Financial statements 2019

Contents

Consolidated balance sheet as at 31 December
(before appropiation of profit)

(In euro thousands)	Notes	**2019**	2018
Assets			
Non-current assets			
Intangible assets	8	129,751	130,370
Right-of-use assets	9	37,046	-
Property, plant and equipment	10	4,376	4,871
Investments in associates	11	340	364
Deferred income tax assets	12	14,233	15,177
Total non-current assets		**185,746**	**150,782**
Total current assets			
Transition costs	13	-	8
Trade receivables and other short-term assets	15	67,427	64,100
Cash and cash equivalents	16	24,649	18,488
Total current assets		**92,076**	**82,596**
Total assets		**277,822**	**233,378**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated balance sheet as at 31 December (before appropiation of profit) (continued)

(In euro thousands)	Notes	**2019**	2018
Equity and liabilities			
Equity			
Paid-up and called-up share capital	17	9,326	9,326
Share premium reserve	18	136,219	136,219
Retained earnings	18	3,077	612
Profit for the year	18	14,875	6,873
Total equity		**163,497**	**153,030**
Liabilities			
Non-current liabilities			
Employee related provisions	20	1,083	875
Lease liabilities	9	28,289	-
Total non-current liabilities		**29,372**	**875**
Current liabilities			
Lease liabilities	9	9,822	-
Other provisions	21	867	365
Trade payables and other short-term liabilities	22	72,657	74,454
Current tax payable		1,607	4,654
Total current liabilities		**84,953**	**79,473**
Total liabilities		**114,325**	**80,348**
Total equity and liabilities		**277,822**	**233,378**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated income statement

(in euro thousands)	Notes	**2019**	2018
Revenue from contracts with customers	6	**372,259**	**358,522**
Operating expenses			
Cost of hardware, software and other direct costs		4,462	5,262
Work contracted out		99,502	96,508
Personnel expenses	23	217,116	219,731
Amortisation	8	1,455	1,648
Depreciation right-of-use assets	9	10,866	-
Depreciation tangible fixed assets	10	2,409	2,473
Other operating expenses	24	14,493	18,360
Total operating expenses		**350,303**	**343,982**
Operating profit		**21,956**	**14,540**
Finance income	-	-	-
Finance costs - other		-153	-236
Finance costs - lease liabilities	-	-972	-
Finance costs - net	25	**-1,125**	**-236**
Share of profit of associates	11	-23	-7
Net profit for the year		**20,808**	**14,297**
Income tax expense	26	-5,933	-7,424
Net profit for the year		**14,875**	**6,873**
Net profit is attributable to:			
Shareholders of the company		14,875	6,873
Net profit for the year		**14,875**	**6,873**

(In euro's)	Notes	**2019**	2018
Earnings per share - basic	27	**0.16**	**0.07**
Earnings per share - diluted	27	**0.16**	**0.07**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated statement of comprehensive income

(in euro thousands)	Notes	**2019**	2018
Profit for the year	18	14,875	6,873
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains and losses on defined benefit plans	18/20	-219	-5
Tax on items taken directly to or transferred from equity	18/12	58	1
Other comprehensive income for the year, net of tax		**-161**	**-4**
Total comprehensive income for the year		**14,714**	**6,869**
Total comprehensive income for the year is attributable to:			
Shareholders of the company		14,714	6,869
Total comprehensive income for the year		**14,714**	**6,869**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated statement of changes in equity

		2019					2018				
(in euro thousands)	Notes	Issued capital	Share premium reserve	Retained earnings	Profit for the year	Total	Issued capital	Share premium reserve	Retained earnings	Profit for the year	Total
Closing balance previous year		**9,326**	**136,219**	**612**	**6,873**	**153,030**	**9,326**	**136,219**	**-879**	**3,110**	**147,776**
First time adoption new IFRS's	2	-	-	-276	-	-276	-	-	-57	-2	-59
At 1 January		**9,326**	**136,219**	**336**	**6,873**	**152,754**	**9,326**	**136,219**	**-936**	**3,108**	**147,717**
Profit for the year	18	-	-	-	14,875	14,875	-	-	-	6,873	6,873
Other comprehensive income											
Actuarial gains and losses	12/18/20	-	-	-161	-	-161	-	-	-4	-	-4
Total comprehensive income for the year		**-**	**-**	**-161**	**14,875**	**14,714**	**-**	**-**	**-4**	**6,873**	**6,869**
Transactions with owners											
Appropriation of profit previous year	18/27	-	-	6,873	-6,873	-	-	-	3,108	-3,108	-
Dividend distribution	18/28	-	-	-4,663	-	-4,663	-	-	-1,865	-	-1,865
Share based payments - treasury shares settlement	17/18	-	-	-91	-	-91	-	-	-52	-	-52
Share-based payments - personnel expenses	18/23	-	-	783	-	783	-	-	361	-	361
Total transactions with owners		**-**	**-**	**2,902**	**-6,873**	**-3,971**	**-**	**-**	**1,552**	**-3,108**	**-1,556**
At 31 December		**9,326**	**136,219**	**3,077**	**14,875**	**163,497**	**9,326**	**136,219**	**612**	**6,873**	**153,030**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated statement of cashflows

(in euro thousands)	Notes	**2019**	2018
Cash flows from operating activities			
Net profit for the year		14,875	6,873
Adjustments for			
Finance costs -net / other	25	153	236
Finance costs -net / lease liabilities		972	-
Share of profit of associates	11	24	7
Taxes	26	5,933	7,424
		7,082	**7,667**
Operating profit		**21,957**	**14,540**
Adjustments for			
Amortisation	8	1,455	1,648
Depreciation right-of-use assets	9	10,866	-
Depreciation tangible fixed assets	10	2,409	2,473
Share-based payments	17/18/23/32	783	361
		15,513	**4,482**
Cash generated from operations profit before changes in working capital and provisions		**37,470**	**19,022**
Movements in transition costs		8	115
Movements in receivables		-3,327	-496
Movements in current liabilities and provisions		-324	-1,787
Movements in long term provisions		-11	-9
		-3,654	**-2,177**
Cash generated from operations		**33,816**	**16,845**
Interest paid		-1,072	-623
Income taxes paid	7	-7,631	-3,927
Net cash from operating activities		**25,113**	**12,295**

The notes 1 through 33 are an integral part of these financial statements.

Consolidated statement of cashflows (continued)

(in euro thousands)	Notes	**2019**	2018
Cash flows from investing activities			
Purchases of intangible assets	8	-872	-186
Purchases of property, plant and equipment	10	-1,884	-2,663
Divestment of intangible asstes	8	-	-
Divestment of property, plant and equipment	10	19	70
Net cash used in investing activities		**-2,737**	**-2,779**
Cash flows from financing activities			
Lease payments	9	-11,461	-
Settlement of share based payment	17/18	-91	-52
Dividend distribution to shareholders	18/28	-4,663	-1,865
Net cash used in financing activities		**-16,215**	**-1,917**
Net movement in cash and cash equivalents		**6,161**	**7,599**

(in euro thousands)	**2019**	2018
Net movement in cash and cash equivalents	6,161	7,599
Cash and cash equivalents at beginning of year	18,488	10,889
Cash and cash equivalents at end of year	**24,649**	**18,488**

The notes 1 through 33 are an integral part of these financial statements.

Notes to the consolidated financial statements

1. General information

Ordina N.V., a private limited liability company, was incorporated in 1973 and has its registered office in Nieuwegein, the Netherlands, under Trade Register number 30077528. Ordina is the largest local independent IT services provider in the Benelux region. We focus on giving our clients a digital edge in the sectors: financial services, industry, the public sector and healthcare. We do this by devising, building and managing technical applications. Ordina helps its clients to stay ahead of the challenges and changes in their business.

The consolidated financial statements for 2019 comprise the financial information of the company and all its group companies (referred to jointly as Ordina). The Management Board drew up the financial statements on 12 February 2020 and the statements were discussed in the Supervisory Board meeting of 12 February 2020. They will be submitted for adoption to the Annual General Meeting on 2 April 2020. The Supervisory Board also approved their publication on 12 February 2020.

Ordina N.V. shares have been listed on the Euronext Amsterdam stock exchange since 1987 and are included in the Small Cap Index (AScX).

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied by Ordina to all periods presented in these financial statements.

2.1. General

The consolidated financial statements of Ordina N.V. have been prepared in accordance with the International Financial Reporting Standards (IFRS), which have been accepted by the European Union, and their interpretations as adopted by the International Accounting Standards Board (IASB) and the legal provisions of Part 9, Book 2 of the Dutch Civil Code.

The financial statements are published in both Dutch and English. The Dutch version is leading.

The financial statements are denominated in euros (EUR). Amounts are in thousands of euros, unless otherwise indicated, as a result of which rounding differences may occur. The euro is the functional and presentation currency of Ordina N.V. The accounting policies are based on the historical cost convention. Personnel-related provisions ensuing from defined benefit plans are stated at actuarial value.

The preparation of the financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. Estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which forms the basis for making aforesaid judgments about the carrying amounts of the recognised assets and liabilities. Actual results and circumstances may differ from these estimates.

The estimates and underlying assumptions are continually evaluated and adjusted where appropriate. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Assumptions and estimates made by management in the application of IFRS that have a significant impact on the financial statements and future periods are disclosed in note 5.

Application of new standards

In the year under review, where applicable, Ordina applied new and amended IFRS standards and IFRIC interpretations relevant to the company. With the exception of the explanations below, in 2019 the application of other new and amended standards and interpretations had no material impact on Ordina's equity and results and the explanatory notes in the financial statements.

Ordina has not applied any published IFRS standards and interpretations that do not apply to reporting periods that commenced on 1 January 2019. As aspected these new standards will not have a material impact on Ordina's equity and results and the explanatory notes in the financial statements.

With effect from 1 January 2019, the group applied the standard IFRS 16 'Leases' for the first time. Below you will find an explanation of the impact of the application of IFRS 16.

IFRS 16, 'Leases'

IFRS 16 replaces IAS 17 'Leases': The standard includes guidelines for the accounting, measurement, presentation and explanation of lease contracts. On the basis of this standard, when accounting for lease contracts lessees no longer make any distinction between lease contracts that qualify as operational leases and lease contracts that qualify as financial leases. The standard came into effect on 1 January 2019.

Ordina used the modified retrospective approach in its initial application of IFRS 16, with 1 January 2019 as the initial application date. When accounting for leases using this method, the standard is applied retrospectively, with the cumulative effect of the initial application determined on the transition date being accounted for in equity. Comparative figures for previous periods are not adjusted. In the transition, Ordina opted to make use of the exception for lease contracts with a remaining term of less than 12 months on the initial application date, as well as for lease contracts with little underlying value.

The impact of the initial application of IFRS 16 was as follows:

(In euro thousands)	**1 January 2019**
Assets	
Non-current assets	
Right-of-use assets	34,436
Deferred income tax assets	347
Total non-current assets	**34,783**
Total assets	**34,783**

(In euro thousands)	**1 January 2019**
Equity and liabilities	
Equity	
Retained earnings	-276
Total equity	**-276**
Liabilities	
Non-current liabilities	
Lease liabilities	27,133
Total non-current liabilities	**27,133**
Current liabilities	
Lease liabilities	8,963
Trade payables and other short term liabilities	-1,037
Total current liabilities	**7,926**
Total liabilities	**35,059**
Total equity and liabilities	**34,783**

Upon initial application of IFRS 16, Ordina used a uniform method of accounting and measurement for all leases. The standard includes specific transition requirements and practical exemptions.

Leases that previously qualified as financial leases
As per 1 January 2019, Ordina had no financial lease contracts.

Leases that were previously accounted for as operational leases
As per 1 January 2019, Ordina had a large number of operational rental leases and car lease contracts. With respect to these leases, as per 1 January 2019, Ordina recognises a right of use and a lease liability. The right of use and the lease liability are determined on the basis of the cash value of the remaining lease payments as per 1 January 2019. In a number of cases, the right of use was determined on the basis of the assumption that IFRS 16 had been applied from the commencement of the leases in question. The aforesaid calculation takes into account the incremental interest rate on the transition date. The incremental interest rate percentages, as applied on 1 January 2019, are determined on the basis of the underlying assets and the term of the lease contracts in question and vary between 1.5% and 3.0%.

Ordina also applied the following practical exemptions:
- The use of the same interest rate percentage for a portfolio of leases with more or less the same properties;
- Impairment analysis based on the assessment of whether a lease is loss-making immediately prior to the initial application;
- The use of the exemption for leases with a term of less than 12 months after the initial application date;
- The exclusion of initial direct costs (insofar as applicable) when determining the right of use on the date of initial application;
- The use of up-to-date information when assessing options regarding the extension or early terminations of lease contracts.

On the basis of the above-mentioned premises, the impact on Ordina's financial position as per 1 January 2019 was as follows (rounded off to the nearest million euro):
- The recognition of a fixed asset/right of use of approximately EUR 34.4 million;
- An increase of approximately EUR 3.0 million in deferred tax assets;
- The recognition of a lease liability of approximately EUR 36.1 million;
- A reduction in other current liabilities of approximately EUR 1.0 million, as the straight line recognition of rent-free periods in operational lease costs during the term of the lease no longer applies;
- A decline in equity (retained profits) of approximately EUR 0.3 million.

The connection between operational lease liabilities as per 31 December 2018 and the lease liabilities under application of IFRS 16 as per 1 January 2019 can be explained as follows:

(in euro thousands)	
Operating lease commitments as at 31 December 2018	52,750
Less: Commitments related to service components	-10,344
Less: Commitments related to contracts not yet started as at 31 December 2018	-5,238
Add: Commitments related to renewal periods not included in operating lease	2,277
	39,445
Less: Discounting commitments	-3,349
Lease liabilities as at 1 January 2019	**36,096**
Weighted average incremental borrowing rate as at 1 January 2019	2.69%

2.2. Consolidation

Group companies are all entities over which Ordina can exercise decisive control. Control is effective if Ordina has the power, either directly or indirectly, to govern the financial and operating policies of an entity.
The financial statements of such group companies are included in the consolidated financial statements of Ordina N.V. from the date Ordina gains such control until the date that it loses said control. All group companies included in the consolidated financial statements for 2018 and 2019 are wholly owned by Ordina. Consequently, there is no third party non-controlling interest.

