when he left. For Klein Systems it was a major challenge to link the data and movements of local waterway traffic, an important factor for the Zeeland ports, to their existing port management system. Mr. Heinen: ‘The basis is there and now we need to continue building.’



Report of the Supervisory Board

The Supervisory Board herewith presents its advice regarding the Financial Statements drawn up by the Management Board dated January 31, 2011. Deloitte Accountants B.V. has audited the financial statements. Their report has been included on page 66 of this annual report.

The Supervisory Board proposes that the Annual General Meeting of Shareholders adopts the annual accounts, agrees to the appropriation of profit proposed on page 68 of this report, and discharges the Board of Directors and Supervisory Board for their management in the year under review and supervision of same respectively.

Composition of the Supervisory Board

The Supervisory Board consists of 4 members:

- J.A. (Albert) Stroink (Chairman);
- E.A. (Eric) van Amerongen (Vice-Chairman);
- J.E. (Jan) Vaandrager;
- M.P. (Mark) Prinsen. Mr. M.P. Prinsen succeeded Mr. H. (Hans) Prinsen, who was member of the Supervisory Board until March 3, 2010.

Curricula vitae of the members of the Supervisory Board can be found on page 25 of this report.

The following committees are in place:

- Remuneration Committee (Chairman: Eric van Amerongen).
- Audit Committee (Chairman: Jan Vaandrager).
- Selection and Appointment Committee (Chairman: Mark Prinsen).

The Supervisory Board has established a schedule of rotation. Supervisory Directors are nominated for a term of 4 years in accordance with the Code. No retirements of current Supervisory Board members are due in 2011.

Meetings during the year

The Supervisory Board conducted 7 formal meetings with the Management Board covering amongst other items HITT's shareholders' issues, business development, company performance, planning and budget, external and internal auditing mechanisms, strategy, risk management, personnel and social affairs, corporate governance and the profile of the Board as well as possible co-operation with partners. Information provided by the Management Board was presented in due time giving the Supervisory Board ample time to perform its duties. No Supervisory Director was frequently absent. Monthly telephone conferences were held to exchange up to date information. Informal meetings regularly took place between members of the Management Board and members of the Supervisory Board. Meetings were held without the presence of the Management Board to evaluate the Supervisory Board's own functioning, effectiveness of supervision, independence and judgment.

The functioning of the Management Board as a corporate body of the company and the performance of its individual members were also discussed. Information given to the Supervisory Board and response to advice and suggestions have been good.

To enable the supervisory role, the Management Board prepares a full financial report including balance sheet, profit & loss account and cash flow statement every quarter as well as a year-end forecast. The Management has a balanced stakeholder policy towards employees, suppliers, customers, shareholders and the community. The Chairman of the Supervisory Board participated in a meeting with the Works Council where the strategy was discussed.

Risk assessment and control mechanisms are in place and supported by, amongst others, the stringent business planning and stewardship cycle within HITT. This planning cycle has been in place throughout the existence of HITT and has proven to be adequate. The Supervisory Board has assessed the control mechanisms and risks are discussed regularly with the Management Board and the external Auditor.
The Supervisory Board is of the opinion that given the size and the nature of the company, control mechanisms are adequate. These mechanisms however cannot prevent unforeseen circumstances in the market requiring adjustments to earlier expectations and the subsequent publication and consequences thereof.

Remuneration of the Management Board

The remuneration policy applied by the Supervisory Board with regard to the remuneration of the Chief Executive Officer is one of market conformity, taking into account the specifics of the company.

The Annual General Meeting of 2008 authorized the Supervisory Board to implement a revision of the remuneration range for the fixed annual salary from EUR 194,000 to EUR 234,000. The short-term and long-term incentive schemes did not change and consist of an annual cash bonus of 30 to 40% of the fixed salary depending on realized net profit against the budget target plus 15% of the fixed salary in cash in case the realized total net earnings per share supersede the planned earnings per share in the agreed three year business plan for that period. The other emoluments, such as pension plans, were not changed. The Supervisory Board has discretionary authority to grant a cash bonus of up to 20% of the fixed salary replacing the regular bonus, in case targets set for the annual cash bonus are not met for reasons beyond the influence of the Management Board. The remuneration of the non-statutory CFO is subject to approval by the Supervisory Board. The actual remuneration scheme in effect is detailed in the financial statements.
The Supervisory Board feels that the current remuneration policy is adequate and sufficiently competitive.

Audit Committee

A charter is established describing the framework of the responsibilities of an Audit Committee.

In all plenary meetings of the Supervisory Board at least the latest monthly financial statements, forecasts and budgets were discussed. The annual figures and reports were discussed in detail with the External Auditor. In the capacity of Audit Committee the performance of the External Auditor was reviewed and it was decided to propose to nominate Deloitte Accountants for the audit of the 2010 figures. They were subsequently appointed by the Annual General Meeting. The auditor issued a management letter on the Annual Report of 2009 and recommendations have been discussed in detail with both Boards. Progress on the recommendations was monitored. Key recommendations were implemented in the year 2010.

The Auditor has had free access to information they require to conduct their audit. The External Auditor was asked to provide comments on the annual press release and report and was invited to attend the meeting during which the annual report was approved. The Audit Committee has received the External Auditor's report in relation to the consolidated and company financial statements. Over the year 2010, the External Auditor has issued a management letter and progress will be reviewed during the year 2011. A meeting took place between the Supervisory Board and the External Auditor without the presence of the Management Board to discuss the report, the framework of internal control and the auditing mechanisms, which were confirmed to be adequate. The External Auditor was present during this year's Annual General Meeting and the Audit Committee has also invited the External Auditor to be present in the coming Annual General Meeting of shareholders.

When the need arises, the External Auditor may request the Chairman of the Supervisory Board to be allowed to attend an Audit Committee meeting.

The Audit Committee has reviewed the need for an internal auditor, and is of the opinion that given the size, complexity and existing internal procedures there is no need for an internal auditor.

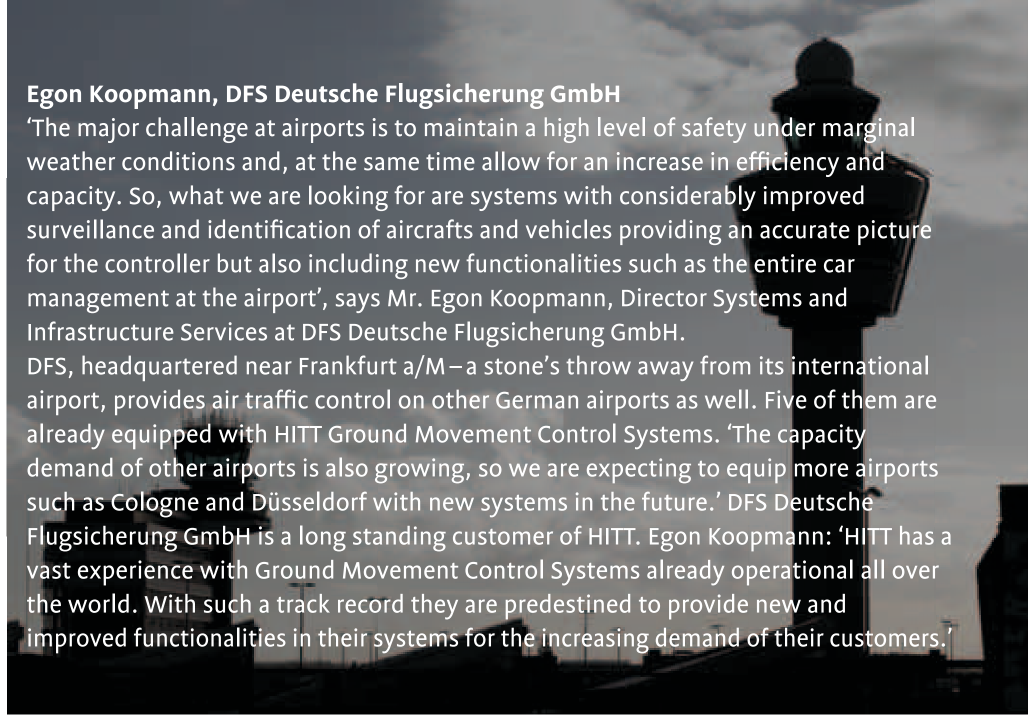
Appointment of auditor

The Supervisory Board has nominated the company's current external auditor, Deloitte Accountants B.V., for reappointment for the audit of the financial statements for 2011. The reappointment of the external auditor is on the agenda of the General Meeting of Shareholders on March 29th, 2011.

We wish to express our sincere appreciation to the Management Board and to the personnel for the dedication and enthusiasm with which they have fulfilled their challenging tasks in a competitive market. Based on the continuing sound financial position and the focused organizational structure, HITT is well positioned to take full advantage of opportunities in the future.

Apeldoorn, January 31, 2011

Albert Stroink (Chairman)
Eric van Amerongen (Vice-Chairman)
Jan Vaandrager
Mark Prinsen



Egon Koopmann, DFS Deutsche Flugsicherung GmbH

'The major challenge at airports is to maintain a high level of safety under marginal weather conditions and, at the same time allow for an increase in efficiency and capacity. So, what we are looking for are systems with considerably improved surveillance and identification of aircrafts and vehicles providing an accurate picture for the controller but also including new functionalities such as the entire car management at the airport', says Mr. Egon Koopmann, Director Systems and Infrastructure Services at DFS Deutsche Flugsicherung GmbH.
DFS, headquartered near Frankfurt a/M – a stone's throw away from its international airport, provides air traffic control on other German airports as well. Five of them are already equipped with HITT Ground Movement Control Systems. 'The capacity demand of other airports is also growing, so we are expecting to equip more airports such as Cologne and Düsseldorf with new systems in the future.' DFS Deutsche Flugsicherung GmbH is a long standing customer of HITT. Egon Koopmann: 'HITT has a vast experience with Ground Movement Control Systems already operational all over the world. With such a track record they are predestined to provide new and improved functionalities in their systems for the increasing demand of their customers.'

Report on Corporate Governance

The Board of Directors and Supervisory Board are responsible for HITT's Corporate Governance structure and for compliance with the Dutch Corporate Governance Code.

This section of the annual report outlines the Corporate Governance structure of HITT and explains where and why HITT deviates from the principles and best practice provisions of the Code.

Corporate Governance structure

General

HITT is a public company under Dutch law. HITT has a two-tier Board consisting of a non-executive Supervisory Board and an executive Management Board. HITT has, alongside the Articles of Association, a number of written regulations in place that support the Corporate Governance structure. Key regulations, which are available on the HITT website under 'Corporate Governance', are:

- Code of Conduct (applicable to all staff and board members).
- Rules of Procedure for the functioning of the Management Board.
- Rules of Procedure for the functioning of the Supervisory Board (including its subcommittees).
- Rules of Procedure for trading by insiders.
- Whistleblowers policy.

The key aspects of the Rules of Procedures for the Boards are further discussed below.

Supervisory Board

The Supervisory Board consists of 4 members. None of them is a member of more than 5 supervisory boards of stock listed companies in the Netherlands.

