



Annual report HZPC Holding 2019/20

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A middle-aged man with grey hair, wearing a dark suit, light blue shirt, and striped tie, is smiling and looking down at a green plant in a greenhouse. He is reaching out with his right hand towards the plant. The background shows rows of similar plants in a large, bright greenhouse.

Message from Gerard Backx

1.1 Message from Gerard Backx

The financial year 2019/2020 is a year to remember. 2020 will enter the history books as the year of COVID-19 or the coronavirus. What began with a contamination centred in Wuhan, China, developed into a global pandemic.

The corona crisis has affected everyone, including HZPC. The impact of the results from 2019-2020 is manageable by HZPC. By the time lock-down was implemented across many countries in mid-March, sales of our seed potatoes had been largely finalised. Distribution, however, required a greater focus. As a result of import limitations across many countries and a lack of containers, it was difficult to transport seed potatoes to all of our destination countries. Luckily, the transport of foodstuffs, and also seed potatoes, was excluded from many of the corresponding restrictions.

The lock-down had a huge impact on the food service industry and is still affecting sales of potatoes for fries. Fries factories still have substantial stock-holdings and this has led to the cancellation of seed potato orders for the 2020 harvest. Sales of potatoes for fries will increase in the coming period but it will be some time before we return to the levels of 2019.

In the next two to four years we expect to have to face a global economic recession. This recession will be more keenly felt in less prosperous countries. These countries will see consequences in terms of expected decreases in visiting tourists and/or a reductions in exports. As a result, they may not buy the same quantities of seed potatoes as in previous years; despite the fact that the demand for healthy food will, of course, stay the same. We can only hope that the economy recovers and we will do all we can to support the various efforts.

A good year for potatoes

Aside from the corona crisis, it has been a good year for potatoes. The potato season began with a few challenges. The pressure from viruses meant it took a while before we knew what categories of seed potatoes we could sell. We are very proud that, despite this delayed start, we have been able to sell our seed potatoes for a good price. Potatoes were being shipped until late in the season.

The demand from North Africa and the Middle East remained low to begin with, but recovered later on and ultimately business was encouraging. In Europe, the varieties for the fresh market performed exceptionally well. The corona crisis triggered an increase in the consumption of fresh potatoes. This entire region is a stable market.

Our growth markets tend to lie outside 'great Europe'. We have identified huge opportunities in Asia, and also India, where we are working in a joint venture called Mahindra-HZPC. This allows us to produce and sell our seed potatoes in this country and the first exports to nearby countries have now also been planned. In Russia and China, we have invested in our own production locations for tissue plants and mini-tubers so that we can gain a foot on the ground in these countries too. In North America, we have quite literally put the potato on the map with tasty varieties and innovative products. In Eastern and Central Africa, we are developing our hybrid potato varieties, enabling us to support a healthy and sustainable diet in these countries.

Without growers, no HZPC

We believe that we should always offer our growers a good price and expert guidance. It is crystal clear that we can only retain our leading position in the global market if we have growers of the highest calibre, who grow top quality products. We also allow our growers to share in the profits of our international growth and we are realising this via our Connecting Growers programme, whereby share certificates are given to active seed potato growers.

New challenges

Looking to the future is tricky in a time of huge uncertainties and change. The coronavirus has created new challenges and new working methods. Working from home has become the norm and travel is practically impossible. As a result, development work has encountered delays. Our specialists were unable to plant out all trial fields and some selections were subsequently not made. This delay cannot be expressed as a monetary value, but it does have an impact.

The corona crisis has also emphasised just how important it is to have a safe, sustainable and secure food supply. Food security for everyone is our driving force, no matter where you are in the world. This has gained another dimension in view of the crisis.

 I would like to say a huge thank you to all our employees, growers, distributors, and partners.

Gerard Backx

Keeps you growing

I would like to say a huge thank you to all our employees, growers, distributors, and partners. Despite the limitations and uncertainty, they have done all they can to support and implement our 'keeps you growing' philosophy during the crisis. In this annual report, we will travel along the chain and explain how we realise this growth.

I hope you enjoy the journey.

Gerard Backx, CEO HZPC
Joure, 1 October 2020

Reading Guide



2.1 Journey along the chain



2.2 Meet our employee



Jaap Poortinga

Jaap Poortinga, product manager STET and seed potato grower

Product managers are responsible for introducing new varieties and are the technical point of contact for the customers. In essence, we are the link between the breeder and the potato sales person; we focus on turning the customers' specific requirements into a new variety.

When we start working on a new variety, it is just a number for the breeding company. As a product manager, you have to turn that number into a variety. But, it can take several years before the variety is introduced to the market and you may have to deal with various disappointments because, over the course of the development process, plenty of (potential) potatoes end up being rejected. However, I would prefer one good variety over two or three average ones.

As a grower, I find myself at the beginning of the chain and, as a product manager, I talk to customers at the end of the chain. This makes my work really special.

Jaap Poortinga

At home, I have an arable farm with 40 hectares of seed potatoes. I have always grown for HZPC and now also grow for STET. Seed potato growing is a precise process. You put something in the ground that you know will create a new life. You have to work with top quality basic material. As a grower, I find myself at the beginning of the chain and, as a product manager, I talk to customers at the end of the chain. This makes my work really special.

The most fulfilling aspect is introducing varieties to the market. But we don't do this alone. We need a modern breeding company to support us, with whom we also discuss customer requirements. These requirements must be realistic in terms of growing processes. During growing trials, we therefore seek out the right balance between all the links in the chain. This can be quite tricky because on occasion you may have to eliminate great characteristics too. But you have to be bold because the product has to be a good all-rounder.

A wide-angle photograph of a vast field of yellow flowers, likely rapeseed, stretching towards a distant treeline. Four people are sitting in the field, spaced out across the middle ground. The sky is a deep blue with scattered white clouds. The text 'HZPC keeps you growing' is overlaid in white, with a red underline under the word 'you'.

HZPC keeps you growing

3.1 Keeps you growing

Growth. That is our drive. We aim to ensure that more people across the world, use our varieties. Why? Because we want to contribute to the world's food supply and we are certain that this is feasible with our potato varieties. Every day we work tirelessly to realise our goal.

In order to achieve this growth, we invest in the future. We invest in the market, technology and knowledge transfer. We visit areas and countries where the potato could make a world of difference in terms of a sustainable, healthy food supply. New breeding techniques allow us to more effectively anticipate the consequences of climate change and the increasing demand for food as a result of population growth.

Collaboration

We cannot realise growth on our own. So, we work with our growers and partners in the chain; we share expertise and develop new products and techniques. We also ensure we apply the four values that permeate the company. HZPC employees think in terms of solutions and opportunities, not in terms of problems and limitations. They are creative and inventive. This is expressed in new markets and innovative techniques, applications and services. Our own expertise and development also play a huge part in this context and this is strengthened thanks to the training options offered by HZPC Academy.

Our growers can also relate to the four core values. On a global level, almost 1,200 growers produce around 100 varieties of potato on approximately 23,000 hectares. This financial year (both sales and license), this resulted in almost 900,000 tons of seed potatoes which were sold in diverse markets and various sales channels around the world.



Market

Across the world, 17.6 million hectares of potatoes are grown. Our 900,000 tons of seed potatoes equates to around 3% of this total. So there are masses of opportunities out there. Our aim is to expand the market share of our varieties across the world. We are looking at sales in Europe, North Africa and the Middle East, but also new markets in: Asia, Central Africa and South America.

Vision and determination

When it comes to potato breeding, trade and product concept development, the market still has plenty to offer. This is all part of our profession as plant breeders, but it takes time, effort, expertise and patience. But also vision and determination. These qualities have brought us to where we are today.

Our story began over 120 years ago in 1898 with the creation of the Hettema trading house. A few decades later, in 1919, the ZPC cooperative was founded. ZPC acquired STET in 1997. Hettema and ZPC merged to become HZPC in 1999. In the past twenty years, HZPC has developed into the world-leader in seed potatoes, with total sales of 361 million euro and locations in 16 countries.

Innovation and information

Since the foundation of HZPC in 1999, we have undergone enormous growth and expansion. Not only in terms of sales, but also in terms of locations and employee numbers. We would like to ensure that all these (international) branches, departments and people can cooperate more effectively by using one worldwide computer system. For this reason, we have been working on an ERP system, or Enterprise Resource Planning system, for the past few years. The system automates and connects commercial processes within an organisation. It is an integrated computer system which links planning, production, financial and logistics systems from all branches. A great deal of time and energy has been spent on developing a system for HZPC. We started using this ERP system in July 2019. Unfortunately, despite the extensive preparations, we did not succeed in realising a fully functional system. As a result, in October 2019, we decided to halt the project as we did not want to jeopardise business continuity. We also wanted to continue providing the service to our growers that they have come to expect. Halting the implementation project meant that the capitalised costs had a negative impact on results.

Now that we have learnt from our mistakes, we must start again. We are using progressive technology and, where possible, will apply this within a new implementation project. It is essential to move forward when it comes to automation and digitalisation as it allows us to continually improve the service for our growers and customers.



Caring for people and the environment

Our drive is growth. But not to the detriment of everything else. In everything we do, we look to the future and ensure that the generation that comes after us can benefit from our ambitions too. We take care of the environment and the people around us. Sustainability is the ongoing theme that is part of all our considerations and actions. In line with this, we develop robust varieties that are resistant to diseases and which grow well under various conditions. This could be a salty soil, a tropical climate, or even drought. Being good for the environment means that we are constantly assessing our transport kilometres and packaging materials. Sustainable production applies not just to us, but also to our partners in the chain. We provide further, more in-depth information in our [new sustainability report](#).



96
countries



16
offices



1200
growers



23k
hectare



361mln
turnover



100
varieties

3.2 Meet our employee



Petra Kool | HR Business Partner

Petra Kool | HR Business Partner

Keeps you growing, that's what HZPC is all about. In the HR department, we translate this into our personnel policy. In this context, sharing expertise and partnerships are essential elements. But, what does this mean for the people who work here? What type of culture would you like to create in the organisation in order to implement the strategy? I find this type of topic extremely interesting. For example, it can be quite a challenge to ensure that the vast expertise within the organisation is utilised and shared as effectively as possible, both within the company, but also with our partners.

We are an innovative and international company but we retain a 'northern' down-to-earth approach and mentality.

Petra Kool

HZPC is a growing business and that has consequences for the people who work here, some of whom have been with us over thirty years. One of the great things about HZPC is that you can grow with the company. We encourage everybody to continually develop and to stay curious. We call this 'transparent curiosity'. It's not about focussing solely on your own work and department but also monitoring your colleagues and other departments, and continuously asking how you could make connections and share your expertise.

HZPC employees all share a driving force: contributing to the world's food supplies. That applies to me too. We are an innovative and international company but we retain a 'northern' down-to-earth approach and mentality. This can create areas of tension at times. But when you look at HZPC's global position, we should feel a genuine sense of pride and, every now and then, should be prepared to 'blow our own trumpet'.

Breeding



4.1 The basis

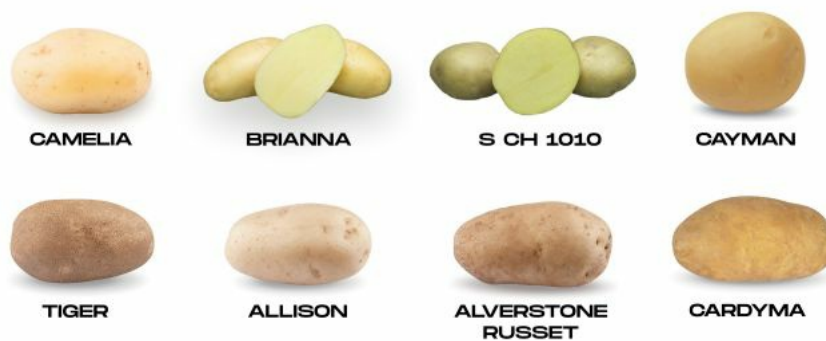
A potato seed. That's the basis; where it all starts. A single seed which becomes a new variety and makes a huge difference in terms of the availability of responsible food for the world's population. In essence, breeding is just rearranging genes; combining the good characteristics of the father plant with those of the mother plant. That's what we have been doing for decades: creating new potato varieties which fulfil specific requirements.

The basis remains the same but the knowledge, technology, and speed at which we can breed have changed significantly over the course of the years. As have the corresponding requirements for the potato. Innovation and sustainability have been the central themes for many years.

We spend 16% of our annual gross margins on research and development, which equates to around 10 million euros each year. Eight research teams work on projects which are tasked with delivering improved seed potatoes for specific markets and countries. Breeding is a team sport; the interaction between researchers and breeders determines success. This success is evident in new varieties which anticipate consumer needs and the various developments in the potato chain both now and in the future.

Less input, more output

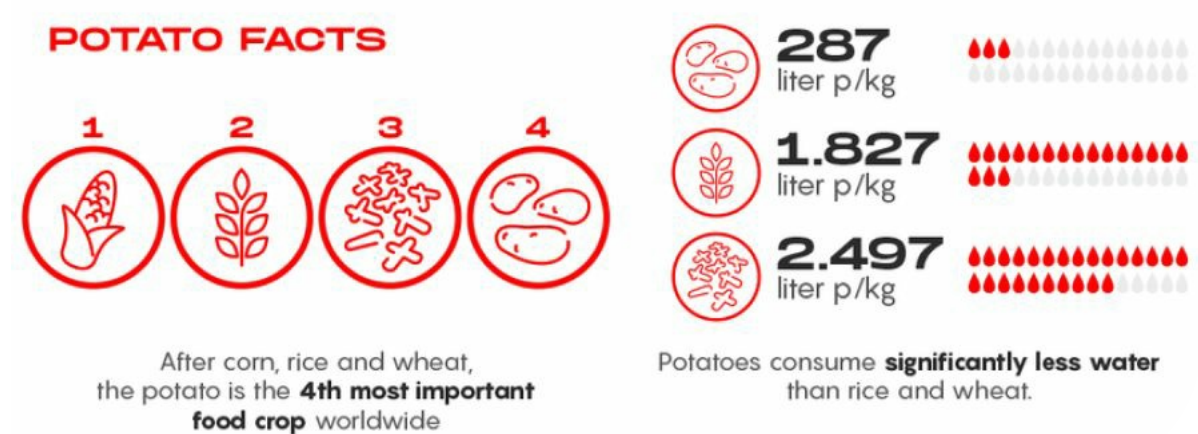
Society is demanding potato growing that requires the lowest possible levels of pesticides. Growers want a low-risk crop that delivers good economic returns. This presents us with the challenge of developing vital varieties, which are resistant to virus, nematodes, and late blight (phytophthora), and are tolerant to physiological deficiencies due to plagues or extreme weather, even more quickly. Vital varieties which can cope with the odd setback, including suboptimal growing conditions. Lower input, greater output and good nutritional values. That is the biggest challenge.



Resistant varieties

Varieties for everyone

Sustainability also means exploiting local opportunities and working with the conditions as efficiently as possible. Areas with drought and heat need a potato that can perform well under these conditions. A potato is relatively efficient with water, compared to other food crops such as grain and rice, and specific varieties can raise this level of efficiency even further. By developing these particular varieties, we are supporting our driving force, i.e. food security for all, no matter where in the world.



A great example is our collaboration with potato institute Centro Internacional de la Papa (CIP) and Syngenta Foundation for Sustainable Agriculture (SFSA). Together, we are developing potato varieties that are suitable for tropical conditions. We are currently running a selection programme in Vietnam. This has led to a number of varieties that we will continue to test in other tropical countries.

Syngenta Foundation for Sustainable Agriculture (SFSA) focuses on providing top quality material for small farmers in Asia and Africa. The potato is regarded as a highly promising crop for smaller farmers as it requires relatively low input, can deliver high yields, and offers excellent nutritional value. The tropical climate however, i.e. hot and humid, is not entirely suitable for the usual varieties. So the SFSA has created the first public/private collaboration for crop breeding, in order to develop specific potato varieties for the tropics. Within this collaboration, HZPC's top quality varieties have been crossed with originally tropical clones from the international potato research centre CIP. The aim is to create varieties that fulfil the needs of smaller farmers in tropical countries.



Tasty varieties

Sustainability and food security are aspects that permeate our entire breeding programme. But there are other features which can distinguish a variety. We can still make huge strides in terms of healthy eating and flavour and will focus on these areas in the coming years.

Technical innovation

Breeding is a quest to find the right combination of genes and it's something we've been doing for many years. And very successfully, too. In view of societal requirements and regulations that are changing more rapidly than ever, we have been able to accelerate our search process thanks to the development of new technologies.

We split the breeding process across three platforms:

- classic breeding, accelerated due to the use of molecular markers
- hybrid (seed) breeding with diploid inbred lines
- adapting existing varieties using gene editing



Moleculaire markers

Over the past few years, we have focussed on developing breeding techniques using molecular markers. As a result, we can make selections efficiently and quickly directly from the plant grown from a seed, without ever seeing a tuber. This speed will become increasingly important in the future as the world around us changes at high-speed. Techniques that allow us to establish variety performance at an early stage will become vital for maintaining speed and controls in relation to breeding. We have these techniques in-house.



Hybrid breeding and potatoes from seed

Increasing food security in areas that are hard to access is one of the notions behind hybrid potato breeding. This breeding method has been applied to other crops, such as sugar beet, for many decades but is more difficult with respect to potatoes. We are convinced, however, that this method offers potential opportunities and have therefore committed a great deal of research capacity to it.

We are making huge strides with this technique. In Tanzania, we have trial fields where we are testing potato varieties grown with the hybrid method. By 2021, we expect to have created a prototype, which we will be able to market from 2025.

There is good reason for introducing this into Central Africa. The hybrid varieties that have been developed do not yet deliver the yields that can be realised using regular varieties. In Central Africa, however, the growing conditions are such that the difference between hybrid and regular varieties is less significant. Breeding allows us to substantially increase the yields from hybrid varieties and they can be bred using seed.