The cost price of an acquisition is measured as the fair value of the current assets paid and due on the transaction date, as well as, if applicable, the fair value of equity instruments issued (i.e. shares) used to finance the acquisition.

Intercompany balances, transactions and unrealised gains on transactions between group companies are eliminated in drawing up the consolidated annual accounts. Transactions with associates are eliminated in the consolidation as far as Ordina´s share in the associate in question is concerned.

The accounting policies for the balance sheet and the income statement as included in these financial statements apply to the balance sheet and income statement of all consolidated group companies.

Other investments in associates all relate to minority interests in companies in which Ordina has significant control, but no decisive control. Significant control is generally assumed in the case of a shareholding of between 20% and 50%. These investments are initially recognised at cost price and subsequently valued using the equity method of accounting (see section 2.8).

2.3. Segment reporting

Information per segment is reported in line with how reporting lines and decision-making are organised within Ordina. The Management Board is identified as the highest body with regard to strategic decision making (the so-called chief operating decision maker). The Management Board comprises the CEO and the CFO.

See note 7 for a more detailed explanation of segment information.

2.4. Foreign currency

2.4.1. Functional and presentation currency

All group companies use the euro as their functional currency. Consequently, the consolidated financial statements are presented in euros, the currency of Ordina's primary economic environment.

2.4.2. Translation other currencies

Where applicable, foreign currency transactions and balances are translated into the functional currency (the euro) using the exchange rates prevailing at the dates of the transactions and at the balance sheet date respectively. Foreign exchange gains and losses are recognised in the income statement.

2.5. Intangible assets

2.5.1. Goodwill

Acquisitions are accounted for using the purchase method of accounting. Goodwill results from the acquisition of group companies. Goodwill represents the difference between the cost of an acquisition and the fair value of the acquired identifiable assets and liabilities, including contingent liabilities, at the date of acquisition. Payments related to the acquisition are stated on the basis of the paid and due current assets at the transaction date, as well as, if applicable, the fair value of the equity instruments (i.e. shares) use to finance the acquisition. Contingent elements in the purchase price are stated at fair value, and also carried as a liability upon acquisition, with variances due to value differences being recognised through profit or loss. Goodwill is stated at cost less accumulated impairment losses.

Costs pertaining to an acquisition are stated as a charge to the results at the time they are incurred.

Goodwill is allocated to cash-generating units. Impairment of goodwill is recognised as an expense in the income statement where appropriate. Impairment losses recognised for goodwill will not be reversed in a subsequent period. If an entity in which control is exercised is sold, the carrying amount of the goodwill is recognised in profit or loss.

Any negative goodwill arising on an acquisition is recognised directly in the income statement.

Goodwill on acquisitions of associates is included in 'investments in associates'.

2.5.2. Software

Software licences are capitalised on the basis of the cost of acquiring and preparing the software for use. Internally developed software is capitalised insofar as the cost is the result of the development and testing phase of a project and if it can be demonstrated that:

- the project is technically feasible so that it can be put to use;
- there is an intention to complete the project and use the software;
- the software will generate demonstrable future economic benefits;
- technical, financial and other resources are available to complete and use the software;
- it is possible to reliably determine the expenditure that can be attributed to the developed software.

Directly attributable costs that are attributed to internally developed software comprise personnel expenses, as well as directly attributable external costs. The costs are capitalised at cost price. Other expenses relating to internally developed software that do not meet the aforementioned criteria are charged to the result at the time they are incurred.

Software has a limited lifespan and is capitalised at cost less amortisation and impairments. Amortisation is charged to the income statement using the straight line method on the basis of the estimated useful life. Internally developed software is amortised from the date it is taken into use.

2.5.3. Amortisation of intangible assets

Amortisation is calculated using the straight line method to allocate the cost of intangible assets over their estimated useful lives. Goodwill is tested annually for impairment at each balance sheet date. Other intangible assets are amortised from the date they are available for use.

The useful lives of the intangible fixed assets as estimated by the management are as follows:

- software: 3-7 years
- brand names: 2-3 years
- customer lists: 5 years
- contract portfolios: 1-2 years

The assets' useful lives are reviewed annually and adjusted where appropriate.

2.6. Leases

2.6.1. Right-of-use assets

Ordina recognises a right of use at the moment it enters into a lease contract and the asset in question is actively available for use. The right of use is measured at cost price, less cumulative depreciation and impairments, and corrected for adjustments as a result of the remeasurement of the lease liability. The carrying amount of the right of use comprises the amount of the recognised lease liability, initial direct costs related to the lease and lease payments made prior to or at the moment Ordina enters into the lease, less possible lease incentives. Rights of use are depreciated using the straight line method over the useful life of the asset or, if shorter, the term of the lease contract, if it is not reasonably certain that Ordina will gain ownership of the leased asset at the end of the lease term. The lease contracts that Ordina enters into do not include a purchase option that can be exercised with any reasonable degree of certainty. Rights of use are assessed for impairment.

2.6.2. Lease liabilities

At the moment it enters into a lease contract, Ordina recognises a lease liability on the basis of the cash value of the future lease payments during the term of the lease. The lease payments comprise fixed lease payments, any incentives to be received and variable lease payments that depend on an index or rate.

If it is not possible to determine the interest rate, the cash value is calculated on the basis of an incremental interest rate on the commencement date of the contract, which is determined on the basis of the underlying asset and the term of the lease contract in question. Following the commencement of the lease contract, the lease liability is calculated plus interest and less the lease installments already paid. In addition to this, the lease liability is adjusted if there is any reassessment of the contract, adjustment of the term or changes to lease payments (for instance, changes in future payments as a result of an index or tariff). Interest related to the increase in the lease liability is charged to the result under financing expenses.

2.6.3. Short-term leases and low-value leases

When appropriate, Ordina makes use of the exemption for leases with a term of less than 12 months. These leases have a term of less than 12 months from the commencement date and do not include a purchase option. Ordina also applies the exception for leases with a low value (less than EUR 5,000). Lease payments related to short-term leases or leases with a low value are charged directly to the income statement evenly distributed over the term of the lease.

2.6.4. Significant estimates and assumptions when assessing options to extend a lease

Ordina views the term of the lease contract as the non-cancellable lease term, in conjunction with any potential option to extend the lease. Ordina has various lease contracts that include an extension option. Any measurement takes into account the extension option, in so far as it is reasonably certain that Ordina will make use of the extension option. When assessing whether to make use of the option, Ordina takes into account all relevant factors to realise an economic advantage from a potential extension. Ordina assesses whether it will make use of extension options at the commencement of the lease contract and subsequently each time there is a reason for such an assessment. Ordina has taken extension options into account for several rental contracts. A contract extension is judged to be reasonably certain for these contracts. The term of the extension options included in rental contracts varies between three and five years. Ordina does not take into account any extension options in the case of contracts for lease cars, as Ordina's policy is in principle to never allow car lease contracts to run for more than four years, regardless of any potential extension options.

2.7. Property, plant and equipment

2.7.1. Freehold property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition or manufacture of the items. Subsequent costs are included in the asset´s carrying amount or recognised as a separate asset, as appropriate, if it is probable that future economic benefits associated with the item will flow to Ordina and the cost of the item can be measured reliably. Repair and maintenance costs are recognised in the income statement during the financial period in which they are incurred.

Gains or losses on the sale of property, plant and equipment are included in depreciation.

2.7.2. Depreciation

Depreciation on property, plant and equipment is calculated in the income statement using the straight line method on the basis of the estimated useful life of an asset as estimated by the management. The estimated economic life of the property, plant and equipment used to calculate the depreciation is as follows:

- Equipment: 2-4 years
- Fixtures and fittings: 3-5 years
- Building alterations: 2-15 years

Building alterations are depreciated on the basis of the shorter of the remaining terms of the leases for the respective buildings and their useful lives.

The residual value, which is usually set at nil, and remaining useful lives of property, plant and equipment are reviewed annually on the balance sheet date and adjusted when appropriate.

2.8. Investments in associates

Associates are all entities over which Ordina has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are recognised using the equity method and first recognised at cost at the time Ordina enters into the investment commitment. The valuation of investments in associates includes goodwill as determined on the acquisition date, net of any accumulated impairment losses.

Ordina's share of its associates' post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in Ordina's reserves, with the recognition in Ordina's reserves following the recognition in the reserves of the associate (e.g. dividend payments or a change recognised via the total result). When its share of losses in an associate equals or exceeds the carrying amount of the associate, Ordina does not recognise further losses, unless it has issued guarantees for the associate, or incurred obligations or made payments on behalf of the associate. In the event of obligations not shown on the balance sheet relating to associates for which Ordina can be held liable, these are included in the commitments and contingencies (see note 30).

2.9. Transition costs

Transition costs arise upon the acquisition or implementation of long-term management contracts and are related to the installation of systems and processes which occur after said contracts have been acquired. Transition costs are valued at cost price. Transition costs pertain primarily to costs related to the conversion of existing systems to Ordina standards. These costs are primarily personnel costs and costs of sub-contractors.

Transition costs are charged to income during the period in which the management activities are carried out, which varies from two to five years. Transition costs are recognised under the purchase value of hardware and software and other direct costs.

2.10. Trade receivables and other short-term assets

Trade receivables and other short-term assets are initially recognised at the transaction price and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Under the application of IFRS 9 'Financial instruments' a provision is taken for any expected credit losses on trade receivables, unbilled revenue and contract assets based on the expected settlement term of said assets. This provision is determined on the basis of historical credit losses on trade receivables, unbilled revenue and contract assets, adjusted for economic developments and future expectations relevant to the specific receivables. The amount of the provision for the doubtful debts is recognised in the income statement under other operating expenses.

Other current receivables include unbilled amounts related to contracts on the basis of retroactive costing, contract assets, other receivables and accrued income.

A contract asset is the right to payment in exchange for goods or services that have been transferred to the client. A contract asset is recognised if this right to payment arises before the client makes this payment or before payment is due. Contract assets are recognised under other current assets, insofar as these contract assets have already exceeded the amounts billed for these projects. A contract obligation is the obligation to transfer goods or services to a client, insofar as Ordina has received a payment from the client for same. Contract obligations are recognised as income when Ordina has met its contractual performance obligation. If the contract obligations for current projects exceed the sum of the costs incurred and gains realised, the balance of these projects is recognised under current liabilities. In this regard, reference is made also to the accounting policies for revenue recognition (see section 2.18)

2.11. Cash and cash equivalents

Cash and cash equivalents are cash balances and balances in current accounts with banks. Current account receivables are presented in the cash flow statement as part of the cash and cash equivalents. Current account debts with banking institutions are recognised as bank debts under current liabilities.

2.12. Assets and liabilities held for sale

Non-current assets are classified as 'held for sale' if their sale is more likely than not and their carrying amounts will be recovered through this sale. For this to be the case, the assets must be available for immediate sale and their sale must be highly probable. Assets held for sale are presented separately in the balance sheet. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The liabilities included within a disposal group classified as held for sale are also presented separately from other liabilities in the balance sheet.

2.13. Impairment of non-financial assets

Intangible assets that have an indefinable useful life, as well as assets that are not yet available for use are not subject to amortisation but tested annually for impairment. Assets that have a definable useful life are amortised and tested for impairment whenever there is an indication that their carrying amounts may not be recoverable. An impairment loss is recognised for the amount by which an asset´s carrying amount exceeds its recoverable amount.

2.13.1. Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit. In assessing the value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate independent cash flows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

2.13.2. Reversal of impairment losses

Impairment losses recognised for goodwill will never be reversed in a subsequent period.

In respect of all other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. It is assessed at each reporting date whether there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased. If there is any such indication, the recoverable amount of that asset is re-determined and the impairment loss adjusted when such is warranted by the assessment.

2.14. Shareholders' equity

2.14.1. Share capital

The authorised capital of Ordina N.V. consists of 160,000,000 ordinary shares, 39,999,995 preference shares and one priority share. The issued and paid-up priority share and the issued and paid-up ordinary shares are classified as shareholders' equity.

Costs directly related to the issue of new ordinary shares are charged (after deduction of taxes) immediately upon issue as a correction to the proceeds of the issue and charged to the shareholders' equity.

2.14.2. Treasury shares

When Ordina N.V. purchases equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from shareholders' equity until the moment the shares are cancelled, re-issued or sold. In the event that such shares are subsequently sold or re-issued, any amount received, net of any directly attributable incremental costs and the related income tax effects, is credited to the shareholders' equity

2.14.3. Dividends

Dividend payments to Ordina N.V. shareholders are classified as liabilities as soon as the General Meeting passes a motion to make such payments.

2.15. Employee benefits

2.15.1 Pension plans

Ordina has both defined contribution and defined benefit plans. A defined contribution plan is a pension plan under which Ordina pays fixed contributions to an insurance company. Ordina has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, salary and years of service.

2.15.1.1. Defined contribution plans (based on the available contribution system)

Contributions to defined contribution plans on the basis of available contributions are recognised as expenses in the income statement in the period to which they relate. Ordina has no other obligations in relation to defined contribution plans.

2.15.1.2. Defined benefit plans

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are recognised directly in the consolidated statement of comprehensive income. Pension costs incurred during the year (including costs, interest expenses and expected returns on plan assets) are charged to the statement of income.

