

ANNUAL REPORT ROYAL HZPC GROUP

2022 - 2023

These financial statements are an English translation of the financial statements prepared on 19 October 2023. In case of any discrepancies or possible differences in interpretation between the English translation and the financial statements prepared on 19 October 2023, the latter prevail.

You can find the Dutch annual report of Royal HZPC Group B.V. on the website under the heading governance.



Table of contents

Table of contents	2
--------------------------	----------

MANAGEMENT REPORT

01	Message from Gerard Backx	6
	Continuously pushing boundaries	7
	Growth	7
	In every capillary	7
	Seed potato crop even more sustainable	8
	Collaboration in the chain	8
	Zero hunger as main goal	8
	Our crowning glory	8
02	Need	11
	Feeding the world with our varieties	12
	A new balance in Europe	12
	Growth outside Europe	13
	Major steps in licensed cultivation	13
	Fertiliser and energy prices remain high	14
	Transport costs remain high	14
	Access to healthy food for all	15
	Agent in the spots	15

03	Breed	18
	Powerful variety machine for the future	19
	New varieties set the tone	19
	Introduction of hybrid varieties in Africa	21
	Gene-editing: sharpshooter in breeding	23
	Update Flight to Vitality	24
	Research centre Melslauer updated from top to toe	25
	Partner in the spots	25
<hr/>		
04	Feed	28
	Sustainability at every step	29
	A more sustainable business for our growers	29
	Future-proof seed potato cultivation	30
	Sustainable and social packaging	31
	Technological innovations for the chain	31
	More efficient transport	32
	Food local to customers and consumers	32
	Robust position in United Kingdom	33
	Developing varieties for tropical regions	34
	Partner in the spots	34
<hr/>		
05	Repeat	39
	We continue to push boundaries	40
	Aurora: better cooperation	41
	Well-trained employees with a dose of courage	42
	The third year of Connecting Growers	42
	Sustainability as driving force	43
	Daring to look beyond the borders	46
	Employee in the spots	46

06	Compliance	49
	Corporate governance	50
	Personal details management structure as at 30 June 2023	51
	Risk Management	55
	Results, investments, financing	62
	Remuneration policy and personnel matters	63
	Share certificates	66
	Group structure	68

REPORT OF THE SUPERVISORY BOARD

07	Report of the Supervisory Board	69
	Report of the Supervisory Board	70
	A good year	70
	Supervisory task weighs heavier	70
	Extra focus on international payments	70
	The audit committee	70
	A crucial year for Aurora	71
	Investment in research pays off	71
	A strategy focused on the future	71
	What does the Supervisory Board do?	72

FINANCIAL STATEMENTS ROYAL HZPC GROUP B.V.

08	Financial Statements Royal HZPC Group B.V.	73
	Consolidated balance sheet	74
	Consolidated profit and loss statement for the period 1 July 2022 to 30 June 2023	77
	Consolidated cash flow statement	79
	Notes to the consolidated financial statements 2022/2023	81
	General accounting principles for the consolidated annual accounts	81
	Accounting principles for evaluation assets and liabilities	91
	Revenue recognition	96
	Notes to the consolidated balance sheet	102
	Notes to the consolidated profit and loss statement	112
	Company balance sheet	117
	Company profit and loss statement for the period 1 July 2022 to 30 June 2023	120
	Notes to the company financial statements	120
	Notes to the company balance sheet	121

09	Other information	130
	Statutory provisions on profit appropriation	131
	Events after balance sheet date	131
	Independent auditor's report	132

01 MESSAGE FROM GERARD BACKX



Continuously pushing boundaries

In the year Royal HZPC Group B.V. celebrates its 125th anniversary, we look to the future with a little nostalgia. What have the past 125 years brought us and what lessons have we learnt? There is no doubt that the core of Royal HZPC Group B.V. has remained unchanged. In line with our founder Hette Hettema, who quite literally jumped on his bike to cross the border, we continue to push boundaries to this day. We dare to choose innovation. We are broadening our horizons and tapping into new markets. Albeit, much further from home than Hette did, but with the same intention: meeting the demand for adequate nutritious food. We are developing new varieties with a view to a sustainable and liveable future. And we will continue to do so. By looking beyond borders and continuing to grow.

Growth

The 2022-2023 financial year is all about growth. That came to a halt in the Covid years, but as of last year the upward trend was firmly back on track. That growth is now continuing and mainly concerns areas outside Europe. We are making great progress with licensed cultivation in Asia and America. The African market still offers a great deal of virgin territory and various opportunities for us. For example, we have high expectations for the introduction of hybrid seeds in East Africa in a few years' time.



In every capillary

Whereas in the first one hundred years of our existence we focused mainly on local areas, in recent years we have conquered the world. This makes Royal HZPC Group B.V. a genuine world player in the potato market. The expansion is indicative of the entrepreneurial spirit and drive in every capillary of Royal HZPC Group B.V.

Seed potato crop even more sustainable

A major theme and the common thread in this annual report, is of course sustainability. Although seed potato farming is fundamentally sustainable, we can take important steps to make the potato an even more sustainable crop. In the coming years, many new robust varieties with important resistance characteristics will emerge. These varieties will thrive with fewer chemicals and less water and provide good yields even when conditions are challenging.

Collaboration in the chain

You can only really make seed potato growing more sustainable if you put sustainability high on the agenda throughout the chain. So we also help growers future-proof their operations and engage with partners, suppliers and customers. And within Royal HZPC Group B.V., we are always looking at how to make more sustainable choices.

Zero hunger as main goal

At the same time, sustainability is about so much more than fighting climate change. Our main thrust and raison d'être is providing everyone in the world with sufficient, good-quality food. This is and will remain a major challenge with the unprecedented growth in the world's population in the coming years. 'Zero hunger' is one of the United Nations' key sustainable development goals for 2030. For us, it is the most important goal and goes hand in hand with the sustainability of seed crops across the board

Our crowning glory

The year 2023 is an extra-special year. Besides the 125th anniversary of Royal HZPC Group B.V., we are also celebrating the 50th anniversary of STET. We are, of course, reflecting on this with our staff, growers, customers and partners. I am particularly proud that on 27 February 2023, HZPC was awarded the designation 'royal' from the hands of the King's Commissioner of the Province of Friesland Arno Brok. It is literally our crowning glory. From now on, our name will be Royal HZPC Group B.V. and we will add the crown to our logo.



It is precisely because our core has remained the same that we dare to keep pushing boundaries. The world is yet to be conquered. And we have plenty to do in the next 125 years, along with our growers, employees, partners and customers.

You can read all about the 2022-2023 financial year in this annual report. Sustainability is an integral consideration throughout the report. We highlight three elements in particular:

- More varieties to more countries in the Need chapter
- The development of new varieties in the Breed chapter
- Local for local in the Feed chapter

I would like to thank all our employees for their hard work and dedication over the past year. And I hope you read this annual report with great interest and pleasure.

Gerard Backx





02 NEED

Feeding the world with our varieties



Feeding the world with our varieties

Our belief is that with the potato, we have the very best solution to feeding the world in a sustainable and responsible manner. That's why we make sure we reach more people every year with our potato varieties; with good basic material, licensed cultivation and eventually even potatoes from seed.

A new balance in Europe

There was a certain dynamism in the European market in 2022-2023. Northern Europe had a good growing season in 2022-2023 with a successful harvest. In contrast, central and southern Europe suffered from drought and lower yields as a result. At the same time, we see the fries industry expanding significantly and asking for more acreage. The seed crop area was under pressure in 2022 due to high prices for crops such as cereals, sunflowers and sugar beet. In early 2023, the fries industry responded with historically high contract prices. Growing ware potatoes became more attractive and also caused seed potato prices to rise for the 2022 harvest. The price was 10% higher than a year earlier.

With regard to the 2023 harvest, Europe is slightly reducing seed potato acreage, shifts are taking place and a new equilibrium is emerging over time. The question is whether these shifts are due to the business cycle or structural changes. Planning acreage in a disruptive and dynamic market is tricky. It requires a keen assessment of risks and movements in the market.

Growth outside Europe

The 2022-2023 financial year is all about growth. We grew from 887.000 tonnes in 2022, to 944.000 tonnes in 2023. That equates to growth of 6%. The growth is mainly due to areas of licensed cultivation, such as Asia and America. Our licensees on those continents traded 9% more volume of HZPC varieties this financial year than a year earlier. We are also preparing for the introduction of hybrid potato varieties in the Central African market.

We will thus be able to reach people in areas that, until now, have been difficult to access due to political situations, phytosanitary issues or because transport is difficult. We are constantly adding new countries, and increasing our sales with new potato varieties suitable for local growing conditions. In 2022-2023, we supply 99 countries with direct and indirect sales.



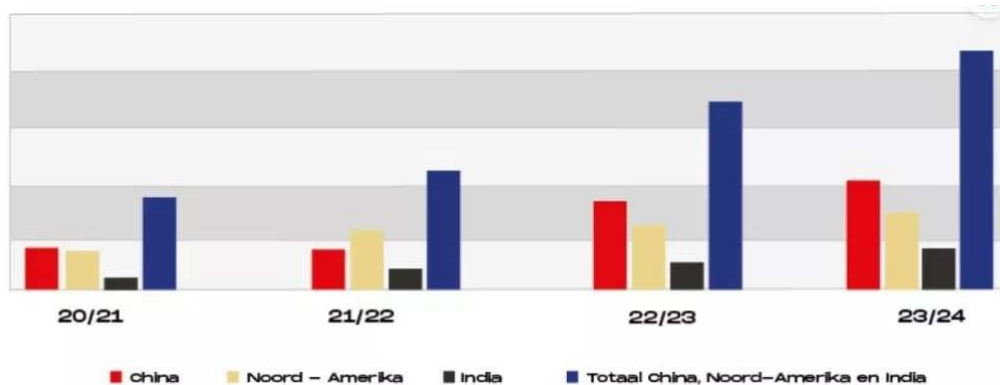
Ivory Russet and Innovator, New Zealand

Major steps in licensed cultivation

In 2022-2023, we had expected to make great strides in the Indian market. After admitting our varieties, Mahindra HZPC (as licensee there) has successfully introduced HZPC varieties over the last few years. A significant percentage of the volume traded by Mahindra HZPC now consists of our varieties. Unfortunately, India struggled with massive rainfall just before the harvest, resulting in a loss of acreage. Despite this, it was still a reasonable year. Next year, we are betting on substantial growth and focusing on the Indian fresh market and crisps industry in addition to the fries industry.

In China, we are also making considerable progress in terms of volume, with licensed cultivation. The Chinese fries industry mainly uses HZPC varieties. In order to realise growth, we are now introducing our varieties to the fresh market. In China, intellectual property protection remains a major concern.

Growth license cultivation China, North America and India



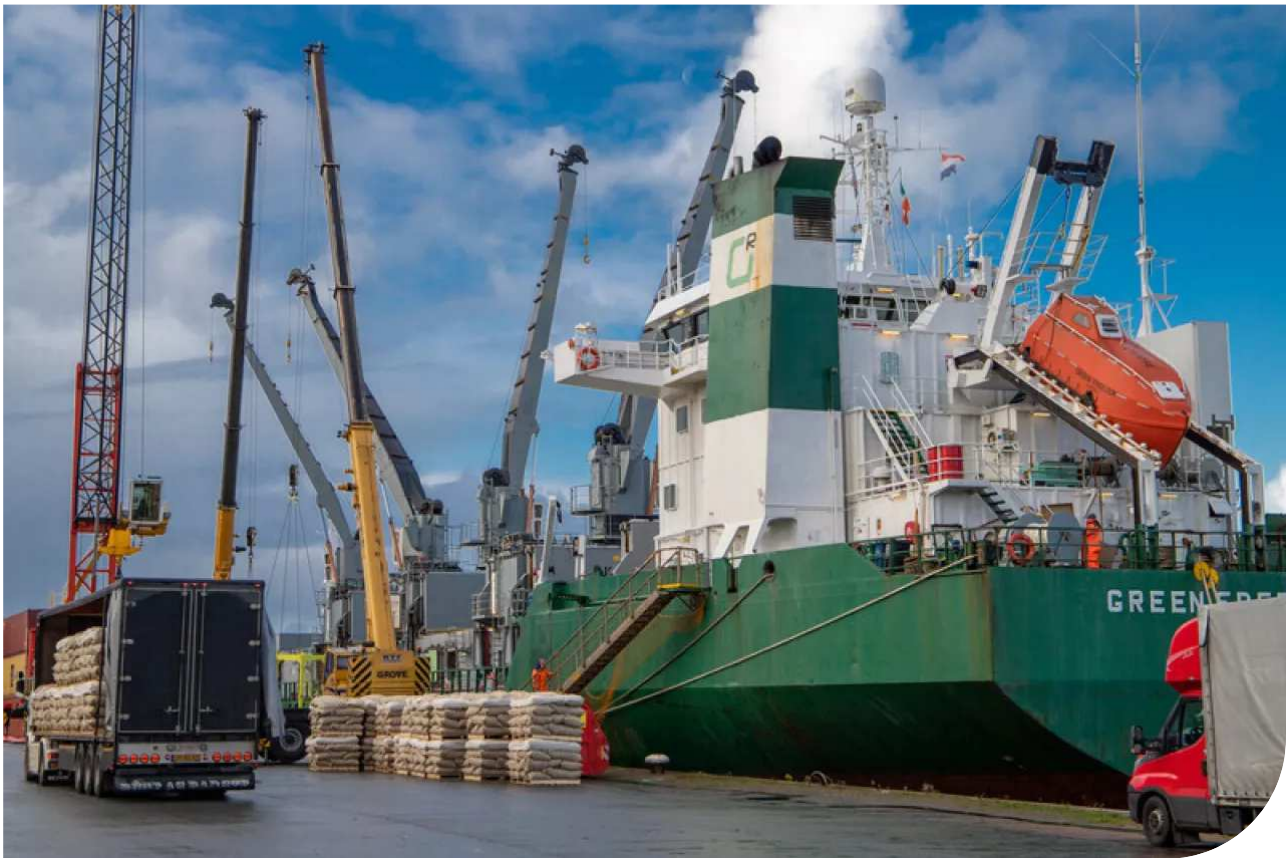
Growth in license cultivation

Fertiliser and energy prices remain high

In 2022-2023, fertiliser and energy prices remain high. They have reduced slightly, but for growers these are substantial costs. They lead to a higher cost price. Simultaneously, growers are becoming more conscious of the use of fertilisers and electricity. The improved seed potato price, however, means growers are still enjoying a good year, despite the rising costs.

Transport costs remain high

Transport costs and container prices were unprecedented in 2022. This resulted in us having to pass on those costs in the seed price to more remote destinations. This meant a substantial price increase for customers, which growers do not see directly reflected in the seed potato price.



Access to healthy food for all

Food should not be used as a weapon in war. That is our belief. Everyone, anywhere in the world, should have access to healthy food. This means that in conflict areas, wherever we can, we continue to supply seed potatoes to both sides. The same applies to the conflict closer to home, between Russia and Ukraine. In doing so, we are aligning with the views of almost the entire seed industry. Besides a small amount of seed potatoes we supply to Russia, we will continue to produce locally in Russia in 2022-2023. In doing so, we are taking a clear risk.



Agent in the spots - Ariful Hoque
Agent HZPC in Bangladesh

In the early 1950's, my grandfather Shamshul Hoque came to the Netherlands from Bangladesh. There, he saw first-hand how seed potatoes are grown and what the possibilities and yields were. He was convinced that there were plenty of opportunities to produce and sell high-yield seed potatoes in Bangladesh. In 1958, my grandfather founded the Eastern Trading Corporation. In 1979, my father took over the company and changed the name to Blue Moon International. I, Ariful Hoque, am now the third generation in this company. In 2007, the company revived its original name: Eastern Trading Company. Just like my grandfather, I too went to the Netherlands to see seed potato cultivation for myself.

In 1960, my grandfather introduced several varieties with good yields, such as Bintje, Patrones and Multa. In 2003, we expanded our business into seed potatoes for the fries and crisps industry. We have been working closely with HZPC and its predecessors for 64 years. We import seed potatoes, have trial fields here and sell seed potatoes across Bangladesh through an extensive network. Every year, we take stock of the demand through our network and then import the corresponding quantity of seed potatoes. We are the only distributor of HZPC seed potatoes in Bangladesh.

We are still very happy with our cooperation with HZPC. HZPC has supported us from the beginning and proved to be a very loyal and reliable business partner. And, last but not least, we know that HZPC never compromises when it comes to the quality of its seed potatoes. And you can clearly see that in the market. HZPC varieties simply outperform other varieties in Bangladesh. As far as we are concerned, we will do business with HZPC for at least another 64 years and preferably much longer.

The future still has its challenges; we are seeing demand for ware potatoes increasing, as is the demand from the fries and crisps industry. There is a great deal of competition, particularly in the fries market. So we need good varieties. We are also seeing the effects of climate change in Bangladesh, and this calls for new, robust varieties that can handle high temperatures.

There are also plenty of opportunities. We can do an even better job of bringing HZPC varieties to the attention of the processing industry. If they are enthusiastic about particular varieties, the demand for our varieties will increase among growers. Together with HZPC, we can then take great strides. We aim to further expand our network in Bangladesh. And ultimately, we want to become the best and largest importer and trader of seed potatoes in Bangladesh.

