COLOUR COUNTS

HOLLAND COLOURS ANNUAL REPORT 2015/2016

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COLOUR COUNTS

Holland Colours is driven by a unique passion. We are committed to producing high-quality low dosing color concentrates for the plastics and the elastomer industries. While our contribution to our clients' processes might seem small, it actually has a big impact. From building and construction to packaging and elastomer products, our colorants play an integral role in everyday life around the world. This is why this year's annual report centres on the theme: 'Colour Counts'.

We have developed long-term relationships with our customers over the years. Our product development is guided by their needs. This has resulted in a proven track record of providing customised solutions that 'color' their success.

Our products in solid form offer unique and distinctive advantages to the plastics market. They are easy to dose, dust-free, cost effective and easy to process, allowing the color to be incorporated quickly. Our liquid products are highly compatible with plastic products and elastomers, eliminating the risk of by-products that could migrate or affect the properties of the target products.

Color counts and we are proud to ensure it does on a global scale. Holland Colours employs experienced and engaged employees. They have a stake in the company and collectively hold over 20% of the shares in Holland Pigments, a Dutch-based investment company, which in turn owns the majority of the shares in Holland Colours NV.

The world around us is saturated with color, so color does count! Color is in our DNA. That's why we promise our community, our shareholders and other stakeholders to serve as an accountable partner who meets their expectations.

This is an English translation of the original Dutch text, furnished for convenience only.
In case of any conflict between this translation and the original text, the latter will prevail.
The Annual Report 2015/2016 of Holland Colours is also available in Dutch on www.hollandcolours.com

PROFILE

Holland Colours NV was founded in 1979 and is listed on Euronext Amsterdam since 1989. It is an independent Dutch company with facilities in North America, Mexico, Europe and Asia. The current and retired employees collectively hold approximately 22% of the shares in Holland Pigments BV, a holding company that has been the majority shareholder in Holland Colours NV since April 2, 2012. Holland Pigments BV also substantiates the employee participation within the Holland Colours Group. It is the statutory objective of Holland Pigments BV, since its incorporation in 1979, to hold shares in Holland Colours NV and support the policy of Holland Colours NV in order to safeguard the continuity of Holland Colours NV and its associated companies.

The key duties of the Statutory Board (Board of Management) of Holland Colours NV include the initiation and implementation of the business strategy as well as the management of Holland Colours NV and its associated companies, thereby recognizing the special position of Holland Pigments BV as its majority shareholder.

The Supervisory Board of Holland Colours NV supervises the execution of these duties by the Statutory Board.

The core values of the company's corporate culture are entrepreneurship, respect and corporate social responsibility.

PRODUCTS

Holland Colours makes products to color plastics. These so-called color concentrates are available in both solid and liquid form. The main products in solid form are Holcobatch and Holcoprill. Both products have the advantage of being free-flowing, dust-free, cost-efficient and very easy to dose, allowing the color to be absorbed quickly by the plastic to be colored. The solid color preparations are well-suited to various polymers, such as PVC and PET. The liquid products of Holland Colours are pastes for coloring Silicones & Elastomers, PET packaging and various other applications.

MARKETS

Holland Colours operates worldwide, with over 80% of its revenue originating from three major markets: Building & Construction (especially PVC applications), Packaging (especially PET applications) and Silicones & Elastomers. Holland Colours is a key player in each of these markets with a worldwide presence: always nearby for prompt and efficient supply of products and solutions to (inter-)national companies.

BUILDING & CONSTRUCTION

Holland Colours has been a specialist in coloring PVC since its incorporation. The coloring systems of Holland Colours are used in:

- Pipes and fittings;
- Cladding and siding;
- Window profiles;
- (Foam) sheeting and roofing materials;
- Fencing and decking.

The manufacturers of these products are the customers of Holland Colours. The Building & Construction market is somewhat cyclical with regional variations.

Unofficial translation

PACKAGING

The preparations of Holland Colours are well-suited to PET applications. In addition to water and soft drinks, PET is also used to package beer, wine and milk, as well as various non-food applications such as liquid detergents and soaps. This worldwide market is driven by brand owners who decide on the look and feel, including color. The companies that manufacture the bottles and packaging materials are the primary customers of Holland Colours.

SILICONES & ELASTOMERS

The market for Silicones & Elastomers entails a number of different segments. Sealants are used in the Building & Construction market in particular while silicone rubber products (elastomers) are mainly used in the automotive, electronics, domestic and consumer industries, but also in the textile industry (prints on shirts) and as coatings on fabrics (conveyor belts). Furthermore, elastomeric coatings are becoming increasingly popular in high-end applications in the offshore industry and for industrial flooring. The big silicone-polymer and compound manufacturers operate across the globe and play a key role as both suppliers and customers.

ORGANIZATION AND OFFICES

Holland Colours is organized in three regional Divisions that operate as profit centers in each specific region, namely: Europe (including the Middle East, India and Africa), the Americas and Asia.

The distribution of revenue in euros last year was:

Europe	51%
Americas	36%
Asia	13%

Virtually the entire production is generated by the four main sites in the Netherlands, Hungary, the United States and Indonesia (Surabaya). Holland Colours also has facilities in Mexico, Canada, the United Kingdom, Indonesia (Jakarta) and China.

Local agents/distributors are used in many countries to ensure close relations with customers. The centrally coordinated and organized functions are Purchasing, Research & Technology, Finance & ICT, Operations and Legal Affairs.

Unofficial translation

KEY FIGURES

FINANCIAL YEAR AS AT MAART 31, 2016

	2015/16	2014/15	2013/14	2012/13	2011/12
Result (€ million)					
Revenue	73.7	68.2	66.0	65.9	61.2
Increase in revenue (%)	8.1	3.5	0.1	7.6	1.2
Operating result	5.7	5.3	5.4	4.9	3.2
Net result	3.6	3.4	3.5	2.9	1.7
Cash flow (€ million)					
Cash flow[1]	5.6	5.4	5.5	4.9	3.9
Capital expenditures	2.1	1.3	2.4	1.5	0.7
Depreciation	2.0	2.0	1.9	2.0	2.2
Balance sheet (€ million)					
Working capital[2]	10.7	12.7	11.7	13.6	14.8
Invested capital	28.8	30.7	28.2	30.4	31.8
Equity (excl. non controlling interest)	32.1	30.7	25.9	24.9	22.4
Balancesheet total	45.2	46.5	40.3	40.9	40.7
Ratios					
Total debt[3]/EBITDA	0.1	0.5	0.6	0.8	1.8
Operating result / revenue (%)	7.8	7.8	8.2	7.4	5.2
Solvency[4] (%)	71.0	66.1	64.5	61.3	55.3
Return on average capital invested[5] (ROI) (%)	20.0	18.5	18.4	15.6	10.0
Return on average equity (%)	11.6	12.5	13.9	12.2	7.7
Interest coverage ratio	43.3	20.0	22.2	12.7	5.8
Current assets / current liabilities (current ratio)	2.6	2.2	2.4	2.2	1.8
Data per share (€)					
Net result	4.23	4.02	4.12	3.40	1.97
Increase in earnings per share (%)	5.2	0.0	21.2	72.6	-46.0
Cash flow	6.51	6.28	6.34	5.73	4.55
Equity (excl. minority interests)	37.26	35.64	30.09	29.13	26.08
Dividend (proposal for 2015/2016)	2.15	2.00	2.12	1.75	1.10
Highest share price	52.30	48.50	34.60	24.24	39.00
Lowest share price	39.90	28.20	21.70	16.39	16.00
Closing share price	46.01	45.29	28.50	22.15	17.00
Other information					
Number of shares outstanding	860,351	860,351	860,351	860,351	860,351
Average number of employees (fte)	409	401	397	384	382

[1] Cash flow: net result + depreciation
[2] Working capital: inventories + accounts receivable -/- non-interest bearing current liabilities
[3] Total debt: sum of interest-bearing debt
[4] Solvency: total equity/balancesheet total
[5] Return on average invested capital: operating result/(equity (incl. minority interest) + provisions + interest-bearing debt -/- cash positions)

Unofficial translation

MAXIMUM END-USER ENGAGEMENT,
LOW COLOR DOSE.

INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDER,

In 2015/2016 we surpassed the threshold of € 70 million in revenue, a milestone for our company. Revenue was clearly up on the previous financial year, mainly driven by positive currency impact from especially the US dollar. This made a particularly positive contribution in the first three quarters. Adjusted for currency impact, revenue increased marginally in both the first six months and the second half of the year. We are pleased to see that the Divisions Europe and Americas achieved modest growth under continuing difficult economic conditions. Revenue in Asia on the other hand declined.

In Europe – where we only see limited effects from a recovery in the construction markets – growth was driven by Elastomers and Specialties. Growth was achieved in Building & Construction in North-West Europe, but this was offset by lower sales in South-East Europe. This was in contrast to the picture in Packaging, where there was solid growth in South Europe while other regions stayed behind.

All markets contributed to growth in the Americas, with the exception of Elastomers. One customer in this relatively minor segment for Holland Colours Americas decided to move to in-house production.

The revenue development in Asia was disappointing, mainly related to China, but also Indonesia stayed behind. Major contributing factors included the delay in infrastructure projects in Indonesia, as well as economic developments and increased competition in China. Indonesia showed a recovery in the second half of the year. Measures were taken in China to align the cost structure with the revenue development. Alternative business models enabling Holland Colours to continue to operate in the Chinese market are being studied and tested.

Unofficial translation

IMPROVED RESULT

Margins remained stable, caused to some extent by measures designed to improve efficiency in production as well as purchasing at lower cost. Operating expenses did increase, however on balance, the increase is entirely explained by currency impact. The increase in revenue combined with stable margins and higher costs led to an increase in the operating result of € 0.4 million and – as a result of a higher tax rate than in the previous year – an increase of € 0.2 million in the net result. In Europe, the revenue increase – with unchanged margins and marginally higher operating expenses – contributed directly to an increase in the operating result. The result in the Americas was also higher: higher revenue with slightly higher margins more than compensated for the increase in costs. The result in Asia was down versus the previous year mainly from lower revenues as margins as % of sales remained unchanged and the cost hardly went up. Asia still generated the highest return on sales.

STRATEGY – 'HOLCOMORE'

Since 2013 we have been engaged in implementing the 'HolcoMORE' strategic program. Three years on, we made an interim assessment. This reveals a mixed picture. On the positive side, we can say that the realization of many of the qualitative targets and ambitions is on track. For instance: the sustainability targets and reporting according to GRI 4. Clear progress has also been made with respect to lost time incidents and safety. We are delighted to report that there were no lost time incidents this year. In addition, the quantitative targets for working capital and Return on Investment have been achieved.

Revenue has however clearly not developed in line with the ambition we had formulated. A number of the commercial 'HolcoMORE' initiatives gained further momentum. For instance, Building & Construction in Europe showed growth in products for non-PVC applications. The new product line developed for this appears to have wider application.

There has also been good progress in increasing our (geographical) market share with our existing products. Unfortunately, this is only visible to a limited extent in the growth figures, due among others to the fact that the recovery expected in the construction and other markets in Europe is still not noticeable. Moreover, the development of new products and introducing them to new customers and/or in new applications is taking longer than expected. This is to some extent due to the relatively conservative nature of the markets, which of course also benefits Holland Colours. Revenue of innovative products (new products launched during the last five years) rose further, but declined as a percentage of total revenue. This remains an important attention point for the future.

These conclusions were reviewed during the past year resulting in an update of our strategy and ambitions. The Divisions have carried out an extensive analysis of existing and potential new markets. This has subsequently been consolidated at global level. Holland Colours' strong positions in the Building & Construction and the Packaging markets were again confirmed. For future growth, our efforts will be directed towards further expanding our product offering in these important markets in addition to retaining, and where possible expanding the strong positions that our existing product groups have.

The new developments will focus mainly on other polymers. We have developed new products for this purpose, some of which have already generated revenue and some of which are still in the testing phase. We are studying the possibilities of using technology already existing in the market through various forms of cooperation in order to accelerate revenue growth.

We have initiated a Corporate Branding Project to support and strengthen our positioning in both existing and new product-market combinations.

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ORGANIZATION

Tineke Veldhuis, Statutory Board Member of the company and Division Director for the Americas left the company on December 31, 2015. She has been involved with Holland Colours in various roles and several regions since its incorporation. We wish to express our appreciation for her important and essential contribution to the growth of Holland Colours. We are pleased that during the 2016 calendar year she will stay connected with Holland Colours as a consultant so that we can continue to make use of her extensive knowledge and experience. Tineke is succeeded by Jaime Gomez as Division Director for the Americas.

Sylvia Kho, Division Director Asia and General Manager Indonesia, has announced that she will retire in September 2016. Together with her husband Ron Kho (Director Technology Asia), Sylvia has been the driving force behind the formation of Holland Colours in Indonesia and its expansion in Asia. We wish to thank Sylvia and Ron – who retired in September 2015 – for their contribution to the growth of Holland Colours in Asia over more than 25 years. Sylvia Kho will be appointed to the Supervisory Board of our Indonesian entity in September. In her role as General Manager Sylvia Kho will be succeeded by Anderias Tjandra.

Gina Provó Kluit has been appointed Director Global Marketing effective May 1, 2016.

The sales organization in Europe was further streamlined during the course of the year. All the vacancies have now been filled.

After a long search, the position of Manager Innovation and Business Development in the Americas has been filled with the appointment of Drew Manica. Lydia Swan has joined us as Sales and Marketing Manager Americas effective May 1, 2016.

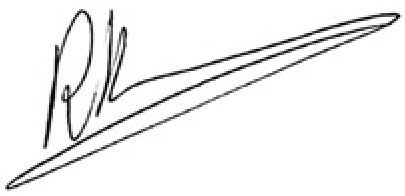
In Asia, a vacancy of Regional Sales Manager was created in order to shift the current sales development to stronger geo-expansion in this potentially very attractive region.

Roland Zoomers and Aukje Doornbos were appointed as members of the Supervisory Board at the General Meeting of Shareholders in July 2015. Roland Zoomers was subsequently appointed by the other Supervisory Board members to fill the vacant position of Chair that arose due to the passing away of Cees van Luijk in 2014. Aukje Doornbos will take responsibility for the technology portfolio.

In 2016/2017, we expect to see a continuing, albeit hesitant recovery of the European economy and more stable exchange rates. Sales growth is and continues to be our objective. We also expect to achieve further growth of newly developed products. These and other initiatives and actions taken should contribute to the further success and continuity of Holland Colours.

On behalf of the Executive Management Team, I would like to thank our employees for their efforts and commitment during the past year.

I also like to thank you as our shareholders for the confidence you have shown in our company.



Rob Harmsen
Chief Executive Officer, Holland Colours NV

Unofficial translation

VISION, MISSION, STRATEGY

The success of Holland Colours is not only based on its unique products for coloring plastics (as these products are free-flowing, dust-free, and very easy to dose, they offer major benefits for customers) but is also driven by an internal culture that focuses on entrepreneurship, customer focus, respect and engagement. Employee ownership is an important binding element in this.

VISION

Holland Colours' customer-specific products have to comply with all the relevant functional, aesthetic and processing requirements. These requirements are continuously changing and are subject to social themes such as recycling, safety, fashion trends and product and production innovation at our customers. This requires close contact with the market, from supplier to customer and from regulator to brand owner, in combination with the internal resources to reflect all developments in Holland Colours' products and processes quickly and adequately.

MISSION

The mission of Holland Colours is to be the preferred supplier in the markets in which it operates worldwide.

STRATEGY

Holland Colours' strategy – partly expressed in the 'HolcoMORE' strategy program – is based on five elements:

1. Market focus;
2. International presence;
3. Innovation;
4. Providing good service;
5. Working efficiently.

MARKET FOCUS

Holland Colours focuses mainly on the following plastics markets: Building & Construction, Packaging and Silicones & Elastomers. Holland Colours strives to be the market leader in these markets.

INTERNATIONAL PRESENCE

Holland Colours has a number of large multinational customers that are serviced worldwide. They rely on an international network consisting of the company's own (production) sites in the Netherlands, Hungary, the UK, the USA, Mexico, Canada, Indonesia (two sites) and China, as well as of agents and distributors in many other countries.

INNOVATION

The development of knowhow within Holland Colours often takes place in cooperation with suppliers and customers, is focused on dispersion technology, pigments, coloring systems, carrier materials and customers' processing technologies. This combination of knowledge areas and partnerships in the chain enables a continuous flow of new products and solutions. The core competence of Holland Colours is encapsulating dusty materials, as a result of which the customers can easily and safely process them in plastics. Innovation aims at utilizing this core competence more broadly.

PROVIDING GOOD SERVICE

Customers are key to Holland Colours. Most of our revenue is generated from customer-specific products that in many cases are developed in cooperation with the customer. Prompt delivery of the right products is a vital part of the company's policy.

WORKING EFFICIENTLY

Making and selling customer-specific products that are also often still subject to change requires the ability to be efficient in terms of reliability of supply, cost control and management of working capital. Holland Colours has initiated various projects, in terms of both the 'HolcoMORE' strategy and the Lean change program, to achieve continuous improvements in this area.

Unofficial translation

CORPORATE OBJECTIVES

2019 AMBITIONS

The mission and strategy ('HolcoMORE') of Holland Colours have been translated into a number of targets/ambitions, namely:

- No lost time incidents;
- Realizing sustainability targets (see also the section 'Corporate Social Responsibility');
- Innovation Index > 10% of total net revenue;
- Improved customer satisfaction;
- Average realized net revenue growth of ≥10%;
- Operating result as percentage of net revenue of > 10%;
- Return on Investment (ROI) > 15%;
- Operational Working Capital (OWC) as percentage of net revenue of < 20%;
- Realization of 10% average year-on-year growth of earnings per share.

The progress of the 'HolcoMORE' project went through an indepth review during the reporting year and refinements have been introduced where necessary.

CHALLENGES FOR HOLLAND COLOURS

MARKET DEVELOPMENTS

Finding new opportunities in existing and new markets is essential when certain parts of the world are showing zero to limited growth.

PROFITABLE INNOVATION PROGRAM

To adapt to innovations quickly and promptly and with the right partners, is the foundation for the future of Holland Colours. This is an important element for the profitable growth of the company.

EFFICIENT, SAFE AND SUSTAINABLE OPERATIONS

Continuing the improvement processes aimed at reliability of supply, production efficiency, working capital, sustainability and cost management remains important to Holland Colours.

MANAGEMENT OF THE ORGANIZATION

Holland Colours operates with relatively small entities in a global market with a clear growth objective. A sufficient degree of autonomy of the operating companies, an effective central management and actively looking for underlying synergies are vital elements in the realization of our objectives. Having or retaining the right person in the right position in the organization is therefore essential.

Unofficial translation

HOLLAND COLOURS PRODUCTS: AN ADDED VALUE TO MODERN DESIGN.

REPORT OF THE BOARD OF MANAGEMENT

REVENUE UP 8%

Key figures (€ million)	2015/2016	2014/2015	difference
Revenue	73.7	68.2	5.5
Operating result	5.7	5.3	0.4
Net result	3.6	3.4	0.2

Holland Colours achieved revenue growth of € 5.5 million compared to the previous year despite disappointing revenue development in Asia, especially in China. € 4.4 million of this increase is due to the appreciation of the US dollar. The organic growth of the business was 1.5%.

Net margin improved, also as a percentage of revenue, and despite currency impact on operating expenses, this resulted in an improvement in the operating result and the net result of 8% and 6% respectively.

REVENUE

REVENUE UP 8% - ORGANIC GROWTH OF 1.5%, WITH 6.5% DUE TO HIGHER US DOLLAR

(€ million)	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Focus markets	60.1	55.8	53.5	53.1	49.7
Specialties	13.6	12.4	12.5	12.8	11.5
Revenue	73.7	68.2	66.0	65.9	61.2

The business started strong in the first quarter, which was partly explained by a concentration of deliveries that were more evenly spread in the prior year. The second and fourth quarters ended almost at par with the previous year, while the third quarter showed an improvement. The quarterly analyses are based on comparable exchange rates.

Compared to the previous year, Europe was stronger in the first and third quarter while the Americas did better in all quarters apart from the third quarter, which ended at par. Unfortunately, Asia stayed behind prior year throughout the year, limiting the organic growth for Holland Colours to 1.5%.

REVENUE UP 8% - MIXED PICTURE IN THE DIVISIONS

Third-party revenue (€ million)	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Europe	37.1	35.8	35.5	34.6	33.4
Americas	26.8	22.5	21.1	21.1	18.7
Asia	9.8	9.9	9.4	10.2	9.1
Total third-party revenue	73.7	68.2	66.0	65.9	61.2

Third-party revenue in both Europe and the Americas increased by around 4% (as measured in euros and US dollars respectively). All segments contributed, except for Elastomers USA where an important customer moved to in-house production.

Revenue in Asia, as measured in US dollars, was down substantially mainly due to a weaker economy in China and a disappointing domestic market in Indonesia.

