



Annual Report Association HZPC 2019 | 2020

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Annual report

Report of the Board

Financial year 2019/2020

The 2019/2020 financial year has a neutral result for the HZPC Association. This is due to the promise of HZPC Holding that it will fully reimburse the costs of the Association. The HZPC Association does not hold any certificates. Income is limited to the interest on cash. The Board of Growers and Breeders (College van Telers en Kwekers) have also held regular consultations with HZPC employees this financial year. In these meetings, the agreements made with regard to the agreements of growers and breeders are tested and, where necessary, adapted to developments in the sector and the company.

Connecting Growers

This year the Board of Association HZPC joined together with the Supervisory Board and the Executive Board of HZPC Holding B.V. to pay particular attention to the relationships with growers within the HZPC Group. This group of stakeholders is very valuable to us. Many of them were part of creating the company but, even more importantly, we need our growers in order to realise national and international growth.

Twenty years ago, almost all certificates were in the hands of active growers. This figure has currently fallen to less than 50%. This has been caused by many inactive growers holding onto their share certificates, rather than selling them, and means that active growers are not given the opportunity to buy their own certificates.

We would like to see the share of certificates held by active growers increase. That is why, at the start of the 2021 harvest, we are implementing the 'Connecting Growers' programme. This programme will enable us, at HZPC Holding, to buy certificates worth EUR 1.5 million on the market and give these to our active seed (potato) growers in the European Union. The certificates will be shared out in proportion to the acreage of seed potatoes per HZPC grower. Read more about this in the seed potato regulations or on www.hzpc.nl/cg.

To facilitate this programme, the Board held an extraordinary members meeting on 26 August. During the meeting, the amendments to the Articles of Association and the trading regulations were presented for approval to the members so that the Connecting Growers programme could be implemented.

Share price development certificates

Our certificate holders were again confronted with twice ten percent fall in the price of the share certificates. The large supply of certificates was not met by a corresponding amount of demand. Liquidity is relatively limited on the stock exchange of HZPC depositary receipts for shares. There are 783,725 depositary receipts for shares and the average demand in recent years has been around 5000 depositary receipts per trading day. This may change if the price falls further, making it more attractive for potential certificate holders to enter. It is annoying for the certificate holders who want to get out. The board monitors the HZPC certificate trade to ensure that the stock exchange trade is orderly. However, the price formation is completely determined by supply and demand and the maximum bandwidth in which the depositary receipt of shares can move.

At the General Members Meeting in November 2019, we discussed with the members whether adjustments to stock exchange trading are necessary. Over the past year, we started working on feedback from the members. We have the ambition to come back to this in the autumn of 2020.

From November 2019, Captin will conduct stock exchange trading for HZPC. The transition from ING to Captin has led to adjustments, but stricter external guidelines also contributed to this. This is certainly not expected to diminish in the coming years. The board takes these factors into account in its thoughts on the future of stock exchange trading in HZPC certificates.