03 BREED

Powerful variety machine for the future



Powerful variety machine for the future

We must work towards a much more sustainable growing process. Which uses less water, reduced levels of chemicals and fertilisers, and offers stable yields. This is the focus of our R&D centre in Metslawier each and every day. We develop varieties that perform well even under challenging conditions. Our goal? A climate-adaptive, efficient and stable potato crop. Breeding remains a numbers issue, whereby you want to reliably measure the right traits as early as possible. This makes it possible to saturate the breeding volume with sustainability traits and test those clones or test hybrids in their target markets and climates for economic yield. We thus continue to make an important contribution to food security for a growing world population.



Cell biology Researchcentrum Metslawier

New varieties set the tone

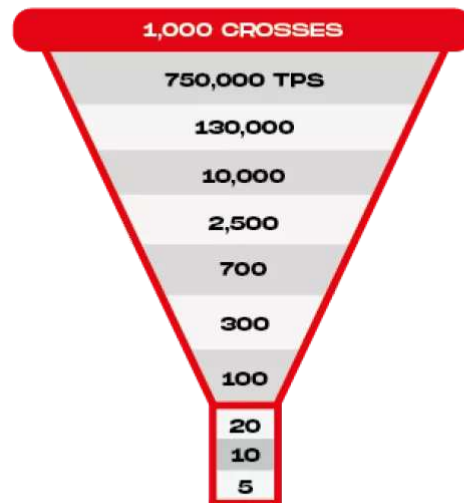
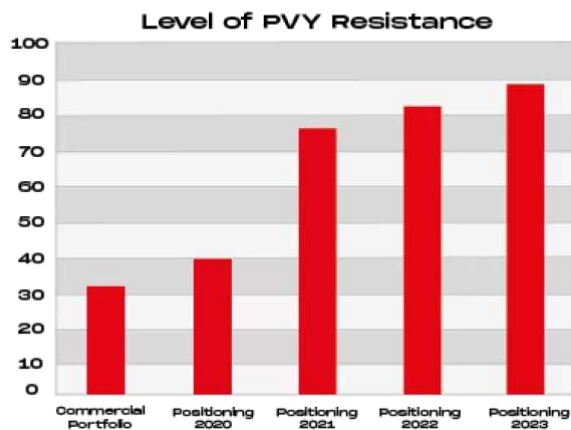
Over the past 15 years, Royal HZPC Group B.V. has built heavily on the development and especially implementation of methods that make variety development more focused and faster. By 2030, three-quarters of the varieties we introduce will have to be resistant to the two most significant potato diseases, Late Blight- and virus resistance. In effect, we have created a powerful machine for developing new potato varieties with improved qualities for the future. With advanced marker-driven breeding and data models, we can realise this process more comprehensively and much more purposefully. The first climate-robust varieties, such as Quintera and Camelia, are now commercial. Other robust varieties are being introduced too. Whereas the planting acreage of new potato varieties in 2022-2023 was still 200 hectares, we are aiming for 3500 hectares in four years.

The new potato varieties all have the resistances that growers and customers are waiting for. With lower input, these varieties maximise yields, even in difficult conditions. In doing so, we have set the bar high. Our new varieties for the French fries industry, for example, must offer nematode resistance. Thanks to this resistance, nematodes cannot reproduce and, in turn, die off. If this resistance is not offered, we cross off the specific variety even if it is a promising breed in other respects.



HOM 13-8236

We are already setting the tone for our new varieties with the highly late blight-resistant varieties Cayman and HOM 13-8236. Among its other great features, HOM 13-8236 is the first variety in the market with double late blight resistance. And this is vital for a disease that mutates at lightning speed, to bypass resistances and reduce its susceptibility to plant protection products. With two 'locks on the door', each with a different key, varieties are significantly less susceptible to late blight. Growers can get by with far fewer plant protection products. This saves time, money and diesel, and contributes to a better climate. Our goal, in terms of this disease, is to introduce only varieties with double late blight resistance by 2030. The environmental benefits for mainstream agriculture from this development are huge. Mind you, fully organic cultivation is not recommended as it greatly accelerates the disease's adaptation to break through resistances. The combination of a good resistance package with no or low environmental impact crop protection is the most sustainable approach. For our growers, robust varieties with virus resistance are hugely important. The figure below shows that we now sow 750.000 genetically different seeds every year and select about five commercial varieties from them. This figure of 750.000 has grown significantly in recent years and will continue to grow in the coming years with increasingly stringent selection.



Progress potato Y virus

Introduction of hybrid varieties in Africa

Following successful yields from hybrid varieties in trial fields in 2021, we will continue to test and further improve hybrid varieties on a large scale. Meanwhile, we are already preparing to introduce the first hybrid potato variety to the Central African market in 2026. A variety introduction requires a substantial investment in both time and money. We have set our sights, first and foremost, on smallholder farmers in Kenya. A country whose traditional potato market we know well.



Harvesting hybrid potato varieties in Kenya

Gene-editing: sharpshooter in breeding

Gene-editing is a New Breeding Technology (NBT) that allows us to accelerate the development of absolutely resistant varieties. And this is crucial, as Europe accelerates reductions in the use of plant protection products. With gene-editing, we are able to give breeding an extra push. They are mutations that also occur in nature and combinations of genes that you can also achieve with common marker-driven breeding. So the new trait of a modified breed will emerge anyway; this technique just speeds up the process. So far, all forms of gene-editing fall under the European Union's GMO legislation. In many other countries, gene-editing is already permitted or is becoming more acceptable. Last March, for instance, the UK passed a law change for this purpose that allows gene-edited varieties without a GMO label to enter the market. In recent years, led by industry association Euroseeds, efforts have been made to lobby the European Union to reconsider regulations around gene-editing.

The European Commission took this position on 5 July 2023:

- Under the published proposals, the European Union will consider plants that could have been obtained through older breeding methods or found as natural mutations under different legislation. At the moment, however, this is just a proposal and it could take another four to five years for a final decision to be made.

In some countries, gene-editing is already permitted. We'll see if we can get started on gene-editing at these locations. We do, however, feel a sense of moral responsibility to prevent gene-edited material from entering markets where this technology is not allowed.



Research cell biology Nuria Alegret Badia

Update Flight to Vitality

Using an objective test to measure and predict the germination power of seed potato lots: that is the aim of the Flight to Vitality research project. Since 2018, Royal HZPC Group B.V. has partnered with Averis Seeds, University of Utrecht and TU Delft in this project. The project formally stopped at the end of 2022. In 2022-2023, measurements from the last project year are being processed. It is still not easy to come up with a model so we are continuing the research in 2023-2024, to validate the test methods.



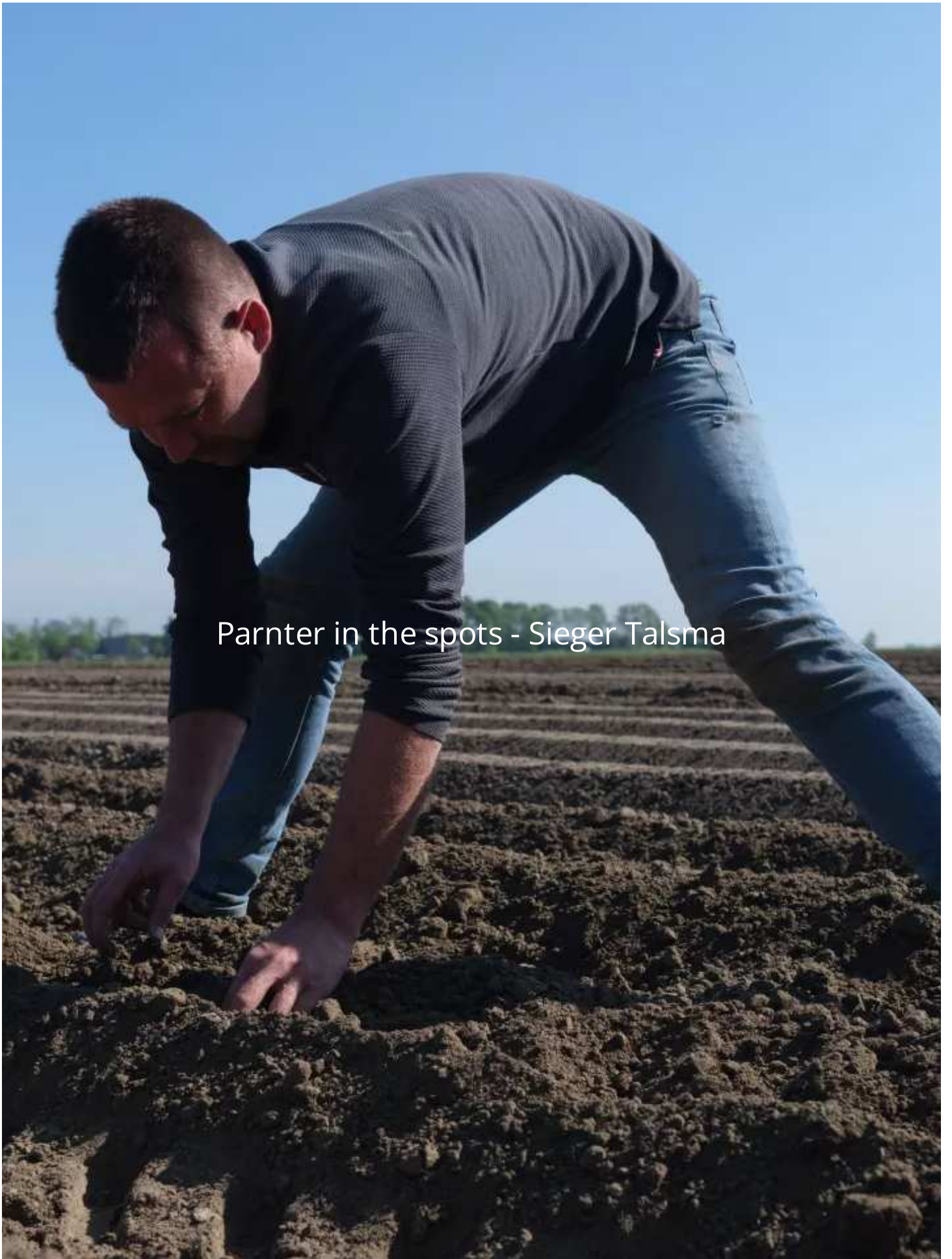
Flight to vitality colleague Falko

Research centre Metslawier updated from top to toe

In the summer of 2023, all our laboratories were renovated. These are, in essence, the finishing touches for the refurbishment of our research centre in Metslawier. The teams themselves set up the logistics on the shop floor, creating an optimal working environment.



Trial fields at our revamped Research Centre



In 2019, Sieger Talsma and his wife took over his father's arable farm in Ternaard. 'Heit' can still be found there regularly and Sieger employs two staff. Sieger grows around 100 hectares of seed potatoes for HZPC and STET. He also does agricultural nature management and has a small acreage of onions and cereals.

We are a traditional arable farm and potatoes are our core business. We don't actually buy anything, but produce everything ourselves from mini-tubers. We are always keen to try varieties. There is a great need for new, robust varieties with good resistances. The risks for seed potato growers are increasing. On the one hand, we are allowed to use fewer and fewer pesticides and, on the other, requirements are getting stricter. This increases the chances of the seed potatoes being downgraded or even rejected. So we are looking for reliable varieties which are sure to provide a good quality end product.

“ We really need new, robust varieties ”

It is now the third year of our new variety HOM 13-8236. This variety is virus-resistant and has high late blight resistance. We will have about 7 hectares of it by 2023. In the first two years, of course, you are very careful with any new varieties, but this is now a field crop. It really needs to prove itself this year. The seed potatoes come through the harvester and tipper and into storage. Only then can you see how well they hold up. Of course, we hope the HOM 13-8236 lives up to expectations because, at the risk of repeating ourselves, we need new and robust varieties. This could end up being an excellent start but, in terms of the future, we obviously need more great varieties.



So far, I feel very positive about the variety. It seems highly robust. Over the past few years, the skin has looked good. This year, we were late in planting so we had to remove shoots several times, but the HOM 13-8236 just kept doing well. We have noted that this variety is keen to germinate and is susceptible to silver scab. Fortunately, we can do something about that. For the moment, I can't say anything about bacterial susceptibility; that will be proven (or not) during this harvest. We also have to learn how to grow new varieties. We have had some varieties for ages. For these, I know exactly what to expect and how to respond. With a new breed, that's more a process of trial and error. We may need the courage to let things take their course.

04 FEED

Sustainability at every step



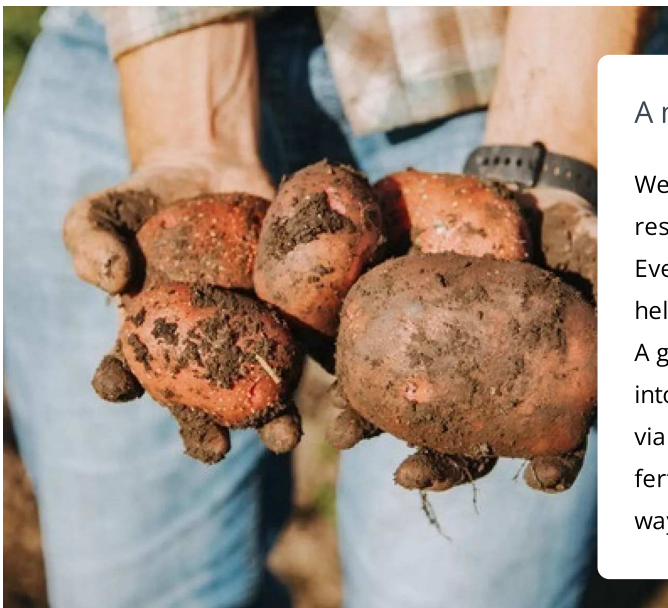
Sustainability at every step



Sustainability at every step

A more sustainable seed potato crop is about much more than just new robust varieties. Sustainability must be improved in every link of the seed potato growing chain. Royal HZPC Group B.V. is at the beginning of that chain. By connecting partners and parties, we aim to initiate and accelerate sustainability for Royal HZPC Group B.V. itself, our growers, partners and clients.

A more sustainable business for our growers



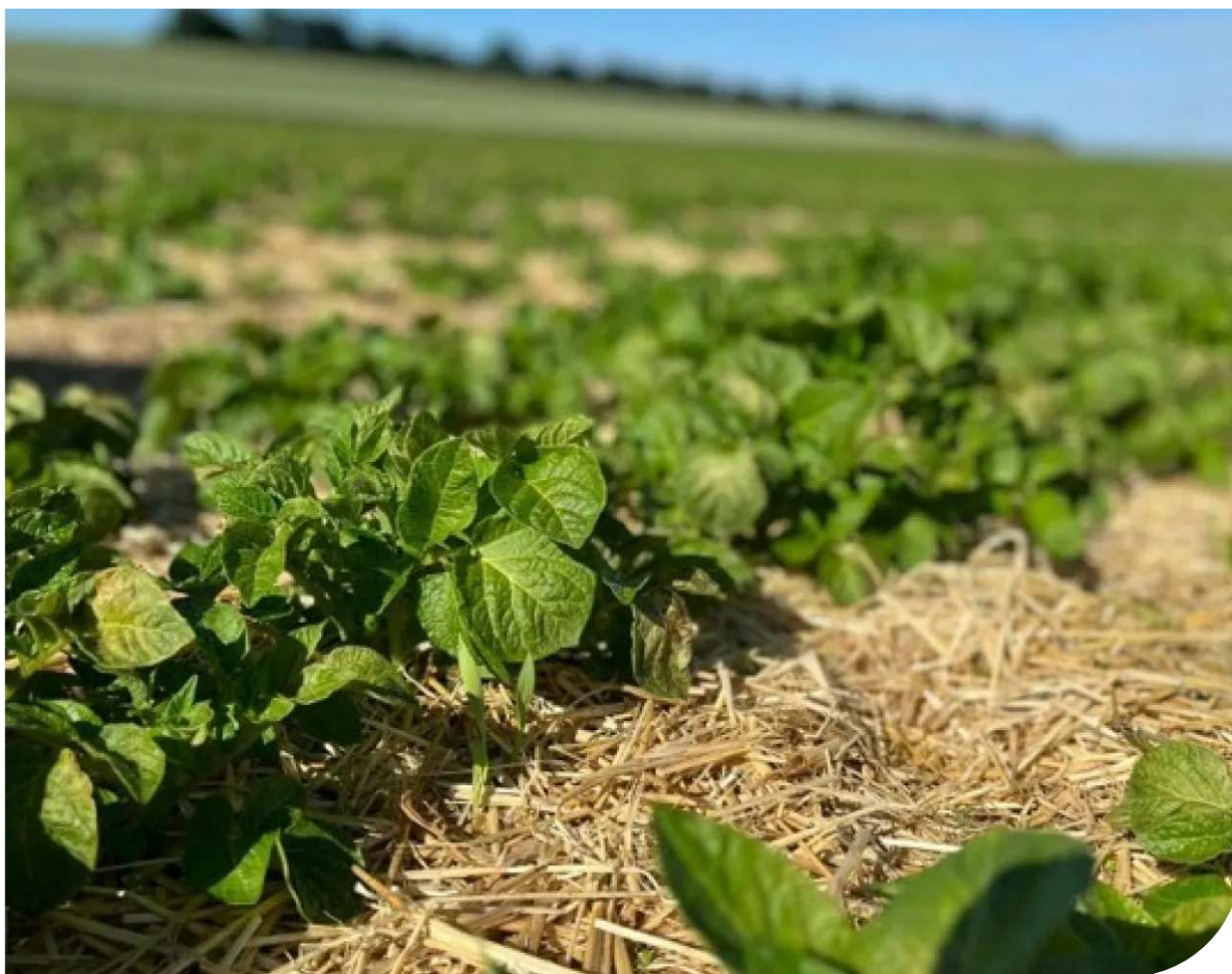
A more sustainable business for our growers

We offer growers a helping hand. Firstly, by introducing resistant varieties that have good yields with few inputs. Even under the most challenging conditions. We also help growers to make their operations more sustainable. A good example is the windmill project. And research into fertigation: by releasing water mixed with fertilisers via drip hoses, growers can save water and apply fertilisers much more efficiently and in a more targeted way.

