HITT
Annual report 2007

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Message from the management board

To the shareholders, customers, partners and employees.

In 2007 we have seen a strong increase of revenues, but a trailing profitability. The increase of revenues shows the continued ability of HITT to be successful in obtaining and executing orders in a growing niche market. The main reason for the decreasing profitability has been the price pressure on what can be seen as currently more or less standardized products. In order to win orders and to restore the margins and profitability we must remain innovative and on the cutting edge of technology.
In 2007 considerable investments have been made in new technology and new products in almost all of the product-market-combinations. These developments, in combination with a strong order portfolio at the end of 2007, make us confident in our ability to restore profitability in 2008.

The first impressions of the new CEO of HITT can be summed up as follows:

- positive feeling about the technical skills, level and the enthusiasm of the employees of the companies within HITT
- Solid base of developed products
- More focus on the commercial approach of the traffic control activities in particular is required
- being a specialized niche-player high-end products and activities, 'commodities' are to be recognized and eliminated. As a result of that, reinforcement of the activities and products that contribute to our core activities are to be strengthened.

The key objective of our products and services is to have our customers make better use of existing harbor and airport capacity by improving the safety, security and efficiency of the operating procedures: (air) craft generate return on investment during travel only; not during stand-stills.

In transport all elements should be organized in an optimum way. Turn around times should be reduced to a minimum. HITT's products improve safety and security in harbors and coastal areas by providing coastal surveillance organizations with comprehensive data to safeguard traffic operations and search and rescue operations after incidents. To help improve safety and security on airports our products provide traffic controllers with relevant data such as accurate and up to date hydrographical and on-board positioning data.

In order to improve our customers' efficiency, HITT's products provide all parties involved in the handling of (air) craft with consistent and up-to-date (real-time) information about the accurate position of the (air) craft. Our products combine those data with the relevant cargo data, and provide our clients with information a.o. about the opportunity to safely travel to and from (air) ports.

Transport must be safe and secure. HITT's products support coastal surveillance organizations by providing them with comprehensive data to safeguard traffic operations and search and rescue operations after incidents.

Overall the integrated use of HITT's products results in a more effective use of the (existing) infrastructure in both harbors and airports, reduces energy consumption and helps reduce costs.

Turnover grew to 34 million Euros, a 23% increase compared to 2006. However, profit figures lagged behind forecasts. Measures are being taken to improve profitability.

HITT's objective is to be the leader in the niches in which it operates. In order to remain at the cutting edge of technology and leadership in our niche market we must continue to stay at the front. Continue to invest in product and market development, driven by our customers' needs, is vital.

In order to realize this objective, a great deal of new domain knowledge is needed. Knowledge needs to be acquired, kept up to date and further developed. Employing the right people and providing sufficient working capital are prerequisites.

This requires a continued development and upgrade of our highly qualified staff. We have confidence in the ability of our current workforce, but we are concerned about the tight labor market for highly qualified technical employees. However we believe that our chosen course of action and the exciting business areas that we participate in, make us attractive to existing and new talent. The challenges that we embrace, the innovative approach that we constantly seek, and the creativity that we look for, all offer attractive opportunities for talented people.

We are confident that all ingredients are in place to increase profitability in 2008.

We thank our employees for their knowledge, expertise and dedication, and thank our shareholders, customers and partners for their support and confidence.

Sjoerd Jansen (CEO)

John van Asperen (CFO)

Profile

HITT operates in the international market for safety, security and efficiency of nautical and air traffic. With 178 highly skilled staff, and with operating business units in Europe, North America and Asia, the company takes leadership positions in the specialized markets for traffic control, navigation and hydrographic systems. The company excels in knowledge intensive software solutions and systems integration in real time applications.

Vision

HITT's vision is based on the premise that safety, security and efficient capacity utilization are the drivers for the requirements in the marine and aviation industry market for software dominant system solutions.
Adherence to safety and security standards, the latter derived from homeland security requirements, are prerequisites for authorities that take responsibility for airports, seaports, coastal and inland waterways. Whilst striving for efficiency, key players in the maritime and aviation industries will have to operate within these constraints when providing services for the movement of passengers and goods. Accurate, real time surveillance, survey and navigation information is essential in assisting authorities to meet these new challenges. HITT serves this growing demand through the provision of innovative software solutions, systems integration, and where needed, with information.

Strategy

HITT's strategic business goal is to achieve and maintain a leadership position as a solutions provider that develops software dominant applications in the domains of Navigation, Traffic and Transport (including the area of logistic support). The company focuses on providing systems to support the management of marine and aviation traffic.
HITT's leadership in these markets is enhanced through the development of a unique combination of knowledge of traffic guidance, navigation, resource planning and related specializations such as hydrography, GIS (Geographic Information Systems), information and communication systems.
It is the prime objective of HITT to achieve profitable growth in the market area of traffic technology. From the strong product-market position described below, HITT will further grow and expand. Key elements in supporting this growth strategy are:

- Strengthening HITT's recognized position as a leader in innovative cutting edge technology;
- Expanding HITT's capabilities in the global market by adapting the product range to local requirements;
- Continuously improving service and product upgrade support to the growing number of existing customers. HITT is optimizing the value proposition by long term commitment to its customers, providing them with high quality but low lifecycle cost;
- Establishing key relationships with strong partners who have complementary strengths and have our customers' preference.

Product Market Combinations

In order to meet its objectives, HITT deploys a global niche market strategy. Within the wider context of traffic technology, markets in which HITT can achieve and maintain global market leadership are selected and pursued. 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 of vital importance.

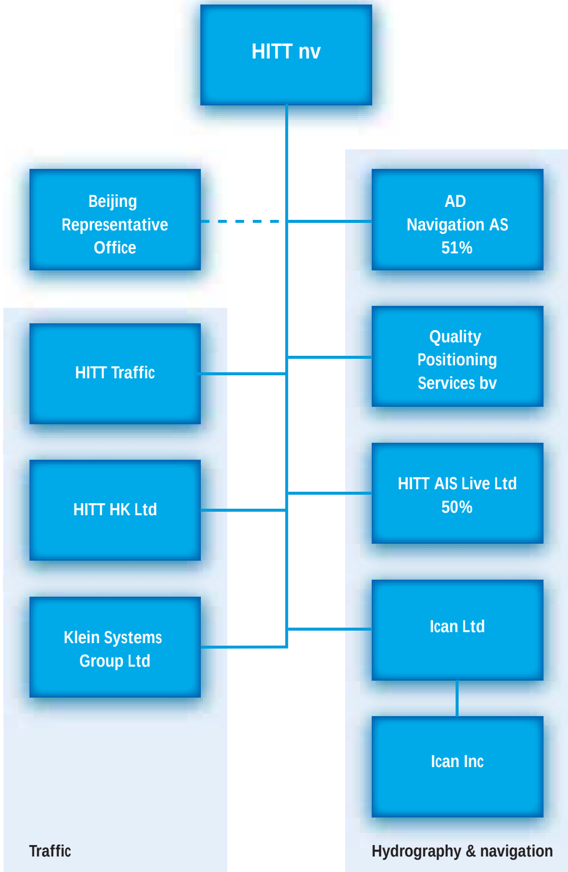
Organization

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. At this date 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 a holding company, seven subsidiaries and one representative office.

The figure below shows the corporate structure at December 31, 2007.

- 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 harbors
- Ad Navigation is a specialist in satellite supported positioning systems
- Quality Positioning Services B.V. specializes in the market for Hydrographic Surveying and Navigation Support
- Ican Ltd and its US-based subsidiary is specialist in AIS-based systems
- the 50% joint venture AISLive delivers information to the marine society over the internet



HITT has a two-tier Board consisting of a non-executive Supervisory Board and an executive Management Board.

The Supervisory Board consists of 3 members. It is proposed to the Annual General Meeting to increase the number of Board members from 3 to 4. None of the members is a member of more than 5 supervisory boards of stock listed companies in the Netherlands:

Dick Sinninghe Damsté (male, 1939, Dutch) is Chairman of the Board as of May 20, 1998 with a 3rd and final term of appointment until 2008. Mr. Damsté was re-appointed for a 3rd term in the Annual General Meeting of shareholders on February 18, 2004. Mr. Damsté was a former member and vice-chairman of the Management Board of Hollandse Beton Groep N.V.; he is a Supervisory Director of BE Semiconductor Industries N.V., Vedior N.V. and Chairman of their respective audit committees. He is a Supervisory Director of the Nederlands Kanker Instituut Antoni van Leeuwenhoek ziekenhuis NKI-AvL. Having been responsible for the finance function of several (operating) companies throughout his career, Mr. Damsté is considered to be the financial expert within the Supervisory Board. Mr. Damsté has not been employed by HITT before he became a Supervisory Director.

Eric A. van Amerongen (male, 1953, Dutch) is Vice-Chairman and joined the Board as a member as of March 29, 2002 with a 2nd term of appointment until 2009. 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 Twente University. Vice-Chairman of the Supervisory Board of ASM International N.V., member of the Supervisory Boards of Imtech N.V. and ANWB respectively and Chairman of Centraal Bureau Rijvaardigheidsbewijzen and Non-executive Director of Corus Plc (resigned in 2008) and senior independent non-executive director Chanks plc.

Hans Prinsen (male, 1937, Dutch) joined the board as a member as of July 1, 2000 with a 3rd and final term of appointment until 2010. Mr. Prinsen was a former Chief Executive Officer of HITT and as such had in-depth knowledge of the market and the organization. Mr. Prinsen is the only non-independent Supervisory Director as he indirectly holds the majority of shares.

The Management Board consists of:

Sjoerd Jansen (male, 1954, Dutch) is Chief Executive Officer and statutory director as of October 1, 2007 as appointed by the Annual General Meeting of shareholders on August 27, 2007 with a term of 4 years as required under the Code. 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 is educated electrical engineer (B.Sc.) at the Institute of Technology in Rotterdam.

John H.M. van Asperen (male, 1958, Dutch) is Chief Financial Officer and non-statutory director. He is employed by HITT as of March 1, 1994. He held several management positions at Civil Systems Department of Hollandse Signaalapparaten B.V. before he participated in the management buy-out of this department transforming it into HITT. Mr. Van Asperen is not a member of a supervisory board of another company. Mr. Van Asperen has a master's degree in electronic instrumentation engineer at the Technical University of Delft.

Report of the Supervisory Board

To the shareholders

Supervision

The Supervisory Board is honored to report on its activities in 2007. 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. 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.

The Supervisory Board complies with the Dutch Corporate Governance Code (the 'Code') with the exceptions as reported by the Management Board. 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. The Supervisory Board has the task to independently supervise the policy and the conduct of the business by the Management Board as well as the general flow of affairs. It supervises the achievement 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.

The Supervisory Board has conducted 7 formal meetings with the Management Board covering amongst others HITT's shareholders' issues, business development, company performance, planning and budget, external and internal auditing mechanisms, risk management, personnel and social affairs, corporate governance and profile of the Board as well as possible co-operation with partners. Information provided by the Management Board has been presented in due time giving the Supervisory Board ample time to perform its duties. No Supervisory Director was frequently absent. Informal meetings regularly took place between members of the Management Board and members of the Supervisory Board. Three meetings were held without the presence of the Management Board to evaluate the Supervisory Board's own functioning, personal skills, its independence, the need to amend its profile and its composition. Following that evaluation no Supervisory Director had to retire early.

Management continues to adapt the profile of the company to reduce the risks associated with a project driven company by entering into other product market combinations, such as navigation-on-board and management of harbor operations. Synergies between companies in the group are being fostered. Measures to strengthen the market position and to attain a stronger competitive edge have been discussed between the Boards extensively. Every quarter, a full financial report including balance sheet, profit & loss account and cash flow statement as well as a running year-end forecast were provided by the Management and discussed to ensure that the Supervisory Board had a clear insight in the current status of the business. The monthly figures are also provided to the Supervisory Board. The financial position remains strong. The policy of Management has focused on a balanced treatment of all stakeholders: employees, suppliers, customers, shareholders and society. Risk assessment and control mechanisms are in place and supported by, amongst others, the stringent business planning cycle within HITT (see page 18, Risk Management and Internal Control). This planning cycle has been in place throughout the existence of HITT. It is refined annually 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 still cannot prevent unforeseen circumstances in the market resulting in the necessary adaptation of earlier expectations and the subsequent publication and consequences thereof.

Also the functioning of the Management Board as a corporate body of the company and the performance of its individual members were discussed. As per the Annual General Meeting on February 21, 2007 Mr. Van der Scheer stepped down as a statutory director and was succeeded by Mr. Boswijk on a temporary basis. In the Extraordinary General Meeting of August 27, 2007 Mr. Jansen was appointed as a new Chief Executive Officer. We like to thank Messrs. Van der Scheer and Boswijk for their dedication and wish Mr. Jansen success in guiding the company to new heights.

The chairman of the Supervisory Board met several times with the Works Council to discuss various subjects, a.o. the appointment of a new CEO.

Measures to strengthen the market position and to attain a stronger competitive edge have been discussed between the Boards extensively

Composition

The Supervisory Board has established a schedule of rotation. Supervisory Directors are nominated for a term of 4 years in accordance with the Code. The profile and personal skills have been discussed in the meeting of the Supervisory Board in which its own functioning was evaluated. It was decided to amend the profile in line with the developments of the Company and its market position. The amended 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 web-site.

In view of the amended Profile it is considered appropriate to expand the Supervisory Board from 3 to 4 members taking into account a division of duties between the Chairman and the Financial Expert of the Board. Two new members were selected via an executive search company to strengthen the Supervisory Board and are being recommended for approval by the Annual General Meeting. The Supervisory Board proposes to appoint Mr. Albert Stroink as a Chairman and Mr. Jan Vaandrager as a Financial Expert, both for a term of 4 years. Mr. Stroink as a Delft-engineer with 30 years of Exxon Mobil international executive and supervisory experience. He has the right profile to chair the supervisory board. Mr. Vaandrager is a very experienced and seasoned finance professional with a wide executive experience.

The Regulations contain, amongst others, specific rules of procedure for the handling of (potential) conflicting interests. During 2007 no such (potential) conflicting interests occurred. In our opinion the Supervisory Board is composed such that members are able to act critically and independently of one another and of the Management Board and any particular interests. All Supervisory Directors are familiar with HITT and its business and have been so for some considerable time. 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. Due to the size of the company, a Company Secretary has not been appointed, however the Chief Financial Officer acts as such which is considered adequate and prudent. The Supervisory Board sees to it that it adheres to its statutory obligations and obligations under the Articles of Association.