J.A. (Albert) Stroink (male, 1943, Dutch) is Chairman of the Board as of March 5, 2008 with a 1st term of appointment until 2012. He was employed by ExxonMobil Corporation from 1971 to 2007, where he fulfilled several duties as a site manager and later on as Managing Director of Chalmette Refining LLC, USA. He gained a rich experience in operational, commercial and technical management in a multinational environment. Furthermore he is experienced in the field of (corporate) governance affairs. Mr. Stroink was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

E.A. (Eric) van Amerongen (male, 1953, Dutch) is Vice-Chairman and joined the Board as a member as of March 29, 2002 with a 3rd and final term of appointment until 2013. He is the former CEO of Royal Swets & Zeitlinger Holding N.V. and is currently Chairman of the Supervisory Boards of Thales Nederland B.V. and BT Nederland N.V., *The Supervisory Board's area of expertise*

	Stroink	Van Amerongen	Prinsen	Vaandrager
General management skills in larger organizations operating internationally deploying technically oriented projects, services and products.	X	X	X	X
Experience with Supervisory Boards of (stock listed) companies.	X	X		X
Knowledge of markets, market development, marketing and sales activities and tendering that are characteristic for internationally oriented companies active in the market for technical projects primarily meant for authorities as a customer.		X	X	
Experience with IT-applications to improve efficiency, effectiveness, safety and profitability.	X	X	X	X
In depth experience with risk management in international projects and safety and an open eye towards issues regarding environment and sustainability.	X	X		X
Knowledge of and experience with financial management, business financing, controlling, reporting and auditing.	X	X	X	X
Experience with human resource management, employment and remuneration in a technical oriented company.	X	X	X	X

From left to right: Jan Vaandrager, Albert Stroink, Mark Prinsen and Eric van Amerongen

member of the Supervisory Boards of Imtech N.V., Koninklijke Wegener N.V., Essent N.V. and ANWB and Senior Independent Non-executive Director of Shanks Plc. Mr. Van Amerongen was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

J.E. (Jan) Vaandrager (male, 1943, Dutch) joined the Board as a member as of March 5, 2008 with a 1st term of appointment until 2012. Before his retirement Mr. Vaandrager was member of the Executive Board and Chief Financial Officer of TKH Group N.V. Netherlands and he is the financial expert within the Supervisory Board. Mr. Vaandrager was employed in many financial and general management functions, amongst others with Thyssen Bornemisza Group N.V. and Schmalbach Lubeca AG and is currently member of the Supervisory Board of B.E. Semiconductor Industries N.V. (BESI). He was not employed by HITT before he became a Supervisory Director and does not own HITT shares.

M.P. (Mark) Prinsen (male, 1971, Dutch) joined the Board as a member as of March 3, 2010 with a 1st term of appointment until 2014. He is Managing Director of redDog Travel Support BV and Comportable Europe BV. Mr. Prinsen was previously working as a M&A lawyer at NautaDutilh. He is a law graduate of the Erasmus University in Rotterdam and holds an MBA of the Australian Graduate School of Management. Mr. M.P. Prinsen succeeded Mr. H. (Hans) Prinsen, who was member of the Supervisory Board until March 3, 2010. Mr. Mark Prinsen was not employed by HITT before he became a supervisory Director and does not own HITT shares.

As the Board consists of less than five members, no separate committees have been formed. However, the duties of committees have been described in the Rules of Procedure and the Supervisory Board acts accordingly under each committee. The Rules can be viewed on the company's website.

The following committees are in place:
- Remuneration Committee (Chairman: Eric van Amerongen).
- Audit Committee (Chairman: Jan Vaandrager).
- Selection and Appointment Committee (Chairman: Mark Prinsen).

The Supervisory Board has established a schedule of rotation. Supervisory Directors are nominated for a term of 4 years in accordance with the Code. No retirements of current Supervisory Board members are due in 2011.

The role of the Supervisory Board under Dutch Law is to supervise the policies of the Management Board and the general affairs of the company and its affiliates, as well as to assist the Management Board by providing advice. It supervises the realization of the company's objectives, the corporate strategy and associated risks, the structure and operation of the internal risk management and control system, the financial reporting process and the compliance with legislation and regulations. In discharging its role, the Supervisory Board is guided by the interests of the company and its affiliates, and takes into account the relevant interests of the company's stakeholders. The Supervisory Board is responsible for the quality of its own performance.

Key social responsibility issues that are relevant to HITT are discussed with the Management Board when applicable.

From left to right: Martin Schuiteman and Sjoerd Jansen

The Supervisory Board complies with the Dutch Corporate Governance Code (the 'Code') with the exceptions as reported in this section. All members have taken due notice of the Code as well as the impact on the Board as a whole and on the Supervisory Director personally.

A charter is in place describing the framework of the responsibilities of an Audit Committee.

The Profile and skills (see page 26 table *The Supervisory Board's area of expertise*) have been discussed in the meeting of the Supervisory Board in which its own functioning was evaluated. It was decided that the profile is still in line with the developments of the Company and its market position. The Profile and the Rules of Procedure describing the qualifications and responsibilities of the Supervisory Board and its individual members can be viewed on HITT's website.

The succession of Mr. Hans Prinsen by Mr. Mark Prinsen in 2010 has contributed to the diversity in age and background of the Supervisory Board. The Supervisory Board is of the opinion that the diversity of the current Board is of a sufficient level, taking into account the nature of the business in which HITT operates.

All Supervisory Directors are familiar with HITT and its business. Due to the specific qualifications of and present activities employed by the individual Supervisory Directors, no specific additional education has been considered necessary during the year.
The Supervisory Board sees to it that it adheres to its statutory obligations and obligations under the Articles of Association.

Board of Directors

The role of the Management Board is to manage the company, which means amongst other things, that it is responsible for achieving the company's goals, strategy, policy and results. The Board is responsible for the consolidated results, financing of the company, financial risk assessment and coverage, and communications with the Supervisory Board, shareholders, analysts and press. The Management Board is accountable for this to the Supervisory Board and to the General Meeting of Shareholders. In discharging its role, the Management Board is guided by the interests of the company's stakeholders. The Management Board provides the Supervisory Board, in a timely manner, with all information necessary for the exercise of its duties.

The Management Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company's activities and for financing the company. The Management Board reports and discusses related developments of the internal risk management and control systems with the Supervisory Board.

Regulations are posted on the company's website. The regulations include specific rules for approval of transactions, which are stricter than the limitations within the Articles of Association.

The Management Board consists of:

S. (Sjoerd) Jansen (male, 1954, Dutch) is Chief Executive Officer and statutory director as of October 1, 2007 with a term of 4 years as appointed by the Annual General Meeting of shareholders on August 27, 2007. Mr. Jansen was the former Director Business Development of Strukton Railinfra and Managing Director of Strukton Systems. Mr. Jansen holds no other board positions. Mr. Jansen was not employed by HITT before he was appointed Chief Executive Officer. Mr. Jansen is educated electrical engineer (B.Sc.) at the Institute of Technology in Rotterdam.

J.M. (Martin) Schuiteman (male, 1972, Dutch) was appointed CFO as of March 1, 2010. Mr. Schuiteman is a chartered accountant (RA). He previously worked for Deloitte Accountants and ABN AMRO Bank N.V. He joined HITT in 2008 as group controller.
Mr. Schuiteman studied business economics and fiscal economics at Erasmus University Rotterdam.

Both Management Board members are not members of any Supervisory Board of a listed company.

General Meeting of Shareholders

The Management Board comprehends the need to provide up to date, accurate and actual information to investors concerning the present and future business of HITT, the strategy and considerations of the management and the financial health of the company. The Board communicates with investors via several channels. Relevant best practices of the Code are followed, with the exception of the real time attendance of meetings via telecommunication means.

The financial figures are made public by means of a press release and a presentation by both the Chief Executive Officer and the Chief Financial Officer in a press conference and a meeting for analysts. Between these events, HITT publishes press releases about important business developments. Requests for interviews, publications and presentations for groups of investors are usually accepted. Analysts meetings, presentations to institutional or other investors and direct discussions with the investors do not take place shortly before the publication of regular financial information (semi-annual or annual reports).

Preceding the publication of the annual figures, the Company does not assess, comment upon or correct, other than factual, analysts' reports and valuations.

The Company has not paid any fee(s) to parties for the carrying out of research for analysts' reports or for the production or publication of analysts' reports, nor to credit agencies.

Shareholders that want to be present at the general meetings are invited to deposit their shares 4 bank days before the meeting. The Management Board and the Supervisory Board will provide the meeting with all requested information, unless contrary to an overriding interest of the Company, in which case reasons will be given. One attending shareholder will be asked to review and approve the minutes of the meeting together with the Chairman. The minutes of the meeting are available within two months and can be applied for via HITT's website.

All information regarding investor relations may be obtained by e-mail: investor.relations@hitt.nl or by telephone +31 (0)55 543 25 90. Information on HITT can be obtained via HITT's website www.hitt.nl.

External auditors

The company's annual financial statements, prepared by the Management Board, must be audited by an external auditor before being submitted for approval to the Supervisory Board and for adoption to the General Meeting of Shareholders. The external auditor is appointed by the General Meeting of Shareholders. The external auditor attends the Supervisory Board meeting at which the external auditor's report on the financial statements is discussed. In addition the Audit Committee may meet the external auditor to discuss findings on request of the Audit Committee or external auditor. The external auditor attends the General Meeting of Shareholders and is available to answer questions about their financial statements, and is also authorized to speak at the meeting for that reason.

Conflicts of interest

The regulations applicable to the Management Board and the Supervisory Board contain specific rules of procedure for handling (potentially) conflicting interests. In our opinion the Management Board and Supervisory Board are composed such that members are able to act critically and independently of one another and of the Management Board and any particular interests.

During 2010 no (potentially) conflicting interests occurred.

Compliance with the Code

The Dutch Corporate Governance Code (the Code), which has been updated by the Frijns Committee in 2008, is vested in Dutch law and regulations. HITT intends to comply with all relevant principles and best practice provisions in so far as reasonably possible for a company of HITT's size, and has refined its internal rules and procedures accordingly.
All principles and best practice provisions of the Code have been linked to articles in either the Articles of Association, Rules of Procedure for the Supervisory Board or Management Board, Audit Committee, Remuneration Committee, Selection and Appointment Committee, Code of Conduct or the Rules of Procedure as meant in article 24 of the Market Abuse

Decree under the Act on the Financial Supervision. Although HITT feels that the practical implementation and proof of adherence to the Code is cumbersome for a company of HITT's size, the Boards underwrite the basic thoughts behind the code. Some articles of the code are not applicable to HITT. Both Boards state that HITT complies with all articles of the Dutch Corporate Governance Code except for the following provisions:

- **Best practice provision III 6.5**
  With reference to the Act on Protection of Privacy the Supervisory Board has not drawn up regulations concerning ownership of and transactions by the Management Board or the Supervisory Board of securities other than those issued by HITT.
- **Best practice provision III 4.3**
  Considering the size of the company there is no formally appointed Secretary of the company. The Chief Financial Officer performs the duties under this article in his capacity as CFO, which is considered adequate and prudent.
- **Best practice provision IV 3.1**
  Provision IV.3.1 requires that provisions shall be made for all shareholders to follow analyst meetings, presentations to investors and press conferences in real time, for example by means of webcasting or telephone. In view of the organization and costs involved and given the current size of the company, HITT has decided not to enable online broadcasted meetings. Presentations held are posted on the company's website afterwards.

Both Boards state that if important changes in the governance structure or in the compliancy to the Code occur, they will be put onto the agenda of the Annual General Meeting of Shareholders. In 2010 no important changes in the governance structure or in the compliancy to the Code occurred.

Risk Management and Internal Control

Company risk profile

HITT operates in the international markets for safety, security and efficiency of nautical, maritime and air traffic, and excels in knowledge intensive software solutions and systems integration in real time applications. HITT manages risks related to acting in this niche market by focusing on its own added value in this market, which is using its in-depth market expertise for creating and delivering excellent software solutions. The risk appetite related to core activities, such as innovation and development, is high. Risks related to supporting activities are mitigated in so far as reasonably possible.