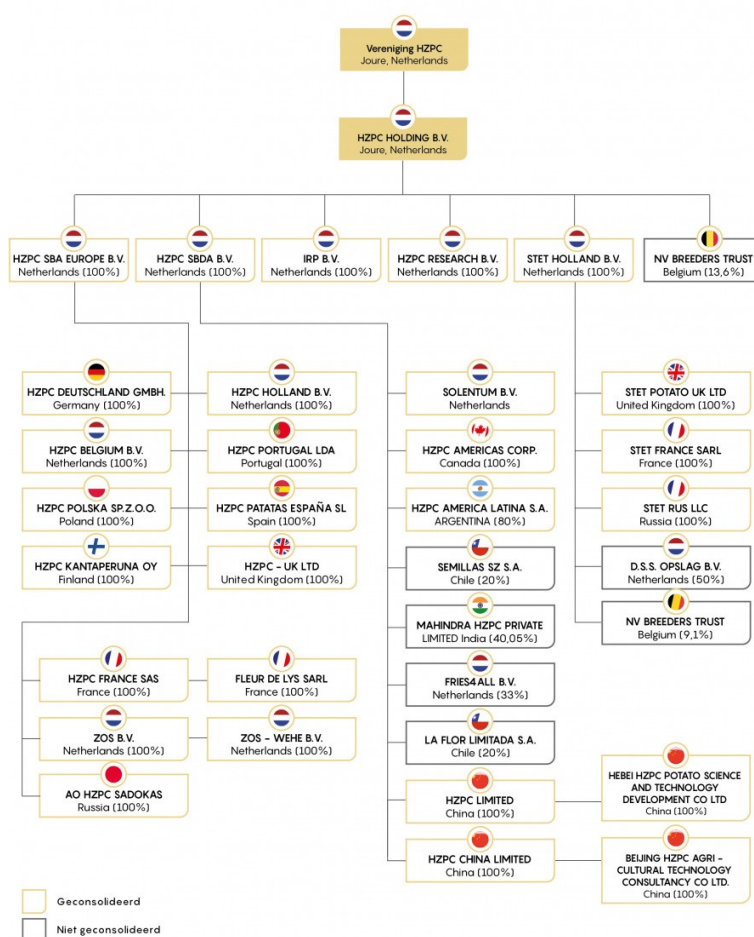
Structure

The Association holds 783,725 shares in the Company and is therefore sole shareholder of HZPC Holding B.V. The name HZPC Holland B.V. was changed to HZPC Holding B.V. as of 1 July 2016. Association HZPC has issued all the shares in the form of certificates to natural persons and legal entities that comply with specific requirements. On behalf of its members, the Board carries out the duties of shareholder at the General Meeting of Shareholders of HZPC Holding

B.V. The activities of HZPC Holding are focused on the potato product. HZPC carries out research, breeds varieties and grows seed potatoes, ware potatoes and mini-tubers. In addition, we are working on other business models such as Woksi and Fries4ALL, which could offer support to the sales of HZPC's seed potatoes internationally.

As a result of the international expansion of HZPC Holding, topics are becoming increasingly internationalised and no longer focussed on the interests of Dutch growers. The Board aims to represent the interests of all members both nationally and internationally. These members include (former) growers, (former) breeders and personnel members. The autonomy and continuation of the HZPC organisation are therefore a guiding principle for the Board.

Organisation structure



Results

HZPC Holland B.V. achieved a net result of EUR 1.2 million for the fiscal year 2019/2020. The return on average shareholders' equity is 2.2%. The supervisory board has made 67% of the company's net revenue available to the shareholders. This is consistent with an amount of EUR 783,725. This means a dividend of EUR 1.00 per share certificate. This dividend has been incorporated in the annual accounts of the Association.

We regret that the major write-off with regard to the ERP System at HZPC Holding has had a significant impact on the dividend payment for 2019/2020. In recent years we have drawn attention to the risks of this project several times. We share the view of the Executive Board that it is better not to avoid carrying debts or capitalised ERP project costs which do not correspond with any benefits into the future.

Due to the nature of the activities of the Association, the consequences of the Covid-19 outbreak have a limited impact on Association HZPC, according to the board.

Risks

The risks for the HZPC Association are limited, because its main activity consists of holding and certifying shares in the HZPC Holding participating interest. These shares are valued at the lower of acquisition price or realizable value, but not lower than nil.

General meeting of Shareholders

The HZPC Holding B.V. Articles of Association stipulate which decisions have to be presented to the General Meeting of Shareholders and, therefore, to the Board for approval. The General Meeting of Shareholders/Certificate Holders was held twice last year. The meeting agenda included the progress of the company's results. Despite all the restrictions associated with the coronavirus, we managed to convene a meeting eight times. Mr. R. Smith was absent from one meeting but all members of the Board were able to attend all the other meetings.

Appointments

During the members general meeting in November 2019, Mr M. Verhage from Emmeloord was appointed as the fifth member of the Board. This completed the Board line-up.

There were no formal changes in the Board of Breeders as of 30 June 2020. Ms M. Hommes- Gesink ter Lauwerzijl has returned because in May, she joined the Supervisory Board of HZPC Holding B.V. The resignation in the Board of Breeders must still be officially minuted in the meeting. Due to the coronavirus, this meeting did not take place on 30 June.

