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Guiding continuous growth

2020/2021 will go down in history as the year when everything was called into question. Coronavirus held the world in its grip and impacted on everything and everybody. The impact was felt by HZPC too. Every year we focus on growth, but this year HZPC SBA Europe simply had to tread water. The fries industry applied the handbrake because the consumption of fries reduced significantly due to lock-downs in various countries. Oil prices dropped dramatically and tourists stayed away, so several important sales countries found themselves without hard currency. They, in turn, imported fewer seed potatoes than expected. STET Holland, a significant supplier to the fresh market and crisps producer PepsiCo, had a slightly easier ride. Domestic consumption of potatoes and crisps increased. STET Holland also managed to maintain its market share and even substantially increase it in North Africa. STET Holland thus improved its results compared to the previous financial year, while HZPC Europe had to accept reduced profits. HZPC has had a bank account in Lebanon for years. As a result of political instability in this country, however, HZPC had to write-off much of the funds in this account. This issue had a huge impact on HZPC's results. Nevertheless, the number of tons of varieties that were sold by HZPC and its licence-holders grew slightly, to over 900,000 tons. This is due to the growth of a few licence-holders in America, Africa and Asia.



Domestic consumption HZPC potato variety Sunita

The developments pushed us towards taking a new, more critical look at operations and our working methods. We were able to travel much less and many of our operational tasks could be carried out from home. Meetings conducted using remote technology also worked well in many cases. This has also resulted in a saving in operational costs. Physical contact, however, remains vital for processes such as building new relationships and

introducing varieties. We are still investing in HZPC's premium capital, i.e. its workers. As an organisation, we are constantly developing. This means we must ensure workers have opportunities to develop on a personal and professional level so that HZPC can continue to focus on sustainable growth, along with its employees, growers, customers and partners.

As an organisation, we are constantly developing. This means we must ensure workers have opportunities to develop on a personal and professional level.

Gerard Back x

Transformation

The demand for new technologies, digitalisation and the use of data is constantly expanding. In turn, there is a huge burden of expectation on HZPC, as an important global player and market leader. This corresponds with new methods of collaboration and internal processes that seamlessly link into one another. In this way, more time is left for improvements and new developments. With the ultimate aim of supplying the best products and services to our growers and customers. And to continue to grow.



To realise this, we have started working with the 'Aurora' programme, which is a Business

Transformation Programme. It is a new working method at every level within our organisation that results in less time being required for internal processes and subsequent improvements in the service provided to growers and customers. This programme encompasses the implementation of a computer system that enables the planning, production, financial and logistics systems in all departments to be connected to one another.

Proud

I am incredibly proud of how our employees, growers, customers and partners have demonstrated resilience, flexibility and innovative capabilities in this financial year. It has enabled us to grow in many areas. It makes me feel overwhelmingly positive as I look towards the future.

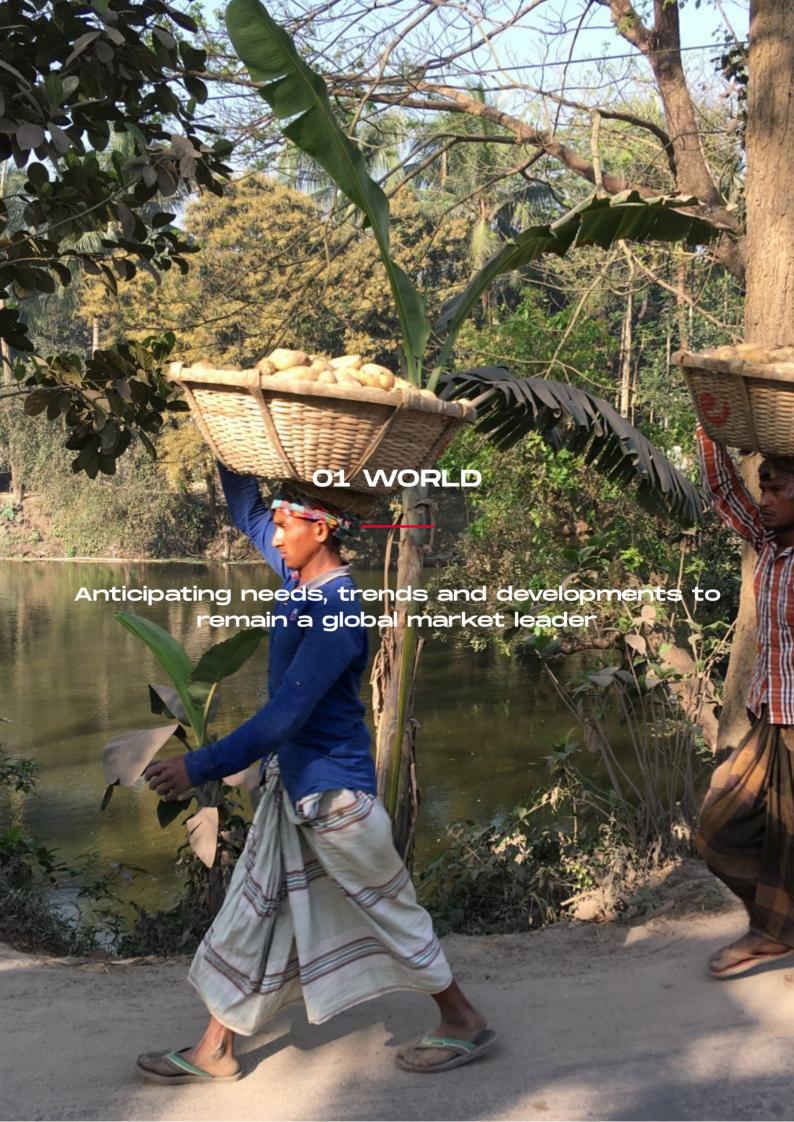
I am incredibly proud of how our employees, growers, customers and partners have demonstrated resilience, flexibility and innovative capabilities in this financial year.

The long-term perspective — HZPC Keeps you growing — has remained unchanged. This is despite concerns about certain aspects, such as the expansion of the Wadden Sea inland, limitations in international banking traffic with sanctioned countries, and the ban on gene editing. With everything that HZPC has to offer, and the chances and opportunities that are available, we must not hold back from developing and providing a substantial contribution towards worldwide food security.

You can read more abo	out it in this	report.
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Happy reading,

Gerard Backx



Trends & developments

HZPC closely follows developments and trends around the world. We are constantly confronted with new challenges but there are also many opportunities for a versatile product such as the potato. Together with our chain partners, we are examining how we can quickly and flexibly capitalise on needs, opportunities and change. We lead the field, where necessary, and forge a pathway for new sales markets and innovations.



Our HZPC potato variety Sifra

Trends in potato consumption

Food pattens and eating habits are constantly changing. As is the way people regard food provenance and production. The use of chemicals in food production is becoming increasingly unacceptable, strengthened by more stringent regulations in this area. Consumers, particularly in wealthier countries, prefer to buy their food close to home.

Classic potato consumption is making way for meals in which potatoes are incorporated. The emergence of meal boxes and online recipe apps help to create new mealtime experiences. It is clear that 'convenience serves the people' and, in turn, larger quantities of processed food are available because consumers have less and less time to devote to cooking. The emergence of food services that prepare meals and deliver them to people's homes is a significant trend for the coming years. In this context, we are also seeing the consumption of fries and crisps increasing across the globe.



Fries from HZPC's potato variety Innovator

Impact of the Corona pandemic on food consumption

People tend to eat fries in catering outlets, during events, in theme parks and at festivals. As a result of the strict lock-downs in Europe, however, the consumption of fries reduced considerably. The summer of 2020 offered a little relief as catering outlets were able to open. The lock-downs, however, led to an increase in home consumption of potatoes and fries.

In poorer countries which were already experiencing crises, Coronavirus had a reinforcing impact. The gap between rich and poor across the world has expanded further due to a lack of the kind of support measures that have been offered within Europe. Although the potato is not susceptible to recession, the impact of Coronavirus and the political instability in certain countries has had an impact on international trade. Cuba, for example, has bought fewer seed potatoes. At the moment, Cuba cannot produce sufficient food. Food security is under pressure. This also offers opportunities: a potato grows faster under all conditions and offers high nutritional value. By importing more seed potatoes, countries can rectify potential food shortages in the short-term.



Emerging economies



Whereas, on a European level, we see only small shifts in demographics and consumption behaviour, the world outside these borders is experiencing upheaval. In large, emerging economies such as India, China and Nigeria, the demand for potatoes is increasing. In these densely populated countries with unprecedented population growth, the potato is the ideal crop. With little input, people can create a nutritious product in a relatively short period of time. We are also seeing Western eating habits increasingly taking hold, including an increase in the consumption of fries in these countries.

Impact of climate change on potatoes

Potatoes can be grown under practically any conditions, across the world. Where that is more tricky, such as tropical areas, we are working with the potato institute Centro Internacional de la Papa (CIP) and Syngenta Foundation for Sustainable Agriculture (SFSA) to develop varieties that are also suitable for this type of region. To realise our aims, we are crossing high quality HZPC varieties with indigenous, tropical clones from CIP. The varieties that are created fulfil the needs of small-scale farmers in Asia, Africa and South America. Irregularity in rainfall is a challenge for potato crops. We are increasingly having to cope with extreme drought and periods of heavy rainfall. The regulation and efficient use of rainwater thus becomes trickier. It's a future challenge for which we must prepare ourselves.



Developing varieties for tropical conditions

Facts & figures

WATER USE

287 litres

287 litres per kilo. Potatoes use significantly less water than a crop such as rice (1827 litres per kilo)

FOOD CROP

top 3

After rice and wheat, the potato is the 3rd most important food crop in the world

TROPICAL VARIETIES

5 varieties

Along with Syngenta and CIP, we aim to develop 5 tropical varieties in Vietnam to guarantee food

Potato concepts suited to needs & habits



HZPC develops new products in collaboration with its chain partners. These are tailored to suit changing eating habits and requirements. It goes without saying that the versatile potato is always at the heart of these concepts that stand out for their flavour, healthiness, variety and convenience. A great example of this is Woksi: 'potato spaghetti' and 'potato rice' which can be easily added to wok-based meals and salads. This concept has now been successfully introduced to the Finnish market under the ROOTY brand. Or Leon &León fries which have been created on the basis of the Fries4All project. A combination of breeding, a coating, and another preparation method means these fries offer a 30% reduction in calories, carbohydrates and fat.

Potato Glory

In North America, HZPC is working on the Potato Glory project, with a view to raising awareness about the endless options offered by potatoes. We do this for users in the food service channel (chefs) and the retail channel (dieticians and category managers) and, of course, the consumers themselves. There are so many options for potatoes, aside from fries. For example, we are developing a healthy alternative for the popular roast potato. Thanks to a potato with a creamy flavour (e.g. Vivaldi), calorie-rich additions such as cheese and cream are no longer required. In 2020, we conducted a flavour study among 1,200 consumers in 4 different cities, and the flavour of the Vivaldi, Sifra and Noblesse varieties were picked as winners.



just imagii

We are working with Yale University and the University of Massachusetts, two leading universities in the world of culinary food service, to further raise awareness about the potato among chefs and generation Z students. Student chefs serve roast potatoes (Yale 20,000 meals per day and UMass 50,000 meals per day) to other students without any unhealthy additions. There are a range of benefits: students eat more healthily, they learn about the options in relation to potatoes, and they also become our potato ambassadors in North America



Across the globe, you can see two major developments. There are regions where population growth has come to a standstill and people are becoming much more aware of what they are eating. This is the case in areas such as Europe. There is certainly no demand for more food, the focus lies on the quality of of food, the impact on the environment and population health.

In Africa and parts of Asia, the population is increasing rapidly while production is lagging behind. Here, you must focus on production increases using the current acreage, or with minimal expansion in the land used. The solution is to help small, local farmers to scale up, without creating any new pollution.

Europe must take the lead when it comes to a cleaner food system. This could include encouraging circular agriculture practices, along with the use of artificial fertilisers. This means you can continue to produce on the same land without competing with biodiversity. It is important that farmers are encouraged to try to do things differently. It is also important that consumers feel that they are paying more for one food than for the other. Farmers often indicate that policy is far too erratic. There is no clear course that they can follow, as entrepreneurs.

In the Netherlands, we must cherish what we are good at, such as seed potatoes.

Both policy and research show that the provision of food worldwide is no longer viewed from the perspective of production and availability alone. The focus now lies on the entire food system, i.e. production, processing and consumption. You cannot resolve issues relating to food and sustainability simply by adjusting practices on the supply side. It requires an integrated and global approach.