AGAIN POSITIVE REVENUE DEVELOPMENT IN BUILDING & CONSTRUCTION AND PACKAGING

Revenue growth	2015/2016	2014/2015	2013/2014	2012/2013	2011/2012
Building & Construction	2.1%	4.0%	2.0%	3.0%	(3.0%)
Packaging	2.4%	3.0%	2.0%	3.0%	(2.0%)
Silicones & Elastomers	(4.5%)	(1.0%)	6.0%	3.0%	12.0%
Total focus markets	1.1%	3.0%	3.0%	3.0%	(1.0%)
Specialties	3.1%	(7.0%)	(1.0%)	6.0%	10.0%
Currency effect	6.5%	3.1%	(2.0%)	3.0%	(2.0%)
Total revenue	8.1%	3.5%	0.0%	8.0%	1.0%

Adjusted for currency impact, Holland Colours realized 2% growth in Building & Construction and Packaging, both important markets for the company. Most of the growth in the Building & Construction market originated in the Americas, while Asia, a much smaller market for Holland Colours, stayed behind.

Unofficial translation

In Packaging, the Americas contributed the most to the growth numbers this year, supported by Europe while Asia had a negative contribution (albeit again, being a relatively small part of the business).

Silicones & Elastomers ended again below the prior year, this time mainly driven by the slowdown in the Chinese economy and the aforementioned customer-specific development in the Americas.

The 3% growth in Specialties was almost entirely generated in Europe, more than offsetting the decline in Asia.

DEVELOPMENTS PER DIVISION

For the sake of clarity, the notes and tables in this section relating to the Americas and Asia are based on the US dollar.

EUROPE

Key figures (€ million)	2015/2016	2014/2015
Third-party revenue	37.1	35.8
Operating result	2.1	1.7
Capital expenditures	1.0	0.5
Depreciation	0.8	0.8
Number of employees at year-end (fte)	194	193

The Division Europe realized revenue growth of € 1.3 million with a related improvement in margin, in both absolute terms and as a percentage of revenue. Combined with a slight increase in operating expenses, this resulted in a further increase of the operating result to € 2.1 million, compared to € 1.7 million in 2014/2015.

Mixed picture in major markets

Despite the continued adverse market conditions in large parts of the European construction market (with the exception of the United Kingdom), Holland Colours Europe did achieve revenue growth in its focus market of Building & Construction, partly related to the successful introduction of a new product line. Also in the Packaging market some growth was realized, while in Silicones & Elastomers the business primarily increased due to existing customers combined with gaining some new customers.

Continuing focus on improving efficiency

Much attention was given to the development of Activity Based Costing during the past year, which has greatly improved our insights in the cost structure and the profitability of product-customer combinations. An action plan is in place for further improvement of the efficiency and effectiveness of the entire organization, not just in the production environment. In addition, 2015/2016 featured the testing and scale up of new products that – given the success of their market introduction – will be continued in the coming year.

AMERICAS

Key figures	2015/2016 (USD mln)	2014/2015 (USD mln)	2015/2016 (EUR mln)
Third-party revenue	29.6	28.1	26.8
Operating result	2.7	2.3	2.4
Capital expenditures	0.8	0.3	0.7
Depreciation	0.6	0.7	0.6
Number of employees at year-end (fte)	87	89	

Revenue in the Division Americas increased with more than 4% to $ 29.6 million. Margin as a percentage of revenue remained largely unchanged and operating expenses increased slightly more than inflation, partly due to some changes in personnel. The operating result for the Americas Division came to $ 2.7 million, compared to $ 2.3 million in the previous financial year.

Improved business climate

Holland Colours benefited from the improved business climate in the North American Building and Construction market, although it should be noted that activity in this market is still below the heydays prior to the crisis. The market also showed further consolidation which involved customers of Holland Colours as well. Holland Colours realized slight revenue growth in this market, also from new customers.

Revenue in Packaging rose in 2015/2016, partly due to the success of Holcomer in North America. There is significant competition in this market, and here too we had to cope with further consolidation of customers as well as trends of using fewer colors in PET packaging. Lastly, as stated earlier, revenue of Silicones & Elastomers fell due to a customer in North America moving to in-house production.

Unofficial translation

Changes in the Divisional Management Team

After a long and successful career at Holland Colours, the Director of the Americas Division, Tineke Veldhuis, was succeeded by Jaime Gomez on January 1, 2016. The Division Management has been strengthened further by the appointment of the vacancy of Manager Innovation and Business Development and a replacement for the Sales and Marketing Manager Americas as of May 1, 2016.

ASIA

Key figures	2015/2016 (USD mln)	2014/2015 (USD mln)	2015/2016 (EUR mln)
Third-party revenue	10.9	12.5	9.8
Operating result	1.1	1.9	0.9
Capital expenditures	0.2	0.2	0.2
Depreciation	0.3	0.3	0.3
Number of employees at year-end (fte)	108	100	

In US dollars, the Asia Division generated significantly lower revenue in comparison to 2014/2015, mostly due to the worsened economic conditions and increased competition in China. This effect was further strenghtened by declining domestic demand in Indonesia. Margin developed in line with revenue and also ended up significantly lower than in the previous year, although as a percentage of revenue margin remained practically unchanged. Operating expenses were higher than in the previous year due to non-recurring items. All this resulted in an operating result of $ 1.1 million versus $ 1.9 million in the previous year.

Difficult economic conditions

The slowdown in the Chinese economy had a relatively large impact on the business development of Holland Colours in Asia. Next to that, the delay of infrastructure projects combined with low consumer confidence in Indonesia affected our performance. The volatility of the rupiah also played a role. Confidence in Indonesia appears to be picking up slightly since January and the rupiah has stabilized. The decline in domestic sales was somewhat offset by an expansion of the trade products range, which should result in a more stable foundation for the future. Holland Colours is also facing increased competition in the region, especially in Elastomers and Packaging.

A new base

The situation in China has led to a thorough analysis of alternative business models that will enable Holland Colours to continue operating in the Chinese market. The feasibility of these models is currently being tested.

First steps have been taken with respect to the succession of Sylvia Kho, the Division Director and co-founder of Holland Colours Asia with the appointment of Anderias Tjandra in the role of General Manager Indonesia.

RESULTS

SLIGHT INCREASE IN NET PROFIT

Holland Colours' net profit increased from € 3.4 million in 2014/2015 to € 3.6 million in the financial year. The operating result closed at € 5.7 million, just over 8% higher than the € 5.3 million posted in the previous year.

Margin as a percentage of revenue showed a slight improvement.

Operating expenses where up by € 2.3 million, € 1.8 million of which was due to the higher exchange rate of the US dollar (translation effect). The remaining increase of € 0.5 million was due to exchange-rate differences on monetairy assets and liabilities as recognized in the income statement. The findings of the European Activity Based Costing project will be used to introduce measures in Europe to increase efficiency and effectiveness. A similar project will be carried out in Asia in the coming year.

After net profit of € 1.9 million in the first six months, unchanged from the previous year, the second six months closed with net profit of € 1.7 million versus € 1.5 million in the second half of 2014/2015.

The return on average invested capital over the whole year came to 20.0%, versus 18.5% in 2014/2015.

Net finance expense amounted to € 0.13 million versus € 0.26 million in the previous year.

Unofficial translation

EFFECTIVE TAX RATE

The effective tax rate came to 35.6%, compared to 31.9% in 2014/2015. This is higher than the statutory tax rate in the Netherlands of 25%. The main reason for the higher percentage compared to the rate in the Netherlands is that the Group generates profit in countries with a higher tax rate, as well as the fact that certain expenses are not tax-deductible. The increase compared to the previous year is mainly due to the increased proportion of the United States in the results of Holland Colours, as well as an increase in the temporary differences between the commercial financial statements and the financial statements prepared for tax purposes. Holland Colours makes use of tax incentive programs where possible and reasonable.

The audit by the Dutch Tax & Customs Administration as part of the test required by the Dutch parliament of the operation and effectiveness of 'Horizontaal Toezicht' (a supervision model from the Dutch tax and customs authorities to ensure self-assessment and self-alignment of the fiscal unit to applicable tax law) has been completed. The VAT audit did not lead to any adjustments. The audit of the corporate income tax return led to a few tax adjustments. To the extent applicable, these have been recognized in the 2015/2016 financial statements.

The remaining tax loss carry forward in the Netherlands was settled in the 2015/2016 financial year.

CAPITAL EXPENDITURES

Capital expenditures (including capitalized R&T hours) amounted to € 2.1 million (previous year € 1.3 million). This is in line with depreciation, which amounted to € 2.0 million this year, unchanged on the previous financial year. The average level of capital expenditures over the past five years is € 1.4 million.

CASH FLOW AND FINANCE

Cash flow from operations came in at € 7.6 million, versus € 5.6 million in the previous year. The improvement was mainly a result of the € 1.9 million reduction in working capital.

€ 1.7 million of this operating cash flow was applied for capital expenditures (versus € 1.1 million in the previous financial year), € 1.7 million was distributed as dividend and € 2.5 million was used for bank loan redemption.

The € 1.5 million remaining, after certain exchange-rate adjustments, is the net cash flow for 2015/2016 (versus € 3.1 million in the previous financial year).

The total interest-bearing debt declined further from € 3.7 million at the end of March 2015 to € 1.1 million at the end of March 2016. The most important bank ratio (Total Debt/ EBITDA) improved further, from 0.5 to 0.1 and remains well below the level of 3.0 agreed with the bank.

The financing agreements applying within the Group were not changed during 2015/2016. The bank covenants and the nature and composition of the security provided remained unchanged as well.

According to the definition of the key figures, the company's solvency ratio was 71.0% as at March 2016, compared to 66.1% at the beginning of the financial year.

NEW PRODUCTS/RESEARCH & DEVELOPMENT

New products as developed in the past five years contributed nearly 5% to total revenue in 2015/2016. This is a decline in comparison to the 2014/2015 financial year.

Innovations are no longer included in the so-called innovation index after five years. One example of this is the High Temperature Vulcanization (HTV) color concentrate for silicone rubber applications. A number of innovations were launched in 2015/2016, including an additive for the packaging industry and products for darkening the colors of EPS. The innovations have not yet been able to compensate for the sales of HTV in the index.

Sales of innovative products in Building & Construction showed sharp growth compared to the previous financial year. Products that mainly contributed to this growth were for non-PVC applications and products used for cladding/siding. The other segments showed a mixed picture.

A patent application for an additive was continued during the 2015/2016 financial year. Several patents were also discontinued due to changes in market conditions. There was once again much attention devoted to the further development of products, with the market introduction of some products were being delayed due to lengthy validation processes at customers. Besides that the pipeline was filled with new ideas and project proposals, also for applications in non-PVC and non-PET.

Unofficial translation

IT SYSTEMS

During 2015/2016, a road map for the renewal of the IT systems was developed. This multi-year plan anticipates further centralization and standardization of the various applications and systems currently in use. As a first step, a project has been started to replace the hardware for the global ERP system and to outsource the related system management (including back-up and contingency) to a third party service provider. This should result in improved availability and provide room to the internal IT department to concentrate on application management and support. Next to this, a project has been initiated to centralize the IT network policy with regard to access, rights and settings of all the servers and networks in the Group.

EMPLOYEES IN THE ORGANIZATION

At the end of the financial year, Holland Colours employed 409 people (fte) compared to 401 (fte) at the end of the previous year. The average number of employees this financial year was also 409 (fte) compared to 401 in the previous year. The geographical distribution of the employees (fte) at year-end was as follows:

Own employees	Year-end 2015/2016	Year-end 2014/2015
The Netherlands	141	139
Hungary	67	67
United Kingdom	6	6
United States	77	78
Canada	4	4
Mexico	6	7
Indonesia	96	87
China	12	13
Total	409	401

CORPORATE SOCIAL RESPONSIBILITY

For Holland Colours, corporate social responsibility is all about the careful consideration of the various interests of employees, customers and shareholders, in a way that saves the environment and secures the economic future of the company. Holland Colours executed a materiality study to determine the right balance between the interests of People, Planet and Profit during the 2013/2014 financial year in order to prioritize the various aspects of a sustainable business operation.

In addition to its annual report, Holland Colours reports an extended GRI Index, following the guideline of the Global Reporting Initiative, that is published annually on the Holland Colours website (www.hollandcolours.com). A stakeholder dialogue is planned for the first quarter of the 2016/2017 financial year.

Unofficial translation

The following sections address selected aspects of corporate social responsibility in the order of priority as set by Holland Colours.

OUR EMPLOYEES

A healthy workplace: no accidents

Holland Colours places the highest priority on the safety and protection of its employees and their working environment. This means that the number of accidents must be reduced to a minimum and that each opportunity is taken to learn as much as possible from 'near-accidents'. There were no lost time accidents this financial year and the number of near-accidents declined from seven to three.

Accidents at work	2015/ 2016	2014/ 2015	2013/ 2014
Near-accidents	3	7	2
Accidents	0	1	2

The safety of employees is ensured at all production sites by the presence of health and safety committees staffed with a total of 25 employees. The sick leave percentage has been fluctuating around 2% for the last three years whereby Europe typically scores one percent point above the Americas and Asia. Overall sick leave was 2.2% this year, compared to 1.8% in the previous year. The increase was mainly due to a number of long-term absentees in the Netherlands.

Well-trained and motivated employees

Technology and innovation have a major influence on Holland Colours' operations. Well-trained employees are essential to effectively anticipate functional, aesthetic and processing requirements. This is why Holland Colours invests in training on an ongoing basis.

Balanced teams

A balanced composition of the workforce makes a positive contribution to the performance of the organization. For many years, women have held managerial positions at all levels in the organization. There were changes to the local and international management this year, firstly due to natural turnover and secondly due to the filling of vacancies.

Around 24% of our employees are women. The under-representation of women is due to the large number of production personnel at Holland Colours. Traditionally, this profession attracts mostly men. Of all management roles, 36% is staffed by women.

	Management	Employees
Male	64%	76%
Female	36%	24%

Expressed in numbers of employees, not fte.

A good employer
As a multinational company, Holland Colours operates on a global scale with a presence in many countries, each with their own laws and cultures. Therefore, the operating companies pursue their own HR policy that is geared to the local situation yet fits into the company's ethical and professional standards.

The terms of employment are complete and competitive at all sites. All Holland Colours employees participate in a profit share scheme which depends on the group's result as well as the result of the particular Division the employee is based at. To the extent that profit sharing applies, part of the profit is paid in Holland Pigment shares. Employees should be able to trust that the Board of Management's assessment of their performance is fair and transparent. An employee satisfaction survey will be carried out in the 2016/2017 financial year.

OUR ENVIRONMENT

CO_2 footprint
Holland Colours strives to achieve an annual reduction of 2% in its use of CO_2 per kilogram of end product. A reduction of 1.9% was achieved in the past financial year, compared to 1.4% in the previous year.

CO_2 emissions	2015/ 2016	2014/ 2015	2013/ 2014
CO_2 emissions/ per kg product	675	688	698

There is a small difference compared to reported values in previous financial years. This relates to progressive insights and improved measuring.

As the Holland Colours production processes hardly produce any greenhouse gases, our policy on energy efficiency focuses on the non-production processes.

The direct CO_2 emissions by Holland Colours amount to approximately 769 tons, with transport accounting for 33 tons. The majority of the CO_2 emissions originate from the heating of buildings with natural gas. A reduction of 113 tons of CO_2 was achieved last year in this category, partly due to the relatively mild winter in the Netherlands.

The indirect CO_2 emissions from the use of electricity by Holland Colours amount to roughly 4,578 tons of CO_2 which in turn accounts for 73% of the company's CO_2 footprint.

Another 15% is explained by (international) travel of personnel whereby the increase of 38 tons of CO_2 is explained by the increase in intercontinental mileage.

CO_2 in tons	2015/ 2016	2014/ 2015	2013/ 2014
Scope 1 – direct emissions	769	879	869
Scope 2 – indirect emissions	4,578	4,607	4,597
Scope 3 – other emissions	949	911	864
Total	6,298	6,397	6,330

There is a small difference compared to reported values in previous financial years. This relates to progressive insights and improved measuring.

Energy-efficient is also cost-efficient
Electricity and natural gas are the most important sources of energy with consumption of 32 and 12 terajoules respectively. Holland Colours strives to achieve an annual reduction of 150 kJ of electricity per kilogram of end product. As shown in the table, consumption was further reduced last year by 40 kJ per kilogram of product to 3,420 kJ.

Kilojoules	2015/ 2016	2014/ 2015	2013/ 2014
kJ electricity/ kg product	3,420	3,460	3,540

There is a small difference compared to reported values in previous financial years. This relates to progressive insights and improved measuring.

Holland Colours is working on energy-saving programs at its large production sites. There is a best-efforts commitment in the Netherlands through the industry organization VNCI to achieve energy savings of 8% over the period 2013-2016 and to have an energy care system implemented within three years.

The energy care system has been implemented and the energy saving targets have been met until year-end 2015. Cooling and heating installations in the Netherlands have been replaced with more energy-efficient versions. In the United States, roof insulation has been replaced, and as in the prior year, modern air conditioners were installed that do use environmental friendly coolants.

Unofficial translation

"HOLLAND COLOURS: MARKET LEADER IN COLORING SOLUTIONS FOR PVC PIPES FOR MORE THAN 35 YEARS."

Raw materials
The products of Holland Colours are typically made according to customers' requirements, using renewable materials where possible. However, due to for instance stringent customer requirements on thermal stability during plastics processing, this is not possible in all cases. The percentage of renewable raw materials used was unchanged compared to the previous financial year at 28%.

Raw materials in tons	2015/ 2016	2014/ 2015	2013/ 2014
Carrier materials and additives	1,618	1,678	1,692
Colorants	4,471	4,277	4,307
Other non-renewable raw materials	961	791	992
Renewable raw materials	2,760	2,562	2,596
Total	9,810	9,308	9,587
Percentage of renewable raw materials	28%	28%	27%

Waste is often a raw material
Holland Colours continuously strives to keep the environmental impact of its production processes to a minimum through the responsible usage of raw materials, reduction of off-spec as well as through reducing and recycling waste. The production sites devote much attention to the reuse and processing of products in order to minimize environmental impact and increase efficiency (as many top-grade colorants have a high monetary value).

Waste in tons	2015/ 2016	2014/ 2015	2013/ 2014
Product waste	220	243	241
Cleaning waste	167	193	154
Packaging waste	205	187	185
Other waste	73	69	71
Total	665	692	651
Waste as a percentage of production	7.2%	7.4%	7.2%

The waste reduction in the 2015/2016 financial year relates mainly to the categories where Holland Colours has a direct influence via its production processes. The volume in packaging waste materials increased this year due to one-off, incidental usage of smaller quantities of packaged raw materials.

OUR CUSTOMERS

Safe products for our customers
Customer confidence is crucial for Holland Colours' reputation and right to exist. Customers must have confidence that the products they buy are safe for both their process workers and the ultimate end user. All our sites in Europe, as well as our site in Indonesia, are ISO 9001 and ISO 14001 certified. The site in Indonesia is also OHSAS 18001 certified. The site at Apeldoorn was also OHSAS 18001 certified during the financial year. In Richmond, USA, Holland Colours works with local standards, which are often higher than the stated ISO norms.

Customers demand sustainable and innovative products
Sustainability and innovation are closely connected at Holland Colours. Where possible, improvements are carried out to limit the impact on the environment throughout the life cycle. Customers must be able to use and trust our products. Holland Colours helps them where necessary to use the products more efficiently on their production lines.

Technology has a major impact on the operations of Holland Colours, on both expertise in or processing of pigments, chemistry or materials. This demands intensive contact with the market, from supplier to customer and from regulator to brand owner, in combination with the internal resources to reflect all developments in Holland Colours' products and processes quickly and adequately.

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RISK MANAGEMENT

Holland Colours carries out a thorough risk assessment on a regular basis that is designed to find appropriate measures to mitigate the risks associated with achieving the company's objectives. While our risk appetite in general is low, we are prepared to accept strategic and operational risk where this is necessary to achieve our long-term goals.

The Executive Management Team revisited the major strategic, operational and financial risks in May 2015. The probability and potential effect of each risk was subsequently assessed with the assistance of EY. The findings, including the risk mitigation program, were discussed and approved by the Supervisory Board.

MAJOR STRATEGIC RISKS

Macroeconomics

This concerns the risk associated with macroeconomic and geopolitical developments in sales areas relevant to Holland Colours, as experienced last year in China, Indonesia and Eastern Europe. This also includes the risk of instability in the financial markets, to the extent that this affects the customers of Holland Colours. Such developments can have a material effect on the present and future revenue streams of Holland Colours. These risks are mitigated by the geographical diversification of Holland Colours and the distribution of its revenue across its various focus markets.

Innovation

Holland Colours also acknowledges the risk that the company could lose its innovative character, meaning that it would be less able to develop or optimize its products in line with a change in market demand. This risk is managed by means of active cooperation between the central Research & Technology department and the application laboratories of the three divisions. The link with the market is further strengthened by the appointment on May 1, 2016 of the Director Global Marketing.

Market and competition

This risk concerns the possibility that competitive actions could threaten the market position and/or profitability of Holland Colours. Market risk varies per market. For instance, in the Packaging market there is intense competition and a high level of price elasticity. In other markets, such as Building & Construction, the more specific technology developed by Holland Colours offers some degree of protection.

Holland Colours mitigates this risk by applying for patent protection for new products where this is relevant, such as recently was the case for an additive for Packaging. In addition, Holland Colours is known for its customer-specific service, which our customers cite as a reason to continue doing business with Holland Colours.

Project management

This concerns the risk of failed or delayed projects that are relevant for the realization of the strategic corporate objectives. To mitigate this risk, the number of projects running in parallel has been restricted. Next to that, a set of strict, simple guidelines and requirements have been established for a project to meet in its various stages, as well as regular updates and reviews in the Executive Management Team.