As of 1 July 2020, Ms M. Maes-de Vries stands down and Mr Aart Doppenberg from Anna Paulowna will be her successor in the Board of Breeders.

In the Board of Growers, Mr G. Miedema stood down for Friesland. Mr A. Jensma from Oudebildtzijsl was presented as his successor by the Board of Growers. In the meeting in Friesland, he was appointed for a four-year term. In Groningen, Mr R. Clevering stood down as a member. Mr D. Gesink from Mensingeweer was presented as his successor.

R. Wiersma and R. van de Noort retired from the Jongeren College in October. They have been succeeded by B. Westerhuis and T. van Dyke.

Stock trading days

Two stock trading days for HZPC certificates were held this financial year as well. The rate reduced by 10% in November 2019 and in May 2020 by 10% to a rate of exactly EUR 131.25. At the end of the 2019/2020 financial year, Association HZPC has no certificates in its possession. The Supervisory Committee oversees the implementation of the procedures for trading in certificates as laid down in the stock trading regulations.

This financial year and last financial year, legislation prevented borrowing from the Association in order to purchase HZPC certificates. We think it is a great shame that we were unable to maintain this facility, which was primarily intended for young growers. Sixteen loans have now been fully repaid. 22 grower-certificate holders are currently participating in this scheme. The total amount involved was EUR 65,000 (EUR 137,000 last year) on the balance sheet date.

There were 1,327 certificate holders as of 30 June 2020, 8 fewer than the year before. The number of members of the Association is currently 971 (73.2% of the number of certificate holders). The organisation of the stock trading days in the 2019/2020 financial year was conducted by Captin.

Finally, on behalf of the board, we would like to thank everyone for their efforts in the past financial year and we look forward to the next financial year with confidence.

Joure, 1 October 2020

On behalf of the board,

J.J.M. van der Heijden, chairman

Personnel details

BOARD OF DIRECTORS	JJ.M. van der Heijden, Chairman, Kruisland S.G. Andringa, Vice-chairman, Oosterbierum E.P. de Vries, Secretary, Kantens R.P. Smith, Terheijden M. Verhage, Emmeloord
BOARD OF GROWERS	J. Bonnema, Chairman , Ens N. Hoornsman, Vice-chairman, Wieringerwerf A. Vael, Secretary, Zaamslag L. Dijkstra, Anjum D. Gesink, Mensingeweer J.M. Hendrikse, Creil A. Jensma, Oudebildtzijl R. Rozema, Niezijl W. Sijtsma, Pingjum N.J. Slot, De Cocksdorp P.K. Westerhuis, Usquert
BOARD OF BREEDERS	P. Thijssen, Chairman, Slochteren K. Hiddema, Vice-chairman, Emmeloord A. Doppenberg, Anna Paulowna M. Hommes-Gesink, Lauwerzijl Y.P. van der Werff jr., Oude Bildtzijl
SUPERVISORY COMMITTEE	A. van Zadelhoff, Chairman, Mantgum J.H. te Raa, Blankenham T. de Vries, Hallum
YOUTH BOARD	T. Smits, Chairman, Luttelgeest P. Meijer, Secretary, Kloosterburen M. Duisterwinkel, 't Zandt T. van Dijke, Mijnsheerenland V. van den Hoek, Creil M. Remijn, Eenrum T. Sinnema, Dronrijp G. Smits, St. Annaparochie E. van der Star, Oosterend A. Steeghs, Engwierum B. Westerhuis, Usquert P. de Wit, Wieringerwaard J. van der Zee, Tzummarum

Financial Statement



Balance sheet as of 30 June 2020

ASSETS

(in EUR x 1.000)	Notes	30-jun-20	30-jun-19
FIXED ASSETS			
Financial fixed assets			
Shares of HZPC Holding B.V. on behalf of certificate holders	1	15.675	15.675
Receivables from certificate holders	2	65	137
TOTAL FIXED ASSETS		15.740	15.812
CURRENT ASSETS			
Receivables			
Dividend to be received from HZPC Holding B.V.	3	666	5.163
Current account HZPC Holding B.V.		264	300
		930	5.463
Cash and cash equivalents			
Banks		58	18
TOTAL CURRENT ASSETS		988	5.481
TOTAAL ASSETS		16.728	21.293