Future-proof seed potato cultivation

The Future-proof seed potato cultivation project is an initiative of HZPC to look at the future of potato cultivation with a group of 14 Dutch growers. After all, growers learn best from growers. While quality requirements remain unchanged, growers face high costs and virus problems as they are allowed to use fewer and fewer plant protection products. Moreover, many resources are scheduled for re-registration in the next five years. With increasingly stringent requirements, it remains to be seen whether they pass the test. So other, innovative measures are needed.

Within the Future-proof seed potato cultivation project, growers are working on other methods to keep viruses and pests at bay as effectively as possible. One example is straw mulching, a method that was applied by 12 growers, across 10 hectares in 2021-2022. This method is already used successfully in France. By surrounding mini tubers with straw, the aphids are less effective in finding the plants. Combined with oil, it has proven to be an effective approach. In 2022-2023, as many as 42 growers with a total of 125 hectares used the straw mulching technique. By experimenting and sharing experiences, growers can learn from and inspire each other. HZPC facilitates this by sharing knowledge and data. Other methods being explored include lower N inputs, gauze covers and strip farming.



Straw

Sustainable and social packaging

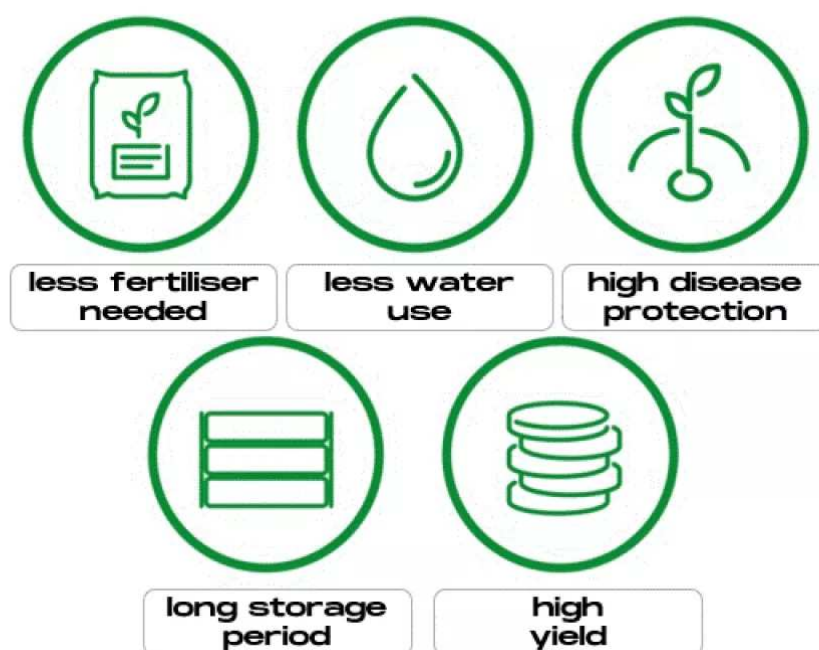
We use all kinds of packaging for our seed potatoes. We are currently looking at how to work with more sustainable packaging materials and whether we can reuse unprinted Big Bags. We are working towards higher bulk sales and no more plastic in our packaging. We have also included a clause in all contracts with our packaging suppliers stipulating that they must not use child labour.

Technological innovations for the chain

With smart technological innovations, we help growers and customers make sustainable choices. For example, with the Even Greener calculator and handy apps for growers.

Even Greener

In essence, the potato is already a sustainable crop. Even Greener's selection of varieties is even more sustainable and has a lower impact on the environment. With the Even Greener calculator, our customers can easily select potato varieties on one or more of the five key sustainability traits:



App for growers

Royal HZPC Group B.V. is developing several apps for growers. We are sharing our knowledge on seed potato cultivation in an app with farmers in developing countries so that they can improve their yields. We tell them, for example, when it is best to plant potatoes, how best to fertilise and irrigate and how to protect the seed potatoes.

More efficient transport

Transport is a significant component in Royal HZPC Group B.V.'s carbon footprint. We are focusing on limiting transport movements and the optimisation of container transport. For road transport in Europe in particular, we work with fewer carriers. We choose companies that are actively working to reduce carbon emissions and also provide insights into how they do so. In this context, we are following the transport sector's own commitments: by 2030, CO2 emissions must be cut by half.



Food local to customers and consumers

Producing food closer to home will only become more important. Consumers are increasingly demanding locally produced food and this also aligns with our commitment to increasingly sustainable production. Thanks to Local for Local, you limit the transport of seed potatoes and reduce CO2 emissions. The role of the Netherlands is increasingly shifting from producer of commercial seed potatoes to supplier of high-quality basic material. We thus aim to produce more and more seed potatoes close to the customer and consumer.

Robust position in United Kingdom

As a result of Brexit, it is no longer possible to transport seed potatoes to or from the United Kingdom. The British market now stands alone. We used to supply top quality seed potatoes and left the production to third parties but that is no longer possible.

HZPC UK, part of Royal HZPC Group B.V., therefore acquired T.L.C. Potatoes Ltd in May 2023. This producer of high-quality mini tubers is the leading business in the Scottish seed potato industry. HZPC UK has been working with T.L.C. Potatoes Ltd for many years. The acquisition strengthens HZPC UK's position and ensures the continuity and reliability of the UK seed potato supply, which was jeopardised by Brexit.

This allows HZPC UK to bring new varieties from HZPC Research to market faster and strengthens Royal HZPC Group B.V.'s position as a world leader in potato breeding and seed potato production. For UK growers, this means faster access to new robust varieties, ready for the challenges of future seed potato production.



Colin Blackhall (T.L.C. Potatoes Ltd.) and Richard Baker (HZPC UK)

Developing varieties for tropical regions

Royal HZPC Group B.V. has a multitude of varieties that each do well under different conditions. However, most varieties are less suitable for cultivation in tropical areas. Since 2017, in Vietnam, Royal HZPC Group B.V. has therefore been working with the potato institute CIP (International Potato Centre) to develop five new potato varieties for tropical conditions. The Syngenta Foundation for Sustainable Agriculture is funding the project.

CIP has been breeding in the tropics for some time. They have genetics that are better adapted to those conditions than our breeds. Instead, we have varieties that are more attractive and offer better resistances. Crossing genetics from Royal HZPC Group B.V. and CIP creates new varieties in which the best traits come together and collaboration with the CIP and with local colleagues is essential for success.

With more resistances, growers of these varieties can work with fewer chemicals while maintaining good or even better yields. Moreover, they can grow and propagate seed potatoes locally and the transport of existing varieties from Europe is no longer necessary. Candidate varieties are currently being trialled in a number of countries and breed registration in Vietnam is going according to plan.



Developing varieties for tropical conditions



Partner in the spots - Aldrik Venhuizen

Project supervisor Future-proof seed potato cultivation

Aaldrik Venhuizen is project supervisor of the Future-proof seed potato cultivation project. Before his retirement, Aaldrik worked for Agrifirm for 34 years.

In 2020, I had just retired when Frank van der Werff, Senior Head of Production, called me. He explained that fewer and fewer plant protection products were permitted for use but that quality had to be maintained. And asked whether I wanted to help HZPC guide the new Future-proof seed potato growing project. Since then, we have made great strides.

Together with a group of 14 growers from all corners of the Netherlands, we are looking at the future of seed potato growing. For several years, the industry has been struggling with potato virus Y (PVY). At the same time, fewer and fewer chemical agents are available to fight viruses and pests, while quality requirements remain as high as ever. Europe is increasingly reducing their use, partly because of negative environmental impacts and other stricter criteria. Whereas resources a few years ago met the requirements then in force, those requirements have since become stricter. Certain products are now being rejected during reassessment.

The future-proof seed potato cultivation project focuses on how growers can become less dependent on those chemicals while simultaneously fulfilling quality requirements. An important term in this context is 'integrated crop management': in the growing plan, growers deploy various measures to reduce the risk of disease and virus transmission. The emphasis here is on reduction, because no method can prevent transmission completely.

In 2020 we began a survey of the companies participating in the project: what measures are they already taking and what are the results? Growers share experiences and knowledge with one another and take a look 'behind the scenes' at their various businesses. Because growers learn best from other growers. Between 2021 and 2023, the growers involved applied their new measures and shared their experiences.

“ Growers learn best from other growers ”

We have explored all kinds of measures in this way in recent years. One of these was how growers can incorporate robust varieties into a buffer strip to better protect the susceptible varieties within it from viruses. We have also examined covering base material with gauze covers or straw, so that aphids can no longer reach the plants or struggle to find them. Or no-till farming methods and using less nitrogen, which also makes plants less sensitive and makes haulm killing easier.



Project supervisor Aaldrik Venhuizen (left) and grower Cato Gaaikema (right)

For growers, the trick is to discover which combination of measures works best for them. There is no one-size-fits-all solution. It is a case of finding a new balance. So, seeing what everyone else is up to is incredibly helpful.

“ There is no one-size-fits-all solution ”

After all, growers know full well that they need to change. And they are keen to make these changes but they need time to modify their growing plans and to examine what is effective and suitable to their business. You can't change everything all at once either because then you won't be able to identify the source of a particular result. So, it takes time.

The main focus so far has been on potato virus Y (PVY). In the coming years, this project will also focus on other diseases, viruses and pests. With the reduction of plant protection products, for example, you see growers suddenly facing the leaf roll virus again. That has not been an issue for 25 years. The ultimate goal is to develop a system whereby growers can choose a good package of measures. This type of system is effective if it can be used properly as a basis under all kinds of changing conditions.



Grower Cato Gaaikema (left) and Project Supervisor Aaldrik Venhuizen (right)

05 REPEAT

We continue to push boundaries



We continue to push boundaries

For 125 years, we have been committed to providing high-quality food for the world's population. The world's population is growing at an unprecedented rate, putting increasing pressure on food supplies. To contribute to this, we continue to challenge and push boundaries. We did this 125 years ago and we are still doing it today. We innovate, accelerate and make seed potato cultivation more sustainable and future-proof. This requires courageous employees with an open mind. It also requires operations and processes that work effectively.



Our employees with courage and an open mind

Aurora: better cooperation

In 2023, we are taking an important step within the multi-year Business Transformation Programme 'Aurora'. On 1 June 2023, STET switched to the planning module of the new ERP system; the switch for all branches in Central Europe will now be prepared. This allows us to share sales and acreage planning within Europe.

Implementing an ERP system for planning, production, finance and logistics is just one part of Aurora. Above all, it is about different, more effective and more efficient collaborative methods within Royal HZPC Group B.V. We realise it will take employees some time to acclimatise and that we will encounter bumps in the road and obstacles during implementation. But there is no doubt that we must work differently.

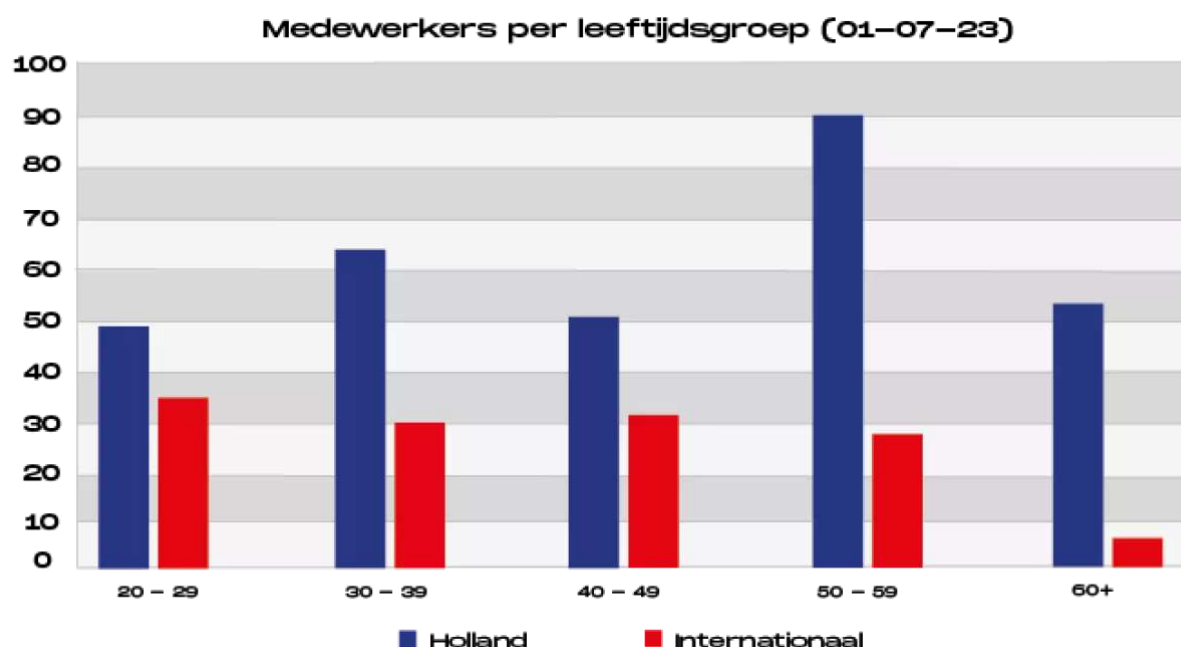
Needless to say, we will ensure that growers and customers suffer little to no inconvenience. We are sure that Aurora will be beneficial to our employees, growers and customers. In time, this new way of working will also lead to efficiency, higher customer satisfaction and increased job satisfaction.



Knowledge sharing Aurora Workshop

Well-trained employees with a dose of courage

In the strained labour market, the challenge is to find well-trained employees who embrace change and innovation. Although, across the board, Royal HZPC Group B.V. employees under the age of 35 are increasing, the average age of employees in the Netherlands is high. This means there will be many departures in the coming years. These departures equate to a loss of knowledge and experience too. It is important to find new employees in good time so that older staff can transfer their expertise. In general, Royal HZPC Group B.V. still manages to attract enough new colleagues, but there are some vacancies that we struggle to fill. Next year, we will launch a labour market campaign to retain staff and attract new employees. Over the last few years, HZPC has been successful in attracting mainly younger employees. It is important that they feel at home in the organization and have a good connection with each other. To this end, HZPC has been working for years with a 'Young HZPC' program, connecting younger employees across the various locations.



The third year of Connecting Growers

With Connecting Growers, Royal HZPC Group B.V. spends EUR 1,5 million each year to buy up certificates from former growers, among others, and donate them to active growers in the European Union. Due to more limited supply, certificates were purchased for EUR 1,1 million this financial year and donated to these growers. In June 2023, we handed out certificates for the third time. For the first time, active growers could only receive certificates if they had completed the onboarding process on the new exchange platform. So far, certificate holders have seemed hesitant with respect to registration, even though it is vital in order to sell or buy certificates twice a year during the trading period. The field managers therefore raised the profile of registering for the trading platform in talks with growers. 52% of certificate holders have now signed up. Virtually all our active growers hold certificates. In October 2023, the Board of HZPC Association and the Supervisory Board will evaluate the Connecting Growers programme.

Sustainability as driving force

By 2050, no fewer than 10 billion people will live on our planet. Currently, ten percent of the world's population goes to bed hungry every day. We don't need to explain that the demand for sufficient good-quality food is a vital focus area. Especially when we see that the United Nations (UN) has declared 'zero hunger' as one of the key sustainable development goals for 2030.

We are convinced that potatoes have a starring role to play in the world's food supply. It is the reason that everyone connected to Royal HZPC Group B.V. works so hard every day: to make an essential contribution to 'Feeding the world'. We also do all we can to further reduce the carbon footprint of seed potato cultivation, while at the same time committing to greater food production per square metre.



Contributing to food security in Rangpur, Bangladesh

Seven United Nations Sustainable Development Goals (SDGs) form our compass:



Royal HZPC Group B.V. has translated these into a sustainability strategy on three pillars:



Care for the environment

- Developing sustainable potato varieties
- Taking responsibility in the chain
- Reducing the negative impact of seed potato distribution

Food security

- Feeding more people worldwide by developing sustainable potato varieties.
- Taking care of genetic resources

Social impact

- Contribution to healthy food
- Investing in human capital
- Dialogue and transparency

We translated these three pillars into concrete actions and recorded them in a materiality matrix. In 2021 a stakeholder consultation was done, in 2023 the step to double materiality was made, according to the inside-out/outside-in method, the result of which can be seen in the matrix below. A new materiality analysis is on the agenda for 2024.