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

	Damsté, Chairman	van Amerongen	Prinsen
General management skills in larger organizations operating internationally deploying technically oriented projects, services and products	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, effectivity, safety and profitability		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	
Experience with human resource management, employment and remuneration in a technical oriented company	X	X	X

Audit Committee

A charter is established describing the framework of the responsibilities of an Audit Committee; it has been extensively discussed with the external auditor. In the capacity of Audit Committee the performance of the External Auditor was reviewed. As part of the 4-year scheme in 2005 the Audit Committee invited three audit firms to tender for the auditing as of the 2006 financial statements. From that evaluation we have recommended BDO CampsObers Audit & Assurance B.V. to the Annual General Meeting, who appointed them accordingly. The Annual General Meeting re-appointed BDO for the auditing of the 2007 accounts. The auditor issued a management letter on the Annual Report of 2006 and recommendations have been discussed in detail with both Boards. Progress on the recommendations was monitored during the semi-annual review. All recommendations were implemented in the year 2007.

As a result of the Act on Supervision of Financial Reporting (Wtfv) that was implemented in the Netherlands as of January 1, 2007, the Netherlands Authority for the Financial Markets (AFM) reviewed HITT's Annual Report 2006 and issued several recommendations. Management decided to follow those recommendations and published the revisions together with the semi annual report over 2007. The Supervisory Board concurred with that decision

The auditor has had free access to information they require to conduct their audit. The Auditor was asked to provide comments on the semi-annual and annual press releases and reports and was invited to attend the meetings during which the semi-annual and this annual report were approved. The Audit Committee has received the Auditor's report in relation to the consolidated and company financial statements. Over the year 2007, the Auditor has issued a management letter and progress will be reviewed during the semi-annual review in 2008. A meeting took place between the Supervisory Board and the 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 Auditor was present during this year's Annual General Meeting and the Audit Committee has also invited the Auditor to be present in the coming Annual General Meeting of shareholders. When the need arises, the Auditor may request the Chairman of the Supervisory Board to be allowed to attend our meeting regarding audit committee subjects.

The Supervisory Board feels that the current remuneration policy is adequate and sufficiently competitive

Remuneration Committee

The remuneration policy applied by the Supervisory Board with regard to the remuneration of the Chief Executive Officer is in principle one of market conformity, taking into account the specifics of the company. To that extent external professional consultancy was obtained in 2003 to judge the adequacy of the remuneration package. The remuneration policy was presented to and adopted by the Annual General Meeting of 2004. The remuneration currently consist of a fixed annual salary range from € 150,000 to € 220,000 (price basis 2003) plus an annual cash bonus of 30% to 40% of the fixed salary depending on realized net profit as against budget plus 15% of the fixed salary in cash as long term incentive in case certain objectives in the three year business plan are met. The other emoluments, like 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 Supervisory Board was authorized to implement the remuneration policy in 2004. 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. Proof of which might be deducted from the fact that a new Chief Executive Officer has been found against a remuneration within the policy.

Selection and Appointment Committee

According to schedule, Mr. D. Sinninghe Damsté is to resign in the General Meeting of shareholders on March 5, 2008.

Mr. H.R. Boswijk was appointed Chief Executive Officer as of February 21, 2007 until a permanent successor to the former CEO would be found. He stepped down as of October 1, 2007. An executive search for a new CEO resulted in the proposal to the shareholders of Mr. Sjoerd Jansen, who has been appointed by the Extraordinary General Meeting of August 27, 2007.

Financial statements

The Supervisory Board presents the Annual Report drawn up by the Management Board dated February 4, 2008. BDO CampsObers Audit & Assurance B.V. has audited the financial statements. The auditors' report has been included on page 63 of this annual report.

We submit the financial report and the proposed distribution of profit for shareholders' approval at the Annual General Meeting of shareholders. At that meeting, shareholders are also invited to discharge the Management Board for conducting the business and to discharge the Supervisory Board for the supervision they have pursued.

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, February 4, 2008

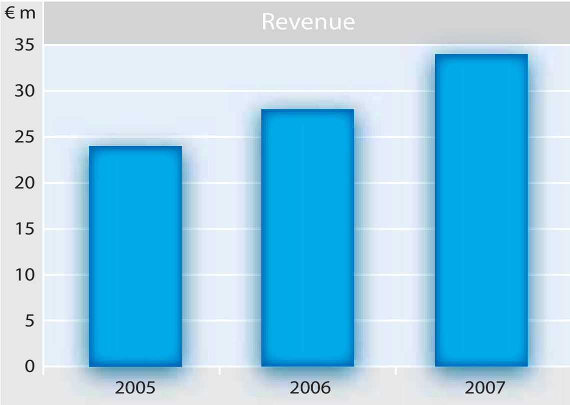
Dick Sinninghe Damsté (Chairman)

Eric A. van Amerongen (Vice-Chairman)

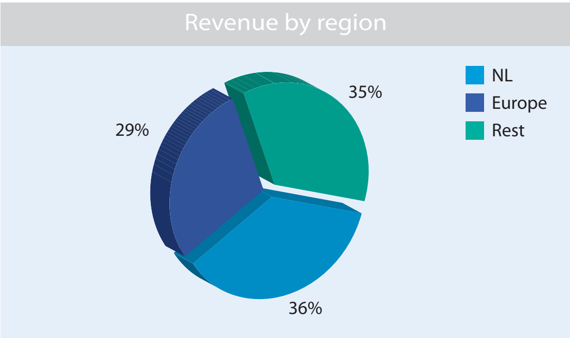
Hans Prinsen

Report of the Management Board

Total revenue increased by 23 % to € 34 million (2006: € 28 million).



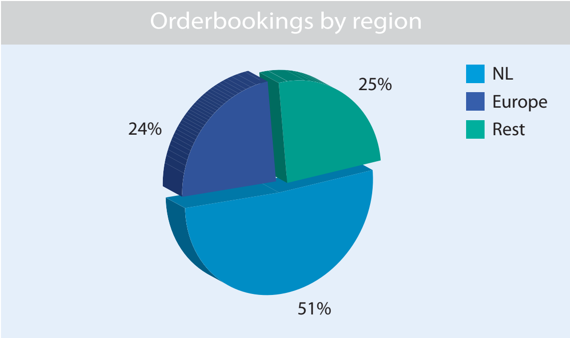
As the markets on which HITT concentrates its activities are truly global in nature, the revenues distribute accordingly. In 2007 the markets were divided over the Netherlands (36%), the rest of Europe (29%) and 35% of revenue came from the rest of the world.



The operating profit fell with 65% to € 0.7 million (2006: € 1.9 million) due to continuing investments both in product and market development. Especially the last category did cost more than envisaged also, mainly due to price pressure and thus decreasing margins on existing products. Various initiatives have been developed to restore margins and profitability.

With a total of € 33 million new order bookings, the year ended with an order backlog of € 26 million. The resulting backlog at year end is satisfying, considering that a quarter of this order book covers long term assignments. Our markets typically require flexibility in capacity to take on new work for immediate execution.

The geographical distribution of the intake illustrates the international nature of HITT's markets: 51% in the Netherlands, 24% in the rest of Europe and 25% in the rest of the world.



The pipeline of outstanding proposals and prospects for 2008 and beyond is good in perspective of our growth ambitions.

Market

The market channels that HITT uses to address the different market opportunities developed in-line with the strategy to further optimize contacts with and service to customers. There are several networks of distributors; value added resellers (some OEM), agents and partners in place. Also direct lines to the market are maintained. These networks are managed per business unit, taking into account the specific needs of each product / market combination. In a growing number of cases, joint efforts are made together with other suppliers. Per country, there is a good cross-division awareness of the different channels to market.

With regard to maritime products, the network of distributors and resellers continued to expand, maintaining emphasis on Europe, Asia and North America. In order to optimize support to customers, the policy is to select value added resellers that keep a first line support competence. In North America, wholly owned marketing & support offices are present in addition to the business units in Canada.

With regard to projects for traffic control systems, there is a continuous review of the performance of agents and partners, both of which are assisted by the support facilities in Hong Kong and Beijing. HITT Traffic's new strategy is based on reinforcing and further expansion of its position in Europe and the Far East. In order to strengthen the competitive position in the Far East, an initiative will be made in 2008 to fortify the existing office in Hong Kong in the area of commerce and project management. For the other regions and for capital-intensive projects, cooperation with major system suppliers and local partners will be intensified.

New opportunities arise, in the broader market segment, for internet technology-based information systems.

With a growing number of customers in Europe, Australia, the Middle and Far East and the USA, HITT's global presence has further increased in 2007. Some of the products have reached unchallenged leadership positions (e.g. Qastor has become the de-facto standard for maritime pilots). Others have moved into shared top positions (e.g. A3000 - ASMGCS for air traffic control on airports), while our new products (e.g. V3000 – ISIS, V3000 – TradisLite, A3000 - AirportInsight) have already been embraced by some of our new and existing customers.

Via its Canadian subsidiary HITT furthermore focus on the Workboat, Military/Para Military and Maritime Administration markets. ICAN is continuing efforts to increase its presence in the Military and para-military markets with the Sentinel BFT product and the introduction of Spoofing and anti-Spoofing capabilities. ICAN will continue to actively pursue contract development work. These contracts generated a significant and growing amount of direct and indirect revenue through software license sales in 2007. Another example of expansion is the development of software tools that support the implementation of AIS infrastructure. ICAN developed and delivered leading edge AIS data display and management systems for the Turkish Undersecretariat of Maritime Affairs (UMA) in the third quarter of 2007. ICAN has a strong and growing worldwide presence with the US, Asia Pacific Region and to a lesser extent, Europe accounting for most of the revenue. ICAN's entire product line has penetrated into each of these regions, the biggest being the US.

Although obviously product market combinations can be distinguished, the company is a one segment company: software dominant, traffic related technology for guided traffic.

x € 1,000		**2007**		**2006**
	%		%	
Aviation traffic	27	9,439	11	3,012
Marine ashore	35	12,313	58	16,074
Marine onboard	20	6,886	18	4,975
Technical services	17	5,754	14	3,813
	100	**34,392**	**100**	**27,875**

HITT's aviation products are applied and serviced in a growing number of countries, including the Netherlands, Germany, Ireland, Sweden, Denmark, Norway, Finland, UK, Russia, Egypt, Singapore, Taiwan and China.

Product-market combinations

The world-wide market environment of HITT is dominated by governmental entities that have public responsibility for infrastructure, security, safety and environment. Furthermore, HITT serves a growing number of customers with primarily commercial objectives. This niche market consists of organizations that use the infrastructure (airports, ports, waterways, etc.) or contribute to various services to support the operations.

Aviation

HITT's customers in the Aviation sector, primarily consist of Airport authorities, Airlines (passenger and cargo), regulated and deregulated ANSPs (Air Navigation Service Providers), Service Organizations (emergency services, security services, fire-brigade, etc) and Air Forces. The general trend is growth of the number of air traffic movements and directly related to that growth of the market volume. At the same time, price erosion takes place. However, this will be compensated by a demand for increased functionality, resulting in an expected gradual growth in total market value of approximately 5% to 7% year on year. Furthermore, over the next years, the privatization process of Air Navigation Service Providers will continue, driven by pressure from airlines to lower operating cost and increase capacity. Another driving force in this market is the push from airlines for free routing, to achieve fuel savings. In the wake of this general trend towards more economic operations, major hubs face increasing competition from low-cost carriers operating on smaller (satellite) airports. In Europe, the objective of achieving a single sky is a logical consequence, fiercely endorsed by IATA and Eurocontrol and somewhat reluctantly accepted by ANSPs. At the same time, environmental considerations, in particular the noise problem around airports, are becoming more important. Furthermore, security is prominently present on the political agenda and safety remains an important condition for acceptance of any new system.

HITT has developed several products to cover the needs of the market:

A3000 A-SMGCS: An Advanced Surface Movement Guidance and Control System to assist controllers in guiding and controlling aircraft and vehicles on the airport.

A3000 AirportInsight: A Traffic Information System allowing airport authorities to provide detailed traffic information to their internal organization and third parties on the airport.

HITT's aviation products are applied and serviced in a growing number of countries, including the Netherlands, Germany, Ireland, Sweden, Denmark, Norway, Finland, UK, Russia, Egypt, Singapore, Taiwan and China. The delivery of an A3000 AirportInsight to KLM and the recent award of a contract for Lucht Verkeersleiding NL (Dutch ANSP) for the delivery of a Wide Area Multi Lateration System to enhance surveillance at low altitude over the North Sea not only have strengthened HITT's position in its home market, but also demonstrate that innovative products have been introduced successfully.

Higher turnover and lagging results characterize the year 2007 for HITT Traffic. This was the result of a combination of disappointing project results, increasing competition in the Far East, postponed projects and the completion of several internal development projects.

Aviation orders were received from existing customers on the international airports of Manchester (UK), Shanghai and Beijing (PRC), Oslo (Norway), Helsinki (Finland), Copenhagen (Denmark) and Cairo (Egypt) as well as from new customers on the international airports of Stavanger and Bergen (Norway) and Dublin (Ireland).

Marine – ashore

Marine customers of HITT products are authorities being responsible for the acquisition and operation of VTS centers, vessel operators, pilot organizations, Port & Terminal operators, offshore operators and increasingly security organizations. In this 'traditional' market also price erosion is expected, resulting in a low price of entry for new competitors. Success will therefore almost entirely be price driven, while the overall market value continues to decrease. Like in aviation, a general trend is privatization as a consequence of a shift in attention from safety to efficiency. On top of that, security is becoming an important issue, requiring the integration of adjacent and complementary systems. As a consequence, the willingness to adopt and accept new technologies in support of efficiency and security increases, although VTS is still a follower of ATC with respect to innovation in Communication, Navigation and Surveillance systems.

The market for Coastal Surveillance System (CSS) primarily consists of security and defense oriented organization, such as Navy, Marine Police, Customs & Immigration and various Security Service organizations. CSS is more and more becoming a subset of large integrated homeland security systems. In this area two types of markets can be distinguished. The first is the upgrading and integration of existing facilities with more sophisticated functionality and the second is the acquisition of complete new systems. The market is expected to gradually move from the acquisition of new systems to upgrading of Coastal Surveillance Systems, including more sophisticated Electro-Optic devices and other sensors.

In addition to the traditional HITT markets, there are two emerging markets. The first is the security market in response to terrorist threats. The increased awareness of such threats has given an impulse to the need for systems that provide information about the movement of objects, around airports, land borders, public transport, etc. This has resulted in a new market for HITT consisting of a wide variety of potential customers, and the market volume is still growing dramatically. Another emerging market is the military market that increasingly applies COTS equipment. For example, the Dutch Navy is looking for a 'civil' solution for the acquisition of transponders on board their vessels. Another example is the need for perimeter surveillance at military bases and ports.

HITT has developed several products to cover the needs of the market:

V3000 VTMIS: A Vessel Traffic Management and Information Services (VTS) system representing the services that a competent authority utilizes in achieving safe, secure and expeditious traffic flow in designated areas, such as ports, estuaries, rivers and coastal areas.