Projects may in principle be initiated at any level and are then subject to an approval procedure that is directed at Division and/or Executive Management level. Innovation projects are controlled by the Research & Technology department, with decisions being made by the Executive Management Team. In the execution phase, a centrally controlled 'stage gating' process is used where relevant to continuously monitor costs, scope and market relevance.

Organizational agility

The complexity and speed of change in the external environment in which Holland Colours operates forces the organization to be agile and flexible without sacrificing efficiency and compliance.

The organizational model of Holland Colours, with active employee participation and rather broad responsibilities for regional and local management, encourages our employees to be creative and productive. The right amount of central functional direction (Purchasing, Research & Technology, Finance & ICT, Operations and Legal Affairs) and coordination at high level also ensure that synergies and efficiency are achieved where relevant.

The internal management organization is further strengthened by means of the financial reporting and budgeting system, frequent visits from Apeldoorn to the sites and the annual Operational Meetings at which the Divisional Management Teams exchange relevant experiences.

PRINCIPAL OPERATIONAL RISKS

Raw materials

Raw materials are an important element in the end products of Holland Colours. Availability is usually ensured by means of a dual sourcing policy. The prices of raw materials may fluctuate widely for various reasons, meaning that Holland Colours is exposed to the risk that higher prices cannot always be passed on to customers, or only with some delay. Furthermore, the price and availability risk is mitigated by the central coordination of strategic purchasing including price and delivery agreements.

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Board of Management and employees

Holland Colours operates in a decentralized organization structure. The Divisional Management Teams contribute to the strategy of Holland Colours as set by the Executive Management Team and ratified by the Supervisory Board. Subsequently, the Divisional Management Teams have an important degree of independence to determine regional business policy and take decisions. Not having the right person in the right place forms a risk for the company. The organization's relatively limited size also means that there is relatively high dependency on key personnel. This is addressed in paying sufficient attention to succession planning, management development and evaluation and performance management.

Product liability and safety

Holland Colours has small to medium size production processes. Whenever production control has a relatively low level of automation, the risk of human error increases.

Holland Colours subjects its products to preventive checks and several of its sites are ISO certified. Holland Colours has a designated product reporting process and standard working instructions, and improvement measures are identified and implemented using the Lean approach.

Product liability risks are covered by written agreements with customers and suppliers, as well as by insurance. Health and safety risks are mitigated by paying extensive attention to working conditions, sick leave and accident prevention, also making use of the principles of the OSHAS safety management system.

Continuity of IT systems

From the perspective of cost and risk management, IT systems such as the globally implemented ERP system are managed centrally where possible. Within the road map developed for the modernization of the information systems in the coming years, the hardware for the ERP system was replaced early 2016. The management, back-up and contingency facilities have been outsourced to an external data center, subject to the requirement that the supplier is ISO 27001 certified (data security).

A seperate project has been initiated in which the network policy (access, rights and settings) of all servers and networks within Holland Colours will be consolidated and centralized. Both these projects should increase the availability, continuity and security of our IT systems.

Environment

Virtually no greenhouse gases are produced during the production of color concentrates by Holland Colours. Water usage is limited, and accordingly the risk of pollution of ground and surface water is also limited. Holland Colours is working to further limit these risks. Environmental coordinators are appointed at local level who know the specific situation and monitor compliance with local legislation and regulation. ISO certification is a significant part of the control measures. The company is also working specifically on the principles of Corporate Social Responsibility.

PRINCIPAL FINANCIAL RISKS

Financing and interest

Most of the company's financing has been centralized. The current financing requirement is low. The company's financing is subject to compliance with various bank covenants, most importantly in relation to the Total Debt/EBITDA ratio. As has happened in the past, the risk that the covenant requirements will not be met during a deep recession cannot be ruled out. Interest rates on long-term loans are usually fixed for the entire term to maturity by using interest rate derivatives where necessary. Overdraft facilities are mainly based on Euribor and Libor plus an agreed spread.

Exchange rates

Due to the worldwide presence, whereby the Divisions Americas and Asia use the US dollar as their functional currency, the consolidated balance sheet and income statement of Holland Colours are subject to currency impacts. A distinction is made in this respect between transaction risk and translation risk. Transaction risks are hedged as much as possible by matching incoming and outgoing cash flows at regional level in the functional cash flow. Short-term positions, such as payments due or receivable in foreign currency, are hedged within Europe for a period of 30 days. No currency hedge instruments were open at the closing date. Translation risk is currently not hedged.

RISK MANAGEMENT

The risk register, as drawn up and periodically assessed, forms the basis for determining and where necessary improving the available management and control measures.

Holland Colours has also started a system of self-assessment at every site into the quality of the primary financial sub-processes. The findings of these self-assessments are discussed at the meetings of the division controllers held every two weeks. In 2015/2016 steps were taken to adjust the financing structure in order to distribute the proportion of equity to borrowed capital more evenly across the divisions. Steps were also taken to arrive at Management and R&T allocation fees that are in line with the market.

All directors and controllers of the operating companies have signed a statement relating to compliance with the guidelines and procedures that form the basis for the financial reporting and the internal audit. All financial regulations are listed in the Holland Colours Reporting/Accounting Manual. The directors and controllers of the operating companies sign a statement

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each year that the results are prepared in accordance with this manual. The external auditor assesses the design and operation of the administrative organization and the internal controls, to the extent relevant to the audit of the financial statements of Holland Colours NV. The external auditor reports on this to the local management, the Statutory Board and the Supervisory Board. Risks that can be insured such as fire and business interruption, third-party liability and product liability, are covered through insurance companies.

The company regularly evaluates its insurance cover, the premium it pays and the policy excess that applies. Credit risk is for instance not insured, as the related fees are considered to be excessive in relation to the risk involved.

EVALUATION OF RISK MANAGEMENT AND CONTROL SYSTEMS

The Board of Management is of the opinion that:

- the risk management and control systems provide a reasonable degree of certainty that the financial reporting does not contain any material misstatements;
- the risk management and control systems performed satisfactorily in terms of financial reporting during the reporting year.

GOOD RISK MANAGEMENT IS NOT A GUARANTEE

Risk management is a dynamic process. Risks that are assessed as minor may change in terms of profile and impact at a later date. New risks that could lead to errors or losses can also not be ruled out. Risk management can therefore not provide absolute certainty or any kind of guarantee with respect to the realization of the company's objectives.

DECLARATION OF STATUTORY BOARD

With reference to Section 5:25c, paragraph 2, under c, of the Financial Supervision Act, the Board of Management confirms that to the best of its knowledge:

- the financial statements give a true and fair view of the assets, the liabilities, the financial position and the result of the company and the group companies included in the consolidation in accordance with the International Financial Reporting Standards as adopted in the European Union (EU-IFRS) and with Title 9 Book 2 of the Dutch Civil Code;
- the annual report gives a true and fair view of the situation as at the balance sheet date, the state of affairs at the company and its affiliated group companies during the financial year that are included in the consolidated financial statements;
- the annual report describes the principal risks that the company faces.

PROFIT APPROPRIATION AND DIVIDEND POLICY

The dividend policy of Holland Colours is not based on the distribution of a fixed percentage of profit. Instead, it is assessed each year on the basis of the company's financial position and prospects for the coming period.

The following factors are considered:

- Future financing requirements: the dividend proposal is partly determined by the future financing requirements. Other relevant factors may include additional working capital for growth, capital expenditures above the level of depreciation and potential acquisitions of a limited size.
- Total Debt/EBITDA ratio: in order to maintain access to external funding sources, the ratio between interest-bearing debt and the operating result before depreciation and amortization is taken into account.

During the General Meeting of Shareholders to be held on July 7, 2016 it will be discussed that effective the 2016/2017 financial year, Holland Colours will distribute at least 50% of its profit as long as the solvency ratio of Holland Colours after distribution is not less than 40%. In very exceptional circumstances this principle will be deviated from.

PROPOSED DIVIDEND

The net result per share amounts to € 4.23 compared to € 4.02 in the previous year. It will be proposed to the General Meeting of Shareholders that a cash dividend of € 2.15 per share will be distributed (2014/2015: € 2.00).

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OUTLOOK FOR 2016/2017

Holland Colours will continue to work on achieving revenue growth in existing and new geographical regions. New product development as well as the commercialization of new products will be continued. Given the company's position in its existing markets, especially in Europe and the Americas, this last point is essential for further growth. The revitalized sales organization (as implemented in particular during the past year) and the appointment of a Director of Global Marketing will lead to further strengthening of the company's contacts with the market. It should be noted that Holland Colours operates in markets in which acceptance of new products takes time. Actions focussed on increasing the efficiency of the operation and implementation of the findings of Activity Based Costing will be continued and intensified where needed. Developments in Asia will be closely monitored and further action will be taken where needed.

The ongoing focus on growth and introduction of new products will require additional capital expenditures which are expected to be covered from internal funding.

As experienced in recent years, fluctuations in exchange rates can significantly affect the company's result, both directly, since Holland Colours operates globally, and indirectly, due to the effect of exchange rates on economic activity in general. Furthermore, the economic development of the markets relevant to Holland Colours continues to be uncertain.

Based on the above as well as the general volatility in the markets in which Holland Colours operates, the Board of Management is not issuing a forecast regarding the 2016/2017 financial year.

Apeldoorn, May 26, 2016

The Statutory Board of Holland Colours NV
Rob Harmsen
Margret Kleinsman

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The highest operational decision-making body is the Executive Management Team, which consists of the Chief Executive Officer, the Chief Financial Officer, the Division Directors and the Directors of Global Operations, Innovation & Technology and Global Marketing. In the picture, from left to right: ■ **R. Harmsen** (1957)*, Chief Executive Officer, also Division Director Europe ■ **R.P. Karrenbeld** (1973), Director Global Operations ■ **S. Kho-Pangkey** (1949), Division Director Asia ■ **M.G. Kleinsman** (1963)*, Chief Financial Officer ■ **J. Leugs** (1966), Director Innovation & Technology ■ **J.A. Gomez** (1958), Division Director Americas.

The organisational diagram is shown on page 92. Further information on the background of the members of the Statutory Board is available at www.hollandcolours.com.

* Mr Harmsen and Mrs Kleinsman together form the Statutory Board.

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“FLEXIBLE PVC TILES FOR FLOORING: AN EXAMPLE OF A TAILORED CUSTOMER PARTNERSHIP.”

CORPORATE GOVERNANCE

ACCOUNTABILITY

Holland Colours promotes responsible behavior in relation to society and the environment, while taking account of the interests of its various stakeholders: employees, shareholders, other capital providers, customers and suppliers. The Board of Management and Supervisory Board are ultimately accountable to give due consideration to the interests of all those involved, focusing on the continuity of the company and the creation of shareholder value, both now and in the longer term. The internal risk management and control systems play an important role in this. For a description of these systems, please refer to the section on Risk Management.

Holland Colours is committed to doing business fairly and ethically, complies with the law and ensures that every employee and business partner is treated with respect. Therefore, Holland Colours has drafted a Code of Conduct that includes key rules for ethical behavior, including strict compliance with legislation. The Code furthermore focuses on guidelines that regulate unfair competition and compliance with anti-corruption legislation, honest and timely publication of information, dealing responsibly with suppliers, responsible conduct at work and corporate social responsibility. The Code also states the conditions for a safe and healthy work environment, and honest business dealings without bribery, corruption and fraud. The whistle-blower policy as applicable for the company and its affiliated companies has been updated.

The Supervisory Board and the Board of Management endorse the principles of Corporate Governance as established in the principles and best-practice provisions that currently apply to internationally operating listed Dutch companies (www.commissiecorporategovernance.nl). In general terms, Holland Colours observes to the provisions of the Dutch Corporate Governance Code. For instance, with the expansion of the Supervisory Board to five members, a remuneration committee and an audit committee have been appointed. Information on the members of the Supervisory Council as well as the full version of the Corporate Governance rules of Holland Colours, together with explanatory notes, can be found on the Holland Colours website: (www.hollandcolours.com). Certain provisions in the Dutch Corporate Governance Code have not been adopted. These are:

BOARD OF MANAGEMENT

The Dutch Corporate Governance Code states that the key elements in the contracts of statutory directors with the company must be published on conclusion without delay. In deviation from this and in accordance with the historical policy of Holland Colours, information on a new director will be published in the annual report. The remuneration policy for the Statutory Board for the reporting year was formulated by the Supervisory Board as a whole and is further described in Note 26 to the financial statements (page 72). Holland Colours does not offer remuneration in the form of options. The provisions governing options therefore do not apply.

SUPERVISORY BOARD MEMBERS

As long as Holland Pigments BV holds an interest of at least one third of the company's issued capital, it is entitled to appoint one Member of the Supervisory Board. The General Meeting of Shareholders may revoke the binding nature of this right of appointment with a majority of at least two thirds of the votes casted, which votes must represent more than half of the issued capital. Effective the 2016/2017 financial year, the Supervisory Board appointed a renumeration and an audit committee. The duties of the selection and appointment committee are exercised by the full Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

COMPANY SECRETARY

The size of Holland Colours is not such as to justify allocation of duties and appointment of a Company Secretary as formulated in the Code.

CONFLICTS OF INTEREST

These provisions are observed to and implemented in spirit, given the special position of Holland Pigments BV as holding company in which all employees of the worldwide Holland Colours Group participate. In line with the Dutch Corporate Governance Code, transactions between Holland Pigments and the company that are of material significance are subject to approval by the Supervisory Board.

SHAREHOLDER POWERS

For practical reasons and because of the costs involved, the provision stipulating the possibility for shareholders to simultaneously attend meetings with investors, analysts, presentations and press conferences is not observed to. All

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relevant information is of course immediately published on the company's website. With regard to the Dutch Corporate Governance Code, it is noted that substantial changes to the policy in this respect will be submitted to the General Meeting of Shareholders.

The General Meeting of Shareholders of July 9, 2015 authorized the Board of Management to acquire shares of the company for a period of 18 months, i.e. up to January 9, 2017, other than for no consideration and subject to the approval of the Supervisory Board. The acquisition price must be between the amount equal to the nominal value of the shares and the amount equal to 110% of the share price, whereby the share price will be: the highest average share price of each of the five trading days prior to the acquisition date in accordance with the Daily Official List of Euronext Amsterdam.

All documents related to the implementation of the Dutch Corporate Governance Code can be found under Corporate Governance on the website www.hollandcolours.com. Here you will find further information, including the profile, regulation and schedule of retirement by rotation for the Supervisory Board, regulations of the audit or remuneration committee, the Articles of Association of the Company, the whistle-blowers' regulation, the regulation on ownership and transactions in shares and other financial instruments and the minutes of the General Meeting of Shareholders.

PREVENTION OF INSIDER TRADING

In compliance with the Dutch Financial Supervision Act, Holland Colours has instituted a directive relating to investments in the company's shares, share ownership and preventing the abuse of insider information. Moreover, the duty of disclosure and the relevant best-practice provisions of the Corporate Governance Code have been incorporated in this directive as far as applicable.

This directive applies to the Supervisory Board, the Board of Management, Division Directors and local managers and a wide circle of employees, as well as to a number of advisers. The Central Officer maintains a register and supervises compliance with the directive and maintains contact with the Netherlands Authority for the Financial Markets (AFM).

THE MANAGEMENT AND SUPERVISION (PUBLIC AND PRIVATE COMPANIES) ACT

This Act includes a provision relating to the balanced composition between men and women of the Board of Management and Supervisory Board. The Board of Management complies with this provision. The composition of the Supervisory Board does not comply with this provision. The company will review how it might arrive at a more balanced composition in the future. As a first step, Mrs Aukje Doornbos has been appointed as a Supervisory Board Member of the company.

INTERESTS OF SUPERVISORY BOARD MEMBERS AND MEMBERS OF THE BOARD OF MANAGEMENT

As at March 31, 2016, the Supervisory Board Members and the Members of the Executive Management Team own the following shareholdings, which are held as long-term investments:

In Holland Colours NV	03-31-2016	03-31-2015
Supervisory Board Members	5.00%	5.00%
Rob Harmsen	0.12%	0.12%
Margret Kleinsman	0.00%	0.00%
Tineke Veldhuis-Hagedoorn*	–	0.00%
Other Members of the Executive Team	0.00%	0.00%

In Holland Pigments BV	03-31-2016	03-31-2015
Supervisory Board Members	1.81%	1.81%
Rob Harmsen	0.00%	0.00%
Margret Kleinsman	0.05%	0.00%
Tineke Veldhuis-Hagedoorn*	–	10.26%
Other Members of the Executive Management Team	8.71%	8.70%

* Since Tineke Veldhuis-Hagedoorn stepped down as a member of the Board of Management on December 31, 2015, her information as at March 31, 2016 is not included.

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REPORT OF THE SUPERVISORY BOARD

From left to right: ■ **M.G.R. Kemper** (1968), Dutch citizen. Director of Advitronics Telecom BV. Member since 2011; Current (second) term to 2018. Additional functions: None. ■ **J.D. Kleyn** (1949), Dutch citizen. Partner Jones Day. Member since 2011; current (second) term to 2017. Additional functions: Member of the Foundation Het Grachtenhuis NV Board of Trustees, Member of M&A Course VU Law Centre Management Board, Chairman of Impatients NV. ■ **A.R. Doornbos** (1979), Dutch citizen. Senior advisor to the CEO of DSM. Member since 2015; Current (first) term to 2019. Additional function: Member of Alumni Affairs Advisory Board at the Technical University of Eindhoven. ■ **J.W. de Heer** (1961), Dutch citizen. Managing Director Victron UPS (Thailand) Co., Ltd. Member since 2010; current (second) term to 2018. Appointed under nomination of Holland Pigments BV. Additional functions: Director of ELNED Holding BV and Director of TECNED BV. ■ **R. Zoomers** (1950), Dutch citizen. Chair, Member since 2015; current (first) term to 2019. Additional functions: Chair of Onkenhout Beheer BV Supervisory Board, Member of 3 PM Group Ltd. Advisory Board and Member of Eurotech Group BV Supervisory Board.

Further information on the background of the members of the Supervisory Board of Holland Colours NV is available at www.hollandcolours.com.

COMPOSITION OF THE BOARD

Mr Roland Zoomers and Mrs Aukje Doornbos were appointed as new Supervisory Board Members at the General Meeting of Shareholders on July 9, 2015. Mr Zoomers was elected as Chair of the Board at its first subsequent meeting.

MEETINGS

The Supervisory Board met on six occasions during the financial year, including one meeting at the site of Holland Colours Americas. In addition to the financial results and the general state of affairs at the company, other items discussed included the aspects of corporate social responsibility relevant to the company, the development of the balance sheet, the company's financing, safety, environmental issues, working conditions, improvements to the ERP system and the risk register. There were also extensive discussions with the Statutory Board and members of the Executive Management Team regarding the company's intended strategic direction. The Supervisory Board also met on a number of occasions without the Statutory Board being present, usually prior to its meetings with the Statutory Board.

Between the various regular meetings, the Board had frequent conference calls with the Statutory Board regarding the interim results and the progress of important projects.

DEVELOPMENT AND STRATEGY

Despite weak economic conditions in the major markets in which the company operates, 8% higher revenue led to a net result for the 2015/2016 financial year of € 3.6 million, which was up 6% compared to the previous year. The development at Holland Colours China was disappointing. Actions have been taken to address this situation. The effect of fluctuations in the exchange rate between the US dollar and the euro on revenue and costs was substantial last year. Although higher revenue was achieved in the most important areas last year, revenue fell short of the company's targets. The Board actively supports the effort to achieve revenue growth over the coming years. This will have to be realized on the one hand through more effective commercial performance, and on the other hand through product developments for new markets. The challenge will be to realize this with limited increase of operational expenses.

RISK MANAGEMENT

During the financial year, the financial, operational and strategic risks were discussed with the Board of Management. The discussions paid particular attention to the exposure of Holland Colours to currency impact.

Given the size of Holland Colours and the implementation of the tasks of the current controllers, the Supervisory Board considers the appointment of an internal auditor unnecessary. The system of internal controls and self-assessment implemented in 2013/2014 is considered to be sufficient.

The Supervisory Board discussed the Management Letter with the auditor. In this letter, that is prepared on an annual basis, the auditor reports their findings on the company's administrative organization and internal controls where it relates to the financial reporting. Per the auditor, there were no items in this Management Letter that were qualified as high risk. A few areas of improvement were mentioned and these were discussed with the Statutory Board and will be addressed.

PERFORMANCE EVALUATION

As stated, 2015/2016 was the first year for the Board in its new composition. Amongt others due to this, the Board decided unanimously to carry out the evaluation of its own performance in the new financial year.

ALLOCATION OF DUTIES

The allocation of duties within the Supervisory Board and its method of operation are established in the Regulations for the Supervisory Board. The profile required of the Board members and a schedule of retirement have also been established. These documents are available on the Holland Colours website. The Dutch Management & Supervision Act stipulates that there must be a balanced allocation of seats between men and women on the Supervisory Board. This is understood to mean that at least 30% of the seats should be held by women and at least 30% by men. The profile states that the Supervisory Board strives to achieve a mixed composition in terms of gender and age. The appointment of Mrs Aukje Doornbos is a first step in addressing this requirement. Diversity will again be taken into consideration for future appointments, although quality will remain the most important criterion. In accordance with provision III.2.2 of the Dutch Corporate Governance Code, all the supervisory board members are independent of the company, with the exception of Jan Willem de Heer. He is board member proposed by Holland Pigments and is a director of ELNED Holding BV. The Board recently decided to appoint an audit and remuneration committee, which will take up their duties in the next financial year. The relevant regulations have been amended accordingly.