HZPC Materiality Matrix

1. Contribution to healthy food
2. Dialogue and transparency
3. Protecting genetic resources
4. Responsible supply chain management
5. Seed potato growers with a sustainability program
6. Optimizing transport

7. Economic performance and pay out price for growers
8. Develop new varieties, maximizing yield, with reduced input
9. Building human capital
10. Varieties for more countries
11. Local for local

■

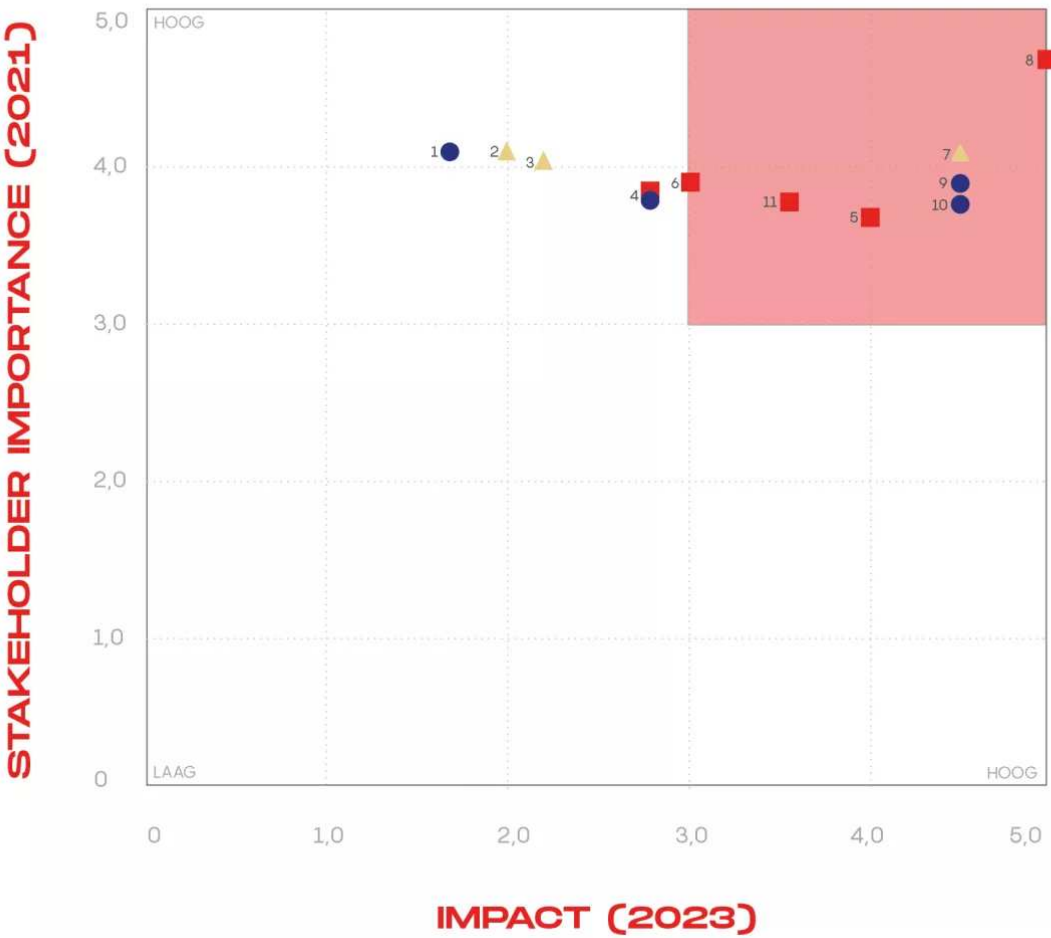
 Environmental

●

 Social

▲

 Governance



Materiality Matrix

Read more about what HZPC has realised over the last two years with respect to sustainability in our CSR report.

Daring to look beyond the borders

We have been pushing boundaries for 125 years. We innovate and dare to be ahead of the curve. Hybrid breeding is a case in point. And we can be proud of this. We broaden our outlook and are not afraid to deviate from the well-trodden path. There is still a great deal of uncharted territory that sometimes requires a different approach. Although the norm has been to export seed potatoes from the Netherlands for a long time, we have actually chosen seed potatoes from France in West Africa, in the former French colonies. Taking an exclusively European perspective is no longer enough; it's about a global outlook. By literally and figuratively looking beyond our own borders, we are now achieving success with licensed cultivation in India, China and America, for example. We can thus continue to meet the growing demand for healthy and nutritious food like the potato.

A close-up portrait of a middle-aged man with light brown hair, wearing blue-rimmed glasses, a white shirt, and a dark blue suit jacket. He is smiling slightly and looking towards the camera. The background is blurred, showing an indoor setting with a window and some greenery.

Employee in the spots - Martin Jansen Klomp
Member of steering committee CSR

Martin Janssen Klomp is regional manager Benelux at HZPC Holland B.V and is also a member of the Corporate Social Responsibility (CSR/sustainability) steering group.

In 2023, we prepared for the Corporate Sustainable Reporting Directive (CSRD). We are required to report on our sustainability efforts and their impact on people and the environment from 2025-2026. This means that we need to capture and record a great deal of data. And not just us, but every link in the value chain. The directives are currently being worked out at European level. We have now determined which sustainability topics are important to us and how we can demonstrate our impact. It is a hefty administrative task, but it provides much greater insights into our actual contribution to sustainability goals.

Working on sustainability is a must; it provides our licence to operate and is essential for the continued existence of our company. Most importantly for us, we want to provide the world with seed potatoes so that people can produce food locally. We give people economic prospects and make a vital contribution to the world's food supply. Thus, we contribute to a key United Nations sustainable development goal 'zero hunger'. And this is much needed, considering how rapidly the world's population is growing.

Our sustainability policy focuses on varietal development using both classic and hybrid breeding. We are working on varieties that yield more produce with the same (or even lower) inputs. These are robust varieties that are much more resistant to common diseases, viruses and extreme weather conditions. Our first dot on the horizon is 2030. By then, 75% of the varieties we introduce must meet the requirements we have set for late blight and virus resistance. We are clearly setting the bar high, but we are well on track.

Our biggest contribution is to healthy diets and world food supplies. In addition, these new varieties also reduce CO2 emissions and you need less fertiliser and plant protection products, which has a positive impact on the climate. We are also examining transport, packaging materials and energy consumption within Royal HZPC Group B.V. But, while these areas are important, they do not make a huge difference; the really major changes will involve our growers and supply chain partners.

Everyone is aware of the need to grow more sustainably. We do have some concerns about the pace at which growers must make changes. The limits on the use of crop protection agents are continuously decreasing but it takes time to find good alternatives. There is also huge uncertainty about the future; if the rules change now, will they remain the same for the next 10 years? Growers want to modify their operations for the long term and be able to move forward accordingly. With the constant changes in laws and regulations, this is not easy.

“ In the Netherlands, we don't always realise how lucky we are ”

In the Netherlands, we don't always realise how lucky we are. We have the very best growing conditions for seed potatoes, when you consider the soil and climate. You can put this to good use to create high-quality basic material, which you can then use to produce food across the rest of the world. Some people wonder why we don't just produce for the Netherlands. As far as we are concerned, however, it would be selfish to keep that potential to ourselves.

06 COMPLIANCE



Corporate governance

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 Areas, STET Holland, IPR and HZPC Research & Development.

Tasks and Authorities	
Executive Board	<ul style="list-style-type: none"> – Informs SB about policy and general affairs. – Discusses important issues with SB. – Presents essential decisions to the SB, for approval.
Supervisory Board	<ul style="list-style-type: none"> – Maintains supervision over policy, Executive Board and general matters. – Supports Executive Board with advice. – Approves essential decisions by Executive Board. – Appoints the Executive Board.
General (Annual) Meeting of Shareholders	<ul style="list-style-type: none"> – Appoints, on recommendation of SB, members of the SB. meeting – Has authorities that are set out in law and the company's Articles of Association. – Approves specific decisions by Executive Board.
Association HZPC	<ul style="list-style-type: none"> – Convenes general meeting of shareholders. – Owns 100% of shares. – Has certified all shares.
General members' meeting Association HZPC	<ul style="list-style-type: none"> – Selects and appoints the Board of Association HZPC. – Approves several proposed decisions by Association HZPC.
Certificate holders	<ul style="list-style-type: none"> – Are (former) growers, (former) breeders and (former) members of staff. – Appoints Board members – Finances the business with risk capital. – Can be members of Association HZPC.

Personal details management structure as at 30 June 2023

Supervisory Board

M. Kester, Chair man	Noordwijkerhout
C.J. Biemond	Godlinze
J.P. Bienfait	Amsterdam
I. Frolova	Utrecht
M. Hommes-Gesink	Lauwerzijl

Royal HZPC Group 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.
HZPC SBA Europe B.V.
HZPC SBDA B.V.
HZPC Research B.V.
STET Holland B.V.

R.P. Graveland
L. Escalon
H. Verveld
R.P. Graveland
P.C. Ton

HZPC SBA Europe B.V.

Director

L. Escalon

Director

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 Espa

J. Luis Marti

HZPC Polska Sp. Z.o.o

T. Jarczoch

HZPC Portugal Lda

P. Simoes

AO HZPC Sadokas

P. Bemelmans

HZPC UK Ltd.

C.R. Baker

TLC Potatoes Ltd.

C.R. Baker

ZOS B.V.

M. Jansen Klomp

Works Council of HZPC Holland B.V.

E. Meinsma

Chairman

P. Kreijger

Vice Chairman

D. Woertink

Secretaris

A. van den Berg

Member

G. Bloembergen

Member

S. Dijkstra

Member

L. Gommers

Member

K. Veenstra

Member

T. van der Wal

Member

HZPC SBDA B.V.

H. Verveld

Director

Management of Participations

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.

P.C. Ton

Director

Management of Participations

STET Potato UK

P. Hewett

STET France Arl.

T. Rondeaux

STET Russia LLC.

P.C. Ton

D.S.S Opslag B.V.

P.C. Ton

Risk Management

Enterprise Risk Management

As part of our strategy, Royal HZPC Group B.V. has an Enterprise Risk Management (ERM) framework. This allows us to identify, assess, handle, manage, monitor and report risks within the organisation in a structured way. We believe it is important to continuously improve, so we have prepared a risk-and-control roadmap for the coming years to ensure that risk and control are embedded in our governance, strategy, systems, processes and daily operations.

We are growing within different regions, segments and business models and this changes our risk profile. We need to pay greater attention to managing these risks, starting with creating clear (internal) processes and procedures. This will enable us to do business responsibly. Our success depends on our ability to recognise risks and opportunities and take the appropriate action. We take balanced risks and continuously work towards sustaining our status as a financially sound and sustainable company. Risk management is thus an important part of our policy and strategic development. In this way, we manage to achieve our strategic goals and fulfil our commitments to customers, shareholders, our staff and society as a whole.

Our risk profile

In the table below, we describe the four main risks which are, in turn, divided into sub-topics. Any one of them could throw a spanner in the works in terms of achieving our financial and non-financial strategic goals. For each sub-topic, we describe the type of risk or opportunity and what we are doing to mitigate the risks and exploit opportunities. This list is not exhaustive.

HZPC risk table

		Impact	Likelihood	Vulnerability
Strategic (market) risk	Competition	●●●●○	●●●●○	●●●●○
	Disruption & R&D investment	●●●●○	●●●●○	●●●●○
	Local market risk	●●●●○	●●●●○	●●●●○
Operational risk	IT & security	●●●●○	●●●●○	●●●●○
	Production -to-sales ratio	●●●●○	●●●●○	●●●●○
	Aurora Business transformation	●●●●○	●●●●○	●●●●○
	Human capital	●●●●○	●●●●○	●●●●○
	Variety portfolio	●●●●○	●●●●○	●●●●○
	Internal control	●●●●○	●●●●○	●●●●○
Financial (reporting) risk	Treasury	●●●●○	●●●●○	●●●●○
	Reporting & disclosure	●●●●○	●●●●○	●●●●○
Compliance risk	Compliance breaches	●●●●○	●●●●○	●●●●○
	Infringements	●●●●○	●●●●○	●●●●○

Low ●●●● High

Competition

Anything can change in the competitive landscape. Changes might include new or non-traditional competition, mergers and acquisitions, range expansions and/or an increasing focus on sustainability issues.

Change presents opportunities and risks. If we do nothing, we may also lose our advantage over competitors. Sales may decline and margins may evaporate. We may not succeed in achieving our strategic goals.

How do we manage this risk?

Royal HZPC Group B.V. has a multidisciplinary team from Finance, R&D, Marketing and Sales that structurally monitors the competition when it comes to R&D investments (incl. varieties), M&A, strategy and entrepreneurship, model changes and market dynamics. The team reports periodically to the Executive Committee. These reports serve as inputs for strategic decisions.

Disruption & R&D investments

If we do not make the right investments in R&D or the right choices for our research, it will have a negative impact on our strategic goals in the long run. Our growth may stagnate because we are not developing the right varieties at the right time. In addition, we need to monitor the development of potato seeds so that we foresee disruptive business models in time or react to them appropriately.

How do we manage this risk?

We are developing a long-term innovation and R&D strategy. This sets out what we need in terms of talent, knowledge and skills and how we attract, retain and develop the appropriate people. We make targeted investments in R&D and constantly seek to improve and accelerate the research process. We report regularly on progress. We are also investing in hybrid breeding to enable faster breeding and to be able to develop and start selling potato seeds in 5-10 years.

(Local) markets

While it is difficult to predict political unrest, terrorist attacks, recessions and pandemics, their impact on the market can be enormous. We have seen that the pandemic, war in Ukraine and inflation are affecting the overall business cycle and hence our numbers.

How we manage this risk?

We can cope well with local market interruptions because we sell multiple varieties to multiple countries. We spread the risk, thanks to HZPC branches and collaborations with others in different areas of the world. We develop new robust varieties and collaborate with a variety of partners and organisations. Our employees are aware of the risks and know how to deal with them. In the last financial year, we have been confronted with a new situation in Russia. A law has been passed in the State Duma which allows authorities to take a majority stake in our local entities. Many questions still surround the implementation and enforceability of this law but nevertheless, we might have to adjust our participation value. We are not expected to have a definite answer on this before the finalisation of this annual report. We have therefore not included a provision at this time. The volume of investments in our Russian associates, comprising participation value and financing provided, amounts to over EUR 4 million.

Seed quality

Customers expect high-quality material and count on us to deliver top-quality products. If we cannot fulfil these expectations, for example due to problems in ingredients or delivery, it will have a negative impact on our financial position and reputation.

How do we manage this risk?

Thanks to our high-quality testing process, we are guaranteed to spot quality defects early. Our testing and quality process is continuously improved. Our quality control protocols ensure that we meet the quality requirements of a particular country.

Variety portfolio

A healthy variety portfolio is necessary for Royal HZPC Group's independence. An extensive and diverse portfolio of varieties allows us to serve our customers as effectively as possible. We thus also reduce the risk of loss due to diseases and viruses.

How do we manage this risk?

We continuously invest time and money in developing new varieties with sustainable growth potential to expand our variety portfolio and make it future-proof.

Production-to-sales ratio

We have to deal with market demand on the one hand and the acreage planning of our growers on the other. This means making long-term forecasts when it comes to production and sales. If this forecast is wrong, it will impact Royal HZPC Group's financial position.

How do we manage this risk?

We continuously optimise our processes and train our staff so that production and sales are as closely aligned as possible. We are developing a tool to support us with this planning process. We have the knowledge and capacity to make the right decisions and always work according to the four-eyes principle. We continuously optimise our portfolio management, long-term forecasting, inventory estimation and inventory management to make the right decisions.

Human capital

To become and remain market leader, it is important that we can sustainably attract, retain and develop the right staff. That is why we continue to invest in new talent and offer existing staff growth opportunities.

How do we manage this risk?

Despite the tight labour market, we are still in a good position to attract staff. We focus on recruitment activities and identify the skills and knowledge we need. We improve IT systems and processes to support our staff in their daily work and personal development.

Treasury

Our operating profit is subject to treasury risk. Financial problems encountered by customers and/or in specific countries may lead to financial losses for Royal HZPC Group. In the past year, we did not face any major financing problems or payment risks. We are suffering due to hyperinflation in Argentina, rising interest rates and a fluctuating Rouble.

How we manage this risk?

From a financial perspective, we have improved our process for sales and late payments. We continue to monitor our customers on a structural basis to ensure that we can do business with them responsibly. We focus on managing the credit freedom we give customers. We are working on more accurate cash flow planning and a better overview of the development of our currency position.

Last year, we revalued our receivables from Argentina as a result of the devaluation of the Argentine Peso due to hyperinflation. This resulted in a provision of 0,9 million euros. Conditions remain difficult and we do not see this improving in the short term.

The same goes for Russia. The Russian rouble fluctuates dramatically due to the corresponding circumstances and this is reflected in the participation value of our Russian subsidiaries. This risk is virtually impossible to hedge.

In 2018, we took out an interest rate cap that is now 'in the money' and provides partial protection on interest rate exposure. Last year, we took out a second interest rate cap to cover a greater portion of interest rate exposure.

Internal Control

As we keep growing, there is also a need for greater maturity when it comes to internal control. A lack of internal control may lead to irresponsible financial reporting, operational ineffectiveness, fraud and non-compliance with laws and regulations.

How do we manage this risk?

We pay close attention to the further implementation of internal control and risk management within the organisation. We take action to become a more mature (risk) organisation. We clarify roles and responsibilities in the organisation and improve, standardise and document processes. So that we all work in the same structured and controlled way within the organisation. Where necessary, we optimise our policies, standards and guidelines. This is supported by our new ERP system.

IT & Security

We need well-functioning IT systems to do our work. Interruptions, system failures and data breaches can impact business operations in general and lead to sensitive business information leaking into the public domain. Ongoing digitalisation and business growth have made us more dependent on our IT systems.

How do we manage this risk?