V3000 Aramis-Lite: A Traffic Information System allowing port authorities to provide detailed traffic information to their internal organization and third parties in the port.

V3000 CSS: A Coastal Surveillance Systems to support Boarder Control, Customs, Smuggling preventions and Policing.

V3000 ISIS: An integrated Surveillance & Information System aimed at providing information services by fusing and sharing sensors and other information sources for various groups of users (port authorities, coastguard, etc.).

V3000 Oil Platforms: A dedicated small Vessel traffic Monitoring system aimed at improving the safety on oil platforms.

The year 2007 has also shown a steady increase of the installed-base of vessel monitoring systems used to protect Oil Platforms.

KleinPort - Suite of integrated port operations management applications is a true enterprise resource planning system allowing port managers to maximize productivity and make decisions with the most timely and accurate operational information possible.

KleinPilot – This system allows dispatchers and other operational users to spend more time planning and monitoring, and less time on the actual process of dispatch. The result is a more efficient dispatch department from both a cost and operational point of view.

KleinBilling - The system's integrated Billing Modules, have demonstrated the ability to significantly improve organization's cash flow. Immediately upon completion of each voyage or pilotage 'assignment' on the Klein dispatch system, a customer invoice is available for final verification and delivery. The result is a measurable reduction in the average age of Accounts Receivable.

Horizon: A family of Fleet tracking and Surveillance Systems offering sophisticated data management including zone based alarms and web based viewing options. Horizon is aimed at the small port and other users that require a low cost, high value tracking solution. Horizon can be enhanced with additional modules to become extremely feature rich for users that demand additional capability such as secure communications and tracking, navigational aids management etc.

DataSwitch is a powerful data management and routing solution that meets the requirements of IALA A-124 and exceeds this standard in delivering data distribution and other functions to the user. DataSwitch is a scalable product that is installed on many mobile platforms as well as in large scale land based infrastructure.

Database Logging and Playback (DLP) is capable of storing AIS and other types of data in a structured and well-documented format allowing for use in statistical analysis. The data stored in the database can be accessed through a DLP service via TCP/IP. The stored data includes, but is not limited to, the information defined by the data content in the VHF Data Link (VDL) messages, as defined by ITU-R M.1371-1. The product has a number of versions that support mobile users as well as large scale infrastructure. Customers include maritime administrations, Navies, Coast Guards and commercial shipping operations.

AIS Service Management (ASM) is a collection of AIS specific functions that permit managers and/or operators of AIS Infrastructure to maintain their system. Functionality includes AIS target monitoring, AIS Network Monitoring and Control, AIS Basestation Monitoring and Control, text and data messaging and AIS based Aids to Navigation Management. Customers include maritime administrations, Navies and Coast Guards.

Marine activities cover a wide range of applications world wide. For example, on the Domestic market in 2007 an advanced Vessel Traffic Management System has been delivered to improve safety and efficiency along the river Waal. Furthermore, some 20 radars have been renewed and integrated in the VTS system of the Port of Rotterdam, and state of the art technology has been used to integrate cameras into an existing VTS system in Dordrecht. Furthermore, a major extension of the Vessel Traffic Monitoring system for the Dutch Coast Guard has been realized by integrating real-time data from almost all VTS centers along the Dutch coast using V3000-ISIS. The year 2007 has also shown a steady increase of the installed-base of vessel monitoring systems used to protect Oil Platforms. Another growing market is that of Port Management Systems. The first phase of a project for the Port of Amsterdam has been completed, while a new contract for Zeeland Seaport has been awarded.

Marine orders were received from Tiel, Kustwacht-centrum (Coastal Surveillance Centre), Zeeland Seaports and Havenbedrijf Rotterdam in The Netherlands and Yangshan in Shanghai (PRC). The project for the Gulf of Khachchh in India came to a standstill due to default of the Indian construction company that is responsible for building the towers on which HITT has to install its equipment. Direct meetings revealed that the customer still has faith in HITT's performance and will not withdraw from the contract. It is envisaged that the contract will start up again in the course of 2008. All other running projects progressed as expected.

The negative results for two sizeable projects for port management systems are the reason behind KSG's lower overall results for 2007. The newly developed N-tier technology was implemented successfully in a number of projects completed in 2007 and enables KSG to implement larger projects. More and more leading port companies worldwide are opting for KSG products. In 2008, action will be taken to expand the team of employees and to optimize operating procedures in order to be able to accommodate increasing demand.

Marine – onboard

Our hydrographic products can be found worldwide in all offshore and inshore operations such as dredging, multiband bathymetry, oceanographic research, site surveys, rig moves, marine construction support, pipeline/cable lay, ROV inspection and navy operations. Via a wide network of local resellers, we have penetrated the local markets in Europe, North America, Asia and Australia.

QINSy is a suite of hydrographic applications that covers the whole range of inshore and offshore activities, from data acquisition to chart production. The areas where this software suite is used most are: dredging, multibeam bathymetry, oceanographic research, site surveys, rig moves, marine construction support, pipeline/cable lay and ROV inspection.

QLOUD is a 3D area based cleaning and validation tool for large data volumes of 3D sub-surface data or terrain model data.

Qastor is a precise navigation, piloting and docking software tool. Although primarily designed for piloting operations, Qastor has also proven to be a useful navigation tool in several other fields including, but not limited to, Ship Trials, Oil Rig Positioning, Inland River Barges, SPM Approaches, Ferry Operations, Oil and Gas Tanker Approaches and Docking, Patrol Vessels, Tugboat Operations and Dredging Support.

QARTO is a suite of programs to produce and maintain electronic navigation charts.

QPoS is an RTK reference network that allows users to determine their position within centimeter accuracy anywhere in The Netherlands using a combination of GPS and Glonass navigation satellites.

Aldebaran is a family of electronic chart system software products that offers multiple data format capability. BSB, GeoTiff and HCRF (ARCS and Seafarer) raster, CM-93, NTX and S57 vector, and specialty charts for various customer specific applications. The system interfaces to virtually all onboard sensors this becoming the focal point for much of the vessels operations. The system is designed for the professional, large vessel, operation with customers such as Coast Guards, Navies, Marine Police and commercial shipping companies.

Regulus offers a functionally identical interface to Aldebaran with reduced features. It is designed for the small/mid sized vessels operated by professionals. Customers include Coast Guards, Navies, Marine Police and commercial shipping companies.

Workboat Pro is similar in feature content to Regulus but with additional features that support vessel operations in the Professional Workboat Market. Its users are Commercial Workboat Fleet operators and Government Agencies operating on inland waterways.

Sentinel is an add-on to Horizon, Regulus or Aldebaran that provides the user with secure communications and tracking capability as well as other high value security focused capabilities. The market for this product includes Coast Guard, Navy and Marine Police users.

QPS has had an outstanding year in 2007. The high quality of the products, together with a consistent product policy, ensures a leading marketing position. The key aspects are a gradual growth in turnover and profit and the additional reinforcement of the market position.

The products from AD Navigation (51% participation HITT NV) fit seamlessly with the QPS products. In 2007, a significant investment was made in a new high accuracy GPS/Glonass correction service in the Netherlands for wider application. The results of this so called QPOS RTK network are impressive for sub-centimeter positioning near shore, inshore and on land. A new application for trimming sea-going vessels leads to substantial energy savings. QPS and AD Navigation see new opportunities for widening the application scope of these products and services developed.

The results of the joint venture AIS Live (50% QPS and 50% Lloyds Register) are good, in terms of both turnover and profit development. New additions to the sales team in 2007 also contributed.

The development of a new generation of software products is in full swing, and will be finished early 2008

ICAN experienced a disappointing year. The results fell short due to postponed contracts for projects with the Canadian and US Coast Guards at the end of 2007 that led to inadequate coverage. A sizeable project for processing AIS information in Turkey was successfully completed. The development of a new generation of software products is in full swing, and will be finished early 2008.

Revenue of the hydrography and navigation products increased from € 5.0 million in 2006 to € 6.9 million in 2007, mainly due to an increase in software sales and rentals. Main markets are Benelux, Canada, USA and Australia with increasing sales to the Far East including China.

Technical services

HITT provides a full package of customer support services for all its products. These services include preventive, corrective and adaptive maintenance, a 24/7 help desk and the supply of spare parts. This level of service enables HITT to achieve low lifecycle costs combined with a high availability of the safety critical systems that it delivers to its customers. It also comprises small projects and the secondment of personnel. The market for customer support services is expanding due to the growth of HITT's installed base. In 2007 17% of the turnover of the company (€ 5.7 million) came from Technical Services and related support contracts (2006: € 3.8 million) trailing the growth of our installed project basis.

Technological Developments

Considerable investment has been made in developing new generation software products over the past years. These feature more efficient configuration and a shortened start-up phase of the projects, plus they are reliable and easy to maintain. The value of these new developments has already been proven in a number of successfully completely projects in 2007.

Technological developments in four areas are particularly important to HITT:

- In the field of *Sensor Technology* the tendency is that Cooperative (AIS, Director Finder) and Non-cooperative (Camera, Radar) sensors will keep on forming the backbone of surveillance systems. The intelligence of these sensors increases. For example, cameras can already do much more than surveillance alone. They can detect events and process this information. Furthermore, in the future, transponders will provide more information than today, such as information about the intentions of objects. In addition, the automation of communication between base stations and transponders will proceed. The general trend is towards more sensor types. For example, more camera types are becoming available (laser, low-light and infrared, CCTV). Sonar is also becoming more important. Therefore, the importance of data fusion increases.
- Trends in *Communication Technology* (both wired and wireless communication) are toward wider bandwidth, more reliable networks and lower costs. These trends make it possible to exchange large quantities of information between stationary-stationary, mobile-stationary and mobile-mobile objects. This development is especially relevant for exchanging video and traffic images. Furthermore, as a consequence, working positions will become less dependent on the actual location of the operation.
- In the area of *Navigation Technology,* development of Electronic Navigation Charts is important to HITT. The general trend is towards Graphical Information Systems, which are intelligent information databases based on geographical locations. GIS allows superimposing information from various sources in one geographically organized database.

- In the field of *Global Information Management Technology* the trend is that data management systems will be able to contain more data, become more flexible and will contain more intelligence for querying information (storage and retrieval of information). This means technology is becoming available for real-time statistical analyses based on huge quantities of data, supporting for example decision making and operational processes. It is also important tool for security applications.

The technological developments described above are closely followed and form the basis for a continuous process of product improvements and innovations.

HITT continues to make significant investments in Research and Development, the size of which can be seen in the significant amount of capitalized development cost on the balance sheet.

As a result of ongoing development efforts, HITT can offer front running technical solutions to the market. They are front running in terms of technology, functionality and life cycle cost. Good examples are our new tracking algorithms for Aviation and Marine applications, data fusion, automated data cleaning, manipulation of immense databases, satellite positioning, Human Machine Interface techniques, port logistical ERP solutions etc.

Development efforts are made by HITT itself and for research HITT co-operates with institutions and universities. Long term research relations exist with National Aerospace Laboratory NLR and the Aeronautical faculty of Delft University. On a project by project basis programs are run with the Dutch Royal Navy and Thales, amongst other parties.

HITT has a comprehensive line of products focused on meeting the requirements of the professional vessel and shore-based users as well as users in the air traffic control area. These products are developed using a standardized methodology that results in an extremely stable and tightly integrated ensemble. HITT also customizes it COTS products for customers that have specific requirements that are not already addressed.

This has led to a suite of products that can be offered and tailored towards the specific needs of our customers.

Suppliers and partners

In the Aviation sector, there is a limited choice of suppliers for radars and Multi Lateration (MLAT) systems which are often part of the integrated systems provided by HITT. A long standing cooperation exists with TERMA that dominates the Surface Movement Radar (SMR) market. For the provision of MLAT systems, SENSIS and ERA dominate the market.

In the Marine sector, there is also a limited choice for radar. Again, TERMA is the main supplier, while Bridge-Master fills in some of the gaps. Significant new players are unlikely in that market on short term, although the further introduction of new technology (e.g. solid state radars) is foreseen.

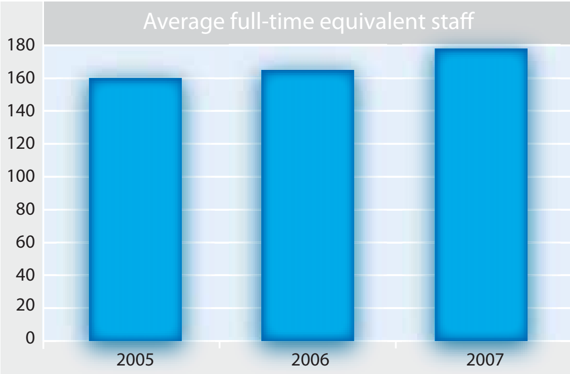
For display and computer systems, HITT has many choices. With respect to operating systems, the standards are LINUX and Windows, which are both used in HITT products.

For installation and construction activities, HITT relies on a wide variety of suppliers; including local organizations in the Far-East and India sometimes provide the necessary support.

Finally, HITT traditionally works together with a number of R&D organizations and Universities who provide valuable contributions to the continuous product development process.

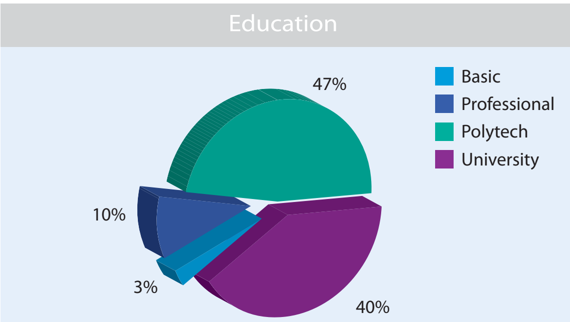
Personnel and organization

During the year the workforce increased to 178 at year-end (2006: 165). The average number of staff increased from 165 to 174.



HITT is a knowledge intensive company: it relies heavily on the up-to-date know-how of its staff and adequate knowledge management. Training and education are an important factor contributing to the human resources capital. Many hours and a considerable amount of money were spent on training and education in 2007. Also the product development efforts add to the knowledge base of the company. Human resources and competencies are seen as a vital asset by the management of the company even though financial accounting standards still fail to provide indisputable means to recognize this asset on the balance sheet.

The average education level of HITT staff is high:



The high level of education combined with the required high level of expertise implies a relatively high average age of staff:

year	2007	2006
Average age	41.6	41.7
Average employment	7.1	7.1
Average expertise	18.2	17.8

Weighted average illness decreased to a remarkably low 1.8% (2006: 1.9%) and is well below peer group average.

During 2007, the management had fruitful consultations with the Works Council. The works council was involved in a range of topics and discussions about the company's strategy, safety and risk issues, personnel policies and the competitive position of the company.