2.15.2. Share-based payments

The members of the Management Board and the senior management are entitled to long-term profit-sharing and bonus benefits in the form of Ordina N.V. shares. For the purposes of these long-term benefits, performance criteria are determined annually for each upcoming three-year period. Based on these performance criteria, the number of shares in Ordina N.V. to be awarded is determined annually and for each individual three-year period.

The shares that are expected to be awarded are valued on the basis of the price of Ordina N.V. shares at the grant date. Any awarded shares will be subject to a lock-up period of two consecutive years. This lock-up period does not apply to the sale of part of the shares with a view to paying any taxes due on the grant of the shares.

The change in long-term profit-sharing and bonus benefits is recognised in the income statement at the reporting date based on current estimates. The total expense is recognised during the `vesting period´, the period during which certain vesting conditions must be met. As the liability by virtue of long-term benefits involving a payment in shares in Ordina N.V. is disclosed as an equity component, the expense recognised in the income statement results in a corresponding adjustment to equity. The recognised value of the share-based payment is disclosed as a payment on the issued shares at the time of payment.

2.16. Provisions

Provisions are recognised in the balance sheet when the following conditions are met:

- there is a question of a legally binding or actual obligation as a result of a past event;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount necessary to settle the obligation can be reliably estimated.

Provisions are measured at the current value of the expected expenditures required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

In addition to the provision for pensions referred to in section 2.15.1.2, provisions are recognised for restructuring costs, vacant buildings under lease, warranty and project commitments and onerous contracts.

A provision for restructuring costs will be formed when Ordina has a detailed formal plan for the restructuring and has started to implement the restructuring or announced the restructuring publicly. Costs relating to future operating activities are not included in the restructuring provision.

A provision is recognised for warranty commitments pending at the balance sheet date. This provision is based on the activities that are expected to be associated with these commitments. The warranty provision is determined at the cost of the expected activities.

The provision for project commitments relates to activities expected to be performed with regard to onerous contracts. The amount of the provision corresponds to the excess of the unavoidable costs Ordina will incur to meet the obligations under such contracts over and above the economic benefits expected to be received from said contracts

2.17. Trade payables and other current liabilities

Trade payables and other current liabilities are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method.

2.18. Revenue from contracts with customers

Ordina is active in the IT services sector. Revenue from contracts with customers is recognised at the moment that Ordina has met its performance obligation and has effectively transferred control of the goods or services to its client. Revenue is recognised in the amount that Ordina expects to receive in exchange for the delivered services and goods.

With respect to the most important estimates and assumptions in the recognition of revenue from contracts with customers, please see note 5.

Ordina determines whether there is any question of separate performance obligations within a contract. A performance obligation is a promise to a client to deliver goods and/or services. A performance obligation may pertain to an individual service or good or to a series of separate individual services or goods, which are generally the same and are delivered according to a similar pattern. A performance obligation is determined at the commencement of the contract on the basis of the contractual conditions and agreements.

Revenue is recognised for each individual performance obligation in the amount that Ordina expects to receive for each individual performance obligation, and if applicable taking into account variable payments, significant financing elements, non-cash payments and payments that are made to the client.

When determining the transaction price, Ordina takes into account variable payments insofar as it is highly likely there will be no significant reduction in this variable payment in the cumulatively recognised revenue. Estimates with respect to variable payments are periodically re-evaluated and updated when necessary.

If there is any question of a significant financing element, the transaction price is adjusted by the value that can be attributed to the financing. If applicable, such amounts are recognised as financing costs. In the case of payment terms of less than one year, there is generally no question of a financing element. Ordina's contracts pertaining to the delivery of IT services and/or the sale of software do not include any material financing element.

Discounts are charged to the revenue on each reporting moment, unless it is highly likely that Ordina will not grant the discount to its client. Depending on the kind of discount, as laid down in the contract, the discount is determined on the basis of the revenue already recognised and the then current estimate of the total revenue to be recognised.

Compensation or a penalty payment is taken into account in determining the transaction price, unless it is highly likely that Ordina is not bound to pay the compensation to its client.

Ordina recognises revenue from IT services 'over time', given that the performance obligation is met during the term of the contract, subject to the condition that it is reasonably possible to make a sufficiently reliable estimate of the progress of the activities, the activities result in an asset that is controlled by the client during the activities, the activities result in an asset for which there is no alternative use, and Ordina has an enforceable right to remuneration for the services already provided. In the case of fixed-rate projects, Ordina recognises revenue on the ratio between actual costs en budgeted costs.

Ordina recognises revenue from the sale of hardware and/or software at a point in time, given that the performance obligation has been met at the moment the hardware and/or software is delivered.

Ordina sometimes closes contracts with clients that involve Ordina, acting on behalf of its client, purchasing hardware, licenses or specific services from third parties. In these situations, Ordina determines whether it is acting in the role of principal or agent. Under these contracts, Ordina may facilitate the purchase of the goods or services, without bearing primary responsibility for the actual delivery of said goods or services. In this situation, Ordina does not run any inventory risk before or during the delivery. If Ordina has no control over the goods or services to be delivered it plays the role of agent and only recognises revenue for the margin realised. If Ordina does have control of the goods or services during the delivery, it plays the role of principal and recognises revenue for the gross amounts.

2.19. Costs

2.19.1. Costs of hardware, software, other direct costs and work contracted out

Costs of hardware, software, other direct costs and work contracted out are attributed to the period in which the corresponding income is recognised and recognised at historical cost

2.19.2. Operating lease payments

Lease payments are primarily recognised in line with note 2.6 Leases. Lease payments that do not qualify as leases under the application of IFRS 16 Leases are charged to the income statement on a straight line basis over the period of the lease.

2.19.3. Government grants

Government grants are recognised when there is reasonable assurance that: i) Ordina will comply with all attached conditions and ii) that the grants will be received.

Government grants relating to study cost allowances are recognised in the income statement in `personnel expenses´.

2.19.4. Finance income and costs

This item includes interest received for loans extended, on bank balances, as well as interest received in relation to the settlement of tax claims.

Finance costs include the interest charged by banks on withdrawals, commitment fees, interest charges incurred for the settlement of tax obligations and pension commitments, as well as the interest-related to movements in provisions due to the passage of time. In so far as applicable, the interest component of lease liabilities is also recognised under financing costs (see note 2.6.2).

2.20. Income taxes

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income) for the period under review. Current and deferred tax is recognised in the income statement, except to the extent that the tax arises from a transaction or event which is recognised directly in other comprehensive income. In that case, the associated tax is recognised directly in other comprehensive income as well.

Tax expense (income) for the accounting period includes income tax on taxable profit, which is calculated based on tax rates expected to be applied, making allowance for tax-exempt profit components and non-deductible amounts, as well as any adjustments for current tax of prior periods.

Deferred taxes are recognised for temporary differences arising between the fiscal values of assets and liabilities, and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither commercial nor fiscal results. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets for tax losses are recognised only when it is probable that taxable profits will be available against which they can be utilised.

Deferred income tax assets and liabilities that relate to the same taxable entity are offset in the balance sheet if Ordina has a legally enforceable right of set-off.

3. Presentation of the statement of cash flows

Ordina reports cash flows using the indirect method. The cash flow statement distinguishes between cash flows from operating activities and investment and financing activities.

Net cash flows from operating activities include income and expenses before taxes, as well as interest received and paid (including interest payments related to lease liabilities).

Cash flows arising from the acquisition or disposal of financial interests (participations and investments) are included in cash flows from investing activities; allowance is made for cash and cash equivalents embodied in such interests.

Lease payments (excluding the interest component) and dividends paid out are recognised in cash flows from financing activities.

4. Financial risk management

Ordina's activities expose it to a variety of financial risks, including market risk, credit risk and liquidity risk. Ordina's risk management falls under the responsibility of the Management Board and encompasses more than just financial risks. Risk management focuses on identifying key risks and managing these using guidelines, procedures, systems, best practices, specific controls and audits. Our financial risk management focuses specifically on risks that are relevant to Ordina in this regard.

The Management Board bears the ultimate responsibility for the design and the implementation of the supervision of the risk management within Ordina. Risk management policies and systems are evaluated regularly and if necessary adjusted to changes in market conditions and Ordina's activities.

4.1. Market risk

Market risk pertains to the risk that Ordina's income is influenced by changes in market prices, such as interest rates and exchange rates. The management of market risks is aimed at keeping market risk positions within acceptable boundaries while optimising returns.

4.1.1. Interest rate risk

Ordina is exposed to interest rate risk, which is limited to the Eurozone. Ordina's interest rate risk policy seeks to limit the entity's exposure to interest rate risk on borrowings. Interest rate risks may arise on both non-current and current borrowings. Ordina continually analyses developments in cash flows in relation to available financing facilities and interest rate fluctuations.

With the exception of its lease liabilities under the application of IFRS 16 Leases, at year-end 2019 and 2018, Ordina had no non-current interest-bearing borrowings.

The floating rate of interest due on the current borrowings is dependent on the term to maturity of the borrowings, plus a fixed margin. In the financing agreement extended in July 2019, this fixed margin was lowered to 0.7% from 1.0%. The term to maturity of the current borrowings fluctuates depending on cash requirements and ranges between one and three months.

In 2019, Ordina made very limited use of the short-term borrowings in its financing facility. If a sensitivity analysis had resulted in an assumed increase in the floating rate of interest of on average 1.0%, this would have resulted in a very limited increase in financing expenses.

Ordina has no significant interest-bearing assets. Group income is therefore virtually entirely independent of changes in interest rates.

4.1.2. Currency risk

All Ordina divisions are based and most of their revenue realised within the Eurozone. Ordina has therefore chosen the euro as its functional and reporting currency. Ordina has no assets or liabilities outside the Eurozone. The Management Board qualifies the currency risks at year-end 2019 as limited.

4.2. Credit risk

Ordina has exposure to credit risk. Credit risk is the risk of financial losses for Ordina if a client or counterparty of a financial instrument defaults on an assumed contractual obligation.

Credit risk is managed on a group basis. Credit risk arises on cash and cash equivalents, derivative financial instruments and transactions with clients, including credit exposures. For banks and financial institutions, only independent professional parties based in the Netherlands are accepted, with risks being spread over a range of parties.

The credit quality of clients is assessed in advance using project acceptance criteria. If available, external credit ratings are used. If there is no independent rating, Ordina assesses the credit quality of clients based on internal guidelines, taking into account their financial position, past experience and other factors. The exposure to credit risk related to clients is assessed on an ongoing basis using the internal guidelines. Concentration of credit risks associated with trade and other receivables is identified particularly within the public sector. The concentration of credit risk related to other clients is limited in view of the individual size and independent position of the various clients. Ordina has done business with a large proportion of its customers for many years and in the past there have only been occasional instances of clients defaulting on their obligations. Clients are assessed continually and individually for compliance with payment terms. The findings are periodically reported to the Management Board. We refer you to note 15 of this annual report for further information on trade receivables.

The Management Board qualified the credit risk related to customers as limited at year-end 2019. The Board did note a concentration of risks in situations that involved the intervention of so-called broker parties. Such parties could experience solvency or continuity issues due to market conditions.

Ordina N.V. has filed a declaration of joint and several liability for the majority of its Dutch group companies with the respective competent Trade Registries.

4.3. Liquidity risks

Liquidity risk is the risk that Ordina cannot meet its financial obligations. The premise of liquidity risk management is that insofar as possible there should be sufficient liquidity for the company to meet its current and future financial obligations in both normal and difficult circumstances, without this entailing unacceptable losses or the threat of damage to Ordina's reputation.
Ordina has centralised its cash management, using the centrally managed financing facility Ordina closed in July 2019. At year-end 2019, Ordina was able to draw on a committed facility of EUR 30.0 million in total. The committed facility consists entirely of a current account credit facility of EUR 30 million. The maximum term is five years, with an initial term of three years and an option to extend the term twice by one year. For information on the available credit facilities and the applicable covenants, we refer you to note 16 in this annual report.

Cash management is aimed at putting Ordina's available cash resources and overdraft facilities to the best possible use. To this end, cash flow forecasts are prepared periodically for both the short and medium terms. These forecasts are revised periodically based on actual results and revised forecasts, if any.

The table below shows a division of Ordina's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity date at the balance sheet date. The amounts shown are the unconditional, contractual, undiscounted cash flows. Future interest payments are included in the disclosed cash flows where applicable.

	2019				2018			
	Carrying amount			Maturity date	Carrying amount			Maturity date
		< 1 year	within 1 to 2 year	> 2 year		< 1 year	within 1 to 2 year	> 2 year
At 31 December								
Borrowings	-	-	-	-	-	-	-	-
Lease payments	-40,621	-10,605	-8,206	-21,810	-	-	-	-
Trade and other payables	-60,835	-60,835	-	-	-52,076	-52,076	-	-

4.4. Capital risk management

Capital is managed centrally to safeguard Ordina's ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital and provide returns for shareholders.

Instruments for achieving an optimal capital structure are dividend policy, the option to purchase treasury shares and the option to issue new shares, in particular to fund potential acquisitions or to reduce debt.

The gearing ratio stood at around 59% at year-end 2019 (year-end 2018: around 66%). The decline in solvency compared with year-end 2018 was largely due to the increase of approximately EUR 45 million in the balance sheet total, to EUR 278 million at year-end 2019 from EUR 233 million at year-end 2018. This increase was largely due to the application of IFRS 16 Leases.

Any impairment of goodwill has a major impact on the gearing ratio. If it is assumed in the context of a sensitivity analysis that there will be an impairment of 20%, the gearing ratio stood at around 55% at year-end 2019. Ordina considers a gearing ratio (ratio of shareholders equity to the balance sheet total excluding goodwill) of 25% as a responsible minimum. Excluding goodwill, the gearing ratio stood at more than 25% at year-end 2019 (year-end 2018: around 26%).

5. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Ordina's management makes estimates and assumptions concerning the future on an ongoing basis. The accounting estimates and assumptions used will, by definition, seldom equal actual results. The estimates and assumptions that carry a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

5.1. Impairment of goodwill

For the (groups of) cash-generating units, Ordina tests at least once a year for impairment of goodwill attributed to the relevant (groups of) cash-generating units (see Section 2.13). An impairment of goodwill is recognised when the book value exceeds the recoverable value. These calculations involve certain estimates and assumptions. The recoverable value is the higher of fair value, less disposal costs, and the value in use. For a more detailed explanation of the impairments test see note 8.5.

5.2. Revenue from contracts with customers

Ordina recognises revenue on the basis of the amount it expects to receive in exchange for the goods and services its delivers (see note 2.18). In the event of fixed-price contracts, Ordina makes an estimate of the services delivered at the reporting moment as a percentage of the total services to be delivered. Estimates are based on periodically available information regarding the status of the projects in question, as well as on the basis of past experience of comparable situations. The actual situation may deviate from these estimates.

5.3. Restructuring provision

Ordina recognises a restructuring provision when it has prepared a detailed formal plan for the restructuring and has started to implement the restructuring or announced same publicly. Restructuring provisions include estimates and assumptions involving redundancy and severance payments. The actual situation may differ from these estimates.

5.4. Onerous contracts

The amount of the provision corresponds to the excess of the unavoidable costs Ordina will incur to meet the obligations under such contracts over and above the economic benefits expected to be received from said contracts. The actual situation may differ from these estimates.

5.5. Income tax expenses

Ordina assesses the extent to which tax losses are expected to qualify for set-off on an annual basis, including the available potential for loss rejuvenation. The actual set-off may differ from these estimates. For the situation in which losses have been suffered for a number of years, convincing evidence is required for valuation of tax losses (IAS 12). For additional information regarding deferred tax assets, please see note 12.

6. Revenue from contracts with customers

6.1. Revenue from contracts with customers

With respect to the recognition of revenue from contracts with customers, please see the table below.

	2019			2018		
	the Netherlands	Belgium / Luxembourg	Total	the Netherlands	Belgium / Luxembourg	Total
Type of goods or services						
Sale of hardware and software	269	462	731	491	1,969	2,460
IT services	258,382	113,146	371,528	255,932	100,130	356,062
Total revenue from contracts with customers	**258,651**	**113,608**	**372,259**	**256,423**	**102,099**	**358,522**
Timing of revenue recognition						
Goods transferred at a point in time	525	267	792	645	1,856	2,501
Services transferred over time	258,126	113,341	371,467	255,778	100,243	356,021
Total revenue from contracts with customers	**258,651**	**113,608**	**372,259**	**256,423**	**102,099**	**358,522**

	2019	2018
Revenu by markets		
Public	145,906	136,865
Finance	105,376	102,111
Industry	96,226	97,278
Healthcare	24,751	22,268
Total	**372,259**	**358,522**

Revenue in the public and financial services sector is largely realised in the Netherlands. The biggest part of revenue in the healthcare sector is realised in Belgium/Luxembourg. Revenue in the industry sector is approximately equally devided over the Netherlands and Belgium/Luxembourg.

6.2. Balance sheet positions related to contracts with customers

The balance sheet positions related to contracts with customers can be specified as follows:

	31 December 2019	31 December 2018
Trade receivables - net	40,619	38,151
Unbilled receivables	17,264	16,699
Contract assets	5,582	5,263
Contract liabilities	5,345	4,730

The trade receivables are non-interest-bearing and are subject to payment terms varying from 20 and 90 days. Billing takes place immediately after the fulfilment of the obligation, on the basis of the contract agreements with the client in which, as a rule, a period of one calendar month is applied. In the case of billing with respect to projects, different billing agreements may apply.

Unbilled revenue related to contracts on the basis of retroactive costing pertains to performances already delivered for which clients will be billed in the near future, after which these revenues will be recognised under trade receivables.

Contract assets pertain to revenue recognised that clients are billed for in instalments on the basis of contractually agreed conditions, after which said revenue is recognised under trade receivables.

At year-end 2019, Ordina recognised a provision for expected credit losses on trade receivables, unbilled revenue and contract assets of around EUR 0.6 million (year-end 2018: circa EUR 0.6 million).

Contract obligations pertain to amounts clients have already been billed and in exchange for which Ordina must still deliver services. Ordina expects to deliver the services in question within a period of one year. Revenue will be recognised at the moment that Ordina has met its contractual obligations. All contract obligations recognised at year-end 2018 resulted in revenue in 2019.

6.3. Delivery obligations

IT services

The delivery obligation is met over time. The payment term generally varies from 20 to 90 days from the moment Ordina bills for the services. The contracts related to the delivery of IT services contain no material financing element. If there is any question of (volume) discount, these are settled with clients on the basis of any contractual agreements. Obligations related to (volume) discounts are reviewed monthly, and this is used as a basis for any adjustment of the recognised revenue.

Sale of hardware and/or software

The delivery obligation is met at the moment the hardware and/or software is delivered. The payment term generally varies from 20 to 90 days from the moment Ordina bills for the delivery. The contracts related to the delivery of hardware and software contain no material financing element. There is generally no question of possible restitution in the sale of hardware and/or software. In the event that Ordina plays the role of agent in the sale of hardware and/or software, revenue is recognised solely in the amount of the margin realised.

7. Segment information

The organisation is structured around Ordina's services. Information is reported on a monthly basis to the Management Board in its capacity as chief operating decision maker in line with this structure. Ordina's results are divided to reflect the company's various divisions. The Management Board's decision-making is based on same. Ordina discloses segment information on the basis of how the internal governance, reporting and decision-making is organised within the company. Ordina recognises the segments the Netherlands and Belgium/Luxembourg.

The Management Board's assessment of the segments from a financial perspective focuses primarily on revenue and EBITDA. Segment information is provided for the segments the Netherlands and Ordina Belgium/Luxembourg. Segment revenues, assets and liabilities are items that are directly or reasonably attributable to a segment. The prices and terms of inter-segment transactions are determined on an arm's length, objective basis. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one reporting period. Management information related to balance sheet positions and the analysis of same is aggregated at the level of the Netherlands or Belgium/Luxembourg.

7.1. Segment information

The segment information can be specified as follows:

	2019			2018		
	the Netherlands	Belgium / Luxembourg	Total	the Netherlands	Belgium / Luxembourg	Total
Total segment revenue	261,807	117,127	378,934	259,164	103,704	362,868
Inter-segment revenue	-3,156	-3,519	-6,675	-2,741	-1,605	-4,346
Revenue from contracts with customers	**258,651**	**113,608**	**372,259**	**256,423**	**102,099**	**358,522**
EBITDA	**20,051**	**16,635**	**36,686**	**6,512**	**12,149**	**18,661**
Amortisation	-1,455	-	-1,455	-1,648	-	-1,648
Depreciation right-of-use assets	-7,406	-3,460	-10,866	-	-	-
Depreciation tangible fixed assets	-1,878	-531	-2,409	-1,958	-515	-2,473
Operating profit	**9,312**	**12,644**	**21,956**	**2,906**	**11,634**	**14,540**
Finance costs – net	-892	-233	-1,125	-252	16	-236
Share of profit of associates	-23	-	-23	-7	-	-7
Profit before tax	**8,397**	**12,411**	**20,808**	**2,647**	**11,650**	**14,297**
Income tax expense	-1,361	-4,572	-5,933	-3,078	-4,346	-7,424
Profit for the year	**7,036**	**7,839**	**14,875**	**-431**	**7,304**	**6,873**

One Dutch client accounted for more than 10% of total revenue in 2019. The revenue generated from this client was approximately EUR 56.3 million (2018: revenue of approximately EUR 56.6 million). Six other clients together accounted for more than 20% of total revenue.

The increase in EBITDA is mainly due to the application of IFRS 16 Leases. The EBITDA for 2019 without application of IFRS 16 (for comparison purposes) amounts to EUR 25.1 million.

The assets and liabilities can be specified as follows:

	31 December 2019					31 December 2018				
	the Netherlands	Belgium / Luxembourg	Total	Eliminations	Consolidated	the Netherlands	Belgium / Luxembourg	Total	Eliminations	Consolidated
Total assets	265,574	88,802	354,376	-76,554	277,822	227,657	71,430	299,087	-65,709	233,378
Total liabilities	102,077	36,873	138,950	-24,625	114,325	74,627	27,348	101,975	-21,627	80,348

Other segment information can be specified as follows:

		2019			2018		
	Toelichting	the Netherlands	Belgium / Luxembourg	Total	the Netherlands	Belgium / Luxembourg	Total
Carrying amount at year end of intangible assets	8	111,989	17,762	129,751	113,228	17,142	130,370
Carrying amount at year end of right-of-use assets	9	28,161	8,885	37,046	-	-	-
Carrying amount at year end of tangible assets	10	3,102	1,274	4,376	3,580	1,291	4,871
Carrying amount at year end of financial fixed assets	11/12	14,355	218	14,573	15,416	125	15,541
Purchases of intangible assets	8	216	620	836	222	-	222
Purchases of right-of-use assets	9	8,937	4,539	13,476	-	-	-
Purchases of property, plant and equipment	10	1,408	525	1,933	1,640	815	2,455
Amortisation	8	1,455	-	1,455	1,648	-	1,648
Depreciation right-of-use assets	9	7,406	3,460	10,866	-	-	-
Depreciation tangible fixed assets	10	1,878	531	2,409	1,958	515	2,473
Income tax recognised in income statement	26	1,361	4,572	5,933	3,078	4,346	7,424
Income tax paid in reporting period		-	7,631	7,631	-	3,927	3,927

8. Intangible assets

This item can be specified as follows:

	2019			2018		
	Goodwill	Software	Total	Goodwill	Software	Total
At 1 January						
Cost	192,816	14,788	207,604	192,816	15,903	208,719
Accumulated amortisation and impairments	-68,321	-8,913	-77,234	-68,321	-8,602	-76,923
Carrying amount at 1 January	**124,495**	**5,875**	**130,370**	**124,495**	**7,301**	**131,796**
Movements in carrying amount						
Additions	-	373	373	-	148	148
Internally generated	-	463	463	-	74	74
Amortisation	-	-1,455	-1,455	-	-1,648	-1,648
Disposals	-	-	-	-	-	-
Carrying amount at 31 December	**124,495**	**5,256**	**129,751**	**124,495**	**5,875**	**130,370**
At 31 December						
Cost	192,816	15,222	208,038	192,816	14,788	207,604
Accumulated amortisation and impairments	-68,321	-9,966	-78,287	-68,321	-8,913	-77,234
Carrying amount at 31 December	**124,495**	**5,256**	**129,751**	**124,495**	**5,875**	**130,370**
Of which internally generated	-	2,349	2,349	-	2,517	2,517

8.1. Investments and disposals

Total investments in intangible fixed assets were primarily related to the IT applications. This investment was developed partly in-house. EUR 0.2 million of the total investment of EUR 0.8 million was made in the Netherlands, and the remaining investment of EUR 0.6 million was made in Belgium/ Luxembourg. With effect from 1 January 2015, Ordina the Netherlands took a new ERP application into operation. The ERP application will be amortised over a period of seven years.

In 2019, Ordina fully depreciated decommissioned assets with an initial investment value of around EUR 0.4 million (2018: around EUR 1.3 million).

8.2. Impairment and reversal of impairment losses
In 2019 and 2018, Ordina recognised no impairment on intangible assets.

Ordina did not reverse any prior-year impairment losses on intangible assets in 2019 and 2018.

8.3. Goodwill
Ordina monitors goodwill at the level of a group of cash-generating units within Ordina, which groups of cash-generating units are the same as the segments recognised. Ordina recognises the segments the Netherlands and Belgium/Luxembourg.

The table below shows goodwill per segment.

	2019	2018
the Netherlands	107,353	107,353
Belgium/Luxembourg	17,142	17,142
Total	**124,495**	**124,495**

8.4 Software
The carrying value of software amounted to EUR 5.3 million at year-end 2018 (year-end 2018: EUR 5.9 million). This carrying amount at year-end 2019 was primarily related to the ERP application that was taken into operation in 2015 and which was partly produced in-house. The life of this application is based on the expected life and the assumed obsolescence of such applications, as well as on past experience with previous comparable applications, and is assumed to be a minimum of seven years.

8.5. Impairment testing for goodwill
Ordina carries out impairment tests at least once a year on the goodwill of the relevant (groups of) cash-generating units (see also sections 2.5 and 2.13 and note 5.1). Goodwill is monitored at the level of and allocated to the segments the Netherlands and Belgium/Luxembourg. An impairment is recognised if the recoverable amount of the segment is less than the carrying amount.

The recoverable amounts of the various segments to which goodwill can be allocated are determined by calculating their value in use. These calculations use future cash flows based on projections for the next five years, which are partly based on the available relevant market data pertaining to the forecasts for the short and medium term. The market data include sector reports from research agencies, sector organisations and financial institutions.

The impairment test at year-end 2019 was carried out on the basis of the information prior to the application of IFRS 16, so the outcome is comparable to the outcome for previous years. The impact of IFRS 16 on the impairment test is explained in more detail below.

These five-year projections include estimates related to revenue growth, direct and indirect costs, as well as assumptions regarding developments in investments and working capital. The annual revenue growth in the five-year projections differs per segment, and for the Netherlands varies from around negative 1.5% to around 1.4% (2018: 1.0% to around 2.9%) and for Belgium/Luxembourg from around 1.0% to around 8.1% (2018: 1.0% to around 6.6%). The average annual revenue growth in the five-year projection amounts to around 0.6% for the Netherlands (2018: around 1.5%) and around 2.6% for Belgium/Luxembourg (2018: around 2.5%).