Another good reason for introducing these hybrid varieties into Africa is the logistical advantages gained from growing from seed. We have identified sales opportunities in Central Africa but transporting seed potatoes to this part of the world is expensive. Seed, therefore, is a cheaper way to transport our genetic material. This also applies, in the long-term, to other countries where the import of seed potatoes is tricky or not permitted.

Gene editing

Another breeding method that could offer rapid genetic progress is gene editing. This allows existing varieties to be adapted by changing the genetic structure of the plant itself. This method, however (and as far as we are concerned unjustly), is categorised under 'genetic modification' in the EU and is therefore not permitted in Europe.

New-build centre of expertise in Metslawier

Research, development and growth go hand in hand. Which is precisely why research and development are an important aspect for HZPC. Day in, day out, in the research and innovation centre in Metslawier, around one hundred employees work with their colleagues at universities and partners at home and abroad on improving potato varieties. The research and innovation centre 'HZPC Research' lies at the heart of Dutch seed potato growing but had effectively become too small for our growing company. In February 2020, the first pile was driven for the new centre of expertise at Metslawier. Some sections of the existing building will be demolished and replaced by a larger office and laboratory. Storage will also be expanded. This expansion will support the development of expertise, innovation, and growth.



4.2 Meet our employee



Ad Vrolijk | Project leader Hybrid Breeding

Ad Vrolijk | Projectleider Hybride Veredeling

In 2011, I was approached by Robert Graveland – director of HZPC Research – to take part in a project which was top secret at the time. The big question was: can we create a hybrid potato? All we knew for certain was that it wouldn't be easy, otherwise somebody else would have done it already. Now, ten years later, we know that it is possible. We are currently into our third year of a trial field in Central Africa and expect to have a candidate variety for the Central African market within two years. This is a market which we couldn't reach with regular seed potatoes due to logistical issues, but which offers huge potential for expanding food security with healthy basic material.

The big question was: can we get a potato from a seed?

Ad Vrolijk

The next step was gaining a better understanding of the process in order to implement changes in a variety more quickly. After all, the major advantage of a hybrid variety is that you can make it resistant to a disease within four to five years, while this would take fourteen to fifteen years with regular breeding processes. With a hybrid variety, you can also capitalise on customer requirements more quickly.

What's great about HZPC is that we work with very short lines of communication and everyone is approachable and open. It's really fantastic, for example, that right from the start of the project, there was great interaction with the Business Development department. Ultimately, it is the customer who sets the requirements for a product which you work on as a breeder. And hybrid breeding enables you to demonstrate results much more quickly.

A man and a woman are working in a field, planting potatoes. The woman, on the left, is wearing a blue long-sleeved shirt and black gloves, and is holding a potato. The man, on the right, is wearing a blue long-sleeved shirt, a grey baseball cap, and black gloves, and is planting a potato in the soil. They are both looking down at their work. The field is filled with rows of potatoes, and the background shows a clear blue sky and some trees in the distance.

Growing

5.1 Optimum results

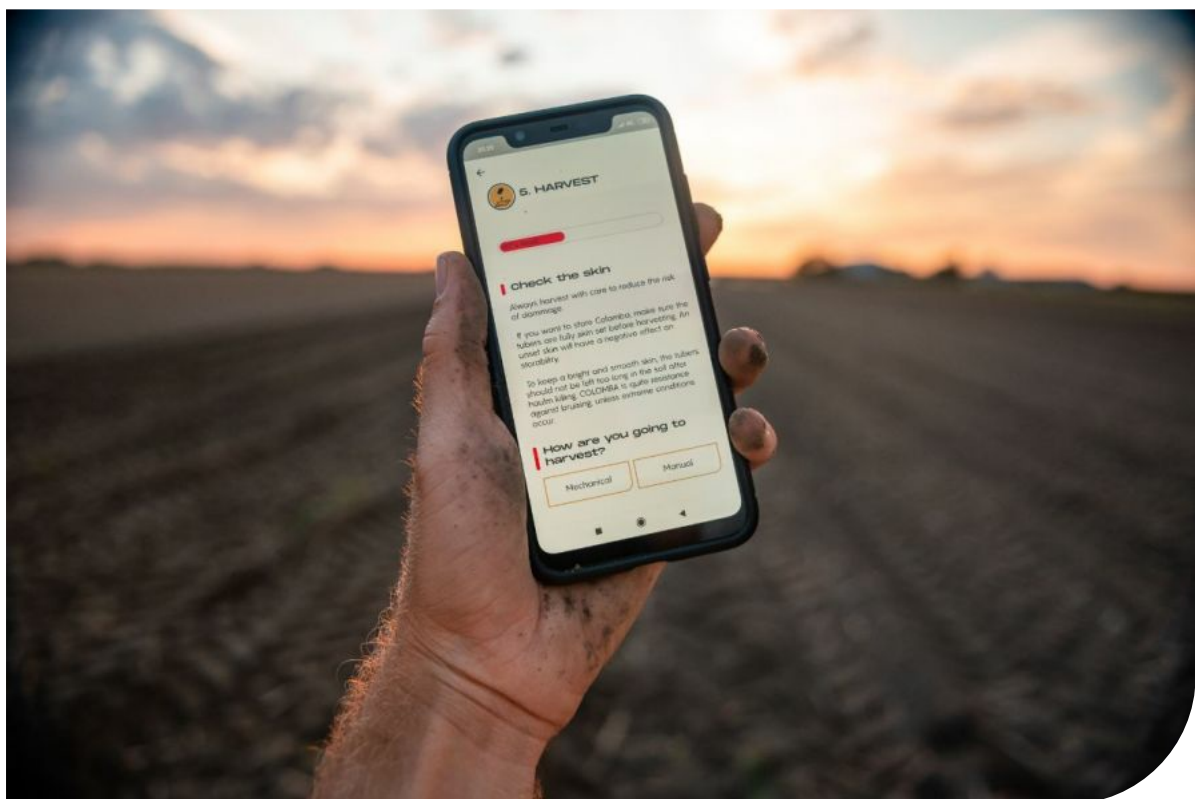
There's no growth without seed potatoes. Production for our customers is realised across the world by around 1,200 seed (potato) growers, about 500 of whom are based in the Netherlands. The growers in North-west Europe struggled with a tricky growing season in 2019. A high degree of virus, abundant aphids, and the limited use of pesticides really challenged the expertise of our growers to realise the very best result.

Expertise and guidance

Growing potatoes is often a profession that is handed down through the generations. Passion, emotion, and insight are important attributes when it comes to our growers. But knowledge about soil, fertilisers, diseases and pesticides is also crucial. Our growers are professionals and our cultivation supervisors are happy to support them. They maintain close contact with respect to issues such as planning, growing, administration and sharing knowledge. This concerns the potato itself but also the best possible growing conditions. This could include combating salinisation or the most efficient use of water and, in this context, we work closely with our growers and other parties in the region. Sustainability is another important issue. Issues such as cutting down on the use of resources, retaining hedgerow habitats, and fertilisers with residual substances are all important focus areas for our growers and cultivation supervisors.

Modern technology is essential for the effective exchange of expertise with our customers and the provision of cultivation guidance. That is why we use apps for both seed and ware potato growers. This year, we are testing a real-time app which can facilitate the exchange of a great deal of information and expertise. This type of Decision Support System app allows more effective decisions to be made, right from the planning stage, through to the delivery of the potatoes. The system is based on current conditions and displays the averages of other users. It also allows users to exchange expertise and experience between themselves. The app will be tested during the 2020 growing season in Finland and the Netherlands.

We also introduced an app for ware potato growers last year in African and Asian countries, providing them with targeted expertise. It offers practical information and advice, explains which varieties are suitable and offers advice on the best times for planting. Growers are also provided with advice about fertilisers, crop protection agents and irrigation via the app.



Local for local

The Netherlands, with 15,000 hectares, is far and away the biggest production area for our seed potatoes. Production conditions in the Netherlands are ideal. However, we also have growers who produce seed potatoes for us outside the country. This increasingly gives customers the choice to use locally produced seed potatoes. This 'local for local' principle is applied wherever possible as it limits transport kilometres and allows the potato variety to be optimised to the demands and growing conditions of the country concerned.

Local production is part of our growth strategy. There are further options in other European countries. After the Netherlands, France is the largest seed potato production country. Our acreage there has realised a two-fold increase over the last two years. Our French locations are the central 'cog' when it comes to sales to Belgium, Spain, Portugal and West Africa and we put the historical connections with France to good use with respect to the African market. France is also useful for growing varieties that can be ready on time for early delivery to Asia and Africa.



Cote d'Opale, France

New branches

With the expansion of acreage, sales and the corresponding organisation, the HZPC branch in France was also due for an upgrade. So, we are building a modern office that fulfils the requirements of our modern times, using sustainable construction methods and creating an energy neutral building.

Our customers and seed potato growers in Belgium will be served via their own branch from 2020. HZPC Belgium officially started in March.

Local opportunities in Russia and China

We would like to apply the local production principle outside Europe too. In terms of the import of seed potatoes, Russia is a highly uncertain market. So we are producing the first generation of seed potatoes, including mini-tubers, in the country itself. This will ensure we can continue to serve the developing Russian market with our seed potatoes, without any import restrictions.

We are also aiming to take the availability of our varieties into our own hands in China and, to this end, are setting up a production location for tissue plants and mini-tubers.

Growing under licence

In many countries, growing under licence is an excellent supplement or even an alternative to our own seed potato growing. This alternative is particularly interesting when there are good partners and infrastructures for seed potato growing. Growing under licence takes place in China, India, Egypt, Russia, Poland, South Africa, Australia, New Zealand and North and South America. In these countries, we work intensively with our partners with respect to growing and selling our varieties. The varieties are transported to the countries as mother plants and then cultivated in the laboratory and bred to create tissue plants. The tissue plants are then planted on to produce mini-tubers which, in turn are planted on to produce seed potatoes.

We have to be particularly careful in this market with regard to our intellectual property rights and we can and will intervene when our varieties are used unlawfully. In this context, we have been successful on a number of occasions. The International Appeals Court in Singapore found in our favour recently in a case against a Chinese company. This ruling will now be converted into a claim for compensation. The preliminary case has already been put to the International Court.

Growing in India

In 2014, we founded the joint venture Mahindra-HZPC with Mahindra. After working with local varieties, we have now registered our first HZPC varieties and also set up a network of professional seed potato growers. In the last growing season, production and sales amounted to 13,000 tons of seed potatoes, 300 tons of which were HZPC varieties. We will roll this out to 1,200 tons next year.

This cultivation in India is a central element in terms of our Asian ambitions. Colomba offers good yields in a growing period of 90 days, which means that the potatoes can be grown between two other crops. This is positive in terms of food production and the dietary patterns in this country, which has the most rapidly growing population in the world. There is very good reason for the government providing support for potato growing. Potatoes have a high nutritional value and need a lot less water for growing, than rice and grain. Which is precisely why the potato fits into a sustainable diet so effectively.

Our fries varieties Santana and Innovator are in full production in India. We have identified great opportunities for the processing industry in this country which, by 2035, is predicted to have the highest number of inhabitants in the world, even surpassing China.

One benefit of growing in India is that we also have the option to export to countries with a similar climate, such as South-east Asia and East Africa. The Netherlands and Asia have different growing seasons due to their global positions. When Dutch seed potatoes are being harvested, the planting season is just starting in South-East Asia. This means that if there are any delays in the Dutch crop, it is too late to ship to South-East Asia. In India, the harvest takes place in March and this is just in time for the 'winter growing season' in South-East Asia and East Africa.

As well as our fries varieties, our varieties Colomba (fresh) and Taurus (crisps) have performed well in India over the past few years. We are very satisfied with the first major year, which has seen the introduction of our own varieties. Our participation in the joint venture is still not profitable but we expect this to change, for the better, in two years.



Brexit

After much negotiation and a political impasse, on 31 January 2020, Brexit became a reality; the United Kingdom is definitely leaving the European Union. This move has huge consequences for trade with the United Kingdom and will also impact on HZPC, particularly if it turns into a hard Brexit and no agreements are made.

The impact on the operational side of things won't be too extensive. HZPC UK has developed over the past few years and we have a good share of the British market, which can be further expanded. The corresponding seed potatoes are largely also produced (local for local) in the United Kingdom (England and Scotland), although the very best quality seed potatoes still come from the Netherlands. This production, depending on the rules which end up being in force, will probably move up to Scotland.

The biggest impact, however, lies in the protection of varieties. Since 1997, the registration of varieties has been regulated by the EU. That is how our varieties are protected. If no agreements are made, and we end up with a hard Brexit, these rights will no longer be recognised in the UK. This means huge uncertainty for plant breeding and for us.

Without growers, no HZPC

Our growers are hugely important to us. Sufficient production capacity is vital in order to realise our growth strategy so we continuously focus on maintaining effective connections with our growers. We offer our growers a good price and service, but also value a sustainable relationship. That is why we initiated our Connecting Growers programme in March 2020, which will ensure that more HZPC certificates are issued to active growers. At the moment, just half the certificates are owned by active growers. We would like to change this percentage by buying certificates and giving them to active growers and, to support this shift, we are spending 1.5 million euros every year on the purchase process. This amount will not affect the pool of the growers. The Connecting Growers programme applies to all seed potato growers within our participations in the EU and starts at the end of 2020. The seed potato harvest 2021 is the first harvest for which certificates will be issued to the growing companies.

5.2 Meet our grower



Jasper Nammensma | Seed potato grower in Sexbierum

Jasper Nammensma | Pootgoedteler in Sexbierum

Our arable farm is a genuine seed potato company. We also grow onions, sugar beet and ware potatoes, but seed potatoes is the most important crop. I was raised in this environment and for as long as I can remember the company has been affiliated to HZPC, and ZPC prior to that. HZPC is a robust, quality company and leads the field in seed potato growing.

It is very special to grow a product that is sent across the world and which has such a huge impact.

Jasper Nammensma

Seed potato growing is a fantastic, challenging process. It is very special to grow a product that is sent across the world and which has such a huge impact, and it's amazing that a small country like the Netherlands can be so significant when it comes to potatoes. This makes me feel genuinely proud and motivates me to make the product a success.

With this crop, you have to cope with natural variables, the weather, aphids, and also the complexities of red-tape. This is no mean feat and the last few years have been particularly tricky. We can't irrigate but we do have fantastic soil. The entire coastal region is excellent for potatoes.

The varieties are allocated to us by HZPC. Not every variety is suitable for each soil variety but the Field Worker knows which variety suits which particular soil. We have a good relationship with the Field Worker and can always ring or email him with any questions.

I also breed potatoes myself. It is a hobby but I would like to have my own variety in the future. It is very difficult; requirements change rapidly and then you have to start all over again. Nevertheless, it is my aim to breed my own potato and take it to market.



Distribution

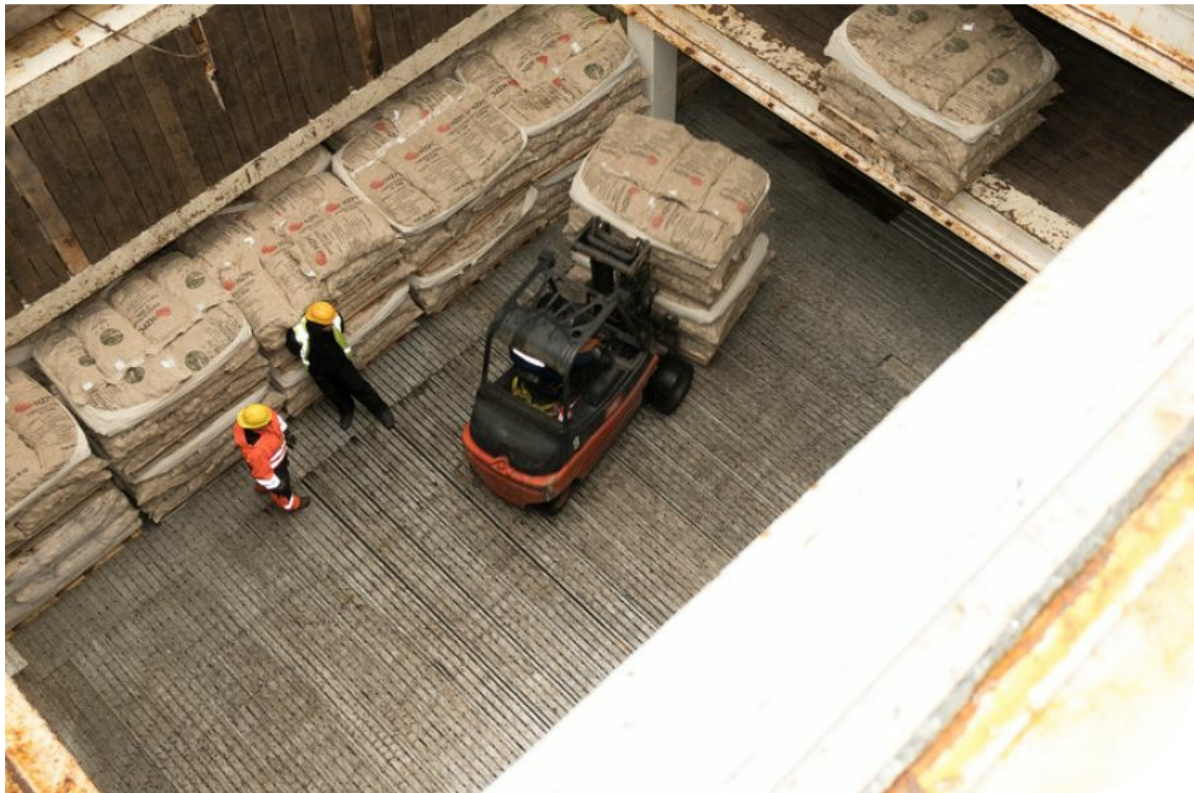
6.1 A world of difference

Contributing towards the world's food supply. That is what we are doing. And we are rightly proud of our achievements. Nobody, no matter where they live, should go hungry. That is our mission and everything we do is based on this concept.