Simultaneously, in the Netherlands, we must cherish what we are good at. The seed potato is a great example of this: it is hugely valuable on a global scale and encompasses a broad range of knowledge and expertise. The approach to this type of sector varies from the approach used for a one-hectare crop that can just as easily be grown over the border.



Close collaboration

The most important markets for HZPC are the fresh market, on the one hand, and on the other, the potato processing industry, which primarily comprises the crisps and fries sectors. We work closely together to ensure we know what the current issues are and to supply the best potatoes and seed potato products to consumers across the world. As a result of the Corona pandemic, many 'certainties' were jeopardised and where we had previously expected growth, we were confronted with a new reality.



Crisps from HZPC's potato variety Norman

Reduced sales due to the impact of the Corona pandemic

In the financial year 2020/2021, as a result of the influence of the Corona pandemic, two important developments among HZPC customers played a role in the sale of seed potatoes.

The fries industry hit the brakes

In 2020, the fries industry had to hit the brakes in quite a dramatic fashion. Huge stocks of frozen fries had already been built up, which were more than adequate for fulfilling European demands. The cultivation of fries potatoes was cut right back and the overall sales of seed potatoes, in turn, fell by around 15%. On the basis of trends and developments, HZPC had assumed a growth scenario including the expansion of acreage and sales. It was too late

in the season to anticipate the reduced demand from the fries industry and, as a result, HZPC sold 40,000 tons of seed potatoes less than planned. The forecast growth scenario, with an interruption of between one and two years, is expected to continue.



Fries from HZPC's potato variety Tiger

Lower sales in third countries

Although gas and oil prices have now returned to their former levels, they dipped dramatically in 2020 as a result of the Coronavirus crisis and political situations. Additionally, countries such as Cuba and Egypt had to face reduced incomes as tourists stayed away. This resulted in countries in areas such as the Middle East, the Caribbean region and North Africa having access to reduced levels of hard currency. As a result, much lower levels of seed potatoes were imported. Algeria, a significant buyer of seed potatoes from HZPC, even set an import quota in order to protect the local market and prevent too much hard currency leaving the country. Subsequently, HZPC Europe sold 20,000 tons of seed potatoes less than planned. Despite these conditions, however, STET was able to maintain sales and even realise growth in North Africa.



Our STET potato variety El Mundo in Egypt

Introduction of new varieties

A variety may well be fantastic but only really succeeds when it enters the market. We therefore maintain effective and intensive contact with growers and customers, make sure we know what is going on within the market, and continuously work on varieties that fulfil particular needs and desires. Nevertheless, last season the introduction of new varieties was hindered by the fact that personal contact was practically impossible due to Coronavirus. Precisely this turned out to be of crucial importance at an essential process such as variety introduction. We were therefore unable to sell enough of the small quantities of seed potatoes of new varieties that HZPC produced.



Effective, intensive contact HZPC Garco van den Berg and grower Pieter Klaas Westerhuis

Raising the sustainability of potato varieties

Awareness of sustainability is growing. Both with consumers, companies and politicians. Levels of sustainability in the potato sector are largely determined by the choice of potato variety. Effectively, it all starts with what you put in the ground. But what constitutes a sustainable potato variety? And where do we find them? Along with our customers, we began to search for the answer to what they regard as a sustainable potato variety. We ended up with five topics:

- High market-suitable yield
- Fertiliser-efficiency
- Good for storing
- Disease resistance
- Need for fresh water

We have tested hundreds of potato varieties against these five areas, encompassing over 35 different potato characteristics. We have done this for various markets. And for many years. We have thus been able to create our reliable Even Greener model. We can now very accurately determine whether a variety is genuinely sustainable.

With the Even Greener model, we can help our customers easily choose a sustainable potato. Not by focussing on one, single feature, but by weighing up a balanced set of five subject areas.



Fresh water for a potato plant from our HZPC variety Innovator

Agricultural digitalisation progress due to Solentum products

In 2015, HZPC founded subsidiary Solentum B.V. Agricultural innovations which, in the first instance, were developed and used by Research & Development within HZPC are further developed and commercialised within Solentum. Promising and smart measurement instruments, such as the SolGrader, SolAntenna and SolEye will then find their way to growers and the processing industry. Solentum was based on creativity and innovative prowess but, as a result of the corresponding complexity, is too far removed from our day-to-day tasks. We have therefore decided to call a halt to Solentum B.V's operations as of 1 July 2021. Within HZPC, we are seeing an increasing demand for digital data across the agricultural sector. On the other hand, we also realise that this process of digitalisation is taking longer to develop than expected. There are multiple reasons for this decision.



Pessi Instruments taking over Solentum products

There is also some good news. Pessl Instruments GmbH is taking over several Solentum B.V. products as of 1 May 2021. Since 2019, Solentum has been working with Pessl Instruments, a pioneer in digitalisation in the agricultural sector. With the acquisition of these products, we are guaranteeing future updates and improvements so that customers can continue to use these resources.

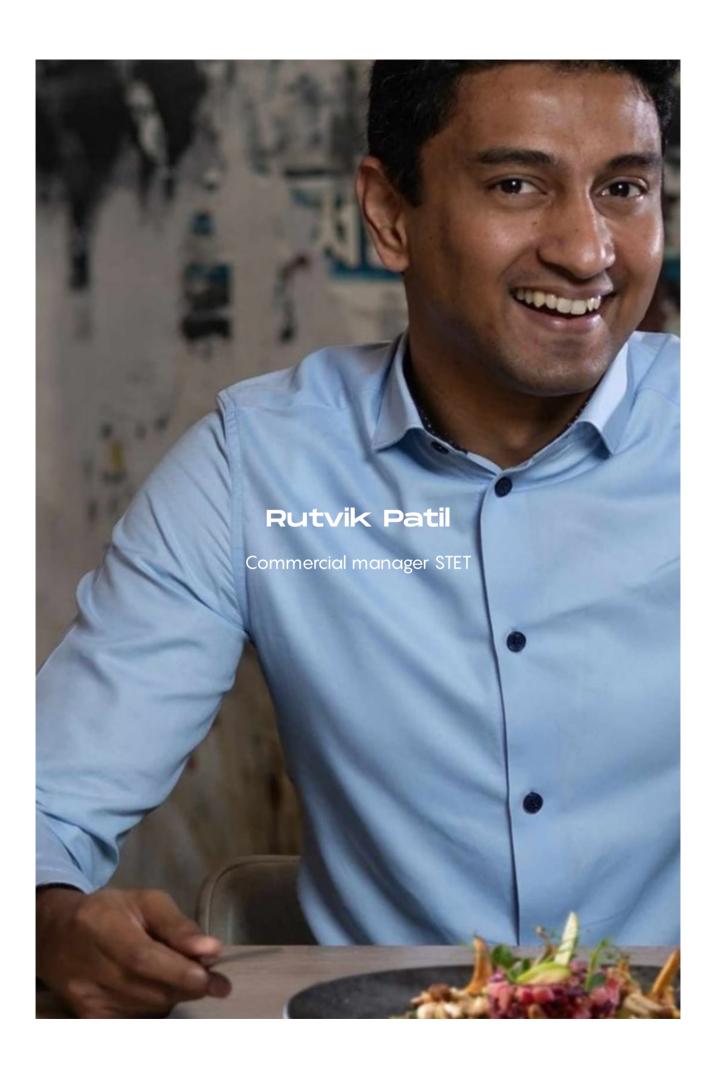
Read the full press release here

Customer experience and satisfaction in the spotlight

In order to ensure optimum cooperation and the best relationship with our customers, it is important that we know what is going on among the customer base, what they need, and how we can serve them ever more effectively. Intensive contact and long-term relationships means we know our customers really well. It is also important to gain a general overview of how our customers experience HZPC and how satisfied they are. To this end, we conduct studies among all our customers in Europe which aim to answer questions such as: How satisfied are our customers? Which areas could be improved? What should we continue to do? The aim is to implement improvements so that we can offer even greater added value to our customers. Customers may choose to complete the survey anonymously or share their details. In the latter case, we can invite them to attend a meeting in person.



In conversation with one of our partners



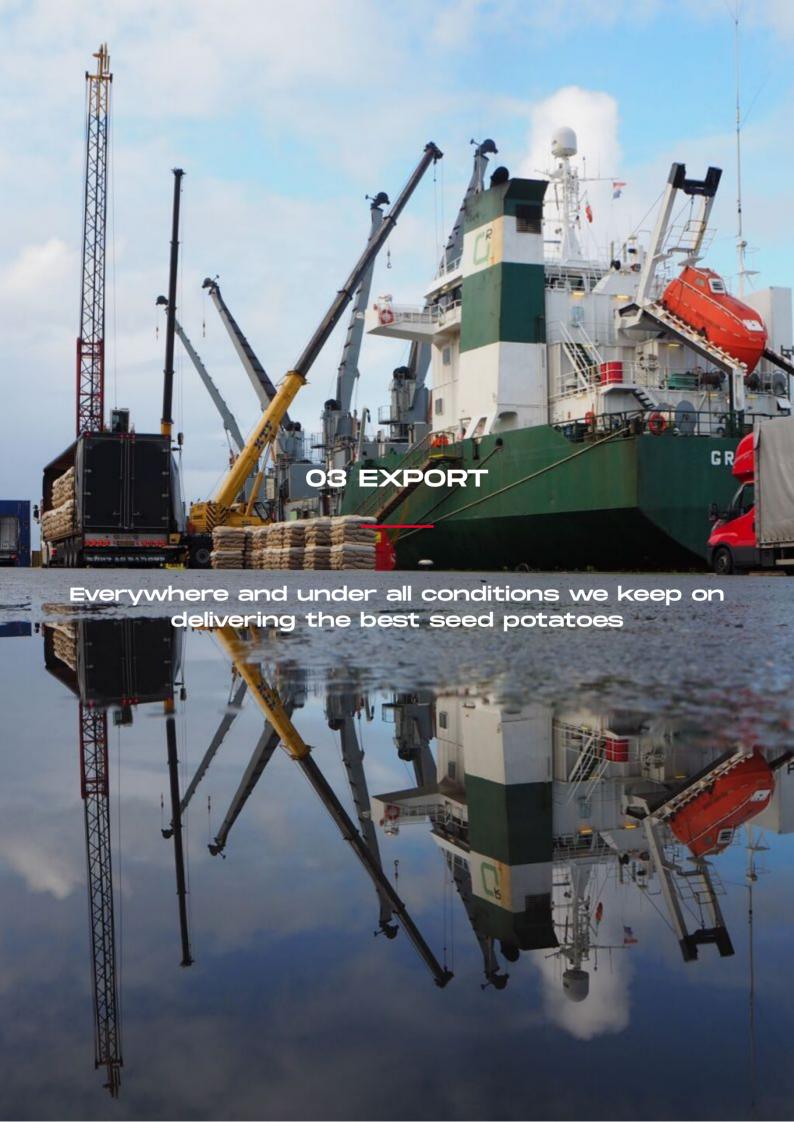
My dad and granddad grow mangos in India. When I close my eyes, I can still see myself as a youngster, hand in hand with my granddad in between the mango trees. That is the connection I feel to agriculture. My affinity with potatoes only came about when I moved to the Netherlands and started work for HZPC. I love the dynamic. Potato production takes up three months of the year. It has to happen in this time. This makes things pretty stressful but it keeps me on my toes.

A year later, I moved to STET. What makes STET unique is the strong focus. What we do, we do exceptionally well. We don't shy away from risky markets, we operate within them. As a result, every working day is exciting because you never know what's going to happen. Within STET, we have short lines; if a customer calls to ask whether I can supply a specific seed potato, I have an answer from production within a minute. It's this simplicity that our customers love. We can do this because there are only 40 of us working here. It really feels like an extended family.

I feel genuinely connected to our mission of global food security.

I make sure that we apply our strategy in everything we do. This focus means we can pay our customers the attention they deserve. I am also responsible for six different market destinations. This enables me to keep my finger on the pulse. Within STET, we can shift gears quickly but we never lose sight of the longer term. We are extremely transparent in what we do and supply quickly and frequently early in the season. That's precisely why STET performed incredibly well during the Corona pandemic.

I feel genuinely connected to our mission of global food security. In the end, it's not just about your salary or your position. Our end-customers in a few third countries sometimes have just one hectare of land and that is their whole life. It is really special to be able to support them.



Contributing towards food provision

Providing an essential contribution towards food provision for the world is what drives us forward. With the export of seed potatoes, we carry on where others stop. We invest in smart technologies and weigh up how we can send seed potatoes to their destination most effectively. This means that, despite political unrest, wars and the consequences of Coronavirus, we continue to supply across the globe and expand our sales market wherever we see opportunities to do so.