We have processes, policies and procedures for mitigating IT and security risks. These procedures encompass a range of prevention and detection measures, including training, control optimisation and monitoring. To further develop our systems, we are improving our IT Control Framework. In addition, our new ERP and financial system will be designed to provide overall IT control and mitigate security risks. Meanwhile, we carry out regular penetration testing.

Cybercrime incident

Despite our constant attention to our IT systems, we were recently targeted by a form of cybercrime, which resulted in a large amount of money being transferred to a bank account held by the criminals. It is now known that the amount is in a blocked bank account and thus out of the hands of criminals. An external forensic investigation - in addition to internal investigations - is currently taking place. The results of these investigations will be taken into account in our continuous focus on information security on the one hand and the further tightening of procedures to minimise our risks on the other. The further awareness of our employees in this area is essential.

Reporting & disclosure

To make informed decisions and comply with legal and statutory requirements, we need robust reports and analysis. Our current system does not provide the right level of reporting. Nevertheless, we manage to generate the necessary reports and records.

How do we manage this risk?

We are working on the implementation of a new ERP system, which will give us the option to filter data in a user-friendly way for reporting purposes. We implement (functional) risk and control requirements in the ERP system, improving data quality and availability. We are also developing new reporting policies and procedures.

Compliance with laws and regulations

Royal HZPC Group and its associates may be held liable if we fail to comply with laws and regulations. Our growth, our presence in high-risk countries, and laws and regulations that are constantly changing means it is important to ensure that our legal and contract management processes are in good order.

How do we manage this risk?

We have worked on improving compliance with processes and procedures. We adapt policies and procedures where necessary and work to further improve these processes, procedures and controls. We have stopped selling directly to ultra-high-risk countries.

Non-compliance risks in financial year 2022-2023

Third-party payments

Based on our mission to contribute to world food security, we supply seed potatoes to at-risk countries such as Syria. Regular banking transactions from Syria are not possible. We received payments for this through unknown third parties in recent years (2022/2023: € 1 million; 2021/2022: € 11 million). In itself, this is a legal course of action, but we stopped doing this from harvest 2022 because we do not want to run any compliance risk.

In 2020 and 2021, we received payments from two companies, which were declared bankrupt in 2021 and 2022 and found to be involved in money laundering. Although we had no knowledge of the illegal activities of these companies, we were written to by the trustee requesting repayment of undue amounts (around € 0,4 million).

This development triggered us to conduct an internal investigation into third-party payments in the current financial year and gain further insight into the extent in previous financial years. This has revealed that there is a risk of unknowingly participating in terrorism financing or money laundering in the past. We have obtained legal advice to clarify our risks and position and have further tightened our compliance policy. Based partly on the legal advice obtained, we cannot reliably assess the potential impact of the risks. However, based on current knowledge, we estimate the financial impact as 'low risk'.

Irregularities

Internal compliance investigations revealed a number of irregularities. Specific local (political) circumstances, including bank sanction regulations, complicated the delivery of seed potatoes and their payment.

HZPC's risk appetite regarding non-compliance is 0 ('zero tolerance '). The findings from the internal investigation were the reason for management to further tighten the compliance policy and a consultancy firm was engaged to assess management's tightened policy. Components of the tightened policy include employee training, clear 'Know Your Customer' and other customer acceptance procedures, and further formalisation and documentation of agreements with distributors and customers.

Management has sought legal advice. The impact of the non-compliance situation identified cannot be estimated, but the risk that this will have a financial impact is assessed as low by management for the time being. No financial liabilities have been recognised in the 2022/2023 financial statements.

Infringements

We risk being unable to protect our intellectual property rights because competitors abuse our rights or produce derivative varieties.

How do we manage this risk?

We work to protect our varieties in the various countries in which we operate and constantly monitor the market. In Europe, we are shareholders of Breeders Trust, which protects intellectual property rights. In other world regions, we sometimes even buy samples in the market to check that our varieties are not produced illegally.

Fraud risks

This year, the Global Finance Management Team conducted a fraud assessment of the organisation. This involved going through and assessing the various processes within the organisation.

Several processes were assessed for potentially fraudulent acts. These were assessed for likelihood and impact. It was then determined which functions and/or departments are involved in this process. The existing measures that would prevent this fraud were then assessed.

Existing measures were then assessed for their effectiveness in preventing or detecting this fraud. From this process, the remaining risk was determined and whether additional measures should be taken. The main fraud risks from this assessment process relate to: bribery and corruption, use of ware potatoes as seed potatoes, licences and the reporting of foreign entities due to shortcomings in segregation of duties. The results of this fraud assessment process have been reviewed by the Executive Committee of Royal HZPC Group and will be submitted to the Supervisory Board for review.

Next year, the organisation aims to have some of these measures assessed for effectiveness by an external auditor. In addition, these measures will be included in the renewed processes being rolled out in the Aurora project.

Results, investments, financing

Investments

We have invested in our company this year, despite the war in Ukraine and other uncertainties, and we will continue to do so. The final component of the investment in the R&D facility will be officially commissioned in November. Our invested capital (total fixed assets) at the end of the 2022/2023 financial year is EUR 36,4 million, which is EUR 6,1 million higher than last year. We expect a similar amount of investments next year. The Aurora project is an important aspect of this. In Aurora, we are trying to improve processes and replace the old ERP system. This investment is in addition to regular replacement investments in operations and R&D.

Liquidity

The cash position deteriorated compared to last year. The current ratio fell slightly to 1,2 from 1,3 last year. The quick ratio (current ratio excluding inventory) also fell slightly to 1,2 from 1,3 last year. This is partly caused by slightly higher other payables and accruals.

Results

Net turnover of EUR 421 million was recorded in the past year. Like last year, more than 85% of the turnover consists of seed potato trading. Sales were higher as Royal HZPC Group B.V. achieved higher volumes and prices. Licence income increased from EUR 23,9 million to EUR 24,5 million. In addition, turnover in ware potatoes was down from EUR 24,3 million to EUR 16 million as more potatoes were sold as seed potatoes than last year. The organisation's gross margin, i.e. the sum of operating income minus the sum of costs of raw and auxiliary materials and third-party services, freight and loading charges and packaging, increased to EUR 71 million. This is due to higher prices. By also paying close attention to costs, a net profit before deducting the costs of the Connecting Growers programme of EUR 7,1 million was achieved.

For the coming season, there are no commitments yet on the result due to major uncertainties. The causes of these uncertainties are caused by uncertain yield expectations and thereby the availability for the various markets. In addition, the geopolitical situation causes great uncertainty.

Financing

The financing structure has not been affected by any major changes this year. Solvency fell from 40,4% in 2021/2022 to 39,6% in 2022/2023. Last financial year, sales and margins continued to recover after the Covid crisis. The war in Ukraine last year hastened the end of the season. This year, it had an impact on our buyers and their choice of whether to grow seed potatoes or another crop. Costs came out higher due to higher volumes and cost increases due to inflation. Regarding the accounts receivable position, we have seen a delay in payments and have included a higher provision for a debtor from China and Sudan. Thus, the economic impact of the war and related energy crisis and rising inflation expected last year is reflected in our costs.

The management team is constantly assessing the relevant information and risks in order to take the appropriate measures. The available funding was not quite enough to absorb the delay in payments from customers. For this purpose, an additional facility of Euro 15 million was provided by the banks for two months. This was repaid within a month. The current facility is sufficient to handle future regular fluctuations and disruptions. The management team constantly 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. On the basis of the realised forecasts in September 2023, we expect to be compliant with the bank's covenants until at least October 2024.

The current financing agreement has been extended and runs until 5 October 2024. HZPC has now started discussions with banks to reach a new financing agreement starting from October 2024. Despite experiencing increasing risk aversion from banks from compliance regulations, management is sufficiently confident in obtaining a new financing agreement in a timely manner.

Remuneration policy and personnel matters

Our employees are crucial to achieving our strategic goals. Adequate personnel policies and market-based remuneration policies enable us to attract and retain staff. We use a range of different tools for this purpose.

Last year, there were no changes in the remuneration and remuneration policy of Directors and/or supervisors. Once every five years, the remuneration of the director and/or supervisors is benchmarked by an external agency.

Employees make an important contribution to the success of the company. Last year, we were able to attract great people. Some employees also left. We were able to fill the vacancies that arose plus the additional positions created by business growth. We expect flat to slight growth in headcount.

Diversity

Royal HZPC Group B.V. stands for Diversity, Equity and Inclusion (DEI).

We are committed to a diverse workforce and an inclusive environment where everyone feels valued and respected. In addition, we stand for a corporate culture where everyone feels encouraged to (continuously) develop and grow. Or, in other words: Guiding continuous growth.

We actively seek to attract, employ and retain people from diverse backgrounds. As a result, our workforce is increasingly reflecting the rich diversity of the societies in which we operate. Our commitment to diversity extends to all levels of the organisation, from entry-level positions to management positions. The diversity dimensions on which Royal HZPC Group B.V. intends to report are:

1. Gender diversity (female/male representation)
2. Age diversity (representation of different age groups)
3. International diversity (number of nationalities of our colleagues)
4. Knowledge diversity (distribution of our workforce by clustered areas of expertise)

In addition to these diversity dimensions on which we report, Royal HZPC Group B.V. also stands for:

5. Labour market diversity (removing barriers to/promoting participation of colleagues with disabilities)
6. Ethnic and cultural diversity (promoting the representation of different ethnic and cultural groups)
7. LGBTQ+ diversity (welcoming anyone regardless of sexual orientation)
8. Philosophy of life (allowing for differences in terms of faith or philosophy of life)

We do not report on the representations of these groups within our workforce.

For the composition of the organisation's middle management (Supervisory Board and Executive Board) and (Managing Directors of the SBAs), targets have been set for gender diversity.

Management layer	target	To be realised by:	Remark:
SB	20% of members are of the 'opposite sex'. At least 20% female and at least 20% male (current situation: 2 women, 3 men)	Realised	Target was realised in financial year 2022-2023. The SB has 2 women and 3 men, i.e. more than 20% of the 'opposite sex'. In future replacement, efforts will be made to continue to achieve the targets.
Executive Board	20% of ExBo are of the 'opposite sex'. At least 20% female and at least 20% male (current situation: 3 men)	1-1-2028	Target was not realised in financial year 2022-2023. In future replacement, efforts will be made to achieve the targets.
Managing Directors SBAs	20% of Managing Directors are of the 'opposite sex'. At least 20% female and at least 20% male (current situation: 4 men as Managing Directors of the SBA)	1-1-2028	Target was not realised in financial year 2022-2023. In future replacement, efforts will be made to achieve the targets.

Equal and fair treatment

We are accountable to the principles of fairness, impartiality and justice. Our aim is to provide a working environment where everyone has equal access to professional and personal growth. To the extent that there are barriers to these principles, we want to remove them.

Our Code of Conduct describes how to deal with (perceived) unequal treatment.

Inclusion

For us, inclusion means promoting a sense of 'belonging' and creating a culture where everyone feels respected and valued. Our mission, vision, corporate values and goals should be unifying. Within this context, we encourage open dialogue, active listening and mutual respect for everyone's unique contribution to the whole. We recognise that inclusive teams are more innovative, productive and better able to achieve our shared goals.

General

Our commitment to DEI is in line with international (including European) laws and regulations promoting equality and non-discrimination in the workplace. We focus on adhering to the principles set out in this regard in the various international guidelines within the countries where we are based. We understand that building a diverse, equitable and inclusive organisation is a journey that requires continuous effort and improvement. We will discuss the objectives internally so that they are known to everyone. Based on insights gained, we will make arrangements with Staff Representatives to refine our practices and policies.

Share certificates

Royal HZPC Group issued 783.725 shares with a nominal value of EUR 20. HZPC Association (Vereniging HZPC) owns 100 percent of the shares and has certified all the 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 Royal HZPC Group B.V, 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 is because many growers, who are no longer actively involved in growing, hold on to their certificates and in the past have rarely offered them for sale. At the same time, active growers purchased few certificates. Thanks to the Connecting Growers programme, share certificates are increasingly coming into the hands of active growers. For this purpose, Royal HZPC Group B.V. bought EUR 1,1 million worth of certificates in 2022-2023. These were donated free of charge to growers with a seed potato contract with Royal HZPC Group B.V. in the EU. Virtually all our active European growers now hold certificates. Read more at: www.hzpc.nl/cg.

Stock exchange trading

Share certificates used to be traded on an internal market. Since the trading period in May 2022, Royal HZPC Group B.V. has operated a new trading system for trading in certificates. Twice a year, in May and November, certificate holders can trade HZPC certificates for 10 working days on the Captin trading platform; Captin is an AFM-regulated brokerage firm. Royal HZPC Group

B.V. has thus become a semi-listed company that is obliged to abide by the Dutch Financial Market Authority (AFM) rules. The market has also become more transparent and the rights of the certificate holders align with the regulations that govern the regular market. The range within which trading takes place is 20 per cent (rather than 10 per cent), so the market balances faster. During these trading periods, Royal HZPC Group B.V. purchases certificates for the Connecting Growers programme in addition to the certificate scheme for staff.

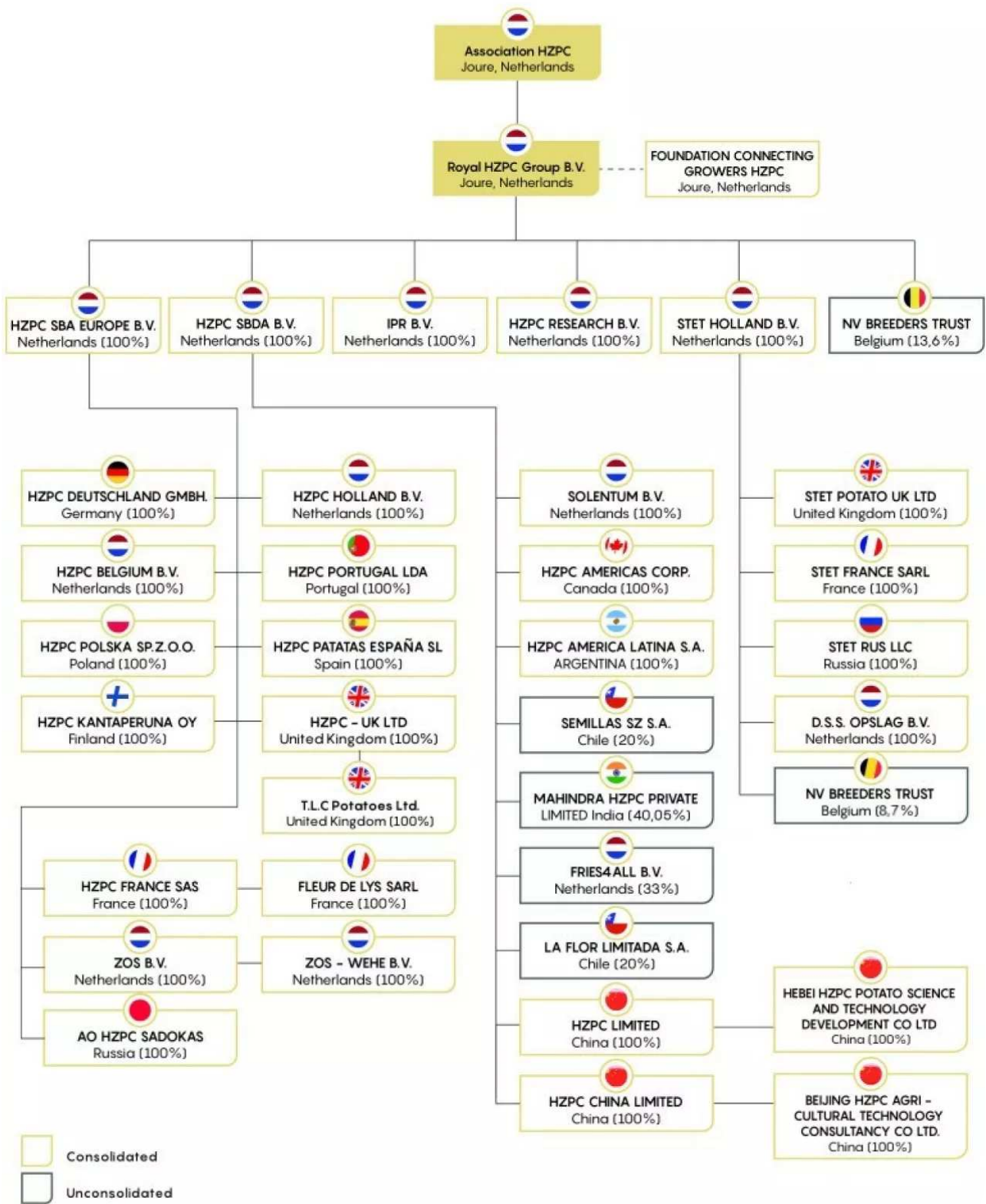
The certificate holders receive information about Royal HZPC Group B.V. via press releases, the Annual Report and the HZPC website. In addition, Dutch certificate holders receive the company's client magazine 'Ruggespraak'.