The mission is reflected in our growth strategy. We seek out growth in countries which do not necessarily enjoy adequate food supplies. We specifically identify countries where healthy, responsible food could make a world of difference to the development of the population. This means that we breed seed potato varieties which also perform well under difficult circumstances.

We believe it is our duty to ensure that our seed potatoes are accessible to all. The fact that this is not always the case, speaks for itself. In countries at war or those with unstable political situations, such as Syria, Yemen and Iraq, it can be a challenge to get potatoes to the right place. However, we believe it is vital that growers in these countries produce food using the very best quality seed potatoes.

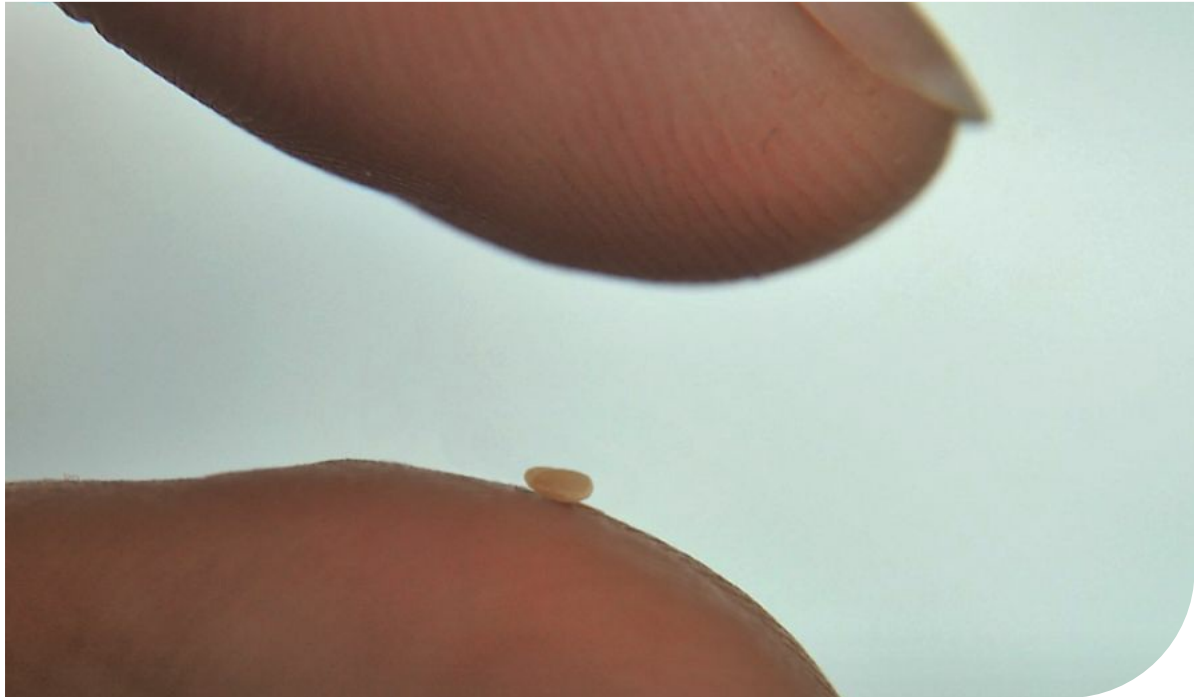
Playing a role in the worldwide food supply is our driving force in terms of expanding our sales market to East and Central Africa. In this corner of the world, the population is expanding extremely quickly, as is the demand for food. In terms of climate, there are great opportunities for growing potatoes. In Tanzania, one of the emerging countries in Central Africa, we are focusing on market and chain development and are also conducting research into growing potatoes from hybrid seed.



Potato, mini-tuber or seed

We sell genetic material across the world. Most of this material is transported and sold as seed potatoes. A working group is investigating how the environmental burden of transporting seed potatoes could be reduced as far as possible. One of the aims is to reduce CO₂-emissions from road transport by 49% by 2030, compared to 1990. We are also working on increasingly environmentally-friendly packaging.

Seed potatoes are the most effective method for converting genetic material into high potato production. They are not, however, the most efficient method for transporting genetic material. That is why we sometimes transport seeds or mini-tubers, i.e. tiny plants in test tubes. We expect to introduce the first generation of hybrid seed to the Central African market in 2025.



6.2 Meet our employee



Steven Kuiper | International Sales Manager

Steven Kuiper | International Sales Manager

As International Sales Manager, I am responsible for a range of countries in Eastern Europe, Georgia, Armenia and White Russia. Relationship management is one of the key aspects of my work. We work with distributors and agents with whom we maintain effective working relationships. They are our eyes and ears in the market. Together, we visit growers and show our faces at local demonstrations in order to publicise our new varieties.

You can really make a difference with good varieties, but you can realise this with added value such as service and logistics too.

Steven Kuiper

Satisfied customers are the priority but, at the end of the day, the result is what matters. We do our best to realise the best possible price, with good margins and ultimately aim to become the market leader, with the biggest possible share of the market. You can really make a difference with good varieties, but you can realise this with added value such as service and logistics too. We also operate in countries where access to the market is more difficult and there are political sensitivities. Despite these challenges, we supply to these countries because the people there need food too and we have a fantastic, sustainable product that can provide this.

I started with HZPC through a work placement and have never left. It is a great company that is growing all the time and which offers freedom and opportunities in terms of personal development. I was one of the founders of Young HZPC, which is for younger employees under the age of 30. It is really important to connect younger workers with one another to create a sense of solidarity. This, in turn, ensures that the creativity and ideas that come from this group are heard and valued.



Customer

7.1 Opportunities for growth

Growing is growing up. Looking to the future. Seizing opportunities. We have a robust position in the markets of Europe, North Africa and the Middle East. In terms of turnover, this 'great Europe' is our most significant market. But there is not expected to be any substantial growth here in terms of population growth and/or mouths to feed. Even though the market is not set to grow in size, however, it doesn't mean that our market share can't develop further.

This also applies to North and South America. The food market in this region may well be saturated but this doesn't equate to no further opportunities for growth. With new varieties and channels, there is a whole world of potential. We have identified opportunities in food service, such as restaurants, company canteens, and other 'out of home' concepts.

Growth markets in production size are found in worldwide regions where the population is set to grow significantly over the coming years. We focussed on this earlier in this annual report.

Our customers are split into three main segments across the world: processing (the fries and crisps industries), retail fresh (supermarkets and packers), and traditional or ware potatoes supplied directly from field to consumer.

Processing

The corona crisis has led to an increase in home consumption. The worldwide crisps industry has seen substantial growth as a result. Thanks to our great relationships with the major industries such as PepsiCo, the use of our varieties has expanded accordingly. In Central and Eastern Europe, the consumption of fries is still increasing.

The fries industry takes around 25% to 30% of our seed potatoes. We have excellent relationships with global players such as McCain, Lamb Weston and Simplot. These are businesses who, just like us, recognise opportunities in emerging economies including Asia, South America and Africa.

Together, we are investigating which varieties are suitable for the climatic and soil conditions in these worldwide regions.



The corona crisis has had an enormous global impact. It has also affected the fries industry. The consequences for the coming years are hard to forecast but we can safely say that the availability of food has suddenly taken on another dimension. The food sector, and therefore also HZPC as a breeder and producer of top quality seed potatoes, has become more important as a result of the crisis. There are expected to be significant shifts within the various market segments as a result.



Successful varieties

Retail Fresh

The sales of fresh potatoes in supermarkets has increased due to the corona crisis. People are staying at home and preparing their own food. They want a potato that looks appealing, tastes great and is easy to prepare.

Even before the corona crisis, retail was an important partner with which we developed special products and concepts, including specific packaging or potato formats. We are thus able to add value to our collaborations with packers and retailers. One example of this type of successful partnership is the introduction of La Vie in German supermarkets.

Our fresh market for retail has developed particularly successfully in Western Europe and North America. In Eastern Europe, supermarket sales are gradually increasing too. Our aim is to strengthen our position in the fresh market across the world. To this end, we have identified promising opportunities in South America, North America, China and Africa.



Traditional

The 'traditional' market segment is the biggest of the three. In large sections of our sales area, growers process the potatoes on the local market. Here, it is not the packers who decide which variety is to be grown, but the growers themselves. This requires a different market approach and direct contact with farmers. Important sales regions in this segment include North Africa, the Middle East, Eastern Europe, South America, Africa, and Central and South East Asia.

We expect the worldwide economic recession to have a significant impact on this substantial market segment. Many of the countries mentioned are highly susceptible to the absence of tourism and/or exports and struggle to access to hard currency as a result. In the past, we have seen that they subsequently spend less on importing seed potatoes.

At the moment, it is still hard to estimate the full, long term impact. The impact on us, in the food sector, will be less substantial than for other industries but we will certainly feel the fallout nevertheless.



Successful varieties



7.2 Meet our employee



Andrik Waalkens | Account manager Processing

Andrik Waalkens | Accountmanager Processing

As key account manager, I am responsible for various large fries accounts in Europe, Australia, New Zealand and Turkey. HZPC works with major fries companies, such as McCain, Lamb Weston, Farm Frites, Aviko and many Belgian factories all across the world. These businesses all want a reliable product and no unpleasant surprises and, once the contract is signed, you must comply with it.

Sales of fries in the food service has seen a major downturn worldwide. As a partner in the chain, we try to provide as much support as we can to all parties.

Andrik Waalkens

In mid-March, we had already concluded contracts and started working on supplies, when the corona crisis brought everything to a standstill. Sales of fries in the food service has seen a major downturn worldwide. For the fries producers, this meant the loss of 75% of their sales; an enormous downturn by anyone's standards. The consequence of this development was that factories had to draw up new plans and cancel orders. As a partner in the chain, we try to provide as much support as we can to all parties.

The great thing about working for HZPC is that you have a high degree of responsibility and come into contact with a range of cultures. I am also able to use my creative skills. Effective collaboration between various departments is extremely important. As a sales manager, my customers are always keen to tell me what type of potato they need. This could be a red skinned potato with white flesh from the Balkans, or an extra-long variety for fries customers. I then feed this information back to the research department. There also has to be a good partnership between sales and production in order to exploit the limited acreage and expert growers as effectively as possible. This is a huge challenge for HZPC.



Consumer

8.1 Innovation takes the lead

You don't just become a global market leader in breeding and seed potatoes overnight. You have to constantly look to the future and anticipate and capitalise on new developments. Together with our partners in the chain, we look at the challenges facing us across the world. This may include climate change, the expansion of the world's population, and changing diets. Challenges that demand new varieties and products. And we develop these together.

Innovation is an integral part of our activities. The world is changing increasingly quickly and that requires quicker breeding of varieties. This is now possible thanks to the development of new technologies. And we never hesitate to seize the moment and take the initiative. We genuinely believe in developments such as hybrid breeding and . Innovations that are hugely important for supplying food to a growing global population.

But at HZPC, innovation doesn't stop at breeding and the sales of potatoes. We work with our chain partners to develop new product packs and user options for new markets, markets which distinguish themselves on the basis of flavour, health, variation, fun and convenience. The potato, of course, is at the heart of all this, along with the inventiveness, curiosity, and determination of our employees and partners. After all, innovation can come from a range of sources. So together, we can develop the very best concepts and products.

Woksi

Woksi is precisely that type of product. This new potato product has been developed by HZPC and Kiremko and capitalises on the needs of the modern consumer who is seeking convenience, fun and variation while also wanting to eat tasty, healthy food. The product 'potato spaghetti' is easy to process and suitable for the wok and salads. We introduced this new product in autumn 2019 in Finland. Since the launch, with the product in one supermarket, the product has now expanded into other supermarkets and a campaign in the food service channel is planned.



Fries4All - Leon & León frites

For many years, combining fries and healthy eating has simply not been an option. Innovative varieties and preparation techniques, however, have changed this considerably. In the project Fries4All, we worked with two partners on a product with lower levels of carbohydrates, fat and calories. The brand Leon&León was developed as a result, offering home preparation in air-fryers and in fan ovens in the professional kitchen and food service sector. The combination of variety breeding, a coating on the fries, and a new preparation method, has led to healthy fries with 30% lower calorific content, 30% reduced carbohydrate, and 30% lower fat. The brand has been available in Albert Heijn supermarkets since autumn 2019.

Potato Wonder Foodservice

Fast-food is firmly embedded into the North American diet. But you can do so much more than make fries with potatoes. That is why we began a campaign in North America which involved explaining the many options offered by the potato to restaurant chefs and regular consumers. After all, 'what the mind doesn't know, the heart doesn't cherish' and we wanted to make a change.

The campaign 'Potato Wonder Foodservice' comprises a comprehensive website which provides information for the professional chef and ordinary consumers. We aim to change the potato's 'bulk' perception and focus on differentiation. We are therefore concentrating on health, taste and experience. In order to establish what American consumers believe to be a tasty potato, and why, we conducted a broad consumer survey in spring 2020, involving a total of 1,200 consumers in four large cities (Atlanta, Los Angeles, Chicago and Boston). On the basis of this survey, we are working with our partners in the chain to create a marketing strategy that targets the younger generation.

Innovation always begins in the market. What innovations are there across the world, what does the consumer in a specific market segment want, and how can we anticipate and capitalise on this in the chain? These questions are central to all we do. And we never lose sight of our biggest driving force: feeding the world. Sufficient quantities, good quality, and healthy food for all.

8.2 Meet our employee



Gert Jan Feddes | Business Development Manager

Gert Jan Feddes | Business Development Manager

The business unit SBDA focuses on temporary projects which target the creation and identification of new markets and business, usually in the longer term. This could include geographical projects, new products and markets, and concept development. As a business development manager, I work on various projects, including the production of mini-tubers and our own growing projects for seed potatoes in Russia and China, the marketing of our (future) hybrid seeds, and the development of new concepts such as WOKSI® and Fries4All. It is a varied role and can also be extremely hectic; sometimes I don't have a minute to myself.

With our projects and concepts, we are demonstrating that we are innovative and that our horizons extend further than the seed potato alone.

Gert Jan Feddes

Our projects and concepts demonstrate that fact that we are innovative and that our horizons extend further than the seed potato alone. WOKSI® and Leon&León fries have been launched successfully and we are now seeking partners who wish to collaborate on marketing these products. Once a project is up and running, we let go and hand it over to regular operations. As a business unit, however, we are not separated from the rest of HZPC; we frequently use the input and expertise of colleagues within the company.

Everyone is passionate about the product and the world we work in. This is a particular feature of HZPC, just like short communication lines and the informal atmosphere. There is also a great deal of space for personal initiative. You are actively encouraged to take the initiative and develop your own skills.

Compliance



9.1 Corporate governance & personal details

HZPC Holding is a two-tier board company with an Executive Board and an independent Supervisory Board (RvC). The Supervisory Board appoints the members of the Executive Board.

The Executive Board informs the Supervisory Board about operations, consults with the Supervisory Board on all important issues, and presents important decisions to the Supervisory Board for approval. The Strategic Business Area Europe, the Strategic Business Development Area, STET Holland, IPR and HZPC Research & Development are managed by the Executive Committee.

The Supervisory Board supervises and monitors the policy of the Executive Board and the day-to-day operations, and advises the Executive Board. The members of the Supervisory Board are appointed by the General Meeting of Shareholders (GMS) upon recommendation by the Supervisory Board.

The General Meeting of Shareholders is convened by the Board of 'Vereniging HZPC' (Association HZPC), which holds 100 percent of the shares. The law and articles of association governing the company set out the General Assembly of Shareholders' authoritative powers. In addition, the Executive Board must present specific decisions to the General Meeting of Shareholders for approval.



Association HZPC has certified all the shares. Only (former) growers, (former) breeders and (former) members of staff may purchase and hold certificates. HZPC Holding is, therefore, quite literally a company of growers, breeders and employees and they all have a voice in the direction of the company. They finance the business with risk capital. Certificate holders can become members of the Association.

The general members' meeting of Association HZPC elects and nominates the Board. The management of the Association requires approval of the members for a number of decisions taken.

9.2 Personal details of the management structure as of 30 June 2020

Supervisory Board

M.J. Ubbens, voorzitter	Groningen
C.J. Biemond	Godlinze
I. Frolova	Utrecht
M. Hommes-Gesink	Lauwerzijl
M. Kester	Bussum

HZPC Holding B.V.

Executive Board	
G.F.J. Backx	Chief Executive Officer
H. Verveld	Chief Commercial Officer
J.L. van Vilsteren	Chief Financial Officer
Executive Committee	
G.F.J. Backx	Chief Executive Officer
L. Escalon	Director SBA Europe B.V.
R.P. Graveland	Director HZPC Research B.V. and IPR B.V.
P.C. Ton	Director STET Holland B.V.
H. Verveld	Director SBDA B.V.
J.L. van Vilsteren	Chief Financial Officer
Participations	
HZPC IPR B.V.	R.P. Graveland
HZPC SBA Europe B.V.	L. Escalon
HZPC SBDA B.V.	H. Verveld
HZPC Research B.V.	R.P. Graveland
STET Holland B.V.	P.C. Ton

HZPC SBA Europe B.V.

Director	
L. Escalon	Director
Management of participations	
HZPC Deutschland GmbH	R. Möller
HZPC France SAS	C. Gauchet
HZPC Holland B.V.	L. Escalon
HZPC Belgium B.V.	F. van der Werff
HZPC Kantaperuna OY	M. Kauppinen
HZPC Patatas España S.L.	J. Luis Marti
HZPC Polska Sp. z o.o.	T. Jarczoch
HZPC Portugal Lda	P. Simoes
AO HZPC Sadokas	P. Bemelmans
HZPC UK Ltd.	C.R. Baker
ZOS B.V.	F. van der Werff
HZPC Holland B.V. Works Council	
G. Bloembergen	President
E. Meinsma	Vice president
L. Gommers	Secretary
W. Meijer	Member
P. Kreijger	Member
T. van der Wal	Member
D. Woertink	Member
S. Stevens	Member
S. Potijk	Member

HZPC SBDA B.V.

Director	
H. Verveld	Director
Management of participations	
Solentum B.V.	E. Bakker
HZPC América Latina S.A.	I. Ramallo
HZPC Americas Corp.	J. Scramlin
HZPC Limited	H. Verveld
HZPC China Limited	H. Verveld

STET Holland B.V.