Innovation and development

Innovation and development are the key drivers of our success. Continuous innovation and development is ensured by having a minimum level of staff dedicated to work on long term product development goals. Requests for project specific software modifications may be outsourced if it interferes with the realization of product development goals. HITT continuously invests in talented personnel, and creates an atmosphere in which innovation is encouraged and failures are considered to be learning experiences.

Strategic and business risks

HITT operates in niche markets and is consequently exposed to cyclic trends in these markets. This exposure and dependence on new projects is limited to providing software solutions for various closely related parts of the nautical market and offering integrated solutions, focusing on long-term relationships and offering long-term software solutions to customers, increasing its installed base in various regions and extending its product portfolio and related support services.

Over 60% of revenue is generated by new orders from existing customers and/or revolving contracts, such as maintenance on the installed base of systems. The growing installed base and growing customer group reduces the business risk.

Still a significant part of our customers in traffic control related markets require HITT as a main contractor to supply a complete system, including hardware and customer specific software modifications. This requires a project driven approach. HITT is continuously taking measures to cope with the broad and dynamic range of revenue and margin, related to a project oriented business. This is why more product oriented developments have been taken on. The change of orientation is however limited by the speed at which the market adopts it. Although we see that the market is slightly changing, some markets are still used to specify and tender their own needs and solutions. 'Plug-and-play' or 'software-as-a-service' are not accepted principles in these markets yet.

Project related risks and control

In 2010, the project content represented 67% of total revenue. Normally, projects are each worth between 5% and 15% of the company's total revenue. About 40% of the projects is awarded through a public tender process.

There are project control measures from the point of acquisition to project acceptance. Before deciding to bid, specific risks associated with the project are evaluated. Considerations and decisions are documented and signed off by the Managing Director when it concerns large projects.

Guidelines, checklists and managerial supervision are in place to limit risks and optimize project performance. All projects have a 4 week management reporting cycle. Project managers are required to report actual and forecast costs and man-hours, and present up to date identification and assessment of uncertainties. An action plan per risk item is presented to minimize the uncertainty.

Project-oriented organizations run the risk of continuity problems if the flow of projects is not in accordance with the available capacity. To minimize this risk HITT aims to employ 10 to 20% of its staff on a flexible contract basis in times of economic strength. This reduces the number of involuntary job terminations in economic downturns.

Supplier risk

As a result of standardization of products and the use of open standards, HITT is not dependent on suppliers of sensors and interfacing. HITT relies on a wide variety of suppliers for installation and construction activities.

For radars and multilateration (MLAT) systems, which are often part of the total scope of our projects in both the aviation and marine sector, HITT only has a limited choice of suppliers in the premium segment. HITT has good relationships with these suppliers, but there are price and dependence risks which are hard to mitigate as long as no competitive suppliers enter the market.

Contractual and compliance risk

In order to reduce contractual project risks HITT employs an in-house contract lawyer to assist the commercial departments during the preparation of (international) tender bids. He is also available for assistance when active projects require legal advice.

HITT makes use of local partners and agents to ensure adherence to local legislation and, if necessary, further expertise is sought on the subject concerned (taxes, local laws and regulations, employee benefits and insurances, etcetera). Besides the in-house contract lawyer, HITT also makes use of reputable internationally operating law firms.

Price risk

Competing products imply a price risk. Our best protection against this is a high level of specialization and innovation. The market for projects is based on public tenders. As such there is a risk of severe price competition especially in a weak market situation. Besides offering a superior product, improving efficiency is even more necessary in these circumstances. Since the main competition is also based in Europe, there is no specific market price risk related to the exchange rate of major currencies as long as they stay within a bandwidth of 10%.

Currency risk

Significant currency differences on transactions are hedged without exception. The currency risk that exists during the validity period of proposals is either hedged by currency options with banks or limited by contractual or bid bond conditions. Due to the broader acceptance of the Euro worldwide, the transaction currency risk can decrease in the future. Managing exposure to currency differences is incorporated in HITT's monthly closing process.

Foreign currency risks on translation differences of foreign subsidiaries are not hedged. An internal dividend policy is in place which reduces the net exposure. Furthermore, intercompany financing is done in local currencies. The remaining exposure is evaluated on a yearly basis.

Liability

HITT is insured against product and professional claims and liabilities as well as general liability, construction risks and damages of equipment during transport. Liability risks of products, services, employees and management are evaluated annually with the external insurance advisor and are insured for that part of possible damages that exceeds HITT's financial resources.

Technical quality and control

HITT works according to strict quality procedures. The major subsidiaries are ISO-9001:2000 certified. Regular internal and external audits by Lloyd's have proved HITT's level of quality control to be in line with its quality manual. HITT cooperates closely with suppliers of dedicated hardware, mostly sensors such as radar and multilateration systems. These suppliers are monitored closely by HITT to guarantee that their level of quality matches that of HITT. More common products such as computers, networks, etcetera can be purchased from many sources thereby reducing the risk of being dependent on one non-performing supplier. Customers appreciate HITT's consistent high level of standards of all its products, whether made internally or purchased externally.

Financial planning and control

HITT has a set of Financial Guidelines for subsidiaries in place which are followed to organize and control the financial reporting internally and externally. These guidelines are reviewed and refined regularly. The external auditor semi-annually reviews these procedures and adherence to them and issues opinions for further improvement.

HITT follows an annual planning cycle comprising a '3-Year Business Plan', of which the first business plan year also counts as the budget. The business plan consists of a high level strategic view on the years to come, together with financial targets and in-depth descriptions on how to reach the goals and manage the associated risks. The business plans and budgets are challenged by the Management Board, and subsequently discussed and approved by the Supervisory Board. They form the basis for the long term and short term incentive plans for management.

All subsidiaries report directly to the Management Board on a monthly basis. A uniform reporting format is applied, consisting of financial statements and key other information. Updated year-end forecasts are prepared on a quarterly basis. The consequences of deviations to the budgeted results are evaluated with the Boards.

Consolidated figures are reported on a monthly basis to the Supervisory Board.

Social quality and control

Employees of HITT act in accordance with a comprehensive code of conduct, thus minimizing the risk of reputation damage due to misbehavior of employees and officers. The code of conduct is an explicit internal guideline to be adhered to. In essence, the code of conduct defines the freedom of acting of HITT employees within the local national and international legal and regulatory framework, but in addition strives to act within generally accepted values in the Netherlands. Fairness and respect of every cultural environment are cornerstones of the code of conduct. Compliance is monitored by the Management of the company on a regular basis.

Rules and regulations

HITT makes use of local partners and agents to ensure adherence to local legislation and, if necessary, further expertise is sought on the subject concerned (taxes, local laws and regulations, Business Acts, employee benefits and insurances, etcetera. Besides the earlier mentioned in-house contract lawyer, HITT also makes use of reputable world-wide operating law firms.

Corporate social responsibility

HITT is aware of its corporate social responsibility, being the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.

HITT's contribution to its social and economical environment can be summarized as follows:

- Our software is dedicated to safe and efficient operations of vessels in sea harbors and waterways as well as aircraft at airports, leading to a reduction of needless traffic movements. Our port management and our hydrographic software also enable port authorities to have timely and accurate information about availability of the harbor for vessels. The software for instance enables vessels to adjust their speed in order to reduce fuel consumption and waiting time. Other key features of our software enable production and transport companies in detection of and protection from dangerous situations offshore and thereby help in protecting sea life and coastal areas.
- Since software in itself is not a product that uses exhaustible materials and only tiny amounts of energy, the environmental footprint of HITT largely depends on awareness and approach of its staff towards responsible behavior regarding environmental issues. Both management and staff are keen on adopting new materials or procedures to reduce the environmental footprint of the company even further.

Management responsibility statement

In accordance with Best Practice provision II.1.5 of the Dutch Corporate Governance Code, and taking into account the aforementioned, we believe that the internal risk management and control systems provide reasonable assurance that the financial statements are free of material misstatements and that these systems have performed satisfactorily in the year under review. There are no indications that the respective internal risk management and control systems will not perform satisfactorily in the current financial year. Advice for further improvement of these systems, amongst others by the external auditor in his management letter, is being followed up and will be completed during the current financial year.

This report contains the annual management report and the consolidated annual financial statements of HITT N.V. over 2010. The information in this annual report has been audited by Deloitte Accountants B.V. The annual report has been prepared in accordance

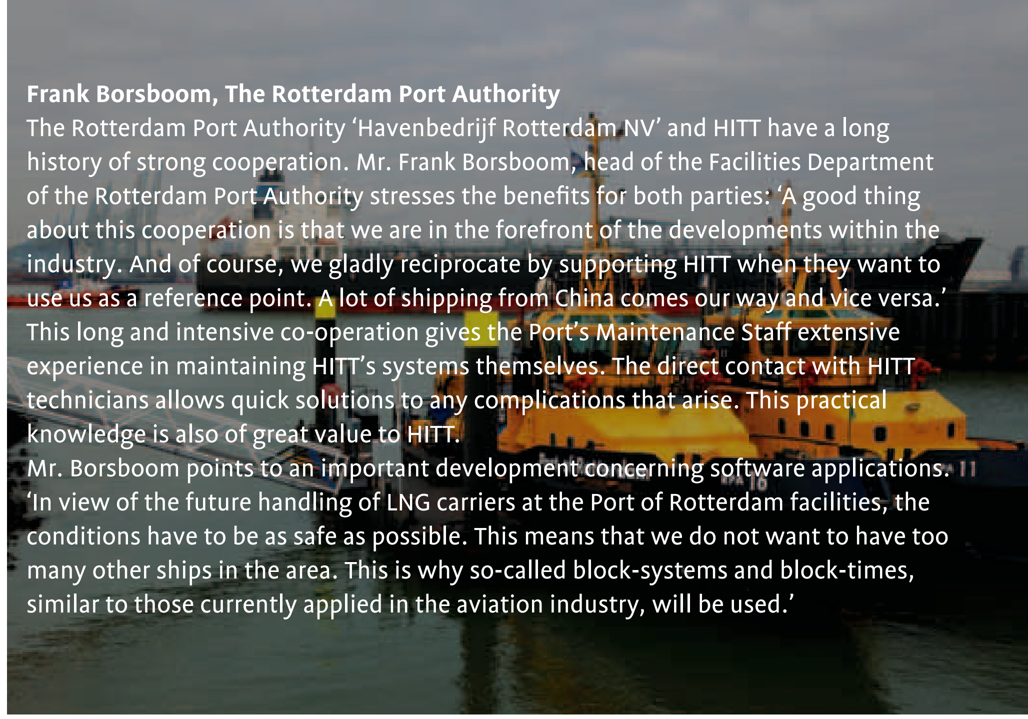
with International Financial Reporting Standards (IFRS) as endorsed by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

The members of the Management Board hereby declare that, to the best of their knowledge:

- The annual financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation as a whole;
- The annual management report gives a true and fair view of the information required pursuant to section 5:25d, subsections 8 and 9 of the Dutch Act on Financial Supervision (Wet op het financieel toezicht).