The average annual EBITDA margin in the five-year projections amounts to around 6.4% for the Netherlands (2018: around 6.4%) and around 9.2% for Belgium/Luxembourg (2018: around 9.6%). The EBITDA margin for the years after 2024 in the five-year projections amounts to around 6.9% for the Netherlands (2018: around 6.8%) and around 9.0% for Belgium/Luxembourg (2018: around 9.5%). The useful life upon which cash flows are discounted is indefinite in principle. At year-end 2019, Ordina used an estimated forward growth rate of 1.0% (2018: 1.0%).

Future cash flows are discounted on a post-tax basis at an interest rate specific to each segment. At year-end 2019, the discount rate for the Netherlands stood at 8.3% (year-end 2018: 8.5%) and 8.9% for Belgium/Luxembourg (year-end 2018: 9.2%). The discount rate before taxes, on the basis of the applicable percentage at year-end 2019, stood at 10.4% for the Netherlands (2018: 10.5%) and 11.7% for Belgium/Luxembourg (2018: 12.8 %).

Based on the chosen assumptions, the impairment test we conducted did not lead to an impairment at year-end 2019. The carrying amount, value in use and the headroom per segment to which goodwill is allocated at year-end 2019 were as follows:

(in euro millions)	Carrying amount	Value in use	Headroom
the Netherlands	99.0	142.3	43.3
Belgium/Luxembourg	52.1	130.7	78.6

In addition to this impairment test executed at year-end 2019, Ordina performed sensitivity analyses. These sensitivity analyses were performed, firstly, on the basis of a higher discount rate in combination with lower forward growth and, secondly, on the basis of a reduction of the EBITDA margin.

We conducted a sensitivity analysis, in which the EBITDA margin was reduced by 0.25% and 0.5% respectively, with the discount rate unchanged. The sensitivity analysis did not result in an impairment for any of the segments. The table below shows the remaining headroom of the segments in question on the basis of this sensitivity analysis.

(in euro millions)	the Netherlands	Belgium / Luxembourg
Decline EBITDA margin		
-0.25%	36.2	75.6
-0.50%	29.1	72.5

In addition to this, we conducted a sensitivity analysis in which the discount rate was first raised successively by 0.5%, 1.0% and 1.5%, and secondly the forward growth rate was reduced by 0.5% and 1.0%. This additional sensitivity analysis did not result in an impairment for any of the segments. The table below shows the remaining excess values of the segments in question on the basis of this sensitivity analysis.

(in euro millions)	Disconteringsvoet na belastingen			
the Netherlands	8.3%	8.8%	9.3%	9.8%
Terminal growth				
0.5%	35.3	26.4	18.6	11.5
0.0%	28.3	20.3	13.1	6.7
Belgium/Luxembourg	8.9%	9.4%	9.9%	10.4%
Terminal growth				
0.5%	74.2	68.8	63.9	59.6
0.0%	70.3	65.4	60.9	56.9

We also compared the outcome of the impairment test with Ordina's stock exchange valuation. At year-end 2019, the value in use was approximately 49% higher than the stock exchange valuation (year-end 2018: around 89%). A value in use that is higher than the stock exchange valuation is not unusual due to the control premium. Due to the positive movement in Ordina's share price, the discrepancy at year-end 2019 was much lower than at year-end 2018. The discrepancy at year-end 2019 was at the upper end of the bandwidth considered reasonable beforehand. The value in use is determined on the basis of a variety of parameters. The long-term expectations are the main value driver of value in use. Due to the discrepancy between the value in use and stock exchange valuation, Ordina conducted a critical assessment of the parameters used. Following this critical assessment, we still believe these assumptions to be realistic. These assumptions are partly based on general economic developments and the results realised in 2019. In the Netherlands in particular, we saw a strong rise in operating result in 2019, compared with 2018. This development gives us confidence regarding the long-term value development of the company.

The introduction of IFRS 16 led to a number of changes in the qualification of items in the balance sheet, in the income statement and the statement of cash flows. In this context, we refer to the impact of the application of new accounting standards (note 2.1). The application of IFRS 16 has an impact on how the impairment test must be carried out, to the effect that the value in use is calculated on the basis of the discounted free cash flows. The discount rate is a significant factor in the calculation of the cash value of the cash flows. Due to the lack of historical data required to determine the discount rate, it was not possible at year-end 2019 to reliably determine the discount rate after the application of IFRS 16. Ordina believes that the impairment test carried out before the application of IFRS 16 provides the most reliable representation, in which all parameters within the impairment test are drawn up on a uniform basis. An impairment test including the application of IFRS 16 requires additional assumptions, which result in uncertainties in the calculation. Ordina will continue to monitor the developments with respect to impairment testing after the application of IFRS 16 and will apply same as soon as it is possible to reliably determine all the required components.

Based on the available information Ordina carried out an imparment test including the application of IFRS 16 at which the right-of-use assets and lease obligations were added to carrying amount. Adjustments were made in the income statement and cash flows calculating the value in use. Also an adjustment is made to the discount rate taking into account the change in the debt to equity ratio. Future cash flows post-IFRS 16 are discounted on a post-tax bases at an interest rate of 8.2% for the Netherlands and 8.8% for Belgium/Luxembourg. The pre-tax interest rate stood at 10.2% for the Netherlands and 11.6% for Belgium/Luxembourg. The average EBITDA margin in the five-year projections amounts to around 9.7% for the Netherlands and around 12.4% for Belgium/Luxembourg. The EBITDA margin for the years after 2024 in the five-year projections amounts to around 10.2% for the Netherlands and around 12.2% for Belgium/Luxembourg. All other assumptions used in the post-IFRS 16 impairment test are equal to the assumptions used in de pre-IFRS 16 impairment test. The carrying amount, value in use and the headroom per segment to which goodwill is allocated at year end based on the post-IFRS 16 impairment test were as follows:

(in euro millions)	Carrying amount	Value in use	Headroom
the Netherlands	97.9	142.3	44.4
Belgium/Luxembourg	51.8	131.8	80.0

Based on the chosen assumptions the results of post-IFRS 16 impairment test, including sensitivity analysis, are in line with the pre-IFRS 16 impairment test as explained above.

9. Leases

Rights of use are related to lease contracts. The introduction of IFRS 16 Leases, which became mandatory on 1 January 2019, results in the recognition of a right of use and a lease liability. Recognised right-of-use assets are depreciated over the life of the underlying contracts.

Ordina has various lease contracts pertaining to the lease of property and the use of equipment and lease cars. The term of the lease contracts generally varies from three to five years. The rental contract for the offices in Nieuwegein ends on 31 March 2028. The term of contracts for lease cars generally varies from 36 to 48 months.

Ordina also has lease contracts with a term of less than 12 months, as well as lease contracts related to underlying assets with a low value. Ordina applies the exemption for lease contracts with a term of less than 12 months upon commencement, as well as the exemption for lease contracts related to underlying assets with a low value.

Changes in rights of use were as follows:

	2019				2018			
	Buildings	Cars	Other equipment	Total	Buildings	Cars	Other equipment	Total
At 31 December previous reporting year	-	-	-	-	-	-	-	-
First adoption IFRS 16 Leases	23,985	10,451	-	34,436	-	-	-	-
Carrying amount at 1 January	**23,985**	**10,451**	**-**	**34,436**	**-**	**-**	**-**	**-**
Movements in carrying amount								
Investments in new contracts	424	11,674	663	12,761	-	-	-	-
Contract modifications	462	253	-	715	-	-	-	-
Amortisation	-3,688	-7,127	-51	-10,866	-	-	-	-
Carrying amount at 31 December	**21,183**	**15,251**	**612**	**37,046**	**-**	**-**	**-**	**-**

The lease liabilities can be specified as follows:

	2019	2018
Closing balance previous year	-	-
First time adoption IFRS 16 Leases	36,096	-
At 1 January	**36,096**	**-**
Investments in new contracts	12,761	-
Contract modifications	713	
Interest costs	972	-
Lease payments (including IFRS 16 interest)	-12,431	-
As at 31 December	**38,111**	**-**
Lease obligations - long term	28,289	-
Lease obligations - short term	9,822	-
Total	**38,111**	**-**

Lease liabilities are primarily related to operational lease and car lease contracts. The lease liabilities for other equipment pertain to operational lease contracts for printing equipment and other inventory. Until 2019, liabilities pertaining to operational lease contracts were recognised under commitments and contingencies. The application of IFRS 16, which became mandatory as of 1 January 2019, results in the recognition on the balance sheet of a right-of-use asset and a lease liability. During the term of the underlying contracts, the lease liability is calculated plus an interest component and less the lease payments already made. The redemption component of the lease payments is recognised in the item cash flow from financing activities. The financing component of the lease payments is recognised in the item cash flow from operational activities.

Of the total lease liabilities of EUR 38.1 million at year-end 2019 (see note 3.4) (start of 2019, upon first application of IFRS 16 Leases: EUR 36.1 million), around EUR 22.2 million pertains to rental lease contracts (start of 2019: EUR 25.6 million), around EUR 15.3 million pertains to car lease contracts (start of 2019: EUR 10.5 million), and around EUR 0.6 million pertains to other lease liabilities (start of 2019: nil). See note 4.3 for the future cash flows related to the lease liabilities.

With respect to lease contracts, Ordina has charged the following amounts to the result:

	2019	2018
Depreciation of right-of-use assets	10,866	-
Interest expenses on lease liabilities	972	-
Expense relating to short-term leases	1,081	-
Expense relating to low-value leases	94	-
Variable lease payments	50	-
Total	**13,063**	**-**

Total lease payments amounted to around EUR 13.7 million in 2019.

10. Property, plant and equipment

Changes in this item can be specified as follows:

	2019				2018			
	Equipment	Fixtures and fittings	Renovations	Total	Equipment	Fixtures and fittings	Renovations	Total
At 1 January								
Cost	12,888	1,702	6,350	20,940	13,191	1,691	6,207	21,089
Accumulated amortisation and impairments	-9,602	-1,466	-5,001	-16,069	-10,060	-1,485	-4,585	-16,130
Carrying amount at 1 January	**3,286**	**236**	**1,349**	**4,871**	**3,131**	**206**	**1,622**	**4,959**
Movements in carrying amount								
Additions	1,044	320	569	1,933	2,031	116	308	2,455
Amortisation	-1,667	-119	-642	-2,428	-1,876	-86	-581	-2,543
Disposals	-	-	-	-	-	-	-	-
Carrying amount at 31 December	**2,663**	**437**	**1,276**	**4,376**	**3,286**	**236**	**1,349**	**4,871**
At 31 December								
Cost	13,179	1,879	6,075	21,133	12,888	1,702	6,350	20,940
Accumulated amortisation and impairments	-10,516	-1,442	-4,799	-16,757	-9,602	-1,466	-5,001	-16,069
Carrying amount at 31 December	**2,663**	**437**	**1,276**	**4,376**	**3,286**	**236**	**1,349**	**4,871**

10.1. Investments and disposals

Investments in equipment in 2019 were primarily investments in replacements. Investments in inventory and renovations are largely associated with the renovation of the office location in Nieuwegein. Of the total investments, around EUR 0.5 million was related to our operations in Belgium and Luxembourg. (2018: EUR 0.8 million)

Ordina made no material disposals in 2019 and 2018.

In 2019, Ordina decommissioned fully depreciated assets with an original purchase value of around EUR 1.7 million (2018: around EUR 2.6 million).

10.2. Impairment and reversal of impairment losses

Ordina did not recognise any impairment losses on property, plant and equipment in 2019 or 2018. Ordina did not reverse any prior-year impairments on property, plant and equipment in 2019.

11. Associated companies

This item can be specified as follows:

	2019	2018
At 1 January	364	371
Additions	-	-
Share of profit and impairment of associates	-24	-7
Dividends	-	-
Disposals	-	-
At 31 December	**340**	**364**

Ordina had two associates at year-end 2019 and 2018: Quli B.V. (the Netherlands, 25.0% interest) and Passwerk CVBA (Belgium, 37.3% interest).

The negative results from participations in both 2019 and 2018 was entirely due to Quli B.V. Ordina did not recognise any result for Passwerk in 2019 and 2018 in connection with the restrictive conditions under which it is possible to pay out dividends by virtue of the social purpose of this company.

In the course of 2019, Ordina did not recognise any revenue in the context of work carried out for Quli B.V. (2018: EUR 0.1 million). In 2019, Ordina did not commission any services from Passwerk (2018: EUR 46,000).

The item investments in associates, on the basis of the financial information at year-end 2019, can be broken down as follows:

	Quli B.V.	Passwerk CVBA
Assets	1,683	3,846
Liabilities	821	868
Revenue	1,037	6,788
Profit	-93	662
Other results (OCI)	-	-
Total comprehensive income	-93	662
Share	25.0%	37.3%

12. Deferred income tax assets

Deferred income tax assets can be specified as follows:

	2019	2018
Intangible assets and property, plant and equipment	8,003	5,968
Employee related provisions	237	176
Other provisions / long term	30	22
Recognised tax losses	5,963	9,011
At 31 December	**14,233**	**15,177**

In the statement of income for 2019, Ordina has recognised a deferred tax asset of around EUR 1.3 million (2018: around EUR 3.1 million). Deferred tax assets are valued at the set tax rates in the year in which said deferred tax assets are likely to be settled. With effect from 2021, the nominal corporate income tax rate in the Netherlands will be reduced to 21.7% from the current rate of 25.0%. The current reduction in nominal corporate income tax rate in the Netherlands deviates from the previously determined reduction. As a result of the adjustment to future tax rate cuts, EUR 1.1 million of the deferred tax assets of EUR 2.2 million depreciated in 2018 was reversed in 2019.

The deferred tax asset by virtue of intangible assets and property, plant and equipment relates to temporary measurement differences due to the difference between the actual economic write-down period and minimum fiscal write-down period. The increase in the deferred tax assets in 2019 related to the intangible fixed assets and property, plant and equipment was largely due to the actions Ordina took in 2019 to prevent the dilution of its tax losses. As a result of the adjustment of the future corporate income tax rate cuts, at year-end 2019 Ordina recognised deferred tax assets by virtue of temporary measurement differences in the value of intangible assets and property, plant and equipment of around EUR 0.5 million in the result (2018: depreciation of around EUR 1.0 million).