Our varieties in India

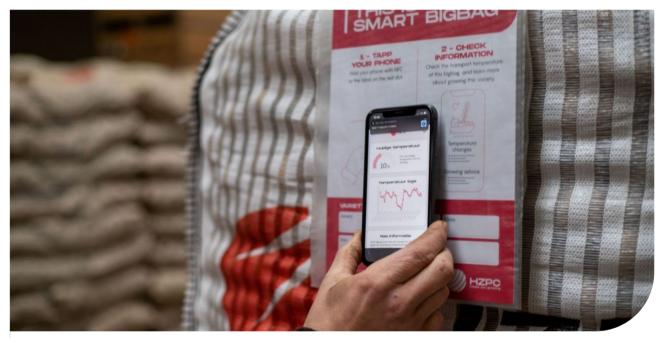
Supplying sanctioned countries

Supporting global food provision is the very reason for our existence. We pull out all the stops to supply quality seed potatoes to as many countries across the world as we can. In our efforts, we do not exclude any population groups. This means that we do not shy away from supplying USA sanctioned countries even if that corresponds to the necessary risks. And although the United Nations (UN) and the European Union (EU) permit exports to these countries, international banking traffic may be subject to restrictions. European and American banks are often not allowed or simply refuse to receive money from sanctioned countries.

These two issues contradict one another and may form a threat to the supply of food. Based on our commitment to carry on supplying, for the past few years we have been seeking an alternative to cash flows via a bank in Lebanon. As a result of the situation in Lebanon since August 2020, however, we have been unable to transfer the hard currency in our bank account to Europe. The credit in these accounts has had to be written-off. This has had a direct impact on our net result for 2020/2021.

Innovation in export: smart bigbags

In 2020/2021 we expanded a trial of smart bigbags in collaboration with developer Niels Postma from Tapponline. We sent no fewer than 1,100 bigbags, equipped with a label and chip, to Bulgaria, France, Italy, Portugal, Serbia, Spain and Turkey. With these, customers can use their smartphones to access growing advice and variety information in their own language. One hundred of these bigbags also contained a micro-sensor to read out temperatures so that we could gain insights into changing conditions during transport. Working with labels made of circular paper means this process and innovation is also sustainable. If this trial runs successfully, we will also examine sensors that measure air humidity and carbon dioxide levels. The smart bigbags have received global attention and won the bronze prize for innovation at Potato Europe 2021.



Scan the label made of circular paper

Brexit



At the beginning of 2020, the United Kingdom left the European Union. Brexit became a reality. Until June 2021, HZPC could still supply seed potatoes from the European Union to the United Kingdom and vice versa. As of 1 July 2021, this is no longer possible. We hope that a treaty will be set up between the United Kingdom and the European Union so that it is once again possible to import and export seed potatoes.

Container transport



The outbreak of the Coronavirus in China has disrupted container transport worldwide. As a result, sailings have been cancelled and prices have risen dramatically, e.g. for the transport of seed potatoes to the Middle East and North Africa. HZPC has been able to partially resolve these issues by securing a fixed number of containers per sailing very early on and consequently guaranteeing deliveries early in the season.

Facts & figures

96 countries

We export our seed potatoes to 96 countries

BIGBAGS

1100

More info

We sent 1,100 smart bigbags equipped with a label and chip

#1 EXPORT COUNTRY

Netherlands

Each year, up to 1 million tons of seed potatoes are produced in the Netherlands

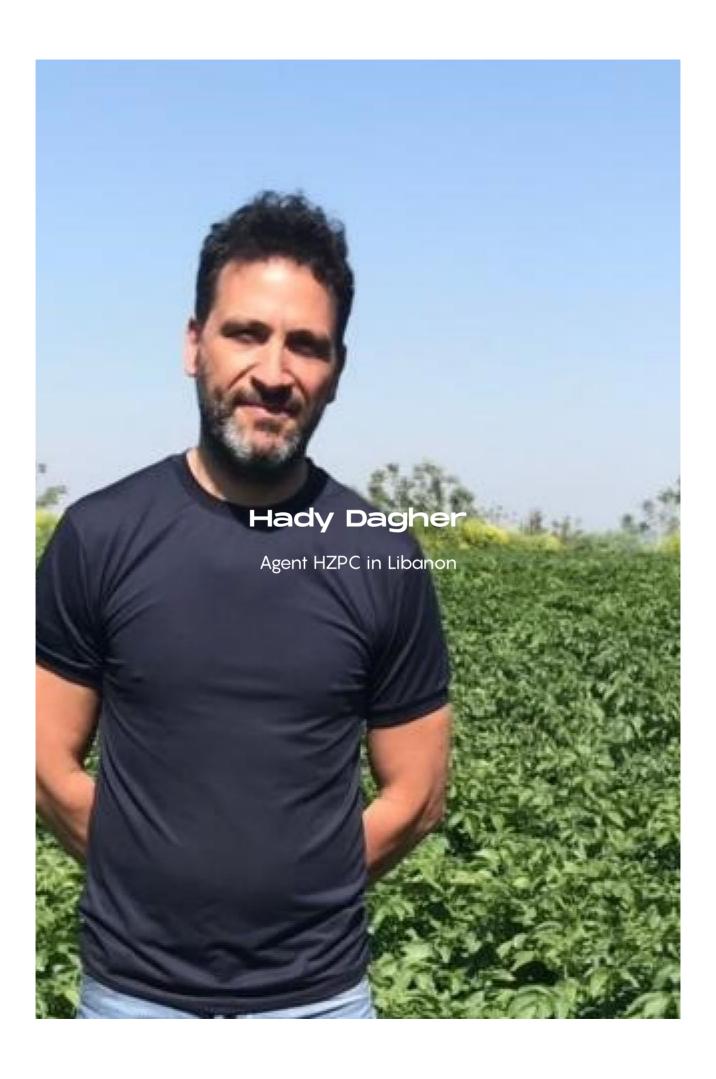








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Until 2019, Lebanon had a robust banking system and doing business there was relatively easy. Almost too easy, in fact. Now, our country is facing a crisis and all bank accounts have been frozen. This means that nobody can access their bank accounts or make financial transfers. The government made this decision on the basis of the economic crisis and demonstrations in 2019. The population began to panic and take their money out of the banks and the government decided to stop this process. The country has had no effective government for around six months. We are at a complete impasse.

As a representative of seed potatoes from HZPC in Lebanon, this means that my work has become considerably more complicated. There are no restrictions on imports and exports but in order to import seed potatoes, you need a lot of money. We used to import around 17,000 tons of seed potatoes to Lebanon. The payment of these potatoes is very difficult because the banking system is functioning very poorly as a result of the crisis in Lebanon. This requires a lot of time and energy on my part. At the end of the day, I have to make sure that the customers do pay, so that there will still be potatoes produced in Lebanon in the future to feed the people.

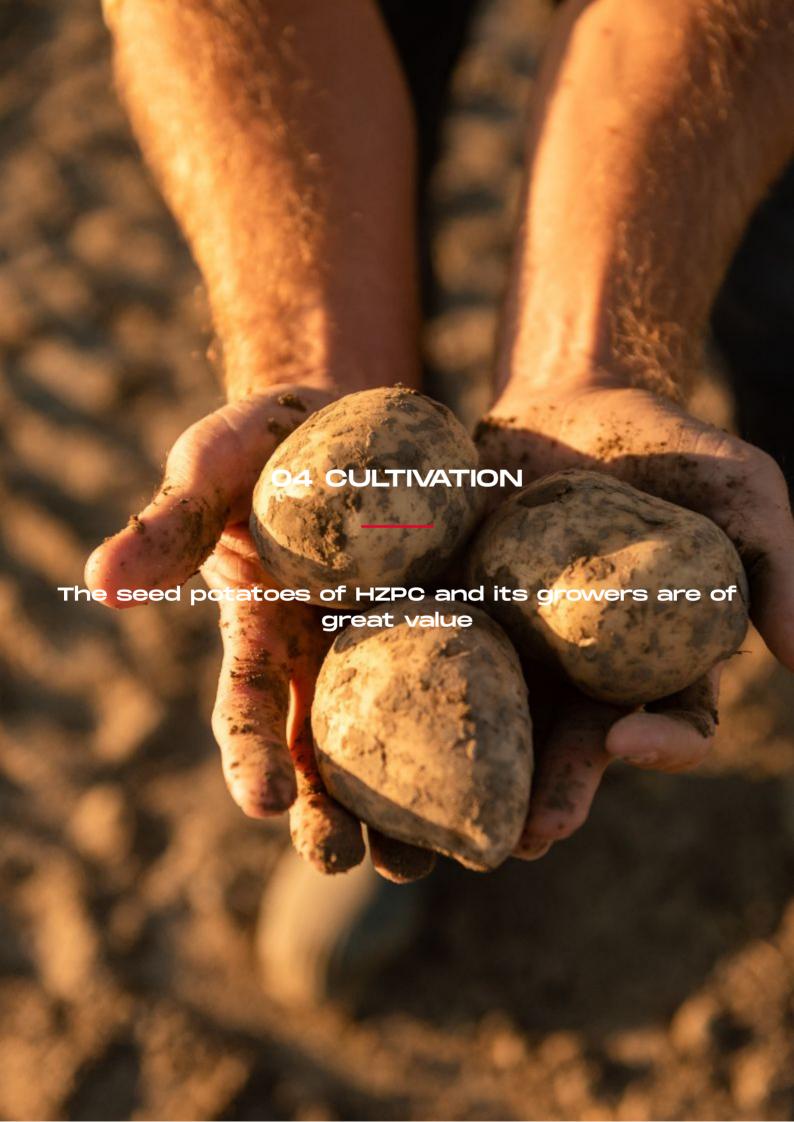
We also face challenges in relation to the exchange rate for the Lebanese pound. If you want to import, you need dollars or euros. These are extremely hard to come by and the exchange rates increase dramatically. There was also a period during which I couldn't even access my house due to demonstrations and roadblocks. Luckily, last season things improved.

I am, of course, concerned but in Lebanon we are accustomed to problems. I understand this is a complex situation which can't be resolved easily. If we can find our way out of this with a new government, the country will recover quickly.

The potato is the most important crop in Lebanon. And it is even more important in Lebanon at times like these.

I really struggle to buy seed potatoes now. But people will always plant seed potatoes because it is the most important crop in Lebanon. It is even more important in Lebanon at times like these. This year, we also exported fewer potatoes because Lebanese potato consumption increased. The potato is still affordable even though other foods have become too expensive for many.

My company has a great reputation and loyal customers. I also really enjoy working with a major, trustworthy player, such as HZPC. The market is stable and traditional here. Many things are still the same as they were thirty years ago. Spunta has always been the most important and successful variety but more and more growers are working with other, new varieties such as Farida and Hermosa. Our potatoes are famous in Lebanon, due to their great flavour. So I feel positive about the future.



Growth opportunities

2020 was a dry year with a reduced harvest of seed potatoes as a result. As a rule, we would tend to focus on expansion, with our growers, but this year we have had to tread water as a result of the Coronavirus. HZPC, however, has made huge strides with respect to growing under licence. There are plenty of opportunities and new areas. Together with our growers we focus on the growth opportunities of the future.



Our HZPC potato variety La Vie

Introduction of potato varieties in growing economies

Emerging economies such as China, India, Egypt and Nigeria are witnessing huge population growth. For HZPC, this signifies enormous opportunities to introduce our genetics into these markets so that the people there can gain access to adequate supplies of good food. With respect to water shortages, the potato is a particularly good alternative to a crop such as rice.

Whereas we used to profile ourselves as a European company, we now position ourselves on the global market. But it takes time to get a good foothold and ensure that your intellectual property is assured. We are leading the field in terms of opening up the market but introducing varieties into new countries is no easy task. In some countries, importing seed potatoes is not an option. Where that is impossible, we focus on growing under licence. Partners in

these countries grow the varieties of HZPC and, in turn, pay a licence fee. Growing under licence means that varieties are taken to the countries as mother plants. Once there, they are grown and bred in laboratories. They can then be planted on to produce mini-tubers which are then planted once again to produce seed potatoes.

The emerging economies are often drawn to the varieties' as intellectual property. It is always important to keep a close eye on our intellectual property and intervene when our varieties are used unlawfully.



A good example of this is the introduction of HZPC varieties to the Indian market. After many years of preparation, we are now using a joint venture to offer general varieties and HZPC varieties. We receive licence fees for our own varieties. In the coming season, the licence flows from our joint venture will start to bear fruit. From then on, we expect to see rapid growth in India.