Apeldoorn, January 31, 2011

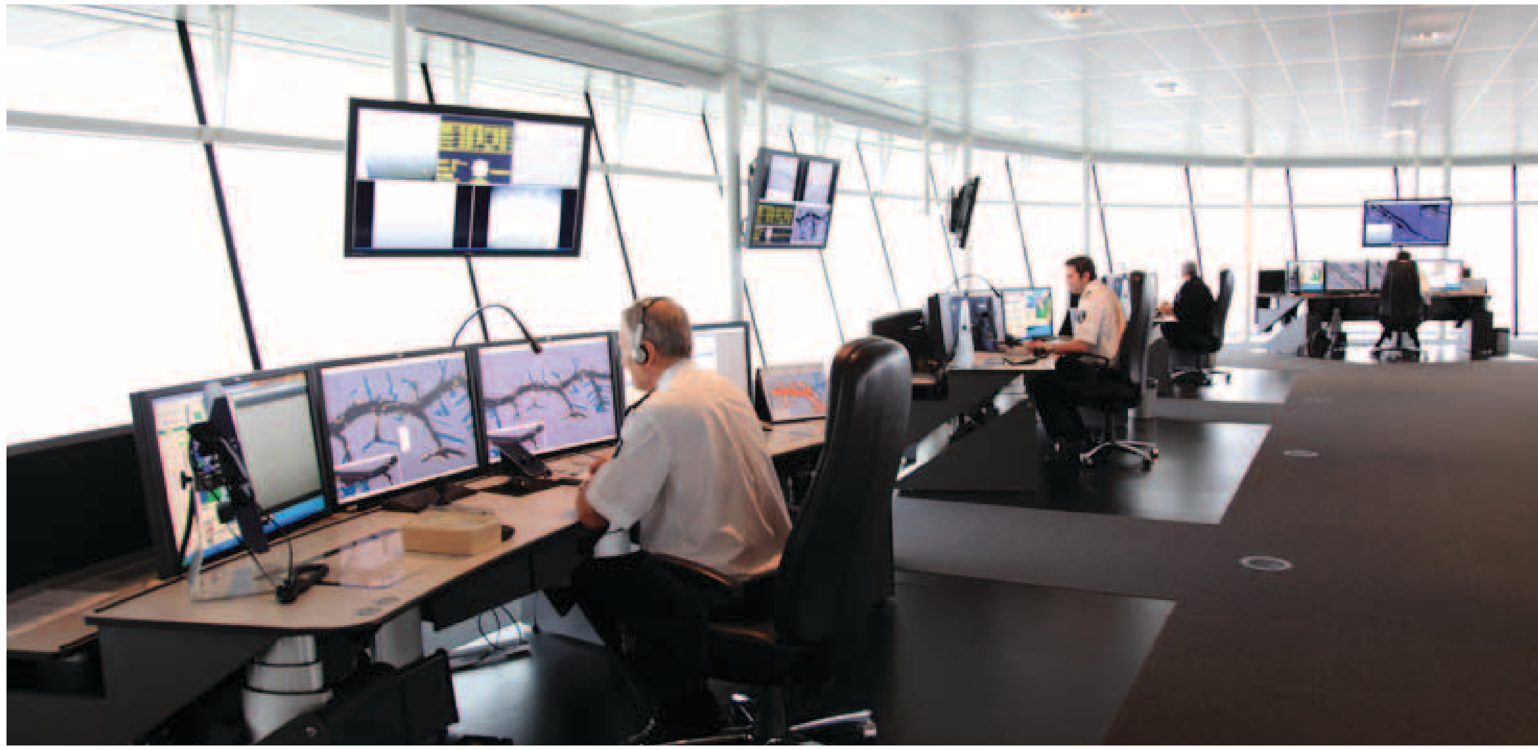
Sjoerd Jansen, Chief Executive Officer
Martin Schuiteman, Chief Financial Officer

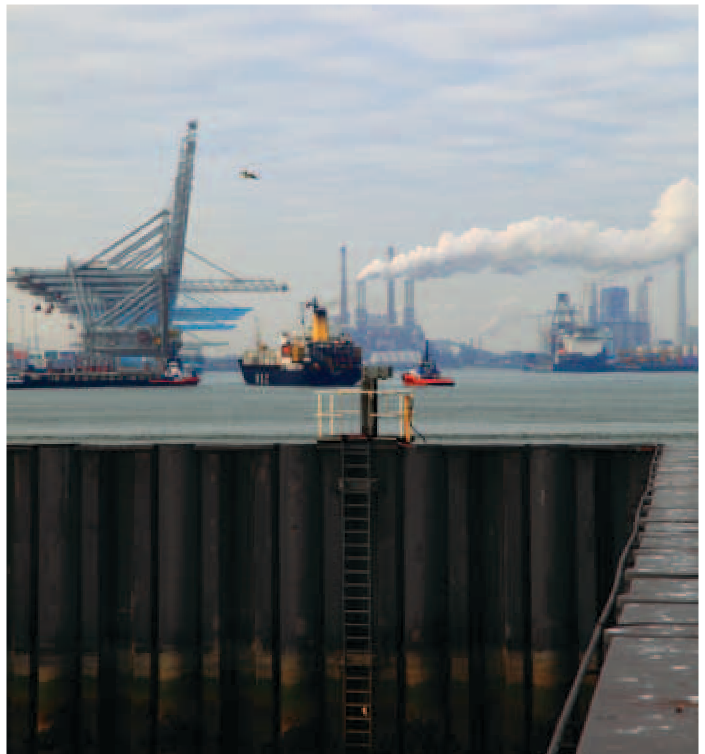


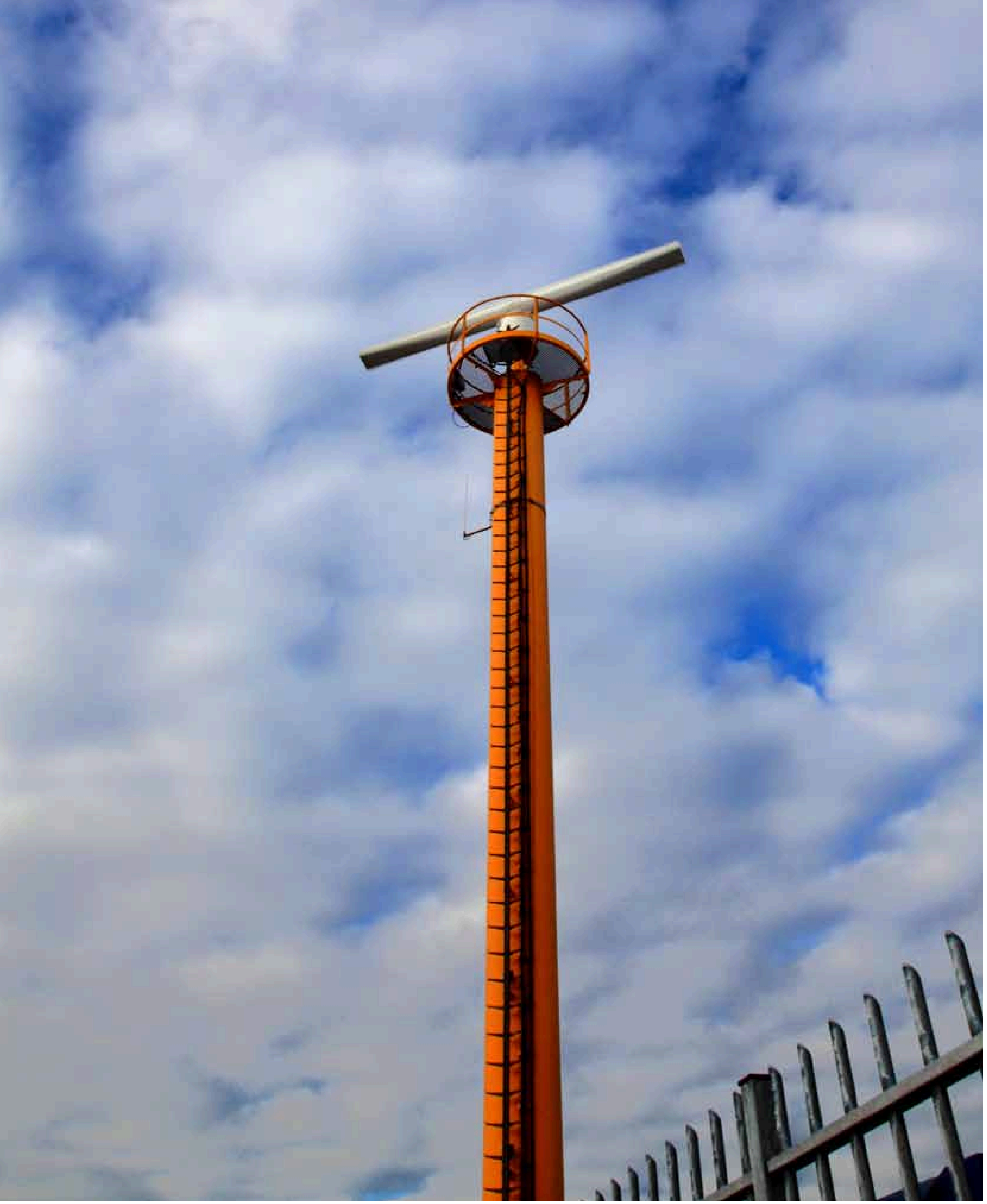
Frank Borsboom, The Rotterdam Port Authority

The Rotterdam Port Authority 'Havenbedrijf Rotterdam NV' and HITT have a long history of strong cooperation. Mr. Frank Borsboom, head of the Facilities Department of the Rotterdam Port Authority stresses the benefits for both parties: 'A good thing about this cooperation is that we are in the forefront of the developments within the industry. And of course, we gladly reciprocate by supporting HITT when they want to use us as a reference point. A lot of shipping from China comes our way and vice versa.' This long and intensive co-operation gives the Port's Maintenance Staff extensive experience in maintaining HITT's systems themselves. The direct contact with HITT technicians allows quick solutions to any complications that arise. This practical knowledge is also of great value to HITT.

Mr. Borsboom points to an important development concerning software applications. 'In view of the future handling of LNG carriers at the Port of Rotterdam facilities, the conditions have to be as safe as possible. This means that we do not want to have too many other ships in the area. This is why so-called block-systems and block-times, similar to those currently applied in the aviation industry, will be used.'







Financial Statements

Consolidated statement of income

For the year ended December 31 (x € 1,000; except per share data)

	Notes	2010	2009
Continuing operations			
Revenue	8	36,234	32,296
Cost of materials and subcontracting		(16,345)	(14,230)
Employee benefits expense	9	(13,123)	(13,103)
Product development	10	2,089	1,755
Depreciation and amortization expense	11	(2,252)	(2,376)
Other expense	12	(4,235)	(4,367)
Operating profit (loss)		2,368	(25)
Finance costs and income	13	(56)	73
Profit (loss) before tax		2,312	48
Income tax expense	14	(617)	(1)
Profit (loss) from continuing operations		1,695	47
Discontinued operations			
Profit (loss) from discontinued operations	15	545	265
Profit (loss)		**2,240**	**312**
Attributable to:			
Owners of the parent		2,404	345
Non-controlling interests		(164)	(33)
		2,240	**312**
Earnings per share	16		
From continuing and discontinued operations:			
Basic		0.52	0.07
Diluted		0.52	0.07
From continuing operations:			
Basic		0.40	0.02
Diluted		0.40	0.02

Consolidated statement of financial position

At December 31 (x € 1,000)

	Notes	2010	2009
Assets			
Non-current assets			
Property, plant and equipment	17	506	627
Goodwill	18	1,280	1,141
Development costs	19	5,140	4,898
Deferred tax assets	20	311	198
		7,237	6,864
Current assets			
Inventories		221	246
Trade and other receivables	21	12,501	12,335
Current tax assets	23	57	684
Derivative financial instruments	24	268	–
Cash and cash equivalents		11,009	6,661
		24,056	19,926
		31,293	**26,790**
Equity and liabilities			
Equity	25		
Attributable to owners of the parent		17,322	16,478
Non-controlling interests		(31)	129
		17,291	16,607
Non-current liabilities			
Retirement benefit obligation	26	1,280	1,294
Deferred tax liabilities	27	879	875
Obligations under finance leases		26	47
		2,185	2,216
Current liabilities			
Trade and other payables	28	10,213	6,724
Current tax liabilities	29	1,383	699
Provisions	30	221	525
Derivative financial instruments	24	–	19
		11,817	7,967
Total liabilities		14,002	10,183
		31,293	**26,790**