The deferred tax asset by virtue of intangible assets and property, plant and equipment includes an amount of around EUR 0.4 million related to measurement differences as a result of the application of IFRS 16 Leases. Due to the fact that expenses that are recognised under the application of IFRS 16 are not fiscally accepted, a deferred tax position is recognised on the basis of the difference in the measurement of the right of use and the lease liability. These deferred tax assets and tax liabilities are netted. The balance of EUR 0.4 million consists of a deferred tax asset of EUR 9.0 million and a deferred tax liability of EUR 8.6 million.

The deferred tax asset by virtue of employee benefits and provisions relates to temporary measurement differences with respect to pension provisions.

The deferred tax asset by virtue of other provisions pertains to the provision for expected credit losses on trade receivables.

The measurement of tax loss carry-forwards takes into account estimates of the scope and timing of future taxable profits, including the available potential for loss rejuvenation (total recognised at year-end 2019: around EUR 26.3 million; year-end 2018: around EUR 40.8 million). Recognition is at the nominal tax rate that will apply in future years on the basis of existing legislation. The recognition of tax loss carry-forwards at year-end 2019 took into account the reduction of corporate tax rates in the year 2021 as definitively determined at year-end 2019. At year-end 2019, the losses in the Netherlands were recognised at a rate of 22.7% (year-end 2018: 22.1%). As a result of the adjusted future tax rate reductions, EUR 0.6 million of the deferred tax assets of EUR 1.2 million depreciated in 2018 was reversed in 2019. Total available tax loss carry forwards stood at approximately EUR 26.3 million at year-end 2019 (year-end 2018: EUR 42.3 million). In 2019, Ordina introduced measures to prevent the dilution of tax losses, which resulted in a reduction of EUR 9.7 million in tax losses. At year-end 2019, the available tax losses were fully recognised. At year-end 2018, tax losses totalling around EUR 1.5 million had not been recognised.

The measurement of tax loss carry-forwards is based on their assumed utilisation potential in the coming years. The potential utilisation of these tax losses is limited in the Netherlands. The remaining deduction period is between one and seven years. Deferred tax assets are recognised on the basis of the five-year projection. The premises are considered realistic in the current circumstances and are explained in the section on the goodwill impairment test (see note 8.5). The future realisation of taxable profits and thus compensation of losses may vary from these estimates. If in the context of a sensitivity analysis an assessment is conducted in which the EBITDA margin is reduced by 0.25% or 0.50% respectively in the five-year projection, this would result in a potential devaluation of the deferred tax asset of around EUR 0.2 million or EUR 0.3 million respectively.

Around EUR 11.0 million of the deferred income tax assets had a term of more than one year at year-end 2019 (year-end 2018: around EUR 12.2 million).

Movements in deferred income tax assets were as follows in 2019 and 2018:

	2019						2018					
	Closing balance previous year	Adjustments	Opening balance	Recognised in income statement	Recognised in consolidated statement of com-prehencive income	Closing balance	Closing balance previous year	Adjustments	Opening balance	Recognised in income statement	Recognised in consolidated statement of com-prehencive income	Closing balance
Intangible assets and property, plant and equipment	5,968	347	6,315	1,688	-	8,003	7,794	-	7,794	-1,826	-	5,968
Employee related provisions	176	-	176	3	58	237	216	-	216	-41	1	176
Other provisions / long term	22	-	22	8	-	30	-	20	20	2	-	22
Recognised tax losses	9,011	-	9,011	-3,048	-	5,963	10,223	-	10,223	-1,212	-	9,011
	15,177	**347**	**15,524**	**-1,349**	**58**	**14,233**	**18,233**	**20**	**18,253**	**-3,077**	**1**	**15,177**

13. Transition costs

Transition costs can be specified as follows:

	2019	2018
At 1 January	8	123
Additions	-	-
Expenses	-8	-115
At 31 December	**-**	**8**

Transition costs are related to the installation of systems and processes that occur after the closing of long-term management contracts pertaining to existing IT applications. Transition costs are valued at cost price and related to the conversion of existing systems to Ordina standards. These costs are primarily personnel costs and costs of sub-contractors. Transition costs are charged to income during the period in which the management activities are carried out, which period varies between two and five years. At year-end 2019, all recognised transition costs had been fully depreciated.

14. Financial instruments by category

The accounting policies for financial instruments have been applied to the following line items:

	2019					2018				
	Amortised cost	Fair value through profit & loss	Fair value through OCI	Derivatives used for hedging	Total	Amortised cost	Fair value through profit & loss	Fair value through OCI	Derivatives used for hedging	Total
Trade receivables and other short-term assets	64,056	-	-	-	64,056	60,727	-	-	-	60,727
Trade payables and other short-term liabilities	-72,657	-	-	-	-72,657	-74,454	-	-	-	-74,454
Total at 31 December	**-8,601**	**-**	**-**	**-**	**-8,601**	**-13,727**	**-**	**-**	**-**	**-13,727**

15. Trade receivables and other current assets

Trade receivables and other current assets can be specified as follows:

	2019	2018
Trade receivables	41,150	38,721
Provision for impairment of trade receivables	-531	-570
Trade receivables - net	**40,619**	**38,151**
Unbilled receivables	17,264	16,699
Contract assets	5,582	5,263
Other receivables	266	249
Prepayments and accrued income	3,696	3,738
At 31 December	**67,427**	**64,100**

The fair value of the trade receivables and other current assets approximates their net carrying amount.

As at 31 December 2019, trade receivables of around EUR 9.6 million (year-end 2018: around EUR 8.2 million) were past due but did not result in the taking of a specific provision. Despite the fact that they were past due, there were no indications on the balance sheet date that a provision was necessary in addition to the provision already taken for expected credit losses on trade receivables.

The ageing analysis of these (net) trade receivables is as follows:

	2019	2018
Trade receivables not impaired and not past due	30,976	29,921
Trade receivables not impaired and past due:		
Up to 1 month	6,200	5,402
1 to 2 months	1,223	1,423
2 to 3 months	592	410
Over 3 months	1,628	995
	9,643	**8,230**
Trade receivables - net	**40,619**	**38,151**

Movements in the provision for doubtful debts were as follows:

	2019	2018
At 1 January	570	290
Provision for receivables impairment	198	352
Receivables written off during the year as incollectible	-74	-
Unused amounts reversed	-163	-72
At 31 December	**531**	**570**

All trade receivables are denominated in euros. Ordina therefore has no trade receivables that are denominated in currencies other than the euro.

The creation and release of the provision have been included in 'other operating expenses' in the income statement. Amounts charged to the allowance account are generally written off definitively when there is no expectation of recovering additional cash.

At year-end 2019, trade receivables and other current assets amounting to around EUR 31.2 million had been provided as collateral as security for the financing facility (year-end 2018: around EUR 42.3 million)

At year-end 2019, Ordina had recognised a provision of around EUR 0.1 million for expected credit losses on unbilled revenue and contract assets (year-end 2018: around EUR 0.1 million). The other classes within trade receivables and other current assets do not contain any impaired assets.

Accrued income includes, among other things, prepaid expenses. Accrued income and other receivables fell due in less than one year at both year-end 2019 and year-end 2018.

The maximum exposure to credit risk at the reporting date is the value of each class of receivables mentioned above. Ordina does not hold any collateral as security.

The maximum credit risk exposure to trade receivables (gross) and unbilled revenue pertaining to work already carried out and contract assets can be specified as follows (by geographical area):

	2019	2018
the Netherlands	38,008	36,620
Belgium/Luxembourg	26,048	24,107
Total	**64,056**	**60,727**

The maximum credit risk exposure to trade receivables (gross) can be specified as follows (by client category):

	2019	2018
Public	7,562	10,126
Finance	9,837	5,925
Industry	19,129	18,347
Healthcare	4,622	4,323
At 31 December	**41,150**	**38,721**

The credit-worthiness of the trade receivables (net) can be judged on the basis of external credit ratings (Standard & Poor's), as well as on the basis of payment history. The following includes a breakdown of the credit-worthiness of the debtors, less provisions:

	2019	2018
Debtors with external credit rating		
A-AA	7,414	4,351
B-BBB	605	-
	8,019	**4,351**
Debtors without external credit rating		
Low credit risk	28,310	27,874
Medium credit risk	4,290	5,775
High credit risk	-	151
	32,600	**33,800**
At 31 December	**40,619**	**38,151**

No credit rating is available for governmental bodies. Receivables of governmental bodies are qualified as low risk.

16. Cash and cash equivalents

The balances disclosed in this item are at Ordina's free disposal. At year-end 2019, an amount of around EUR 0.3 million (year-end 2018: around 1.4 million) was held in a so-called blocked account, on the basis of which the disposal of the monies in said account is limited to tax obligations.

At the balance sheet date, Ordina had no financial derivatives.

The cash and cash equivalents have been deposited with professional market parties with a good credit rating. The following is a breakdown of available cash and cash equivalents based on the external credit rating of these market parties:

	2019	2018
A-AA	24,649	18,488
B-BBB	-	-
At 31 December	**24,649**	**18,488**

In July 2019, Ordina extended its existing financing facility agreed with ABN Amro Bank and ING. This financing facility is for an amount of EUR 30.0 million, and is a fully committed current account credit facility. This new financing facility has a maximum term of five years, with an initial term of three years and an option to extend this twice by one year.

The most important elements of the covenants related to this financing facility comprise a maximum leverage ratio (calculated on the basis of total net debt/adjusted EBITDA) and an Interest Cover Ratio (calculated on the basis of the (adjusted) EBITDA/total interest as defined in the financing agreement). The leverage ratio has been set at a maximum of 2.5. The Interest Cover Ratio has been set at a minimum of 5.0. The covenants are based on the consolidated financial statements drawn up in accordance with IFRS, excluding the impact of IFRS 16 Leases. The correction of the EBITDA for one-off costs and reorganisation costs has been set at a maximum of 1% of revenue, with a maximum of EUR 4.0 million.

The financing agreement also stipulates that the total EBITDA of the companies that have agreed joint and several liability for the purposes of the financing agreement should account for a minimum of 80% of the consolidated EBITDA, as laid down in the credit agreement (the Guarantor Cover Ratio) and that a minimum of EUR 30 million of the trade receivables are pledged as security for the lender (the Security Cover).

The interest rate on the financing facility is calculated on the basis of the one-month EURIBOR rate plus a fixed margin of 0.7%.

The table below shows the applicable covenants and the extent to which these had been realised at year-end 2019.

	Realisation year-end 2019	Finance agreement
Leverage ratio	-0.9	=< 2,5
Interest Cover Ratio	207	>= 5,0
Guarantor Cover Ratio	94%	>= 80
Security Cover (in euro millions)	31.2	>= 30.0

17. Share capital

Movements in paid-up and called-up capital in 2019 and 2018 were as follows:

	2019		2018	
(In thousands)	Number of outstanding shares	Issued capital (in euro's)	Number of outstanding shares	Issued capital (in euro's)
At 1 January	93,256	9,326	93,256	9,326
Issue of shares	-	-	-	-
Issue related to share-based payment	-	-	-	-
At 31 December	**93,256**	**9,326**	**93,256**	**9,326**

17.1. Paid-up and called-up share capital

The total authorised capital amounted to EUR 20 million at year–end 2019, and consisted of 199,999,995 shares with a par value of EUR 0.10 per share, plus one priority share of EUR 0.50, divided as follows:

- Priority shares: 1
- Preference shares: 39,999,995
- Ordinary shares: 160,000,000

At year-end 2019, one priority share and 93,255,929 ordinary shares were fully paid up (year-end 2018: one priority share and 93,255,929 ordinary shares).

No new shares were issued in 2019 or 2018.

For the settlement of the variable long-term bonuses for the period 2016-2018, which took place in the first half of 2019, Ordina acquired and then immediately paid out a total of 55,432 treasury shares. These shares were purchased at a share price of EUR 1.649 per share. Ordina N.V. did not hold any treasury shares at either year-end 2019 or 2018.

For details of the issued priority share, see the provision relating to the priority share in the company's articles of association.

17.2. Share and share option schemes

At both year-end 2019 and year-end 2018, there were no outstanding options on Ordina N.V. shares.

The members of the Management Board and the senior management have been granted a variable long-term bonus which involves a payment in shares (see also section 2.15.2). In this context, at year-end 2019, shares in Ordina N.V. were awarded conditionally to the members of the Management Board (total of 596,501 shares) and to the senior management (total of 847,287 shares).

We refer to section 32.2.2 for an explanation of the schemes applicable to the members of the Management Board. The targets of the schemes that apply to the senior management are the same as those that apply to the members of the Management Board. The allocation under the scheme still applicable to the Executive Committee/management at year-end 2019 can be broken down as follows:

	2019						2018
(In thousands)	Conditionally granted number of shares	Grant date	Share price at grant	Fair value on grant date	Percentage	Recognised in profit & loss 2019	Recognised in profit & loss 2018
LTI 2017-2019	53,156	01-06-17	1.59	85	115%	33	29
LTI 2017-2019	16,054	10-07-17	1.57	25	115%	17	7
LTI 2017-2019	27,243	09-05-19	1.75	48	115%	55	n.a.
LTI 2018-2020	303,521	05-07-18	1.89	574	75%	117	141
LTI 2018-2020	17,788	09-05-19	1.75	31	75%	9	n.a.
LTI 2019-2021	424,733	09-05-19	1.75	743	100%	186	n.a.
LTI 2019-2021	4,792	26-09-19	1.68	8	100%	1	n.a.
	847,287			**1,514**		**418**	**177**

18. Reserves

Movements in reserves can be specified as follows:

	2019				2018			
	Share premium reserve	Retained earnings	Profit for the year	Total	Share premium reserve	Retained earnings	Profit for the year	Total
Closing balance previous year	136,219	612	6,873	143,704	136,219	-879	3,110	138,450
First time adoption new IFRS's	-	-276	-	-276	-	-57	-2	-59
At 1 January	**136,219**	**336**	**6,873**	**143,428**	**136,219**	**-936**	**3,108**	**138,391**
Prior-year retained earnings	-	6,873	-6,873	-	-	3,108	-3,108	-
Dividend distribution to shareholders	-	-4,663	-	-4,663	-	-1,865	-	-1,865
Share based payments - treasury shares settlement	-	-91	-	-91	-	-52	-	-52
Share-based payments - personnel expenses	-	783	-	783	-	361	-	361
Actuarial gains and losses	-	-161	-	-161	-	-4	-	-4
Net profit for the year	-	-	14,875	14,875	-	-	6,873	6,873
At 31 December	**136,219**	**3,077**	**14,875**	**154,171**	**136,219**	**612**	**6,873**	**143,704**

The settlement of share-based bonuses via the purchase of treasury shares resulted in a negative financial cash flow of EUR 0.1 million in 2019 (2018; EUR 0.1 million). This pertained to the purchase of treasury shares for the settlement of the obligation (see note 17.1).