Trading day

	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Profit per share certificate (x EUR 1)*	€ 6,00	€ 11,93	€ 1,49	€ 1,74	€ 9,00	€ 9,01
Dividend per share certificate (x EUR 1)	€ 4,00	€ 7,75	€ 1,00	€ 1,00	€ 6,00	€ 6,00
Dividend as % of net result	67,00%	65,00%	67,00%	57,00%	67,00%	67,00%
Rate as of 30 June (x EUR 1)	€ 200,00	€ 162,00	€ 131,25	€ 106,35	€ 76,60	€ 76,27
Dividend as % of rate	2,00%	4,78%	0,76%	0,94%	7,83%	7,87%
Return on shares (x EUR 1)	€ 38,35	€ (30,25)	€ (29,75)	€ (23,90)	€ (23,75)	€ 5,67
Total shareholders return in %						
(as of 30 June of the previous year)	23,15%	-15,13%	-18,36%	-18,21%	-22,33%	7,40%

*exclusive costs of Connecting Growers

Group structure



07 REPORT OF THE SUPERVISORY BOARD



Report of the Supervisory Board

In the past year, there were no personnel changes within the Supervisory Board (SB). Irina Frolova was nominated for reappointment to the HZPC Association board. She was appointed on 16 May 2023 for her second four-year term. Chair Michael Kester looks back on the financial year 2022-2023 in this annual report and takes a look into the future.

A good year

In a dynamic global market, Royal HZPC Group B.V. grew in volume by more than 6% to almost 1 million tonnes and in turnover by 20% to more than EUR 400 million. The combination of higher sales and cost control resulted in a solid result that everyone at Royal HZPC Group B.V. can be proud of. On average, it has also been a good year for seed potato growers in the Netherlands: a higher yield and a 10% higher payout price.

Supervisory task weighs heavier

The supervisory role we have as SB is becoming increasingly weighty. The world around us is becoming more complex; sustainability is important, but so is Royal HZPC Group B.V.'s place in the world. More and more risks are emerging too, relating to local politics, compliance issues, cyber security and dynamics in existing and new markets. The board makes considered judgements in this regard. As the SB, we have become more critical and sometimes ask more of the management. Fortunately, there is a great deal of mutual respect and understanding. We never trespass on one another's territory and the division of roles is clear. That makes it a very pleasant collaboration.

Extra focus on international payments

As financial legislation and requirements around compliance become stricter, the SB chooses to have tighter oversight of international payments. Royal HZPC Group B.V. has already tightened its own policy on this considerably. The SB supports Royal HZPC Group B.V. in its vision to continue supplying sanctioned countries and conflict areas where the banking system does not always function well. The corresponding risk is a regular item on the agenda. The financial risks are then discussed, as are the legislative frameworks around the payment system to which Royal HZPC Group B.V. must adhere. The management and the SB continue to monitor the situation closely and adjust policy if necessary.

The audit committee

For several years, Cor Biemond and Irina Frolova (Vice-chair) of the SB have formed the audit committee. They are tasked with working with Finance to dive much deeper into the figures than is possible in regular SB meetings. They speak to relevant internal and external parties, such as the auditor Ernst & Young, to form an effective view on the quality of financial records, the robustness of processes and access to credit. Also, due to increasing complexity, the SB decided to seek external advice on compliance issues. The experience so far has been very positive.

A crucial year for Aurora

We are closely monitoring Aurora's implementation, with the support of an external agency that is advising us on progress. Many uniform processes have already been set up to ensure that everyone within Royal HZPC Group B.V. works in the same way. In mid-2023, Royal HZPC Group B.V. launched the planning module in its ERP system. This allows Royal HZPC Group B.V. to manage and control stocks much better and was an important step in the implementation process. Many challenges remain, but Aurora is now well on course.

Investment in research pays off

Royal HZPC Group B.V. has invested heavily in research. This is incredibly important, especially for the longer term. It ensures that Royal HZPC Group B.V. can continue to grow. The journey across the agricultural sector is naturally towards sustainability and this means varieties need to be more resilient. Royal HZPC Group B.V. is, of course, explicitly engaged in this quest, including by investing in marker technology. Knowledge of DNA and how it is transferable to subsequent generations has increased enormously in the last few years. The hybrid programme is indispensable in this regard. In tetraploid breeding, you can also see that the commitment to resistances is now starting to pay off. In recent years, Royal HZPC Group B.V. has not introduced many new varieties but various great developments are now on the way. That is both amazing and unique.

A strategy focused on the future

The Executive Board of Royal HZPC Group B.V. is developing a business strategy for the next 5 years. They share their progress with us and, when the Executive Board wants to implement the strategy, it is up to us to give them the green light. A key component in this is how Royal HZPC Group B.V. will manage global market access. This encompasses licensed cultivation in India, where Royal HZPC Group B.V. is also reaping the benefits in 2022-2023, in China, where protection of varieties is an important point of attention, and the market approach in Africa and America, where new opportunities also lie.

Besides market access, sustainability objectives are an essential part of the strategy. Royal HZPC Group B.V. takes this very seriously; just look at the new robust varieties. From 1 January 2026, large companies will be required to report on sustainability. Royal HZPC Group B.V. must start preparing for this Corporate Sustainable Reporting Directive (CSRD) from 2024 and this will require the necessary manpower and expertise.

What does the Supervisory Board do?

The Supervisory Board of Royal HZPC Group B.V. supervises the policy of the Executive Board and the company strategy and operates completely independently of this board. The Executive Board submits plans to the SB in terms of strategy, budgets, investments and commercial policy. The SB serves to provide approval of the plans after review. The survival of the company and the interests of all stakeholders are paramount. As an employer, the SB also sets the remuneration for the Executive Board. As a shareholder, the HZPC Association (re)appoints the members of the SB.

In 2022-2023, spread across the year, six meetings took place between the SB and the Executive Board of Royal HZPC Group B.V. The Chair of the SB works with CEO Gerard Backx to prepare for the meetings. The audit committee met five times, always prior to meetings between the SB and the Executive Board. This financial year, the SB has also held two meetings of shareholders with the Board of HZPC Association.



From left to right: Jean-Pierre Bienfait, Martine Hommes-Gesink, Michael Kester, Irina Frolova, Cor Biemond



Consolidated balance sheet

Consolidated balance sheet as of 30 June (after profit appropriation)

Assets

(in EUR x 1.000)

	Notes	30-Jun-23	30-Jun-22
FIXED ASSETS			
Intangible fixed assets	1		
Research and development costs	229	589	
Goodwill	195	0	
Concessions, licences and intellectual property	0	545	
Intangible fixed assets under construction	3.755	0	
		4.179	1.134
Tangible fixed assets	2		
Company buildings and land	18.873	19.005	
Plant and equipment	4.806	4.820	
Other fixed operating assets	821	730	
Operating assets under construction	2.776	642	
		27.276	25.197
Financial fixed assets	3		
Participating interest	1.942	1.435	
Other securities	25	24	
Deferred tax assets	2.286	2.296	
Other receivables	736	289	
		4.989	4.044
TOTAL FIXED ASSETS		36.444	30.375
CURRENT ASSETS			
Inventories	4	2.394	3.397
Trade and other receivables			
Trade receivables	5 60.520	45.133	
Account receivables from participating interests	6 224	425	
Taxes, contributions and social insurance	7 8.598	10.874	
Other receivables and accrued income	8 12.148	12.775	

	Notes	30-Jun-23	30-Jun-22
		81.490	69.207
Cash and cash equivalents	9	16.602	31.818
TOTAL CURRENT ASSETS		100.486	104.422
TOTAL ASSETS		136.931	134.797

Liabilities

(in EUR x 1.000)

	Notes	30-Jun-23	30-Jun-22
GROUP EQUITY	10		
Shareholders' equity		54.296	54.471
Provisions	11		
Pensions	216	213	
Provision for risks of claims, conflicts and legal proceedings	220	0	
Other provisions	457	422	
		893	635
Current liabilities			
Debts to credit institutions	12 45.092	43.678	
Accounts payable to suppliers	14.918	17.382	
Debts to Vereniging HZPC	306	306	
Taxes, contributions and social insurances	13 2.040	1.415	
Dividend to be paid	4.702	4.702	
Other debts and accrued liabilities	14 14.684	12.208	
		81.741	79.691
TOTAL LIABILITIES		136.931	134.797

Consolidated profit and loss statement for the period 1 July 2022 to 30 June 2023

	Notes	2022/2023	2021/2022
Net revenue	15	420.857	350.309
Other operating income	16	2.182	1.863
Total operating income		423.039	352.172
Cost of raw materials and other consumables and outsourced work		295.823	244.758
Freight cost		41.185	31.862
Packaging		14.983	11.614
Wages and salaries	17	21.953	22.739
Social security costs and pension costs	17	6.736	6.596
Depreciation of intangible fixed assets		905	1.111
Depreciation of tangible fixed assets		2.327	2.625
Other operating costs	18	28.211	22.849
Total operating expenses		412.123	344.154
Operating result		10.916	8.018
Interest and similar income	19	509	1.661
Interest and similar expenses	20	-3.833	-2.256
		-3.324	-595
Result before income tax		7.592	7.423
Corporate income tax	21	-2.184	-1.853
Share on result from participating interests		556	-20
		-1.628	-1873
Net result		5.964	5.550
Total of direct changes in shareholders' equity of the company			
change in foreign currency translation reserve		-1.459	1.190
Total comprehensive income of the year, net of tax		4.505	6.740

Consolidated cash flow statement

Consolidated cash flow summary for financial year 2022/2023.

(in EUR x 1.000)

	Notes	2022/2023	2021/2022
Operating result		10.916	8.018
Adjusted for:			
Book result tangible fixed assets		-690	-218
Depreciation/amortisation	1,2	3.232	3.736
Changes in provisions	11	-320	-7
Changes in working capital		-12.219	-4.358
Cash flows from business operations		919	7.171
Interest received	19	509	1.661
Dividend received		70	63
Income tax received	21	183	2.275
Interest paid	20	-2.896	-1.932
Income tax paid	21	-502	-2.535
Cash flow from operating activities		-1.717	6.703
Investing activities			
Investments in intangible fixed assets	1,2	-3.767	-14
Investments in financial fixed assets	3	-500	-236
Investments in existing participations	3	-2.015	0
Divestments of financial fixed assets		0	34
Investments in tangible fixed assets	2	-3.484	-3.316
Disposals of tangible fixed assets	2	901	1.780
Cash flow from investing activities		-8.865	-1.752
Financing activities			
Increase bank loan		1.414	7.410
Dividend paid		-4.702	-784
Purchased certificates of shares		-23	-46
Cash flow from financing activities		-3.311	6.580
Net cash flow		-13.893	11.531

	Notes	2022/2023	2021/2022
Currency and exchange rate differences		-1.323	2.036
Changes in cash and cash equivalents		-15.216	13.567
Cash and cash equivalents at the beginning of the year	9	31.818	18.251
Changes in cash and cash equivalents	9	-15.216	13.567
Cash and cash equivalents at the end of the year	9	16.602	31.818

The balance of liquid assets minus credit institutions' debts amounts to minus EUR 28,489 thousand as of June 30, 2023 and minus EUR 11,860 thousand as of June 30, 2022.

Notes to the consolidated financial statements 2022/2023

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 cultivation of 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 preceded 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

The management team is constantly assessing the relevant information and risks in order to take the appropriate measures, if necessary. The management has learned, in recent years, that Royal HZPC Group B.V. is a very resilient company. We can weather the storms and keep pace with a market that is constantly changing. One of HZPC's biggest strengths is that we are not based on one continent but are a potato breeder and trading house operating on a global scale. Although instability is facing Europe and some of the Middle East, there are numerous opportunities in growth markets such as India, China and Africa. We are also expanding in America.

The financing that is available to us is enough to accommodate future, regular fluctuations and disruptions. The management team constantly 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. On the basis of the realised forecasts in September 2023, we expect to be compliant with the bank's covenants until at least October 2024.

The current financing agreement has been extended and runs until 5 October 2024. HZPC has now started discussions with banks to reach a new financing agreement starting from October 2024. Despite experiencing increasing risk aversion from compliance regulations, management has sufficient confidence in obtaining a new financing agreement on time.

General valuation

Unless stated otherwise, assets and liabilities are shown at nominal value.

An asset is recognised in the balance sheet when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be reliably determined. A liability is recognised in the balance sheet when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be determined with sufficient reliability.

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

If a transaction results in a transfer of all or virtually all future economic benefits and all or virtually all risks relating to assets or liabilities 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 to use the company's assets.

The annual accounts are presented in euros, the company's functional currency. All financial information is rounded in euros to the nearest thousand unless otherwise indicated.

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 and its group companies. Group companies are legal entities and companies in which dominant control is exercised. This includes financial instruments containing potential voting rights if they have economic significance.

For an overview of the consolidated group companies, please refer to the Table of participating interests (page 67).

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 2023

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%
with its participation:	
TLC Potatoes Ltd, in Banchory, United Kingdom	100%
HZPC Deutschland GmbH, in Eydelstedt, Germany	100%
HZPC Polska Sp. z o.o., in Poznan, Poland	100%
HZPC Kantaperuna Oy, in Tyrvävä, 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	100%
HZPC China Ltd, in Hongkong, China	100%
with its participation:	
Beijing HZPC Agricultural consultancy Co. Ltd., in Beijing, China	100%
HZPC Ltd, te Hongkong, China	100%
with its participation:	
Hebei HZPC Potato Science and Technology Development Co., Ltd., in Langfang, China	100%
Solentum B.V., in Joure, the Netherlands	100%

Non-consolidated:

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

IPR B.V., in Joure, the Netherlands (consolidated)	100%
---	-------------

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%
D.S.S. Opslag B.V., in Dronten, the Netherlands	100%

N.V. Breeders Trust, in Brussels, Belgium (non-consolidated)	21,7%
---	--------------

The HZPC Connecting Growers Foundation is part of the group and is 100% included in the consolidated figures. The capital interests are unchanged compared to the previous financial year, with the exception of the interest in D.S.S. Opslag B.V., of which the stake was 50% last year. The stake in TLC Potatoes Ltd was acquired in financial year 2022/2023.

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.

Currency translation differences are recognised in the translation differences reserve. On disposal of business operations abroad, the relevant cumulative amount of translation differences recognised in equity is recognised in the income statement as part of the result on disposal.

Development of most important foreign exchange currencies

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

EUR 1 t.ov. Foreign currency	Rate 30-06-2023	Average exchange rate	Rate 30-06-2022
Canadian Dollar	1,446	1,405	1,349
British Pound	0,861	0,871	0,862
Polish Zloty	4,437	4,681	4,699
American Dollar	1,092	1,049	1,048
Russian Rubel	96,966	73,376	57,495

Financial instruments

Financial instruments include primary financial instruments such as receivables, securities and payables, as well as financial derivatives.

Financial assets and financial liabilities are recognised in the balance sheet when contractual rights or obligations arise in respect of that instrument. A financial instrument is derecognised if a transaction results in all or substantially all rights to economic benefits and all or substantially all risks relating to the position being transferred to a third party. Financial instruments (and individual components of financial instruments) are presented in the consolidated financial statements in accordance with the substance of the contractual terms. Presentation is made on the basis of individual components of financial instruments as financial assets, financial liabilities or equity.

Financial and non-financial contracts may contain arrangements that meet the definition of derivatives. Such an arrangement is separated from the primary contract and accounted for as a derivative if its economic characteristics and risks are not closely related to those of the primary contract, a separate instrument with the same terms would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Embedded financial instruments that are not separated from the host contract are accounted for in accordance with the host contract.

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

Financial instruments are initially recognised at fair value, with (dis)premium and directly attributable transaction costs included in the initial recognition. However, if financial instruments are measured at fair value through profit or loss on subsequent measurement, directly attributable transaction costs are recognised directly in profit or loss on initial measurement.

After initial recognition, financial instruments are measured as described below.

Interest rate cap and hedge accounting

The company uses 2 interest rate caps to hedge the risk of an increase in interest paid on bank credit.

The company applies cost hedge accounting based on individual documentation per interest rate cap. The interest rate cap is valued at cost and amortised over the term of the interest rate cap against interest expense.

At each balance sheet date, it is determined whether ineffectiveness exists or has occurred. If and to the extent that the ineffectiveness results in a loss on a cumulative basis on the balance sheet date, the ineffectiveness is recognised under interest expense in the income statement.

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.

Impairment of financial assets

A financial asset or a group of financial assets, 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 cost of hiring consultants and 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 re-assessed at the end of each financial year.

Tangible fixed assets

Land and buildings, machines 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%
• Machines and equipment	10% - 33.3%
• Other fixed operating assets:	10% - 33.3%

Major maintenance costs are recognised in cost as soon as they arise and the capitalisation criteria are met. The carrying amount of the items to be replaced is then considered disinvested and charged to the income statement in a lump sum. All other maintenance costs are recognised directly in the income statement.

Participating interests with significant influence

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

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

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

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

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

Participating interests with no significant influence

Participations over which no meaningful control is exercised are valued on the basis of the acquisition price or lower recoverable value. If the situation involves a firm intention to sell, valuation occurs against the possible lower expected sale value. Results from transactions with and between associates valued at acquisition cost are recognised in full unless they are substantially unrealised. 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.

Other financial fixed assets

For the valuation of other financial fixed assets, reference is made to the principles under deferred taxes and financial instruments. Other securities are valued at amortised cost.

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'. The valuation of all individually significant receivables is assessed on an individual basis whether there are objective indications of impairment. For individually immaterial receivables, this assessment is made on an individual basis.

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;
- 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 and jubilee provisions

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.

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.

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. 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.

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 2022/2023 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 1,58% of the pensionable salary based on the gross salary minus a franchise (EUR 15.202). The pensionable salary is maximised (at EUR 66.956). 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 2023, the coverage rate of the industry-funded pension fund concerned will be 118,6% 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.

In addition to the basic pension plan, there is also a surplus pension plan based on a defined premium plan.