LIABILITIES

(in EUR x 1.000)	Notes	30-jun-20	30-jun-19
Equity	4	318	318
Long-term liabilities			
Share certificates issued		15.675	15.675
Other long term liabilities	5	65	137
		15.740	15.812
Current liabilities			
Dividend to be paid to certificate holders		666	5.163
Other debts		4	0
		670	5.163
TOTAL LIABILITIES		16.728	21.293

Profit and loss account over the financial year 2019/2020

(in EUR x 1.000)	Notes	2019/2020	2018/2019
REVENUES		0	0
COSTS			
Other operating costs	6	231	87
Charged to HZPC Holding B.V.		-231	-87
Total expenses		0	0
Net result		0	0

General notes to the annual report

Foundation of the HZPC Association

Vereniging HZPC was founded on 29 November 1999 by means of a legal merger between Coöperatie De ZPC Pootgoed Belangen B.A. and Stichting Administratiekantoor Hettema, which were both converted to form part of the Association.

The HZPC Association has the legal ownership of 100% of the shares in HZPC Holding B.V. in Joure

Activities

The objective of the Association is:

- the issuing and management of share certificates in the Company;
- promoting certain material interests of its members/certificate holders;
- promoting certain material interests of its growers;
- promoting certain material interests of its breeders.

Financial reporting period

The financial year of the Association runs from 1 July up to and including 30 June.

Applied standards

The financial statements have been prepared in accordance with Title 9, Book 2 of the Dutch Civil Code.

The applied accounting policies to the valuation of assets and liabilities and result determination are based on the historical cost convention unless stated otherwise.

Going concern

These annual accounts have been drawn up on the basis of the going concern assumption, given the positive equity capital.

The consequences of the Covid-19 outbreak have, according to the nature of the activities of the Association, a limited impact on Association HZPC.

Accounting policies for the measurement of assets and liabilities and the general determination of the result

General

Unless stated otherwise, assets and liabilities are shown at nominal value. An asset is recognised 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 determined 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 reliably determined. 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. In addition, 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.

Determination of the result

Revenues and expenses are allocated to the period to which they relate. Revenues are accounted for if all important risks with regard to the commodities are transferred to the purchaser. The operational costs are borne by HZPC Holding B.V.

Rounding

The financial statements are presented in thousands of euros, the Association's functional currency.

Use of estimates

The preparation of the financial statements requires the Board 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 expenditures. 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.

Financial instruments

Financial instruments include primary financial instruments such as receivables and payables, as well as derivative financial instruments. Reference for the guiding principles of primary financial instruments is made to the individual treatment per line item on the financial statements.

Financial fixed assets

Equity interests and certificates where no significant influence is exercised are stated at the lower of cost or net realisable value. .

The loans are initially recorded at fair value, including discount or premium and directly attributable transaction costs. After initial inclusion, loans are shown at amortised cost using the effective interest method, less impairment losses.

The other financial fixed assets are valued at fair value on initial processing, plus transaction costs (if material). After initial processing, the assets are measured at amortised cost using the effective interest method, less any impairment losses.

Income from receivables and other securities allocated to financial fixed assets are accounted for in the year to which they relate.

Dividends are accounted for in the period to which they relate. Interest income is accounted for in the profit and loss account on an accrual basis, using the effective interest method. Any profit or loss is accounted for under financial income or expenses.

Receivables

Receivables are measured at fair value on initial processing, plus transaction costs (if material). After initial processing, the assets are measured at amortised cost using the effective interest method, less a provision for non-collectable debts. These provisions are determined by individual assessment of the receivables.

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.

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.

Long-term and current liabilities

Long and short-term debts and other financial obligations are initially recorded at fair value, including discount or premium and directly attributable transaction costs.

After initial inclusion, the long and short-term debts and other financial obligations are valued at an amortised cost on the basis of the effective interest method.