Consolidated statement of comprehensive income

For the year ended December 31 (x € 1,000)

	2010	2010	2009	2009
Profit (loss)		2,240		312
Translation of foreign operations	180		212	
Gains (losses) on cash flow hedges	(148)		258	
Income tax relating to cash flow hedges	39		(70)	
Other comprehensive income		71		400
Comprehensive income		**2,311**		**712**
Attributable to:				
Owners of the parent		2,475		745
Non-controlling interests		(164)		(33)
		2,311		**712**

Consolidated statement of changes in equity

For the year ended December 31 (x € 1,000)

	Issued capital	Share premium	Development costs reserve	Cash flow hedge reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Noncontrolling interests	Group equity
Balance at January 1, 2009	1,173	4,848	4,721	15	(424)	6,082	16,415	137	16,552
Profit (loss)	–	–	–	–	–	345	345	(33)	312
Translation of foreign operations	–	–	–	–	87	–	187	25	212
Gains (losses) on cash flow hedges	–	–	–	273	–	(15)	258	–	258
Income tax relating to cash flow hedges	–	–	–	(70)	–	–	(70)	–	(70)
Comprehensive income	–	–	–	203	187	330	720	(8)	712
Movement of the legal reserve	–	–	(306)	–	–	306	–	–	–
Dividends	–	–	–	–	–	(657)	(657)	–	(657)
Balance at December 31, 2009	**1,173**	**4,848**	**4,415**	**218**	**(237)**	**6,061**	**16,478**	**129**	**16,607**
Profit (loss)	–	–	–	–	–	2,404	2,404	(164)	2,240
Translation of foreign operations	–	–	–	–	176	–	176	4	180
Gains (losses) on cash flow hedges	–	–	–	(148)	–	–	(148)	–	(148)
Income tax relating to cash flow hedges	–	–	–	39	–	–	39	–	39
Comprehensive income	–	–	–	(109)	176	2,404	2,471	(160)	2,311
Movement of the legal reserve	–	–	215	–	–	(215)	–	–	–
Share buy-back	–	–	–	–	–	(970)	(970)	–	(970)
Dividends	–	–	–	–	–	(657)	(657)	–	(657)
Balance at December 31, 2010	**1,173**	**4,848**	**4,630**	**109**	**(61)**	**6,623**	**17,322**	**31**	**17,291**

Consolidated statement of cash flows

For the year ended December 31 (x € 1,000)

	2010	2009
Cash flow from operating activities		
Operating profit (loss)	2,368	(25)
Adjustments for:		
Movement of working capital	3,700	(1,246)
Movement of retirement benefit obligation	(14)	(218)
Movement of provisions	(310)	50
Depreciation property, plant and equipment	344	360
Amortization development costs	1,790	1,823
Impairment development costs	117	193
Cash generated from operations	7,995	937
Interest paid	(51)	(44)
Income tax paid	181	(856)
	8,125	37
Cash flow from operating activities		
Investments in property, plant and equipment	(202)	(196)
Investments in product development	(2,089)	(1,755)
Disposal of property, plant and equipment	1	1
Disposal of subsidiaries	545	265
	(1,745)	(1,685)
Cash flow from financing activities		
Payment for buy-back of shares	(970)	–
Dividend paid	(657)	(657)
Payments of financial lease liabilities	(21)	(8)
Interest received	94	126
	(1,554)	(539)
Net in(de)crease in cash	**4,826**	**(2,187)**
Cash and cash equivalents at start of period	6,661	8,502
Effect of foreign exchange rate changes	(478)	346
Cash and cash equivalents at end of period	**11,009**	**6,661**

Notes to the consolidated financial statements

For the year ended December 31, 2010

1 General information

HITT N.V. (the Company) is a listed company incorporated in the Netherlands. The address of its registered office, the principal place of business of the Company and its subsidiaries (the Group) are disclosed below. The Company directly or indirectly owns the following subsidiaries as at December 31, 2010:

Operating subsidiaries	Place of establishment	Percentage of ownership
HITT Holland Institute of Traffic Technology B.V.	Apeldoorn, The Netherlands	100.0
HITT (HK) Ltd.	Hong Kong, People's Republic of China	100.0
Quality Positioning Services B.V.	Zeist, The Netherlands	100.0
Quality Positioning Services Inc.	Houston, Texas, U.S.A.	100.0
Klein Systems Group Ltd.	Vancouver, British Columbia, Canada	100.0
Ad Navigation AS	Moss, Norway	51.0

Ad Navigation AS is consolidated in full, reflecting a noncontrolling interest in equity and the statement of income.

The consolidated financial statements and notes thereto are presented in EUR 1,000 unless mentioned otherwise.

2 Significant accounting policies

Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. They are prepared on the historical cost basis, except for provisions and certain liabilities that are based on present value and certain financial instruments that are based on fair value. The accounting policies set out below have been applied consistently to all periods presented in the consolidated statements.

In accordance with article 402, Part 9, Book 2, the Company only presents Result on participating interests after tax as a separate line item in its Company statement of income.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and of the entities controlled by the Company. Control is achieved where the company has the power to govern the financial and operating policies of the subsidiary so as to obtain the benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Group. All intra-group transactions, balances, income and expense are eliminated in the consolidation.

Non-controlling interests in net assets of consolidated subsidiaries are identified separately from the equity attributable to equity holders of the parent. Non-controlling interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date (see 3.16.2);
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are nominated in foreign currencies other than the functional currency, are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency other than the functional currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in the profit or loss for the period. Exchange differences arising on the retranslations of non-monetary items carried at fair value are included in the profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains or losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are translated into Euro using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rate for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are credited or charged to the translation reserve (equity). Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Goodwill and fair value adjustments on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and related sales taxes. Sales of goods are recognized when goods are delivered and title has passed.

Where the outcome of a project contract can be estimated reliably, revenue and costs are recognized by reference to the stage of completion of the contract activity at balance sheet date, as measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a project contract cannot be estimated reliably, contract revenue is recognized to the extent that it is probable that contract costs incurred will be recoverable. Contract costs are recognized as expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately. Nearly all long-term construction contracts are accounted for by the percentage of completion method.

Government grants

Government grants relating to internally generated intangible assets are included in non-current liabilities at fair value, where there is a reasonable assurance that the grant will be repayable as a royalty payment on revenue generated from this internally generated intangible asset. Government grants relating to costs are recognized in the statement of income over the period necessary to match them with the costs that they are intended to compensate. Generic government grants are included in other income; government grants relating to employee benefits expense are included therein.

Finance costs and income

Net costs and income comprises interest calculated using the effective interest rate method, foreign exchange gains and losses and gains and losses on hedging instruments that are recognized in the statement of income. Interest income is accrued on a time basis, by reference to the principle outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through expected life of the financial asset to that asset's net carrying amount.

Taxation

Tax is calculated on the result before income tax, taking into account the prevailing rates and tax legislation in the different countries. Tax is accounted for in the profit and loss account, unless it relates to items directly recognized in equity, in which taxes are also accounted for in equity. Tax assets represent tax losses carried forward in certain jurisdictions in which the Company operates.

Deferred tax assets and liabilities reflect net effects of tax losses carried forward and temporary timing differences between the carrying value of assets and liabilities for financial purposes and the amounts used for income tax purposes. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized, based on the tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are only recorded if they are considered to be realizable in the future, which is reassessed at each balance sheet date.

Goodwill

Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets and liabilities of the subsidiary or jointly controlled entity recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is not amortized. Instead it is tested for impairment at least annually. Any impairment loss is recognized in the statement of income as soon as it occurs and it is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Product development

Expenditure on research activities is recognized as expense in the period in which it is incurred. An internally-generated intangible asset arising from the Group's development activities is capitalized only if all of the following conditions are met:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits by its technical and commercial feasibility;
- the development cost of the asset can be measured reliably.

The addition to the capitalized development costs is included as a separate category in the statement of income. Where these criteria are not met, development expenditure is charged to profit or loss in the period in which it is incurred.

Amounts recognized as development costs are capitalized and amortized over the estimated useful economic life. These development costs are divided into software technology related costs and product related costs. The amortization of the technology is based on the actual sale of the technology via projects. Generally the amortization term does not exceed 3 to 4 years. Product

related costs are expensed as incurred based upon an estimated useful life of less than one year. The amortization charge of these intangibles is included under depreciation and amortization expense.

Property, plant and equipment

Fixtures, furniture and computers are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets over their estimated useful lives and calculated using the straight-line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, when shorter, the term of the relevant lease.The gain or loss arising on the disposal or retirement of an item of equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Impairment of assets

At each balance sheet date the Group reviews the carrying amounts of its tangible and intangible assets to determine whether changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount will be estimated in order to determine the extent of the impairment loss. The recoverable amount is the greater of the net selling price and the value in use. The value in use reflects the net present value of the future cash flow generated by the asset, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount is lower than the carrying amount, a reduction to the carrying amount is made. Such an impairment loss is recognized as an expense immediately.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cashgenerating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. The system and calculation method applied is the discounted cash flow method. In principle the period for the discounted cash flow calculations is indefinite. The calculations of the value in use use cash flow projections based on actual operating results and actual three year forecasts and limiting further growth to nil.

Inventories

Inventories consist of raw materials and finished goods. They are valued at the lower of cost and net realizable value. Costs comprise direct materials and, where applicable, direct labor costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Construction contracts

Construction contracts, consisting of the balance of costs incurred, profits and losses recognized less amounts invoiced, are stated as a receivable (amounts due from customers for contract work) when the balance is positive. If the balance is negative, it is stated as a liability (amounts due to customers for contract work). Reference is made to the accounting principles under 'Revenue'.

Trade receivables

Trade receivables are recognized at face value less provisions for bad debts. The provision for bad debts is determined on individual receivables.

Derivative financial instruments and hedge accounting

The Group uses financial instruments to hedge risks associated with foreign currency fluctuations. Derivative financial instruments are recognized initially at fair value. Subsequent to initial recognition, derivative financial instruments are stated at fair value. Recognition of any resultant gain or loss depends on the nature of the item being hedged and according to application of hedge accounting.

Hedge accounting is applied for instruments used for hedging firm commitments and forecasted trade transactions of the Group. Accordingly changes in the fair value of derivative financial instruments that are designated and effective as cash flow hedges are recognized directly in equity, and the ineffective portion is recognized immediately in the statement of income. Amounts deferred in equity are recognized in profit or loss in the period in which the hedged item affects the statement of income.

Changes in the fair value of other derivative financial instruments (for instance those used for hedging of intercompany loans and receivables) are recognized in profit or loss as they arise, similar to the foreign exchange results of these hedged positions.

Retirement benefit obligations

Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies determined by actuarial calculations. The group has both defined benefit and defined contribution plans. A defined contribution plan is a plan under which the group pays fixed contributions into a separate entity. The group has no constructive or legal obligation to pay further contributions to this entity.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. See also the note on Retirement benefit obligation.

The retirement benefit obligation represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost plus the present value of available refunds and reductions in future contributions to the plan. Amortization of Unrecognized Gains or Losses has been included as a component of the annual expense for a year if, as of the beginning of the year, that cumulative net Unrecognized Gain or Loss exceeds 10% of the greater of the Plan Liability or value of Plan Assets. If amortization is required, the amortization is that excess divided by the expected average remaining working lives of the employees participating in the plan.

3 Statement of cash flows

The statement of cash flows has been prepared using the indirect method. With this method, the result is adjusted for items in the statement of income that have no impact on income and expense in the year under review, and changes in items in the statement of financial position and statement of income whose income and expense are not considered to belong to the operational activities.