The remuneration policy for the Statutory Board of Holland Colours is formulated by the Supervisory Board as a whole. A separate remuneration committee will take up its duties with effect of the coming financial year. The remuneration of the Statutory Board consists of a fixed and variable part. The variable part consists of a bonus scheme that is linked to financial and non-financial targets. The bonus is capped at

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twice the monthly salary for the Chief Financial Officer and three times the monthly salary for the Chief Executive Officer subject to realization of the agreed upon targets. In addition to this bonus, the members of the Statutory Board are entitled to a profit share scheme that applies to all the Group's employees and is linked to the ROI of Holland Colours NV and the net operating result of the division of the employee concerned. The payment under the profit share scheme is capped at one and a half times the monthly salary. A variable remuneration was awarded to the Statutory Board for the past financial year.

The details of the remuneration of the Executive Management Team and the Supervisory Board are stated in note 26 Related Parties (page 72) of the financial statements.

EXTERNAL AUDITOR

Pricewaterhouse Coopers Accountants NV (PwC Accountants) was appointed as the company's external auditor for a term of three years at the General Meeting of Shareholders held in 2014. The Board is of the opinion that the auditor is able to arrive at independent audit opinions and has given sufficient account of this. To ensure independence, the Board will remain alert with respect to engagement of the auditor for non-audit related services.

ANNUAL REPORT AND DIVIDEND PROPOSAL

The company's annual report, as presented, contains the financial statements for the 2015/2016 financial year. The financial statements have been audited by PwC Accountants and an unqualified auditor's report has been attached. This auditor's report is included on page 86 of this report. The Supervisory Board discussed and approved the annual report, the financial statements and the auditor's report at its meeting of May 26, 2016 in the presence of the Statutory Board and the external auditor.

Based on this discussion, we are of the opinion that the annual report and the financial statements both meet the requirements of transparency and form a sound basis for the Supervisory Board's duty to give account of its supervisory activities.

We submit the financial statements to the General Meeting of Shareholders and recommend that they be adopted in their present form. We further request approval of the proposed dividend distribution of € 2.15 per share. We moreover recommend to the shareholders to approve off, and provide discharge to the Statutory Board for the fulfillment of their tasks and to the Supervisory Board for their oversight role.

The members of the Supervisory Board have signed the financial statements and have accordingly discharged their statutory obligation pursuant to Section 2:101 paragraph 2 of the Dutch Civil Code.

A WORD OF THANKS

The Statutory Board and the Supervisory Board are well aware of the special relationship that all the employees of Holland Colours have with the company as indirect shareholders through their shares in Holland Pigments BV. We realize that this is a strong base for a high degree of commitment and loyalty directed towards a healthy long term development of the company.

We want to thank the Statutory Board and all the employees of Holland Colours for their efforts and performance. We wish the Statutory Board and the employees every success in achieving the targets for the coming financial year, and like to express our confidence in the strategy pursued by the Executive Management Team.

Apeldoorn, May 26, 2016

The Supervisory Board
R. Zoomers, Chair
J.W. de Heer, Vice-Chair
A.R. Doornbos
M.G.R. Kemper
J.D. Kleyn

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THE HOLLAND COLOURS SHARE

INVESTOR RELATIONS

Share price-sensitive information is always published in press releases and on the website. The realized financial results are published every six months, while an interim statement is issued twice a year, after the first and third quarters, providing information on important developments and events, as well as the company's financial position.

SNS SECURITIES IS LIQUIDITY PROVIDER

Holland Colours is a small cap stock with a limited free float. In order to increase marketability, SNS Securities in Amsterdam has been appointed as a liquidity provider. This means that SNS Securities acts in the market as a counterparty for buy or sell orders, whereby the bid and offer prices are set according to a range around the last traded price. Smaller buy or sell orders are therefore filled by Liquidity Provider, which results in a more orderly price development of the stock.

Due to its focus on small and midcap stocks, SNS Securities has frequent contact with professional and private investors in the Netherlands and abroad who hold larger positions and who wish to buy or sell. It may therefore be advisable for investors wishing to trade larger positions to contact SNS Securities. Further information on Liquidity Providing and the trading of larger blocks of shares is available on the SNS Securities website: www.snssecurities.nl.

SHARE OWNERSHIP

The number of outstanding shares remained constant during the financial year.

Shares traded on Euronext Amsterdam	427,465
Holland Pigments BV	430,286
Registered shares	2,600
Total	860,351

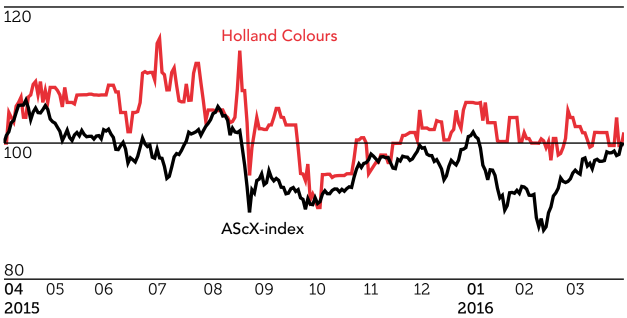
As at April 1, 2016, the following substantial interests (>3%) were recorded in the registers of the AFM (Netherlands Authority for the Financial Markets) on the basis of the Decree on the Disclosure of Major Holdings and Capital Interests in Issuing Institutions in accordance with the Financial Supervision Act. A list of shareholding in excess of 3% is available on the AFM website.

Disclosures	%	Date
OtterBrabant Beheer BV	9.08%	11-09-2010
Holland Pigments BV [1]	50.01%	04-02-2012
ELNED Holding BV [2]	5.00%	03-04-2013
Lazard Frères Gestion	6.97%	02-13-2014
Van Leeuwen Beheer BV	5.23%	02-12-2015
Free float	23.71%	
Total	100.00%	

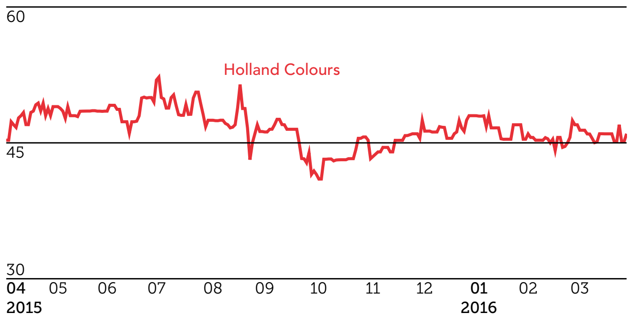
[1] Since July 2013, majority shareholder Holland Pigments BV has a one-tier board. In this one-tier board, each 10%+ shareholder of Holland Pigments is represented by a Board member. The group of current and former employees, which currently holds approximately 22% of Holland Pigments shares, is considered to be a single shareholder. In addition to the Supervisory Directors on behalf of 10%+ shareholders, Holland Pigments has one Executive Director.

[2] ELNED Holding BV is legally represented by Mr J.W. de Heer, a Supervisory Board Member of Holland Colours.

PRICE DEVELOPMENT HOLLAND COLOURS VERSUS ASCX



PRICE DEVELOPMENT HOLLAND COLOURS NV



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> HOLLAND COLOURS EMPLOYEES ARE ENGAGED IN GLOBAL COMMUNITY INITIATIVES.

PUBLICATIONS

Holland Colours published the following press releases in the 2015/2016 financial year:

MAY 28, 2015
Publication annual figures 2014/2015

JULY 9, 2015
Resolutions adopted by the General Meeting Shareholders

AUGUST 17, 2015
Interim statement first quarter 2015/2016

OCTOBER 29, 2015
Publication half year figures 2015/2016

FEBRUARY 11, 2016
Interim statement third quarter 2015/2016

KEY DATES

JULY 7, 2016
General Meeting of Shareholders

JULY 11, 2016
Listing ex-dividend

JULY 12, 2016
Dividend record date

JULY 15, 2016
Dividend payable

AUGUST 16, 2016
Interim statement first quarter 2016/2017

OCTOBER 27, 2016
Publication half year figures 2016/2017

FEBRUARY 9, 2017
Interim statement third quarter 2016/2017

MAY 30, 2017
Publication annual figures 2016/2017

JULY 11, 2017
General Meeting of Shareholders

FINANCIAL STATEMENTS 2015/2016

The Annual Report 2015/2016 of Holland Colours is also available in Dutch on www.hollandcolours.com

CONSOLIDATED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	Note	April 1, 2015/ March 31, 2016		April 1, 2014/ March 31, 2015	
Revenue			73,732		68,246
Direct selling cost and raw materials			(38,322)		(35,627)
Changes in finished product			58		48
Gross operating profit			35,468		32,667
Personnel expenses	6	16,810		15,180	
Amortization and impairments	10	116		109	
Depreciation and impairments	11	1,911		1,849	
Other operating expenses	7	10,883		10,212	
Total operating expenses			29,720		27,350
Operating result			5,748		5,317
Finance income	8	156		87	
Finance expense	8	(289)		(347)	
Finance income and expense			(133)		(260)
Result before income tax			5,615		5,057
Income tax	9		(1,998)		(1,613)
Net result			3,617		3,444
Attributable to:					
▪ Shareholders of the company			3,643		3,462
▪ Non-controlling interest	20		(26)		(18)
			3,617		3,444
Earnings per share in euros					
Average number of shares issued	17		860,351		860,351
Earnings per share			4.23		4.02

Notes 1 to 27 are an integral part of these consolidated financial statements.

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CONSOLIDATED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	Note	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Net result		3,617	3,444
Items that will not be reclassified to the income statement			
Actuarial results on employee benefits, after tax	22	6	(204)
Other comprehensive income that could in future be classified to the income statement			
Foreign currency translation differences	18	(657)	3,680
Change in net investment hedge, after tax	18	54	(367)
Change in cash-flow hedge, after tax	18	56	32
Other comprehensive income and expenses		(541)	3,141
Total comprehensive income after income tax		3,076	6,585
Attributable to:			
▪ Shareholders of the company		3,103	6,592
▪ Non-controlling interest	20	(27)	(7)
		3,076	6,585

Notes 1 to 27 are an integral part of these consolidated financial statements.

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CONSOLIDATED
BALANCE SHEET
FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	Note	March 31, 2016	March 31, 2015
Non-current assets			
Intangible assets	10	376	363
Property, plant and equipment	11	14,940	15,139
Deferred tax assets	12	1,859	2,227
Other long-term receivables	13	–	205
		17,175	17,934
Current assets			
Inventories	14	7,958	7,772
Trade and other receivables	15	13,197	15,362
Income tax receivables		159	72
Cash and cash equivalents	16	6,791	5,305
		28,105	28,511
Total assets		45,280	46,445
Equity			
Share capital	17	1,953	1,953
Share premium reserve		1,219	1,219
Named reserves	18	280	818
Retained earnings		28,589	26,669
Equity attributable to shareholders of the company		32,041	30,659
Non-controlling interest	20	16	43
Total equity		32,057	30,702
Non-current liabilities			
Long-term debt	21	875	1,125
Employee benefit obligations	22	1,190	1,417
Deferred tax liabilities	12	38	12
Derivative financial instruments	23	79	154
		2,182	2,708
Current liabilities			
Credit institutions	16	–	–
Repayment obligations for long-term debt	21	250	2,556
Trade and other payables	24	10,451	10,034
Income tax liabilities		84	305
Employee benefit obligations	22	256	140
		11,041	13,035
Total equity and liabilities		45,280	46,445

Notes 1 to 27 are an integral part of these consolidated financial statements.

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CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	Equity attributable to shareholders of the company								
	SHARE CAPITAL	SHARE PREMIUM	FOREIGN CURRENCY TRANS-LATION RESERVE	HEDGE RESERVE	RESERVE FOR IN-TANGIBLE ASSETS	RETAINED EARNINGS	TOTAL	NON-CONTROL-LING INTEREST	TOTAL EQUITY
As at March 31, 2014	1,953	1,219	(2,668)	(191)	285	25,293	25,891	96	25,987
Net result for the 2014/2015 financial year	–	–	–	–	–	3,462	3,462	(18)	3,444
Other comprehensive income	–	–	3,669	(335)	–	(204)	3,130	11	3,141
Total comprehensive income	–	–	3,669	(335)	–	3,258	6,592	(7)	6,585
Transfer of reserve for intangible assets	–	–	–	–	58	(58)	–	–	–
Change of capital	–	–	–	–	–	–	–	(46)	(46)
Dividend for 2013/2014	–	–	–	–	–	(1,824)	(1,824)	–	(1,824)
As at March 31, 2015	1,953	1,219	1,001	(526)	343	26,669	30,659	43	30,702
Net result for the 2015/2016 financial year	–	–	–	–	–	3,643	3,643	(26)	3,617
Other comprehensive income	–	–	(656)	110	–	6	(540)	(1)	(541)
Total comprehensive income	–	–	(656)	110	–	3,649	3,103	(27)	3,076
Transfer of reserve for intangible assets	–	–	–	–	8	(8)	–	–	–
Change of capital	–	–	–	–	–	–	–	–	–
Dividend for 2014/2015	–	–	–	–	–	(1,721)	(1,721)	–	(1,721)
As at March 31, 2016	1,953	1,219	345	(416)	351	28,589	32,041	16	32,057

The dividend per share 2014/2015 as paid out in 2015/2016 amounted to € 2.00 (2014/2015: € 2.12).

Notes 1 to 27 are an integral part of these consolidated financial statements.

Unofficial translation

CONSOLIDATED

CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	Note	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Operating result		5,748	5,317
Adjustments for:			
▪ Amortization of intangible assets and impairments	10	116	109
▪ Depreciation of property, plant and equipment and impairments	11	1,911	1,849
▪ Capitalized own hours		(155)	(169)
▪ Changes in provisions	22	(92)	5
▪ Exchange-rate differences		155	(196)
Cash flow from operating activities before changes in working capital, tax and interest		7,683	6,915
Changes in working capital		2,105	298
Income tax paid		(1,970)	(1,357)
Interest received and paid		(174)	(244)
Cash flow from operating activities		7,644	5,612
Proceeds from asset disposals	11	17	–
Capital expenditures in intangible assets	10	(15)	(18)
Capital expenditures in property, plant and equipment	11	(1,927)	(1,107)
Receipts from financial non-current assets	11	231	–
Cash flow from investment activities		(1,694)	(1,125)
Change in capital due to non-controlling interest		–	(38)
Dividend paid		(1,721)	(1,824)
Long-term finance drawn down/repayment of long-term finance	21	(2,484)	(250)
Cash flow from financing activities		(4,205)	(2,112)
Net cash flow before currency impacts		1,745	2,375
Exchange-rate and translation differences on cash and cash equivalents		(259)	767
Net cash flow		1,486	3,142
Cash and cash equivalents as at April 1		5,305	2,163
Cash and cash equivalents as at March 31		6,791	5,305
Net cash flow	16	1,486	3,142

Notes 1 to 27 are an integral part of these consolidated financial statements.

Unofficial translation

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Holland Colours NV ('the company') is a listed limited liability company ('Naamloze Vennootschap') having its registered office in Apeldoorn, the Netherlands.

The company and its subsidiaries ('the Group'), manufacture, distribute and sell color concentrates. The Holland Colours Group operates through nine of its own facilities and a network of agents and distributors.

Shares of the company are listed on Euronext, Amsterdam.

Since April 2, 2012 more than 50% of the shares of Holland Colours NV are held by the holding company Holland Pigments BV, in which among others, all employees of Holland Colours participate. The current and retired employees collectively hold approximately 22% of the shares in Holland Pigments BV. The Group's financial year commences on April 1 and closes on March 31 of the following year.

The company's consolidated financial statements comprise of the financial statements of the company and its subsidiaries.

The 2015/2016 consolidated financial statements were discussed in the Supervisory Board meeting on May 26, 2016, and released for publication on the same day. The financial statements will be presented for adoption to the General Meeting of Shareholders on July 7, 2016.

The company financial statements form part of the 2015/2016 financial statements of the company. In relation to the company financial statements, the exemption under article 402 of Title 2, Book 2 of the Dutch Civil Code, it suffices for the company income statement to state the 'net result from subsidiaries', and the 'other income and expenses after taxation'. The latter item represents the balance of income and expenses of Holland Colours NV.

The original financial statements were prepared in the Dutch language. This document is a version translated into English. In the event of any differences between the English and the Dutch text, the latter will prevail.

2. SUMMARY OF ACCOUNTING PRINCIPLES

GENERAL

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and with Title 9 Book 2 of the Dutch Civil Code.

The consolidated financial statements are presented in thousands of euros, rounded to the nearest thousand, unless stated otherwise.

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments, which are stated at fair value.

In the preparation of the consolidated financial statements, the Board of Management applied estimates and assumptions to several areas that could have an influence on the amounts included in the consolidated financial statements. Changes in estimates and assumptions may affect the amounts to be reported in subsequent years, and actual outcomes may differ from the estimates made. Revisions of estimates are included in the period in which the estimates are revised and in the future periods they might have an influence on. The most important estimates are stated under the relevant policies, and mainly relate to the items deferred tax assets based on the carry-forward of tax losses, impairments of plant and machinery, valuation of inventories, as well as employee provisions.

The accounting policies as detailed below are applied consistently for all periods presented in these consolidated financial statements.

The Group also applies IFRS 8 Operating Segments. The segmentation relates to the Group's management and internal reporting structure.

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The following standard and amendment was first applied to the consolidated financial statements at the beginning of the 2015/2016 financial year: IFRIC 21 (Levies).
Use of this amended standard does not have any material impact on the 2015/2016 financial statements. The Group has also applied improvements as a result of the annual IFRS improvements project. This has also had no effect on the Group's equity or its result, and is not expected to have any material effect on the 2016/2017 financial statements or those of the years following.

The standards and interpretations as listed below were not effective per the publication date of the Group's financial statements. The standards and interpretations listed below only include those that the Group reasonably expects to be relevant to, and affect, the notes, the financial position or the result of the Group. The Group plans to apply these standards and interpretations once they become effective:

- IFRS 9 Financial Instruments, takes force on January 1, 2018. This standard replaces elements of IAS 39 relating to the classification and measurement of financial instruments. IFRS 9 states that financial instruments must be categorized in two categories: measurement at fair value and measurement at amortized cost. The classification depends on the entity's method of trading with respect to financial assets, and the contractual cash flow characteristics of the instrument.
- IFRS 15 Revenue from contracts with customers, takes force on January 1, 2018. This standard replaces the existing standards applying to revenue recognition. The new standard sets stricter requirements regarding when revenue may be recognized, and may lead to changes in the timing of revenue recognition.
- IFRS 16 Leases, takes force on January 1, 2019. This standard states that a lessee must recognize a right-of-use asset and the liability of the lease. The right of use is treated in the same way as other non-financial assets and depreciated accordingly. The liability is measured at amortized cost. This will generally lead to higher costs at the beginning of the lease and declining costs during the term of the lease as a result of a decline in the interest component. This standard replaces IAS 17.

The Group is currently assessing the possible effect applying these standards. The other new and amended standards are not expected to have any material impact on the Group's consolidated financial statements.

Consolidation principles

The company's consolidated financial statements for the 2015/2016 financial year include the financial data of the company and all of the subsidiaries in which the company directly or indirectly has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiary companies are consolidated from date of acquisition, which is the date on which actual control of the acquired entity is obtained; consolidation continues until the date on which actual control ceases to exist. The majority of the financial statements prepared by the subsidiary companies are for the same reporting year as that of the parent company, with application of consistent valuation principles. The exceptions are the financial statements of the entities in Mexico and China. These will be drawn up for a calendar year based on the same consistent valuation principles. The consolidated financial statements include the financial data of the following companies:

Legal structure including capital interest and division structure

Division	Subsidiaries	Interest
Europe	Holland Colours Europe BV, the Netherlands	100%
Europe	Holland Colours UK Ltd, United Kingdom	100%
Europe	Holland Colours Hungária Kft, Hungary	100%
Americas	Holland Colours Canada Inc, Canada	100%
Americas	Holland Colours Americas Inc, United States	100%
Americas	Holland Colours Mexicana SA de CV, Mexico	100%
Asia	PT Holland Colours Asia, Indonesia*	99%
Asia	Holland Colours China Ltd, China	100%
Asia	PT Holco Indo Jaya, Indonesia**	85%

* Regarding the subsidiary in PT Holland Colours Asia in Indonesia, Holland Pigments BV holds 1% of the legal ownership. Full beneficial ownership resides with Holland Colours NV.

** Regarding the subsidiary in PT Holco Indo Jaya in Indonesia, PT Holland Colours Asia holds 35% of the legal and economic ownership and Holland Colours NV holds 50% of the legal and economic ownership.

There were no changes to the consolidation group in comparison to the 2014/2015 financial year.

Together with its Indonesian subsidiary PT Holland Colours Asia, Holland Colours NV possesses 85% of the shares in the Indonesian company PT Holco Indo Jaya. Gaypa Srl holds the remaining 15%. The results of PT Holco Indo Jaya are fully consolidated in the figures for the 2015/2016 financial year. The non-controlling interest in the total equity and the group result is recognized separately.

The subsidiary Holland Colours Europe BV makes use of the exemption to file financial statements under Section 403 of the Dutch Civil Code. The subsidiary Holland Colours UK Ltd makes use of the exemption regarding the mandatory audit of financial statements under Section 479A of the Companies Act 2006.