The culture of HITT is of a very open nature in which all staff can speak freely. The hierarchy within the company does not prevent people from bringing in ideas for improvements. Alleged irregularities of a general, operational or financial nature can be brought to the attention of the management without jeopardizing one's legal position. Alleged irregularities concerning the functioning of the Management Board can be reported to the chairman of the Supervisory Board directly or through the Works Council. Undesirable intimacies between employees can be brought to the attention of the 'vertrouwenspersoon / confidant'. Regulations describing the above are partly vested in procedures and manuals. A 'whistleblower' procedure has been posted on the website.

Risk Management and Internal Control

HITT has insurances in place against product and professional claims and liabilities besides insurances against general liability, construction all risks and damages during transport of equipment. Next to insurance of risks some risks are inherent to the business and form the basis of enterprise.

Company risk profile

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 is thereby reducing the business risk. We know our market intimately. However it should be noted that in total, close to 70% of the work is won in some kind of open tender process.

HITT's activities can be divided into two categories, i.e. projects versus products and services, each having a different risk profile.

Projects

HITT's projects are software dominant system integration projects in the fields of Air Traffic Control Systems, Vessel Traffic Management and Information Systems and Coastal Surveillance. Following the strategy defined in 2001 aiming at diminishing the project-content over the product-content in 2007 this category represented 70% of the company's annual revenues. Typical projects are worth between 5% and 15% of the company's total turnover. Related risks that can be recognized:

- Project risk: project control measures are in place from acquisition to project acceptance. HITT works in close harmony with its customers to mitigate any remaining risks. The project record of HITT is outstanding.
- Price risk: 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. 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%. The volatility of the Euro against the US dollar exchange rate of the past year was substantially out of this bandwidth and created additional risk.
- Under-utilization risks: project-orientated organizations inevitably run the risk of continuity problems if the flow of projects is not in accordance with the available capacity. The size of the projects as stated above indicates the risk factor. As a policy, HITT employs 10 – 15% of its staff on a flexible contract basis.

Products and services

Products and services form 30% of the annual turnover this year. According to the long term strategy this ratio is to grow. Related risks that can be recognized are:

- Market stagnation: in view of the utility nature of the market this risk is regarded to be limited.
- Price risk: competing products could cause a price risk, though the high degree of specialization reduces this risk for the short and medium term. There is also a price risk related to currency exchange rates. About 15% of the revenues of this category of activities are in US or Canadian dollars. However, the same ratio of costs is in Canadian dollars thereby reducing the risk.
- Risks of liability of products, services, employees and officers are evaluated annually with the external insurance advisor and are insured via reputable insurance firms for that part of possible damages that can not be born by HITT's financial resources.

Mitigating risks is supported by implementing (international) standards and (external) auditing of adherence to those standards. HITT has several certificates proving adherence to those standards.

Technical quality and control

HITT works according to strict quality procedures. The major subsidiaries are ISO-9001:2000 certificated with the Tick-IT connotation. Other subsidiaries are in the process of becoming 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. With all its products HITT aims on the high end of the market. The customers appreciate the consistently high quality they received.

Business planning and control

Due to its specific project-oriented character HITT Traffic has implemented a vast set of procedures to cater for the management of specific risks, which are implicit in our project related business. All projects follow a strict 6-weekly reporting cycle direct to the management. Project managers are required to report actual costs and man-hours spent and to present an up-to-date assessment of costs and man-hours to be spent until the end of the project. In this forecast, one important item is the explicit estimate of uncertainties, likely cost and the chance of occurring. An action plan per line item is presented to minimize or circumvent the uncertainty.

Before HITT Traffic decides to tender for a possible project, a bid/no bid meeting is held in which all specific risks associated with the possible proposal and subsequent order are evaluated against a fixed set of subjects plus specific subjects depending on the potential customer and his environment. A decision to bid is documented and signed off by the managing director. All proposals with an estimated value over € 250,000 are discussed in the regular meetings with the Supervisory Board.

Financial planning and control

Since the start of HITT in 1994, strict internal guidelines are followed to organize and control the financial reporting internally and externally. They are refined regularly. The external auditor reviews these procedures and adherence to it semi-annually and issues opinions for further improvement.

HITT's business planning cycle is a strong tool for systematically and regularly reviewing all aspects of the business including risks associated with it. It translates all plans into financial figures. HITT follows a strict annual planning cycle comprising 'target-setting', '3-year-business-planning' in September and 'Budget' in December. The target setting consists of a high level strategic view on the years to come. The business plan further sharpens that with the inclusion of financial targets and in-depths descriptions how to reach the goals and manage the associated risks. The budget is the fixing of the first plan year and forms the basis for the monthly reporting. The plans are communicated and discussed extensively with the Supervisory Board as is the budget which is to be approved by the Supervisory Board.

The managing directors of the subsidiary companies are fully responsible for all operational, commercial and financial issues regarding the respective company and they report directly to the Management Board. On a monthly basis all subsidiaries provide the profit and loss statement, the current balance sheet and the cash flow statement to the Management Board. The consolidated figures are reported quarterly to the Supervisory Board.

The quarterly reports form the basis for the year-end-forecasts. The reports are communicated and discussed in detail with the Supervisory Board. They also form the basis for the semi-annual and annual press releases. The external auditor reviews the (semi-)annual report.

The financial information streams and the reporting thereon follow a set of written procedures to which all subsidiaries must comply.

Fairness and respect in each and every cultural environment are cornerstones of the code of conduct

Foreign currency risks on translation differences are not hedged. Significant currency differences on transactions are hedged without exception. The currency risk that exists during the validity period of proposals are either hedged by currency options with banks or limited by contractual or bid bond conditions. Due to the widening acceptance of the Euro throughout the world the transaction currency risk might decrease in the future.

HITT has been listed on Euronext Amsterdam as of June 4, 1998. At first on the NMAX market and as of November 12, 2001 HITT shares are traded on the Official Market. Herewith HITT proves to adhere to very stringent financial reporting standards.

Social quality and control

Employees of HITT act according to a stringent code of conduct, thus minimizing the risk of reputation damage due to misbehavior of its 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 in each and every cultural environment are cornerstones of the code of conduct. Compliance is monitored in the regular management structure of the company. The code is made available on HITT's web-site.

Conclusion

With due observance of the previous, we believe that the internal risk management and control systems provide reasonable assurance that the financial statements are free of material misstatement and that these systems have performed satisfactorily in the year under review. Neither are there any indications that the respective internal risk management and control systems will not perform satisfactorily in the current financial year. Steps that were advised to take for further improvement of these systems, amongst others by the external auditor in his management letter, will be followed up and completed during the current financial year.

Apeldoorn, February 4, 2008

Sjoerd Jansen (CEO)

John H.M. van Asperen (CFO)

Comply or explain

The Dutch Corporate Governance code is vested in Dutch law and regulations. During 2004 all relevant Articles of Association, Regulations and Rules of Procedure were examined in great detail and refined where necessary. The Articles of Association were approved by the Annual General Meeting. On the company's website the original code is published with compliance per article clearly indicated. Internally all articles of The Code have been linked to articles in either the Articles of Association or Rules of Procedure for the Supervisory Board or Management Board or Audit Committee or Remuneration Committee or Selection and Appointment Committee or 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.

The structure of this Annual Report clearly follows the headlines of The Code: compliance, responsibility and accountability of the Management Board, responsibility and accountability of the Supervisory Board, the shareholders and the general meeting of shareholders and financial reporting and auditing. Although they feel 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 articles:

- II.2.6 & III.7.3 Due to the size of the company and 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 and the Supervisory Board of securities other than those issued by HITT.
- 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 qualitate qua, which is considered adequate and prudent.
- IV.3.1 Considering the size of the company, it is not possible to follow meetings with analysts and (institutional) investors on-line. Presentations held are posted on the company's website afterwards.

Both Boards state that if important changes in the governance structure or in the compliance to the Code occur, they will be put onto the agenda of the Annual General Meeting of Shareholders. In 2007 no important changes in the governance structure nor in the compliance to the Code occurred.

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 aims, strategy and 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 and with all information necessary for the exercise of the duties of the Supervisory Board.
The Management Board is responsible for complying with all relevant legislation and regulations, for managing the risks associated with the company activities and for financing the company. The Management Board reports related developments to and discusses the internal risk management and control systems with the Supervisory Board.

Regulations are posted on the company's website. The regulations contain amongst others specific rules of procedure for the handling of (potential) conflicting interests. During 2007 no such (potential) conflicting interests occurred.

Information for shareholders

Investor relations

The Management Board appreciates the need to provide up to date, accurate and actual information to investors concerning the present and future business of HITT, the strategy and thoughts 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 presentation by both the Chief Executive Officer and the Chief Financial Officer in a press conference and a meeting for analysts. Due to the size of the company and the associated costs HITT does not provide on-line attendance of these meetings. Between these events, HITT publishes press releases concerning important business issues. Requests for interviews, publications and presentations for groups of investors are usually accepted. Analysts meetings, presentation to institutional or other investors and direct discussions with the investors never take place shortly before the publication of the regular financial information (semi-annual or annual reports).

Analysts' reports and valuations are not assessed, commented upon or corrected, other than factual, by the Company in advance.

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

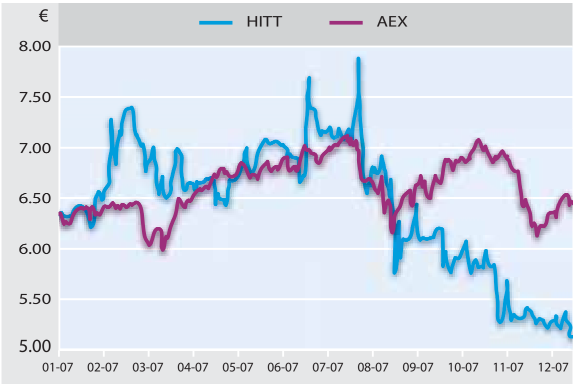
Shareholders wanting to be present in the general meetings are invited to deposit their shares 4 bank days before the meeting. The Management Board and the Supervisory Board will provide the meeting with all requested information, unless this would be contrary to an overriding interest of the Company, 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 web-site.

All information regarding Investor relations may be obtained by e-mail: investor.relations@hitt.nl or by telephone +31 (55) 543 25 24. Information on HITT can be obtained via HITT's web site www.hitt.nl.

Shares

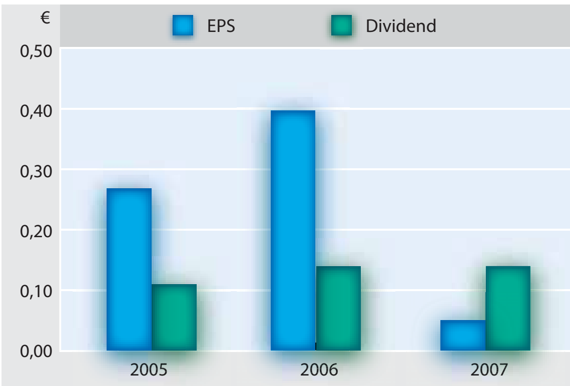
Trading

According to information provided by Euronext 841 thousand (or 18% of all) HITT shares were traded (2006: 1.2 million; 25%) thus generating turnover of € 5.6 million (2006: € 8.4 million).



Yield

Related to the closing stock price of ultimo 2006 the yield was (13.7%). If the dividend proposal of € 0.14 is adopted a dividend yield related to the stock price of ultimo 2007 of 2.3% is realized.



Total yield, being stock price appreciation/depreciation plus dividend, related to the closing price of ultimo 2007 was (11.4)% (2006: (9)%).

Share Option Plan

During 2007 the remainder of outstanding options under the employee share option plan were either exercised or expired. The option plan ceased to exist.

Major Holdings

Based on the notices received pursuant to the Act on Financial Supervision, the following shareholders with an interest in excess of 5% are known to HITT:

	Date of initial disclosure	Nº of shares December 31, 2007	Interest %
Janivo Beleggingen B.V.	February 15, 2006	263,465	5.61
Holding Aarts Heerkens B.V.	November 11, 2004	237,000	5.05
Todlin N.V.	October 10, 2002	249,055	5.31
HITT Holding B.V. [1]	June 4, 1998	2,400,000	51.13
Free float		1,544,638	32.90
Total outstanding		4,694,158	100.00

[1] HITT Holding B.V. is the holding company of the founders of the company and has not changed its participation since June 4, 1998.

Preference shares

The objective of the Stichting Preferente Aandelen HITT (Foundation Preference Shares HITT; in short SPA) is to assure the continuity of the management and the identity of HITT, its subsidiaries as well as other related companies. The Board of Stichting Preferente Aandelen HITT is composed of five directors. Four of these directors are independent according to the meaning of the former Annex X to the Listing and Issuing Rules of NYSE Euronext Amsterdam and one director is a member of the Supervisory Board. The independent directors are Mr. P.P. Kohnstamm (chairman), Mr. J.W.L. Kruyt, Mr. J.P. Aalders and Mr. J.W. Termijtelen. The fifth director is Mr. D. Sinninghe Damsté, in his capacity as a member of the Supervisory Board until the Annual General Meeting. He will be succeeded by the new Chairman of the Supervisory Board.

Although after implementation of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004 on takeover bids, (Stb. 202) the "Act on Takeover Bids" came into force and Annex X ceased to exist, all directors are of the opinion that the Foundation acts independently.

The purpose of the preference shares is to protect HITT against hostile take-overs. SPA has concluded an option agreement with HITT according to which it has the right to require HITT to issue preference shares (call-option) to a maximum of one hundred percent of the total nominal value of the ordinary shares outstanding at that time. Under the same agreement HITT has the right to require SPA to use its option right (put-option). Issuance of preference shares under the option agreement may only take place to serve the aforementioned objective of Stichting Preferente Aandelen HITT. Management has reviewed the existence and composition of protective measures in the light of the implementation of the above mentioned Directive and the changing public opinion on protective measures in general. Following that review management has decided that protective measures are still accepted and useful. However management has also decided to waive its rights under the put-option.

HITT has not issued depository receipts for shares HITT.

Authorization to acquire and issue shares

In the Annual General Meeting of shareholders on February 21, 2007 shareholders have authorized the Management Board for a period of 18 months to enable HITT to acquire own shares and to issue shares both up to a maximum of 10% under the conditions laid down in the Articles of Association and under approval of the Supervisory Board.