Feeding the world under pressure

The high quality initial material for global potatoes originates in the rich delta of the Netherlands. HZPC believes that we have a social obligation to produce goods seed potatoes so that millions of people across the rest of the world can eat.

However, our most important motivation — feeding the world — is coming under greater pressure because other sustainability principles are taking precedence. It goes without saying that we should consider biodiversity and reduce the use of chemicals. But it takes time to adapt and develop improved varieties. The issue is whether our growers in the various countries will be given the time to do so.



Local for local



Local for local is where trends, regulations and sustainability come together. The demand from the consumer for 'local food' links into regulations that are gradually reducing the use of chemicals. The use of specific agents are banned, for example, and this leads to a search for alternatives. Whereas seed potatoes used to be sent from chillers in the Netherlands across the world, we are now allowing more and more growers outside our borders to grow seed potatoes. This allows us to reduce the number of transport kilometres. In France, the largest production country after the Netherlands, our seed potato acreage has grown considerably. We are also producing 'local for local' in the United Kingdom, Belgium, Germany, Poland, Finland, Spain, the Netherlands, Russia and India.

Connecting growers



No growers, no HZPC

We very much value the relationship and exceptional links we have with our active growers. That is why we are not a cooperative or listed company but are owned by the growers. Around half of the HZPC certificates are now held by former growers but we would like to actively involve the new generation in HZPC too. So we can remain 'for and by' the growers. With Connecting Growers, we enable former growers to sell their certificates back to us. We then give these to active growers on the basis of the number of hectares of seed potato acreage they have. We are spending €1.5 million per year on this. By 2021, we will have bought and donated 1.35 million certificates to our active growers who want to join us. 70% of our growers in the EU have indicated that they would like to be involved in the Connecting Growers programme. In 2021, we handed out certificates to growing companies for the first time.

Facts & figures

NUMBER OF HECTARE SEED

23.720 ha

Our growers grow seed potatoes on

NUMBER OF GROWERS

972

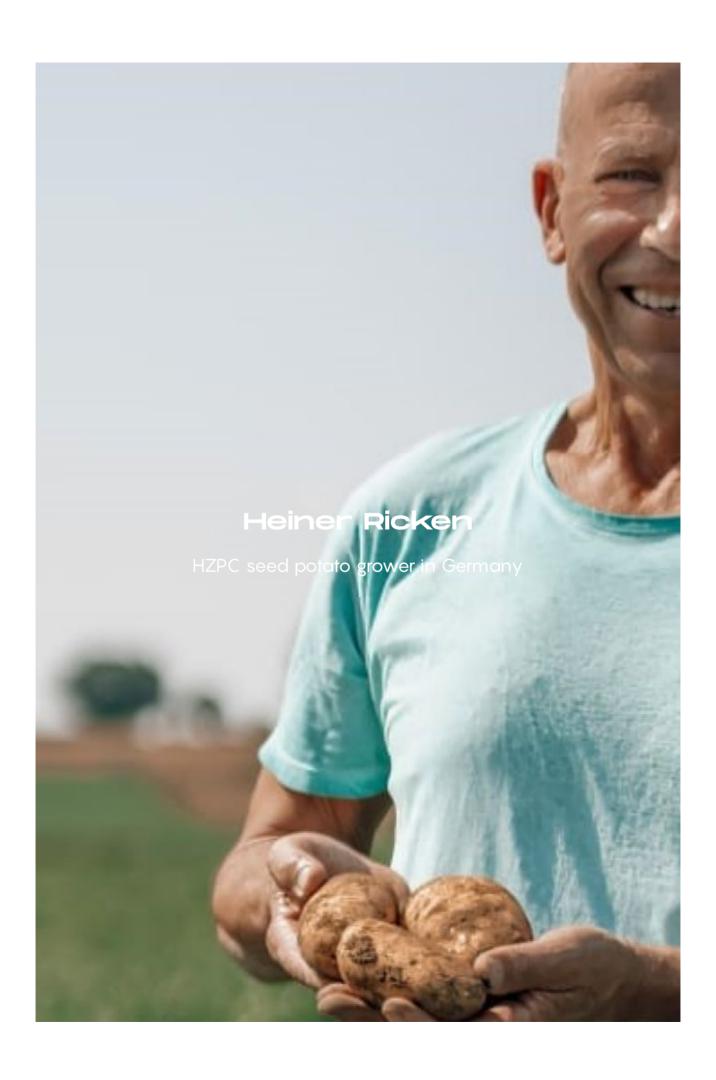
In total, 972 growers grow seed potatoes for us

CONNECTING GROWERS

70% of our growers

70% of our growers in the EU are taking part





When the Annabelle had just been released into the market, I was given this variety of potato to try out. That was my first introduction to HZPC. I have been working with HZPC since then. I used to grow potatoes for the fresh market but, over the past ten years, I have also grown varieties for the fries and crisps industry. As far as I'm concerned, HZPC is a leading light in the sector. This is reflected in HZPC's business practices and its focus on the development of new varieties.

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My dad and granddad started our company in 1942. At the time, we were leasing the land but, since 1994, the farm has been ours. We have been able to expand substantially by buying more land. I now run the company with two of my sons and we have around 200 hectares of potatoes.

The great thing about growing potatoes is that it can be really exciting because you have to cope with the weather and plants. For us, the season begins in January: I plant the Annabelle at the end of the month. We then cover everything with film to protect the tubers from the frost. My aim is to harvest potatoes by the end of April or beginning of May. Every year, it's another race against time and the weather to see whether you ill be successful.

For me, it's important that the quality and yield of the potatoes are good. To this end, you need robust varieties with a high yield. Many growers in Germany opt to specialise in one variety of potato. I deliberately choose to grow various potato varieties for the fresh market but also for the crisps and fries industries. This makes things a bit more complex.

An important theme for our company is sustainability. We must all be careful about how we use the available resources, including water, fertilisers and also pesticides. This impacts upon the development of new potato varieties too. It's not just about high yields any more, it's also about the degree of resistance and the consequences of climate change. We need potato varieties that use less water and lower levels of pesticides. This must also be combined with great flavour and characteristics. It is great, as a grower, to take on the responsibility for making the right choices.



Lower input, greater output

Sustainability is high on the agenda in the world of potatoes. HZPC is working on more vital and resistant varieties and, in turn, reducing the use of chemicals. The motto is: lower input, greater output. So we can do what we believe in, which is supporting food security across the globe. This is possible with the potato, which can be grown under any conditions and delivers high yields with relatively little water.



Colleague Isabelle Kerkhoff in the greenhouse

We maintain a strong focus on Research & Development in order to ensure we continue to fulfil the needs and wishes of customers, consumers and growers with new and existing varieties. In 2020, we took some important steps for both now and the future.



Colleague Jonathan Sonsiama working in our lab

Hybrid potatoes

Over the past few years, we have made huge strides in a revolutionary potato innovation: hybrid potato varieties. In a hybrid potato, two diploid inbred strains are combined. The botanical seed that is created from this crossing then becomes the variety. The seed can then be used to create potato tubers.

As a result, you can make genetic progress much more quickly. This breeding method has been applied for some time to crops such as sugar beet but the process is a little more complicated for potatoes. Nevertheless, we took on this challenge a decade ago. And we have been very successful: HZPC is one of the few companies that can apply this revolutionary technology. In 2021, we expect to create the first prototype of a hybrid potato variety. We then expect this potato variety to be put on the market in Central Africa and Asia in 2025. After a successful introduction, other areas will follow. The focus for the market introduction primarily lies in areas where we currently find it hard or impossible to sell seed potatoes. We are thus creating access to new markets, for HZPC, with these new hybrid varieties.



Hybrid seed

Advantages of hybrid potato varieties

- They grow from a tuber as well as from seed.
- Transporting seed is much less risky and the chance of transferring diseases is much lower.
- Transporting seed is cheaper and easier. Ideal for countries that are hard to reach.
- Where imports of seed potatoes are difficult or prohibited, seeds offer a genuine solution.
- We have far greater influence on the features of hybrid potato varieties
- With hybrid breeding, we can make varieties disease-resistant within 4 to 5 years. With classic breeding, the same process would take 10 years.
- We can adapt a potato variety much quicker and thus better capitalise on the wishes and requirements of our customers.



In the long-term, the development of hybrid potato varieties will change the whole breeding process. HZPC wants to ensure it maintains its leading role in potato breeding after this change. Growing from seed, however, is not a replacement for the traditional seed potato process.

Flight to Vitality

It could be one of the greatest mysteries in the world of potatoes: how is it that seed potatoes sometimes grow much better and quicker than other times? In order to answer this question, HZPC has been collaborating with partners in the research project Flight to Vitality since 2018.

The research combines data about size, growth speed and the homogeneity of potato plants with biochemical measurements which provide insights into the composition of potato varieties. It has become clear that conditions (e.g. climate, soil type and humidity) have very little influence on germination power.



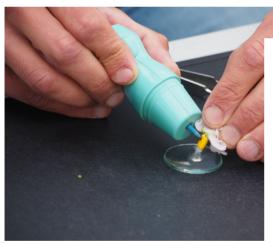
Colleague Falko Hofstra researches germination power

The research focuses on variations in seed potato composition. A combination of fungus and bacteria (microbiomes) probably play an important role in this context. Metabolites, which supply energy and building materials to the plant, also impact upon the vitality of the potato.



At the end of 2021, the research into metabolites and microbiomes was concluded and has offered a breakthrough for the seed potato sector. Nobody has ever identified specific factors that influence germination power before. And this is important information because it means the vitality of seed potatoes can be more effectively predicted. This, in turn, leads to lower waste and a greater chance of a successful harvest. That's great news for growers, processors and food supply worldwide.

Tetraploid potato breeding



In tetraploid potato breeding, HZPC has made huge progress with respect to improving the resistance of potato varieties. The demand from seed potato growers for virus-resistant varieties is ever-increasing. We have a package of resistance that fulfils the demands of our customers, particularly with respect to the emerging, younger varieties, which have secured their position on the market over the past five years. Thanks to molecular markers, we can also make a more stringent selection much quicker too. A plant grown from a seed is all we need to read off the required characteristics from the DNA and make choices. Subsequently, we can select multiple resistance at an early stage and can then make selections for the right quality and high yield at a later stage.

Huge progress is possible by gene editing

Gene editing is a technique that allows us to develop absolute resistance much more quickly than with classic breeding. EU legislation, however, believes that this produces genetically modified organisms (GMO).

A study on behalf of the European Commission has now established that gene editing could play an important role in increasing the sustainability of food production. The research has also revealed that the legislation relating to GMO, which came into force 20 years ago, is no longer suitable for the scientific progress that has been made in this context.

HZPC is arguing for the legalisation of gene editing for crops in the EU as it is vital if we are to make potato growing more sustainable and ensure food security. This research has opened the door to new legislation.



Colleague Carolina Fernandez HZPC Research

What is gene-editing?

With gene editing, you create mutations which you can also find naturally, in the existing DNA. This is not the same as GMO. GMO takes the DNA from one plant and transfers it to another plant.

Facts & figures

INVESTMENT

RESEACH TEAMS

NEW OFFICE

EUR 10 million

Each year, we spend 16% of our budgeted margin on R&D

7 teams

We have seven highly motivated research teams

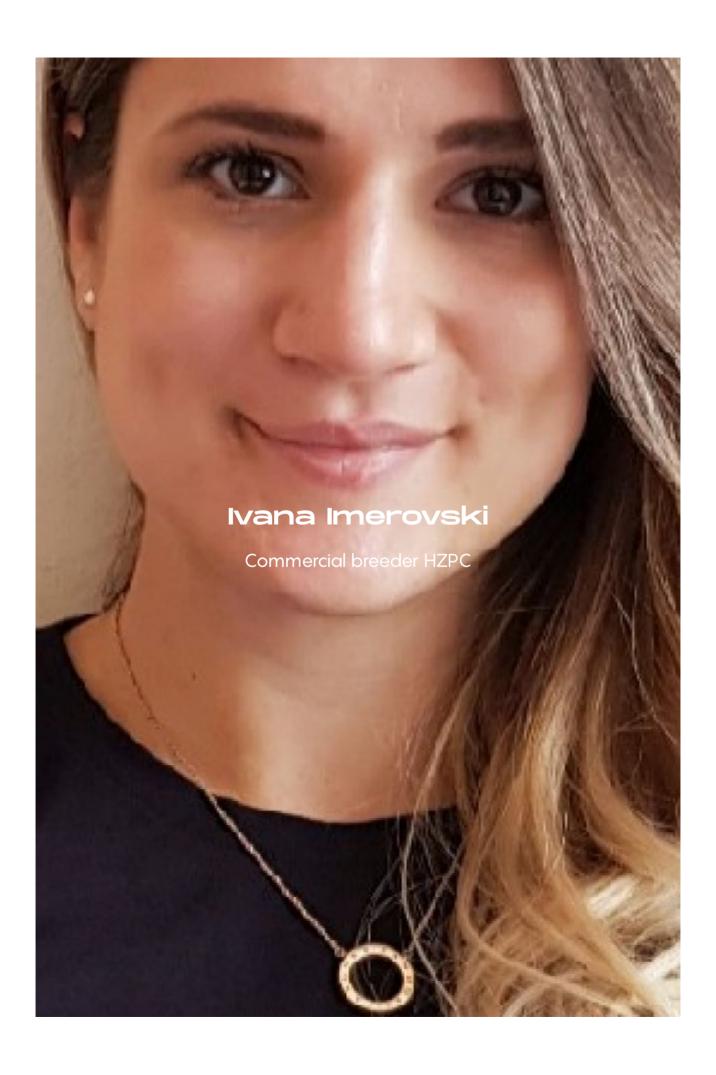
In 2020

Over the past few years, we have renovated our research



New site Metslawier

In December 2020, the first phase of renovation of the research centre in Metslawier was concluded with new offices. In the coming months and years, the building and laboratories will be updated too.