The personnel expenses due to share-based bonuses in the amount of EUR 0.8 million in 2019 (2018: EUR 0.4 million) are related to expenses charged to the result (see note 23). Around EUR 0.4 million of this amount pertains to the Management Board's share-based bonuses (2018: EUR 0.2 million.

The company financial statements included a statutory reserve charged to the retained earnings in the sum of approximately EUR 2.3 million at year-end 2019 (year-end 2018: approximately EUR 2.5 million) (see note 37).

19. Borrowings

As at 31 December 2019 and year-end 2018, Ordina Group has no non-current borrowings.

The tables below show the changes in liabilities arising from financing activities for both the year under review and the previous financial period:

	2019						2018					
	At 1 January	Cash flows	Foreign exchange movements	Changes in fair values	Other	At 31 December	At 1 January	Cash flows	Foreign exchange movements	Changes in fair values	Other	At 31 December
Non-current borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Current borrowings	-	-	-	-	-	-	-	-	-	-	-	-
Lease obligations	-	-12,431	-	-	50,542	38,111	-	-	-	-	-	-
Dividend distribution to shareholders	-	-4,663	-	-	4,663	-	-	-1,865	-	-	1,865	-
Total liabilites from financing activities	**-**	**-17,094**	**-**	**-**	**55,205**	**38,111**	**-**	**-1,865**	**-**	**-**	**1,865**	**-**

A sum of EUR 36.1 million of other changes pertaining to lease liabilities are the result of the first application of IFRS 16 Leases. The remaining changes are mainly indexation obligations in lease contracts and new car lease contracts entered into in 2019.

The other changes are related to the General Meeting's resolutions to pay out a dividend adopted on 4 April 2019 and 26 April 2018 respectively. Following these resolutions, in 2019 and 2018 Ordina paid out an amount of around EUR 4.7 million and around EUR 1.9 million from the net profit for 2018 and 2017 respectively as dividend to its shareholders. Ordina recognises dividend paid out to shareholders as a liability at the moment that the General Meeting adopts a resolution to pay out a dividend.

20. Employee benefits

Employee benefits pertain exclusively to pension liabilities and can be specified as follows per region:

	2019	2018
the Netherlands	1,002	860
Belgium/Luxembourg	81	15
At 31 December	**1,083**	**875**

20.1 Provision arising from defined benefit pension plans the Netherlands

The provision arising from defined benefit pension plans in the Netherlands can be broken down as follows:

	2019	2018
Defined benefit obligation	9,734	8,160
Less: fair value of plan assets	8,732	7,300
At 31 December	**1,002**	**860**

Movements in the defined benefit obligation were as follows:

	2019	2018
At 1 January	8,160	8,139
Current service cost	-	-
Interest cost	163	162
Contributions by plan participants	-	-
Benefits paid	-68	-68
Actuarial gains and losses	1,479	-73
Defined benefit obligation at 31 December	**9,734**	**8,160**

Movements in the fair value of pension plan assets were as follows:

	2019	2018
At 1 January	7,300	7,274
Expected return on plan assets	146	145
Employer contributions	28	27
Benefits paid	-68	-68
Actuarial gains and losses	1,326	-78
Fair value of plan assets at 31 December	**8,732**	**7,300**

The pension provision pertains to obligations for defined benefit plans (pension plans based on average salary or final salary plans), measured at current value in accordance with the provisions of IAS 19 (Employee Benefits). As a result of the harmonisation of the pension plans, the defined benefit plan does not have any active members. At year-end 2019, Ordina's obligations pursuant to the defined benefit pension plans were limited to guarantee and management costs, insofar as these are not covered by surplus interest gains. Related plan assets are stated at fair value. Actuarial gains and losses are recognised directly in other comprehensive income. All pension plans operated by Ordina are administered by professional insurers. The plan assets are comprised of qualifying insurance policies.

The cumulative net change relating to actuarial gains and losses recognised in other comprehensive income was EUR 4.4 million negative (year-end 2018: EUR 4.3 million negative).

The amounts recognised in the income statement were as follows:

	Notes	2019	2018
Current service cost		-	-
Interest cost		163	162
Expected return on plan assets		-146	-145
Total, included in personnel expenses	23	**17**	**17**

The costs that will be charged to the 2020 result are expected to amount to approximately EUR 11,000. The actual return on plan assets was EUR 1.5 million (2018: EUR 0.1 million). Plan assets are qualifying insurance policies that correspond exactly with the amount and timing of all payments to be made pursuant to the plan. The plan assets are equal to the value of the corresponding liabilities, based on the same assumptions used in the calculation of the cash value of the pension obligations.

The principal actuarial assumptions were as follows:

	2019	2018
Discount rate at 31 December	1.25%	2.00%
Expected return on plan assets	1.25%	2.00%

In the event that the discount rate were to be raised or lowered by 0.25% (2018: 0.25%) in the context of a sensitivity analysis, the obligation ensuing from the defined benefit plan would amount to EUR 9.2 million (2018: EUR 7.7 million) or EUR 10.3 million respectively (2018: EUR 8.6 million) respectively.

Assumptions with respect to life expectancy are based on published statistics. The life expectancy at year end 2019 is based on the most recent prognosis table, published by the Dutch Actuarial Association in 2018 (Prognosetafel AG2018). Furthermore, a correction was applied due to the higher life expectancy of the working population.

Assumptions regarding life expectancy are based on published statistics. The average life expectancy in years of a pensioner retiring at age 65, 66 or 67 is as follows:

	2019	2018
Male, age of 65	22.2	22.1
Female, age of 65	24.6	24.5
Male, age of 66	21.2	21.1
Female, age of 66	23.6	23.5
Male, age of 67	20.3	20.2
Female, age of 67	22.6	22.5

The average life expectancy in years of a participant currently 45 years of age retiring at age 65, 66 and 67 is as follows:

	2019	2018
Male, age of 65	24.2	24.2
Female, age of 65	26.5	26.5
Male, age of 66	23.2	23.2
Female, age of 66	25.5	25.5
Male, age of 67	22.3	22.3
Female, age of 67	24.5	24.5

The following is a specification of the valuation of the defined benefit obligation and the fair value of plan assets for the years 2015 through 2019:

	2019	2018	2017	2016	2015
Defined benefit obligation	9,734	8,160	8,139	7,921	7,067
Less: fair value of plan assets	8,732	7,300	7,274	7,065	6,258
Defined benefit obligation	**1,002**	**860**	**865**	**856**	**809**
Experience adjustments on plan liabilities	-1,479	73	-121	-744	208
Experience adjustments on plan assets	1,326	-78	105	693	-163

20.2. Provision arising from defined benefit pension plans in Belgium

Ordina Belgium N.V. has a pension plan with a defined contribution from the employer. Ordina Belgium N.V.'s obligation with respect to payments before 1 January 2016 is limited to the deposit of premiums and a legal minimum return of 3.25% on these deposits in so far as the guaranteed return from the insurer is lower. With respect to deposits after 1 January 2016, the return guarantee for the employers becomes variable. The legal minimum guarantee of 1.75% is applicable to premiums paid from 2016 onwards.
From 2016 onwards, these pension plans qualify as defined benefit plans under IAS 19R, and the projected unit credit method has been used to calculate the cash value of the obligation. The value of the plan assets stood at EUR 3.3 million at year-end 2019 (year-end 2018: EUR 2.8 million). The cash value of the obligations was EUR 3.2 million at year-end 2019 (year-end 2018: EUR 2.8 million). The provision for this plan at year-end 2019 was on balance EUR 81,000 (year-end 2018: EUR 15,000).

The cumulative change for actuarial profits and losses recognised in the consolidated statement of comprehensive income was minus EUR 0.1 million at year-end 2019 (year-end 2018: nil).

21. Other short-term provisions

Other short-term provisions can be specified as follows:

	2019				2018			
	Projects	Redundancy costs	Other	Total	Projects	Redundancy costs	Other	Total
At 1 January	55	1,089	310	1,454	49	2,171	402	2,622
Additions	379	1,934	143	2,456	37	2,415	-	2,452
Unused amounts	-	-90	-	-90	-12	-166	-69	-247
Used during the year	-20	-2,323	-	-2,343	-19	-3,331	-23	-3,373
At 31 December	**414**	**610**	**453**	**1,477**	**55**	**1,089**	**310**	**1,454**
Presented as current liabilities	-	-610	-	-610	-	-1,089	-	-1,089
At 31 December	**414**	**-**	**453**	**867**	**55**	**-**	**310**	**365**

The provision for project commitments pertains to outstanding project activities related to loss-making contracts.

The provision for redundancy costs is related to the costs connected with the departure of employees at Ordina's initiative. The release added to the result from the provision for redundancy costs (2019: EUR 0.1 million, 2018: EUR 0.2 million) was mainly due to the fact that the actual redundancy costs were lower than initially estimated. The redundancy provision was recognised in full under accrued liabilities at year-end 2019 and year-end 2018.

The project provision and the other provisions had a term of less than one year at both year-end 2019 and year-end 2018.

22. Trade payables and other current liabilities

This item can be specified as follows:

	2019	2018
Trade payables	19,178	21,523
Contract liabilities	5,345	4,730
Taxes and social security	22,511	22,743
Pension contributions	254	79
Other payables	66	156
Accruals and deferred income	25,303	25,223
At 31 December	**72,657**	**74,454**

The fair value of trade payables, other debt and accrued liabilities approximates their net carrying amount.

Of the taxes and social security contributions at year-end 2019, EUR 10.6 million pertained to payroll tax and social security contributions (year-end 2018: EUR 10.1 million) and EUR 11.9 million pertained to turnover tax (year-end 2018: EUR 12.6 million).

Other current liabilities include commitments for holiday allowance, leave day entitlements, bonuses, year-end payments and other personnel expenses, as well as items charged to profit or loss for the year under the prevailing accounting policies. The other debts and accrued liabilities had a term of less than one year at both year-end 2019 and year-end 2018.

23. Personnel expenses

De personeelskosten zijn als volgt te specificeren:

	2019	2018
Salaries	150,389	147,536
Social charges	29,536	27,212
Defined benefit obligation	17	17
Defined contribution obligation	8,903	9,306
Other personnel expenses	28,271	35,660
Total	**217,116**	**219,731**

Other personnel expenses include car expenses (2019: approximately EUR 16.0 million; 2018: approximately EUR 23.8 million), hotel and travel expenses (2019: approximately EUR 3.4 million; 2018: approximately EUR 3.2 million), and study costs (2019: approximately EUR 2.5 million; 2018: approximately EUR 2.2 million). The reduction in car-related costs recognised under personnel costs in 2019, when compared to 2018, is primarily due to the introduction of IFRS 16 Leases as of 1 January 2019. Under the application of IFRS 16, with respect to car-related operational lease contracts, in 2019 Ordina recognised a depreciation of the rights of use of around EUR 7.1 million and an interest expense on the lease liability of around EUR 0.3 million (see note 9). The service component is the only part of the lease cost still recognised under personnel expense as of 1 January 2019. The car expenses in 2019 include a sum of around EUR 6.0 million for the service component in the car-related operational lease contracts.

An amount of around EUR 2.2 million was recognised under personnel expenses in 2019 for redundancy costs (2018: around EUR 2.5 million). EUR 1.8 million of these redundancy costs were incurred in the Netherlands (2018: EUR 2.3 million), and the remaining EUR 0.4 million were incurred in Belgium/Luxembourg (2018: EUR 0.2 million)

Personnel expenses included an expense of approximately EUR 0.8 million for share-based payments in 2019 (2018: around EUR 0.4 million). Around EUR 0.4 million (2018: around EUR 0.2 million) of these expenses pertain to the Management Board’s bonus scheme, while around EUR 0.4 million (2018: around EUR 0.2 million) pertain to the senior management’s bonus scheme.

The item personnel expenses includes the recognition of labour costs subsidies of around EUR 0.9 million (2018: EUR 0.9 million).

The average workforce in FTEs numbered 2,573 in 2019 (2018: 2,542). At year-end 2019, Ordina employed 2,629 FTEs (year-end 2018: 2,647 FTEs). The number of FTEs employed in the Netherlands stood at 1,717 at year-end 2019 (year-end 2018: 1,823 FTEs). The number of FTEs working at the Belgium and Luxembourg-based group companies stood at 912 at year-end 2019 (year-end 2018: 824 FTEs).