Director	
P.C. Ton	Director
Management of participations	
STET Potato UK	P. Hewett
STET France Arl.	T. Rondeaux
STET Russia LLC.	P.C. Ton, S. Voychik

N.B.

The company has not set a specific goal to appoint women to Board roles or other positions. It does, however, aim to realise greater diversity in this context.

9.3 Risk Management

Enterprise Risk Management

In the coming years, as part of our strategy, we aim to further improve professionalism with respect to risk management. That is why we have started creating Enterprise Risk Management (ERM). Over three years, we aim to pay particular attention to risk management and ensure this is integrated more effectively into and reinforced within the HZPC Group.

In so doing, HZPC will continue to grow across various regions, segments and business models. This also relates to risks and we believe it is necessary to strengthen this area internally. This all begins with clear (internal) processes and procedures. Our external environment is also demanding increasing transparency regarding our activities.

A greater focus on internal processes and compliance may perhaps give the impression that entrepreneurship is relegated to second place, but that is not the case. Just like growing from a small car to a lorry; if we want to move faster, we have to ensure we have more effective brakes and a better dashboard. We aim to achieve this by creating ERM.

With our risk management activities, we will try to offer greater certainty with respect to realising trade goals and fulfilling our obligations to our customers, shareholders, employees, and society as a whole.

Doing business inherently involves taking risks. By taking balanced risks, we strive to continuously build on being a financially sound and sustainable company. Risk management is therefore an important element of our corporate governance and strategy development.

Extra risk

The financial year 2019-2020 is one to remember. The year 2020 will go down in history as the year of COVID-19, or the coronavirus. What began with a hotbed of infection in Wuhan, China, became a global pandemic. Many companies did not have the pandemic in their risk table. For us, it had an impact in several ways. The impact on our sales this year was limited; most seed potatoes were sold before the outbreak of the virus.

What the impact will be in the coming year depends on how the pandemic develops and what measures different areas are taking. However, we are part of the food chain, which means that our contribution will remain operational in a particular country for as long as possible. The coronavirus creates new challenges and a new way of working. Working from home was (and is) the norm. For our employees this was a whole new experience. However, worldwide they were creative to still serve their customers.

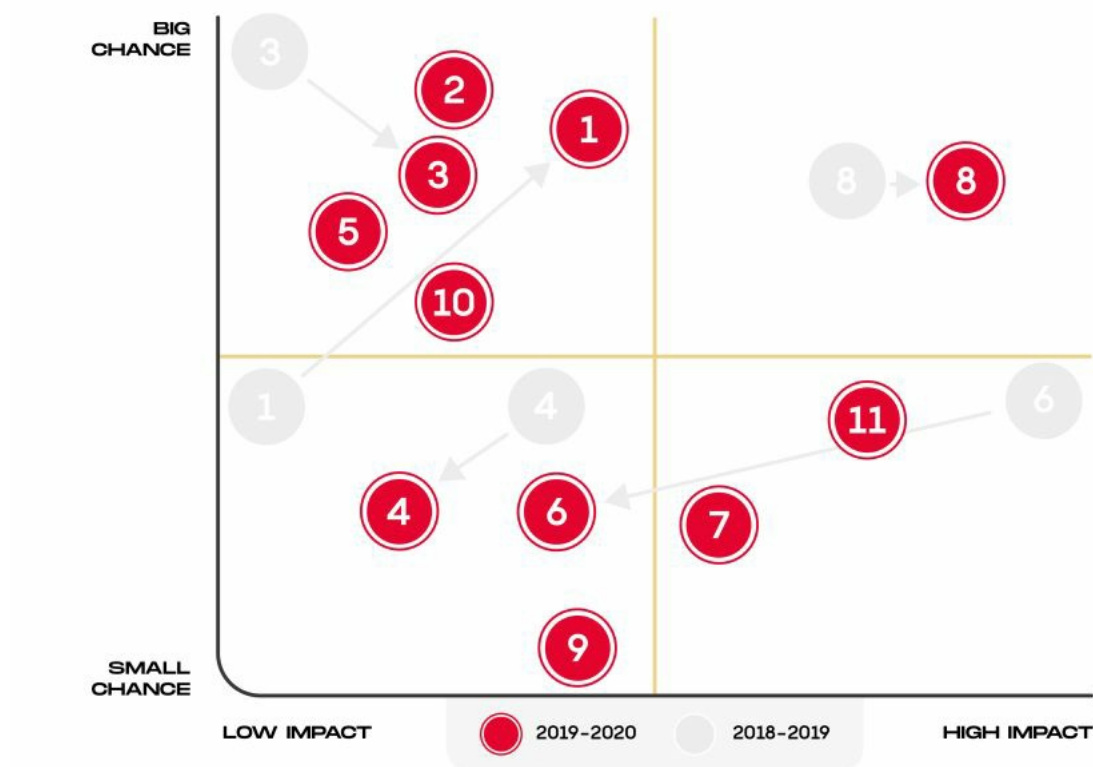
The work was done from home wherever possible. On the different offices adjustments were made to be able to work from a suitable distance.

So far, the financial impact on the income and cost side will be minimal. However, we are confronted with an increasing debtor position and an increasing need for liquidity. Concrete agreements have been made with a number of customers regarding payment terms and debtor management is receiving extra attention.

We think, from now on, it's vital to include the pandemic in our risk table as **risk 11**.

Risk factors

The following table indicates the 11 most important risk factors. The table is used to indicate the likelihood of a risk occurring and the possible impact of the risk on our strategic ambitions. We also provide mitigating measures for the square 'high impact' and 'big chance'. The overview is not intended to be an exhaustive list but offers details of what we currently see as our biggest risks.



The following specific risks arose over the last year:

1 - Economic risk

From an economic perspective, the situation has changed drastically. At the beginning of the year, there was worldwide growth, however we are now seeing a substantial downturn in economic activities across many regions. The low price of oil and the pandemic has dramatically changed the market situation in our most important export markets. This could well have an impact on our exports and, in turn, on the financial results for our company and growers.

2 - Political unrest

The level of political unrest has certainly not decreased, and specific political decisions have had a negative impact on sales. Last year we encountered delays in terms of receiving payments. Export opportunities to Russia were further limited. Our international scope mitigates these risks but they nevertheless need to be monitored.

3 - Currency fluctuations

There have also been strong fluctuations in exchange rates throughout the year. We have had to absorb the consequences of this decrease in exchange rates in emerging regions such as South Africa and Chile, but also in Russia. We have a relatively limited exposure to foreign currencies but the shift was significant and impacted upon the company's results. We were, however, able to compensate for this by selling larger volumes in these markets.

4 - Talent management

The growth which was forecast made the necessity of attracting talent a matter for attention. Work on the image and communications of HZPC Holding is taking place to assist in this. Despite the squeeze on labour market conditions,

we have been reasonably successful in attracting the right talent. We realise that our mission and vision appeal to talented people. In the coming years, we expect the probability and impact of this risk to reduce, thanks to a broader market and more limited growth in the number of employees.

5 - Protection products

As certain crop protection products can no longer be used, the challenge for growers increases in relation to the cultivation and storage of seed potatoes. This challenge is set to expand in the coming years. This risk is managed by alternative measures and guidance. A great deal of work is also focussed on introducing varieties that reduce the use of crop protection agents. And this takes time. Societal pressure to change legislation more quickly also seems to be increasing. As a result, there is greater pressure to adapt our variety portfolio quicker. The options to do so, however, are limited. Consequently, we could see the impact of this risk increase over the coming years.

6 - Provision of information

Provision of information and protection: growth and further digitisation have increased the dependence on IT systems.

Last year, we reported that the planned implementation of a new Enterprise Resource Planning (ERP) system constituted an additional risk with a high impact and reasonable probability. Over the past few years, we have incurred very high costs in relation to implementing a new ERP. These were capitalised in accordance with accounting standards. However, in October of this year, we halted this project as the risk was becoming too significant for the organisation and our growers. We must, in turn, absorb the costs in our results. These costs were incurred for the project over the past few years. The risk had a major impact on our results and the probability and impact became a reality.

New steps are now being taken towards a new, integrated system with an adequate infrastructure and back-up facilities. The last project was extensively evaluated and modifications were made in terms of our preparation and working methods. The project will be restarted over the coming years. The need remains to replace the old customised working system and make it more resilient for the future. Once the old ERP system has been strengthened and upgraded, we expect to be able to manage for the next three years with the old, customised system. In the graph, we have therefore reduced the risk for the coming year to 'small probability' and 'low impact' because we will spend a great deal of time on preparation, but are not yet ready for implementation.

As well as a new ERP system, we will also work on improved security within the IT infrastructure. This is being tested by means of pen tests and employee training. This is vital as there are more threats than ever from the outside world, in this type of environment. The tests and maintenance that has been carried out over the past year have reassured us that the chance and impact on our organisation are reduced.

7 - Seed potato diseases

The seed potato market is a global market. Our sales can be influenced by phytosanitary impediments and political factors. Disease risk plays an important part in breeding seed potatoes. Quarantine diseases in particular have a large influence on the availability of seed potatoes. The discovery of a quarantine disease at our breeding station or in our production area could seriously delay the development of new varieties and the sale of varieties which have already been produced. This year, there are no specific incidences or reasons to change the status of this risk.

8 - International commercial operations

Our operating profit is subject to credit risks. The financial position of the various buyers in politically unstable areas has definitely not become any less difficult or any easier to assess. Over the coming period, the payment risk will increase due to the economic crisis. This remains a high risk, which could also have a serious impact. We are noticing, particularly in the overseas markets, that it is taking longer to be paid. Where possible we have taken the following mitigating measures to counter this:

- We regularly use safeguards such as advance payments, LCs and bank guarantees.
- Credit limits are actively monitored throughout the season
- New deliveries for the new season are rarely permitted until debts from the previous season have been paid.

9 - Complying with laws and regulations

HZPC Holding and her subsidiaries may be held responsible for any liabilities arising out of non-compliance with laws and regulations. As HZPC Holding, we do business in more and more countries that have juridical compliance processes with which we have to comply. The UK Bribery Act is an example of one such law with which HZPC Holding and also other international companies have to comply. We are fully aware that the risk of non-compliance with laws and regulations can damage our reputation and lead to serious legal consequences. This year, the introduction of the GDPR has been given the necessary attention. We hope to control this risk more effectively with the aforementioned ERM system.

10 - Substitution risk

There is a chance that substitute products may be developed, such as competing varieties or the production of earlier and/or better potatoes from seed, but it does not represent a high risk in the short term. In the long term, this could have a huge impact on our business model. That is why we are working on hybrid varieties and potatoes grown from seed. We see no reason to change this position in the coming years.

11 – Pandemic

In the last financial year, the COVID-19 pandemic had a limited impact on our result. A few contracts were renegotiated and this had a limited impact on sales. The costs were somewhat lower as we were able to pay fewer visits to customers and partners. The corresponding impact in the long term is hard to predict in terms of value. We are also confronted with an increasing debtor position and an increasing need for liquidity.

In addition to the already known consequences of the COVID-19 outbreak and related government measures, the current macro-economic uncertainty is causing a disruption to the global economy. At the same time, uncertainty remains about a possible second wave that could affect us and our export countries. Management remains uncertain about the long-term consequences for HZPC. The management has performed various analyses to determine what the impact could be on HZPC's liquidity in the event of a decrease in revenue under different scenarios. The management continuously assesses the available information and the risks in order to take appropriate measures.

9.4 Results, investments, financing

Results

Turnover of EUR 360.6 million was recorded in the past year. The gross margin of the organisation increased to EUR 65.3 million. The net profit before tax is greatly reduced by the major write-off with regard to the ERP project and amounts to EUR 3.2 million, net profit after taxes amounts to EUR 1.2 million.

Investments

This year, together with our joint venture partner, we have provided additional capital to Mahindra-HZPC in order to guarantee growth and continuity. We have also invested in our R&D centre as it had outgrown its location. Our international mini-tuber and tissue plant production in China and Russia have also been expanded. These extra investments took place alongside our annual investments in ICT and R&D. Our invested capital at the end of the financial year 2019/2020 was EUR 29.6 million, a decrease of EUR 6.2 million. This was principally caused by the ERP project and other investments. We are also investing in the further expansion of our Research facilities and developing our Tissue Culture and mini-tuber facilities. In the coming years, we must invest in updating our ERP package, including the corresponding software.

We make ongoing investments in our personnel and do not expect an increase in our staffing levels.

Financing

The financing structure has not been affected by any major changes this year. However, corona has meant that we have had to use our allowances and we have expanded these facilities with the banks. The need for working capital has increased. This is primarily caused by an increase in our debtors and more advanced payments by our growers. The business has therefore expanded the facility with the bank in order to finance the growing need for working capital. The solvency of the business reduced from 41.4 percent in 2018/2019 to 37 percent in 2019/2020. The current ratio is 1.3 and the quick ratio is 1.2.

9.5 Share certificates

HZPC Holding has issued 783.725 shares with a nominal value of 20 euro. The HZPC Association owns 100% of the shares and has issued depositary receipts for all shares. The holders of depositary receipts form a private group and they must meet specific qualifications. All holders of depositary receipts have or have had a business agreement with HZPC Holding in the past.

Connecting Growers

Twenty years ago, almost all certificates were in the hands of active growers. This has now fallen to around half. This is due to the fact that many growers are no longer actively involved in growing, but hold onto their certificates and rarely offer them for sale. These certificates are then bought by very few active growers.

The Executive Team, in consultation with the Supervisory Board (SB) and the Board of Association HZPC, decided on a method for ensuring that more certificates end up in the hands of active growers. To this end, the SB and the Board proposed the creation of the Connecting Growers programme to the Executive Team. For more information go to: www.hzpc.com/cg.

Trading day

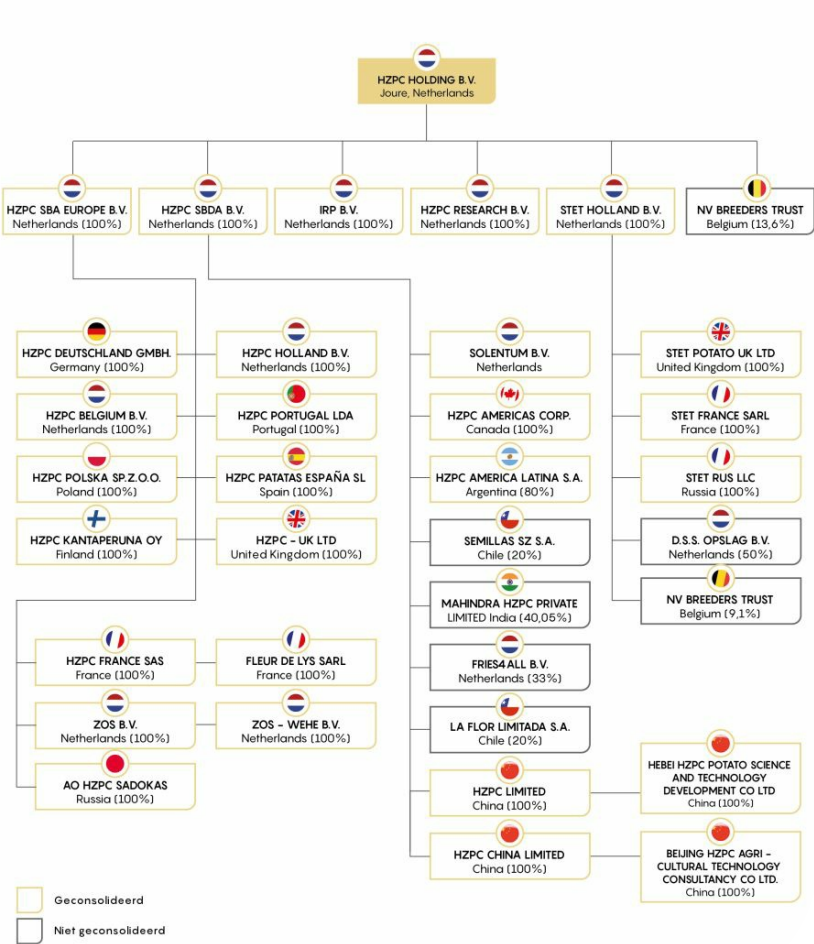
Twice every financial year, in November and May, the Association organises a stock exchange trading day. During these days, as well as the certificate scheme for staff, HZPC will also buy certificates for the Connecting Growers programme.

Association HZPC was the Stockholder and Captin was the market supervisor for the stock exchange trading days in November 2019 and May 2020. Captin also provides the administration for the certificates.

The certificate holders receive information about the company via press releases, the annual report and the HZPC Holding website (www.hzpc.com). In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Profit per share certificate (x EUR 1)	€ 8.93	€ 10.82	€ 6.00	€ 11.93	€ 1,49
Dividend per share certificate (x EUR 1)	€ 5.75	€ 7.00	€ 4.00	€ 7.75	€ 1,00
Dividend as % from the net result	64%	65%	67%	65%	67%
Price as of 30 June (x EUR 1)	€ 136.90	€ 165.65	€ 200.00	€ 162.00	€ 131,25
Dividend as % from that rate	4.20%	4.23%	2.00%	4.78%	0,76%
Return to shares (x EUR 1)	€ 23.75	€ 35.75	€ 38.35	€ (30.25)	€ (29,75)
Return to shares % of the price (as of 30 June van previous year)	21.00%	26.11%	23.15%	-15.13%	-18,36%

Group structure



Report of the Supervisory Board



10.1 In conversation with Meerten Ubbens

The Supervisory Board supervises the Executive Board of HZPC. Chairman of the SB, Meerten Ubbens looks back over the 2019/2020 financial year.

What is the SB's task?

"The Supervisory Board is tasked with maintaining supervision and advising the Executive Board. This involves setting and realising company strategy, policy and targets. The SB also has the role of employer and sets the remuneration levels for the Executive Board. In HZPC Holding the Supervisory Board is a separate body operating fully independently of the Executive Board. Members of the Supervisory Board are appointed by the Shareholder; i.e. Association HZPC."