Unofficial translation

In the consolidated financial statements, all inter-company receivables, payables and deliveries as well as unrealized income and expenses as a result of internal transactions and dividends are fully eliminated. Unrealized losses are eliminated in the same way as unrealized profits, but only insofar as there is no indication of impairment.

Foreign currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euros, the company's functional and presentation currency.

Transactions in foreign currency are converted to the functional currency at the rate of exchange on the transaction date. All monetary assets and liabilities expressed in foreign currency are converted at the exchange rate that applies at balance sheet date. Foreign exchange differences arising from conversion and settlement are recognized in the income statement.

Assets and liabilities of group companies with a functional currency other than the euro are converted at the exchange rate that applies at balance sheet date. The income statements for these group companies are converted at the average exchange rate during the financial year. The resulting differences are recognized in unrealized results and the foreign currency translation reserve. On sale or termination of an activity outside the eurozone, the amount concerned is transferred from equity to the income statement as part of the gain or loss on sale or termination.

The rates of the main currencies against the euro are as follows:

Exchange rates used

in EUR	At close		Average	
	March 31, 2016	March 31, 2015	2015/2016	2014/2015
US dollar	1.12	1.08	1.10	1.27
British pound	0.79	0.73	0.73	0.79
Canadian dollar	1.47	1.37	1.45	1.44
Chinese yuan	7.33	6.65	6.99	7.78
Mexican peso	19.58	16.43	18.35	17.32

Derivative financial instruments

Holland Colours uses derivative financial instruments (derivatives), such as currency future contracts and interest-rate swaps, to limit interest-rate and currency risks arising from operating, financing and investing activities. Derivative financial instruments are not used for trading purposes. If these derivative financial instruments do not meet the requirements for hedge accounting, the profits and losses on these instruments are included in the income statement under Other operating expenses, see note 7. Such derivative financial instruments are initially accounted for using the fair value on the date the contract is entered into, after which the fair value is re-evaluated. Derivatives are entered as an asset if the fair value is positive and as a liability if it is negative.

Any profits or losses arising from changes in the fair value of derivatives are included directly in the income statement, with the exception of the effective part of a cash-flow hedge and net capital expenditures hedge, which is included under other comprehensive income and transferred to the income statement later, once the hedged position has been included in the result.

The hedging of risks is classified as follows:

Cash-flow hedge

Where specific conditions are met (IAS 39), cash-flow hedge accounting can be applied. Briefly, these specific conditions state that a demonstrable one-to-one relationship must exist between the variability of cash flows caused by a certain risk relating to an entered asset or liability, that this relationship must be documented and that the hedge must be sufficiently effective. In such a situation, the gain or loss is stated directly in the consolidated statement of other comprehensive income during the term of the risk and the hedge instrument. The Group applies cash-flow hedge accounting to interest-rate derivatives. When hedge accounting is applied, a cash-flow hedge reserve is formed in equity. This hedge reserve is reduced by the deferred tax applicable. If the hedge instrument expires or is sold, terminated or exercised, without replacement, or if its designation as a hedge is revoked, any accumulated gain or loss initially included in the unrealized results will remain in the unrealized results of the hedge reserve until the expected transaction or agreed commitment takes place. At that time, the hedged transaction is recognized in the income statement and the transfer from equity to the income statement is effectuated. Cash-flow hedge accounting is not applied to currency contracts. Gains or losses on these hedge instruments are therefore presented in the income statement under Finance income and expense.

Hedging a net investment

Hedges of net capital expenditures in foreign operations are treated in a similar way to cash-flow hedges. A gain or a loss on the effective portion of the hedge instrument is recognized in the statement of other comprehensive income; the gain or loss on the ineffective portion is recognized immediately in the income statement under Other operating expenses.

The Group did utilize a loan in US dollars to hedge the currency risks of capital expenditures in its foreign subsidiaries. This loan was repaid in 2015/2016.

Unofficial translation

Gains and losses accumulated in the statement of other comprehensive income are recognized in the income statement at the time of the full or partial closure or sale of the foreign operation.

REVENUE RECOGNITION

The result is calculated as the difference between the revenue of the goods and services provided and the costs and other charges for the financial year. Results on transactions are accounted for at the time of delivery. The following policies are used:

Revenue

Revenue is defined as the income generated by the supply of goods to third parties, after deduction of discounts and value added taxes and elimination of all intra-group transactions. Sales of goods are recognized when products have been delivered to the customer, the customer has accepted the products, and collection of the related receivables is reasonably certain. Revenue from the supply of goods is only recognized if the main risks and rewards of ownership of the goods have been transferred to the buyer. No revenues are recognized if significant uncertainties remain with regard to the collection of the payment due, the associated costs or the possible return of goods.

Grants

Government grants to compensate for expenses incurred by the Group are systematically recognized as income in the income statement, if it is reasonably certain that the subsidy will be received and that all the conditions attached to the subsidy will be met. If the subsidy relates to an expense item, it is recognized as income over the period necessary in order to allocate this to the associated expenses which it is intended to compensate. Subsidies to compensate the Group for the purchase of an asset are included in the income statement during the useful life of the asset.

Lease payments

Operational leases

Payments made under operational leases are charged to the period to which they relate.

Financial leases

Leases of property, plant and equipment, where the Group has assumed virtually all the risks and rewards associated with the ownership of an asset, are classified as financial leases. Financial leases are capitalized at the commencement of the lease at the fair value of the leased assets, or at the cash value of the minimum lease payments if lower. Each lease payment is split into repayments and financing expenses so as to achieve a constant interest rate on the balance of the liability outstanding. The corresponding lease obligations, net of finance costs, are included under non-current liabilities. The interest element of the lease costs is charged to the income statement over the lease period.

Finance income and expense

Finance income and expense include the income and expenses on lent and borrowed funds and interest charges on financial lease payments. Finance income and expense is recognized in the income statement under Finance income and expense, using the effective interest method.

Current income tax

Current tax receivables and liabilities for the current period are measured at the amount expected to be reclaimed from or paid to the tax authorities. The tax amount is calculated on the basis of the tax rates and tax legislation as applicable on the reporting date in the countries in which the Group operates and generates income subject to taxation. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. The Board of Management assesses the positions taken in the tax returns for those situations where the applicable tax regulations can be interpreted in different ways. Provisions are formed where deemed necessary.

Earnings per share

Earnings per ordinary share is calculated as the net profit or loss attributable to holders of ordinary shares divided by the weighted average number of outstanding shares in the period concerned.

PRINCIPLES FOR THE VALUATION OF ASSETS AND LIABILITIES

General

The valuation principles are principally based on valuation of the assets and liabilities at historical cost, with the exception of (derivative) financial instruments.

Offsetting financial instruments

Financial assets and liabilities are offset in the consolidated balance sheet only in situations of an actual legally enforceable right to offset the amounts recognized and only if it is the intention to settle these amounts on a net basis or simultaneously.

Intangible assets

Costs of development activities are capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete its development and it is expected that future gains will be generated. The capitalized expenses comprise of direct labor cost and a surcharge for overhead costs, to the extent that these are attributable to the project. All other research and development costs are stated as an expense in the income statement at the time that they are incurred.

Capitalized development costs are valued at cost, less accumulated amortization and impairments, if applicable. Amortization costs are charged to the income statement over their estimated useful life, which is five years.

Unofficial translation

Intangible assets are assessed for impairment if there are indications that an intangible asset might be subject to a loss in value. The amortization period and method for an intangible asset with a measurable useful life is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by changing the amortization period or method and are treated as changes in accounting estimate.

Other intangible assets
The other intangible assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning. Other intangible assets are measured at historical cost, that is the acquisition price or production cost, less cumulative amortization and any applicable impairments. Amortization is applied in the income statement on a straight line basis over the estimated useful life, which is between three and five years.

Property, plant and equipment
Property, plant and equipment is valued at historical cost, meaning the acquisition price or production cost, less accumulated depreciation and, if applicable, impairments. The costs of assets produced in-house comprise of material costs, direct labor cost and an appropriate portion of the directly attributable overhead costs. Finance costs are added to the costs of property, plant and equipment if these meet the conditions for recognition in the balance sheet. If significant parts of property, plant and equipment have to be replaced at regular intervals, the Group recognizes these as separate assets with their own useful life and depreciation method. All other repair and maintenance costs are recognized in the income statement at the time they occur.

Property, plant and equipment is assessed for impairment if there are indications that an item may have suffered a loss in value. The depreciation period and method for property, plant and equipment with a measurable useful life is assessed, at the very least, at the end of each financial year. Changes in the expected useful life of an asset or in its expected pattern of future economic benefits are accounted for by changing the depreciation period or method and are treated as changes in accounting estimate.

Financial non-current assets
Loans and receivables for which the maturity date is more than 12 months after the balance sheet date are presented as financial non-current assets and on initial recognition are measured at fair value less directly attributable transaction costs. After initial recognition, interest-bearing loans are valued at amortized cost using the effective interest method, less any impairment. Gains or losses arising from changes in the amortized cost are accounted for in the income statement under finance expenses.

Leased assets
Lease agreements in which the Group assumes all risks and benefits of ownership are classified as financial leases. Property, plant and equipment acquired by means of financial leases is measured at fair value or the cash value of the minimum lease payments at the inception of the lease, whichever is lower, less accumulated depreciation and, when applicable, impairments. Lease payments are stated as described under determination of the result.

Depreciation
Depreciation is charged to the income statement according to the straight-line method on the basis of the estimated useful life of each component of items of property, plant and equipment. Depreciation is not applied to land. The estimated useful life is as follows:

Buildings	25 – 40 years
Fixtures and installations in buildings	10 years
Plant and equipment	10 years
Other non-current assets	3 – 5 years

The remaining useful life, residual value and depreciation method are assessed on an annual basis.

Impairment of non-current assets
An asset is impaired if its realizable value is less than its carrying amount. Non-current assets are assessed on an annual basis for indications of impairment. If there are such indications, the realizable value of the asset concerned is estimated based on either the directly realizable value or the value in use to the company. An impairment loss is reversed if there is a change to the estimates used. The reversal is done to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been the case if no impairment had been recognized so after deduction of then applicable depreciation.

Unofficial translation

Deferred income tax
A receivable is recognized or a provision is formed for deferred tax positions using the balance sheet method for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amount of these items for tax purposes.

The carrying amount of deferred tax assets is assessed at reporting date and (partially) reduced if and when it is unlikely that sufficient taxable profit will be available to absorb these temporary differences. Deferred tax assets not recorded are reassessed at reporting date and recorded when deemed realizable based on expected future taxable profits.

Deferred tax assets and liabilities are valued at the tax rates expected to apply in the period in which the asset is realized or the liability is settled, at the tax rates (and tax law) in force at the time the reporting process is definitively completed.

Under certain circumstances, current and deferred tax is recognized outside profit or loss either in other comprehensive income or directly in equity, depending on the item the tax relates to.

Deferred tax assets and liabilities shall be set off if, and only if there is a legally recognized right to set off current tax assets and liabilities, and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity, or different taxable entities which intend to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

There is certain uncertainty around the correct interpretation of complex tax regulations and the amount and timing of future taxable profits.

Given the huge diversity of international business relations, discrepancies between the assumptions made and the actual outcomes, or future changes in such assumptions, this could lead to future changes in the tax payments and returns already recognized.

Inventories
Inventories are valued at purchase price, or at net-realizable value if lower. The cost price for inventories is based on the FIFO principle (first in, first out). Finished product is valued at production cost including costs of raw materials and a surcharge for direct and indirect production costs based on normal capacity, or at realizable value if lower. The net-realizable value comprises the estimated sales price in the normal course of the business, less the estimated costs for completion and settlement of the sale.

Trade and other receivables
Trade and other receivables are recognized initially at fair value and subsequently at amortized cost. A provision uncollectability is established when it is foreseen that a receivable cannot be collected in full.

Cash and cash equivalents
Cash and cash equivalents comprises cash balances and deposits that are available on call.

Share capital
Share capital is classified as equity.

Dividend
Dividend payable to shareholders is recognized as a liability to shareholders once the proposed profit appropriation has been approved by the General Meeting of Shareholders.

Employee benefit obligations
Holland Colours has a variety of pension schemes in accordance with local regulations and conditions.

The pension schemes of the subsidiaries are in line with local legislation and regulation and are included in the financial statement as defined contribution plans. These involve payment of predetermined premiums to an insurance company. Under these pension schemes Holland Colours has no legal or factual obligation to pay additional premiums if the insurance company has insufficient means to fund current or future pensions.

Other employee benefits
As a consequence of the termination of the pre-pension scheme (including the transitional arrangement) for the employees in the Netherlands, the originally agreed conditional financing of past service years was converted into an annual payment in the same amount, which is also conditional. The most important conditions for this payment are that an employee must still be in the Company's service at the time of the annual payment and that the Group's financial results are assessed by the Board of Management as being sufficient to cover this payment. The Group has included a provision for this future liability, which will end in September 2037.

The Group has also included a provision for other long-term obligations regarding employee benefits, including jubilee payments, which employees have earned for their service in the current and previous reporting periods.

The obligations are calculated partly on the basis of actuarial principles and based on a discount rate of 3.7% (2014/2015 1.3%) in accordance with the Markit IBoxx Index of high-value corporate bonds, and are recognized under non-current liabilities. The expenses are reported in the income statement under personnel expenses. All assumptions are reassessed at balance-sheet date.

Unofficial translation

Provisions

A provision is included in the balance sheet when there is a legally enforceable or actual obligation for the Group as a result of an event in the past for which it is likely that an outflow of resources will be required to settle this obligation.

Interest-bearing loans

Interest-bearing loans are recognized initially at fair value, less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans are valued at amortized cost, whereby a difference between the cost and the repayment value is recognized in the income statement on the basis of the effective interest method over the term of the loan.

Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost.

Determination of fair value

Certain accounting policies as well as disclosures by the Group require fair value assessments of financial- and non-financial assets and liabilities. Further information on the principles used in these assessments is provided in the notes relating to the specific asset or liability.

Long-term receivables

Long-term receivables at fixed and variable interest rates are assessed by the Group on the basis of factors such as the applicable interest rate and the borrower's individual creditworthiness. When necessary a provision is formed for losses expected on these receivables on the basis of this assessment. As at March 31, 2016, the carrying amount of these receivables did not vary materially from their fair value.

Trade and other receivables

The fair value of trade debtors and other receivables is estimated as the net present value of the future cash flows based on market interest rates as at the reporting date. This fair value is determined for informative purposes.

3. FINANCIAL RISK MANAGEMENT

As part of the normal conduct of its business, the Group is exposed to currency, credit, liquidity, interest-rate and translation risks. In terms of risk management policy, it is recognized that the financial markets are unpredictable and that the aim should be to limit the potential negative effects of this on the Group's financial results as much as possible. The risk arising from fluctuations in foreign currency rates and interest rates is partly hedged using derivative financial instruments. The Board of Management determines principles for overall risk management and provides policies for specific areas, such as currency risk, credit risk, liquidity risk, interest-rate risk and translation risk, and the use of derivative and non-derivative financial instruments. These principles or methods may vary per group company as a result of differing local market circumstances.

CURRENCY RISK

The global operation of the Group is exposed to currency risks, the key currencies being the US dollar and the British pound. Currency risks arise from future commercial transactions, recognized assets and liabilities and net capital expenditures in foreign operations. Currency risks arise when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is responsible for managing the net position in each foreign currency. The Group is exposed to currency translation risks on the equity participation in foreign subsidiaries. In managing the currency risks, Holland Colours aims to limit the effect of exchange-rate fluctuations on the group result. In the long-term, however, structural changes, especially in the value of the US dollar relative to the euro, and changes in the difference between US and European interest rates, will influence the consolidated result and capital.

The table below shows the sensitivity of the result before tax and the equity (including translation effects) to both the US dollar and the British pound, with all other variables remaining constant:

	2015/2016		2014/2015	
	INCREASE EUR-USD 10%	DECREASE EUR-USD 10%	INCREASE EUR-USD 10%	DECREASE EUR-USD 10%
Result before tax	(849)	911	(615)	542
Equity	(2,341)	2,268	(2,203)	2,129
	INCREASE EUR-GBP 10%	DECREASE EUR-GBP 10%	INCREASE EUR-GBP 10%	DECREASE EUR-GBP 10%
Result before tax	(298)	297	(264)	916
Equity	(269)	265	(284)	935

In relative terms, the various foreign currencies affected the Group's net sales and expenses as follows:

in per cent	Revenue		Expenses	
	2015/2016	2014/2015	2015/2016	2014/2015
Euro	43%	46%	49%	53%
US dollar	37%	39%	35%	31%
British pound	6%	5%	2%	2%
Other	14%	10%	14%	14%
Total	100%	100%	100%	100%

The exchange rate differences recognized in the income statement under note 7: Other operating expenses in 2015/2016 were negative € 305 (2014/2015: positive € 304).

CREDIT RISK

Credit risk is the risk of financial loss by the Group in the event a customer or counterparty to a financial instrument fails to meet their contractual obligations. Credit risk mainly arises from receivables from customers. Holland Colours follows an active policy to minimize credit risk. This policy includes strict internal guidelines regarding overdue payments, the use of sales information systems, the consultation of external sources and, where necessary, requesting security for payment. Thanks to the distribution over a large number of customers and geographical areas, there is no significant concentration of credit risk. There is no insurance for credit risk in place. The total carrying amount of the financial assets, € 19,854 (March 31, 2015: € 20,872), indicates the maximum exposure to credit risk.

Unofficial translation

LIQUIDITY RISK

Liquidity risk is the risk that Holland Colours is unable to meet its obligations when they are due. Holland Colours' policy with regard to liquidity risk is to ensure to the best of its ability that sufficient committed credit facilities are available to meet its payment obligations on time, in both normal and exceptional situations.

The bank covenants and collateral provided in relation to the Group's financing agreement have not been changed since March 31, 2015.

An important ratio is the ratio between debts to credit providers and the 12-month development of the net result of the company before interest, tax, depreciation and amortization, known as the Total Debt/EBITDA ratio. This ratio may not exceed 3.0 at any time. Holland Colours complied with this agreement at all times during the 2015/2016 financial year. At the end of the 2015/2016 financial year this ratio stood at 0.1 (March 31, 2015: 0.5).

The other covenants agreed with the banks concern the Tangible Net Worth ratio, which must be at least 40%, and the Debt Service Cover ratio, which must be higher than or equal to 1.0. Holland Colours also complied with these financial covenants in the 2015/2016 financial year. On March 31, 2016 these ratios stood at 69.3% and 19.9 respectively (March 31, 2015: 64.0% and 1.9).

In addition to the interest-bearing loans issued, the Group has access to current account credit facilities as at balance-sheet date of € 8,351 (March 31, 2015: € 8,398). These facilities are provided by various international and local banks and have no expiry date. At balance sheet date, € – (March 31, 2015: € –) of the credit facilities was drawn down.

The interest margin on the credit facility in the Netherlands depends on the Total Debt/EBITDA ratio.

The contractual maturity of the financial liabilities per March 31, including expected interest payments, can be specified as follows:

2015/2016	Carrying amount	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Long-term debt	1,125	1,242	296	284	662	–
Derivatives	79	79	32	24	23	–
Credit institutions	–	–	–	–	–	–
Trade and other payables	10,451	10,451	10,451	–	–	–
Total	11,655	11,772	10,779	308	685	–

2014/2015	Carrying amount	Contractual cash flow	< 1 year	1-2 years	2-5 years	> 5 years
Financial liabilities						
Long-term debt	3,681	3,830	2,642	289	780	119
Derivatives	154	154	83	29	41	1
Credit institutions	–	–	–	–	–	–
Trade and other payables	10,034	10,034	10,034	–	–	–
Total	13,869	14,018	12,759	318	821	120

Based on the carrying amounts included in the financial statements, as at March 31, 2016, 22.2% (March 31, 2015: 68.3%) of the Group's long-term debts will mature within one year. Based on the current situation, the Board of Management assesses the risk that Holland Colours will not be able to meet its liabilities as low.

INTEREST-RATE RISK

Interest-rate risk is the risk that the fair value of future cash flows of a financial instrument will change as a result of movements in market interest rates. The risk incurred by the Group as a result of fluctuations in market interest rates mainly concerns its variable interest-rate on the current account credit facilities. The Group's interest-rate risk arises mainly from non-current borrowings and debts to credit institutions, as the Group has no significant interest-bearing assets. It is the Group's policy to hold the majority of its loans at fixed rates of interest. The Group does so by using variable-to-fixed interest-rate swaps for its long-term loans.

Unofficial translation

At balance-sheet date, the following interest-rate instruments were outstanding:

Interest-rate swap to end of August 2020	Euro 1,313 received 3-month Euribor: payment 3.14% fixed

At March 31, 2016, if the euro interest rate had been 100 basis points higher, with all other variables constant, the net result would have been € 15 lower (2014/2015: € 41 lower), mainly due to higher interest expense on variable-rate loans. The negative effect on equity would have been € 23 (2014/2015: € 32 negative). The assumed change in basis points of the interest-rate sensitivity analysis is based on directly observable market conditions.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Group applies the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques whereby the lowest level input as significant for valuation at fair value, is directly or indirectly observable;
- Level 3: Valuation techniques whereby the lowest level input as significant for valuation at fair value, is not observable.