Financial calendar

2008	
February 5	Publication of annual figures 2007
March 5	Annual General Meeting of shareholders
March 7	Ex-dividend listing
March 12	Dividend payable
August 5	Publication of semi-annual figures
2009	
February 4	Publication of annual figures 2008

Financial Statements

Consolidated income statement

For the year ended December 31

x € 1,000; except per share data		2007	2006
Continuing operations			
Revenue	5	34,392	27,875
Other operating income	7	494	629
Changes in work in progress		(518)	595
Raw materials and consumables used		(11,285)	(7,770)
Gross margin		23,083	21,329
Employee benefits expense	8	(12,353)	(10,653)
Depreciation and amortization expense		(3,149)	(3,135)
Other operating expenses	9	(6,885)	(5,622)
Operating profit (loss)		696	1,919
Finance cost	10	(216)	(76)
Profit before tax		480	1,843
Income tax (expense) benefit	11	(208)	17
Profit for the year		**272**	**1,860**
Attributable to:			
Equity holders of the parent		252	1,866
Minority interests	12	20	(6)
		272	**1,860**
Earnings per share	13		
From continuing operations:			
Basic		5 cents	40 cents
Diluted		5 cents	38 cents

Financial Statements

Consolidated balance sheet

At December 31

x € 1,000		2007	2006
ASSETS			
Non-current assets			
Equipment	15	763	844
Goodwill	16	2,045	2,281
Development costs	17	6,989	6,513
Deferred tax assets	18	240	298
		10,037	9,936
Current assets			
Inventories	19	107	237
Trade and other receivables	20	16,338	12,766
Tax receivables		119	916
Derivative financial instruments		633	265
Cash and cash equivalents		4,852	2,719
		22,049	16,903
		32,086	**26,839**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	21	1,173	1,173
Share premium reserve	22	4,848	4,848
Legal reserve	23	6,989	6,513
Hedging reserve	24	425	197
Translation reserve	25	(632)	(867)
Retained earnings		700	1,581
Equity attributable to equity holders of the parent		13,503	13,445
Minority interests		129	105
		13,632	13,550
Non-current liabilities			
Retirement benefit obligation	26	1,528	1,554
Deferred tax liabilities	27	1,468	2,486
Other liabilities	29	1,393	1,683
Liability for share-based payments	30	-	47
		4,389	5,770
Current liabilities			
Trade and other payables	31	11,876	6,622
Current tax liabilities	32	1,075	-
Obligation under finance leases	28	-	201
Other liabilities	33	61	105
Provisions	34	1,053	591
		14,065	7,519
Total liabilities		18,454	13,289
		32,086	**26,839**

Consolidated statement of changes in equity

For the year ended December 31

x € 1,000	Share capital	Share premium reserve	Legal reserve	Hedging reserve	Translation reserve	Retained earnings	Attributable to equity holders of the parent	Minority interest	Total
Balance at January 1, 2006	1,173	4,848	4,256	-	(270)	3,539	13,546	1,558	15,104
Change in accounting policies	-	-	465	197	(481)	(1,629)	(1,448)	(1,447)	(2,895)
Exchange differences arising on translation of foreign operations	-	-	-	-	(116)	112	(4)	-	(4)
Net income recognized directly in equity	-	-	-	-	(116)	112	(4)	-	(4)
Profit for the year	-	-	-	-	-	1,867	1,867	(6)	1,861
Total recognized income and expense for the year	1,173	4,848	4,721	197	(867)	3,889	13,961	105	14,066
Dividends	-	-	-	-	-	(516)	(516)	-	(516)
Legal reserve for capitalized developments	-	-	1,792	-	-	(1,792)	-	-	-
Balance at December 31, 2006	1,173	4,848	6,513	197	(867)	1,581	13,445	105	13,550
Exchange differences arising on translation of foreign operations	-	-	-	228	235	-	463	4	467
Net income recognized directly in equity	-	-	-	228	235	-	463	4	467
Profit for the year	-	-	-	-	-	252	252	20	272
Total recognized income and expense for the year	-	-	-	228	235	252	715	24	729
Dividends	-	-	-	-	-	(657)	(657)	-	(657)
Legal reserve for capitalized developments	-	-	476	-	-	(476)	-	-	-
Balance at December 31, 2007	**1,173**	**4,848**	**6,989**	**425**	**(632)**	**700**	**13,503**	**129**	**13,632**

Consolidated cash flow statement

For the year ended December 31

x € 1,000		2007	2006
Operating activities			
Profit for the year		272	1,860
Adjustments for:			
Finance costs		127	61
Income tax expense		208	271
Depreciation of equipment		439	890
Amortization of developments		2,710	2,245
Share-based payment expense		(47)	8
In(de)crease in provisions		462	705
Impairment of development costs		-	411
Retirement benefits		(26)	92
Operating cashflow before movement in working capital		4,145	6,543
(In)decrease in inventories		130	9
(In)decrease in receivables		(3,143)	(4,090)
In(de)crease in payables		6,084	1,598
Cash generated from operations		7,216	4,060
Income taxes paid		-	69
Interest paid		(136)	(77)
Net cash from operating activities		7,080	4,052
Investing activities			
Purchase of equipment		(358)	(721)
Expenditure on product development		(3,002)	(3,961)
Acquisition of subsidiary		-	(1,106)
Net cash (used in) from investing activities		(3,360)	(5,788)
Financing activities			
Dividends paid	14	(657)	(516)
Repayments of borrowings		(290)	(6)
Repayment of obligations under finance leases		(212)	(163)
Adjustments prior periods		-	(348)
Interest received		9	29
Net cash (used in) from financing activities		(1,150)	(1,004)
Net in(de)crease in cash		2,570	(2,740)
Cash at January 1		2,719	5,357
Effect of foreign exchange rate changes		(437)	102
Cash at December 31	36	**4,852**	**2,719**

Notes to the consolidated financial statements

For the year ended December 31, 2007.

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, the principal activities of the Company and its subsidiaries (the Group) are disclosed in the annual report.

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

2. Significant accounting policies

The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union on December 31, 2007. 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.

FURTHER NOTES TO THE ANNUAL ACCOUNTS 2006

In 2007 the interpretation of certain applied IFRS has been revised, amongst others as a result of recommendations by the Netherlands Authority for the Financial Markets (AFM) following their review under the Act on the Supervision of Financial Reporting (Wtfv). Management has decided to follow those recommendations. These new views have resulted in the adoption of certain changes in the interpretation of accounting policies in 2007. Following tables reflect the effects on the balance sheet, the income statement and the cash flow statement if these new views had been applied to the annual accounts of 2006. The main effects on the equity result from a different view on the accounting of the career average pension plan for part of the Group's employees and the accounting of the acquisition of the remaining participating shares of Ican and Klein Systems Group respectively.

Effect on the income statement:

x € 1,000	Reported 2006	Revision	**Revised 2006**
Employee benefits expense	(10,561)	(92)	(10,653)
Depreciation and amortization	(3,301)	166	(3,135)
Other operating cost	(5,579	(56)	(5,635)
Tax	25	(8)	17
	1,850	**10**	**1,860**
Attributable to:			
Equity holders of the parent	1,807	59	1,866
Minority interests	43	(49)	(6)
	1,850	**10**	**1,860**
Earnings per share			
From continuing operations:			
Basic (based on 4,694,158 shares)	39 cents	1 cent	40 cents
Diluted (based on 4,726,975 shares)	38 cents	1 cent	39 cents
Revised diluted (based on 4,856,666 shares)	38 cents	1 cent	38 cents

Effect on the equity:

x € 1,000	2006	Revision	Revised 2006
Share capital	1,173	-	1,173
Share premium reserve	4,848	-	4,848
Legal reserve	6,048	465	6,513
Hedging reserve	-	197	197
Translation reserve	(386)	(481)	(867)
Retained earnings	3,150	(1,569)	1,581
Equity attributable to equity holders of the parent	14,833	(1,388)	13,455
Minority interests	105	-	105
Total equity	**14,938**	**(1,388)**	**13,550**

Effect on the cash flow statement:

Over financial year 2006 the impairment was balanced against 'expenditures on product development' as opposed to IAS 7.16 prescribing impairments to be presented as adjustments to the cash flow from operating activities. This would have resulted in a higher cash flow from operating activities by € 411 and a lower cash flow from investing activities by the same amount. On balance the net cash flow does not change.

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 income statement 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 other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in consolidation.

Minority interests in net assets of consolidated subsidiaries are identified separately from the Group's equity. Minority interests consist of the amount of those interests at the date of the original business combination (see below) and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against interests of the Group except to the extent that the minority has a binding obligation and is able to make additional investment to cover the losses.

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
AIS Live Ltd	Redhill, United Kingdom	50.0
Ican Ltd	St. John's, Newfoundland, Canada	100.0
Ican Inc	Dallas, Texas, U.S.A.	100.0
Klein Systems Group Ltd	Vancouver, British Columbia, Canada	100.0
ad Navigation AS	Sarpsborg, Norway	51.0

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 are recognized at their fair values at the acquisition date, except for non-current 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*, which are recognized and measured at fair value less costs to sell.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

In connection with the initial partly acquisition of Ican in 2001 en Klein Systems Group in 2002, HITT had encouraged management and employees to retain a minority equity interest. HITT had entered into put and call options with the holders of these minority interests. In the normal cause of events, the moment of exercise of the options was not preset and was generally not before a minimum of three to six years from the date of acquisition.

During 2006 minority interests in the net assets of consolidated subsidiaries with a put option granted to the minority shareholder are identified separately from equity as a liability. The put option includes an obligation for HITT to buy the shares held by the minority shareholder. The liability is recognized at fair value. The fair value is the expected cash outflow to settle the liability and is based on forecasted future earnings. The amount of the liability that is expected to settle within one year is classified in the current liabilities. The amount that is expected to be settled after one year is classified as non-current liability. As the exercise price and the timing are not preset, the settlement price may deviate from the fair value.

Over financial year 2006 IAS32.23 has not been applied correctly. Management judged that zero-cost put options on remaining shares in Ican and Klein Systems Group, granted in 2001 and 2002 respectively, had to be seen as contingent liabilities, amongst others due to the fact that valuation of the options could not be made reliable as they were dependent on future performance of the subsidiaries and could be paid partly in HITT-shares. The put options have not been exercised. The AFM recommended calculating fair value at each reporting date and providing for the liability according to IAS 32.23.

As of today, there remains uncertainty in IFRS regarding the treatment of the difference between the exercise price of the options and the carrying value of the minority interests that have to be reflected as financial liability. Until finalization of phase two of the business combinations project of the IASB, HITT has chosen to present such difference as additional goodwill.

Ad Navigation AS is consolidated in full, reflecting a minority share in the profit and loss account and the equity.

As of January 1, 2007 the wholly owned non-operating intermediary QPS Holding B.V. merged its activities with the Company and thus ceased to exist.

At November 1, 2007 the non-operating – dormant – wholly owned subsidiary HITT Special Products B.V. was liquidated.

Interests in joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other ventures are recognized in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognized when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interest in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations.* The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by-line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary (see below).

Where the Group transacts with its jointly controlled entities, unrealized profits and losses are eliminated to the extend of the Group's interest in the joint venture.

AIS Live is a 50% joint venture with Lloyd's Register Fairplay and consequently consolidated on a proportional basis.

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. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating 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. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

In accordance with the transitional rules of IFRS 1, the Group has applied the revised accounting policy for goodwill prospectively from the date of transition to IFRS. Therefore from 1 January 2004, the Group has discontinued amortizing such goodwill and has tested the goodwill for impairment in accordance with IAS 36.

Goodwill arising on acquisitions before the date of transition to IFRS has been retained at the previous NL GAAP amounts subject to being tested for impairment at that date. Goodwill written off to reserves under NL GAAP prior to the date of transition to IFRS has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and the financial position of each entity are expressed in Euro, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 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 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.

In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments). For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in 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 classified as equity and transferred to the Group's translation reserve. 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.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from the Group's development activities is recognized 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; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortized on a straight-line basis over their estimated useful lives. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Derivative financial instruments and hedge accounting

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.

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. The use of financial derivatives is governed by the Group's policies approved by the Management Board, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are initially measured at fair value on the contract date, and are measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in profit or loss. The Company's policy with respect to hedging the foreign currency risk of a firm commitment is to designate it as a cash flow hedge. If the cash flow hedge of a firm commitment or forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or the liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognized in profit or loss in the same period in which the hedged item affects the profit or loss. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in profit or loss as they arise. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognized in equity is retained in equity until the forecasted transactions occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to profit or loss for the period. Derivatives embedded in other financial instruments or other non-financial host contracts are treated as separate derivatives when their risk and characteristics are not closely related to those of the host contract and the host contract is not carried at fair value with unrealized gains or losses reported 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.

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 income statement over the period necessary to match them with the costs that they are intended to compensate.

Work in progress

Over the financial year 2006 the recognition and presentation of profit within 'Trade and other receivables' and within 'Trade and other payables', the so-called work in progress, was fully attributed to 'Amounts due from customers' in contradiction to IAS 11.43 and IAS 11.44. Part of it should have been attributed to 'amounts due to customers' resulting in a decrease of both 'other receivables' and 'other liabilities' by €1,169. This revision does not affect the result over 2006 nor does it affect the equity at the end of 2006.

Employee benefits

(a) Pension liabilities
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. A defined benefit plan is a pension plan that is not a defined contribution plan.

(b) Share based compensation
The share based compensation scheme lapsed in 2007 as all outstanding options to acquire HITT shares either expired or were exercised. For further details refer to note 30.

(c) Severance payments
The Company compensates certain (former) employees according to legal and contractual regulations in case they are dismissed. A provision is made as soon as the Works Council (if applicable) has issued positive advice and the employee is informed.

TAXATION

Tax assets represent tax losses carried forward in certain jurisdictions in which the Company operates. Tax assets are recognized when it is probable that sufficient taxable profits will be generated against which the tax assets can be off set.

Deferred tax assets and liabilities reflect the net effects of tax losses carried forward and the 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 and liabilities are only recorded if they are considered to be realizable in the future, which is reassessed at each balance sheet date.

3. Adoption of new and revised International Financial Reporting Standards

As of 2007 HITT has implemented IFRS 7 on disclosure of financial instruments. The changes have no effect on the result or equity.

IFRS 8 requires the Company to report operating segments in line with internal reporting formats. This standard will be implemented as of January 1, 2009.

IFRIC 9-12 have been assessed for their impact on the financial statements of the Group. If applicable the impact on the financial statements is limited.

4. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group 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

FOREIGN CURRENCY EXCHANGE 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 and the British pound sterling. Management has set up a policy to require Group companies to manage their foreign currency exchange risk against their functional currency. Group companies are required to hedge their foreign currency exchange risks in excess of € 50 with the Group treasury. The Group treasury uses forward selling contracts to manage these foreign currency exchange risks. The Group treasury risk management policy is to hedge all foreign currency exchange risks in excess of € 50 in all non functional currencies for all fully controlled entities over the full project period.

Foreign currency exchange risk arising from the net assets of the group's foreign currency operations is not hedged.