How do you see the 2019/2020 financial year?

"When I look back, I can see that HZPC has realised a good operating result. It is a great shame that we had to process massive write-offs for the unsuccessful ERP implementation (information and management system). Despite this, I would like to use this opportunity to thank the Executive Board and all the employees for their hard work, particularly over the past six months as they have been especially challenging."

What were the focus areas?

"The corona crisis required a global focus and this has been true for HZPC for the last few months of this year too. The crisis has not had a huge impact on the results of this financial year because, by March, most of the seed potatoes had already been sold. We were also able to supply our customers with the sold seed potatoes in April and May. So, as a company, we can continue with the plans."

What are the consequences in the long term?

"The potential impact of the corona crisis in the long term is hard to predict. Many people and businesses faced huge challenges and uncertainty at the start of the pandemic; that came as a complete shock and may lead to reduced investments. We expect the demand for food to stay stable in the long term, thanks to the ever-growing global population. For HZPC, there is no major disruption from the business perspective but it is possible that the corona crisis may lead to reduced results in the coming financial year. Luckily, HZPC is well financed and the business can cope with the odd setback."

What required greater focus over the last financial year?

"An important focus area was the implementation of a new ERP system. Last October, the Executive Team decided to bring the implementation to a halt as the risk for the company, and in particular for the growers so close to the actual season, was just too great. The corresponding follow-up was a focus area during various meetings and we ultimately decided to recognize all of the costs of this project in the result for this year, which is in line with the accounting principles. The net result has thus reduced to 1,2 million. We regret this outcome but have to take the loss. This course of action means that we are not carrying any losses into the future. We realise that this is not great news for our shareholder and have therefore decided to pay the usual two-thirds as dividend. We consequently end up with a dividend of EUR 1.00 which equates to a dividend return of 0.76% per share."

And also?

"Over the last financial year, work took place on a programme designed to improve the commitment of HZPC's growers. As the Supervisory Board, we will monitor this Connecting Growers Programme with interest. We believe it is important to connect growers to HZPC and, in turn, expand their commitment by means of certificates in the company. This commitment is primarily gained by offering a good price but holding share certificates can make the bond even stronger. We are curious as to whether this method achieves the goal."

Breeding and marketing potatoes and developing new concepts is a long and winding road. How does the SB deal with this?

"Many of HZPC's investments are made for the long term and do not deliver any immediate profits. Examples include investments in new markets such as India and the development of hybrid varieties; developments which will have a huge impact in the long term. Now is the time to spend money in these areas. It is part of our capacity as a sounding board to ask critical questions in relation to major investments and, if necessary, to apply the brakes and make checks. In this context, the refinancing of our Joint Venture (Mahindra-HZPC) in India was often a topic for the agenda this year."

How is the relationship with the Executive Board?

"HZPC has an enthusiastic, animated Executive Team with which we have a great relationship. Communication is very open and is based on trust. The Executive Team attended the meetings of the Supervisory Board eight times this year. Association HZPC owns the shares of HZPC Holding. In collaboration with the Board of Association HZPC, the Supervisory Board held a general meeting of shareholders three times this year."

How is risk management structured at HZPC?

"Risk management is also a recurring topic in the meetings of the Board and the Supervisory Board. We recently discussed the topic at length in order to ensure that HZPC can define a risk profile that is as robust and measurable as possible."

Have there also been changes within the SB?

"In the past financial year, Wigle Sinnema stood down due to having completed the maximum term. We would like to sincerely thank him for his work over the past eight years, during which he has applied his enthusiasm to ensure that the growers' voices were heard at this level. The Supervisory Board is delighted to appoint Ms Martine Hommes-Gesink from Lauwerij to succeed Wigle Sinnema. Martine Hommes-Gesink was appointed as a member of the Board of Directors at the general meeting of shareholders in May 2020."



SB: Martine Hommes-Gesink, Meerten Ubbens, Irina Frovola, Michael Kester, Cor Biemond

Joure 1 October 2020

On behalf of the entire Supervisory Board

Meerten Ubbens, chairman



Financial Statement HZPC Holding

11.1 Consolidated balance sheet

(after profit appropriation)

Fixed assets

(x EUR 1.000)

	Notes	30-jun-20	30-jun-19
FIXED ASSETS			
Intangible fixed assets	1		
Research and development costs	804	7.504	
Goodwill	124	498	
Concessions, licences and intellectual property	1.636	2.181	
		2.564	10.183
Tangible fixed assets	2		
Company buildings and land	13.984	14.824	
Plant and equipment	6.361	6.048	
Other fixed operating assets	616	643	
Operating assets under construction	2.401	395	
		23.362	21.910
Financial fixed assets	3		
Participating interests	1.070	1.207	
Receivables from Association HZPC	65	137	
Other securities	25	25	
Deferred taks assets	2.204	1.972	
Other receivables	324	374	
		3.688	3.715
TOTAL FIXED ASSETS		29.614	35.808
CURRENT ASSETS			
Inventories	4	2.133	2.012
Trade and other receivables			
Trade receivables	5 54.108	41.093	
Accounts receivables from participating interests	6 342	189	
Taxes, contributions and social insurance	7 9.421	6.788	
Other receivables and accrued income	8 15.311	13.082	
		79.182	61.152
Cash and cash equivalents	9	33.217	30.403
TOTAL CURRENT ASSETS		114.532	93.567
TOTAL ASSETS		144.146	129.375

Liabilities

(x EUR 1.000)

	Notes	30-jun-20	30-jun-19
LIABILITIES			
GROUP EQUITY	10		
Shareholders' equity		53.357	53.550
Provisions	11		
Pensions	177	164	
Other provisions	419	423	
		596	587
Current liabilities			
Debts to credit institutions	12 57.850	35.282	
Accounts payable to suppliers	14.430	16.381	
Payables to participating interests and companies in which there is a participation	266	300	
Taxes, contributions and social insurances	13 1.852	2.238	
Dividend to be paid	784	6.074	
Other debts and accrued liabilities	14 15.011	14.963	
		90.193	75.238
TOTAL LIABILITIES		144.146	129.375

11.2 Consolidated profit and loss statement

(x EUR 1.000)

	Notes	2019/2020	2018/2019
Net turnover	15	360.599	347.864
Other operating income	16	2.927	2.431
Total operating income		363.526	350.295
Cost of raw materials and other consumables and outsourced work	265.144	257.772	
Freight cost	24.022	21.875	
Packaging	8.987	8.316	
Wages and salaries	17 21.521	20.187	
Social security costs and pension costs	17 6.382	5.880	
Amortisation and depreciation of intangible fixed assets	1.156	1.102	
Other depreciation of intangible fixed assets	8.879	0	
Amortisation and depreciation of tangible fixed assets	3.126	3.185	
Other operating costs	18 20.683	18.303	
Total operating expenses		359.900	336.620
Operating result		3.626	13.675
Interest receivable and similar income	19 361	1.962	
Interest payable and similar charges	20 -740	-2.142	
		-379	-180
Result before taxes		3.247	13.495
Tax on result	21 -1.935	-3.415	
Share on result from participating interests	-147	-727	
		-2.082	-4.142
Net result		1.165	9.353
Total of direct changes in shareholders' equity of the company		-575	-7
Overall result of the legal entity		590	9.346

11.3 Consolidated cash flow statement

(x EUR 1.000)

	Notes	2019/2020	2018/2019
Operating result		3.626	13.675
Adjusted for:			
Depreciation/amortisation	1,2	13.161	4.287
Changes in provisions	11	9	36
Changes in working capital		3.623	-850
Cash flows from business operations		20.419	17.148
Interest received	19	361	1.962
Dividend received		71	104
Income tax received	21	513	0
Interest paid	20	-740	-2.067
Income tax paid	21	-4.396	-1.255
Cash flow from operating activities		16.228	15.892
Investments in:			
Intangible fixed assets	1,2	-2.337	-3.522
Financial fixed assets	3	0	0
Investments in existing participations	3	-311	-770
Tangible fixed assets	2	-5.057	-3.347
Disposals of tangible fixed assets	2	699	373
Cash flow from investing activities		-7.006	-7.266
Financing activities			
Dividend paid		-6.074	-3.135
Cash flow from financing activities		-6.074	-3.135
Net cash flow		3.148	5.491
Currency and exchange rate differences		-334	-320
Changes in cash and cash equivalents		2.814	5.171
Cash and cash equivalents at the beginning of the year	9	30.403	25.232
Changes in cash and cash equivalents	9	2.814	5.171
Cash and cash equivalents at the end of the year	9	33.217	30.403

11.4 Notes to the consolidated financial statement 2019/2020

General

The Company, having its legal address in Joure at Edisonweg 5, with Dutch Chamber of Commerce number 807807928, is a private limited liability company under Dutch law, with 100% of its shares held by the Vereniging HZPC (Association HZPC).

The group's primary activities focus on the potato and encompass:

- research;
- breeding and growing varieties;
- (facilitating) growing, trading and distribution of seed and ware potatoes;
- enabling all other processes in a commercial, industrial and financial context;
- developing concepts.

The associated growers deliver the seed potatoes they have grown to the company and receive a payment for this. The company is bound to purchasing the harvest proceeded by the grower and receives a fee for this. Seed potatoes are grown by a pool-mechanism; in addition, separate agreements are made with growers.

General accounting principles for the consolidated annual accounts

Financial reporting period

These financial statements have been prepared for a reporting period of one year. The financial year of the company runs from 1 July up to and including 30 June of the following year.

Basis of preparation

The financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. The applied accounting policies are based on the historical cost convention.

Application of Section 402, Book 2 of the Netherlands Civil Code

The financial information of the company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 of the Netherlands Civil Code, the separate profit and loss account of the company exclusively states the share of the result of participating interests after tax and the general result after tax.

Going concern

In the last financial year, the pandemic had a limited impact on our result. A few contracts were renegotiated and this had a limited impact on sales. Costs were somewhat lower as we were able to pay fewer visits to customers and partners. Furthermore, we are confronted with an increasing debtor position. Concrete agreements have been made with a number of customers regarding payment terms and debtor management is receiving extra attention.

In addition to the already known consequences of the COVID-19 outbreak and the related government measures, the current macro-economic uncertainty is causing a disruption of the global economy. At the same time, uncertainty remains about a possible second wave that could affect us and our export countries. Management remains uncertain about the long-term consequences for HZPC. Management continuously assesses the available information and the risks in order to take appropriate measures.

The COVID19 crisis may also have an impact on the liquidity of the company. Management has performed various analyses to determine what the impact could be on HZPC's liquidity in the case of a decrease in revenue under different scenarios. In all these scenarios HZPC still has sufficient liquidity available and, whether or not by taking additional measures, the ratios agreed upon with the financiers of the company can be met.

On the basis of the scenario analysis carried out by the management and the current results and financing position of the company, the annual accounts have been drawn up on the basis of the going concern assumption.

General valuation

Unless stated otherwise, assets and liabilities are shown at nominal value. An asset is disclosed in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured with sufficient reliability.

Income is recognised in the profit and loss account when an increase in future economic potential related to an increase in an asset or a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

If a transaction results in a transfer of future economic benefits and or when all risks relating to assets or liabilities transfer to a third party, the asset or liability is no longer included in the balance sheet. Assets and liabilities are not included in the balance sheet from the date upon which economic benefits are not probable and/or cannot be determined with sufficient reliability.

Revenues and expenses are allocated to the period to which they relate. Revenues are recorded when the company has transferred the significant risks and rewards of ownership of the seed potatoes and ware potatoes to the buyer. Licences are considered as income when third parties have exercised the right of use of the company's assets.

The financial statements are presented in euros, the company's functional currency. All financial information in euros has been rounded to the nearest thousand, unless indicated otherwise.

Use of estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are included in the period in which the estimate is revised and in future periods for which the revision has consequences.

The accounting policy on trade receivables is, in the opinion of the management, the most critical for the purpose of presenting the financial position and requires estimates and assumptions related to customer credit risk, which is dependent on the customer, the geographic region and economic circumstances.

Consolidation principles

The consolidated financial statements include the financial data of the company, its group companies and other legal entities over which the company can exercise control or over which there is central management. Group companies are participating interests in which the company has a majority interest, or over which another policy-determining influence can be exercised. In assessing whether a controlling interest exists, potential voting rights that are currently exercisable are taken into account.

For an overview of the consolidated group companies, please refer to the [Table of participations](#) (page 73).

Newly acquired participating interests are included in the consolidation from the point in time at which a controlling interest can be exercised. Participating interests which have been disposed of are included in the consolidation up to the point in time when this interest ended. Joint ventures are not consolidated but valued at net asset value.

Notes to the consolidation method

The items in the consolidated financial statement are drawn up in accordance with uniform principles for valuation and determination of the result for the group.

In preparing the consolidated financial statements, intra-group debts, receivables and transactions are eliminated, as are the results realised within the group. If transactions occur with a non-consolidated participating interest, which does not qualify as a group company and which is valued in accordance with the equity method, the profit or loss which emanates from this transfer is processed pro rata on the basis of the relative interest that third parties have (proportional determination of results). A loss which emanates from the transfer of current assets or a particular reduction in value of fixed assets is processed completely.

The Group companies are consolidated in full with minority interest presented within Group equity separate from shareholders' equity. If losses to be assigned to the minority interest of third parties exceed the minority interest in the shareholders' equity of the consolidated company, the difference and any additional losses are charged completely to the majority shareholder. The share of third parties in the result is placed separately as the final item in the consolidated profit and loss account set against the group result.

Participating interests (direct and indirect) as of 30 June 2020

HZPC Holding B.V. in Joure, is the parent company of a group with the following participations:

HZPC SBA Europe B.V. with its participation:

Consolidated:	Interest:
HZPC SBA Europe B.V. in Joure, the Netherlands	100%
HZPC Holland B.V., in Joure, the Netherlands	100%
HZPC Belgium B.V. (formerly Bonna Terra B.V.), in Emmeloord, the Netherlands	100%
ZOS B.V. in Leeuwarden, the Netherlands with its participation:	100%
ZOS WEHE B.V., in Wehe-den Hoorn, the Netherlands	100%
HZPC France SAS, in La Chapelle d'Armentieres, France	100%
with its participation:	
Fleur de Lys - SARL, in La Chapelle d'Armentieres, France	100%
Patatas HZPC España S.L., in Torrent, Spain	100%
HZPC Portugal Lda, in Mira, Portugal	100%
HZPC UK Ltd., in Crowle Scunthorpe, United Kingdom	100%
HZPC Deutschland GmbH, in Eydelstedt, Germany	100%
HZPC Polska Sp. z o.o., in Poznan, Poland	100%
HZPC Kantaperuna Oy, in Tyrnävä, Finland	100%
AO HZPC Sadokas, in Sint Petersburg, Russia	100%

HZPC SBDA B.V. with its participation:

Consolidated:	Interest:
HZPC SBDA B.V. in Joure, the Netherlands	100%
HZPC Americas Corp., in Charlottetown, Canada	100%
HZPC América Latina S.A., in Buenos Aires, Argentina	80%
HZPC China Ltd, in Hongkong, China	100%
with its participation:	
Beijing HZPC Agricultural consultancy Co. Ltd., in Beijing, China	100%
HZPC Ltd, te Hongkong, China	100%
with its participation:	
Hebei HZPC Potato Science and Technology Development Co., Ltd., in Langfang, China	100%
Solentum B.V., in Joure, the Netherlands	100%

Non-consolidated:

Semillas SZ S.A., in Santiago, Chile	20%
La Flor Limitada S.A., in Santiago, Chile	20%
Mahindra HZPC Ltd., in Chandigarh, India	40,05%
Fries4all B.V., in Joure, the Netherlands	33%

IPR B.V., in Joure, the Netherlands (consolidated)	100%
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HZPC Research B.V., in Metslawier, the Netherlands (consolidated)	100%
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STET Holland B.V. with its participation:

Consolidated:	
STET Holland B.V., in Emmeloord, the Netherlands	100%
STET Potato UK Ltd., in Lincoln, United Kingdom	100%
STET France SARL, in Bapaume, France	100%
STET Rus LLC, in Moskou, Russia	100%

Non-consolidated:

D.S.S. Opslag B.V., in Dronten, the Netherlands	50%
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N.V. Breeders Trust, in Brussels, Belgium (non-consolidated)	22,7%
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At the end of the 2019/2020 financial year, the participating interest HZPC Sadokas Oy, in Tyrnävä in Finland, was liquidated.

Transactions in foreign currencies

Transactions denominated in foreign currency are converted into the relevant functional currency of the group companies at the exchange rate prevailing on the transaction date. Monetary assets and liabilities denominated in foreign currency are converted at the balance sheet date into the functional currency at the exchange rate prevailing on that date.

The fluctuations in currency exchange rates that occur during the conversion and processing are recorded in the period in which they occur with the exception of the fluctuations in exchange rates on monetary items that form part of the net investment in a foreign operation. Non-monetary assets and liabilities denominated in foreign currency that are stated at historical cost are converted into euros at the prevailing exchange rates on the transaction date. Fluctuations that occur in the foreign currency rates during conversion are recorded as expenditure in the profit and loss account.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are converted into euros at the prevailing exchange rates on the balance sheet date. Income and expenses of foreign operations are converted into euros at the exchange rate applying on the transaction date.

Conversion gains and losses are processed in the reserve for conversion differences. If a foreign operation is fully or partially sold, the respective amount is transferred from the reserve for conversion differences to the other reserves.

Development of most important foreign exchange currencies

The development of the foreign exchange rate of the most important currencies:

EUR 1 vs. Foreign currency	Rate 30-06-2020	Average exchange rate	Rate 30-06-2019
Canadian Dollar	1,536	1,526	1,490
British Pound	0,914	0,899	0,900
Polish Zloty	4,456	4,444	4,240
American Dollar	1,124	1,125	1,140
South African Rand	19,421	19,269	16,010

Financial instruments

Financial instruments include investments in shares and bonds, trade and other receivables, cash items, loans and other financing commitments, derivative financial instruments (derivatives), trade payables and other amounts payable. These financial statements contain the following financial instruments: financial instruments held for trading (financial assets and liabilities), purchased loans and bonds, receivables (both purchased and issued), investments and equity instruments, other financial liabilities and derivatives.