As a breeder, I develop new potato varieties. My focus lies on seed potatoes for the retail market, particularly in Europe, North America and Australia. These potatoes differ in various ways from potatoes that are destined for the traditional market in Africa and Eastern Europe, for example, which is the focus area of my colleague Jeroen Bakker. The team of breeders is completed by Peter Vos who concentrates on varieties for the potato processing sector and Wichard Sander who works on varieties that are suitable to tropical conditions. Of course, wherever possible, we combine forces; potato varieties that work well in Africa could also be suitable for Spain, for example.

I was very impressed by the research facilities and the approach to breeding. We are genuinely on the front-line of science.

When I started working for HZPC a year and a half ago, I was extremely impressed with the research facilities and the approach to breeding. We are genuinely on the front-line of science. This was one of the most important reasons for me coming to work here. The depth of knowledge among all the researchers combined with the practical experience and the technologies that we have at our disposal is what makes HZPC unique. It's great to be able to develop better varieties using the very latest breeding methods.

I am able to thrive in an organisation like HZPC, which has an open and informal culture. The mentality suits me. You are given the space to offer your opinions and there are plenty of people with refreshing, new ideas and the enthusiasm to implement them. That works really well; I have seen with my own eyes how much progress we have made in the time that I have been working for HZPC. We are always raising the bar and challenging one another. We discuss why things are done in a certain way and whether there could be a better, more accurate or more precise method. We combine all the available data with decades of practical experience and this, in turn, generates valuable results; every breeding generation just gets better and better. When you see progress in the field, it is hugely motivating.

As a breeder, I work in various multidisciplinary teams. I work on projects focussing on heat, drought, and disease resistance where people are able to combine their various backgrounds. Simultaneously, I have contact with packers, consumers and growers. So, in essence, I have the best of both worlds – science and practice. I provide real solutions to real people. That is completely different from fundamental research which may never even see the light of day. I am learning so much by working with all these different people with diverse backgrounds from across the world. I see all sorts of things and learn about the problems people face across the value chain, and it makes my job really dynamic. Furthermore, the potato industry has changed enormously over the past ten years as a result of new developments and technologies. It is an interesting and exciting time to be working as a breeder on a crop such as potatoes.



Corporate governance & personal details

HZPC Holding is a two-tier board company with an Executive Board and an independent Supervisory Board (SB). The Executive Board manages the Strategic Business Area Europe, the Strategic Business Development Area, STET Holland, IPR and HZPC Research & Development.

	Tasks and Authorities
Executive Board	Informs SB about policy and general affairs.
	Discusses important issues with SB.
	Presents essential decisions to the SB, for approval.
Supervisory Board	Maintains supervision over policy, Executive Board and general matters.
	Supports Executive Board with advice.
	Approves essential decisions by Executive Board.
General (Annual) Meeting of Shareholders	Appoints, on recommendation of SB, members of the SB. meeting
3 Idle Iodels	Has authorities that are set out in law and the company's Articles of Association.
	Approves specific decisions by Executive Board.
Association HZPC	Convenes general meeting of shareholders.
	Owns 100% of shares.
	Has certified all shares.
General members'	Selects and appoints the Board of Association HZPC.
meeting	
HZPC	Approves several proposed decisions by Association HZPC.
Association	
Certificate	Are (former) growers, (former) breeders and (former) members of staff.
holders	Are former, growers, former, breeders and former, members or stair.
	Appoints Board members
	Finances the business with risk capital.
	Can be members of Association HZPC.

Personal details management structure 2021

Supervisory Board

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

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., Chief Commercial Officer

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.	M. Jansen Klomp
HZPC Belgium B.V.	M. Jansen Klomp
HZPC Kantaperuna OY	M. Kauppinen
HZPC Patatas España S.L.	J. Luis Marti
HZPC Polska Sp. z.o.o.	T. Jardzioch
HZPC Portugal Lda	P. Simoes
AO HZPC Sadokas	P. Bemelmans
HZPC UK Ltd.	C.R. Baker
ZOS B.V.	M. Jansen Klomp

Works Council of HZPC Holland B.V.	
G. Bloembergen	Chairman
E. Meinsma	Vice Chairman
L. Gommers	Secretaris
W. Meijer	Member
P. Kreijger	Member
T. van der Wal	Member
D. Woertink	Member
S. Stevens	Member

HZPC SBDA B.V.

Director	
H. Verveld	Director
Solentum B.V.	H. Verveld
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

Risk Management

COVID-19

The consequences of the pandemic are clear in terms of both income and expenditure. We sold fewer seed potatoes in certain areas and the fries industry bought fewer seed potatoes. This had a significant impact on our result. This year, however, we saw a recovery and debtors developed in a positive manner. The management of debtors is, and shall remain, an important activity that requires attention within HZPC.

The impact of COVID-19 is clear in financial year 2020/2021. The pandemic set us new challenges. Homeworking suddenly became the norm and we had to cope with all sorts of measures. Our ICT network and infrastructure had to bear a greater load.

We were faced with lock-downs and changing geopolitical circumstances. This was reflected in trade both on a global and local level.

Enterprise Risk Management

HZPC is growing. That does correspond with an element of risk. A continual focus is required. It all starts with clear (internal) process and procedures. In this context, it may sometimes seem as if business and enterprise comes in second place but nothing could be further from the truth. In order to be able to continue to grow, it is necessary that we have and keep things in order internally. The ERM (Enterprise Risk Management) is a significant element of this.

All businesses take risks. Our success is determined by the extent to which we are aware of and can identify risks and opportunities. By taking calculated risks, we are able to work on maintaining a financially healthy and sustainable company. Risk management is therefore an important aspect of HZPC.

As part of the strategy, we are working on further improving the professionalism of risk management within HZPC. To this end, we are applying an integrated approach, supported by ERM.

HZPC RISK TABLE ANNUAL REPORT		Impact	Vulnerability
Strategic (market) risk	Competition	••••	•••00
	Disruption & R&D investment	••••	••••
	(Local) market risk	••••	••••0
Operational risk	Seed quality	••••	••••
	Seed availability	••••	••••
	Seed variety	••••	••••
	Organizational growth & development capabilities	••••	•••00
	Internal control	•••00	••••0
	IT & security	••••	••••
Financial (reporting) risk	Treasury	••••	••••0
	Reporting & disclosure	•••00	••••
Compliance risk	Compliance breaches	•••00	•••00
			Low • • • •

Risk factors

1. Competition

Competition is ongoing. If we anticipate on time, we are able to sustain and enlarge our advantage in the market. We have a multidisciplinary team with Finance, R&D and Marketing and Sales. The team takes a structural approach to monitoring R&D investments, M&A changes in strategy and/or business models, and market dynamics.

2. R&D-investments & innovations

The choices we make with respect to R&D investments have a huge impact on the realisation of strategic goals and the degree of growth in the long term. We regularly recalibrate the long term strategy for innovation and research.

3. (Local) markets

Political unrest, terrorist attacks, limited access to markets, recessions and pandemics are especially hard to predict. The impact on the market and on HZPC could be significant and we saw this last year with the Corona pandemic. Due to the fact that we sell a wide range of varieties to many different countries, we are able to spread the risk. We expand and embed this risk-awareness within our organisation.

4. Seed potato quality

Our customers rely on receiving top quality seed potatoes. That is what HZPC is all about. We are able to maintain this thanks to a top quality testing process. We identify any deficiencies at an early stage. Our testing and quality process is continuously improved. We are also focussing on further developing the protocols for quality control in all countries.

5. Availability of seed potatoes

Good availability of seed potatoes for the various countries and accurate forecasts are of crucial importance. Thanks to our organisation and processes, we are capable of producing the right quantities of seed potatoes for the various countries and growers.

In the growers' market, the growers plan years in advance. As a result, the production of certain varieties may ultimately outweigh demand. Thanks to good processes and well trained, experienced personnel, however, we are able to make the appropriate decisions.

6. Diversity in potatoes

Having enough diversity with respect to the various potato varieties means we are better able to spread risk, e.g. in the case of diseases. Over the past few years, we have spent a great deal of time researching and developing sustainable and resistant varieties. We will continue to invest time and money in Research & Development over the coming years.

7. Organisation growth and development

HZPC does well when it comes to growth and flexibility. This means that we invest in effective systems and processes and in the development of new and existing employees. We set out roles and responsibilities clearly and standardise and improve processes. We also focus on attracting new talent.

8. Treasury

The financial situations of customers or countries can impact HZPC's income. Good credit control is therefore very important. 80% of our trade takes place in euros although some of the seed potatoes are bought and sold in local currency. Where we have to deal with foreign currencies, we always try to mitigate the corresponding risk. This year, we were affected by measures taken by the Central Bank of Lebanon as a result of the political situation, the pandemic and the explosion in Beirut. We have also been confronted with restrictions in currency transfers due to international boycott measures.

9. Internal control

As a result of HZPC's ongoing growth, it is also wise to raise the bar in terms of internal control and risk management. This, in turn, ensures we have access to reliable financial information, are able to maintain operational efficiency, and can comply with laws and regulations

10. IT & safety

Our business operations increasingly depend on a reliable and effectively secured IT network, particularly now that so many people are working from home and HZPC is expanding further. We have set up a policy with respect to prevention and tracking. Furthermore, we constantly check and optimise the various systems. Every year, we also conduct a penetration test with a focus on cybersecurity.

11. Reporting & announcements

Necessary (financial and non-financial) reports and analyses are vital in order to make decisions and fulfil legislation and regulations. We are implementing a new, user-friendly ERP system and are reviewing policy and procedures. Implementation of this will take the next three and a half years.

12. Complying with laws and regulations

We conduct business with various, sometimes high-risk, countries where we must fulfil the appropriate laws and regulations. When it comes to Legal Entity Management and contract management, it is important to ensure your house is in order. We are able to effectively manage this risk and, where necessary, we focus on improvements by means of establishing and formalising working methods.

Results, investments, financing

Results

Net turnover of EUR 312,1 million was recorded in the past year. The gross margin for the organisation has increased to EUR 56.8 million. The net profit before deduction of costs from the Connecting Growers programme has stayed nearly the same as last year, at EUR 1.4 million.

Investments

We have invested in our company this year, despite COVID-19, and we will continue to do so. The first share of the investments in R&D facilities last year has now been put into use. The next stage is planned for the coming financial year. We have also invested in a new office in France. This office will be completed in the coming financial year. The invested capital as per the end of the financial year 2020/2021 stands at EUR 33.4 million and is thus EUR 3.8 million higher than last year. As well as the aforementioned investments, we are also investing in regular replacement. We expect a higher amount of investments in the coming year. The Aurora project is an important aspect of this. Within this, we are attempting to improve processes and replace the old ERP system. This will be realised alongside regular investments in replacements.

Financing

The financing structure has not been affected by any major changes this year. As a result of an improved cash position, we are able to reduce our provisions. The solvency of the business has risen from 37 percent in 2019/2020 to 41.6 percent in 2020/2021.

Last financial year, the COVID-19 pandemic, but also the low oil price in 2019, had an impact on our customers and thus on our turnover and margin. One of the largest customers in the Middle East has ordered less due to the reduced availability of hard currency for the purchase of seed potatoes in 2020. In addition, some contracts with the chip industry have been renegotiated. This is the reason that our physical delivered tons are lower and our margin is lower. Due to higher licensed tonnes, the total tonnage is slightly higher than last year. The costs were lower because we postponed several activities. As far as the debtor position is concerned, the situation has improved considerably. Whereas last year we were confronted with increasing debtor positions, this year we have seen clear improvements leading to a lower debtor position.