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 these foreign schemes a best estimate of the existing pension liability is made as of the balance sheet date. This estimate is mainly based on annual salary and seniority of employees. 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 only has 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.

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.

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

Notes to the consolidated balance sheet

1. Intangible fixed assets

The composition and movement per category for intangible fixed assets for the year 2022/2023 is as follows:

	Research and development costs	Goodwill	Concessions, permits and Intellectual properties	Intangible fixed assets under construction	Total 2022/2023
Purchase value	2.868	4.891		0	11.576
Cumulative depreciation	-2.279	-4.891		0	-10.442
Book value as per 1 July	589	0		0	1.134
Investments	0	195		3.755	3.950
Disposals	0	0		0	0
Depreciation	-360	0		0	-905
Total	-360	195		3.755	3.045
Purchase value	2.868	5.086		3.755	15.526
Cumulative depreciation	-2.639	-4.891		0	-11.347
Book value as per 30 June	229	195		3.755	4.179

The investments in "goodwill" relate to the purchase of the 100% stake in TLC Potatoes Ltd. by HZPC UK Ltd. for a purchase price of EUR 1,4 million.

Investment in 'intangible fixed assets under construction' relates to the development of a new ERP system. The research phase for this was completed on 1 July 2022 and the development phase is expected to run until 30 June 2025. A specific project organisation was set up for this development and an integration partner and other parties were contracted on a multi-year basis to successfully complete the programme.

Based on the current estimate, we expect total expenditure on this programme to be EUR 18 million, of which EUR 13,5 million qualifies as investment in 'intangible fixed assets under construction'.

Inherent to the size and complexity of this development programme, there is a risk that the development will take longer than planned and/or the costs will deviate from the estimate. In the last financial year, there was a backlog compared to the original programme schedule. As a result, expenditure in FY2023/2024 is also lower than previously estimated. We expect to catch up with this backlog in the coming years so the overall lead time is not going to change.

It is expected that significant parts of the investment in 'intangible fixed assets under construction' will start depreciating in FY2023/2024 over an estimated economic life of 10 years. When estimating the economic life cycle, the factors considered included the speed of technical developments, the duration of contracts with software suppliers and the time required to develop a new ERP system. An amount of EUR 1.192 million is included in investments as capitalisation of own hours. The hours were spent developing the ERP system.

2. Tangible fixed assets

The composition and movement per category for tangible fixed assets for the year 2022/2023 is as follows:

	Company buildings and land	Plant and equipment	Other fixed operating assets	Operating assets under construction	Total 2022/2023
Purchase value	43.565	20.088	3.608	642	67.903
Cumulative depreciation	-24.560	-15.268	-2.878	0	-42.706
Book value as per 1 July	19.005	4.820	730	642	25.197
Investments	139	968	429	2.216	3.752
New consolidation	713	623	0	0	1.336
Investment subsidies	0	-151	0	0	-151
Reclassification and exchange differences	-30	-236	-53	-2	-321
Commissioning	0	80	0	-80	0
Disposals	-1	-823	-721	0	-1.545
Depreciation disposals	1	618	715	0	1.334
Depreciation	-955	-1.093	-279	0	-2.327
Balance	-133	-14	91	2.134	2.078
Purchase value	44.387	20.877	3.263	2.776	71.303
Cumulative depreciation	-25.514	-16.071	-2.442	0	-44.027
Book value as per 30 June	18.873	4.806	821	2.776	27.276

3. Financial fixed assets

The movement per category of financial fixed assets for the year 2022/2023 is as follows:

	Participating interests	Other securities	Deferred tax assets	Other receivables	Total 2022/2023
Book value as per 1 July	1.435	24	2.296	289	4.044
Investments/increase	0	1	151	500	652
Results from participating interests	556	0	0	0	556
Impairments/repayments	0	0	-161	-53	-214
Dividend received	-70	0	0	0	-70
Exchange rate fluctuations	139	0	0	0	139
Other mutations	-118	0	0	0	-118
Movements 2022/2023	507	1	-10	447	945
Book value as per 30 June	1.942	25	2.286	736	4.989

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 (pages 82 and 83).

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 thousand.

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.

Other receivables

The other receivables relates to loans granted to personnel with an amount of EUR 3 thousand (2021/2022: EUR 3 thousand) with an average maturity of 5 years and an interest rate of 4%

This post also includes two interest rate caps to hedge the interest rate risk on working capital financing.

The first cap runs until May 2028, has a nominal amount of EUR 15 million, a cap rate of 2%, a present value at 30 June 2023 of EUR 728 thousand and a book value of EUR 185 thousand.

The second cap runs until March 2033, has a nominal amount of EUR 15 million, a cap rate of 5%, a present value at 30 June 2023 of EUR 384 thousand and a book value of EUR 487 thousand.

4. Inventories

	30-Jun-23	30-Jun-22
Packaging	1.507	1.948
Finished products	564	701
Prepayments on stock	323	748
	2.394	3.397

The stock of finished products mainly consists of self-developed mini tubers which will be used again next season. No provision for obsolescence for stocks is required.

Trade and other receivables

5. Trade receivables

	30-Jun-23	30-Jun-22
Amortized cost of outstanding receivables	65.136	47.101
Less: Allowance for doubtful debts	-4.616	-1.968
	60.520	45.133

Over an amount of EUR 458 thousand, no credit risk is incurred. The trade receivables does not include an amount with a remaining term of more than 1 year which are not unforeseen. In addition, trade receivables contain an uninsured exposure of EUR 6,4 million to high-risk countries and ultra-high-risk countries. Specific local conditions (politics, currency, war or nature) complicate payment by these buyers and cause uncertainty about the collectability of these receivables. Based on past contacts and experiences with these buyers, we expect that the receivables will be received and therefore we have not made a provision for them.

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-23	30-Jun-22
Sales tax	7.839	9.270
Corporate income tax	693	1.582
Other taxes and premiums	66	22
	8.598	10.874

8. Other receivables and accrued assets

	30-Jun-23	30-Jun-22
Licences to be claimed	6.471	5.241
Prepaid expenses	2.596	3.486
Turnover to be invoiced	267	1.583
Health insurance premium	96	104
Government grants	1.138	1.027
Receivable on growers	66	70
Operating result pool	257	639
Other amounts	1.257	625
	12.148	12.775

The item 'Operating result pool' concerns the receivable Stet Holland B.V. has on its growers and is the difference between the direct costs of the seed potatoes grown in a pool and the income received in return. The difference is added to the exploitation of the pool in the next financial year.

9. Cash and cash equivalents

	30-Jun-23	30-Jun-22
Cash	2	2
Bank account current	16.600	31.816
	16.602	31.818

The full balance is available immediately. No bank guarantees have been issued (2021-2022: EUR 122 thousand).

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 nil.

11. Provisions

The composition and movement of the provisions in the 2022/2023 financial year are as follows:

	Pensions	Provision for risks of claims, conflicts and legal proceedings	Other provisions	Total
Book value as per 1 July	213	0	422	635
Addition	27	220	72	319
Withdrawal	-24	0	-37	-61
Book value as per 30 June	216	220	457	893

Pensions

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.

Provision for risks of claims, disputes and litigation

Provision for risks of claims, disputes and litigation is long-term. Two claims have been filed against the company and/or group companies that are disputed. The outcome of this dispute cannot be predicted with certainty. Based on legal advice obtained and correspondence between parties, a best estimate of the liability existing as at the balance sheet date has been made.

Other provisions

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 the amount, EUR 38 thousand has a term of less than 1 year and EUR 166 thousand has a term of more than 5 years.

Current liabilities

12. Debts to credit institutions

Credit facility

The company has a credit facility with ING Bank N.V. and Deutsche Bank A.G. in which the banks each are committed pro rata. There is a credit facility of EUR 25 million. The interest rate we pay is 1-month Euribor plus 1.1%. In addition, there is a seasonal facility of 50 millions euros. The credit facility is available from October 1, 2022 until June 30, 2023. In addition, a bridge loan of EUR 15 million has been taken out from 1 July 2023 to 1 September 2023. This was repaid on 1 August.

With the EUR 75 million we can continue our current activities support and invest for the future. The current financing agreement has been extended and runs until 5 October 2024. HZPC has now started discussions with banks to reach a new financing agreement starting from October 2024. Despite experiencing increasing risk aversion from banks from compliance regulations, management is sufficiently confident in obtaining a new financing agreement in a timely manner.

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

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.

	Solvency ratio	Asset coverage ratio	Turnover ratio	EBITDA Coverage
For the term	> 35%	> 70%	> 70%	> 70%
30-Jun-2023	> 35%	> 70%	> 70%	> 70%

13. Taxes, contributions and social insurances

	30-Jun-23	30-Jun-22
Corporate income tax to be paid	832	10
Corporate sales tax to be paid	400	500
Payroll tax and social insurances	684	826
Other taxes and premiums	124	79
	2.040	1.415

EUR 316 thousand was recognised in corporate income tax as a result of an available reinvestment reserve. The reserve was created by the sale of property D.S.S. Opslag B.V. The reserve is expected to be realised within three years.

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

14. Other debts and accrued liabilities

	30-Jun-23	30-Jun-22
Licenses to be paid	1.323	1.652
Wages and salaries to be paid	1.322	1.428
Pension contributions	727	591
Holiday allowances	2.388	2.189
Product-related costs	4.372	3.244
Growers	0	22
Operating result pool	1.493	624
Other amounts	3.059	2.458
	14.684	12.208

The item 'Operating result pool' concerns the payable HZPC Holland B.V. has on its growers and is the difference between the direct costs of the seed potatoes grown in a pool and the income received in return. The difference is added to the exploitation of the pool in the next financial year.

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.

To hedge trading transactions in ware potatoes for the coming year, HZPC Holland B.V. takes forward positions on the potato futures market for the account and risk of the growers. These positions are valued daily at cost price or lower market value. Any results on open positions at the end of the financial year are recognised in the financial year to which the harvest relates. The unrealised price

result for the account and risk of growers on the balance sheet date is amounted to nil.

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 94 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 its international activities, arising from receivables and debts recorded in the balance sheet, net investments in foreign companies and future transactions, the company is exposed to a currency risk in relation to the Russian Rouble, US Dollars, and Canadian Dollars in particular.

On June 30 2023 the net exposure was converted into EUR at the spot rate on the balance sheet date as follows:

x 1.000	ASSETS Local Currency	Rate VV/€	ASSETS in €	LIABILITIES Local Currency	LIABILITIES in €
USD	5.676	1,092	5.200	57	52
GBP	9.057	0,861	10.520	4.721	5.484
PLN	12.712	4,437	2.865	2.617	590
CAD	7.630	1,446	5.277	5.259	3.637
ARS	269.689	279,957	963	152.526	545
RUB	501.398	96,966	5.171	353.761	3.648
Totaal			29.997		13.956

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 25 million. The interest payable is 1-month Euribor + 1,1%.
- Seasonal facility of EUR 50 million from October 1 to June 30 of the following year. The interest to be paid is (1, 3, or 6 month) Euribor + 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. In order to limit the interest risk on the credit facility, two interest rate caps have been agreed as a mitigating measure.

If the rate were to rise by 1% as of 30 June, with all other variables staying constant, the interest payable on an annual basis would increase by around EUR 500 thousand.

To cover the interest rate risk, a rate cap of 2% on EUR 15 million has been concluded; this runs until 2028 and a second rate cap of 5% on EUR 15 million runs until April 2033.

Off-balance sheet assets and liabilities

Total liabilities amount to EUR 2,8 million These include:

- Operating lease commitments and rentals for an amount of EUR 2,2 million. Of this amount, EUR 0,9 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 2022/2023 amounted to EUR 2,0 million.
- Liabilities arising from the implementation of an ERP system amounting to EUR 842 thousand. This amount entirely has a term of less than 1 year.
- The investment commitment under the new Research (Mitslawier) building amounts to EUR 271 thousand.
- 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.
- Royal HZPC Group B.V. has received a positive ruling on an international arbitration case on IP rights in China. The other party has been ordered to pay a significant amount of damages. The ruling has yet to be confirmed by court in China. For this reason, it has not yet been recognised as a receivable in the financial statements.
- As explained in more detail in the annual report on page 59, internal compliance investigations revealed a number of irregularities. Management has sought legal advice. The impact of the non-compliance situations identified cannot be estimated, but the risk that this will have a financial impact is estimated by management to be low. There are no liabilities for this in the 2022/2023 financial statements.

Notes to the consolidated profit and loss statement

15. Net revenue

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

	2022/2023	2021/2022
Seed potatoes	373.476	299.020
Licenses	24.505	23.919
Services	6.781	3.046
Ware potatoes	15.600	24.324
Other	495	0
	420.857	350.309

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

	2022/2023		2021/2022	
	EUR	%	EUR	%
The Netherlands	68.036	16	64.357	18
Other E.U. countries	168.400	40	146.750	42
Other European countries	42.948	10	44.485	2
Outside Europe	141.473	34	94.717	38
	420.857	100	350.309	100

A number of seed potato customers of HZPC Holland B.V. and Stet Holland B.V., especially from countries where sanction measures apply, experience problems transferring money to the company's bank account. European banks do not allow receipts from these countries because of the compliance risks they face as a result. As a result, they engage third parties, often through distributor or agent, to transfer money to the company (2022/2023: EUR 1 million; 2021/2022: EUR 11 million).

Receipts through such parties inherently involve an increased risk of cooperating in terrorism financing or money laundering. We have not in all cases obtained insight into how payments to our companies were made, the background of the third parties that transferred funds to our companies and the relationship between our seed potato customers and these third parties. We did establish in the past two financial years that these parties from whom the funds originated do not appear on sanctions lists of Office of Foreign Assets Control, European Union and United Nations. Direct sales to customers from one ultra-high-risk country have been discontinued from harvest 2022 and we will no longer accept receipts from unknown third parties for deliveries from harvest 2022 onwards.

In financial year 2022/2023, we received information indicating that two unknown parties, from whom we received around EUR 0,4 million in 2020 and 2021, were involved in money laundering schemes. The above prompted us to conduct internal investigations into the third-party payments transactions in financial year 2022/2023 and gain further insight into the extent in previous financial

years. This revealed that there is a risk of past unknowingly participating in terrorism financing or money laundering. We have sought legal advice to understand our risks and position and have further tightened our compliance policy. Based partly on the legal advice we have obtained, we cannot reliably assess the potential impact of the risks.

16. Other operating income

Other income includes revenue from sales of other products and services, grant income and realized results on property sales.

17. Personnel expenses

	2022/2023	2021/2022
Personnel expenses	21.953	22.739
Social security costs	3.777	3.583
Pension costs	2.959	3.013
	28.689	29.335

For the Dutch employees of HZPC Holland B.V. and ZOS, personnel costs include the cost related to issuing HZPC share certificates.

Number of employees

During the financial year, the average number of employees at HZPC Holding B.V. and its subsidiaries was 403 FTE, of which 306 are employed in the Netherlands (previous financial year 397, of which 291 FTE were employed in the Netherlands).

This financial year, the FTE calculation consists of the average number of FTEs in the financial year instead of the number of FTEs at year-end.

Specification number of FTE's

	2022/2023	2021/2022
Management, administration and IT	108	85
Commerce and communication	56	73
Purchasing and logistic planning	122	126
Storage, grading and transport	31	26
Research	86	87
	403	397

18. Other operating expenses

	2022/2023	2021/2022
Sales costs	7.992	4.508
Office costs	3.848	3.729
Staff relates costs	6.294	4.967
Repair and maintenance	2.234	1.975
Other costs	7.843	7.670
	28.211	22.849

The cost of sales includes costs for Connecting Growers EUR 1,12 million (2021/2022 EUR 1,5 million).

Other costs consist of taxes, insurance, energy and various costs related to Research & Development. Research and development costs of nil (2021/2022 EUR 1,4 million) have been recognised as expenses in the income statement.

19. Interest receivable and similar income

	2022/2023	2021/2022
Debtors	36	39
Received interest R/C	50	447
Currency differences	-1	1.076
Other	424	99
	509	1.661

20. Interest payable and similar charges

	2022/2023	2021/2022
Disconto	-72	-56
Interest R/C banks	-1.660	-324
Currency differences	-1.359	-1.384
Other	-742	-492
	-3.833	-2.256

Argentina is experiencing hyperinflation and as a result we recognized exchange rate losses of EUR 0,9 million in last fiscal year. Local conditions remain difficult and we do not expect an improvement in the short term which means that we will continue to be exposed to exchange rate risk in relation to our group company and its activities in Argentina in the coming year.

21. Corporate income tax

	2022/2023	2021/2022
Applicable tax rate in The Netherlands	25,8%	25,8%
Foreign effect	-1,8%	-1,4%
Non-deductible amounts	0,2%	6,2%
Other	4,6%	-5,6%
Effective pressure	28,8%	25,0%

Discussions are ongoing between the company and the Dutch Tax Authorities regarding the tax treatment of the employee stock option plan, the Connecting Growers programme and the innovation box. At present, no clarity has been obtained from the tax authorities. An uncertain tax position of EUR 0,8 million has been recognised in the financial statements.

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 28,8% (2021/2022: 25%). For the Dutch companies, this concerns the effective rate of 35,3%. Change in the effective tax rate is mainly explained by provisions made for uncertain tax positions. For the foreign companies an average tax rate of 21,9% applies (2021/2022: 23,1%) applies, which is influenced by a lower normative tax burden in certain countries abroad.