Financial and non-financial contracts may contain terms and conditions that meet the definition of derivative financial instruments. Such an agreement is separated from the host contract if its economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms and conditions as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value with changes in fair value recognised in the profit and loss account.

Financial instruments embedded in contracts that are not separated from the host contract are recognised in accordance with the host contract.

Derivatives separated from the host contract are, in accordance with the measurement policy for derivatives for which no cost price hedge accounting is applied, measured at cost or lower fair value.

Financial instruments are initially recorded at fair value, including discount or premium and directly attributable transaction costs. However, if financial instruments are subsequently measured at fair value through fair value adjustments in the profit and loss account, then directly attributable transaction costs are directly recorded in the profit and loss account upon initial valuation.

After initial recognition, financial instruments are valued in the manner described below.

Financial instruments held for trading

If the company has acquired or is contracted to acquire financial instruments for the purpose of selling the instrument in the short term, it forms part of the trading book and after initial recognition, is valued at fair value and changes in the fair value are recorded in the profit and loss account.

Loans granted and other receivables

Loans and other receivables are valued at amortised cost after initial recognition on the basis of the effective interest method, less impairment losses.

Current liabilities and other financial obligations

Long-term and current liabilities and other financial obligations are carried at amortised cost on the basis of the effective interest method.

The repayment obligations for the coming year with respect to long-term debts shall be included under short-term debts.

Hedge accounting for valuation of derivatives at cost

If the cost model for hedge accounting is applied, then no revaluation of the derivative instrument takes place, as long as the derivative hedges the specific risk of a future transaction that is expected to take place. As soon as the expected future transaction leads to recognition in the profit and loss account, then the profit or loss that is associated with the derivative is recognised in the profit and loss account.

If the hedged position of an expected future transaction leads to the recognition in the balance sheet of a non-financial asset or a non-financial liability, then the cost of the asset is adjusted by the hedge results that have not yet been recognised in the profit and loss account.

If forward exchange contracts are concluded to hedge monetary assets and liabilities in foreign currencies, cost hedge accounting is applied. This is done to ensure that the gains or losses arising from the translation of the monetary items recognised in the profit and loss account are offset by the changes in the value of forward exchange contracts arising from the difference between the spot rates as at inception of the contract and the spot rates as at the reporting date. The difference between the spot rate at the inception of the contract and the forward rate is amortised via the profit and loss account over the term of the contract.

When a derivative expires or is sold, the accumulated profit or loss that has not yet been recognised in the profit and loss account prior to that time is included as a deferral in the balance sheet until the hedged transactions take place. If the transactions are no longer expected to take place, then the accumulated profit or loss is transferred to the profit and loss account. If a derivative no longer meets the conditions for hedge accounting, but the financial instrument is not sold, then the hedge accounting is also terminated. Subsequent measurement of the derivative instrument is then at the lower of cost or market value.

Conditions for hedge accounting

The company documents its hedging relationships in generic hedging documentation and regularly checks the effectiveness of the hedging relationships by establishing whether the hedge is effective or that there is no over-hedging.

At each balance sheet date, the company assesses the degree of ineffectiveness of the combination of the hedge instrument and the hedged position (the hedging relationship). The degree of ineffectiveness of the hedging relationship is determined by comparing the critical features of the hedging instrument against the hedged position. If the critical features, assessed in the context of the hedging relationship, are matching (matched) each other, there is (has been) no ineffectiveness. If the critical features, assessed in the context of the hedging relationship, are not matching (did not match) each other, there is (has been) ineffectiveness. In that case, the extent of ineffectiveness would be established by comparing the change in fair value of the hedging instrument, with the change in fair value of the hedged position. If there is a cumulative loss on the hedging relationship over the period between initial recognition of the hedging instrument and the balance sheet date, the ineffectiveness (loss) is directly recognised in the profit and loss account.

Impairment of financial assets

A financial asset that is not valued at (1) fair value with value changes reflected in the profit and loss account, or at (2) amortised cost or lower market value, is assessed at each reporting date to determine whether there is objective evidence that the asset is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset that have had a negative impact on the estimated future cash flows of that asset, and which can be reliably estimated.

Objective evidence that financial assets are subject to impairment includes non-compliance with payment obligations or payment default by a debtor, restructuring of an amount payable to the company under conditions that otherwise would not have been considered by the company, indications that a debtor or issuer is approaching bankruptcy, or the disappearance of an active market for a security.

In addition, subjective and objective indicators of an impairment would be considered. Examples include the loss of active markets in the case of financial assets with a market listing, a reduction in the creditworthiness of the other party, i.e. the legal person or debtor of the issued instrument, or a reduction in the fair value of a financial asset to beneath the cost price or the amortised cost.

An impairment loss in respect of a financial asset valued at amortised cost is calculated as the difference between its book value and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recorded in the profit and loss account. Interest on a particular asset subject to impairment will continue to be accounted for via addition of interest from the asset with the original effective interest of the asset.

When, in a subsequent period, the amount of an impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised, the decrease in impairment loss is reversed through profit or loss (up to the amount of the original cost).

Offsetting financial instruments

A financial asset and a financial liability are offset when the entity has a legally enforceable right to set off the financial asset and financial liability and the company has the firm intention to settle the balance on a net basis, or to settle the asset and the liability simultaneously.

If there is a transfer of a financial asset that does not qualify for de-recognition in the balance sheet, the transferred asset and the associated liability are not offset.

Accounting principles for evaluation assets and liabilities

Intangible fixed assets

The intangible fixed assets are valued against acquisition price or production price with reductions applied due to cumulative depreciations and impairment losses. The outlays following initial recording of an intangible fixed asset that has been purchased or produced are added to the acquisition or production price if it is probable that the outlays will lead to an increase in the future economic benefits and the outlays and the allocation to the asset can be reliably determined. If the conditions cannot be met, the outlays are recorded as costs in the profit and loss account.

Goodwill

Goodwill represents the excess of the cost of the acquisition over the company's interest in the net realisable value of the assets acquired (including transaction costs directly related to the acquisition) and the 'conditional' liabilities assumed at the transfer date, less cumulative amortisation and impairment losses.

Goodwill paid upon the acquisition of foreign group companies and subsidiaries is converted at the exchange rates on the date of the transaction. The capitalized goodwill is amortised on a linear basis over an estimated economic useful life of five years. Internally generated goodwill is not capitalised.

Development costs (software)

Development costs are capitalised to the extent that they relate to projects deemed commercially viable (software). The development of an intangible asset is deemed commercially viable if it is technically feasible to complete the asset, the company intends to complete the asset and then use it or sell it (including the availability of adequate technical, financial and other means of achieving this), the company has the ability to use or sell it actively, it is likely to generate future economic benefits and the expenditures during the development can be reliably determined.

Development costs are valued at production cost, less accumulated amortisation and impairment losses. The manufacturing price mainly comprises the employee's salary costs. The capitalised costs are depreciated after the completion of the development phase (actively ready for commissioning) over the estimated useful life, which is 3 to 7 years. Depreciation takes place according to the linear method. The costs for development and other costs for research have been fully charged to the result in the period in which they are incurred. For the part of the capitalised development costs not yet written off, a legal reserve is created.

Concessions, licences and intellectual property

1. The intellectual property rights are valued at the amount of realised costs less reductions applied due to cumulative depreciations and impairment losses where applicable. The annual depreciation amounts to a fixed percentage of the realised costs. The economic lifespan of seven years and the depreciation method are re-assessed at the end of each financial year.

Tangible fixed assets

Land and buildings, plant and equipment and other fixed operating assets are stated at cost, less accumulated depreciation and impairment losses. The cost consists of the price of acquisition or manufacture, plus other costs that are necessary to get the assets to their location and condition for their intended use. The cost of self-constructed assets includes the purchase cost of materials and consumables and other costs that can be directly attributed to the manufacturing.

Investment subsidies are deducted from the cost price of the assets to which the subsidies relate.

Depreciation is calculated as a percentage of the purchase value in accordance with the linear method on the basis of the economic lifespan while taking residual value into account. Depreciation does not take place on land and assets in progress. Depreciation starts at the moment that an asset is available for the intended use and it ends at the time at which use is discontinued or its disposal.

The following depreciation percentages are applied:

• Company buildings	4% - 20%
• Plant and equipment	10% - 33.3%
• Other fixed operating assets:	10% - 33.3%

Maintenance expenditures are only capitalised when the maintenance leads to extension of the useful life of the asset. Assets that are taken out of service are stated at the lower of book value or lower realisable value.

Major maintenance costs are included in the carrying amount of property, plant and equipment (the so-called 'component approach').

Participating interests with significant influence

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. If valuation on the basis of the net asset value cannot take place as the information necessary for this cannot be obtained, the participation is valued according to the visible shareholders' equity.

In assessing whether the company has significant influence over the business and financial policies of a participating interest, all facts and circumstances and contractual relationships, including potential voting rights, are taken into account.

Participating interests where the company exercises joint control along with other participants, such as in joint ventures, are valued in the same way.

The net asset value is calculated on the basis of the company's accounting policies. If the participating legal entity transfers an asset or a liability to a participation that is valued according to the equity method, the profit or loss resulting from this transfer is recorded pro-rata on the basis of the relative interest that third parties have in the participations (proportional determination of results). A loss that results from the transfer of current assets or a particular reduction in value of fixed assets is recorded completely. Results on transactions involving transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests are eliminated to the extent that these cannot be regarded as having been realised.

Participations with a negative net asset value are valued at zero and a share in the profit of the participation in later years is only recorded if and to the extent that the cumulative share that has not been recorded is entered in the loss. However, if the Company fully or partially guarantees the debts of the relevant participating interest, or it has the constructive obligation to enable the participating interest to pay its debts (for its share therein), then a provision is recognised accordingly to the amount of the estimated payments by the company on behalf of the participating interest. This provision is recognised primarily to the debit of the receivables on the respective participating interest and for the remainder, is presented under provisions.

Participating interests with no significant influence

Participations over which no meaningful control is exercised are valued on the basis of the acquisition price or lower recoverable value. If the situation involves a firm intention to sell, valuation occurs against the possible lower expected sale value. If a legal entity transfers an asset or a liability to a participation that is valued at the acquisition price or current value, the profit or loss emanating from this transfer is recorded in the consolidated profit and loss account fully and directly unless the profit on the transfer is not realised in essence.

Other financial fixed assets

The loans to non-consolidated participations are initially valued on the basis of the fair value, with directly imputable transaction costs added. These receivables are valued at amortised cost using the effective interest method, less impairment losses. The accounting policies for other financial fixed assets are included under the heading 'Financial instruments'.

Dividends from participations which are valued on the basis of the acquisition price are recorded in the period in which they are declared as income from participations. Any profit or loss is recorded under financial income or expenses.

Impairment

For tangible and intangible fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value.

If it is not possible to determine the recoverable value of an individual asset, then the recoverable value of the cash flow generating unit to which the asset belongs is estimated.

If the book value of an asset (or a cash flow generating unit) is higher than the recoverable value, an impairment loss is recorded for the difference between the book value and the recoverable value. In the event of an impairment loss of a cash flow generating unit, the loss is first allocated to goodwill that has been allocated to the cash flow generating unit. Any remaining loss is allocated to the other assets of the unit in proportion to their carrying values.

In addition an assessment is made on each balance sheet date whether there is any indication that an impairment loss that was recorded in previous years has decreased. If there is such indication, then the recoverable value of the related asset (or cash flow generating unit) is estimated. Reversal of an impairment loss that was recorded in the past only takes place in the event of a change in the estimates used to determine the recoverable value since the recording of the last impairment loss. In such case, the book value of the asset (or cash flow generating unit) is increased up to the amount of the estimated recoverable value, but not higher than the carrying value that would have applied (after depreciation) if no impairment loss had been recorded in prior years for the asset (or cash flow generating unit).

An impairment loss for goodwill is not reversed in a subsequent period.

Contrary to what is stated before, at each reporting date the recoverable amount is assessed for the following assets (irrespective of whether there is any indicator of an impairment):

- intangible assets that have not been put into use yet;
- intangible assets that are amortised over a useful life of more than 20 years (counting from the moment of initial operation/use).

The recovery of an exceptional devaluation loss for a cash flow generating unit must be attributed to the book value of the assets, i.e. not goodwill, on a pro rata basis, based on the book value of the unit's assets.

Losses are recorded in the profit and loss account. Interest on a particular asset subject to impairment will continue to be accounted for via addition of interest from the asset with the original effective interest of the asset.

Disposal of fixed assets

Fixed assets available for sale are stated at the lower of their book value and net realisable value.

Inventories

Inventories are valued at cost or lower realisable value. The cost price is made up of the acquisition price or production price with the addition of other costs connected with keeping the inventories at their present level and in their present condition. The realisable value is based on the most reliable estimate of the amount that the inventories are expected to yield.

Raw materials and consumables (packaging materials and components) are valued at the lower of cost price – determined in accordance with the first-in, first-out (FIFO) principle – and market value.

Inventories of finished product and mini-tubers which have been grown by the Company itself, is valued at manufacturing price based on costs that are directly attributable to manufacturing. The main part of this is personnel expenses.

The valuation of stocks includes possible impairments that arise on the balance sheet date.

Receivables and securities

The accounting policies applied for the valuation of trade and other receivables and securities are described under the heading 'Financial instruments'.

Cash and cash equivalents

Cash and cash equivalents are valued on the basis of nominal value. If cash and cash equivalents are not freely available, this is taken into account during the valuation. Cash and cash equivalents in foreign currency are converted into the reporting currency on the balance sheet date at the exchange rate applying on that date. Reference is made to the pricing principles for foreign currency.

Vorderingen en effecten

De grondslagen voor de waardering van vorderingen en effecten zijn beschreven onder het hoofd Financiële instrumenten.

Shareholders' equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under shareholders' equity. Payments to holders of these instruments are deducted from the shareholders' equity as part of the profit distribution.

Financial instruments that are designated as a financial liability by virtue of the economic reality are presented under liabilities. Interest, dividends, income and expenditure with respect to these financial instruments are recorded in the profit and loss as financial income or expense.

Provisions

A provision is recorded in the balance sheet if the following applies:

- a legally enforceable or constructive obligation, arising from a past event; whereby
- a reliable estimate can be made; and
- it is probable that an outflow of resources will be required to settle the obligation.

If all or part of the payments that are necessary to settle a provision are likely to be fully or partially compensated by a third party upon settlement of the provision, then the compensation amount is presented separately as an asset.

Pension provision and long service

A provision for pension and for long service is included for the obligations based on pension administration regulations or similar commitments. The long-service provision is the provision for future long-service awards. The provision is recognised for the present value of the future long-service awards, which is calculated on the basis of the commitments made, the likelihood of the staff concerned remaining with the Company, and their age.

See also the accounting principles wages and salaries and note 11 to the consolidated balance sheet.

Current liabilities

The valuation of current liabilities is explained under the heading 'Financial instruments'.

Revenue recognition

Sales of seed potatoes and ware potatoes

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue from the sale of potatoes is processed in the profit and loss account when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the payment due is probable, the associated costs and possible return of the potatoes can be estimated reliably, and there is no continuing involvement with the potatoes.

The transfer of risks and benefits varies according to the conditions of the relevant sales contract.

Rendering of services

Revenue from the rendering of services is recorded in the net turnover at the fair value of the consideration received or receivable following deduction of concessions and reductions. These revenues are recorded in the profit and loss account when the revenue amount can be determined in a reliable manner, collection of the related compensation to be received is probable, the extent to which the services have been performed on the balance sheet date can be determined reliably, and the costs already incurred and (possibly) yet to be incurred to complete the service can be determined reliably.

Licences

Licences are paid when third parties have exercised the right to use the company's assets, such as varieties developed by the company. If the group acts on behalf of varieties developed by third parties, the net operating income is included after the deduction of the payments to these third parties as the Company does not bear the customer credit risk on these licences. Turnover is recorded if the scope of the payment to be received can be reliably determined and the collection of it is probable.

Government grants

Government grants are initially recorded in the balance sheet as deferred income when there is reasonable assurance that they will be received and there will be full compliance with the conditions associated with them. Government grants that offset incurred costs are recorded as income in the profit and loss account on a systematic basis in the same period in which the costs are incurred. Government grants to offset the costs of an asset are deducted from the cost price of the asset and therefore systematically recorded in the profit and loss account over the useful life of the asset.

Costs of outsourced work and other external costs

This concerns costs that are directly attributable to net turnover such as cost of trade goods, services, transport, loading and packaging. The costs for development and other costs for research are fully charged to the result in the period in which they are incurred.

Share in result of participating interests

The share in the result of participating interests consists of the share of the group in the results of these participating interests, determined on the basis of the accounting principles of the group. Gains or losses on transactions involving the transfer of assets and liabilities between the company and its non-consolidated participating interests or between non-consolidated participating interests themselves have not been recorded to the extent that they cannot be regarded as realised. The results of participating interests acquired or sold during the financial year are recorded in the group result from the date of acquisition or until the date of sale respectively.

Personnel expenses

Personnel remuneration is recorded as an expense in the profit and loss account in the period in which the services are provided and, to the extent not already paid, recorded as a liability on the balance sheet. If the amounts already paid exceed the compensation payable, the excess is recorded as a current asset to the extent that there will be reimbursed by the staff or by set-off against future payments by the Company. An expected compensation due to profit sharing and bonus payments are recognized when the obligation to pay that fee has arisen can be made on or before the balance sheet date and a reliable estimate of the liabilities.

For rewards with building rights, profit sharing and bonuses of the projected costs are taken into account during the service. A liability is recorded on the balance sheet date.

The recognised obligation relates to the best estimate of the amounts required to settle the obligation at the balance sheet date. The best estimate is based on contractual agreements with employees (collective bargaining agreements and individual employment contracts). Additions to and releases of liabilities are charged or credited to the profit and loss account.