The fair value and carrying amount of financial assets and liabilities included in the balance sheet are as follows:

	Level	March 31, 2016		March 31, 2015	
		CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets measured at amortized cost					
Other long-term receivables	3	–	–	205	205
Trade and other receivables	3	13,197	13,197	15,362	15,362
Cash and cash equivalents	3	6,791	6,791	5,305	5,305
		19,988	19,988	20,872	20,872
Liabilities measured at fair value					
Interest-rate swaps for which hedge accounting is applied	2	(79)	(79)	(154)	(154)
		(79)	(79)	(154)	(154)
Liabilities measured at amortized cost					
Bank loans	3	(1,125)	(1,162)	(3,681)	(3,830)
Credit institutions	3	–	–	–	–
Trade and other payables	3	(10,451)	(10,451)	(10,034)	(10,034)
		(11,576)	(11,613)	(13,715)	(13,864)

Changes in the fair value of the above-mentioned liabilities are recognized in the income statement unless hedge accounting is applied.

The fair value of interest-rate swaps is based on calculations by an external party as Holland Colours does not have access to the required systems. The outcomes of these calculations are accepted by Holland Colours as if they had been made by Holland Colours itself.
The fair value of long-term loans is calculated on the basis of the net present value of the expected future cash flows by virtue of repayment and interest payments, and is not based on observable market data (unobservable input).

Trade and other receivables, payables to suppliers, credit institutions and other debt due to expire within one year are included in the financial statements at nominal value, the nominal value is considered to be a reflection of fair value due to the short duration.

Unofficial translation

RAW MATERIALS

Holland Colours is constantly searching for alternative sources of raw materials (including pigments and dyes) to ensure a constant supply, as well as to prevent cost increases as far as possible.

CAPITAL MANAGEMENT

The capital consists of company shares as issued. The main goal of capital management for the Group is to retain the high level of creditworthiness and healthy solvency levels in support of the Group's operations and to maximize shareholder value.

4. CASH FLOW STATEMENT

The cash flow statement is presented using the indirect method. Cash flows in foreign currencies are converted at the exchange rate on the date of the cash flow, or based on averages. A distinction is made in the cash flow statement between cash flows from operating, investment and financing activities. Movements not resulting in cash flows are eliminated from this statement.

5. SEGMENT INFORMATION

The Group is divided into geographical segments for management purposes. The segment information in the financial statements is therefore presented based on this allocation.

Segments 2015/2016	Europe	Americas	Asia	Other	Adjustments and eliminations	Total
Revenue	37,127	26,764	9,848	(7)	–	73,732
Intersegmental transactions	723	33	72	–	(828)	–
Sales including intersegmental transactions	37,850	26,797	9,920	(7)	(828)	73,732
Depreciation, amortization and impairment	821	573	280	360	(7)	2,027
Operating result	2,065	2,410	929	344	–	5,748
Net financial expense	–	–	–	–	(133)	(133)
Tax	–	–	–	–	(1,998)	(1,998)
Net result	–	–	–	–	3,617	3,617
Non-current assets	6,398	5,451	2,364	28,394	(25,432)	17,175
Current assets	9,401	7,963	5,551	6,415	(1,225)	28,105
Liabilities	6,778	2,629	2,999	2,914	(2,097)	13,223
Total capital expenditures	1,019	682	173	223	–	2,097
Average number of employees (in fte)	194	88	107	20	–	409

Unofficial translation

Segments 2014/2015	Europe	Americas	Asia	Other	Adjust-ments and elimina-tions	Total
Revenue	35,829	22,532	9,887	(2)	–	68,246
Intersegmental transactions	867	56	32	–	(955)	–
Sales including intersegmental transactions	36,696	22,588	9,919	(2)	(955)	68,246
Depreciation, amortization and impairment	848	528	238	353	(9)	1,958
Operating result	1,662	1,792	1,543	320	–	5,317
Net financial expense	–	–	–	–	(260)	(260)
Tax	–	–	–	–	(1,613)	(1,613)
Net result	–	–	–	–	–	3,444
Non-current assets	6,257	6,067	2,603	25,323	(22,316)	17,934
Current assets	12,999	8,279	6,115	7,764	(6,646)	28,511
Liabilities	11,439	2,811	2,929	6,002	(7,438)	15,743
Total capital expenditures	547	278	196	252	–	1,273
Average number of employees (in fte)	189	88	107	17	–	401

The Board of Management monitors the operating results of the geographic segments to facilitate the decision-making process in relation to the allocation of resources and the evaluation of results. The segment results are assessed based on their operating result, which is determined in the same way as the operating result in the consolidated financial statements.

The funding of the Group, including finance income and costs as well as income tax, is managed at group level and is not allocated to the operating segments.

Current income tax, deferred income tax and certain financial assets and liabilities are also not allocated to the segments since these items are managed at group level.

Transfer prices for transactions and services between the operating segments are set at arm's length basis.

Revenue in the USA amounted to 24% (2014/2015: 22%) of total revenue. There are no other significant revenue concentrations in specific countries. The group companies in the identified segments are to a limited extent dependent on certain large customers.

6. PERSONNEL EXPENSES

The total amount of personnel expenses can be specified as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Wages and salaries	14,320	12,815
Social security	1,685	1,650
Pension costs	805	715
Personnel expenses	16,810	15,180

For the 2015/2016 financial year, an accrual for profit sharing of € 1,190 is included (2014/2015: € 1,075). This is included under wages and salaries. The profit-sharing scheme is the same for all employees in the Group and payments depend on the Group's ROI and the operating result of the Division in which the individual employee works.

Unofficial translation

The remuneration of the Executive Management Team and the Supervisory Board is shown in note 26: Related parties. The pension costs relate to defined contribution plans.

Wages and salaries in the 2015/2016 financial year includes € 38 of government grants (2014/2015: € 64). A total of € 155 of the personnel expenses is capitalized (2014/2015: € 170), see also notes 10 and 11.

In the 2015/2016 financial year, the average number of employees was 409 fte (2014/2015: 401 fte).

7. OTHER OPERATING EXPENSES

The main components of the other operating expenses are as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Other personnel expenses	2,274	2,031
Travel and accommodation expenses	1,604	1,527
Maintenance expenses	1,166	1,288
Energy	1,087	1,032
Consulting expenses	1,158	1,081
Materials	861	727
Insurance expenses	512	454
Other costs	2,221	2,072
Other operating expenses	10,883	10,212

The exchange-rate differences recognized in the income statement under Other operating expenses came to € 305 negative in 2015/2016 (2014/2015: € 304 positive).

8. FINANCE INCOME AND EXPENSE

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Finance income	(156)	(87)
Finance expense	289	347
Finance income and expense	133	260

Finance expense do not include any result in relation to the ineffectiveness of cashflow hedges.

Unofficial translation

9. INCOME TAX

The main components of the tax charge in the 2015/2016 financial year are as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Consolidated income statement		
Corporate income tax due this year:		
▪ Current income tax	1,784	1,458
▪ Tax incentive programs, including innovation box	(35)	(105)
▪ Other taxes, including applied withholding tax	112	138
Deferred tax:		
▪ In relation to the existence and reversal of temporary differences	137	122
Income tax recognized in the consolidated income statement	1,998	1,613
Consolidated statement of other comprehensive income		
Deferred tax liability recognized directly in equity during the financial year:		
▪ Net loss from revaluation of cash flow-hedges	19	(10)
▪ Net value decrease on net investment hedge	51	122
Income tax charged directly to other comprehensive income	70	112

The corporate income tax payable is computed on the result before tax, excluding those items exempted from corporate income tax. The difference between this tax calculation and the tax payable is reflected in the receivables or provision for deferred income tax.

The other taxes item of € 112 (2014/2015: € 138) relates to local applied withholding tax on the dividend and royalty payments distributed by the operating companies in Indonesia, Canada and Mexico to the company.

Adjustment to applicable rate of income tax:

	April 1, 2015/March 31, 2016		April 1, 2014/March 31, 2015	
Result before income tax		5,615		5,058
At the rate legally applicable in the Netherlands of 25%	25.0%	1,404	25.0%	1,264
Effect of different tax rates in countries in which the Group operates	5.8%	325	3.9%	195
Adjustment of tax recorded in previous years	0.3%	19	0.3%	18
Expenses not tax-deductible	1.0%	58	2.1%	105
Movement not recorded – temporary differences	2.1%	118	(0.8%)	(38)
Tax incentive programs	(0.6%)	(35)	(1.8%)	(93)
Other differences	1.9%	109	3.2%	162
Effective tax rate	35.6%	1,998	31.9%	1,613

Unofficial translation

10. INTANGIBLE ASSETS

	Development costs	Other	Total
As at March 31, 2014			
Purchase price	1,293	1,658	2,951
Accumulative amortization	(1,008)	(1,640)	(2,648)
Carrying amount	285	18	303
Change in asset value			
Capital expenditures	148	18	166
Carrying amount of disposals	–	–	–
Impairments	–	–	–
Amortization	(93)	(16)	(109)
Exchange-rate differences	–	3	3
Balance	55	5	60
As at March 31, 2015			
Purchase price	1,441	1,683	3,124
Accumulative amortization	(1,101)	(1,660)	(2,761)
Carrying amount	340	23	363
Change in asset value			
Capital expenditures	113	15	128
Carrying amount of disposals	–	–	–
Impairments	–	–	–
Amortization	(102)	(14)	(116)
Exchange-rate differences	–	1	1
Balance	11	2	13
As at March 31, 2016			
Purchase price	1,555	1,696	3,251
Accumulative amortization	(1,204)	(1,671)	(2,875)
Carrying amount	351	25	376

The company's total expenses for research and development were € 1,299 in the financial year (2014/2015: € 1,186). Of this amount, € 113 is capitalized (2014/2015: € 148), while the rest is included under personnel expenses, depreciation, amortization and other operating expenses.

The amortization costs and impairments amounting to € 116 (2014/2015: € 109) are recognized under amortization and impairments in the consolidated income statement.

There were no impairments in the 2015/2016 financial year in relation to the capitalized development costs (2014/2015: € –).

The other intangible assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning. These costs are amortized over their estimated useful life, which does not exceed five years.

Unofficial translation

11. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Other capital assets	Assets under construction	Total
As at March 31, 2014					
Purchase price	20,623	23,354	5,717	388	50,082
Accumulative depreciation	(11,131)	(19,394)	(5,212)	–	(35,737)
Carrying amount	9,492	3,960	505	388	14,345
Change in asset value					
Capital expenditures	–	485	246	376	1,107
Reclassification	350	286	2	(638)	–
Carrying amount of disposals	–	(13)	(9)	–	(22)
Depreciation	(686)	(944)	(219)	–	(1,849)
Exchange-rate differences	1,127	298	121	12	1,558
Balance	791	112	141	(250)	794
As at March 31, 2015					
Purchase price	22,489	24,787	6,183	138	53,597
Accumulative depreciation	(12,206)	(20,715)	(5,537)	–	(38,458)
Carrying amount	10,283	4,072	646	138	15,139
Change in asset value					
Capital expenditures	847	688	258	176	1,969
Carrying amount of disposals	(10)	(6)	(1)	–	(17)
Depreciation	(755)	(983)	(173)	–	(1,911)
Exchange-rate differences	(162)	(48)	(30)	–	(240)
Balance	(80)	(349)	54	176	(199)
As at March 31, 2016					
Purchase price	23,015	25,267	6,307	314	54,903
Accumulative depreciation	(12,812)	(21,544)	(5,607)	–	(39,963)
Carrying amount	10,203	3,723	700	314	14,940

Depreciation is applied to buildings on a straight-line basis over a period of a maximum of 40 years; plant and equipment and other assets over a maximum of 10 years; and fixtures, computers and office furniture and equipment over a maximum of 5 years.

The capital expenditures include € 42 (2014/2015: € 22) of capitalized personnel expenses. No impairments occurred in the 2015/2016 financial year (2014/2015: € –). The Group has provided collateral with a maximum of € 5,743 (2014/2015: € 5,875) in the form of mortgage rights on buildings in the Netherlands, Hungary, and Indonesia.

Unofficial translation

12. DEFERRED INCOME TAX ASSETS AND LIABILITIES

The deferred tax assets and liabilities stated in the balance sheet can be attributed to the following items:

	March 31, 2016		March 31, 2015	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Intangible assets	–	3	–	–
Property, plant and equipment	551	8	43	12
Financial non-current assets	–	–	120	–
Inventories	112	–	137	–
Other receivables	706	–	936	–
Employee benefits	343	–	329	–
Other liabilities	147	27	66	–
Tax loss carry forward	–	–	596	–
Borrowings and long-term liabilities	–	–	–	–
Balance of receivables and liabilities	1,859	38	2,227	12

Deferred income tax resulting from temporary differences between the fiscal and commercial value of assets and liabilities is accounted for the nominal tax rate applicable in the country concerned. Realization of the deferred tax assets depends on the future taxable profits. Based on projections of the estimated taxable results of the relevant parts of the Group, it is considered likely that sufficient taxable profit will be generated in the future for the realization of these deferred tax assets. These projections are partly based on approved budgets.

Change in net deferred tax	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Opening balance	2,215	1,925
Recognized in income statement	(464)	178
Recognized in other comprehensive income	70	112
Deferred tax assets/liabilities	1,821	2,215

As at March 31, 2016, tax loss carry forwards for the amount of € 108 (March 31, 2015: € 115) were not included as long term tax assets.

On March 31, 2016, the tax potentially due on the undistributed profits of the subsidiaries in Canada, China and Indonesia amounts to € 390 (March 31, 2015: € 411).

13. OTHER LONG-TERM RECEIVABLES

The other long-term receivables include a loan granted to Mrs. A.J. Veldhuis in relation to her expatriation. The loan was recorded at amortized cost and repaid in 2015/2016, see also note 26: Related parties.

Unofficial translation

14. INVENTORIES

	March 31, 2016	March 31, 2015
Raw materials	3,827	3,878
Finished goods	4,131	3,894
Inventories	7,958	7,772

The income statement includes an amount of € 35,504 (2014/2015: € 33,321) under the direct selling cost and raw materials for usage of inventory goods.

The inventories on locations in the Netherlands and Hungary for a combined amount of € 3,525 (March 31, 2015: € 3,376) serve as security for the obligations arising from the finance agreements concluded with the bank in the Netherlands.

At March 31, 2016, the provision for obsolete inventory amounts to € 1,010 (March 31, 2015: € 991). Movements in the provision for obsolete inventory are as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Opening balance	(991)	(745)
Plus: Additions to the provision	(20)	(156)
Less: Impairments charged to the provision	29	33
Exchange-rate differences	(28)	(123)
Closing balance	(1,010)	(991)

15. TRADE AND OTHER RECEIVABLES

	March 31, 2016	March 31, 2015
Trade debtors	11,838	13,662
Tax related receivables	63	123
Other receivables and prepaid items	1,296	1,577
Trade and other receivables	13,197	15,362

The aging specification of trade debtors is as follows:

	March 31, 2016	March 31, 2015
Not yet due	9,766	11,623
Overdue 0–30 days	1,812	1,683
Overdue 31–60 days	214	153
Overdue 61 days or more	65	150
Exchange-rate differences	(19)	53
Total	11,838	13,662

Unofficial translation

Trade debtors by currency:

	March 31, 2016	March 31, 2015
Euro	6,282	6,200
US dollar	3,795	5,014
British pound	929	770
Other currencies	832	1,678
Total	11,838	13,662

Trade and other receivables with less than one year to maturity are recognized initially at fair value and subsequently at amortized cost. A provision for doubtful debts is established when it is foreseen that a receivable cannot be collected in full.

Additions to the provision for doubtful debts are included in the income statement under other operating expenses.

Movements in the provision for doubtful debts are as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Opening balance	(78)	(132)
Less: Releases from or additions to the provision	(10)	46
Less: Write-off of trade debtors	4	18
Exchange-rate differences	6	(10)
Closing balance	(78)	(78)

The trade debtors held by the entity in the Netherlands in an amount of € 6,643 (March 31, 2015: € 7,352) serve as security for the obligations arising from the finance agreements concluded with the bank in the Netherlands.

16. CASH AND CASH EQUIVALENTS

	March 31, 2016	March 31, 2015
Bank balances	6,784	5,292
Cash balances	7	13
Cash and cash equivalents	6,791	5,305
-/- Credit institutions	–	–
Cash in cash-flow statement	6,791	5,305

The cash and cash equivalents are at the free disposal of the company.

The credit risk on cash and cash equivalents is limited, since the counterparties are generally banks with high credit ratings as assigned by international credit rating agencies.

Unofficial translation

17. SHARE CAPITAL

ISSUED SHARE CAPITAL

The registered capital of Holland Colours NV is € 6,810 divided in 3,000,000 ordinary shares at a face value of € 2.27 per share. Of this registered total, an amount of 860,351 shares are issued and fully paid up. The total issued share capital is € 1,953. There were no changes to the issued capital in either the 2015/2016 or the 2014/2015 financial year.

SHARE PREMIUM RESERVE

The share premium reserve of € 1,219 is available for distribution to shareholders and is unchanged relative to the last financial year.

18. NAMED RESERVES

	Foreign currency translation reserve	Net investment reserve	Cash-flow reserve	Reserve for intangible assets	Total
As at March 31, 2014	(2,668)	(40)	(151)	285	(2,574)
Cash-flow hedge, net of tax	–	–	32	–	32
Movements in net investment reserve	–	(367)	–	–	(367)
Currency translation differences	3,669	–	–	–	3,669
Added to (withdrawn from) free reserves	–	–	–	58	58
As at March 31, 2015	1,001	(407)	(119)	343	818
Cash-flow hedge, net of tax	–	–	56	–	56
Movements in net investment reserve	–	54	–	–	54
Currency translation differences	(656)	–	–	–	(656)
Added to (withdrawn from) free reserves	–	–	–	8	8
As at March 31, 2016	345	(353)	(63)	351	280

FOREIGN CURRENCY TRANSLATION RESERVE

The currency translation reserve relates to all exchange-rate differences that originate from the translation of the financial statements of the subsidiaries with a functional currency other than the euro. These translation results are directly allocated to equity via other comprehensive income. This practice was initiated on April 1, 2004, in accordance with the exception allowed in IFRS 1.

NET INVESTMENT RESERVE

Hedge accounting is applied to the net investment hedge. Results thereof are included in other comprehensive income until the net investment is sold. At that time, the results are recognized in the income statement. The net investment reserve is reduced by deferred taxes. With the repayment of the USD 2.5 million loan per March 2016 the net investment hedge position that was in place was ended.

CASH-FLOW RESERVE

The Group applies hedge accounting to interest-rate contracts. The cash-flow reserve comprises the effective part of the changes in value of the financial instruments for which cash-flow hedge accounting is applied. It is recognized in comprehensive income and reduced by deferred taxes.

RESERVE FOR INTANGIBLE ASSETS

A statutory reserve for development costs is formed in the company financial statements, although not specifically required under IFRS. This statutory reserve is formed within equity, to maintain alignment with equity in the company financial statements.

Unofficial translation

The above-mentioned reserves may not be distributed freely to shareholders. Negative amounts reduce the amount available for distribution and positive amounts are non-distributable.

19. EARNINGS PER SHARE

Earnings per share allocated to shareholders (ordinary and diluted) in the 2015/2016 financial year amounted to € 4.23 (2014/2015: € 4.02). The calculation of the earnings per share at March 31, 2016 is based on the net result attributable to shareholders of € 3,643 (2014/2015: € 3,462), and the average number of shares issued in the 2015/2016 financial year of 860,351. The total number of issued shares did not change relative to March 31, 2015.

20. NON-CONTROLLING INTEREST

This relates to a non-controlling interest of 15% in the net asset value at March 31, 2016 of PT Holco Indo Jaya.

21. LONG-TERM DEBT

The analysis of the long-term debt is as follows:

	March 31, 2016	March 31, 2015
Non-current		
Bank loans	875	1,125
Current		
Bank balances	–	–
Repayment obligations on bank loans	250	2,556
Total current	250	2,556
Total borrowings and long-term liabilities	1,125	3,681

In addition to the interest-bearing loans issued, the Group has access to current account credit facilities as at balance-sheet date of € 8,351 (March 31, 2015: € 8,398). These facilities are provided by various international and local banks and have no expiration date. At balance sheet date, € – (March 31, 2015: € –) of the credit facilities was drawn down. See also notes 11, 14 and 15.

The total repayments of the Group in 2015/2016 amounts to € 2,484 (2014/2015: € 250).

The bank agreements and collateral provided in relation to the Group's financing agreement have not changed since March 31, 2015.

An important ratio in the bank covenants is the ratio between debts to credit providers and the 12-month development of the operating result of the company before interest, tax, depreciation and amortization, known as the Total Debt/EBITDA ratio. This ratio may not exceed 3.0 at any time. Holland Colours complied with this agreement at all times during the 2015/2016 financial year. This ratio was at 0.1 (March 31, 2015: 0.5) at the end of the 2015/2016 financial year, meaning that a key condition agreed with the banks was met.

The other covenants agreed with the banks relate to the Tangible Net Worth ratio, which must be at least 40%, and the Debt Service Cover ratio, which must be higher than or equal to 1.0. Holland Colours also complied with these financial covenants in the 2015/2016 financial year. On March 31, 2016 these ratios were at 69.3% and 19.9 respectively (March 31, 2015: 64.0% and 1.9).