The cash position in the statement of cash flows comprises cash and cash equivalents. The purchase price of acquisitions and disposal of subsidiaries is included under the cash flow from investing activities. Dividends are included in the cash flow from financing activities. Transactions which do not involve a cash exchange are not included in the statement of cash flows.

4 Adoption of new and revised International Financial Reporting Standards

There were no new or revised standards or IFRIC interpretations effective for the year ending on December 31, 2010 with significant impact on HITT's financial statements 2010. HITT did not opt for early adoption of new standards, amendments to standards and new IFRIC interpretations, which are mandatory for annual periods beginning on or after January 1, 2011 or later.

HITT expects that the adoption of new standards, amendments to standards and new IFRIC interpretations in future periods will have no material impact on HITT's financial statements 2011. In case new business combinations occur, the amendment of IFRS 3 may have impact.

5 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group uses financial derivatives to hedge certain currency risk exposure.

Market risks

Currency risk

The Group operates internationally and is exposed to foreign currency exchange risks arising from various currency exposures, primarily with respect to the American dollar, Australian dollar, Canadian dollar and the Hong Kong dollar. Management has set up a policy to require Group companies to manage their foreign currency risks relating to firm commitments and forecasted transactions. The Group treasury risk management policy is to hedge all foreign currency exchange risks in excess of EUR 50 in all non functional currencies for all fully controlled entities over the full project period. The Group treasury uses foreign currency forward contracts and currency swap contracts to manage the foreign currency exposure.

The Company also hedges the foreign currency risk of loans provided to group companies (participations) which are in the participation's functional currency. Foreign currency exchange risk arising from the remaining net assets value of the Group's foreign currency operations is not hedged.

The Group does not use derivative financial instruments for speculative purposes.

The sensitivity towards a 10% increase of key currencies during 2010, with all other variables held constant and taken into account effects at financial instruments, is shown in the following table (all amounts are before tax):

	Profit (loss) before tax	**Equity**
AUD	19	19
CAD	13	28
HKD	(7)	4
NOK	(32)	(21)
USD	4	6
	(3)	**36**

Interest rate risk

As the Group has no significant interest bearing assets or liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate. An exception is the free available cash within the Group which is deposited at the bank for a relatively short term in so far as not needed as working capital. If the interest rate had been 1% higher during the year, the interest income would have been approximately EUR 50 higher.

Price risk

Price risk can partly be mitigated by negotiating lower prices with suppliers. The pricing in long-term maintenance contracts is often subject to an annual indexation.

Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as credit exposure to contract customers during the execution of the project and from outstanding receivables. Banks and financial institutions are only accepted if they are ranked class A or better. If payment risks with a contract customer are expected, contract customers are evaluated via a credit rating agency and/or the payment is settled by a letter of credit or advance payments. Contract customers in general comprise of local public authorities or larger private conglomerates, but can also comprise partners in a project or resellers of software products.

Liquidity risk

Liquidity risk is managed by maintaining strict procedures on the reduction of working capital and by maintaining sufficient cash and/or the availability of cash by an adequate amount of committed credit lines. This is incorporated in the monthly reporting process. Reference is made to the contingent liabilities for more information about the credit facilities.

The following table provides an overview of the liquidity risk in the financial obligations of HITT:

(x € 1,000)	< 3 months	> 3 months < 1 year	> 1 year < 5 year	> 5 years	Total
Non-current liabilities	143	326	864	852	2,185
Current liabilities	7,438	4,358	21	–	11,817
Derivative financial instruments	(268)	–	–	–	(268)
Issued bank guarantees	2,695	4,456	2,106	575	9,832
	10,008	**9,140**	**2,991**	**1,427**	**23,566**

The liabilities are predominantly non-interest bearing and do not include derivative financial liabilities. Management monitors the development of the working capital and usage of the credit facilities per company on a monthly basis. Moreover management monitors annual forecasts of the Group's cash flow position on a quarterly basis.

6 Critical estimates and judgments

In preparing the consolidated financial statements management has made estimates and judgments. These estimates and judgments affect the reported amounts of assets and liabilities, revenues and expense and disclosed contingent assets and liabilities at the date of the financial statements. Critical estimates and judgments:

- Goodwill: reference is made to note 18 about the valuation of goodwill and impairment test thereof.
- Development costs: reference is made to note 19.
- Deferred tax assets: reference is made to note 20.
- Provisions on construction contracts: reference is made to note 22.
- Retirement benefit obligation: reference is made to note 26.

7 Segment information

In line with the segmentation applied in last year's annual report, the Group's reportable segments are:

- Traffic (consisting of Aviation, Marine and Port Management systems).
- Hydrography and navigation.

The financial information per segment is as follows (x € 1,000):

	2010		2009	
	Traffic	*Hydro*	*Traffic*	*Hydro*
Revenue	30,935	5,299	27,078	5,219
Depreciation and amortization expense	(1,330)	(914)	(1,508)	(855)
Finance costs and income	(221)	(31)	(224)	(26)
Income tax expense	(451)	(161)	232	(257)
Profit (loss)	1,236	533	(616)	760

All segment revenue reported above is from external customers. The operating profit (loss) per segment includes an allocation of central administration costs, directors' salaries and general and administrative costs.

Segment profit (loss)

(x € 1,000)	2010	2009
Traffic	1,236	(616)
Hydrography	533	760
Shareholder and other unallocated costs	(74)	(97)
Discontinued operations	545	265
	2,240	**312**

Segment assets

(x € 1,000)	2010	2009
Traffic	17,983	16,997
Hydrography	3,273	3,086
Unallocated (including eliminations)	10,037	6,707
	31,293	**26,790**

Segment liabilities

(x € 1,000)	2010	2009
Traffic	13,381	13,662
Hydrography	1,643	1,172
Unallocated (including eliminations)	(1,022)	(4,651)
	14,002	**10,183**

All of the segment revenue reported above is from external customers. The operating profit (loss) per segment includes an allocation of central administration costs, directors salaries and general and administrative costs.

Segment average number of employees

	2010	2009
Traffic	122	133
Hydrography and navigation	35	31
Unallocated	1	4
	158	**168**

8 Revenue

Revenue was generated in the following regions:

(x € 1,000)	%	2010	%	2009
The Netherlands	37	13,255	24	7,796
Rest of Europe	16	5,831	17	5,454
Asia	34	12,451	45	14,512
Rest of the world	13	4,697	14	4,534
	100	**36,234**	**100**	**32,296**

The majority of revenues concern rendering of services. Revenue consisted of:

(x € 1,000)	2010	2009
Construction contracts	25,054	21,602
Other revenues	11,180	10,694
	36,234	**32,296**

In 2010 there was one customer generating more than 10% of revenue. HITT realized revenues on projects for Rijkswaterstaat Noord-Holland (part of the Dutch government) of in total EUR 5.5 million.

9 Employee benefits expense

(x € 1,000)	2010	2009
Wages and salaries	10,143	10,258
Other short-term employee benefits	1,450	906
Post-employment benefits expense	654	446
Termination benefits expense	(72)	527
Other employee expense	349	484
Hired staff expense	599	482
	13,123	**13,103**
Average number of employees	158	168

The categorization of the employee benefits expense components have been changed in order to better reflect the nature of expense. The comparative figures have been changed accordingly. The total amount did not change.

Post-employment benefits expense comprise costs of defined contribution plans amounting to EUR 277 (2009: EUR 240) and costs of defined benefit plans amounting to EUR 377 (2009: EUR 206).

10 Product development

Product development represents the reduction of expense as a result of capitalizing development costs in the period, consisting mainly of own spent hours. Besides development costs that qualify for capitalization, the Group also develops products and tools for one-time application. These costs amount to EUR 1,708 (2009: EUR 1,853) and are included in employee benefits expense and other expense.

11 Depreciation and amortization expense

(x € 1,000)	2010	2009
Depreciation of property, plant and equipment	345	360
Amortization of development costs	1,790	1,823
Impairment of development costs	117	193
	2,252	**2,376**

The impairment occurred in the Traffic segment.

12 Other expense

(x € 1,000)	2010	2009
Housing expenses	1,011	909
Research and development	278	130
Repair and maintenance	248	425
Selling expenses	637	876
Business travel expenses	512	473
Office expenses	388	385
Guarantee expenses	(62)	87
General expenses	1,223	1,082
	4,235	**4,367**

Research and development expense comprise out-of-pocket costs. See also note 10 on Product Development.

13 Finance costs and income

(x € 1,000)	2010	2009
Interest income	94	126
Interest expenses	(5)	(4)
Foreign exchange results	(99)	(8)
Banking costs	(46)	(41)
	(56)	**73**

14 Income tax expense

(x € 1,000)	2010	2009
Current tax expense	(661)	16
Deferred tax expense	44	(17)
	(617)	**(1)**

Reconciliation of effective tax rate:

(x € 1,000)	%	2010	%	2009
Profit (loss) before tax		2,312		48
Income tax applying nominal rate	25.5	(579)	25.5	(12)
Effect of foreign tax rates	0.2	5	64.6	31
Effect of adjustments of prior years	(1.9)	(44)	(12.5)	(6)
Effect of changes of tax rate	0.4	10	(12.5)	(6)
Other effects	(0.4)	(9)	(16.7)	(8)
	(26.7)	**(617)**	**(2.1)**	**(1)**

The income tax relating to profit (loss) from discontinued operations is excluded from the above calculation. Reference is made to the disclosure on discontinued operations for the amounts involved.

15 Discontinued operations

On February 11, 2008 the 50% participating share in AISLive of Redhill, UK and on June 6, 2008 the 100% participating share in Ican Ltd of St. John's, Canada together with its 100% subsidiary Ican Inc of Dallas, USA have been sold. The agreed additional earn-out consideration on both disposals (maximum combined EUR 1,500) has not been accrued for at disposal date due to the uncertainty in the fulfillment of the profitability requirements. The result on discontinued operations in 2009 and 2010 concern received payments of earn-out considerations. Also included is a prior year tax adjustment of EUR 105 with regard to disposal related costs. 2010 was the last year of the earn-out period.

No companies were acquired or sold in 2010.

16 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

(x € 1,000)	2010	2009
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the parent)	2,404	345

Number of shares (x 1,000)	2010	2009
Weighed average number of ordinary shares for the purpose of basic earnings per share	4,659	4,694
Effect of dilutive potential ordinary shares	–	–
Weighed average number of ordinary shares for the purpose of diluted earnings per share	**4,659**	**4,694**

17 Property, plant and equipment

(x € 1,000)	2010	2009
Balance at January 1	627	709
Investments	202	251
Book value of disposals	(1)	(1)
Depreciation	(344)	(360)
Effects of foreign currency translation	22	28
Balance at December 31	**506**	**627**
Accumulated cost	2,691	2,597
Accumulated depreciation	(2,185)	(1,970)
Book value at December 31	**506**	**627**
Depreciation percentages	20–50	20–50

Property, plant and equipment mainly consist of fixtures, furniture and computers. The fair value does not deviate significantly from the carrying value.