COVID-19 seems to be on its way out, but it will probably not disappear. We may be faced with a new wave. The economic consequences are also not yet entirely foreseeable. Management continuously assesses the available information and the risks in order to take appropriate measures. The corona crisis has had its impact on the company's liquidity, which it has managed to cushion through adequate financing. Despite these measures, we failed to meet some of the covenants of the financing condition. The bank has issued a waiver regarding the breach of the covenants for the current financial year.

The management continuously monitors the development of turnover and costs in order to keep a good view on the development of the liquidities. In addition, analyses are carried out to be able to take additional measures in time. Based on the analyses conducted by management and the company's current results and financing position, the financial statements have been prepared on the assumption of continuity. Based on an updated prognosis in September 2021, we expect to be in compliance with the bank's covenants until at least October 2022.

Share certificates

HZPC has issued 783,725 shares with a nominal value of EUR 20. Association HZPC owns 100% of the shares and has certified all shares. The certificate holders form a closed group, the members of which have to comply with specific requirements. All certificate holders have a business agreement with HZPC Holding, or have had one 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 primarily occurs because 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 senior managers, in consultation with the SB, the Board and Association HZPC, and with permission from the certificate holders, have decided to find a way to ensure that more certificates end up in the hands of active growers. To this end, the SB and the Board have approved the creation of the Connecting Growers programme, proposed by the Executive Team.

Read more on: www.hzpc.com/cg.

Stock exchange trading

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 2020 and May 2021. Captin also provides the administration for the certificates.

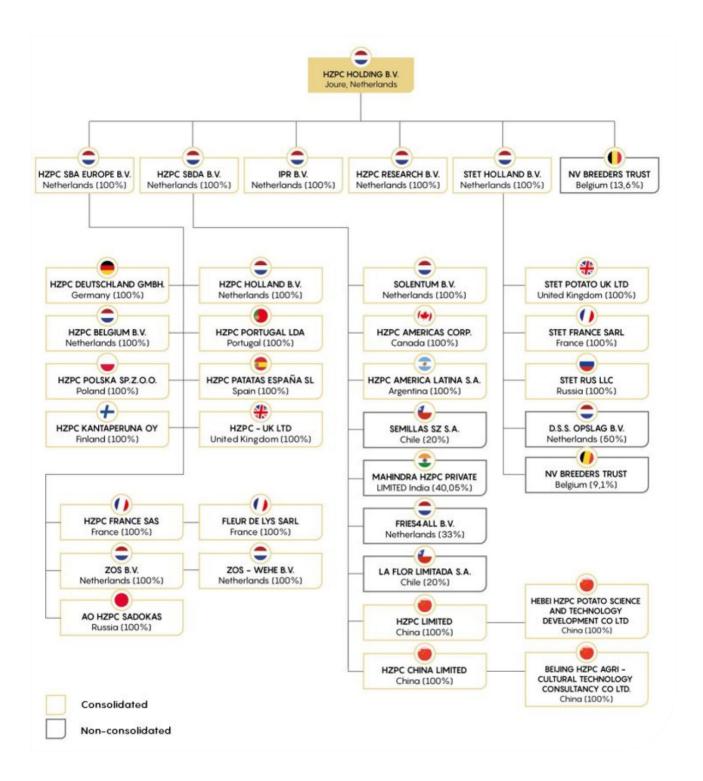
The certificate holders were informed about the business by means of media messages, the annual report and via the website for HZPC Holding (www.hzpc.com). In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

Trading day

	2016/17	2017/18	2018/19	2019/20	2020/21
number of outstanding shares	783.725	783.725	783.725	783.725	783.725
Profit per share certificate (x EUR 1)	€ 10,82	€ 6,00	€ 11,93	€ 1,49	€ 1,74
Dividend per share certificate (x EUR 1)	€ 7,00	€ 4,00	€ 7,75	€ 1,00	€ 1,00
Dividend as % of net result	65%	67%	65%	67%	57%
Rate as of 30 June (x EUR 1)	€ 165,65	€ 200,00	€ 162,00	€ 131,25	€ 106,35
Dividend as % of rate	4,23%	2,00%	4,78%	0,76%	0,94%
Return on shares (x EUR 1)	€ 35,75	€ 38,35	€ (30,25)	€ (29,75)	€ (23,90)
Total shareholders return in %					
(as of 30 June of the previous year)	26,11%	23,15%	-15,13%	-18,36%	-18,21%

^{*}exclusive costs Connecting Growers

Group structure





On 1 October 2021, Meerten Ubbens stood down from the Supervisory Board. His maximum term of 12 years had lapsed; he had been chair of the SB for the past five years. Michael Kester succeeds Meerten Ubbens in this role.

We will once again discuss the past financial year with Meerten Ubbens. We speak to him about his experiences in his twelve years as member of the SB and take a look into the future.

A very special financial year

"It's been a very special year. We were already dealing with Coronavirus in the last financial year but its impact had been limited. In 2020/2021, we can see the huge impact in the results. It is significantly worse than we had hoped or expected. On the basis of what we can now see, I think that the old consumption patterns will recover and that the problems will soon be behind us so that HZPC can once again get back on track."

Particular focus on new Business Transformation Program

"As well as Coronavirus, the new Business Transformation Program has also been a particular focus of the SB. In October 2019, a decision was made to cease the implementation of an ERP system and to go back to the drawing board. This type of process requires a clear and well-organised approach. If it goes wrong, you must ask why it was unsuccessful and how you can do things better next time. Then, it is wiser to accept your losses and move on.

HZPC has started again, this time with Aurora. A successful implementation and broad support among employees is vital. It is important for everyone to buy into the process and for wishes and requirements to be effectively translated into a new, automated environment. This takes time, focus and energy because everyone will have to acclimatise. Good supervision and explanations are indispensable."

Research & Development

"HZPC invests heavily in Research & Development. This will stay on the agenda in discussions between the Supervisory Board and the Executive Board. This concerns questions such as: What should HZPC do in that situation? How much money should be invested? In which areas can you cooperate?

Developments in biotechnology are always moving forward and we can't miss the boat. At the moment, there is talk of potatoes from seed. This could be a game-changer for the grower's approach. It also involves issues for the longer term. We must be disciplined in order to maintain a focus. The Executive Board leads and the SB follows, advises and critically reviews whether we are on the right track."

Constructive and transparent collaboration

"What stands out in the twelve years I have been a member and then chairman of the SB is the open dialogue with the Executive Board. It is an exceptionally constructive relationship. The Executive Board is open and does not shy away from tackling problems. That makes your work as a commissioner extremely pleasant because you can resolve the issues constructively and critically together.



From left to right: Martine Hommes-Gesink, Meerten Ubbens, Irina Frovola, Michael Kester, Cor Biemond

12 years of the SB: a look back and a glimpse of the future

"I come from farming stock. My family comes from Noord-Groningen. My grandfather and uncles had a farm so I was familiar with the seed potato growing process and was keen to become involved as a supervisory Board member. This opened up a whole new world for me and I have enjoyed every second. The resilience of this organisation in both good and bad times has made a real impression on me. HZPC has developed substantially on an international level.

It is a well-positioned business with good shareholders' equity and an underlying cash flow. If there's one organisation that can tackle the challenges facing the potato world, it's HZPC. Things may not always runs smoothly, but there is huge potential to continue to play a prominent role on the global stage. And all from our base in Joure!"

The role of the Supervisory Board

The Supervisory Board (SB) of HZPC supervises and advises the Executive Board on business strategy, policy and objectives. As an employer, the SB also sets the remuneration for the Executive Board. The SB operates entirely independently of the Executive Board. As a shareholder, the Association HZPC appoints the members of the SB.

In 2020/2021, spread across the year, six meetings took place between the SB and the Executive Board of HZPC, preceded by discussions between the members of the SB. This year, the SB has held two meetings of shareholders with the Board of Association HZPC.



8.1 Consolidated balance sheet

Consolidated balance sheet as of 30 June

(after profit appropriation)

Assets

(in EUR x 1.000)

appropriation)					
(in EUR x 1.000)					
	Notes		30-Jun-21		30-Jun-20
FIXED ASSETS					
Intangible fixed assets	1				
Research and development costs		1,231		877	
Goodwill		0		124	
Concessions, licensces and intellectual property		1,090		1,636	
			2,321		2,637
Tangible fixed assets	2				
Company buildings and land		18,619		13,984	
Plant and equipment		6,573		6,288	
Other fixed operating assets		710		616	
Operating assets under construction		63	_	2,401	
			25,965		23,289
Financial fixed assets	3				
	3	1.440		1.070	
Participating interests Receivables from Association HZPC					
Other securities		16 25		65 25	
Deferred taks assets		3,311		2,204	
Other receivables		3,311		324	
Offici receivables	_	337	5,129	324	3,688
			5,129		3,000
TOTAL FIXED ASSETS			33,415		29,614
			00, 120		_,,=
CURRENT ASSETS					
Inventories	4		2,178		2,133
Trade and other receivables	_	47.000		- 4 4 0 0	
Trade receivables	5	46,393		54,108	
Accounts receivables from participating interests	6	441		342	
Taxes, contributions and social insurance	7	10,998		9,421	
Other receivables and accrued income	8_	14,321	70 150	15,311	70 100
			72,153		79,182
Cash and cash equivalents	9		18,251		33,217
TOTAL CURRENT ASSETS			92,582		114,532
TOTAL ASSETS			125,997		144,146

Liabilities

(in EUR x 1.000)

	Notes	;	30-Jun-21	(30-Jun-20
LIABILITIES					
GROUP EQUITY	10				
Shareholders' equity			52,478		53,357
Provisions	11				
Pensions		184		177	
Other provisions		444		419	
			628		596
Current liabilities					
Debts to credit institutions	12	36,268		57,850	
Accounts payable to suppliers		16.460		14.430	
Payables to participating interests and companies in which there is a participation		0		266	
Taxes, contributions and social insurances	13	1,643		1,852	
Dividend to be paid		784		784	
Other debts and accrued liabilities	14	17,736		15,011	
			72.891		90,193
TOTAL LIABILITIES		_	125,997	_	144,146

8.2 Consolidated profit and loss statement

	Notes		2020/2021		2019/2020
Net turnover	15		312,149		360,599
Other operating income	16	_	1,840	_	2,927
Total operating income			313,989		363,526
Cost of raw materials and other consumables and outsourced work		226,936		265,144	
Freight cost		21,501		24,022	
Packaging		8,705		8,987	
Wages and salaries	17	22,602		21,521	
Social security costs and pension costs	17	6,982		6,382	
Amortisation and depreciation of intangible fixed assets		1,070		1,156	
Other depreciation of intangible fixed assets		0		8,879	
Amortisation and depreciation of tangible fixed assets		2,734		3,126	
Impairment of current assets		2,292		0	
Other operating costs	18	20,682		20,683	
Total operating expenses			313,504	_	359,900
Operating result			485		3,626
Interest receivable and similar income	19	190		361	
Interest payable and similar charges	20	-734		-740	
		_	-544	_	-379
Result before tax					
			-59		3,247
Corporate income tax	21				
Share on result from participating interests		-166		-1,935	
	_	240	74	-147	2.002
Net result		-	74	-	-2,082
			15		1,165
Total of direct changes in shareholders' equity of the company					
Overall result of the legal entity			-111		-575
		-	-96	_	590

8.3 Consolidated cash flow statement

Consolidated cash flow summary for the financial year 2020/2021

(in EUR x 1.000)

	Notes		2020/2021	2019/2020
Operating result		485	3.626	,
Adjusted for:				
Depreciation/amortisation	1,2	3,804	13,161	
Changes in provisions	11	32	9)
Changes in working capital		-10,640	3,623	
Cash flows from business operations	-	-6,319	20,419	,
Interest received	19	253	361	
Dividend received		76	71	
Income tax received	21	46	513	
Interest paid	20	889	-740	
Income tax paid	21	-2,537	-4,396)
Cash flow from operating activities		-7,592	16,228	_
Investments in:				
Intangible fixed assets	1,2	-754	-2,337	,
Financial fixed assets	3	53	0	
Investments in existing participations	3	-140	-311	
Tangible fixed assets	2	-6,126	-5,057	7
Disposals of tangible fixed assets	2	746	699	•
Cash flow from investing activities		-6,221	-7,006)
Financing activities				
Dividend paid		-783	-6,074	
Cash flow from financing activities		-783	-6,074	
Net cash flow			-14,596	3,148
Currency and exchange rate differences			-370	-334
Changes in cash and cash equivalents			-14,966	2,814
Cash and cash equivalents at the beginning of the year	9		33,217	30,403
Changes in cash and cash equivalents	9		-14,966	2,814
Cash and cash equivalents at the end of the year	9		18,251	33,217

8.4 Notes to the consolidated financial statements 2020/2021

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 proceded 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 COVID-19 pandemic and the low oil price have had an impact on our customers and, in turn, on our turnover and margins. One of the biggest customers in the Middle East reduced their order due to a lack of hard currency for purchasing seed potatoes. A few contracts with the fries industry were also renegotiated. This is why our physically supplied tonnage was lower and our margin is reduced. Due to higher license tonnage, the total sales in tonnage is slightly higher than last year. The costs are once again somewhat lower because we

postponed various activities. With respect to the debtors' position, the situation has improved slightly. Last year, we were confronted with increasing debtor positions and this year we have seen clear improvements which have led to a lower debtors' position.