Dutch Pension scheme

The pension commitments are placed with a pension fund. The scheme is financed under the Dutch pension system via contributions to an industry pension fund.

The pension obligations are valued according to the 'obligation to the pension provider approach'. With this approach, the premium payable to the pension provider is accounted for as a liability in the profit and loss account. On the basis of the implementation agreement, it is assessed whether and, if so, what obligations exist in addition to the payment of the annual pension payable to the pension provider on the balance sheet date.

These additional obligations, including any obligations arising from the pension provider's recovery plans, result in charges for the group and are recorded in the balance sheet in a provision. The recorded liability relates to the best estimate of the amounts required to settle it by the balance sheet date. If the effect of the time value of the money is material, the liability is valued at the present value. Discounting takes place on the basis of interest rates of high-quality corporate bonds. Additions to, and releases of, liabilities are charged or credited to the profit and loss account. At the end of the financial year 2019/2020 there were no pension claims and no liabilities for the group in addition to the payment of the annual pension payable to the pension provider.

The accrual of pension entitlements is always financed by means of (as a minimum) cost-cutting premium payments in the relevant calendar year. The pension scheme is a middleman scheme for both active and inactive participants (deferred pensioners and pensioners) – conditional supplement. The supplement depends on the investment return.

The annual accrual of pension entitlements amounts to 1.875% of the pensionable salary based on the gross salary minus a franchise (EUR 14,167). The pensionable salary is maximised (at EUR 57,232). The annual premium payable to the employer amounts to 100% of the pensionable salary. The amount of the premium is determined annually by the board of the branch pension fund on the basis of the coverage rate and expected returns. As of 30 June 2020, the coverage rate of the industry-funded pension fund concerned will be 88.9% according to the fund's statement. Based on the implementing regulation, the group has no obligation to meet additional contributions other than by higher future premiums in case of a shortfall in the fund.

Foreign pension plans

Pension plans that are comparable in design and functioning to the Dutch pension system, having a strict segregation of the responsibilities of the parties involved and risk sharing between the said parties (company, fund and members), are recorded and measured in accordance with Dutch pension plans (see previous section). For foreign pension plans that are not comparable in structure and function to the Dutch pension system, a best estimate is made of the commitment as of the balance sheet date. This commitment should then be stated on the basis of an actuarial valuation principle generally accepted in the Netherlands.

Leasing

The company may enter into financial and operating leases. A lease contract where the risks and rewards associated with ownership of the leased property are transferred substantially or wholly to the lessee, is referred to as a financial lease. All other lease contracts are classified as operational leases.

In classifying leases, the economic reality of the transaction is decisive rather than its legal form. If the Company acts as lessee in an operating lease, then the leased property is not capitalised. Lease payments regarding operating leases are charged to the profit and loss account on a linear basis over the lease period. The Company has only operational lease agreements.

Interest income and charges

Interest income is recorded in the profit and loss account on an accrual basis, using the effective interest rate method. Interest charges and similar charges are recorded in the period to which they refer.

Corporate income tax

Corporate income taxes include the tax on profit and deferred tax due and payable for the reporting period. Corporate income taxes are recorded in the profit and loss account except to the extent that it relates to items recorded directly to equity, in which case it is recorded in equity, or to business combinations.

Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

If the book values of assets and liabilities for financial reporting purposes differ from their values for tax purposes, this results in temporary differences. A provision for deferred tax liabilities is recognised for taxable temporary differences.

For deductible temporary differences, unused loss carry forwards and unused tax credits, a deferred tax asset is recognised, but only in so far as it is probable that taxable profits will be available in the future for offset or compensation. Deferred tax assets are reviewed on each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. For taxable temporary differences related to group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is recognised unless the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

For deductible temporary differences regarding group companies, foreign branches, associates and interests in joint ventures, a deferred tax asset is only recognized in so far as it is probable that the temporary difference will reverse in the foreseeable future and that taxable profit will be available to offset the temporary difference. The measurement of deferred tax liabilities and deferred tax assets is based on the tax consequences following from the manner in which the company expects, at the balance sheet date, to realise or settle its assets, provisions, debts and accrued liabilities. Deferred tax assets and liabilities are stated at nominal value.

Cash flow statement

The cash flow statement is prepared using the indirect method. Cash flows in foreign currency are translated into euros using the weighted average exchange rates at the dates of the transactions.

Related parties

Transactions with related parties will be explained if they are not entered into under normal market conditions. The nature and scope of the transaction and other information will be provided for these transactions in order to provide further insights.

Subsequent events

Events which provide further information about the actual situation as of the balance date and that appear before the financial statements are being prepared, are recognised in the financial statements. Events that provide no information on the actual situation at the balance sheet date are not recognised in the financial statements. When those events are relevant for the economic decisions of users of the financial statements, the nature and the estimated financial effects of the events are disclosed in the financial statements.

11.5 Notes to the consolidated balance sheet

1. Intangible fixed assets

The composition and movement of intangible fixed assets in the financial year 2019/2020 is as follows:

	Research and development costs	Goodwill	Concessions, permits and Intellectual properties	Total 2019/2020
Purchase value	8.425	5.002	3.817	17.244
Cumulative depreciation	-921	-4.504	-1.636	-7.061
Book value as per 1 July	7.504	498	2.181	10.183
Investments	2.416	0	0	2.416
Value changes	-8.879	0	0	-8.879
Depreciation	-237	-374	-545	-1.156
Total	-6.700	-374	-545	-7.619
Purchase value	1.962	5.002	3.817	10.781
Cumulative depreciation	-1.158	-4.878	-2.181	-8.217
Book value as per 30 June	804	124	1.636	2.564

The changes in value in research and development relate to the write-down of a new ERP system for the entire HZPC Group.

2. Tangible fixed assets

The changes per category for tangible fixed assets for the year 2019/2020 is as follows:

	Company buildings and land	Plant and equipment	Other fixed operating assets	Operating assets under construction	Total 2019/2020
Purchase value	39.263	27.338	3.472	395	70.468
Cumulative depreciation	-24.439	-21.290	-2.829	0	-48.558
Book value as per 1 July	14.824	6.048	643	395	21.910
Investments	181	2.406	410	2.280	5.277
Commissioning	0	274	0	-274	0
Disposals	-33	-559	-107	0	-699
Depreciation	-988	-1.808	-330	0	-3.126
Balance	-840	313	-27	2.006	1.452
Purchase value	39.411	29.459	3.775	2.401	75.046
Cumulative depreciation	-25.427	-23.098	-3.159	0	-51.684
Book value as per 30 June	13.984	6.361	616	2.401	23.362

3. Financial fixed assets

The movement per category of financial fixed assets is as follows:

	Participating interests	Receivables from association HZPC	Other securities	Deferred tax assets	Other receivables	Total 2019/2020
Book value as per 1 July	1.207	137	25	1.972	374	3.715
Investments/increase	311	0	0	0	0	311
Result from participating interests	-147	0	0	0	0	-147
Impairments/repayments	5	-72	0	0	-50	-117
Allocation	0	0	0	232	0	232
Dividend received	-71	0	0	0	0	-71
Exchange rate fluctuations	-235	0	0	0	0	-235
Movements 2019/2020	-137	-72	0	232	-50	-27
Book value as per 30 June	1.070	65	25	2.204	324	3.688

Participating interests

These are participating interests that are not consolidated due to minority interests. For a summary of the capital interests, you are referred to [Table Participating interests](#) (PDF page 73).

Receivables from Vereniging HZPC (HZPC Association)

These receivables are fully related to Vereniging HZPC regarding loans to growers for purchasing certificates of Vereniging HZPC. The interest rate is 1%. The term of the loan is 5 years.

Other securities

The other securities refers to securities that are intended to be held long-term. The market value of the different classes other securities approximates to the carrying value EUR 25,000.

Deferred taxes

The deferred taxes relates to deductible temporary differences including tangible fixed assets. Of these assets, a limited amount is expected to be realised within one year. The loss carry forward and deductible temporary differences not brought for valuation are EUR 540,000.

Other receivables

The other receivables relates to loans granted to staff for an amount of EUR 20,000 (2018/2019 EUR 20,000) with an average term of 5 years and an interest rate of 4%. This post also includes an interest cap to cover the interest risk on working capital financing up to EUR 15 million. The cap has a term of 10 years and an interest cap of 2%.

4. Inventories

	30-jun-20	30-jun-19
Packaging	907	1.120
Finished products	1.226	892
	2.133	2.012

The finished product concerns mini-tubers developed in-house.

On the balance date, a provision was taken on the stock of EUR 169,000 (2018/2019: nil).

TRADE AND OTHER RECEIVABLES

5. Trade receivables

	30-jun-20	30-jun-19
Amortized cost of outstanding receivables	56.836	52.334
Less: Allowance for doubtful debts	-2.728	-11.241
	54.108	41.093

In the amount of the trade receivables there are no amounts with a term longer than one year that are not anticipated.

6. Accounts receivables from participating interests

The amounts refer to participating interests with significant influence. The remaining term is shorter than one year and free from interest.

7. Taxes, contributions and social insurances

	30-jun-20	30-jun-19
Sales tax	8.310	6.674
Payroll tax and social insurance	28	0
Corporate income tax	962	96
Other taxes and premiums	121	18
	9.421	6.788

8. Other receivables and accrued assets

	30-jun-20	30-jun-19
Pension contributions	92	228
Licences to be claimed	6.229	4.683
Prepaid expenses	1.584	1.566
Turnover to be invoiced	1.751	0
Health insurance premium	272	257
Government grants	2.059	2.053
Receivable on growers	1.920	3.100
Other amounts	1.404	1.195
	15.311	13.082

The other receivables contain no amounts with a term longer than one year.

9. Cash and cash equivalents

	30-jun-20	30-jun-19
Cash	5	9
Bank account current	33.212	30.394
	33.217	30.403

The bank current account position which is not freely available to the organisation equates to EUR 2.679.000.

10. Group equity

For an explanation of the group equity, reference is made to the notes on equity in the company financial statement. The share of third parties in the group equity is zero.

11. Provisions

Pensions

The entry for pensions includes the obligations based on pension regulations and comparable obligations.

The composition and the course of the pensions in the financial year 2019/2020 are shown in the following overview:

	Total 2019/2020	Total 2018/2019
Status as of 1 July	164	149
Additions	19	25
Withdrawals	-6	-10
Status as of 30 June	177	164

The full amount of the pension provision is long-term. The pension provision relates to employees abroad. They have plans that are not comparable to the way in which the Dutch pension system is organised and functions. For these foreign schemes a best estimate of the existing pension liability is made as of the balance sheet date.

Other provisions

The following overview shows the changes in 2019/2020:

	Total 2019/2020	Total 2018/2019
Status as of 1 July	423	402
Additions	77	22
Withdrawals	-81	-1
Status as of 30 June	419	423

The provision for anniversary liabilities is calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account. Of this amount EUR 66,000 is short-term.

Current liabilities

12. Debts to credit institutions

Credit facility

The business has an overdraft facility with ING Bank N.V. and Deutsche Bank A.G. ING Bank N.V. ING Bank N.V. whereby the banks are each committed on a pro rata basis. The current account overdraft facility with the ING Bank N.V amounts to EUR 5.0 million as of 30 June 2020 and the Euribor interest plus 1.10%. Deutsche Bank A.G. has also provided an overdraft facility on the current account. The current account overdraft facility with the Deutsche Bank A.G. amounts to EUR 5.0 million as of 30 June 2020 and the Euribor interest plus 1.10%.

Altogether, the ING Bank N.V. and Deutsche Bank A.G have provided EUR 30 million, as of 30 June 202, at an interest rate of Euribor plus 1.10%.

With respect to the current account overdraft facility with the ING B.V., the following collaterals have been provided in the form of:

- Pledge of accounts receivable (first right of distraint) from: IPR B.V., HZPC Research B.V., HZPC Holding B.V., HZPC Holland B.V., HZPC SBDA B.V., HZPC SBA Europe B.V., ZOS B.V. and STET Holland B.V.

Covenants

The following covenants are linked to the credit facility:

- Solvency ration
- Turnover
- Coverage
- EBITDA Cover
- Minimum EBITDA of 8 million

The business has agreed the following covenants with its banks:

	Solvency ratio	Asset coverage ratio	Turnover ratio	EBITDA Coverage
For the term	> 35%	> 70%	> 70%	> 70%
30-jun-2020	> 35%	> 70%	> 70%	> 70%

The solvency ratio is defined as follows: Corrected capital/corrected balance sheet total.

The asset coverage ratio is defined as follows: Assets from selected businesses/consolidated assets.

The turnover coverage ratio is defined as follows: Turnover from selected businesses/consolidated turnover.

The EBITDA coverage ratio is defined as follows: EBITDA from selected businesses/consolidated EBITDA.

The covenants are fulfilled at the end of the accounting year.

13. Taxes, contributions and social insurances

	30-jun-20	30-jun-19
Corporate income tax to be paid	305	1.048
Corporate sales tax to be paid	573	580
Payroll tax and social insurances	974	610
	1.852	2.238

Taxes, contributions and social securities contain no amounts with a term longer than one year.

14. Other debts and accrued liabilities

	30-jun-20	30-jun-19
Licenses to be paid	1.612	1.655
Wages and salaries to be paid	1.203	720
Pension contributions	504	354
Holiday allowances	1.556	1.406
Deferred income	1.872	1.472
Product related costs	4.264	5.136
Growers	35	882
Other amounts	3.965	3.338
	15.011	14.963

Other debts and accrued liabilities contain no amounts with a term longer than one year.

Financial instruments

In the normal course of business, the company uses financial instruments that expose the company to market, currency, interest rate, credit and liquidity risks. To manage these risks, the company has developed a policy, including the establishment of a system of credit limits and procedures to reduce the risks of unpredictable adverse developments in financial markets and thus the financial performance of the company.

Credit risk

The Company incurs credit risk on loans and receivables recorded under financial fixed assets, trade and other receivables and cash. The maximum credit risk facing the company amounted to EUR 51 million. Exposure to credit risk of the company is primarily determined by the individual characteristics of each customer. In addition, management also considers the demographics of the customer base, including the default risk of the country in which customers operate, because these factors, particularly in the current deteriorating economic conditions, have an influence on the credit risk.

Due to the unrest in the Middle East, the credit risk in this region is high. The receivables from customers from this region are mostly covered. The company has taken the following measures to limit credit risk:

- Safeguard measures such as advance payments, letters of credit and bank guarantees are used regularly;
- Credit limits are actively monitored throughout the season.
- New deliveries for the new season are rarely permitted until debts from the previous season have been paid.

Currency risk

As a result of international activities the company, by way of the receivables and debts recorded in the balance sheet, holds net investments in foreign companies and is exposed to a currency risk in relation to future foreign currency transactions in US Dollars/ Pounds Sterling/Polish Zloty and Canadian Dollars in particular. On June 30 2020 the net exposure was converted into EUR at the spot rate as of the balance sheet date as follows:

x 1.000	Rate EUR	ASSETTS Local Currency	ASSETS in €	LIABILITIES Local Currency	LIABILITIES in €
USD	1,1242	5.994	5.332	-	-
GBP	0,9138	7.171	7.847	4.208	4.605
PLN	4,4564	22.274	4.998	14.980	3.362
CAD	1,5357	7.864	5.121	5.552	3.616
Totaal			23.298		11.583

Liquidity risk

The Company monitors its liquidity position through successive liquidity budgets. The management will ensure that sufficient liquidity is available to meet the obligations. The business runs liquidity risks with respect to the interest on the credit facility. An interest cap has been implemented to cover the interest risk on the credit facility. The conditions of hedge accounting are fulfilled, whereby the hedge relationship is processed in accordance with the rules of cost price hedge accounting. For the securities provided, we refer you to 'Credit facilities'.

Interest risk

The Company incurs interest on interest bearing assets and liabilities. Both of these receivables and payables have agreed on a floating rate interest rate agreements, thereby running the risk of doing business in respect of future cash flows. In order to limit the interest risk on the credit facility, a interest cap has been agreed as a mitigating measure.

Off-balance sheet assets and liabilities

These include:

- Operating lease commitments and rentals for an amount of EUR 1.6 million. Of this amount, EUR 0.7 million has a term of less than 1 year. The remainder is an obligation of less than 5 years. The expense for rent and lease in the financial year 2019/2020 amounted to EUR 0.6 million.
- The company has entered into a commitment of EUR 1.8 million for the new construction of an office in Metslawier. In 2019-2020, EUR 0.8 million has already been invoiced and the remaining commitment is EUR 1 million.
- Various claims have been filed against the company and/or group companies, among others against the Challenger variety. In addition, the company has filed a claim for unlawful growing and trading of HZPC varieties. Although the outcome of these disputes cannot be predicted with certainty, it is assumed - partly on the basis of legal advice obtained - that they will not have a significant adverse or positive impact on the consolidated position.

11.6 Notes for the consolidated profit and loss statement

15. Net turnover

Net turnover can be specified as follows in accordance with important yield categories:

	2019/2020	2018/2019
Seed potatoes	314.845	302.471
Licenses	25.090	21.767
Services	3.443	2.936
Ware potatoes	17.221	20.690
	360.599	347.864

The following overview is provided for the net turnover/percentage spread over the sales areas:

	2019/2020		2018/2019	
	€	%	€	%
The Netherlands	63.880	18	71.069	20
Other EU countries	206.207	57	190.025	54
Other European countries	18.556	5	16.346	5
Outside Europe	110.047	31	105.102	30
Intag-group deliveries	-38.091	-11	-34.678	-9
	360.599	100	347.864	100

16. Other income

These are mainly government grants and incidental income.

17. Personnel expenses

	2019/2020	2018/2019
Personnel expenses	21.521	20.187
Social security costs	4.002	3.568
Pension costs	2.380	2.312
	27.903	26.067

Number of employees

During the financial year, the average number of employees at HZPC Holland B.V. and its subsidiaries was 373 FTE, of which 265 are employed in the Netherlands (previous financial year 355, of which 259 FTE were employed in the Netherlands). On the balance sheet date, 383 FTE were in service.