18 Goodwill

(x € 1,000)	2010	2009
Balance at January 1	1,141	992
Effects of foreign currency translation	139	149
Balance at December 31	**1,280**	**1,141**

Goodwill relates to the following entities:

(x € 1,000)	2010	2009
Klein Systems Group Ltd	1,158	1,026
Ad Navigation AS	122	115
Balance at December 31	**1,280**	**1,141**

The carrying amounts of the units remain below the recoverable amounts and as such no impairment losses are accounted for. The discount rates before taxes used in the impairment tests vary from 7 to 8%. The Management Board believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

19 Development costs

(x € 1,000)	2010	2009
Balance at January 1	4,898	5,103
Investments	2,089	1,755
Amortization	(1,790)	(1,823)
Impairment	(117)	(193)
Effects of foreign currency translation	60	56
Balance at December 31	**5,140**	**4,898**
Accumulated cost	12,731	11,448
Accumulated amortization	(7,591)	(6,550)
Balance at December 31	**5,140**	**4,898**

Regular impairment tests showed some developments with a shorter useful life and they were impaired accordingly in 2009 and 2010. Discount rates before taxes used in the impairment tests vary from 7 to 10%. The costs of impairment are included in the depreciation and amortization expense.

20 Deferred tax assets

(x € 1,000)	%	2010	%	2009
Balance at January 1		198		210
Addition (release) to income statement	87		(35)	
Effects of foreign currency translation	26		23	
		113		**(12)**
Balance at December 31		**311**		**198**

The deferred tax assets mainly relate to the tax value of fiscal losses incurred that can be compensated in future years and are expected within one and five years (based on actual 3-years forecasts). The tax assets are stated at nominal value.

21 Trade and other receivables

(x € 1,000)	2010	2009
Trade receivables	6,253	4,800
Due from customers for contract work	5,314	6,924
Other receivables and prepayments	934	611
Balance at December 31	**12,501**	**12,335**

Receivables and amounts due are expected to be collected within 3 months after year-end.

The following table provides insight in the ageing of trade receivables and the extent to which receivables are past due but not impaired.

(x € 1,000)	2010	2009
Within credit terms	4,627	3,798
Past due up to 90 days	448	407
Past due over 90 days	1,189	605
Provision for impairment	(11)	(10)
Balance at December 31	**6,253**	**4,800**

The provision for impairment mainly relates to receivables older than 90 days.

22 Construction contracts

(x € 1,000)	2010	2009
Cost incurred plus recognized profits (losses)	40,354	33,439
Progress billings	(39,991)	(30,259)
Balance at December 31	**363**	**3,180**
Amounts due from customers (stated under receivables)	5,314	6,924
Amounts due to customers (stated under payables)	(4,951)	(3,744)
Balance at December 31	**363**	**3,180**

23 Current tax assets

The amount included under current tax assets concerns advance payments of income tax and VAT receivables.

24 Derivative financial instruments

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions and to hedge foreign exchange exposure of loans provided to participations.

The financial instruments are stated at fair value. The fair value is based on quoted market prices per balance sheet date. Only plain vanilla instruments are used (forward contracts), with observable market prices. All instruments used qualify as level 2 instruments under the definitions of IFRS 7.

(x € 1,000)	2010	2009
Cash flow hedges of future transactions	262	40
Fair value hedges of receivables and payables	6	(59)
Balance at December 31	**268**	**(19)**

All financial instruments have an expiration date in 2011. At the expiration dates these contracts are rolled forward in case the hedged item (being a cash receipt) has not yet occurred. The exchange gain/loss resulting from the roll forward is added to the hedging reserve in case of cash flow hedging, and will be recycled to the statement of income when the hedged item affects the statement of income, together with the added results from prior roll forward transactions.

25 Equity

Reference is made to the Company statement of financial position and disclosure for comments on the statutory components with equity.

The non-controlling interest in the Group's equity relates to the 49% interest of the non-controlling shareholders of Ad Navigation AS.

26 Retirement benefit obligation

Plan assets

The assets of the Plan are managed by an insurance company. The benefit payments are guaranteed by the insurance company. The plan assets are equal to the discounted cash flows (benefit payments). The profit sharing on investment is not taken into account as it is assumed to be zero.

The investment returns are based on the so-called u-yield (government bonds with duration of 7–8 years). As this return less the investment fee is expected to be less than the contractual discount rate (on average 3.8%), profit sharing is expected to be low.

Methodology

IAS19 does not specify how benefits that do not depend on service should be attributed between past and future service. The approach that we have adopted for the Scheme is to identify the 'past service' element of the liability for death in service and incapacity benefits by reference to a member's completed service at the measurement date to their total projected service (i.e. in line with the provisions of the US Financial Accounting Standards Boards guidance in FAS87).

The movements in the retirement benefit obligation can be summarized as follows:
(x € 1,000)

	Defined Benefit Obligation	Plan Assets	Funded status	Unrecognised gains (losses)	Net liability
Balance at January 1, 2009	7,829	(7,714	115	1,397	1,512
Company Service Cost	76	–	76	(65)	11
Interest cost	436	–	436	–	436
Expected return on plan assets	–	(286)	(286)	–	(286)
Administration cost	–	45	45	–	45
Benefits paid	(85)	85	–	–	–
Expense recognized in the income statement	427	(156)	271	(65)	206
Plan participants contribution	224	–	224	–	224
Contribution	–	(648)	(648)	–	(648)
Contribution net of participants contribution	224	(648)	(424)	–	(424)
Balance at December 31, 2009 (est.)	8,480	(8,518)	(38)	1,332	1,294
Loss (gain)	844	(324)	520	(520)	–
Balance at December 31, 2009	9,324	(8,842)	482	812	1,294
Company Service Cost	105	–	105	–	105
Interest cost	492	–	492	–	492
Expected return on plan assets	–	(248)	(248)	–	(248)
Administration cost	–	28	28	–	28
Benefits paid	(88)	88	–	–	–
Expense recognized in the income statement	509	(132)	377	–	377
Plan participants contribution	186	–	186	–	186
Contribution	–	(577)	(577)	–	(577)
Contribution net of participants contribution	186	(577)	(391)	–	(391)
Balance at December 31, 2010 (est.)	10,019	(9,551)	468	812	1,280
Loss (gain)	(34)	38	4	(4)	–
Balance at December 31, 2010	**9,985**	**(9,513)**	**472**	**808**	**1,280**

A summary of the assumptions used is detailed below:

Financial assumptions

Weighted average (in %)	2010	2009
Discount rate	5.60	5.30
Expected return on plan assets	5.60	5.30
Future salary increases		
General	2.00	2.00
Individual	0–3.23	0–3.23
Pensions in payment increase rate	0.00	0.00
Deferred pensions increase rate	0.00	0.00
Inflation	2.00	2.00

Change in discount rate determination

In 2010 the discount rate was determined on a different basis than in the years before.
Main changes are:

- Bloomberg data are taken as basis instead of iBoxx. Bloomberg has more data available.
- Individual bonds are taken as basis instead of average interest rates per term bucket. This makes the determination of the discount rate more transparent.
- For longer terms iBoxx did not contain sufficient comparable bonds to make a reliable estimate of the discount rate. Therefore the risk-free interest rate as published by ECB was applied, increased with a fixed credit spread. By the change to Bloomberg, the number of comparable bonds is increased.

The impact is that the discount rate is approximately 80 basis points higher than it would have been under the old method. Because the discount rate is applied to both the valuation of the assets and on the liabilities, the impact on the net obligation is limited. The impact is estimated on approximately EUR 120.

Demographic assumptions

Item	Description
Mortality	AG Prognosetafel 2010–2060 is published by the Dutch Society of Actuaries, combined with experience mortality factors is published by TowersWatson (2010). No age setback for both males and females before and after the pension age is used.
Disability	Table from Verbond van Verzekeraars, 'Zakelijke dienstverlening II'.
Withdrawal	Derived from scheme specific experience
Marriage frequency	Based on marital tables published by Actuarial Society (Actuarieel Genootschap), 100% on retirement date.
Age difference (in favor of females)	We have assumed a three year age difference between males and females.

The amortization of gains and losses can be summarized as follows:

(x € 1,000)	2010	2009
Unrecognised gain (loss)	812	1,397
Corridor	(932)	(783)
Amount to be amortized	–	614
Average remaining service (in years)	9.4	9.5
Amortization	–	**65**

27 Deferred tax liabilities

(x € 1,000)	2010	2009
Balance at January 1	875	824
Addition (release) to income	43	(18)
Addition (release) to equity	(39)	69
Balance at December 31	**879**	**875**

The movements in deferred tax liabilities can be summarized as follows:

(x € 1,000)	Development costs	Retirement benefits	Cash flow hedges	Other	Total
Balance at January 1, 2009	1,205	(386)	5	–	824
Addition (release) to income	(79)	56	–	4	(19)
Addition (release) to equity	–	–	70	–	70
Balance at December 31, 2009	1,126	(330)	75	4	875
Addition (release) to income	31	10	–	2	43
Addition (release) to equity	–	–	(39)	–	(39)
Balance at December 31, 2010	**1,157**	**(320)**	**36**	**6**	**879**

The deferred tax liabilities are valued against the nominal rates applicable as of 2011. The deferred liabilities with respect to development costs, retirement benefits and cash flow hedges will become current liabilities in the same pattern as their underlying balance sheet items. Reference is made to the disclosures of these items in this report.

28 Trade and other payables

(x € 1,000)	2010	2009
Trade payables	2,794	1,376
Due to customers for contract work	4,951	3,744
Deferred revenue	639	544
Other current liabilities	1,829	1,060
Balance at December 31	**10,213**	**6,724**

Payables and amounts due to customers are expected to be paid within 3 months after year-end.

29 Current tax liabilities

(x € 1,000)	2010	2009
Current income tax	202	8
Wage tax and social securities	454	381
VAT	727	310
Balance at December 31	**1,383**	**699**

The value added tax, wage tax and social security charges are payable in January 2011.
The corporate income tax is expected to be payable within twelve months.

30 Provisions

The movement in provisions can be summarized as follows:

(x € 1,000)	2010		2009	
	Guarantee	*Severance*	*Guarantee*	*Severance*
Balance at January 1	275	250	404	67
Additions	9	57	191	581
Settlements without costs	(69)	(127)	(117)	–
Payments	(10)	(169)	(203)	(402)
Effects of foreign currency translation	3	2	–	4
Balance at December 31	**208**	**13**	**275**	**250**

The additions to the provision for severance payments in 2009 largely related to the reorganization in Apeldoorn and to a lesser extent in Canada where part of staff was made redundant. Settlements of the remainder amounts took place in 2010.

The Group provides for guarantee claims to cover expected costs for after sales services. Actual guarantee costs are charged to this provision. Guarantee liabilities predominantly have a short term character.

31 Contingent liabilities

Lease and rental obligations

The Group has entered into the following contractual operational lease and rental obligations:

(x € 1,000)	2010	2009
Up to 1 year	1,126	1,203
1 to 5 years	237	1,108
Over 5 years	–	–
At December 31	**1,363**	**2,311**

Credit facilities

The Group has a bank credit facility of EUR 15,875 available for bank guarantees and bank overdraft/loans. Overdraft and loans are maximized to EUR 4,000. Per end of year the usage is as follows:

(x € 1,000)	2010	2009
Bank credit facility – total	15,875	15,875
Issued bank guarantees:		
Bank guarantees due within 1 year	(7,151)	(3,109)
Bank guarantees due within 5 years	(2,106)	(2,679)
Bank guarantees due after 5 years	(575)	(6)
Bank loans/overdraft in use	–	–
Free available credit facility at December 31	**6,043**	**10,081**

The Dutch Group companies are joint and several liable and have pledged their work in progress and trade receivables against these facilities.

Foreign currency

The Group has hedged cash flows of the following currencies:

(x € 1,000)	2010	2009
USD	14,920	5,948
HKD	(2,523)	(219)
CAD	(1,779)	(1,185)
AUD	901	1,145
NOK	461	–
SGD	–	(276)
EUR	–	(436)
	11,980	**4,977**

The amounts reflect the net currency receivable (payable) position in the respective currency. An amount of EUR 9,543 (2009: EUR 3,802) relates to future projects receipts and payments, and EUR 2,447 (2009: EUR 1,175) relates to hedged intergroup receivables.