COVID-19 seems to be on the wane but it will probably not disappear completely. We may well be confronted with a new wave. The economic consequences are not yet entirely foreseeable. The management continuously assesses the relevant information and the risks in order to take the appropriate measures. The Corona crisis has had an impact on the company's liquidity, which has been offset by adequate financing. The management continuously monitors developments in turnover and costs in order to maintain an overview of liquidity developments. Analyses are also carried out on a regular basis so that additional measures can be taken in good time. On the basis of the management analyses, the current results and the company's financing position, the annual accounts have been drafted on the basis of an assumption of continuity.

Management continuously monitors the development of turnover and costs in order to keep a good overview of the development of liquidities. In addition, analyzes are performed in order to be able to take additional measures in time. Based on the analyzes performed by management and the company's current results and financing position, the financial statements have been prepared on the basis of the going concern assumption. Based on an updated forecast in September 2021, we expect to be in compliance with the bank's covenants, at least until October 2022.

General valuation

The 2019/2020 figures have been reclassified to allow comparability with 2020/2021. It concerns the following reclassification:

reclassification of machines and installations into concessions, licenses and intellectual property (EUR 73,000)

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 to the Table of participations (PDF, page 61).

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 2021

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., 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%
Fries 4all B.V., in Joure, the Netherlands	33%
IPR B.V., in Joure, the Netherlands (consolidated)	100%
H7DC Descarch R.V. in Metalawier the Netherlands (consolidated)	100%
HZPC Research B.V., in Metslawier, the Netherlands (consolidated)	100%

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%
N.V. Breeders Trust, in Brussels, Belgium (non-consolidated)	22,7%

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 30-06-2021	Average exchange rate	Rate 30-06-2020
Canadian Dollar	1.471	1.530	1.536
British Pound	0.859	0.886	0.914
Polish Zloty	4.502	4.505	4.456
American Dollar	1.193	1.193	1.124
South African Rand	17.012	18.357	19.421

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

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 reassessed 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 infuence

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.

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.

Licenses

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'. In this approach, the premium payable to the pension provider is accounted for as a liability in the profit and loss account. Based on 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 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 2020/2021 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 1.70% of the pensionable salary based on the gross salary minus a franchise (EUR 14,309). The pensionable salary is maximised (at EUR 58,311). 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 coverage and expected returns. As of 30 June 2021, the coverage rate of the industry-funded pension fund concerned will be 101.5% 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 accounted for 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 tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

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 carrying 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 recognised 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 has been prepared on the basis of the indirect method. Cash flows in foreign currencies have been converted to euros using the weighted average conversion rates for the relevant periods.

The cash in the cash flow statement consists of the cash and cash equivalents and investments that can be converted into cash without restrictions and without material risk of impairment as a result of the transaction.

Cash flows in foreign currencies have been converted at an estimated weighted average exchange rate for the reporting period/the exchange rate on the date on which the transactions took place. Currency exchange differences are shown separately in the cash flow statement.

Interest income and expenses, dividends received and income taxes are included in the cash flow from operating activities. Dividends paid are included in the cash flow from financing activities.

The acquisition price of the acquired group company is included in the cash flow from investing activities, insofar as payment has been made in cash. The cash available in the acquired group company has been deducted from the purchase price.

Transactions in which no exchange of cash takes place, including financial leases, are not included in the cash flow statement. The payment of the lease installments under the finance lease contract has been classified as an expense from financing activities for the part relating to the redemption and as an expense from operating activities for the part relating to the interest.

Cash flows from financial derivatives that are accounted for as fair value hedges or cash flow hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives where hedge accounting is no longer applied are classified consistently with the nature of the instrument, from the date on which hedge accounting is discontinued.

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 recoginsed 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 relevent 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.

8.5 Notes to the consolidated balance sheet

1. Intangible fixed assets

The composition and movement per category for intangible fixed assets for the year 2020/2021 is as follows:

	Research and development costs	Goodwill	Concessions, permits and Intellectual properties	Total 2020/2021
Purchase value	2,422	5,002	3,817	11,241
Cumulative depreciation	-1,545	-4,878	-2,181	-8,604
Book value as per 1 July	877	124	1,636	2,637
Investments	754	0	0	754
Depreciation	-400	-124	-546	-1,070
Total	354	-124	-546	-316
Purchase value	3,176	5,002	3,817	11,995
Cumulative depreciation	-1,945	-5,002	-2,727	9,674
Book value as per 30 June	1,231	0	1,090	2,321

2 Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2020/2021 is as follows:

	Company buildings and land	Plant and equipment	Other fixed operating assets	Operating assets under construction	Total 2020/2021
Purchase value	39,411	28,999	3,775	2,401	74,586
Cumulative depreciation	-25,427	-22,711	-3,159	0	-51,297
Book value as per 1 July	13,984	6,288	616	2,401	23,289
Investments	3,284	2,568	280	9	6,141
Commissioning	2,347	0	0	-2,347	0
Disposals	-83	-713	65	0	-731
Depreciation	-913	1,570	-251	0	-2,734
Balance	4,635	285	94	-2,338	2,676
Purchase value	44,959	30,854	4,12	63	79,996
Cumulative depreciation	-26,34	-24,281	-3,41	0	-54,031
Book value as per 30 June	18,619	6,573	710	63	25,965

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 2020/2021
Book value as per 1 July	1,070	65	25	2,204	324	3,688
Investments/increase	140	0	0	0	53	193
Result from participating interests	240	0	0	0	0	240
Impairments/repayments	0	-49	0	0	-40	-89
Addition	0	0	0	1,107	0	1,107
Dividend received	-76	0	0	0	0	-76
Exchange rate flucuations	66	0	0	0	0	66
Movements 2020/2021	370	-49	0	1,107	13	1,441
Book value as per 30 June	1,440	16	25	3,311	337	5,129

Participating interests

These are participating interests that are not consolidated due to minority interests. For a summary of the consolidated group companies, refer to the Table of Participations (PDF page 75).

Receivables from Vereniging HZPC (HZPC Association)

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

Other securities

The item 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

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 valuated are EUR 800,000.

Other receivables

The other receivables relates to loans granted to personnel with an amount of EUR 20,000 (2019/2020: EUR 20,000) with an average maturity 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-21	30-Jun-20
Packaging	1,190	907
Finished products	988	1,226
	2,178	2,133

The stock of finished products consists of self-developed mini tubers. A provision has been made on balance sheet of nil (EUR 2019/2020: EUR 169,000).

Trade and other receivables

5. Trade receivables

	30-Jun-21	30-Jun-20
Amortized cost of outstanding receivables	48,461	56,836
Less: Allowance for doubtful debts	-2,068	-2,728
	46,393	54,108

The trade receivables does not include an amount with a remaining term of more than 1 year which are not unforeseen.

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-21	30-Jun-20
Sales tax	7,770	8,310
Payroll tax and social insurance	3	28
Corporate income tax	3,225	962
Other taxes and premiums	0	121
	10,998	9,421

8. Other receivables and accrued assets

	30-Jun-21	30-Jun-20
Pension contributions	5	92
Lincences to be claimed	5,193	6,229
Prepaid expenses	2,048	1,584
Turnover to be invoiced	56	1,751
Health insurance premium	13	272
Government grants	1,362	2,059
Receivable on growers	1,562	1,920
Other amounts	4,082	1,404
	14,321	15,311

As of June 30, 2021, the other amounts relate to EUR 1,825,000 on turnover to be invoiced, EUR 1,187,000 on the operating result of the pool and EUR 1,070,000 from other amounts.

9. Cash and cash equivalents

	30-Jun-21	30-Jun-20
Cash	2	5
Bank account current	18,249	33,212
	18,251	33,217

The bank has an amount of nil (2019/2020: EUR 2,679,000) which is not due and payable. Bank guarantees of EUR 120,000 (2019/2020: EUR 0) have been provided.

10. Group equity

For an explanation of the group equity, refer 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 2020/2021 are shown in the following overview:

Pension provision staff

	Total 2020/2021	Total 2019/2020
Amount as of 1 July	177	164
Additions	23	19
Withdrawals	-16	-6
Amount as of 30 June	184	177

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 composition and movement of the other provisions in the 2020/2021 financial year are as follows:

	Total 2020/2021	Total 2019/2020
Amount as of 1 July	419	423
Additions	67	77
Withdrawals	-42	-81
Amount as of 30 June	444	419

The other provision relates to anniversary liabilities, 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 company has a credit facility with ING Bank N.V. and Deutsche Bang A.G. in which the banks each are committed pro rata. There is a credit facility of EUR 30 million as at June 30, 2021. The interest rate is calculated as Euribor plus 1.1%. In addition, there is a seasonal facility of 50 millions euros. The credit facility is available until July 2023. With the 80 million euros we can continue our current activities support and invest for the future.

Altogether, the ING Bank N.V. and Deutsche Bank A.G have provided EUR 30 million, as of 30 June 2021, 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 credit facility is subject to the following covenants:

- Solvency ratio
- Asset coverage ratio
- Turnover ratio
- EBITDA coverage
- Minimum EBITDA of 8 million
- Maximum CAPEX of 6.4 million

HZPC Holding B.V. 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-2021	> 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.

As of June 30, 2021, HZPC has not met its bank covenant obligations of minimum EBITDA and EBITDA cover. As a result, the credit withdrawn is immediately due and payable as of June 30, 2021. The banks have issued a waiver to HZPC for this, which guarantees the financing for the coming season.

13. Taxes, contributions and social insurances

	30-Jun-21	30-Jun-20
Corporate income tax to be paid	420	305
Corporate sales tax to be paid	538	573
Payroll tax and social insurances	685	974
	1,643	1,852

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

14. Other debts and accrued liabilities

	30-Jun-21	30-Jun-20
Licenses to be paid	1,559	1,612
Wages and salaries to be paid	791	1,203
Pension contributions	590	504
Holiday allowances	1,988	1,556
Deferred income	1,281	1,872
Product related costs	4,313	4,264
Growers	3,686	35
Other amounts	3,528	3,965
	17,736	15,011

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, other receivables and cash. The maximum credit risk facing the company amounted to EUR 80 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, as 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 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 2021 the net exposure was converted into EUR at the spot rate on the balance sheet date as follows:

x 1.000	Rate EUR	ASSETTS Local Currency	ASSETS in €	LIABILITIES Local Currency	LIABILITIES in €
USD	1,1928	2.578	2.161	51	43
GBP	0,8594	6.657	7.746	3.959	4.607
PLN	4,5016	13.296	2.954	9.803	2.178
CAD	1,4712	5.518	3.751	3.475	2.362
Totaal			16.612		9.190

The company's policy is not to take positions to hedge future cash flows or the debts and/or receivables on the balance sheet.

Liquidity risk

The company monitors the liquidity position by means of successive liquidity budgets. Management ensures that sufficient liquidity is available to meet the obligations. The company runs liquidity risks with regard to the interest on the credit facility. An interest rate cap has been entered into to cover the interest rate risk on the credit facility. The conditions for hedge accounting are met, as a result of which the hedge relationship is accounted for in accordance with the rules of cost hedge accounting. For the collateral provided, we refer to 'Credit facility'.

The company ensures that there are sufficient retrievable funds to cover expected operating costs, including meeting financial obligations. This does not take into account the possible effect of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the company has the following credit facilities:

- Revolving facility of EUR 30 million. The interest to be paid is 1.10%.
- Seasonal facility of EUR 50 million from October 1 to June 30 of the following year. The interest to be paid is 1.10%.

Interest risk

The company runs interest rate risk on the interest-bearing receivables and debts. A variable interest rate agreement has been agreed on both these receivables and debts, as a result of which the company runs a risk with regard to future cash flows. An interest cap agreement has been concluded as a mitigating measure to limit the interest rate risk on the credit facility.