At December 31, 2007, if the euro had strengthened 10% against the Canadian dollar with all other variables held constant, pre tax profit would have been € 43 lower (2006: € (50 higher)), mainly as a result of the translation of the foreign currency related operations. Equity would have been € 104 (2006: € 324) lower, arising mainly from exchange losses on translation of Canadian dollar denominated net assets.

At December 31, 2007, if the euro had strengthened 10% against the American dollar with all other variables held constant, pre tax profit would have been € 27 lower (2006: € (76 higher)), mainly as the result of the translation of the foreign currency related operations. Equity would have been € 7 (2006: € 1) lower, arising mainly from exchange losses on translation of the American dollar denominated net assets.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

As the Group has no significant interest bearing assets, the Group's income and operating cash flows are substantially independent on changes in market interest rate. The Group's interest rate risk arises from short-term borrowings, which have been financed at variable rates of 5.3% (2006: 5.1%). An increase of the interest rate with 1%-point would have decreased the pre tax result with € 6 (2006: € 22).

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. The Group has a credit line of € 4,000 available for this purpose.

Management monitors annual forecasts of the Group's cash flow position on a quarterly basis. The forecasted cash flow statement for 2008 is as follows:

x € 1,000	**2008 est.**
Balance at January 1	4,852
Net cash from operating activities	7,000
Net cash from investing activities	(3,300)
Net cash from financing activities	100
Balance at December 31	**8,652**

5. 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 of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as expenses 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.

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.

The part of revenue relating to long-term contracts, accounted for by the percentage of completion method, is approximately 70% (2006: 66%).

6. Segmentation

The company delivers to public corporations a group of related products and services mostly on a project basis. Based on the nature of the projects, the Company distinguished revenue segmentation on a manual basis. The Company reports financial information on a one-segment basis due to the limited number of projects compared to total revenue and the nature of the market in which it operates.

x € 1,000		2007		2006
	%		%	
Aviation traffic	27	9,439	11	3,012
Marine ashore	35	12,313	58	16,074
Marine onboard	20	6,886	18	4,975
Technical services	17	5,754	14	3,813
	100	**34,392**	**100**	**27,875**

7. Other operating income

Other operating income comprises government grants and subsidies amounting to € 494 (2006: € 629) and concern European and Canadian research programs.

8. Employee benefits expense

x € 1,000		2007		2006		2008 est.
						unaudited
Wages and salaries		10,934		9,304		
Compulsory social security charges		699		515		
Costs employee share option plan		-		8		
Contributions to defined contribution plans		359		406		
Contributions to defined benefit plans						
Service cost	303		365		264	
Plan Participants Contribution	(146)		(143)		(149)	
Company service cost	157		222		115	
Interest on obligation	418		432		463	
Expected return on plan assets	(259)		(318)		(282)	
Other costs	72		84		73	
Amortization of losses (gains)	(27)	361	-	420	(35)	334
		12,353		**10,653**		
Per employee		71		65		

The average number of employees during the financial year was 174 (2006: 165).

Wages and salaries increased due to a higher number of employees, salary increases and reorganization costs.

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 note 26 Retirement benefit obligation.

9. Other operating expenses

x € 1,000	2007	2006
Staff expenses	1,859	1,236
Housing expenses	916	869
Selling expenses	1,281	1,057
Research & development	147	74
Repair and maintenance expenses	306	337
Business travel expenses	383	287
Office expenses	397	369
General expenses	1,280	1,114
Guarantee expenses	316	279
	6,885	**5,622**

The staff expenses increased due to increased hiring of external professionals during 2007. Research & development expenses comprise out-of-pocket cost. See also the note 17 on Development Costs.

10. Finance cost

x € 1,000	2007	2006
Interest income	9	29
Interest expenses	(76)	(3)
Accrued interest	(60)	(74)
Net foreign exchange losses	(58)	(24)
Fair value adjustments	-	(13)
Exchange gains	3	34
Bankcharges	(34)	(25)
	(216)	**(76)**

Net financial income comprises interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses and gains and losses on hedging instruments that are recognized in the income statement. Interest income is recognized in the income statement as it accrues, taking into account the effective yield on the asset. The interest expenses component of finance lease payments is recognized in the income statement using the effective interest rate method.

11. Income tax (expense) benefit

x € 1,000	2007		2006
Payable income taxes	(314)		(556)
Due to tax percentage		355	
Carry back 2003		113	
Decrease of tax rate	-		468
Benefit of tax losses recognized	106		105
Deferred income taxes	106		573
	(208)		**17**

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Reconciliation of effective tax rate:

x € 1,000	2007		2006	
	%		%	
Profit before tax		480		1,843
Income tax applying nominal rate	25.5	(122)	29.1	(536)
Effect of foreign tax rates	(7.3)	35	1.0	(19)
Effect of tax losses utilized	(24.6)	(118)	(31.0)	572
Effect of decrease of rate	-	-	-	-
	42.8	**(205)**	**(0.9)**	**17**

12. Minority interests

Over financial year 2006 IAS32.23 has not been applied correctly. IAS32.23 states that an entity should include the financial liability for the present value of the obligation to purchase its own equity instruments for cash. This had an impact on the minority interests as at January 1, 2006, which should have been eliminated and replaced by a liability for the put option issued to former shareholders.

In the income statement only the 'profit for the year attributable to minority interests' regarding the first quarter of 2006 changed and it was reclassified to 'attributable to equity holders of the parent'.

x € 1,000	2006
Profit for the year attributable to minority interests	43
Revision due to elimination of minority interests	(49)
	(6)

13. 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:

Earnings x € 1,000	2007	2006
Earnings for the purpose of basic earnings per share (profit for the year attributable to equity holders of the parent)	252	1,866

Number of shares x 1,000	2007	2006
Number of ordinary shares for the purpose of basic earnings per share	4,694	4,694
Effect of dilutive potential ordinary shares:		
Share options	-	33
Earn-out consideration (90 days average HITT share price)	94	130
	4,788	**4,857**

During the year no operations have been discontinued.

Sixty per cent of the earn-out payment may be satisfied in HITT-shares based upon their 90-days average price preceding the balance sheet date.

In 2007 all outstanding options under the share option plan either expired or were exercised against cash settlement (see also note 30 on Liability for share-based payments).

The number of shares included as part of the earn-out payment has decreased as a result of the change in the value of the accrued earn-out liability; see also note 29 on Other non-current liabilities.

The correct application of IAS32.23 over 2006 resulted in a revised number of potentially diluted shares:

Number of shares x 1,000		2006
	%	
Number of ordinary shares for the purpose of basic earnings per share	100	4,694
Effect of dilutive potential ordinary shares:		
Share options	0.7	33
Earn-out consideration (90-days average price HITT € 6,18)	2.8	130
	103.5	**4,857**

14. Dividends

Dividend policy

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

Dividend proposal

On February 28, 2007 a dividend of € 0.14 per share (total dividend € 657) was paid to shareholders.

In respect of the current year the Management Board proposes that a cash dividend amounting to € 0.14 per ordinary share of € 0.25 nominal value will be paid to shareholders on March 12, 2008. This dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements. This would result in a 250% pay-out ratio, amounting to a total dividend of € 657.

15. Equipment

x € 1,000	2007	2006
Balance at January 1	844	1,013
Purchases	362	72
Book value of disposals	(4)	-
Depreciation	(439)	(890)
Balance at December 31	**763**	**844**
Cost December 31	3,146	3,822
Accumulated depreciation	(2,383)	(2,978)
Bookvalue December 31	**763**	**844**
Depreciation percentages	20 - 50	20 - 50

Fixtures, furniture and equipment 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.

Fair value does not deviate significantly from carrying value.

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.

In 2002 fixtures, furniture and equipment up to an amount of € 800 have been sold and leased back under a finance lease contract with ING Bank for a period of 5 years, ending in 2007. The book value at year end amounts to € 0 (2006: € 305).

16. Goodwill

x € 1,000		2007		2006
Balance at January 1		2,281		1,169
Klein Systems Group	36		454	
Ican Ltd	13		730	
Additional investments		49		1,184
Revision		(473)		168
Foreign exchange		188		(240)
Balance at December 31		**2,045**		**2,281**
Accumulated amortization		153		153

On April 1, 2006 HITT acquired the remaining 60 per cent participating shares in respectively Ican Ltd. of St. John's, Newfoundland and Klein Systems Group Ltd. of Vancouver, British Columbia both in Canada for cash consideration of € 2,660, divided over an amount at transaction date of € 1,324 plus an earn-out payment up to and including 2010. The earn-out payment has been accrued under non-current liabilities € 860 (2006: € 1,318) and short-term liabilities € nil (2006: € 18) based upon the expectations as at balance sheet date. Deviations from those expectations will result in changes of the outstanding liabilities. These changes are reflected in an adjustment of goodwill. These transactions have been accounted for using the acquisition method of accounting.

The revision is fully adjusted on Ican and reflects changes in the estimate of the deferred earn-out and the application of a discount rate, included at 5% (2006: 5%) of € (361) (2006: € 784) and an adjustment of the fair value of € (112) (2006: € 94).

The following cash generating units have significant carrying amounts of goodwill (other subsidiaries were acquired prior to 2001 applying the equity method):

x € 1,000	2007	2006
Ican Ltd	849	1,196
Klein Systems Group Ltd	1,074	963
ad Navigation AS	122	122
Balance at December 31	**2,045**	**2,281**

Annually the Company carries out impairment tests on these balances per relevant cash-generating unit. 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 recoverable amounts of the various cash generating units that carry goodwill are determined on calculations of value in use. Those calculations use cash flow projections based on actual operating results and a three year forecast. Cash flows for further future periods are extrapolated using growth rate percentages varying from 7% to 14%, which are deemed appropriate because of the long term nature of the business. These growth rates are also consistent with the long term averages in the industry. A pre-tax discount of 6.26% (Ican) and 6.84% (Klein) has been used to discount the projected cash flows. The carrying amounts of the units remain below the recoverable amounts and as such no impairment losses are accounted for. However, future adverse changes in the assumptions could reduce the recoverable amounts below the carrying amount.

Due to HITT's specific situation and according to IAS 1.15(c) the note regarding the acquisition of remaining interests in Ican and Klein over the year 2006 had to be described in more detail than the minimal requirements under IFRS 3. IFRS 3.72 and 3.74 must be applied differently.

The net asset acquired at 1 April 2006, and the goodwill arising, are as follows:

x € 1,000	Acquiree's carrying amount before combination	Fair value adjustments	Fair value
Net assets acquired			
Development costs	1,212	(94)	1,118
Inventories	50	-	50
Trade and other receivables	783	-	783
Cash	312	-	312
Trade and other payables	(608)	-	(608)
Deferred tax liabilities	(233)	-	(233)
	1,516	(94)	1,422
Goodwill arising on acquisition			1,324
Total consideration, satisfied by cash			**2,746**
Cash consideration paid			(2,746)
Cash acquired			312
Net cash outflow arising on acquisition			**(2,434)**

The goodwill arising on the acquisition of Ican and Klein is attributable to the anticipated profitability of the subsidiaries; trailing results in the future may result in impairment of goodwill. The balance of goodwill decreased from € 1,834 at 30 June 2006 to € 1,324 at 31 December 2006 as a result of a revised opinion on future results as a basis for deferred payments that was discounted at 5% per annum (€ 784) as well as an adjustment to fair value of the share of € 94. Furthermore goodwill increased by minority results that attributes to the Group due to full consolidation.

In the annual accounts of 2006, goodwill was valued against the exchange rate prevailing at the moment of acquisition. Thus the recognition of exchange differences on goodwill was not in accordance with IAS 21.47 stating that at every balance sheet date goodwill is to be recalculated against the closing price of the currency of the functional unit. The cumulative resulting difference of € 218 is put to translation reserve in equity.

As a result of these revisions goodwill was revised as follows:

x € 1,000	Goodwill	Revision regarding put option	Revision regarding exchange differences	**Revised goodwill**
Balance at January 1, 2006	1,315	(168)	22	1,169
Subsequent fair value revision	-	635	(140)	495
Close of put option	-	(467)	-	(467)
Additional investments	1,324	-	-	1,324
Foreign exchange	(140)	-	(100)	(240)
Balance at December 31, 2006	**2,499**	**-**	**(218)**	**2,281**

The additional investment concern € 329 for Klein and € 995 for Ican. The subsequent revision of fair value is fully contributable to Ican as results for 2006 were lower than expected and due to a discount against 5% on expected deferred payments.

The following cash generating units have significant carrying amounts of goodwill:

x € 1,000	Balance at December 31, 2006	Revision valuation of development cost	Revision exchange differences	**Revised balance at December 31, 2006**
Ican Ltd	1,255	94	(153)	1,196
Klein Systems Group Ltd	1,028	-	(65)	963
Ad Navigation AS	122	-	-	122
	2,405	94	(218)	**2,281**

17. Development costs

x € 1,000	**2007**	**2006**
Balance at January 1	6,513	5,491
Additional investments	3,002	3,851
Amortization	(2,710)	(2,245)
Impairment	-	(411)
Foreign exchange	184	(173)
Balance at December 31	**6,989**	**6,513**
Cost December 31	14,782	11,596
Accumulated amortization	(7,793)	(5,083)
Book value December 31	**13,978**	**13,026**
Amortization percentage	33.3	33.3

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 related costs starts at the moment of commissioning of the product, is based on the estimated average useful life of 3 years and is amortized using the straight-line method. 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. Impairment tests carried out regularly showed some developments with a shorter useful life and were impaired accordingly in 2006.

The additional investment in 2007 relate to product developments for traffic and hydrographic applications. The amount is included in costs under raw materials and consumables used.

Upon certain developments grants have been received that are repayable as a royalty once future revenues are generated by those developments. The difference between the grant received and the accrued liability for royalty payments has been credited to income.

Besides developments that qualify for capitalization, the Group also develops products and tools for one-time application. These costs amount to € 4,201 and are included in employee benefit expenses and other operating expenses.

18. Deferred tax assets

x € 1,000		2007		2006
Balance at January 1		298		1,007
Reclassification from liabilities	-		198	
Reclassification to current receivables	-		(733)	
Release to profit & loss account	(9)		(189)	
Foreign exchange	(57)		15	
Movements		(66)		(709)
Balance at December 31		**232**		**298**

Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the Company expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Fair value does not deviate significantly from carrying value.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the Company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets.

The deferred tax assets are fully attributable to receivables of HITT (HK) Ltd and are expected to be received after more than one year and within five years. The tax asset has been stated at nominal value.

19. Inventories

Inventories consist of finished goods for resale and service.

Inventories of finished goods 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.