Specification number of FTE's

	2019/2020	2018/2019
Management, administration and IT	84	82
Commerce and communication	80	86
Purchasing and logistic planning	106	88
Storage, grading and transport	24	21
Research	79	78
	373	355

18. Other operating expenses

	2019/2020	2018/2019
Sales costs	1.824	3.608
Office costs	4.049	3.224
Staffing relates costs	4.986	4.725
Repair and maintenance	1.947	1.759
Other costs	7.877	4.987
	20.683	18.303

19. Interest receivable and similar income

	2019/2020	2018/2019
Debtors	42	82
Bank account current	89	1.773
Other	230	107
	361	1.962

20. Interest payable and similar charges

	2019/2020	2018/2019
Discount	-35	-50
Bank current account	-235	-2.042
Other	-470	-50
	-740	-2.142

21. Corporate income tax

	2019/2020	2018/2019
Applicable tax rate in The Netherlands	25,0%	25,0%
Foreign stock	26,7%	-1,3%
Non-deductible amounts	3,8%	1,0%
Change in temporary differences	2,1%	0,0%
Innovationbox	0,0%	-2,9%
Recognition of previously non recognised tax losses	0,0%	0,0%
Other	2,0%	3,5%
Effective pressure	59,6%	25,3%

Together with HZPC Holland B.V., STET Holland B.V., HZPC Belgium B.V., ZOS B.V., ZOS WEHE B.V., HZPC SBDA B.V., HZPC SBA Europe B.V., HZPC Research B.V., IPR B.V. and Solentum B.V. the companies form a fiscal unit for corporation tax. The corporate income tax is included in each of the companies for the proportion for which the Company concerned would be liable at the nominal rate, not taking into account any tax facilities applicable for the Company.

The effective tax rate is 59.8 % (2018/2019: 25.3%). For the Dutch companies, this concerns the effective rate of 22.8% due to the permanent variations in value. For the foreign companies an average tax rate of 42% applies (2018/2019: 21.6%) applies, which is influenced by a correction from previous years, higher normative tax rates abroad and non-offset losses.

Other explanatory notes

Transactions with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their managers and directors. This includes the relationships between the company and its participating interests, the shareholders, the directors and key management personnel. These transactions include: a transfer of resources, services or obligations, regardless of whether a sum is charged.

There were no transactions with related parties that were not on a commercial basis

Auditor's fees

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a (1) and (2) BW.

(in EUR x 1)

	2019/2020	2018/2019
Paid in the year:		
Audit of the financial statements, the Netherlands (KPMG Accountants N.V.)	169.300	173.450
Audit of the financial statements abroad (KPMG Network)	42.684	64.486
Tax - related advisory services (KPMG Network)	53.611	96.718
Other non-audit services (KPMG Network)	0	63.788
Auditor's fees	265.595	398.442

Remuneration of managing and supervisory directors

For an explanation of the remuneration of managing and supervisory directors reference is made to [the separate company financial statement](#) (PDF page 104).

Subsequent events

No events have occurred following the balance sheet date with significant financial consequences.

11.7 Company balance sheet

(after profit appropriation)

Assets

(x EUR 1.000)

	Notes	30-jun-20	30-jun-19
FIXES ASSETS			
Intangible fixed assets	22		
Research and development costs		0	6.884
		0	6.884
Tangible fixed assets	23		
Company buildings and land		10.797	11.620
Operating assets under construction		2.144	120
		12.941	11.740
Financial fixed assets	24		
Participating interests in group companies		56.067	49.936
Accounts receivables from group companies		2.965	1.664
Other participating interests		8	8
Receivables from Association HZPC		65	137
Other securities		24	25
Deferred tax assets		1.844	1.593
Other receivables		305	346
		61.278	53.709
TOTAL FIXED ASSETS		74.219	72.333
CURRENT ASSETS			
Receivables			
Group companies		16.001	6.799
Taxes, contributions and social insurance		1.097	0
Other receivables and accrued assets	25	123	0
		17.221	6.799
Cash and cash equivalents		6.589	5.664
TOTAL CURRENT ASSETS		23.810	12.463
TOTAL ASSETS		98.029	84.796

Liabilities

(x EUR 1.000)

	Notes	30-jun-20	30-jun-19
LIABILITIES			
Shareholders' equity	26		
Issued capital	15.675	15.675	
Share premium reserve	1.433	1.433	
Other legal reserves	2.069	8.798	
Foreign currency translation reserve	-1.179	-604	
Other reserves	35.358	28.248	
		53.356	53.550
Provisions			
	27	611	571
Current liabilities			
Debts to group companies	1.074	2.617	
Debts to suppliers	869	0	
Payables to participating interests and companies in which there is a participation	264	300	
Dividend to be paid	784	6.074	
Debts to credit institutions	40.004	19.896	
Taxes, contributions and social insurance	28 36	864	
Other debts and accrued liabilities	29 1.031	924	
		44.062	30.675
TOTAL LIABILITIES			
		98.029	84.796

11.8 Company profit and loss statement

(x EUR 1.000)

	Notes	2019/2020	2018/2019
Share in result of participating interests after tax	30	11.068	12.013
Other result after tax	31	-9.903	-2.660
Net result		1.165	9.353

11.9 Notes to the company financial statement

General

The company financial statements are part of the 2019/2020 financial statements of the group. For the separate company profit and loss statement, use has been made of the exemption pursuant to Section 2:402 of the Netherlands Civil Code.

In so far as no further explanation is provided of items in the separate company balance sheet and the separate company profit and loss account, please refer to the notes to the consolidated balance sheet and profit and loss account.

Principles for the valuation of assets and liabilities and the general determination of the result

The principles for the valuation of assets and liabilities and the determination of the result are the same as those applied to the consolidated balance sheet and profit and loss account, with the exception of the principles stated below.

Financial instruments

In the separate company financial statements, financial instruments are presented on the basis of their legal form.

Participating interests in group companies

Participating interests in group companies are accounted for in the company financial statements according to the equity accounting method on the basis of net asset value. For details we refer to the accounting policy for financial fixed assets in the consolidated financial statements.

Provision for participating interests

The provision has been formed for the amount of the expected payments on behalf of the company for participating interests.

Result of participating interests

This item concerns the company's share in the profit or loss of these participating interests. In so far as gains or losses on transactions involving the transfer of assets and liabilities between the company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recorded.

11.10 Notes to the company balance sheet

22. Intangible fixed assets

The composition and movement of intangible fixed assets in the financial year 2019/2020 is as follows:

	Research and development costs	Total 2019/2020
Purchase value	7.688	7.688
Cumulative depreciation	-804	-804
Book value as per 1 July	6.884	6.884
Investments	1.995	1.995
Depreciation	-8.879	-8.879
Movements 2019/2020	-6.884	-6.884
Purchase value	9.683	9.683
Cumulative depreciation	-9.683	-9.683
Book value as per 30 June	0	0

23. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2019/2020 is as follows:

	Company buildings and land	Operating assets under construction	Total 2019/2020
Purchase value	25.236	120	25.356
Cumulative depreciation	-13.616	0	-13.616
Book value as per 1 July	11.620	120	11.740
Investments	5	2.024	2.029
Depreciation	-828	0	-828
Balance	-823	2.024	1201
Purchase value	25.241	2.144	27.385
Cumulative depreciation	-14.444	0	-14.444
Book value as per 30 June	10.797	2.144	12.941

24. Financial fixed assets

The movement per category of financial fixed assets is as follows:

	Participating interests in group companies	Accounts receivable from group companies	Other participating interests	Receivables from Vereniging HZPC (HZPC Association)	Deferred tax assets	Other securities	Other receivables	Total 2019/2020
Book value as per 1 July	49.936	1.664	8	137	1.593	25	346	53.709
Investments/increase	0	1.301	0	0	251	0	0	1.552
Result from participating interests	11.068	0	0	0	0	0	0	11.068
Exchange rate fluctuation	-575	0	0	0	0	0	0	-575
Depreciation/repayments	460	0	0	-72	0	-1	-41	346
Dividend	-4.850	0	0	0	0	0	0	-4.850
Provision for participating interests	28	0	0	0	0	0	0	28
Book value as per 30 June	56.067	2.965	8	65	1.844	24	305	61.278

The repayments / depreciations on participating interests in group companies concern the movement in connection with the write-down of the receivables from participating interests with a negative book value.

The receivables from group companies have a term between 3 years and 8 years. Interest is charged on the receivable. This varies from 1% to 2.5%.

25. Other receivables and accrued assets

	30-jun-20	30-jun-19
Government grants to be claimed	19	0
Prepaid amounts	104	0
Status as of 30 June	123	0

26. Shareholders' equity

The changes per category of shareholder equity is as follows:

	Issued capital	Share premium reserve	Other legal reserves	Foreign currency translation reserve	Other reserve	Total 2019/2020
Book value as of 1 July	15.675	1.433	8.798	-604	28.248	53.550
Movements in financial year 2019/2020						
Dividend	0	0	0	0	-784	-784
Result of financial year	0	0	0	0	1.165	1.165
Exchange rate fluctuations	0	0	0	-575	0	-575
Other changes	0	0	-6.729	0	6.729	0
Status as of 30 June	15.675	1.433	2.069	-1.179	35.358	53.356

Issued capital

The authorised capital of the company amounts to EUR 50,000,000 (2018/2019 EUR 50,000,000) and is divided into 2,500,000 shares of EUR 20 each, with 783,725 ordinary shares being issued. The value of the paid and called-up capital amounts to EUR 15,674,500 (EUR 15,674,500 at the end of 2018/2019).

Share premium reserve

The share premium concerns the income from the issuing of shares in so far as this exceeds the nominal value of the shares (above par income).

Other legal reserves

Other legal reserves consist of a legal reserve for participating interests and the legal reserve for development costs. The legal reserve for participating interests relates to companies that are valued in accordance with the equity method. The reserve concerns the difference between the participating interests' retained profit and direct changes in equity, as determined on the basis of the parent company's accounting policies, and the share thereof that the parent company may distribute. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve for development costs relates to the formed reserve of the not yet written off part of the capitalized development costs. The legal reserve is determined on an individual basis.

Foreign currency translation reserve

Exchange gains and losses arising from the translation of foreign operations from functional to reporting currency are recorded in this legal reserve. In the case of the sale of a participating interest, the associated accumulated exchange differences are transferred to other reserves.

Other reserves

It is proposed to the General Meeting to appropriate the result after taxes for 2019/2020 as follows: to add an amount of EUR 381,000 to the other reserves and to distribute the remaining amount of EUR 784,000 as dividend.

The movement of EUR 6,729,000 concerns the allocation from the legal reserve.

Proposal for result appropriation

It is proposed to the General Meeting to appropriate the result after taxes for 2019/2020 as follows: to add an amount of EUR 381,000 to the other reserves and to distribute the remaining amount of EUR 784,000 as dividend. EUR 1.00 is available per share certificate. This proposal is recorded in the balance sheet under the current liabilities.

27. Provisions

Provisions for participations

The composition and the course of the provisions in the financial year 2019/2020 are shown in the following overview:

	Total 2019/2020	Total 2018/2019
Status as of 1 July	554	1.495
Additions	582	0
Withdrawals	-554	-941
Status as of 30 June	582	554

The provision relates to participations with a negative net equity value.

Other provisions

The following overview shows the movements in 2019/2020:

	Total 2019/2020	Total 2018/2019
Status as of 1 July	17	16
Additions	12	1
Status as of 30 June	29	17

The provision for anniversary liabilities is calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account.

28. Taxes and contributions

	30-jun-20	30-jun-19
Corporate income tax to be paid	0	829
Payroll tax and social insurances	36	35
	36	864

29. Other debts and accrued liabilities

	30-jun-20	30-jun-19
Wages and salaries to be paid	593	498
Pension contributions	13	18
Invoices to be received	279	196
Provision lawsuits	0	67
Other amounts	146	145
	1.031	924

30. Share in result in participating interests after tax

This relates to the share in result the company and its subsidiaries has in participating interests of which EUR 11,215,000 (2018/2019: EUR 12,740,000) relates to group companies. The other part concerns results in minority interests amounting to EUR 147,000 negative (2018/2019: 727,000).

31. Other income and expenses after tax

The other result after tax concerns the regular costs of conducting holding activities. The costs concern personnel costs, other operating costs including legal costs, depreciation, impairments and interest income and expenses. For the 2019/2020 financial year, an impairment of EUR 8,879,000 has taken place on the developed ERP system.

Wages and salaries

	2019/2020	2018/2019
Gross staff wages	1.060	1.054
Employer's social security contributions for staff	40	40
Pension premium	62	81
	1.162	1.175

Specific details for number of FTEs

	2019/2020	2018/2019
Management en administration	4	4

At HZPC Holding B.V. there were an average of 4 FTE in service, all working in the Netherlands (previous financial year 4 FTE).

Other explanatory notes

Financial instruments

In the normal course of business, the company uses financial instruments that expose the company to market, currency, interest rate, credit and liquidity risks. To manage these risks, the company has developed a policy, including the establishment of a system of credit limits and procedures to reduce the risks of unpredictable adverse developments in financial markets and thus the financial performance of the company.

Credit risk

The company incurs credit risk on loans and receivables recorded under financial fixed assets, other receivables and cash.

Liquidity risk

The Company monitors its liquidity position through successive liquidity budgets. The management will ensure that sufficient liquidity is available to meet the obligations.

Interest risk

The Company incurs interest on interest bearing assets and liabilities. Both of these receivables and payables have agreed on variable rate interest rate agreements, which means that the Company is exposed to future cash flows. In order to limit the interest risk on the credit facility, a rent cap has been agreed as a mitigating measure.

Off-balance sheet assets and liabilities

- The company has liabilities under operating leases and rent for an amount of EUR 37,000. Of this amount, EUR 26,000 has a term of less than one year. The remaining amount concerns an obligation for less than five years. The debt for rental and lease in accounting year 2019/2020 amounted to EUR 63,000.
- The company has entered into a commitment for the new building in Metslawier for EUR 1.8 million. In 2019-2020, EUR 0.8 million had already been invoiced and the remaining commitment entered into at the end of the financial year was EUR 1 million.

Tax entity

Together with its subsidiaries within the Netherlands, the company forms a tax entity for corporate income tax purposes and valueadded tax. The standard conditions stipulate that each of the companies is liable for the tax payable by all companies belonging to the tax entity. The fiscal entity does not differ from the fiscal entity in the consolidated financial statement.

Remuneration of managing and supervisory director

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 of Book 2, Title 9 of the Dutch Civil Code. The remuneration of Supervisory Board members amounts to EUR 98,000 (2018/2019: EUR 86,000).

Joure, 1 October 2020

The board:

G.F.J. Backx (CEO), statutair bestuurder

H. Verveld (CCO)

J.L. van Vilsteren (CFO)

The supervisory board:

M.J. Ubbens, voorzitter

C.J. Biemond

I. Frovola

M. Kester

M. Hommes-Gesink

Other information



12.1 Other information

Result appropriation by virtue of the Articles of Association

Pursuant to article 27 of the articles of association of HZPC Holding B.V., a percentage of the company's profit to be determined by the Executive Board with the approval of the Supervisory Board can be added to the reserves while the undischarged losses of previous years are deducted along with the taxes which are, or will be, charged on the basis of the profit, which may be established by means of an estimate if necessary. The remaining profit is available for disposal at the discretion of the General Meeting of Shareholders. The company can only make pay-outs of profit available for paying out to the shareholders and any other parties that may be thus entitled to the extent that the shareholders' equity is greater than the paid and called-up part of the capital augmented with the reserves that must be maintained by law or under the articles of association.

Independent auditor's report

To: the General Meeting of HZPC Holding B.V.

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2020/2021 of HZPC Holding B.V. (or hereafter: the Company), based in Joure (hereafter: the financial statements).

In our opinion the accompanying financial statements give a true and fair view of the financial position of HZPC Holding B.V. as at 30 June 2021 and of its result for the year 2020/2021 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 30 June 2021;
2. the consolidated and company profit and loss account for the year 2020/2021; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

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 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of HZPC Holding B.V. in accordance with the Wet toezicht accountantsorganisaties

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 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of HZPC Holding B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

ies (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

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

The impact of uncertainties due to COVID-19 on our audit

The ongoing impact of COVID-19 on our audit of the Company's liquidity risk is relevant to the users' understanding of our audit. The Executive Board is responsible for assessing the possible effects of COVID-19 on the Company's liquidity risk and adequately disclosing the results of its assessment in the financial statements. We assess and challenge the appropriateness of the Executive Board's assessment and the adequacy of the related disclosures. The appropriateness of the Executive Board's assessment depends on reasonableness of estimates relating to the future economic environment and the Company's future prospects and performance.

The COVID-19 pandemic is an unprecedented challenge for humanity and for the economy globally, and at the date of this report its effects are subject to significant levels of uncertainty.

We have evaluated the situation and uncertainties as disclosed in the 'going concern' paragraph in the notes to the financial statements and consider the disclosure to be adequate. However, an audit cannot predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to COVID-19.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- management report;
- report of the Supervisory Board;
- other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Executive Board is responsible for the preparation of the other information, including the management report, in accordance with Part 9 of Book 2 of the Dutch Civil Code, and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Description of the responsibilities for the financial statements

Responsibilities of the Executive Board and the Supervisory Board for the financial statements

The Executive Board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Executive Board is responsible for such internal control as the Executive Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, the Executive Board is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Executive Board should prepare the financial statements using the going concern basis of accounting unless the Executive Board either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Executive Board 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 objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud during our audit.

Misstatements can arise from fraud or errors and are considered 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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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 audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, 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 errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 Executive Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events 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. However, future events or conditions may cause the Company ceasing 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.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for the group entities or operations. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected the group entities or operations for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

Groningen, 7 October 2021

KPMG Accountants N.V.

K. Woldering RA

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 findings in internal control that we identify during our audit.

Groningen, 1 October 2020

KPMG Accountants N.V.

R.W. van Dijk RA