If interest rates were to rise by 1% as of June 30, with all other variables held constant, the annualized interest expense would increase by approximately EUR 450K. To hedge the interest rate risk, an interest cap of 2% has been concluded on EUR 15 million, which runs until 2028.

Off-balance sheet assets and liabilities

These include:

- Operating lease commitments and rentals for an amount of EUR 2,2 million. Of this amount, EUR 1,2 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 2020/2021 amounted to EUR 0,6 million.
- The company has taken on an obligation of EUR 1.8 million for the construction of an office in La Chapelled'Armentières. EUR 1.3 million has already been invoiced in 2020-2021 and the remaining commitment is still EUR 0.5 million.
- Several claims have been filed against the company and/or group companies, against the Challenger variety for example, which are contested by it/them. The company has also submitted a claim for the unlawful growing and processing of HZPC varieties. Although the outcome of these disputes cannot be predicted with certainty, it is assumed partly on the basis of legal advice received that it will not adversely affect the consolidated position.

8.6 Notes to the consolidated profit and loss statement

15. Net turnover

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

	2020/2021	2019/2020
Seed potatoes	274,085	314,845
Licenses	24,219	25,090
Services	3,088	3,443
Ware potatoes	10,757	17,221
	312,149	360,599

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

		2020/2021		2019/2020	
	€	%	6 €	·	%
The Netherlands		51,770	17	62,428	17
Other EU countries		150,004	48	170,743	47
Other European countries		27,437	9	18,556	5
Outside Europe		82,938	27	108,872	30
		312,149	100	360,599	100

16. Other operating income

These are mainly government grants and incidental income.

17. Personnel expenses

	2020/2021	2019/2020
Personnel expenses	22,602	21,521
Social security costs	4,088	4,002
Pension costs	2,894	2,380
	29,584	27,903

Number of employees

During the financial year, the average number of employees at HZPC Holding B.V. and its subsidiaries was 391 FTE, of which 285 are employed in the Netherlands (previous financial year 373, of which 265 FTE were employed in the Netherlands). On the balance sheet date, 397 FTE were in service.

Specification number of FTE's

	2020/2021	2019/2020
Management, administration and IT	84	84
Commerce and communication	76	80
Purchasing and logistic planning	119	106
Storage, grading and transport	28	24
Research	84	79
	391	373

18. Other operating expenses

	2020/2021	2019/2020
Sales costs	2,763	1,824
Office costs	3,962	4,049
Staffing relates costs	4,088	4,986
Repair and maintenance	1,991	1,947
Other costs	7,878	7,877
	20,682	20,683

19. Interest receivable and similar income

	2020/2021	2019/2020
Debtors	82	42
Bank account current	75	89
Other	33	230
	190	361

20. Interest payable and similar charges

	2020/2021	2019/2020
Discount	-33	-35
Bank current account	-105	-235
Other	-596	-470
	-734	-740

21. Corporate income tax

	2020/2021	2019/2020
Applicable tax rate in The Netherlands	25,0%	25,0%
Foreign effect	-143,8%	26,7%
Non-deductible amounts	-261,9%	3,8%
Change in temporary differences	0,0%	2,1%
Other	279,1%	2,0%
Recognition of previously non recognised tax losses	-101,6%	59,6%

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 company forms a fiscal unit for corporation tax. The corporate income tax is included in each of the companies for the part that the Company concerned would be due at a nominal rate, not taking into account any tax facilities applicable for the Company.

The effective tax rate is -101.6% (2019/2020: 59.6%). For the Dutch companies, this concerns the effective rate of 25.6% due to the permanent variations in value. For the foreign companies an average tax rate of 30.0% applies (2019/2020: 42.4%) applies, which is influenced by higher normative tax rates abroad and non-offset losses. The Connecting Growers program has not been included in the calculation of the tax burden this year. However, it is included in the tax return.

Other explanatory notes

Transaction with related parties

Transactions with related parties occur when a relationship exists between the company, its participating interests and their directors and key management personnel. This includes the relationships between the company and its participating interests, the shareholders, the directors and key management personnel. Transactions are to be understood as 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.

	2020/2021	2019/2020
Paid in the year:		
Audit of the financial statements, the Netherlands (KPMG Accountants N.V.)	218,628	169,300
Audit of the financial statements abroad (KPMG Network)	46,280	42,684
Tax - related advisory services (KPMG Network)	130,282	53,611
Other non-audit services (KPMG Network)	0	0
Auditor's fees	395,190	265,595

Remuneration of managing and supervisory directors

Refer to the notes to the separate company financial statement (PDF, page 90).

Subsequent events

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

8.7 Company balance sheet

After profit appropriation

Assets

(x EUR 1.000)

	Notes		30-Jun-21		30-Jun-20
FIXES ASSETS					
Tangible fixed assets	22				
Company buildings and land		15,487		10,797	
Operating assets under construction		16		2,144	
			15,503		12,941
Financial fixed assets	23				
Participating interests in group companies		41,640		56,067	
Accounts receivables from group companies		2,477		2,965	
Other participating interests		8		8	
Receivables from Association HZPC		16		65	
Other securities		24		24	
Deferred tax assets		2,951		1,844	
Other receivables		265		305	
		_	47,381	_	61,278
TOTAL FIXED ASSETS			62,884		74,219
CURRENT ASSETS					
Receivables					
Group companies		29,411		16,001	
Payables to participating interests and companies in which there is a participation		39		0	
Taxes, contributions and social insurance		2,970		1,097	
Other receivables and accrued assets	24	366		123	
	_		32,786		17,221
Cash and cash equivalents					
			770		6,589
TOTAL CURRENT ASSETS					
			33,556		23,810
TOTAL ASSETS		_		_	
			96,440		98,029

Liabilities

(x EUR 1.000)

	Notes		30-Jun-21		30-Jun-20
LIABILITIES					
Shareholders' equity	25				
Issued capital		15,675		15,675	
Share premium reserve		1,433		1,433	
Other legal reserves		2,666		2,069	
Foreign currency translation reserve		-1,289		-1,179	
Other reserves		33,993		35,358	
	_		52,478		53,356
Provisions	26		22		611
Current liabilities					
Debts to group companies		11,675		1,074	
Debts to suppliers		235		869	
Payables to participating interests and companies in which there is a participation		0		264	
Dividend to be paid		784		784	
Debts to credit institutions		30,069		40,004	
Taxes, contributions and social insurance	27	31		36	
Other debts and accrued liabilities	28	1,146		1,031	
		_	43,940	_	44,062
TOTAL LIABILITES		_	96,440	_	98,029

8.8 Company profit and loss statement

	Notes	2020/2021	2019/2020
Share in result of participating interests after tax	29	4,573	11,068
Other result after tax	30	-4,558	-9,903
Net result		15	1,165

8.9 Notes to the company financial statements

General

The company financial statements are part of the 2020/2021 financial statements of the group. With respect to the separate company profit and loss statement, HZPC has made use 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 company balance sheet and the 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 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 is formed for the amount of the expected payments for the account of the company on behalf of the participating interests.

Result of participating interests

The share in the result of companies in which a participation is taken concerns the company's share in the results 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 recognised.

8.10 Notes to the company balance sheet

22. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2020/2021 is as follows:

	Company buildings and land	Operating assets under construction	Total 2020/2021
Purchase value	25,241	2,144	27,385
Cumulative depreciation	-14,444	0	-14,444
Book value as per 1 July	10,797	2,144	12,941
Investments	3,307	16	3,323
Commissioning	2,144	-2,144	0
Depreciation	-761	0	-761
Balance	15,487	16	15,503
Purchase value	30,692	16	30,708
Cumulative depreciation	-15,205	0	-15,205
Book value as per 30 June	15,487	16	15,503

23. 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 2020/2021
Book value as per 1 July	56,067	2,965	8	65	1,844	24	305	61,278
Investments/increase	0	12	0	0	1,107	0	0	1,119
Result from participating interests	4,573	0	0	0	0	0	0	4,573
Exchange rate fluctuation	-177	0	0	0	0	0	0	-177
Depreciation/repayments	1,859	-500	0	-49	0	0	-40	1,27
Dividend	-20,100	0	0	0	0	0	0	-20,100
Provision for participating interests	-582	0	0	0	0	0	0	-582
Book value as per 30 June	41,640	2,477	8	16	2,951	24	265	47,381

The repayments/depreciation on participating interests in group companies concerns the change relating to the devaluation of accounts receivable 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%.

24. Other receivables and accrued assets

	30-Jun-21	30-Jun-20
Government grants to be claimed	37	19
Prepaid amounts	329	104
Status as of 30 June	366	123

25. Shareholders' equity

The movement per category of shareholder equity is as follows

	Issued capital	Share premium reserve	Other legal reserves	Foreign currency translation reserve	Other reserve	Total 2020/2021
Book value as of 1 July	15,675	1,433	2,069	-1,179	35,358	53,356
Movements in financial year 2020/2021						
Dividend	0	0	0	0	-784	-784
Result of financial year	0	0	0	0	15	15
Exchange rate fluctuations	0	0	0	-110	0	-110
Other changes	0	0	597	0	-597	0
Status as of 30 June	15,675	1,433	2,666	-1,289	33,993	52,478

Issued capital

The authorised capital of the company amounts to EUR 50,000,000 (2019/2020 EUR 50,000,000) 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 2019/2020).

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 capitalised 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

At the General (Annual) Shareholders Meeting, it will be proposed to approve the following appropriation of the 2020/2021 result after tax: to deduct an amount of EUR 885,000 from the other reserves and for an amount of EUR 784,000 to be paid out as dividend.

The change amounting to EUR 597,000 refers to the donation to the legal reserve.

Proposal for result appropriation

At the General (Annual) Shareholders Meeting, it will be proposed to approve the following appropriation of the 2020/2021 result after tax: to deduct an amount of EUR 885,000 from the other reserves and the remaining amount of EUR 784,000 to be paid out as dividends. Per share certificate, EUR 1.00 is available. This proposal is processed in the balance sheet under the current liabilities.

26. Provisions

Provisions for participations

The composition and movement of the provisions in the financial year 2020/2021 are as follows:

	Total 2020/2021	Total 2019/2020
Amount as of 1 July	582	554
Additions	0	582
Withdrawals	-582	-554
Amount as of 30 June	0	582

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

Other provisions

The composition and movement of the provisions in the financial year 2020/2021 are as follows:

	Total 2020/2021	Total 2019/2020
Amount as of 1 July	29	17
Additions	0	12
Withdrawals	-7	0
Amount as of 30 June	22	29

The other provision relates to anniversary liabilities, calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account.

27. Taxes and contributions

	30-Jun-21	30-Jun-20
Payroll tax and social insurances	31	36
	31	36

28. Other debts and accrued liabilities

	30-Jun-21	30-Jun-20
Wages and salaries to be paid	519	593
Pension contributions	15	13
Invoices to be received	149	279
Other amounts	463	146
	1,146	1,031

29. Share in result in participating interests after tax

This relates to the share in result the company has in participating interests of which EUR 4,215,689 (2019/2020: EUR 11,215,000) relates to group companies. The other part concerns results in minority interests amounting to EUR 239,997 (2019/2020: EUR 147,000 negative).

30. Other income and expenses after tax

The other after-tax result concerns the regular costs for conducting holding activities. These costs encompass personnel costs, other corporate costs, including legal costs, depreciation, special devaluations, and interest assets/liabilities.

Wages and salaries

	2020/2021	2019/2020
Gross staff wages	1,487	1,060
Employer's social security contributions for staff	104	40
Pension premium	116	62
	1,707	1,162

Specification number of FTE's'

	2020/2021	2019/2020
Management en administration	8	4

At HZPC Holding B.V. there were an average of 8 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 74,000. Of this amount, EUR 42,000 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 2020/2021 amounted to EUR 69,000.

Tax entity

The company, together with its domestic subsidiaries, forms a fiscal unity for the corporation tax and value added 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 of the consolidated Company.

Remuneration of managing and supervisory directors

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 article 1 of Book 2 of the Dutch Civil Code, final sentence. The remuneration of Supervisory Board members amounts to EUR 131,000 (2019/2020: EUR 98,000).

Joure, 7 October 2021

The Executive Board:
G.F.J. Backx (CEO), statutory director
H. Verveld (CCO)
J.L. van Vilsteren (CFO)

The Supervisory Board:

M.J. Ubbens, chairman

C.J. Biemond

I. Frovola

M. Kester

M. Hommes-Gesink



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 payouts 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.

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:

- 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 (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 COVID-19 on our audit of the liquidity risk

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