20. Trade and other receivables

Trade and other receivables (at fair value) x € 1,000	2007	2006
Trade receivables (net)	4,664	5,005
Amounts due from contract customers	10,752	6,911
Other receivables	435	831
Prepayments	487	19
	16,338	**12,766**

Trade receivables are recorded net of allowances for doubtful accounts. Amounts due from contract customers consist of € 1,098 recognized profits (2006: € 2,220), € 16,719 contract costs incurred (2006: € 9,402) and € 7,065 invoiced (2006: € 4,711). The amounts due from customers increased from € 6,911 to € 10,752, of which € 4,436 older than one year, due to an increase in activity in total business solutions including the delivery of radar systems. The project for the Gulf of Khachchh in India came tot a standstill due to devault of the Indian construction company that is responsible for building the towers on which HITT has to install it's equipment. Direct meetings revealed that the customer still has faith in HITT's performance and will not withdraw from the contract. It is envisaged that the contract will start up again in the course of 2008. See also note 35 on Contingent liabilities. Prepayments include an advance payment for radar systems.

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.

Trade receivables (by currency) x € 1,000	2007	2006
EUR denominated	3,729	3,964
USD denominated	617	506
CAD denominated	98	350
Other currencies	220	185
	4,664	**5,005**

Of trade receivables an amount of € 287 (2006: € 338) of which € 194 (2006: € 225) American dollar denominated and € 93 (2006: € 113) Australian dollar denominated has been hedged.

Trade receivables (ageing) x € 1,000	2007	2006
Up to 30 days	3,595	3,374
30 to 90 days	760	1,315
Over 90 days	309	316
	4,664	**5,005**

Receivables and amounts due are expected to be collected between 1 month and 3 months after year-end.

Trade receivables (gross to net) x € 1,000	2007	2006
Trade receivables	4,675	5,014
Less: provision for impairment	(11)	(9)
Trade receivables (net)	**4,664**	**5,005**

Movements in provision for trade receivables impairment:

x € 1,000	2007	2006
Balance at January 1	(9)	(3)
Provision for receivables impairment	(63)	(6)
Receivables written-off as uncollectible	61	-
Balance at December 31	**(11)**	**(9)**

Amounts due from customers (by currency) x € 1,000	2007	2006
EUR denominated	11,229	5,067
USD denominated	1,018	1,616
CAD denominated	45	16
Other currencies	349	212
	12,641	**6,911**

Of amounts due from contract customers an amount of € 1,671 (2006: € 2,500) comprising € 1,012 (2006: € 2,339) American dollar denominated, € 310 (2006: nil) Hong Kong dollar denominated and € 288 (2006: € 161) Australian dollar denominated has been hedged. Of other receivables an amount of € 90 American dollar denominated has been hedged.

21. Share capital

The Company's authorized share capital amounts to € 4,000 (2006: € 4,000) and consists of 8,000,000 ordinary shares (2006: 8,000,000) and 8,000,000 preference shares (2006: 8,000,000) each with a nominal value of € 0.25. The preference shares concern preference protective shares. Of the ordinary shares, 4,694,158 shares (2006: 4,694,158) have been issued and fully paid up as per December 31, therefore the issued share capital amounts to € 1,173 (2006: € 1,173). No preference shares have been issued. No certificates of shares exist.

22. Share premium reserve

The share premium reserve of € 4,848 (2006: € 4,848) is considered to be paid in capital and distribution is free from income taxes.

23. Legal reserve

The legal reserve relates to capitalized development costs.

24. Hedging reserve

The amount of the cash-flow hedge included in this reserve amounts to € 425 (2006:€ 197). During the year exchange gains in hedge contracts amounted to € 229 of which € 1 was recognized in the income statement. No hedged transactions had to be reversed. See also the note on contingent assets and liablities for future cash flows related to the hedged positions.

25. Translation reserve

Translation reserves comprise exchange differences on the translation of the foreign currency balance in financial fixed assets and goodwill.

26. 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.

x € 1,000	Defined Benefit Obligation	Plan Assets	Funded status	Unrecognised gains (losses)	Net liability
Balance at January 1, 2006	10,181	(8,402)	1,779	(317)	1,462
Company Service Cost	222	-	222	-	222
Interest cost	432	-	432	-	432
Expected return on plan assets	-	(318)	(318)	-	(318)
Administration cost	-	84	84	-	84
Benefits paid	(32)	32	-	-	-
Plan participants contribution	143	-	143	-	143
Contribution	-	(471)	(471)	-	(471)
Balance at December 31, 2006 (est.)	10,946	(9,075)	1,871	(317)	1,554
Loss (gain)	(2,149)	689	(1,460)	1,460	-
Balance at December 31, 2006	8,797	(8,386)	411	1,143	1,554
Company Service Cost	157	-	157	(27)	130
Interest cost	418	-	418	-	418
Expected return on plan assets	-	(259)	(259)	-	(259)
Administration cost	-	72	72	-	72
Benefits paid	(32)	32	-	-	-
Plan participants contribution	146	-	146	-	146
Contribution	-	(533)	(533)	-	(533)
Balance at December 31, 2007 (est.)	9,486	(9,074)	412	1,116	1,528
Loss (gain)	(885)	836	(49)	49	-
Balance at December 31, 2007	**8,601**	**(8,238)**	**363**	**1,165**	**1,528**

Plan assets

The assets of the Plan are managed by Centraal Beheer Achmea. The benefit payments are guaranteed by Centraal Beheer Achmea. 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 3.5%), profit sharing is expected to be low.

Methodology

The Plan's liabilities are valued using the Projected Unit Credit (PUC) actuarial method. Under the PUC method a "projected accrued benefit" is calculated for each benefit. For all active members of the Plan, the "projected accrued benefit" is based on the Plan's accrual formula and upon service as of the calculation date, but using a member's salary, social security benefits, etc., projected to the age at which the employee is assumed to leave active service. For inactive members it is the total benefit.

The Defined Benefit Obligation is the discounted present value of the "projected accrued benefits". The Service Cost is the corresponding value of the benefits earned by active members over the year as a result of one year's more service.

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).

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.

The movements in the retirement benefit obligation can be summarized as follows:

x € 1,000	2007	2006	2008 est.
			unaudited
Balance at January 1	1,554	1,462	1,528
Expense recognized in the income statement	361	420	334
Contribution net of participants contribution	(387)	(328)	(115)
Balance at December 31	**1,528**	**1,554**	**1,747**

- The assumption and methodology used in compiling these figures are consistent with our understanding of IAS 19. It does not take into account possible future changes in IAS 19, plan rules or legislation.
- The results are particularly sensitive to some assumptions, such as the discount rate, level of salary inflation, level of assumed price inflation and mortality. A decrease in the discount rate assumed or an increase in salary inflation or price inflation will lead to an increase in reported cost.
- The actuarial gain at the DBO is mainly caused by the change of the discount rate and by the changes in the participant data (e.g. less salary increase then expected). The gain is restricted by the change of the mortality table.
- A roll forward calculation is made as per December 31, 2007. The Actuarial gain/loss on the DBO at the end of 2007 and assets is mainly caused by changes in the discount rate.
- The asset value is based on the discounted cash-flow method. The cash-flows are the benefits insured and profit sharing to be received. As the discount rate has been increased since 2005 we see an asset loss in 2006 and 2007.

According to IAS19 assumptions are based on actuarial advice. All assumptions (with the exception of the discount rate) should be chosen to reflect a best estimate of the future long-term-experience.

- Discount rate
  The discount rate of 4.25% per annum at the start and 4.75% per annum at the end of the fiscal year 2006 and 5.40% per annum at the end of the fiscal year 2007 should be based upon the yields available on high quality corporate bonds at the accounting date with a term that matches that of the liabilities. IAS19 does not define "high quality", but this is generally taken to mean a security rating of AA. Therefore we apply the yield curves on (AA+) bonds published by Iboxx.
- Price inflation
  The assumed rate of price inflation is 2.0%, which has been based on the long term expectation for inflation in the Euro zone.
- Rate of increase in remuneration
  It has been assumed that employed members' salaries will increase with:
    - a general increase of 2.00% per annum; and
    - age related scale reflecting expected promotional increases.
- Rate of increase of pensions in payment and for deferred pensioners
  It has been assumed that current and future pension payments will increase at an average rate of 0.25% per annum as per December 31, 2006 and 0.40% per annum as per December 31, 2007.

• Return on assets
Based on the plan's asset mix, the assumed return on assets is 4.75% as per 2007 and 5.4% as per 2008. As the value of the assets is equal to the discounted cash flow of the insurance contract, the return on assets is equal to the discount rate.

The mortality rates were changed to the most recent tables including mortality trend and experience mortality. The experience mortality accounts for the difference between the mortality rates of the working population and the total population.

A summary of the assumptions used is detailed below:

1. Financial assumptions

Principal actuarial assumptions for the liability for defined benefit obligations:

weighted average	2007	2006
Discount rate	5.40%	4.75%
Expected return on plan assets	5.40%	4.75%
Future salary increases		
General	2.00%	2.00%
Individual	0% - 3.23%	0% - 3.23%
Pensions in payment increase rate	0.40%	0.25%
Deferred pensions increase rate	0.40%	0.25%
Inflation	2.00%	2.00%

2. Demographic assumptions

Item	Description
Mortality	AG Prognosetafel 2005-2050, combined with experience mortality. No age setback for both males and females before and after the pension age is used.
Disability	Table from Verbond van Verzekeraars, "Zakelijke dienstverlening 2".
Withdrawal	Derived from scheme specific experience
Marriage frequency	Based on marital tables published by Actuarial Society (Actuarieel Genootschap), 100% on retirement date.
Age difference	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	2007	2006	2008 est.
			unaudited
Unrecognised gain (loss)	1,143	(317)	1,165
Corridor	(880)	(1,018)	(860)
Amount to be amortised	263	-	305
Average remaining service [years]	9.8	9.4	8.8
Amortization	**27**	-	**35**

The Company publishes the annual accounts before the IAS calculations can be performed on the basis of actual population data to be provided by the insurance company. Hence the data in the annual calculation are based on a roll forward calculation. The difference between the actual population and the population used in the roll forward calculation, change in participants data, will be treated as an actuarial gain or loss in 2008. By applying the corridor method, these variations are subdued.

During the first time adoption of IFRS in 2005 the existing retirement plan based upon average pay (middelloonregeling) has been categorized as a defined benefit plan (DB) and liabilities were accrued on the balance sheet. During the second half of 2006 management has consulted experts to investigate the possibility to categorize the existing plan as a defined contribution plan (DC) based on the possibly remaining non-material risks. This proved to be possible. As a result comparative figures over 2005 were adapted and changes of accounting principles were described in 5.3.9. Change of accounting principles and 5.7 Employee benefits expense.

As such IAS 19.39 was not satisfied. The AFM recommended categorizing the existing average pay retirement benefit plan as a DB-plan with its associated financial reporting, as risks remain, albeit minute or non-material. At the time of publishing the semi-annual figures 2007 the actuarial calculations regarding 2006 had not yet been carried out; therefore the contributions to defined benefit plans over 2006 and the first half of 2007 were based upon assumptions in the actuarial calculations carried out in 2005. In the annual report 2007 this led to changes as described above compared to the figures published in the annual report 2006 below:

The balance sheet entry "Retirement benefit obligation" and its accompanying note changed as follows:

x € 1,000	Retirement benefit obligation	Effect	Revised retirement benefit obligation
Balance at January 1, 2006	-	1,462	1,462
Expense recognized in the income statement (estimate)	-	92	92
Balance at December 31, 2006 (est.)	**-**	**1,554**	**1,554**

Principal actuarial assumptions for the liability for defined benefit obligations:

Weighted average	**2006** est.
Discount rate	4.25%
Expected return on plan assets	3.70%
Future salary increases	0-4%
Medical cost trend	n/a
Future pension increases	0.75%

The retirement benefit obligation represents the 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.

Contributions to retirement benefit plans within employee benefits expense changed as follows (estimated):

x € 1,000	Contributions to retirement benefit plans	Effect	**Revised contributions to retirement benefit plans**
Contributions to defined benefit plans			
Current service cost	-	89	89
Interest on obligation	-	432	432
Expected return on plan assets	-	(318)	(318)
Other costs	-	70	70
	-	273	273
Contributions to defined contribution plans	359	(181)	178
	359	**92**	**451**

As a result the benefits expense per employee is revised by 1 from 64 to 65.

The text in the accompanying note "As of 2006 all pension plans are categorized …… € 406" was replaced by "For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit 120A(a) Credit Method, with actuarial valuations being carried out at each balance sheet date."

27. Deferred tax liabilities

x € 1,000	2007	2006
Balance at January 1	2,486	1,233
Additions	266	1,758
Changes	(279)	(505)
Release to current	(1,005)	-
Balance at December 31	**1,468**	**2,486**

Deferred tax liabilities include the effect of temporary differences between the carrying value and the tax basis of assets and liabilities using the applicable statutory tax rates.

Deferred tax liabilities on development costs, pensions, hedge reserves, etc. are valued against a tax rate of 25.5% in The Netherlands (2006: 25.5%) and 29% in Canada. In 2006 deferred taxes were also recognized on the work in progress. As of 2007 Dutch taxes on work in progress are valued according to the percentage of completion method as opposed to the completed contract method applied before 2007. The associated deferred tax liabilities became current.

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

x € 1,000	Work in progress	Research & development	Pension liabilities	Options	Hedging	Total
Balance at January 1,2006	708	1,357	(433)	(12)	-	1,620
Adjustment to prior periods	-	(14)	(373)	-	3	(384)
Change of tax levy method	(184)	(182)	8	2	-	(356)
Release of pension liabilities to equity	-	-	425	-	-	425
Increase 2006	692	295	(23)	(2)	65	1,027
Exchange rate revaluation	-	(44)	-	-	-	(44)
Balance at December 31, 2006	1,216	1,610	(396)	(12)	68	2,486
Change of tax levy method	(1,216)	-	-	-	-	(1,216)
Release of pension liabilities to equity	-	-	26	-	-	26
Increase 2007	-	210	(20)	12	77	202
Exchange rate revaluation	-	(30)	-	-	-	(30)
Balance at December 31, 2007	**-**	**1,790**	**(390)**	**-**	**145**	**1,468**

28. Obligations under finance leases

x € 1,000	2007		2006	
	Nominal value	Fair value	Nominal value	Fair value
Finance leases payments				
< 1 year	-	-	217	201
1-5 years	-	-	-	-
	-	**-**	**217**	**201**

x € 1,000	2007	2006
Repayment	212	178
Interest recognized in income statement	5	(15)
	217	**163**

Finance leases carry an average interest rate of 5.7% in 2006. The fair value is calculated using the present value method. Interest is paid as part of the annuity.