The interest margin on the current account credit facility in the Netherlands depends on the Total Debt/EBITDA ratio. The Group has provided collateral with a maximum of € 5,743 (March 31, 2015: € 5,875) in the form of mortgage rights on real estate in the Netherlands, Hungary, and Indonesia. The trade debtors and inventories of the entities in the Netherlands and Hungary also serve as security for the obligations arising from the finance agreements concluded with the banks. See also notes 14 and 15.

Unofficial translation

The remaining term to maturity of the long-term loans can be classified as follows:

	March 31, 2016	March 31, 2015
1 year or less	250	2,556
Between 1 and 2 years	250	250
Between 1 and 5 years	625	750
Longer than 5 years	–	125
Total	1,125	3,681

At March 31, 2016, the repayment obligations due within one year of € 250 (March 31, 2015: € 2,556) on interest-bearing loans were accounted for under current liabilities.

The long-term loans are subject to interest changes and contractual interest revisions as follows:

	March 31, 2016	March 31, 2015
6 months or less	1,125	3,681
Between 6 and 12 months	–	–
Between 1 and 5 years	–	–
Longer than 5 years	–	–
Total	1,125	3,681

The majority of the long-term loans are at a variable interest rate. The risk associated with this variability is hedged by means of an interest rate swap, see also note 23: Derivative financial instruments. The weighted average interest rate on the interest-bearing loans and borrowings was 3.6%, compared to 5.1% in the 2014/2015 financial year.

The effective interest rates at balance sheet date were as follows:

Interest rate in %	March 31, 2016		March 31, 2015	
	EUR	USD	EUR	USD
Loans from credit institutions	4.65%	3.01%	4.70%	5.40%

The carrying amounts and fair values of the non-current liabilities are as follows:

	March 31, 2016		March 31, 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Bank loans	1,125	1,162	3,681	3,830

Unofficial translation

The fair values are based on future cash flows, discounted at a loan interest rate of 2.6% (March 31, 2015: 1.3%). The carrying amounts of the short-term loans are essentially the same as the fair values.

The carrying amounts of the long-term debt are in the following currencies:

	March 31, 2016	March 31, 2015
Euro	1,125	1,375
US dollar	–	2,306
Total	1,125	3,681

22. EMPLOYEE BENEFIT OBLIGATIONS

PRE-PENSION SCHEME IN THE NETHERLANDS

The pre-pension scheme in the Netherlands relates to the obligation to issue a conditional annual payment.

As explained in note 2, the originally agreed conditional financing of past service years in the pre-pension scheme has been converted into an equivalent annual payment, which is also conditional. At March 31, 2016, the resulting liability amounts to € 609. On March 31, 2015, the liability was € 789.

During the 2014/2015 financial year, it was decided to convert the provision for conditional indexation of the former final salary plan into a two-year extension of the already existing pre-pension scheme, thus enabling internal settlement. Consequently, the other employee provisions have been reclassified to the Dutch pre-pension scheme.

LEGAL LIABILITY ON TERMINATION OF EMPLOYMENT INDONESIA

This mainly relates to the legal liability for the pay out in the event of termination of employment of Indonesian personnel. As of reporting date the primary actuarial assumptions are:

	March 31, 2016	March 31, 2015
Discount rate	8.5%	7.7%
Expected return fund capital expenditures	8.5%	7.7%
Future salary increases	7.5%	8.0%
Average remaining period of employment	13.7	16.1

Assumptions relating to future mortality rates are based on published statistical data and mortality tables. The mortality table used is the TMI 2011 (2014/2015: TMI 2011) table with a correction factor varying per age and gender. The total expected long-term Return on Investment amounts to 8.5% (March 31, 2015: 7.7%).

OTHER EMPLOYEE BENEFITS

The Other employee benefits item also includes a provision for future jubilee payments of € 233 (March 31, 2015: € 232) and other future payments of € 170 (March 31, 2015: € 97).

Unofficial translation

Movements in the employee benefit obligations were as follows:

	Pre-pension scheme in the Netherlands	Statutory termination of employment scheme Indonesia*	Other employee benefits	Total
As at March 31, 2014	624	168	470	1,262
Reclassification	208	–	(208)	–
Additions	39	329	8	376
Withdrawals/Releases	(82)	(64)	(18)	(164)
Exchange-rate differences	–	6	77	83
As at March 31, 2015	789	439	329	1,557
Additions	–	9	107	116
Withdrawals/Releases	(180)	–	(27)	(207)
Exchange-rate differences	–	(14)	(6)	(20)
As at March 31, 2016	609	434	403	1,446

* The addition of the statutory termination of the employment scheme in Indonesia has been processed in the overview of comprehensive income was € 6 (2014/2015: € 270).

Of this total, the following amounts have been accounted for under current liabilities:

	Pre-pension scheme in the Netherlands	Statutory termination of employment scheme Indonesia	Other employee benefits	Total
As at March 31, 2016	76	–	180	256
As at March 31, 2015	103	–	37	140

23. DERIVATIVE FINANCIAL INSTRUMENTS

The Group has concluded derivative financial instruments with the bank in the Netherlands. These derivatives, valued using valuation methods based on observable market variables, are mainly interest-rate swaps. The most commonly used valuation methods include forward price and swap models based on discounted cash flow calculations. Various variables are used for these models, such as the credit rating of contract party, cash and forward prices of foreign currencies and interest-rate curves.

The Group held the following financial instruments measured at fair value at March 31, 2016.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: Valuation techniques whereby the lowest level input as significant for valuation at fair value, is directly or indirectly observable;
- Level 3: Valuation techniques whereby the lowest level input, which is significant for valuation at fair value, is not observable.

Unofficial translation

March 31, 2016	Liabilities	Level 1	Level 2	Level 3
Liabilities included at fair value				
Interest-rate swaps – cash-flow hedges	79	–	79	–

March 31, 2015	Liabilities	Level 1	Level 2	Level 3
Liabilities included at fair value				
Interest-rate swaps – cash-flow hedges	154	–	154	–

Regarding the financial instruments in level 2, of the decrease of € 75 in the 2015/2016 financial year (2014/2015: € 42), € 56 is recognized in the statement of other comprehensive income (2014/2015: € 42). There were no transfers during the 2015/2016 financial year between valuations at fair value in levels 1 and 2, nor transfers to and from valuations at fair value in level 3.

The total fair value of derivative financial instruments used for hedging is included under non-current liabilities.

The notional principal amounts of the outstanding loans to which these derivatives relate at March 31, 2016 are € 1,125 (March 31, 2015: € 3,681). At March 31, 2016, the fixed interest rate was 4.6% (March 31, 2015: 4.6% to 5.3%); the main variable interest rate is Euribor.

As at March 31, 2016, a sum of € - (2014/2015: € –) was recorded in relation to the ineffectiveness of cash-flow hedges.

24. TRADE AND OTHER PAYABLES

	March 31, 2016	March 31, 2015
Trade creditors	6,429	6,163
Payables regarding other taxes	628	569
Other liabilities and accruals	3,394	3,302
Trade and other payables	10,451	10,034

The other tax payables mainly relates to sales tax.

For PT Holco Indo Jaya, the entity established in Indonesia in the 2012/2013 financial year, the Dutch government granted a subsidy on the basis of the Private Sector Investment (PSI) program. In the current phase of development of PT Holco Indo Jaya as of March 31, 2016, it is not possible to make an accurate estimate as to whether the proposed subsidy conditions will be met. The Board of Management does not consider it the right moment to include the PSI subsidy in the income statement. An advanced subsidy payment of € 377 (March 31, 2015: € 377) received in 2013/2014 is therefore included under Other liabilities and accruals.

The trade and other payables item also includes profit share to be paid to employees of € 1,275 (March 31, 2015: € 1,075).

Unofficial translation

OTHER DISCLOSURES

25. COMMITMENTS AND CONTINGENCIES

CAPITAL COMMITMENTS

The Group had entered into capital commitments regarding property, plant and equipment as at balance sheet date of € 213 (March 31, 2015: € 39).

PURCHASE CONTRACTS

The total commitment resulting from raw material purchase contracts was € 3,536 (March 31, 2015: € 2,735).

LEASE AND RENTAL OBLIGATIONS

At balance sheet date the Group had outstanding commitments regarding leases and rentals, which can be classified as follows:

	March 31, 2016	March 31, 2015
Less than 1 year	492	424
Between 1 and 5 years	558	477
Longer than 5 years	28	–
Total	1,078	901

The Group rents buildings, vehicles and office equipment which can be classified as operational leases. The building leases have a maximum term of five years.
The total costs of lease as included in the income statement is € 404 (2014/2015: € 429).

26. RELATED PARTIES

IDENTITY OF RELATED PARTIES

The related parties can be divided into the relations between the Group and its subsidiary companies, the members of the Board of Management and Supervisory Board and the holding company Holland Pigments BV.

REMUNERATION OF KEY OFFICERS OF THE GROUP

The key officers are the members of the Group's Executive Management Team.

REMUNERATION POLICY

The remuneration policy for the Statutory Board, which consists of the Chief Executive Officer and the Chief Financial Officer, is set by the Supervisory Board. A separate remuneration committee will be formed at the start of the 2016/2017 financial year. Holland Colours strives for a remuneration that is in line with the market for a company of its size, and in proportion to its overall salary structure. The remuneration package consists of a fixed element and a variable element. Fixed salaries are adjusted annually in line with inflation.

The variable payment for the Statutory Board consists of a bonus scheme based on achieving financial and non-financial targets. For the Chief Executive Officer, the bonus is up to three times the monthly salary in the event that 100% of the targets are achieved. For the Chief Financial Officer, the bonus is up to twice the monthly salary in the event that 100% of the targets are achieved. The Statutory Board also participates in the profit-sharing scheme, under which Holland Colours pays up to 1.5 months salary. For the Statutory Board, the profit-sharing scheme depends on the ROI realized by Holland Colours. 75% of this part of the bonus is paid in Holland Pigments shares.

Unofficial translation

For the Statutory Director who stepped down on January 1, 2016, part of the variable element also consisted of a profit-sharing scheme (up to 1.5 times the monthly salary) for which 50% depended on the ROI realized by Holland Colours NV and 50% on the operating result of the Director's own division, in this case the Americas. 75% of this payment was also made in Holland Pigments shares. Moreover, a bonus scheme was in place for this (former) Statutory Director of the Group that only applied if profit-share was applicable to all Group employees in that same year. This element was capped at twice the monthly salary and calculated as follows:

▪ Revenue growth 8-12%	two-thirds of monthly salary
▪ ROI >15%	two-thirds of monthly salary
▪ Growth of net earnings per share more than proportionate to revenue growth	two-thirds of monthly salary

Based on the results for the 2015/2016 financial year the Statutory Board will receive such a payment. This bonus was also paid to the Statutory Board for the 2014/2015 financial year.

There is no option plan.

The contracts with the Chief Executive Officer and the Chief Financial Officer state a term of appointment of four years and a severance payment which is in accordance with the recommendations of the Dutch Corporate Governance Code.

The remuneration of the Statutory Board Members and other members of the Executive Management Team and the Supervisory Board as charged to the result can be specified as follows:

Statutory Board Members

	R. Harmsen		A.J. Veldhuis-Hagedoorn*		M.G. Kleinsman**		Other members of the Executive Team***	
	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015	2015/2016	2014/2015
Fixed salary	299	292	222	235	146	–	497	528
Pension expenses	75	75	36	51	20	–	121	121
Variable element	64	32	33	32	25	–	63	53
Non-recurring payment	–	–	256	–	–	–	24	40
Total	438	399	547	318	191	–	705	742

* Mrs A.J. Veldhuis-Hagedoorn stepped down as Statutory Director on January 1, 2016. The interest-free loan of 250 US dollars provided to her in 1999 was repaid in full during the financial year. An end of contract payment was paid to her on the termination of her contract.

** From July 9, 2015.

*** The other members of the Executive Management Team are: R.P. Karrenbeld, S. Kho-Pangkey, M.M. Kok (until December 31, 2014), M.G. Kleinsman (from November 1, 2014 to 9 July 2015), J. Leugs (from November 1, 2014) and J. A. Gómez (from January 1, 2016).

Transactions with key officers

No transactions with key officers took place during the financial year.

Other interests of members of the Board of Management

No transactions were effectuated during the financial year with parties in which any of the Supervisory Board Members, Members of the Board of Management or their partners have an interest.

Unofficial translation

Supervisory Board

The General Meeting of Shareholders determines the remuneration of the Supervisory Board Members. The fixed remuneration is intended to be in line with the market given the size of the company.

	2015/2016	2014/2015
R. Zoomers	32	–
C.G. van Luijk	–	10
A. R. Doornbos	26	–
J.W. de Heer	38	26
M.G.R. Kemper	26	26
J.D. Kleyn	26	26
Total	148	88

Holland Pigments BV

As at March 31, 2016 the holding company Holland Pigments BV, in which among others all 419 employees of Holland Colours participate, owned 50.01% of the shares in Holland Colours NV. At balance sheet date Holland Pigments held 430,286 (March 31, 2015: 430,274) shares in Holland Colours NV.

The costs incurred by Holland Pigments BV in connection with the maintenance and administration of the employee participation are partly reimbursed by Holland Colours NV to Holland Pigments BV. € 88 was accordingly paid to Holland Pigments BV in the 2015/2016 financial year (2014/2015: € 83). On March 31, 2016, the Group was in a payable position of € 7 with Holland Pigments BV (March 31, 2015: € 15 receivable). Receivables from and payables to Holland Pigments BV are not covered by commercial collateral, are non interest-bearing and are settled in cash.

27. OTHER DISCLOSURES

PROFIT-SHARING SCHEME

Holland Colours Group operates a profit-sharing scheme for its employees. The scheme is the same for all Group employees and may, depending on the ROI and operating result of the Division, result in a payment of up to 1.5 months salary. Depending on the position of the individual employee, 25% to 75% of this payment is made in Holland Pigments BV shares.

A profit-sharing payment will be made to the employees on the basis of the results in the 2015/2016 financial year. The costs of this for Holland Colours are equal to the amount of the profit-sharing scheme, part of which will be paid in Holland Pigments BV shares. Settlement to the employees will take place after the 2015/2016 financial statements have been prepared and approved, through conversion into Holland Pigments BV shares. The conversion will be made by paying the position-related percentage of the profit sharing amount to Holland Pigments BV. Shares in Holland Pigments BV will subsequently be purchased for the employee at the last calculated price of Holland Pigments BV shares. The remainder of the profit-sharing payment will be paid in cash to the employees by Holland Colours NV after the relevant statutory deductions.

The value of the interest held by Holland Pigments BV in Holland Colours NV can be specified as follows:

	2015/2016	2014/2015
Number of shares in Holland Colours NV held by Holland Pigments BV		
Situation at April 1	430,274	430,263
Purchased by Holland Pigments BV	12	11
Situation at March 31	430,286	430,274
In EUR		
Share price of Holland Colours NV at balance sheet date	46.00	45.29
Value	19,793,156	19,487,109

Unofficial translation

Employees and former employees of the Holland Colours Group hold 22.07% (March 31, 2015: 20.09%) of the shares in Holland Pigments BV and the indirect share of the employees and former employees in Holland Colours NV after conversion amounts to 11.03% (March 31, 2015: 10.05%). Employees and former employees can buy and sell shares of Holland Pigments BV at a value per share calculated using a formula agreed by Holland Pigments shareholders.

EVENTS AFTER THE REPORTING PERIOD

No events took place after the reporting period that could materially affect the financial statements.

EMPLOYEE NUMBERS

During the 2015/2016 financial year, the company employed an average of 409 fte (2014/2015: 401 fte). Of these, 138 fte (2014/2015: 132 fte) work in the Netherlands.

Apeldoorn, May 26, 2016

Supervisory Board
R. Zoomers
J.W. de Heer
A.R. Doornbos
M.G.R. Kemper
J.D. Kleyn

Statutory Board
R. Harmsen
M.G. Kleinsman

Unofficial translation

COMPANY

INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016

In thousands of euros	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Net result from subsidiaries	4,269	3,546
Other income and expense after tax	(626)	(84)
Net result	3,643	3,462

Unofficial translation

COMPANY

BALANCE SHEET

FOR THE FINANCIAL YEAR ENDED MARCH 31, 2016 BEFORE PROPOSED PROFIT APPROPRIATION

In thousands of euros	Note	March 31, 2016	March 31, 2015
Non-current assets			
Intangible assets	31	351	343
Property, plant and equipment	32	1,552	1,696
Financial non-current assets	33	26,414	26,702
		28,317	28,741
Current assets			
Receivables from group companies		4,380	5,904
Other receivables and prepayments		264	277
Income tax receivables		–	–
Cash and cash equivalents		1,994	1,814
		6,638	7,995
Total assets		34,955	36,736
Equity			
Share capital	34	1,953	1,953
Share premium reserve	34	1,219	1,219
Statutory reserves	34	280	818
Retained earnings		3,643	3,462
Named reserves	34	24,946	23,207
		32,041	30,659
Provisions			
Employee benefit obligations	36	153	348
Long-term debt			
Long-term debt	35	875	1,125
Deferred tax liabilities		–	36
Derivative financial instruments	37	79	154
		954	1,315
Current liabilities			
Credit institutions		–	–
Repayment obligations for long-term debt	35	250	2,556
Payables to group companies		356	926
Other liabilities and accrued income		1,201	932
		1,807	4,414
Total equity and liabilities		34,955	36,736

Unofficial translation

NOTES TO THE COMPANY FINANCIAL STATEMENTS

28. GENERAL INFORMATION

The company financial statements are part of the financial statements of Holland Colours NV and are prepared in accordance with the legal requirements of Title 9, Book 2 of the Dutch Civil Code. Use is thereby made of the possibility given in article 2:362 paragraph 8 of the Dutch Civil Code to apply the same accounting policies to the company financial statements as those used in the consolidated financial statements, with the exception of accounting standards relating to participation in group companies. Investments in consolidated subsidiaries are measured at net asset value.

The 2015/2016 company financial statements have been presented to the Supervisory Board to be approved for publication on May 26, 2016. The financial statements will be presented to the General Meeting of Shareholders for adoption on July 7, 2016.

Under article 402 of Title 2, Book 2 of the Dutch Civil Code, it suffices for the company income statement to state the 'Net result from subsidiaries', and the 'Other income and expenses after taxation'. The latter item represents the balance of income and expenses of Holland Colours NV.

29. SUMMARY OF ACCOUNTING PRINCIPLES

The accounting policies used for the company financial statements are the same as those used for the consolidated financial statements. Unless other standards are stated, the reader is referred to the standards stated in the consolidated financial statements.

30. SUBSIDIARIES

INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries and other companies over which the company has controlling interest or exercises central management, are measured at net asset value. The net asset value is based on the measuring of assets, provisions and liabilities and determination of net profit in accordance with the accounting policies used in the consolidated financial statements.

Unofficial translation

31. INTANGIBLE ASSETS

	Development costs	Other	Total
Situation at March 31, 2014			
Purchase price	1,293	1,291	2,584
Accumulative amortization	(1,008)	(1,282)	(2,290)
Carrying amount	285	9	294
Change in asset value			
Capital expenditures	148	–	148
Carrying amount of disposals	–	–	–
Impairments	–	–	–
Amortization	(93)	(6)	(99)
Balance	55	(6)	49
As at March 31, 2015			
Purchase price	1,441	1,291	2,732
Accumulative amortization	(1,101)	(1,288)	(2,389)
Carrying amount	340	3	343
Change in asset value			
Capital expenditures	113	–	113
Carrying amount of disposals	–	–	–
Impairments	–	–	–
Amortization	(102)	(3)	(105)
Balance	11	(3)	8
As at March 31, 2016			
Purchase price	1,554	1,291	2,845
Accumulative amortization	(1,203)	(1,291)	(2,494)
Carrying amount	351	–	351

The company's total expenses for research and development were € 998 in the financial year (2014/2015: € 1,006). Of this amount € 113 (2014/2015: € 148) is capitalized, whereas the remainder is reported under Other income and expenses after tax in the company financial statements.

The cost of amortization and impairments of € 105 (2014/2015: € 99) are included in the Other income and expenses after tax in the company financial statements.

There were no impairments in the 2015/2016 financial year in relation to the capitalized development costs (2014/2015: € –).

The other intangible assets consist of the costs of computer software and licenses, as well as the external costs related to their implementation and commissioning. The costs are amortized over the estimated useful life of the assets, which is five years.

Unofficial translation

32. PROPERTY, PLANT AND EQUIPMENT

	Land and Buildings	Machinery and equipment	Other capital assets	Assets under construction	Total
As at March 31, 2014					
Purchase price	3,768	1,492	346	31	5,637
Accumulative depreciation	(2,409)	(1,059)	(320)	–	(3,788)
Carrying amount	1,359	433	26	31	1,849
Change in asset value					
Capital expenditures	34	59	28	(20)	101
Carrying amount of disposals	–	–	–	–	–
Impairments	–	–	–	–	–
Depreciation	(139)	(106)	(8)	(1)	(254)
Balance	(105)	(47)	20	(21)	(153)
As at March 31, 2015					
Purchase price	3,802	1,551	374	11	5,738
Accumulative depreciation	(2,548)	(1,165)	(328)	(1)	(4,042)
Carrying amount	1,254	386	46	10	1,696
Change in asset value					
Capital expenditures	–	–	–	110	110
Carrying amount of disposals	(60)	61	9	(10)	–
Impairments	–	–	–	–	–
Depreciation	(139)	(103)	(12)	–	(254)
Balance	(199)	(42)	(3)	100	(144)
As at March 31, 2016					
Purchase price	3,802	1,551	374	121	5,848
Accumulative depreciation	(2,747)	(1,207)	(331)	(11)	(4,296)
Carrying amount	1,055	344	43	110	1,552

Buildings are depreciated on a straight-line basis over a period of 33 years; plant, equipment and other assets over 10 years; and fixtures, computers and office furniture and equipment over a maximum of 5 years. Depreciation of € 262 (2014/2015: € 254) is reported under the Other income and expenses after tax in the company financial statements.