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 audit firms' fees have been charged to the company, its subsidiaries and other companies it consolidates, all as referred to in Article 2:382a (1) and (2) of the Dutch Civil Code. Ernst & Young Accountants LLP is responsible for the audit of the HZPC Holding 2021/2022 annual accounts and KPMG Netherlands for the 2020/2021 annual accounts. Auditor fees have been recognised on the basis of the agreed fee. Subsequent costs are recognised at the time of invoicing.

	2022/2023	2021/2022
Expenses in the year:		
Audit of the financial statements, the Netherlands (Ernst & Young Accountants LLP)	350	187
Audit of the financial statements, the Netherlands (KPMG Accountants N.V.)	0	49
Audit of the financial statements abroad (KPMG network)	0	37
Tax - related advisory services (KPMG network)	0	123
Other non-audit services (KPMG network)	0	15
Auditor's fees	350	411

Remuneration of managing and supervisory directors

Refer to the [notes to the separate company financial statement](#) on page 125.

Company balance sheet

Company balance sheet as of 30 June (after profit appropriation)

Assets

(x EUR 1.000)

	Notes	30-Jun-23	30-Jun-22
FIXED ASSETS			
Intangible fixed assets	22		
Research and developments costs	13	36	
Intangible fixed assets under construction	3.755	0	
		3.768	36
Tangible fixed assets	23		
Company buildings and land	13.736	14.470	
Other fixed assets	138	130	
Operating assets under construction	2.654	559	
		16.528	15.159
Financial fixed assets	24		
Participating interests in group companies	58.236	50.088	
Accounts receivables from group companies	1.664	1.664	
Other participating interests	8	8	
Other securities	24	24	
Deferred tax assets	1.916	2.077	
Other receivables	672	225	
		62.520	54.086
TOTAL FIXED ASSETS		82.815	69.281
CURRENT ASSETS			
Receivables			
Group companies	30.028	21.775	
Trade debtors	8	1	
Receivables of participating interests and companies in which there is a participation	0	24	
Taxes and premiums	1.053	1.084	
Other receivables and accrued assets	25 467	274	

	Notes	30-Jun-23	30-Jun-22
		31.556	23.158
Cash and cash equivalents		126	15.464
TOTAL CURRENT ASSETS		31.682	38.622
TOTAL ASSETS		114.497	107.903

Liabilities

(x EUR 1.000)

	Notes	30-Jun-23	30-Jun-22
Shareholders' equity	26		
Issued capital	15.675	15.675	
Share premium reserve	1.433	1.433	
Legal reserves for participating interests	2.231	2.077	
Legal reserve for development costs	3.985	590	
Foreign currency translation reserve	-1.559	-99	
Other reserves	32.531	34.796	
		54.296	54.471
Provisions	27	89	84
Current liabilities			
Debts to group companies	7.045	6.303	
Debts to suppliers	1.187	693	
Payables to participating interests and companies in which there is a participation	306	306	
Dividend to be paid	4.702	4.702	
Debts to credit institutions	45.028	39.964	
Taxes and premiums	28 283	27	
Other debts and accrued liabilities	29 1.560	1.353	
		60.112	53.348
TOTAL LIABILITIES		114.497	107.903

Company profit and loss statement for the period 1 July 2022 to 30 June 2023

	Notes	2022/2023	2021/2022
Share in result of participating interests after tax	30	9.211	6.398
Other result after tax	31	-3.247	-848
Net result		5.964	5.550

Notes to the company financial statements

General

The company financial statements are part of the 2022/2023 financial statements of the company. With regard to the company profit and loss account, the exemption pursuant to Article 2:402 of the Dutch Civil Code has been used.

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.

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. Valuation of the provision is made at present value, if the effect of time value is material.

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.

Notes to the company balance sheet

22. Intangible assets

The composition and movement of intangible fixed assets in the financial year 2022/2023 were as follows:

	Research and development costs	Intangible fixed assets under construction	Total 2022/2023
Purchase value	1.139	0	1.139
Cumulative depreciation	-1.103	0	-1.103
Book value as per 1 July	36	0	36
Investments	0	3.755	3.755
Depreciation	-23	0	-23
Movements 2022/2023	-23	3.755	3.732
Purchase value	1.139	3.755	4.894
Cumulative depreciation	-1.126	0	-1.126
Book value as per 30 June	13	3.755	3.768

Investment ERP system including capitalisation of own hours EUR 1.192 million.

For notes on "intangible assets under construction," see page 99.

23. Tangible fixed assets

The composition and movement of tangible fixed assets for the year 2022/2023 is as follows:

	Company buildings	Operating assets under construction	Assets under in progress	Total 2022/2023
Purchase value	29.596	972	559	31.127
Cumulative depreciation	-15.126	-842	0	-15.968
Book value as per 1 July	14.470	130	559	15.159
Investments	0	88	2.095	2.183
Depreciation	-734	-80	0	-814
Balance	-734	8	2.095	1.369
Purchase value	29.596	1.060	2.654	33.310
Cumulative depreciation	-15.860	-922	0	-16.782
Book value as per 30 June	13.736	138	2.654	16.528

24. Financial fixed assets

The composition and movement of financial fixed assets for the year 2022/2023 is as follows:

	Participating interests in group companies	Accounts receivable from group companies	Other participating interests	Deferred tax assets	Other securities	Other receivables	Total 2022/2023
Book value as per 1 July	50.088	1.664	8	2.077	24	225	54.086
Investments/increase	0	0	0	0	0	500	500
Result from participating interests	9.211	0	0	0	0	0	9.211
Exchange rate fluctuation	-1.459	0	0	0	0	0	-1.459
Depreciation	0	0	0	-161	0	-53	-214
Other	396	0	0	0	0	0	396
Book value as per 30 June	58.236	1.664	8	1.916	24	672	62.520

The negative result of associates with negative equity EUR 3,5 million has been deducted from receivables from group companies, included in current assets.

Accounts receivable from group companies have a duration of an indefinite period. Interest of 2,5% is charged on the receivable.

25. Other receivables and accrued assets

	30-Jun-23	30-Jun-22
Prepaid amounts	380	274
Government grants to be claimed	8	0
Other accrues	79	0
Status as of 30 June	467	274

26. Shareholders' equity

The composition and movement per category for shareholders' equity for the year 2021/2022 is as follows:

	Issued capital	Share premium reserve	Legal reserves for participating interests	Legal reserve for development costs	Foreign currency translation reserve	Other reserve	Total 2022/2023	Total 2021/2022
Book value as of 1 July	15.675	1.433	2.077	590	-99	34.796	54.471	52.478
Movements in financial year 2022/2023								
Dividend	0	0	0	0	0	-4.702	-4.702	-4.702
Results of financial year	0	0	0	0	0	5.963	5.963	5.549
Exchange rate fluctuations	0	0	0	0	-1.459	0	-1.459	1.190
Purchase certificates	0	0	0	0	0	23	23	0
Depreciation	0	0	0	-360	0	360	0	0
Result	0	0	560	0	0	-560	0	0
(d)investment	0	0	-118	3.755	0	-3.637	0	-44
Other changes	0	0	-288	0	0	288	0	0
Status as of 30 June	15.675	1.433	2.231	3.985	-1.558	32.531	54.296	54.471

Issued capital

The authorised capital of the company amounts to EUR 50 million (2021/2022 EUR 50 million) and consists of 2.5 million shares with a nominal value 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 2021/2022).

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 reserve. On disposal of foreign operations, the relevant cumulative amount of currency exchange differences recognised in equity is recognised in the profit and loss account as part of the result on disposal.

Proposal for result appropriation

The General Meeting will be asked to approve the following appropriation of the 2022/2023 result after taxation: an amount of EUR 1.261 thousand to be added to the other reserves and the remaining amount of EUR 4.702 thousand to be distributed as dividends. Per share certificate, EUR 6,00 is available. This proposal is recorded in the balance sheet under the current liabilities.

27. Provisions

Other provisions

The composition and the movement of the other provisions in the financial year 2022/2023 are shown in the following overview:

	2022/2023	2021/2022
Amount as of 1 July	84	22
Additions	17	62
Withdrawals	-12	0
Amount as of 30 June	89	84

The provision for anniversary liabilities is calculated on the basis of a 4% discount rate and taking the expected turnover in personnel into account. Of the amount, EUR nil has a maturity < 1 year and EUR 22 thousand has a maturity > 5 years.

28. Taxes and contributions

	30-Jun-23	30-Jun-22
Corporate income tax	258	0
Payroll tax and social insurances	25	27
	283	27

29. Other debts and accrued liabilities

	30-Jun-23	30-Jun-22
Wages and salaries to be paid	569	645
Pension contributions	10	13
Invoices to be received	61	25
Other amounts	920	670
	1.560	1.353

30. Share in result in participating interests after tax

This concerns the company's share in the results of its associates, of which an amount of EUR 8.655 thousand (2021/2022: EUR 6.418 thousand) concerns group companies. The remaining part concerns results in minority interests amounting to EUR 556 thousand (2021/2022: EUR 20 thousand negative).

31. Other income and expenses after tax

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

Wages and salaries

	2022/2023	2021/2022
Gross staff wages	3.189	3.818
Employer's social security contributions for staff	378	409
Pension premium	392	453
	3.959	4.680

Specification number of FTE's

	2022/2023	2021/2022
Management, administration and IT.	53	48

At Royal HZPC Group B.V. there were an average of 53 FTE in service, all working in the Netherlands (previous financial year 48 FTE).

Other company costs

	2022/2023	2021/2022
Sales costs	1.373	1.589
Office costs	1.523	1.626
Staff related costs	727	593
Repair and maintenance	205	120
Other costs	359	248
	4.187	4.176

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 risk on interest-bearing assets and liabilities. Both of these receivables and payables have agreed on variable interest rate agreements, which means that the company is exposed to risk regarding future cash flows. In order to limit the interest risk on the credit facility, an interest rate 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 446 thousand. Of this amount, EUR 307 thousand has a term of less than one year. The remaining amount concerns an obligation for less than five years. An amount of EUR 361 thousand has been recognised in the profit and loss account for rent and lease in the financial year 2022/2023.

Liabilities arising from the implementation of an ERP system amounting to EUR 842 thousand. This amount has a term of less than one year. The investment commitment under the new Research (Metslawier) building amounts to EUR 271 thousand.

Tax entity

Together with its subsidiaries within the Netherlands, excluding D.S.S. Opslag B.V., the company forms a tax entity for corporate income tax purposes 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 in the consolidated financial statement.

Remuneration of managing and supervisory directors

A statement of the remuneration of the management has been omitted, pursuant to the provisions of Section 383 paragraph 1 of Book 2 of the Netherlands Civil Code, final sentence. The remuneration of Supervisory Board members amounts to EUR 104 thousand (2021/2022: EUR 95 thousand).

Joure, 19 October 2023

The Executive Board:

G.F.J. Backx (CEO), Managing Director

H. Verveld (CCO)

J.L. van Vilsteren (CFO)

The Supervisory Board:

M. M. Kester, Chair

C.J. Biemond J.-P. Bienfait

I. Frolova

M. Hommes-Gesink

09 OTHER INFORMATION



Statutory provisions on profit appropriation

Pursuant to article 27 of the articles of association of Royal HZPC Group 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.

Events after balance sheet date

In September 2023, Royal HZPC Group B.V. was targeted by a form of cybercrime. A large amount was transferred by criminals to their bank account. It is now known that the amount is in a blocked bank account and thus out of the hands of criminals. Due to the progress of the investigation initiated, the amount has not yet been returned to our bank account and is therefore not at our free disposal at this time.

Independent auditor's report

The following is an English translation of the independent auditor's report issued 19 October 2023

To: the shareholders and supervisory board of Royal HZPC Group B.V.

Report on the audit of the financial statements 2022/2023 included in the annual report

Our opinion

We have audited the financial statements for the financial year ended 30 June 2023 of Royal HZPC Group B.V. based in Joure.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Royal HZPC Group B.V. as at 30 June 2023 and of its result for the period 1 July 2022 to 30 June 2023 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 2023
- the consolidated and company profit and loss statement for the period 1 July 2022 to 30 June 2023
- 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 annual accounts' section of our report. We are independent of Royal HZPC Group B.V. as required by the Accounting Organisations Supervision Act (Wta), 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error.

Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and

how the supervisory board exercises oversight, as well as the outcomes.

We refer to the Risk Management section in the management report for management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistle blower procedures and incident registration of the Integrity Council. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the section 'Use of estimates' on page 81 in the financial statements. We have also used data analysis to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions. Additionally, in order to respond to the identified risk of management override of controls with regard to the capitalized development costs for the new ERP-system, we examined whether the expenditure meets the criteria for capitalization.

When identifying and assessing fraud risks we presumed that there are risks of fraud in revenue recognition, in particular with regard to the recognition of revenue in the correct financial year. We considered among others the company's result objectives and its realization. We designed and performed our audit procedures relating to revenue recognition responsive to this presumed fraud risk.

Specifically for the risk related to commission payments to agents, we have paid attention to the services agreed in writing and the amount of the associated remuneration.

These risks did however not require significant auditor's attention. The following fraud risk identified did require significant attention during our audit.

Risks in the management estimation of the allowance for doubtful debts

Fraud risk At the balance sheet date, the size of the outstanding trade receivables is significant. Customers have a strong geographical spread and pay relatively late for their seed potatoes. The management has an important role in the estimation process of the collectability of the trade receivables and thus the amount of the allowance for doubtful debts. In our audit, we took into account the risk that the management could breach internal control measures in the assessment of the allowance for doubtful debts leading to a material misstatement. Trends or interests may influence the outcome of the estimation. That is why we have identified a fraud risk for the valuation of the allowance. The trade receivables and the credit risk are explained in note 5 and note 14 of the financial statements (page 102 and page 106 of the annual report respectively). In note 5 in the notes to the consolidated balance sheet, management describes that there is uncertainty about the collectability of € 6.4 million trade receivables from high-risk and ultra-high-risk countries.

Our audit approach We performed among others the following audit procedures, directed specifically this fraud risk:

- We have gained an understanding of the design and existence of internal control with regard to the determination of the allowance for doubtful debts.
- We have verified the management's estimate on the basis of underlying (source) documentation, including bank receipts after the balance sheet date.
- Based on a retrospective assessment of the allowance for doubtful debts in the 2022-2023 financial statements, we have audited the quality of the management's assessment process.
- We have discussed the background of material outstanding trade receivables with account managers, sales management and group management and, where possible, verified with underlying source documentation.
- We have audited the disclosures in the financial statements.

We considered available information and made enquiries with members of management, the Integrity Council and the supervisory board. We refer to notes in the section 'Events after balance sheet date' on page 125 where it has been explained that a cyber incident has occurred after the end of the financial year. We have taken note of the design and execution of the internal investigation.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through our experience in the sector, discussions with management, reading minutes, inspection of internal investigations, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We identified the following risk of non-compliance with laws and regulations and we performed the following procedures.

Risks of non-compliance with laws and regulations due to third-party payments

Fraud risk Part of HZPC's revenue comes from countries where sanctions apply and customers experience problems when transferring funds to HZPC, on the basis of which third parties are deployed, whether or not through intermediaries.

We considered non-compliance with anti-corruption laws in high-risk countries, including the use of intermediaries and unwittingly cooperating in terrorist financing or money laundering by receiving funds through unknown third parties, as a risk in our audit.

Note 15 in the financial statements contains a disclosure on third-party payments. The risks with regard to compliance with laws and regulations, including developments in the financial year 2022-2023, are explained in the annual report on page 59.

Our audit approach We performed among others the following audit procedures, directed specifically this fraud risk, where the planning and execution took place in collaboration with our forensic specialists:

- We have gained an understanding of the design and existence of internal control around third-party payments.
- Performing analytical procedures and transaction tests on third-party payments.
- Taking note of internally conducted investigations into third-party payments and irregularities in the financial year 2022-2023, including the background checks carried out on external parties involved in the third-party payments.
- Taking note of legal opinions.
- We have inquired management and members of the supervisory board as well as the company's external legal counsel about possible or suspected violations of laws and regulations relating to third-party payments, including the status of ongoing investigations. To confirm the results of those investigations, we verified the information received with underlying source documentation.

We also inspected lawyers' letters and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

We have evaluated the adequacy of the disclosures in note 15 of the financial statements and on page 59 of the annual report on third-party payments and irregularities. We have examined whether these disclosures reflect the current status of the main investigations regarding suspected violations of laws and regulations and possible irregularities, including unwittingly cooperating in terrorist financing or money laundering by receiving funds through unknown third parties. The explanatory notes show that not all identified risks have been completely eliminated, the possible impact of which we have weighed for our opinion.

Our audit response related to going concern

Management made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future. As disclosed in section 'Going concern' on page 80 of the financial statements, the current financing agreement runs till 6 October 2024 and the company has started discussions with banks to obtain a new financing agreement. The financial statements have been prepared on a going concern basis.

We discussed the specific assessment with management, taken note of underlying correspondence with banks and evaluated it professionally and critically, and in particular the management's assumption that the refinancing will be arranged before 6 October 2024. We considered whether management's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant 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.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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 a company to cease to continue as a going concern.

Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

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 for the management report and the other 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 substantially less than the scope of those performed in our audit of the financial statements.

Management 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 required by Part 9 of Book 2 of the Dutch Civil Code.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management 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, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our 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 detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error 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 these 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 judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The ‘Information in support of our opinion’ section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the 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 management
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- 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 group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

Communication

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, 19 October 2023

Ernst & Young Accountants LLP

J.J. Kooistra