29. Other non-current liabilities

x € 1,000	2007	2006
Balance at January 1	1,683	1,103
Exercise put option	-	(763)
Accrued interest	60	79
Additions	-	1,360
Current portion	(303)	-
Change in fair value	(164)	-
Foreign exchange	117	(96)
Balance at December 31	**1,393**	**1,683**
Accrued repayment of grants	533	365
Earn-out payment	860	1,318
	1,393	**1,683**

Other non-current liabilities relate to agreed future earn-out payments to the selling shareholders of Ican. Those payments will be based on future results of the subsidiary up to and including the year 2010. Changes in the fair value of the earn-out will be adjusted to goodwill. Other non-current liabilities also include the repayment of received grants by a Canadian subsidiary. These grants are repayable in the form of royalties on the revenue generated from it up to the amount of the grant received (CAD 985) and discounted at 5% per annum (2006: 5%). It is anticipated that the grants will have been repaid within five years. No interest is paid on either grant or earn-out.

As of April 1, 2006 HITT exercised its call option to acquire the remaining participating shares in Ican en Klein (see also the note on Goodwill). Therewith the value of the put option of the former shareholders became nil and void. Part of the call option consideration was based upon future results. Upon HITT's discretion this earn-out consideration can be satisfied up to a maximum of 60% by the issuance of HITT-shares valued against 90-day average price preceding the payment date.

30. Liability for share-based payments

Share options were granted with an exercise price equal to the closing share price at the day of grant. After 2004 no employee stock options have been granted. In 2007 all outstanding options expired or were exercised and paid in cash. Share options had an exercise term between 3 and 5 years after granting.

Granted	Number at January 1	Exercise prices	Exercised in 2007	Forfeited in 2007	Number at December 31	Accrued liability December 31, 2007	Accrued liability December 31, 2006
		€		x € 1,000			x € 1,000
2002	13,021	6.05 - 6.70	(4,132)	(8,889)	-	-	3
2003	18,419	3.80	(18,419)	-	-	-	42
2004	1,377	4.50	(1,377)	-	-	-	2
	32,817		**(23,928)**	**(8,889)**	**-**	**-**	**47**

The movements in the liability for share-based payments can be summarized as follows:

x € 1,000	2007	2006
Balance at January 1	47	39
Recognized in employee benefits expense	23	8
Paid	(70)	-
Balance at December 31	**-**	**47**

IFRS 2, Share based payment, requires the recognition of equity-settled share-based payments at fair value at the date of grant and the recognition of liabilities for cash-settled share-based payments at the current fair value at each balance sheet date. Prior to the adoption of IFRS 2, the Group did not recognize the financial effect of share-based payments until such payments were settled.

In accordance with the transitional provisions of IFRS 1, the Standard has been applied retrospectively to all grants of equity instruments after November 7, 2002 that were unvested as of January 1, 2005, and to liabilities for share-based transactions existing at January 1, 2005. The Standard therefore applies to share options granted in 2004 and later.

For 2007, the impact of share-based payments is a net charge to income of € 17 (share-based payments expense of € 23 net of deferred tax impact of € 6). At December 31, 2007, the share options reserve amounted to € 0.

The share-based payments expense has been included in the income statement under employee benefit expense, costs employee share option plan € 23 (2006: € 8).

31. Trade and other payables

Trade and other payables (at fair value) x € 1,000	2007	2006
Trade payables (net)	1,914	1,362
Amounts due to contract customers	7,142	3,255
Advance payments	423	534
Accrued liabilities and prepayments	2,397	1,471
	11,876	**6,622**

The increase in trade and other payables is due to increased activities in total business solutions. At the end of 2007 some projects were nearly completed, with a corresponding peak in activities.

Amounts due to contract customers increased to € 7,142 of which € 1,592 is older than one year and consist € 20,278 (2006: € 13,451) invoiced and € 11,247 (2006: € 9,027) contract costs incurred. And profit recognized of € 1,889 (2006: € 1,169).

Trade payables (by currency) x € 1,000	2007	2006
EUR denominated	1,601	1,104
USD denominated	117	204
CAD denominated	91	23
Other currencies	105	31
	1,914	**1,362**

An amount of € 79 (2006: € nil) American dollar denominated was hedged.

Amounts due to customers (by currency) x € 1,000	2007	2006
EUR denominated	6,972	3,103
USD denominated	109	59
CAD denominated	7	80
Other currencies	54	13
	7,142	**3,255**

Of amounts due from customers an amount of € 44 (2006: € 149) American dollar denominated has been hedged and is payable within one year.

32. Current tax liabilities

Current tax liabilities comprise collected value added tax, social security charges and wage taxes relating to salaries paid in December and corporate income tax in the Netherlands; the collected value added tax, wage tax and social security charges are payable in January. The corporate income taxes are expected to be payable within twelve months.

33. Other current liabilities

x € 1,000	2007	2006
Current portion of earn-out liability	-	95
Other loans	61	10
	61	**105**

Other loans refer to a bank overdraft of a Canadian subsidiary (€ 19) plus a subordinated loan from a former Canadian shareholder (€ 42).

34. Provisions

The movements in provisions can be summarized as follows:

x € 1,000	2007		2006	
	severance	guarantee	severance	guarantee
Balance at January 1	275	316	-	251
Additions	657	-	275	279
Changes in guarantee liabilities	-	80	-	(214)
Severance pay	(275)	-	-	-
Balance at December 31	**657**	**396**	**275**	**316**

The additions tot the provision for severance payments related to the organisation of the commercial department of HITT Traffic, the Netherlands as well as the change of management of Klein Systems Group, Canada.

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

35. Contingent assets & liabilities

The Group has committed operational lease contracts to customers amounting to € 261 of which € 108 is repayable within 1 year and € 153 within 3 years.

The Group has entered into long-term unconditional commitments for the rental of offices and leasing of company cars. On December 31, 2007, the present value of future commitments, discounted at 5% (2006: 5%) was € 1,997 (2006: € 2,462) including within one year € 541 (2006: € 647), between one and five years € 1,456 (2006: € 1,536) and after five years € 0 (2006: € 279). Payments under these commitments will be included in other operating expenses.

The Group has credit facilities available up to a maximum of € 4,070; at balance sheet date these have been used up to € 13. During 2007 up to € 2,000 of the credit facility has been used. As at December 31, 2007 the Group has facilities available up to a maximum of € 10,000 available for granting bank guarantees; an amount of € 5,642 related to running contracts has been used. The Dutch group companies are joint and several liable and have pledged their work in progress and trade receivables against these facilities.

At December 31, 2007 the Group contracted future currency exchange contracts for an amount of € 6,946 (2006: € 5,066) related to running contracts. An amount of € 2,146 (2006: € 2,780) relates to current assets and liabilities, the remainder of € 4,799 (2006: € 2,286) relates to future cash flow receivables. Of this future amount € 4,494 (2006: € 1,956) is collectible within one year and the remainder in 2009. This relates to € 4,405 American dollar denominated and € 89 in several other currencies. An amount of € 305 Australian dollar denominated is collectible between one and five years. 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 moment when the settlement date of the forward agreement. The risk is maximized to 10% of the present future position.

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 th Group Company amounts to approximately 50% of the total contract of € 17 million.

A Group Company as entered into a consortium agreement with local partners to realize the project for the Gulf of Khachchh, India accepting a joined and several liability. The delivery by the Group Company amounts to approximately 50% of the total contract of € 17 million.

The Company and all of its Dutch subsidiaries form part of a fiscal group for value added and income taxes, meaning that losses and profits of the individual Dutch entities of the Group can be offset within the Group, and returns for value added tax are applied for on a group level.

36. Related parties

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Company and its subsidiaries are disclosed in the Company's separate financial statements. Some former shareholders have provided subordinated loans (€ 40) that fall due upon certain conditions regarding profitability. These loans do not bear interest.

Remuneration of the Supervisory Board

x € 1,000	2007	2006
Dick Sinninghe Damsté	25	22
Eric A. van Amerongen	20	19
Hans Prinsen	20	19
	65	**60**

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.

Remuneration of the Management Board

x € 1,000	Fixed salary		Bonus		Pension		Other		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
CEO										
Luuth S. van der Scheer (till February 21, 2007)	20	199	-	-	-	19	-	310	20	528
H. Rob Boswijk (February 21 till October 1, 2007)	167	-	-	-	-	-	-	-	167	-
Sjoerd Jansen (as of October 1, 2007)	61	-	16	-	4	-	-	-	81	-
	248	199	16	-	4	19	-	310	268	528
CFO; John H.M. van Asperen	-	-	6	-	-	-	179	175	185	175
CCO; H. Rob Boswijk (July 1, 2006 till February 21, 2007)	-	-	-	-	-	-	-	84	-	84
	248	**199**	**22**	**-**	**4**	**19**	**179**	**569**	**453**	**787**

In 2003 the Supervisory Board has investigated the market conformity of the total remuneration package of the CEO. Findings of this investigation have been discussed and changes have been agreed in the Annual General Meeting of shareholders on February 18, 2004. During 2004 the remuneration policy has been reviewed and made public. The remuneration of the statutory director comprises:

(I) a fixed basic salary plus

(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% plus

(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 proceeding the period concerned plus

(IV) a defined contribution retirement plan for which the premium is paid equally by the Company and the statutory director plus

(V) the costs for a lease car are borne by the Company plus

(VI) the Supervisory Board may also grant additional incentives based on solid performance that do not relate directly to net results plus

(VII) in the labor contract a severance payment of 12 monthly salaries has been agreed in the event of dismissal before October 1, 2010.

After his resignation at the Annual General Meeting Mr. Van der Scheer provided advisory services up to and including August 2007. The remuneration regarding these advisory services are included in Employee Benefit Expenses.

The Chief Financial Officer is charging an all inclusive management fee to the Company.

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

Shares and options of 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, 2007 the Supervisory Board and the Management Board held shares (direct or indirect) and share options as follows:

	No of shares[2]	No of options
Dick Sinninghe Damsté	-	-
Hans Prinsen	1,248,000	-
Eric A. van Amerongen	-	-
Sjoerd Jansen	-	-
John H.M. van Asperen	288,000	-

[2] Mr. Prinsen and Mr. Van Asperen hold 52% and 12% respectively of HITT Holding B.V. which holds 2,400,000 shares (51.1% of total outstanding) of HITT N.V.

Remuneration of Key Staff

Remuneration of key staff consists of the employee benefit expense of managing directors of the subsidiaries and amounts to € 726 (2006: € 612). The increase is mainly due to the increase of salary of two managers.

37. Cash flow statement

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated at closing rate. Receipts and payments relating to dividends and taxation on profits are included in the cash flow from financing activities.

Company income statement

For the year ended December 31

x € 1,000		2007	2006
Profit on participating interests after tax		1,018	1,697
Other results	2	(746)	169
Net result		**272**	**1,866**

Company balance sheet

At December 31

x € 1,000		2007	2006
ASSETS			
Non-current assets			
Intangible fixed assets		2,045	1,074
Tangible fixed assets		11	15
Financial fixed assets	3	8,230	8,574
		10,286	9,663
Current assets			
Receivables	4	1,270	5,185
Derivate financial instruments		570	251
Cash		3,188	1,230
		5,028	6,666
		15,314	**16,329**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	5	1,173	1,173
Share premium reserve		4,848	4,848
Legal reserve for capitalisation of development costs		6,989	6,513
Legal reserve for translation differences on goodwill		(632)	197
Hedging and translation reserve		425	(867)
Retained earnings		700	1,581
		13,503	13,445
Liabilities			
Non current liabilities		861	339
Deferred tax liabilities		924	2,049
Current liabilities		3266	496
		1,811	2,884
		15,314	**16,329**

Notes to the company financial statements

For the year ended December 31, 2007

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 Financial Fixed Assets. Subsidiaries are valued at their net asset value.

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

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

2. Other results

Other results decreased due tot costs relating to the shareholdingship that can not be charged to Group Companies according to international text regulations.

3. Financial fixed assets

x € 1,000	Participations in group companies	Receivables from group companies	Total
Balance at January 1	8,574	-	8,574
Exchange differences	146	-	146
Movement in loans	-	531	531
Share in result of group companies	1,018	-	1,018
Balance at December 31	**7,699**	**531**	**8,230**

Participation in group companies is accounted for using the equity method. Receivables from Group companies are stated at cost. As a result of foreign operations exchange differences arise from the average exchange rate used during the year into the year-end exchange rate and from the translation of the net asset value of the foreign participation from the exchange rate at the beginning of the year into the exchange rate at year-end.

4. Receivables

x € 1,000	2007	2006
Receivables from group companies	1,253	3,733
Prepayments	17	90
Tax receivables	-	1,362
	1,270	**5,185**

Receivables from group companies decreased as a result of payments made by one of the subsidiaries during 2007. Of the receivables from group companies an amount of € 311 (2006: nil) Canadian dollar denominated has been hedged.

Tax assets decreased as a result of a change in the Income Tax Law effective January 1, 2007 changing taxation of work in progress from the completed contract method to the percentage of completion method. This impacts the current income tax asset by an amount of € 1,010.

5. Equity and liabilities

For equity reference is made to the consolidated statements. Current liabilities consist mainly of trade payables and accruals.

6. Contingent assets & liabilities

The Company assumed 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 Klein Systems Group amounting to € 600 in relation to projects on hand. In case Klein fails to fulfill its obligations under the outstanding tender offers, the Company may be called to stand in on behalf of Klein. The Company acquired all necessary rights and software tools from Klein to be able to fulfill this obligation if necessary.

7. Related parties

In 2007 there were transactions between the Company and related parties consisting of the remuneration and reimbursement of costs made of the Supervisory Board and the Management Board and the charge of a parent company fee to wholly owned subsidiaries for services rendered. Furthermore the Company financed 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.

Next to Mr. Prinsen as a Supervisory Director and Mr. Van Asperen as a Chief Financial Officer, two other shareholders of HITT Holding B.V. have employment contracts with the Company as of 1994. Their remuneration is included in the consolidated employee benefit expense and is market conforming.

8. Signing of the financial statements

Apeldoorn, February 4, 2008

Management Board

Sjoerd Jansen (CEO)

John H.M. van Asperen (CFO)

Supervisory Board

Dick Sinninghe Damsté (Chairman)

Eric A. van Amerongen (Vice-Chairman)

Hans Prinsen

Additional information

1. Auditors' report

To the General Meeting of Shareholders and the Supervisory Board of HITT N.V.

Report on the financial statements

We have audited the accompanying financial statements 2007 of HITT N.V., Amsterdam, as set out on pages 26 to 62. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2007, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at December 31, 2007, the company profit and loss account for the year then ended and the notes.

Management's responsibility

Management of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the management board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of HITT N.V. as at December 31, 2007, 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 Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of HITT N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the report of the management board is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Apeldoorn, February 4, 2008

BDO CampsObers Audit & Assurance B.V.

G. van Roekel RA

2. 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.

3. 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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