No impairments occurred in the 2015/2016 financial year (2014/2015: –).

33. FINANCIAL NON-CURRENT ASSETS

The financial non-current assets can be specified as follows:

	March 31, 2016	March 31, 2015
Investments in subsidiaries	25,298	24,915
Other financial assets and deferred tax assets	1,116	1,787
Financial non-current assets	26,414	26,702

Unofficial translation

Movements in the investments in subsidiaries were as follows:

	April 1, 2015/ March 31, 2016	April 1, 2014/ March 31, 2015
Opening balance	24,915	20,432
Movements:		
▪ Capital payments to subsidiaries	–	–
▪ Result from subsidiaries	4,269	3,546
▪ Change in equity	6	(204)
▪ Dividends declared	(3,236)	(2,479)
▪ Repayment of capital	–	(60)
▪ Exchange rate differences	(656)	3,680
Closing balance	25,298	24,915

The movements in the other financial assets and deferred tax assets can be specified as follows:

	Deferred tax assets	Other long-term receivables	Total
As at March 31, 2014	1,594	182	1,776
Additions	116	–	116
Withdrawals	(154)	–	(154)
Currency translation differences	–	49	49
As at March 31, 2015	1,556	231	1,787
Additions	–	–	–
Withdrawals	(440)	(231)	(671)
Currency translation differences	–	–	–
As at March 31, 2016	1,116	–	1,116

34. EQUITY

For a clarification on the share capital and share premium, as well as the movement of the foreign currency translation reserve, hedge reserve and named reserves, please refer to notes 17 and 18 of the consolidated balance sheet, as there are no differences between company equity and consolidated equity.

Unofficial translation

35. LONG-TERM DEBT

The total of the Company's long-term debt from credit institutions can be divided as follows:

	March 31, 2016	March 31, 2015
Non-current		
Bank loans	875	1,125
Current		
Bank balances	250	2,556
Repayment obligations	250	2,556
Total current	1,125	3,681

The company has a credit facility in the Netherlands of € 7,000 (March 31, 2015: € 7,000) for which collateral has been provided. See also notes 11, 14 and 15.

The bank covenants and collateral provided in relation to the company's financing agreement have not changed since March 31, 2015.

An important ratio in the bank covenants is the ratio between debts to credit providers and the 12-month development of the operating result of the company before interest, tax, depreciation and amortization, known as the Total Debt/EBITDA ratio. This ratio may not exceed 3.0 at any time. Holland Colours complied with this agreement at all times during the 2015/2016 financial year. This ratio was 0.1 (March 31, 2015: 0.5) at the end of the 2015/2016 financial year, meaning that a key condition agreed with the banks was met.

The other covenants agreed with the banks relate to the Tangible Net Worth ratio, which must be at least 40%, and the Debt Service Cover ratio, which must be higher than or equal to 1.0. Holland Colours also complied with these financial covenants in the 2015/2016 financial year. On March 31, 2016 these ratios were 69.3% and 19.9 respectively (March 31, 2015: 64.0% and 1.9).

The interest margin depends on the Total Debt/EBITDA ratio.

The maturities of the interest-bearing loans and borrowings can be specified as follows:

	March 31, 2016	March 31, 2015
Less than 1 year	250	2,556
Between 1 and 2 years	250	250
Between 2 and 5 years	625	750
Longer than 5 years	–	125
Total	1,125	3,681

The carrying amounts and fair values of the non-current liabilities are as follows:

	March 31, 2016		March 31, 2015	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Bank loans	1,125	1,162	3,681	3,830

Unofficial translation

The carrying amounts of the non-current liabilities are in the following currencies:

	March 31, 2016	March 31, 2015
Euro	1,125	1,375
US dollar	–	2,306
Total	1,125	3,681

The fair values are based on future cash flows, discounted at a loan interest rate of 2.6% (March 31, 2015: 1.3%). The carrying amounts of the short-term loans do not differ materially from the fair values.

36. EMPLOYEE BENEFIT OBLIGATIONS

This employee benefits provision relates to the obligation to issue a conditional annual payment.

The liabilities regarding employee benefits also include the item Other employee benefits, which relates to a provision for future jubilee payments of € 6 (March 31, 2015: € 28) and other future payments of € – (March 31, 2015: € 52).

During the previous financial year, it was decided to convert the provision for conditional indexation of the former Defined Benefit (final salary) scheme into a two-year extension of the already existing pre-pension scheme. This means it can be settled internally. Consequently, a reclassification took place of other employee provisions to the Dutch pre-pension scheme in 2014/2015.

Movements in the employee benefit obligations were as follows:

	Pre-pension scheme in the Netherlands	Other employee benefits	Total
As at March 31, 2014	131	238	369
Reclassification	208	(208)	–
Additions	94	4	98
Withdrawals	(48)	(6)	(54)
As at March 31, 2015	385	28	413
Additions	–	–	–
Withdrawals	(215)	(22)	(237)
As at March 31, 2016	170	6	176

The following amounts have been accounted for as current under other liabilities and deferred charges:

	Pre-pension scheme in the Netherlands	Other employee benefits	Total
As at March 31, 2016	23	–	23
As at March 31, 2015	52	13	65

Unofficial translation

37. DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2016		March 31, 2015	
	ASSETS	LIABILITIES	ASSETS	LIABILITIES
Interest-rate swaps – cash-flow hedges	–	79	–	154

The total fair value of derivative financial instruments used for hedging is included under non-current liabilities.

The notional principal amount of the outstanding interest-rate swap contracts at March 31, 2016 are € 1,125 (March 31, 2015: € 3,681). At March 31, 2016, the fixed interest rate was 4.6% (March 31, 2015: 4.6% to 5.3%); the main variable rate is Euribor.

38. EMPLOYEES

The average number of employees in the company in the 2015/2016 financial year was 20 fte (2014/2015: 19 fte). For an explanation of the remuneration of management, please refer to note 26 Affiliated Parties of the consolidated financial statements.

39. AUDIT FEES

In the 2015/2016 financial year, the following audit fees were charged to the income statement in accordance with article 382a Title 9 Book 2 of the Dutch Civil Code.

PWC	2015/2016	2014/2015
Audit of the financial statements	206	176
Other non-audit services	–	47
Audit fees	206	223

The total costs of PricewaterhouseCoopers Accountants NV amount to € 121 (previous year: € 92).

40. OTHER INFORMATION

LEASE AND RENTAL OBLIGATIONS

At balance sheet date the company had outstanding commitments regarding leases and rents, which can be classified as follows:

	March 31, 2016	March 31, 2015
Less than 1 year	80	80
Between 1 and 5 years	81	109
Longer than 5 years	–	–
Lease and rental obligations	161	189

The Group rents vehicles and office equipment which are classified as leases. The terms of the lease contracts are generally up to five years.

The total costs of lease agreements as included in the income statement is € 88 (2014/2015: € 117).

Unofficial translation

EVENTS AFTER THE REPORTING PERIOD

No events took place after the reporting period that could materially affect the financial statements.

WRITTEN GUARANTEE

Holland Colours NV has given a guarantee for its subsidiary Holland Colours Europe BV in accordance with article 403, Title 9, Book 2 of the Dutch Civil Code, and according to Section 479A of the Companies Act on behalf of its subsidiary Holland Colours UK Ltd.

Holland Colours NV has not issued any other written guarantee as security for the payment obligations of foreign companies.

OTHER INFORMATION

The company forms a fiscal unity together with Holland Colours Europe BV with regard to income tax and sales tax. Both the company and its subsidiary are jointly and severally liable for tax payable by all companies that are part of the fiscal unity.

Apeldoorn, May 26, 2016

Supervisory Board
R. Zoomers
J.W. de Heer
A.R. Doornbos
M.G.R. Kemper
J.D. Kleyn

Statutory Board
R. Harmsen
M.G. Kleinsman

Unofficial translation

OTHER INFORMATION

STATUTORY PROVISIONS REGARDING THE APPROPRIATION OF PROFITS

REGARDING THE APPROPRIATION OF PROFITS, THE FOLLOWING IS DETERMINED IN THE ARTICLES OF ASSOCIATION:

ARTICLE 21:

1. From the profit established in the approved financial statements, reserves are formed as determined by the Statutory Board with the approval of the Supervisory Board.
2. The profit remaining after the transfer to the reserves and distribution as stated in paragraph 1 is at the disposal of the General Meeting of Shareholders, with due regard to the provisions of Article 105, Book 2 of the Dutch Civil Code.
3. The Statutory Board, with the approval of the Supervisory Board, is authorized to decide on the distribution of an interim dividend with due regard to the provisions of Article 105 Book 2 of the Dutch Civil Code.
4. The dividend will be made payable within one month after it has been set, in the manner and at the place determined by the Statutory Board.
5. Claims for profit distribution expire after a period of five years from the date on which the dividend was made payable.
6. A decision regarding the disposal of any reserve may be taken by the General Meeting of Shareholders with due regard to the legal and statutory provisions.

PROPOSAL FOR THE APPROPRIATION OF PROFIT

With due regard to Article 21 of the Articles of Association, it is proposed to distribute the profit as follows:

- A cash dividend of € 2.15 per share of € 2.27, which amounts to € 1,850 in total
- Transfer to the other reserves: € 1,793.

The proposal for appropriation of profit has not been included in the balance sheet.

INDEPENDENT AUDITOR'S REPORT

To: the general meeting and Supervisory Board of Holland Colours NV

REPORT ON THE FINANCIAL STATEMENTS 2015/2016

Our opinion

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of Holland Colours NV as at March 31, 2016 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of Holland Colours NV as at March 31, 2016 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015/2016 of Holland Colours NV, Apeldoorn ('the company'). The financial statements include the consolidated financial statements of Holland Colours NV and its subsidiaries (together: 'the Group') and the company financial statements.

The consolidated financial statements comprise:

- the consolidated balance sheet as at March 31, 2016;
- the following statements for 2015/2016: the consolidated income statement and the consolidated statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising a summary of significant accounting policies and other explanatory information.

Unofficial translation

The company financial statements comprise:

- the company balance sheet as at March 31, 2016;
- the company income statement for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

We are independent of Holland Colours NV in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Our audit approach

Overview and context

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Board of Management made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

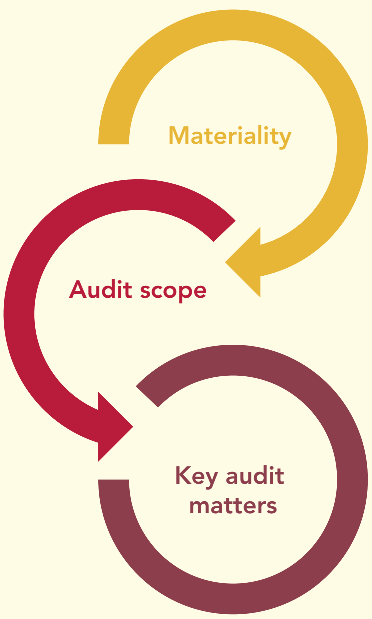
As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Board of Management that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences which are needed for the audit of a production company. We therefore included specialists in the areas of IT and taxes in our team.

Materiality

The scope of our audit is influenced by the application of materiality which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements on our opinion.



Materiality

Materiality: € 450.000 which represents the average of 5% of profit before tax and 1% of net revenues.

Audit scope

We conducted audit work in the Netherlands, Indonesia, the United States of America and Hungary. Besides the Netherlands we conducted a site visit to the location in Indonesia.

Key audit matters

- Revenue recognition
- Valuation of inventory

Unofficial translation

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	€ 450,000 (2014/2015: € 450,000).
How we determined it	Based on the average of 5% of profit before tax and 1% of net revenues. With respect to net revenues we eliminated the significant exchange rate effects in this context.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. On the one hand, the growth strategy of the company is important, on the other hand profit before tax is leading for paying dividends. On this basis we believe that profit before tax as well as the development of net revenues are important metrics for the financial performance of the company.
Component materiality	To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between € 120,000 and € 400,000.

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above € 25,000 (2014/2015: € 25,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Holland Colours NV is the parent company of a group of entities. The financial information of this Group is included in the consolidated financial statements of Holland Colours NV. The group audit specifically focussed on the significant components Holland Colours NV (stand-alone), Holland Colours Europe BV, Holland Colours Americas Inc. and PT Holland Colours Asia. Due to their significance and risk profile within the Group, an audit of the complete set of financial information was performed for these components.
In total, by performing these procedures, we achieved the following coverage on the financial line items:

Net revenues	89%
Total assets	88%
Profit before tax	82%

For the remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

For the components Holland Colours NV and Holland Colours Europe BV we, as the group engagement team, performed the audit work. For the components Holland Colours Americas Inc. and PT Holland Colours Asia, as well as for the stock count procedures relating to the inventory of Holland Colours Europe BV in Hungary, we used component auditors from other PwC network firms.

Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. In this context, the group engagement team visited the location in Indonesia.

The group consolidation, financial statement disclosures and a number of complex items have been audited by the group engagement team at the head office. These include hedge accounting, remuneration and (deferred) tax positions.

By performing the procedures on the components, combined with additional procedures at group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the group as a whole to provide a basis for our opinion on the consolidated financial statements.

Unofficial translation

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the Supervisory Board, but they are not a comprehensive reflection of all matters that were identified by our audit and that we discussed. We described the key audit matters and included a summary of the audit procedures we performed on those matters.

The key audit matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters or on specific elements of the financial statements. Any comments we make on the results of our procedures should be read in this context.

The key audit matters have remained unchanged to the key audit matters which we reported previous year: 'Revenue recognition' and 'Valuation of inventory'. Both key audit matters are inherently related to the nature of the company. The development of the company's business and results of the company do not give rise to additional key audit matters.

Key audit matter	How our audit addressed the matter
Revenue recognition Holland Colours applies various delivery terms and conditions for invoicing and delivery of its products to customers. Because of the wide variety of customer contracts, cut-off and accuracy of invoiced revenues is inherently more complex and as such considered as a key audit matter. Amongst others the focus on accurate and complete registration of contractual terms as well as periodic internal review on revenue cut-off are important internal control procedures performed by management to ensure adequate revenue recognition. We also refer to the accounting principles for revenue recognition (net revenues) as included in the notes to the financial statements for further details regarding revenue recognition.	Next to testing the internal controls, including the IT environment, that the company has put in place over its process to enter into and record customer contracts and related net revenues, our audit procedures included, amongst others, performing a goods movement analysis, in which audit procedures on purchasing and production as well as the attendance of stock counts are important elements. We have tested accuracy and cut-off of revenues by performing tests of details on the invoiced net revenues and credit notes during the year as well as per year end, including reconciling revenues to sales contracts, contracts on discounts, picking slips and delivery notes
Valuation of inventory With a value of € 8.1 million, inventory is one of the most significant assets of Holland Colours NV. The valuation of this inventory is a key audit matter. On the one hand this relates to the accuracy of the inventory costing, that for an important part is related to the developments in raw material prices. On the other hand, this is due to inventory being subject to obsolescence, which is reflected in the valuation against the net realisable value, through recognition of an inventory provision (€ 1 million).	Besides testing of internal controls, including the IT environment, that Holland Colours has put in place over its process to determine and adjust its inventory costing, we performed tests of details on the calculation of the standard cost prices, which included testing against historical cost and an analysis of price- and efficiency variances. Furthermore, we tested the potential lower valuation of inventory against net realizable value by, besides testing internal controls and internal guidelines on calculating the inventory provision, assessing the internal analysis of revenues and obsolete inventory as well as ageing, inventory turnover, developments in the product portfolio and pricing developments. In addition we assessed the condition of the inventory, to the extent possible, by attending stock counts. For more information on inventory and the inventory provision we refer to note 14 of the financial statements.

Unofficial translation

Responsibilities of the Board of Management and the Supervisory Board

The Board of Management is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the Board of Management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Board of Management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Board of Management should prepare the financial statements using the going-concern basis of accounting unless the Board of Management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Board of Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A more detailed description of our responsibilities is set out in the appendix to our report.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Our report on the report of the Board of Management and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the report of the Board of Management and the other information):

- we have no deficiencies to report as a result of our examination whether the report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed;
- we report that the report of the Board of Management, to the extent we can assess, is consistent with the financial statements.

Our appointment

We were appointed as auditors of Holland Colours NV by the Supervisory Board following the passing of a resolution by the shareholders at the annual meeting held on July 10, 2014. We are the auditor of the company for a total uninterrupted period of 2 years.

Amsterdam, May 26, 2016

PricewaterhouseCoopers Accountants N.V.
Original has been signed by drs. F.S. van der Ploeg RA

Unofficial translation

APPENDIX TO OUR AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS 2015/2016 OF HOLLAND COLOURS NV

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Management.
- Concluding on the appropriateness of the Board of Management's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Unofficial translation

ORGANIZATIONAL CHART

as at April 1, 2016

CEO
R. Harmsen*

INNOVATION & TECHNOLOGY
J. Leugs**
Director Innovation & Technology

FINANCE & ICT
M.G. Kleinsman*
CFO

GLOBAL OPERATIONS
R.P. Karrenbeld**
Director Global Operations

LEGAL AFFAIRS
M.J. Bos-Westenenk
Manager Legal Affairs

GLOBAL MARKETING
Vacancy**
Director Global Marketing

DIVISION EUROPE

R. Harmsen*
Division Director

M.G. Kleinsman*
Division Controller

W.A. Grob
Sales & Marketing Manager

R.P. Karrenbeld**
Operations Manager

T. Chiang
Technical Manager

R. van Aartrijk-Strootman
Human Resources Manager

DIVISION AMERICAS

J.A. Gomez**
Division Director

J.K. Gleeson
Business Processes & Compliance Manager

Vacancy
Sales & Marketing Manager

R. Hetisimer
Plant Manager

D.P. Manica
Innovation & Business Development Manager

J. Bitner
Human Resources Manager

DIVISION ASIA

S. Kho-Pangkey**
Division Director

H.M. Jacobs
Finance Director Indonesia/
Division Controller

I. Indriati
Operations Manager

F. Balogh
General Manager China

* Statutory Board and Executive Management Team
** Executive Management Team

CONTACT

HOLLAND COLOURS NV

Halvemaanweg 1
7323 RW Apeldoorn
P.O. Box 720
7300 AS Apeldoorn
The Netherlands
T (31) 55-368 0700
F (31) 55-366 2981
E info@hollandcolours.com

HOLLAND COLOURS EUROPE BV

Halvemaanweg 1
7323 RW Apeldoorn
P.O. Box 720
7300 AS Apeldoorn
The Netherlands
T (31) 55-368 0700
F (31) 55-366 2981
E info@hollandcolours.com

HOLLAND COLOURS UK LTD

Unit 16/17/18, Sabre Court
Valentine Close, Gillingham Business Park
Gillingham, Kent ME8 0RW
United Kingdom
T (44) 1634-388 727
E uk@hollandcolours.com

HOLLAND COLOURS HUNGARIA KFT

Tószegi út 51
P.O. Box 8
5007 Szolnok
Hungary
T (36) 56-420 644
E szolnok@hollandcolours.com

HOLLAND COLOURS AMERICAS INC

1501 Progress Drive
Richmond, Indiana, 47374
USA
T (1) 765-935 0329
Toll-free (1) 800-723-0329
E richmond@hollandcolours.com

HOLLAND COLOURS CANADA INC

1370 Don Mills Rd., Suite 201
Don Mills, Ontario M3B 3N7
Canada
T (1) 416-449 4344
Toll-free (1) 800-361 3967
E canada@hollandcolours.com

HOLLAND COLOURS MEXICANA SA DE CV

Tezosomoc #4
(Bodega 3)
Col. Recursos Hidráulicos
Tultitlán, Edo de México
México
CP 54913
T 52 (55) 58-94-36-41
E mexico@hollandcolours.com

PT HOLLAND COLOURS ASIA

Jl. Berbek Industri II/2
(Surabaya Industrial Estate Rungkut)
Sidoarjo 61256-East Java
Indonesia
T (62) 31-849 3939
E surabaya@hollandcolours.com

Export department Surabaya:
T (62) 31-841 1 801
E exportasia@hollandcolours.com

Jl. Industri III/88 Blok A1-3
Kompl. Industri Facto, Jatake
Tangerang 15136-West Java
Indonesia
T (62) 21-590 5135

PT HOLCO INDO JAYA

Jl. Berbek Industri IV No 1
(Surabaya Industrial Estate Rungkut)
Sidoarjo 61256-East Java
Indonesia
T (62) 31-849 3939
E indojaya@hollandcolours.com

HOLLAND COLOURS CHINA LTD

Factory Building 7#
No. 65 Baiyun Road
Spark Development Zone
Fengxian District, Shanghai 201419
China
T (86) 21-57505962, 57505963
E china@hollandcolours.com

www.hollandcolours.com

nl-nl.facebook.com/HollandColours

twitter.com/hollandcolours

www.linkedin.com/company/holland-colours

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HOLLAND COLOURS