Hedged positions are rolled forward with a risk exposure amounting to the difference in interest rate between the currencies prevailing at the moment of rolling forward and the settlement date of the forward agreement. This risk is not significant.
The foreign currency contracts for future cash receipts and payments only cover existing exposures based on orders from customers. Besides these hedged positions no significant other foreign currency exposure exists of current positions (besides small contracts for which group companies are not required to hedge the foreign currency risk).

The periods in which the cash flows are expected to occur (with exception of those following from fair value hedges) and are expected to affect profit and loss are as follows:

(x € 1,000)	2010	2009
2010	–	4,424
2011	11,264	155
2012	397	155
2013	131	155
2014	116	88
2015	36	–
2016	36	–

Related parties

Reference is made to the disclosure in the Company financial statements regarding related party employment contracts.

Other

A Group company has entered into a consortium agreement with local partners to realize the project for the Gulf of Kachchh, India accepting a joint and several liability. The delivery by the Group Company amounts to approximately 50% of the total contract of EUR 17,000.
The Group has commitments for replacement of property, plant and equipment per December 31, 2010 of EUR 232.

32 Service fees external auditor

The service fees from the external auditor, Deloitte, recognized as other expense, can be specified as follows:

(x € 1,000)	2010	2009
Audit of the financial statements	55	64
Other audit services	3	3
Tax consultancy	0	0
Other services	2	0
	60	**67**

Company statement of income

For the year ended December 31

(x € 1,000)	2010	2009
Company profit (loss) after tax	(73)	(98)
Result of participating interest after tax	2,477	443
Profit (loss)	**2,404**	**345**

Company statement of financial position

At December 31, before appropriation of profit

(x € 1,000)	Notes	2010	2009
Assets			
Non-current assets			
Property, plant and equipment		5	12
Goodwill		1,280	1,141
Participations	2	6,263	5,121
		7,548	6,274
Current assets			
Trade and other receivables		738	330
Current tax assets		44	683
Receivables from group companies	3	1,451	5,718
Derivative financial instruments		268	–
Cash and cash equivalents		9,082	4,578
		11,583	11,309
		19,131	**17,583**
Equity and liabilities			
Capital and reserves	4		
Issued capital		1,173	1,173
Share premium		4,848	4,848
Development costs reserve		4,630	4,415
Cash flow hedge reserve		109	218
Translation reserve		(61)	(237)
Retained earnings		6,623	6,061
		17,322	16,478
Liabilities			
Non-current liabilities		874	871
Current liabilities		935	234
		1,809	1,105
		19,131	**17,583**

Notes to the company financial statements

For the year ended December 31, 2010.

1 Significant accounting policies

The Company financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with article 362.8, Part 9, Book 2, the Company applies the same accounting standards as those applied in the consolidated financial statements, with the exception of the accounting standards regarding participations in group companies. Participation in group companies is accounted for using the net asset value. Receivables from Group companies are stated at cost.

The Company financial statements and notes thereto are presented in EUR 1,000, unless mentioned otherwise.

2 Participations

(x € 1,000)	2010	2009
Balance at January 1	5,121	7,870
Dividend	(828)	(2,950)
Share of result in associated companies	1,932	178
Effects of foreign currency translation	38	23
Balance at December 31	**6,263**	**5,121**

The Company directly or indirectly owns the following subsidiaries as at December 31, 2010:

Operating subsidiaries	**Place of establishment**	**Percentage of ownership**
HITT Holland Institute of Traffic Technology B.V.	Apeldoorn, The Netherlands	100.0
HITT (HK) Ltd.	Hong Kong, People's Republic of China	100.0
Quality Positioning Services B.V.	Zeist, The Netherlands	100.0
Quality Positioning Services	Inc. Houston, Texas, U.S.A.	100.0
Klein Systems Group Ltd.	Vancouver, British Columbia, Canada	100.0
Ad Navigation AS	Moss, Norway	51.0

3 Receivables from group companies

Foreign exchange risks of the receivables from group companies were fully hedged at year end.

4 Capital and reserves

Issued capital

The Company's authorized share capital amounts to EUR 4,000 (2009: EUR 4,000) and consists of 8,000,000 ordinary shares (2009: 8,000,000) and 8,000,000 preference shares (2009: 8,000,000) each with a nominal value of EUR 0.25. Of the ordinary shares, 4,694,158 shares (2009: 4,694,158) have been issued and fully paid up as per December 31, therefore the issued share capital amounts to EUR 1,173 (2009: EUR 1,173).

Share premium

The share premium is considered to be paid in capital.

Development costs reserve

The development costs reserve concerns the legal reserve for capitalized development costs of Dutch subsidiaries.

Cash flow hedge reserve

The cash flow hedge reserve is a legal reserve and contains foreign currency exchange gains and losses on financial instruments used for cash-flow hedging of future project receipts and payments. No hedged transactions had to be reversed. See also the note on financial instruments. A deferred tax effect of 25% is taken into account.

Translation reserve

The translation reserve is a legal reserve and comprises foreign currency exchange differences on the translation of the foreign currency balance in financial non-current assets (participations), goodwill and earn-out liabilities regarding foreign operations.

Share repurchase

On October 28, 2010 HITT repurchased 200,000 own shares from one of the shareholders. The shares were repurchased at a price of EUR 4.85 per share. As of December 31, 2010 these shares are still held by HITT. The repurchase amount is deducted from retained earnings.

Dividend

On March 12, 2010 a dividend over 2009 of EUR 0.14 per share (total dividend EUR 657) was paid to shareholders.

After balance sheet date the Management Board has proposed a dividend (see 'Additional information'). The dividend proposal has not been recognized in the statement of financial position.

5 Contingent liabilities

The Company accepted liability according to article 2:403 of the Dutch Civil Code for the subsidiaries HITT Holland Institute of Traffic Technology B.V. and Quality Positioning Services B.V.

The Company has issued parent company guarantees on behalf of subsidiaries amounting to EUR 1,530 (2009: EUR 1,530) in relation to projects on hand. In case the subsidiaries fail to fulfill its obligations under the outstanding tender offers, the Company may be called to stand in on behalf of the subsidiary concerned.

The Company and all of its Dutch subsidiaries form part of a fiscal group for value added and income taxes. Subsequently the Company is liable for any of those taxes of these subsidiaries.

6 Related parties

The Company finances operations of subsidiaries, whereby the Company acts as the Group's central treasury by hedging the subsidiaries' foreign currency exchange risks and issuing loans against rates based upon EURIBOR plus a mark-up. Also the Company charged a parent company fee to wholly owned subsidiaries for services rendered.

Two shareholders of HITT Holding B.V. have employment contracts with the Company as of 1994. Their remuneration is included in the consolidated employee benefits expense and is market conforming.

7 Remunerations

Remuneration of the Management Board

(x € 1,000)	2010		2009	
Sjoerd Jansen (CEO – statutory director):				
– Fixed salary	220		220	
– Short term bonus	88		21	
– Long term bonus	–*		–	
– Retirement benefits	37		18	
– Other	24		24	
		369		283
John van Asperen (CFO – non-statutory director):				
– Management fee	32		190	
– Bonus	–		–	
		32		190
Martin Schuiteman (CFO as of Mar 3, 2010, non-statutory director):				
– Fixed salary	87			
– Profit sharing and/or bonus	15			
– Retirement benefits	6			
– Other	14			
		122		
		523		**473**

* The CEO has decided to waive his long term bonus of EUR 121 that he was entitled to.

The remuneration of the CEO comprises:

I a fixed basic salary in the range of EUR 194 to EUR 234;
II a bonus in cash depending on last year's net profit of the group; this bonus amounts to 30% of the fixed basic salary in case the net profit of the group is within 10% of the agreed budget. This cash bonus will be 40% in case the net profit of the group surpasses the budget with more than 10%;
III a long term incentive based on exceeding the three year's business plan such that after adoption of the annual accounts of any third year a cash bonus of 15% of the annual salary inclusive of any paid out bonus will be paid if the aggregate earnings per share were higher than agreed in the Business Plan preceding the period concerned;
IV a defined contribution retirement plan for which the premium is paid equally by the Company and the statutory director;
V the costs for a lease car are borne by the Company;
VI the Supervisory Board may also grant additional incentives based on solid performance that do not relate directly to net results;
VII in the labor contract a severance payment of 12 monthly salaries has been agreed in the event of dismissal before October 1, 2010.

The bonuses of the Management Board in the foregoing table concern accrued amounts.

The former Chief Financial Officer, Mr. John van Asperen, charged an all inclusive management fee to the Company till March 3, 2010. He was succeeded by Mr. Martin Schuiteman, who is employed by the company. The remuneration of the CFO is subject to approval of the Supervisory Board, following best practices of the Dutch Corporate Governance code.

No loans or guarantees have been granted to the Management Board.

Remuneration of the Supervisory Board

(x € 1,000)	2010	2009
Albert Stroink	25	25
Eric van Amerongen	20	20
Hans Prinsen	20	20
Jan Vaandrager	20	20
	85	**85**

The remuneration of the Supervisory Directors is independent of profit or loss of the Group.
No loans or guarantees have been granted to the Supervisory Board.

Shares and options held by the Boards

Supervisory directors are not granted any shares and/or rights to shares by way of remuneration. Any shares held by a supervisory board member in the Company are long-term investments. At December 31 the Supervisory Board and the Management Board held no share options, and held shares (direct or indirect) as follows:

Number of shares	2010	2009
Albert Stroink	–	–
Eric van Amerongen	–	–
Mark Prinsen	–	–
Jan Vaandrager	–	–
Sjoerd Jansen	–	–
Martin Schuiteman	1.000	1.000

8 Signing of the financial statements

Apeldoorn, January 31, 2011

Management Board

Sjoerd Jansen (CEO)
Martin Schuiteman (CFO)

Supervisory Board

Albert Stroink (Chairman)
Eric van Amerongen (Vice-Chairman)
Jan Vaandrager
Mark Prinsen

Additional information

Independent auditor's report

To: the General Meeting of Shareholders of HITT N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 of HITT N.V., Apeldoorn, which comprise the consolidated and company statement of financial position as at 2010, the consolidated and company statements of income, comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of HITT N.V. as at December 31, 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the management board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the management board, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Enschede, February 1, 2011
Deloitte Accountants B.V.

A.J.E. Jansman

Statutory regulations concerning profit allocation

Profits may only be distributed after the adoption of the Annual Accounts and if shareholders' equity exceeds the sum of paid and called-up capital plus legal reserves. Profits shall be distributed to holders of preference shares before any further distribution is made. Following the preference distribution, the Management Board shall determine, subject to approval of the Supervisory Board, what percentage of the profit is to be added to the reserves. The part of the profit remaining after the setting aside of the reserve is at the disposal of the general meeting of shareholders.

Dividend proposal

The Management Board, supported by the Supervisory Board, established the dividend policy to range from 30% to 40% of net results.

Taking into account the improved financial position and financial performance, the Management Board proposes to pay out in cash 40% of the net result from continuing operations, and to pay out 100% of the result from discontinued operations. The proposed dividend amounts to in total EUR 0.26 per ordinary share. The dividend will be paid on April 7, 2011. The proposed dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in the financial statements.

Financial calendar

2011
February 1
Publication of annual figures 2010

March 29
Annual General Meeting of shareholders

March 31
Ex-dividend listing

April 7
Dividend payable

August 23
Publication of semi-annual figures

2012
February 7
Publication of annual figures 2011

Language

According to the decision of the Annual General Meeting of shareholders the annual reports of HITT are in English. A translated Dutch version is also available. In case of differences the English version prevails.

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