Revenue recognition

The Association HZPC includes the revenues under net sales when all significant rights to economic benefits as well as all significant risks with regard to the transactions are transferred to the purchaser, when delivery has taken place, the price has been or can be determined and there is reasonable certainty that the sales price can be collected. Generally these criteria are satisfied at the moment the product or service is delivered and acceptance, if required, is obtained.

Expenses

Expenses are allocated to the period to which they relate. The operational expenses are borne by HZPC Holding B.V.

Tax on the result

The Association HZPC is not independently liable to taxation.

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 that provide further information on the actual situation at the balance sheet 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.

Notes to the balance sheet

1. Shares of HZPC Holding B.V. on behalf of certificate holders

NAME	STATUTORY HEAD OFFICE	NUMBER OF SHARES	PARTICIPATION IN %
HZPC Holding B.V.	Joure	783.725	100

There have been no changes in the number of HZPC Holding B.V. shares for certificate holders (783,725). These shares are valued at the nominal value of 20 euros per share.

2. Receivables from certificate holders

Loans issued to certificate holders for the acquisition of certificates

	30-jun-20	30-jun-19
Opening balance	137	249
Additions: new loans	0	0
Deductions: repayments	-72	-112
Closing balance	65	137

The interest rate applied varies from 0.0% to 1.0%. The loans are granted for a maximum of 5 years.

3. Dividend to be received from HZPC Holding B.V.

The HZPC Association receives a dividend from HZPC Holding B.V., after deduction of the dividend tax, and pays this to the certificate holders in full.

4. General reserve

Reserves	30-jun-20	30-jun-19
Opening balance	318	318
Deductions: the results of the financial year	0	0
Closing balance	318	318

At the General Meeting, it will be proposed to present the 2019/2020 result as follows: an amount of EUR 0 to be added to the other reserves.

5. Long-term liabilities

Concerns the loan to HZPC Holding B.V. to finance the loans granted to certificate holders. The loans are granted for a maximum of 5 years. The interest rate applied varies from 0.0% to 1.0% (previous financial year: 0.0% to 1.0%).

Other long-term liabilities	30-jun-20	30-jun-19
Opening balance	137	249
Additions: new loans	0	0
Deductions: repayments	-72	-112
Closing balance	65	137

Notes to the profit and loss account

6. Other operating expenses

	2019/2020	2018/2019
Cost of trading days	74	12
Organisation costs	157	75
	231	87
Charged to HZPC Holding B.V		
Operational expenses	-231	-87

Subsequent events

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

Joure, 1 October 2020

The Board of Association HZPC

J.J.M. van der Heijden, Chairman

S.G. Andringa, Vice-chairman

E.P. de Vries, Secretary

R.P. Smith

M. Verhage

A man in a light blue polo shirt and dark shorts stands with his back to the camera, looking out over a vast field of white flowers with yellow centers. In the background, a line of dark trees and a small building with a red roof are visible under a clear blue sky.

Other information

Profit distribution by virtue of the Articles of Association

The articles of association of the Association state the following with regard to the result.

Article

3.3 To this end, the Association exercises its influence in the General Meeting of the Company.

3.4 The Association does not intend to distribute profits among its members.

3.5 The Association may not transfer or pledge the shares in its possession, other than by means of withdrawal, without the approval of the General Meeting.

Independent auditor's report

To: the Board of Association HZPC

Report on the accompanying financial statements

Our opinion

We have audited the financial statements 2019/2020 of Association HZPC (or hereafter: the Association), 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 Association HZPC as at 30 June 2020 and of its result for the year 2019/2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the balance sheet as at 30 June 2020;
2. the profit and loss account for the year 2019/2020; 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 Association HZPC in accordance with 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.

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:

- report of the 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 board is responsible for the preparation of the other information, including the report of the Board, 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 board for the financial statements

The 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 board is responsible for such internal control as the 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 board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the board should prepare the financial statements using the going concern basis of accounting unless the board either intends to liquidate the Association or to cease operations, or has no realistic alternative but to do so. The 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.

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 Association's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the 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 Association'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 Association 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.

We communicate with the board of the Association 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