24. Other operating expenses

Other operating expenses can be specified as follows:

	2019	2018
Office accommodation costs	2,455	6,543
Marketing and selling expenses	2,085	1,900
Other expenses	9,953	9,917
Total	**14,493**	**18,360**

Office rental costs included an amount of around EUR 0.3 million in 2019 (2018: around EUR 4.1 million) related to operational lease contracts. The reduction of the office rental costs recognised in other operating expenses in 2019 when compared to 2018 is due to the application of IFRS 16 Leases as of 1 January 2019. Under the application of IFRS 16, with respect to lease contracts for buildings, in 2019 Ordina recognised a depreciation of the rights of use of around EUR 3.7 million and an interest expense on the lease liability of around EUR 0.7 million (see note 9). The service component is the only part of the office rental costs still recognised under other operating expenses as of 1 January 2019.

Other expenses include information management and automation expenses, the cost of insurance, and audit and consulting fees.

Audit fees recognised in the income statement under ‘other operating expenses’ in recent financial years were as follows:

	2019			2018		
	EY the Netherlands	Other EY network	Total EY network	EY the Netherlands	Other EY network	Total EY network
Audit of the financial statements	353	47	400	390	46	436
Other assurance activities	148	-	148	80	-	80
Tax advise	-	-	-	-	-	-
Other non-audit activities	-	-	-	-	-	-
Total	**501**	**47**	**548**	**470**	**46**	**516**

25. Finance income and expenses

Finance income and expenses can be specified as follows:

	2019	2018
Finance income	-	-
Finance costs	-1,125	-236
Total	**-1,125**	**-236**

Finance expenses can be specified as follows:

	2019	2018
Interest costs finance agreement	-37	-93
Other finance costs	-116	-143
Finance costs - other	**-153**	**-236**
Finance costs - lease liabilities	-972	-
Total finance costs	**-1,125**	**-236**

The other financing expenses pertain to among other things interest expenses for current account debts run up with banking institutions, availability provisions, interest expenses for the settlement of fiscal debts and pension obligations.

The interest charges for lease liabilities pertain to the interest component of operational lease contracts recognised under the application of IFRS 16 Leases (see note 9).

26. Income tax expense

	2019	2018
current income tax for the year	-4,592	-4,314
current income tax prior years	8	-33
Total current income tax	**-4,584**	**-4,347**
Deferred income tax for the year	-2,797	-857
Deferred income tax prior years	307	8
Deferred income tax impact rate adjustment	1,141	-2,228
Total deferred income tax	**-1,349**	**-3,077**
Total	**-5,933**	**-7,424**

	2019	2018
Net profit for the year	14,875	6,873
Income tax expense	5,933	7,424
Profit before income tax	**20,808**	**14,297**
Effective tax rate	28.5%	51.9%

	2019		2018	
(In thousands)	%	Income tax expense	%	Income tax expense
Applicable tax rate	25.0	5,202	25.0	3,574
Differences with foreign tax rates	2.4	501	3.6	513
Non-deductible expenses	6.0	1,250	7.4	1,072
Remeasurement of deferred tax assets	-1.5	-305	-	-3
Tax exempt income	-	6	-	2
Incidental items	-3.4	-722	15.7	2,241
Adjustments for prior years	-	1	0.2	25
Effective tax rate	**28.5**	**5,933**	**51.9**	**7,424**

The effective tax rate amounted to 28.5% in 2019 (2018: 51.9%). The effective tax rate in 2019 was influenced to a large degree by the movement resulting from the renewed adjustment in corporate income tax rates in the Netherlands for the years 2020 and subsequent years. For 2020, the nominal corporate income tax rate in the Netherlands will remain at 25.0% (at year-end 2018 a reduction had been set to 22.55%). For 2021 and subsequent years, the nominal corporate income tax rate will be reduced to 21.7%, while a reduction to 20.5% was set at the end of 2018. As a result of the adjustment to these future tax rate cuts, in 2019 Ordina recognised a revaluation of the deferred tax asset of more than EUR 1.1 million. At year-end 2018, Ordina had recognised a depreciation of EUR 2.2 million. The adjustment in valuation is recognised under incidental items.

The adjusted effective tax rate for 2019, which did not take into account the impact of the renewed adjustment of the future reduction of corporate income tax rates in the Netherlands, amounted to around 34.0% (adjusted effective tax rate 2018: 36.3%).

The nominal tax rate was 25.0% in 2019, as applicable in the Netherlands. The adjusted effective tax rate of 34.0% is around 9.0% higher than the nominal tax rate in the Netherlands. Around 6.0% of this difference is due to so-called non-deductible items. This adjustment pertains to result components that cannot be charged to the taxable result and include the likes of share-based bonuses and the non-deductible part of the so-called mixed expenses. In addition to this, around 2.4% of this difference is due to the rate differences in other countries and pertain to the higher nominal tax rate applicable in Belgium (29.58%) and Luxembourg (25.6%) respectively. The remaining difference of on balance around 0.4% pertains to other differences, including the remeasurement of not previously recognised losses, adjustments for previous years, tax exempt income and the share in the results of participations.

27. Earnings per share

27.1. Earnings per share

Basic earnings per share are calculated by dividing profit for the year by the average number of outstanding shares during the year.

	2019	2018
Profit for the year	14,875	6,873
Average number of outstanding shares *(in thousands)*	93,256	93,256
Resultaat per aandeel (in euro's)	**0,16**	**0,07**

27.2. Earnings per share – diluted

Diluted earnings per share are calculated by dividing the profit for the year by the average number of outstanding shares during the year, including all conditionally awarded shares in the context of share-based bonuses.

	2019	2018
Profit for the year	14,875	6,873
Average number of outstanding shares *in thousands)*	93,256	93,256
Adjustment for share-based payment obligations	1,444	945
Total	**94,700**	**94,201**
Earnings per share - diluted (in euros)	**0.16**	**0.07**

28. Dividend per share

Pursuant to the prevailing dividend policy, a dividend proposal will be submitted to the General Meeting for a dividend payment of 9.5 eurocents per share in cash, to be charged to the 2019 net profit. The remainder of the net profit will be added to the general reserve.

The General Meeting of 4 April 2019 approved the payment of a cash dividend of six (6) eurocents per ordinary Ordina N.V. share, to be paid from the net profit over 2018. Following this decision, Ordina paid out a total of EUR 4.7 million from the profit for the 2018 financial year as dividend to its shareholders in 2019. The remaining net profit over 2018 was added to the general reserves.

29. Preference shares

Ordina N.V.'s authorised capital includes 24,999,995 preference shares with a par value of EUR 0.10 per share. Dividends on preference shares cannot exceed the statutory interest rate prevailing at the date the dividends are declared. No preference shares had been issued at year-end 2019 or year-end 2018.

30. Commitments, contingencies and contractual obligations and rights

Ordina N.V. and its group companies issued guarantees for a total amount of around EUR 1.9 million in 2019 (2018: approximately EUR 1.8 million). Of these guarantees, around EUR 1.3 million is related to lease commitments (year-end 2018: more than EUR 1.3 million) and around EUR 0.6 million pertained to client relations (year-end 2018: more than EUR 0.5 million).

Ordina had no material expenditure obligations with respect to property, plant and equipment at year-end 2019.

Company cars provided to employees are usually acquired on the basis of lease contracts with a term of 36 to 48 months. In this context, Ordina N.V. and its group companies have total liabilities of around EUR 5.2 million for the service component of car lease contracts with a term of less than one year (2018: around EUR 11.6 million). The sharp fall in this liability was largely due to the fact that the liability related to the financing component of the lease tariff is recognised under lease liabilities from 2019 onwards (see note 9).

All buildings where group companies are located are leased. Ordina does not own any buildings. In addition, Ordina N.V. and its group companies have total building lease liabilities of around EUR 0.3 million with respect to the service components of rental contracts with a term of less than one year (2018: around EUR 4.5 million). The sharp fall in this lease liability was largely due to the fact that the liability related to rental instalments is recognised under lease liabilities from 2019 (see note 9).

The other obligations relates to multi-year contract arrangements made with suppliers.

The other financial obligations at year-end 2019 and 2018 can be specified as follows:

	2019				2018			
	Buildings	Cars	Other	Total	Buildings	Cars	Other	Total
Not later than 1 year	286	5,206	548	6,040	4,462	11,580	-	16,042
Later than 1 year and not later than 5 years	782	8,743	1,704	11,229	12,404	14,086	-	26,490
Later than 5 years	9	-	-	9	10,218	-	-	10,218
Totaal	**1,077**	**13,949**	**2,252**	**17,278**	**27,084**	**25,666**	**-**	**52,750**

In a number of instances, Ordina N.V. has assumed joint and several liability within the scope of its normal operations for the performance of contractual obligations by a group company.

In the context of the sale of business units, Ordina has issued the usual limited-time (balance sheet) guarantees to the buyers of these business units.

In the course of our operations, we may be confronted with discussions about the (financial) settlement of projects, such as reduction or addition of work, quality level and scope of the work. The majority of these discussions are resolved to the full satisfaction of all concerned. However, it is not always possible to avoid such discussions resulting in legal actions. Provisions are set aside the moment it can be reliably estimated that a legal action will result in a financial claim against Ordina. Claims from Ordina against third parties that are the subject of ongoing legal procedures are in principle not capitalised, unless payment of said claims is virtually certain. The main legal procedure in which Ordina is involved is described below.

Ordina is involved in discussions with one of its suppliers with regard to a purchase obligation. As a result of said discussions, the parties have signed a settlement agreement and following this negotiated a new agreement, which does not include a purchase obligation. At this moment, the parties are in disagreement on the status and interpretation of the above-mentioned agreements and the supplier has initiated legal proceedings. Ordina's take the view that there is no question of a purchase obligation and for this reason has not taken a provision. However, the outcome of the legal proceedings is uncertain. The outcome of the aforementioned procedure can lead to a significant financial impact, which currently cannot be reliably estimated.

Belgium has an arrangement that makes it possible to receive subsidies for R&D activities. In this context, each year companies submit subsidy applications and subsidies are received in line with the applications submitted. The subsidy provider has not yet issued any formal decisions, as a result of which it is still uncertain whether Ordina is fully entitled to the subsidies received. Ordina will recognize these amounts in its income statement at the moment the statute of limitations for potential restitution requests with regard to the subsidies received has expired.

In accordance with the provisions of Section 403, Part 9 of Book 2 of the Dutch Civil Code, Ordina N.V. has assumed joint and several liability for the obligations arising from the legal transactions of the majority of the Dutch group companies. The declarations to that effect have been filed with the competent trade registries.

Ordina N.V. and the majority of its Dutch group companies form a tax unit for income tax and value-added tax purposes, as a result of which the companies involved are jointly and severally liable for the liabilities incurred by the tax group.

Ordina N.V. and the majority of its group companies have assumed joint and several liability for the bank overdrafts. At year-end 2019, trade and other receivables valued at approximately EUR 31.2 million had been pledged as security (year-end 2018: approximately EUR 42.3 million) for the financing facility.

31. Acquisitions and disposals

31.1. Acquisitions

Ordina made no acquisitions in 2019 and 2018. As at year-end 2019 and year-end 2018, Ordina had no earn-out obligations relating to acquisitions in previous years.

32. Related parties

32.1. Identity of related parties

Ordina's related parties are its group companies, the associated participations (see note 11) the members of the Supervisory Board and the members of the Management Board. The members of the Management Board qualify as key management.

The total remuneration for Management Board and the Supervisory Board in 2019 and 2018 can be specified as follows:

	2019	2018
Salary	875	908
Variable component/short-term, cash based	373	354
Variable component/long-term, share based	365	184
Pension costs	12	12
Extraordinary items	92	54
Total	**1,717**	**1,512**

32.2. Transactions with the members of the Management Board and Supervisory Board

32.2.1. Remuneration policy

The Supervisory Board determines the compensation of the members of the Management Board on an annual basis. For details on the remuneration policy for the members of the Management Board, we refer you to the section Remuneration policy Management Board in the Report of the Supervisory Board.

32.2.2. Remuneration members of the Management Board

With respect to the remuneration of the members of the Management Board, the following amounts were charged to the results for 2019 and 2018 respectively:

	J.G. Maes		J.W. den Otter		Totaal	
	2019	2018	**2019**	2018	**2019**	2018
Base salary	387	387	271	271	658	658
One-year variable	219	208	154	146	373	354
Multi-year variable	215	111	150	73	365	184
Pension expense	6	6	6	6	12	12
Extraordinary items	64	35	28	19	92	54
Total	**891**	**747**	**609**	**515**	**1,500**	**1,262**

The total remuneration of the members of the Management Board for 2019 amounts to EUR 1.5 million (2018: EUR 1.3 million).

The long-term benefits under profit-sharing and bonus schemes pertain to a payment in Ordina N.V. shares; they are determined for a three-year period for each individual scheme. Based on the remuneration policy, the value of the number of Ordina N.V. shares to be awarded for on-target performance is equivalent to 50% of the fixed salary (including holiday pay) to be paid to the board member in question in the first year of each three-year period. The fair value of the on-target shares that are expected to be awarded is determined on the basis of the share price at the moment the shares are awarded. A conditional number of shares are awarded at the beginning of each three-year period on the basis of the closing share price of the Ordina N.V. share at the end of the preceding calendar year. Of the total targets, 70% is linked to financial targets and 30% is linked to non-financial targets. The financial targets are linked to the development of Ordina's results and pertain to revenues, the EBITDA margin, net profit and cash flows. The non-financial targets are based on individual, clearly measurable (qualitative and quantitative) targets and pertain to client satisfaction, employee engagement, image, the implementation of the sustainability strategy and the development in the quality of the senior management. At the end of the three-year period, the shares are awarded unconditionally on the basis of the targets realised vis-à-vis the targets set. The definitively awarded shares will be transferred in the year following the last year of the three-year period.

The number of shares in Ordina N.V. to be awarded is estimated each time on the balance sheet date based on the long-term bonus benefits. Based on this estimation, the costs of the long-term profit-sharing and bonus plans are recognised in the income statement, proportional to the period that has expired from the moment the shares were awarded. The costs of the shares expected to be issued under the existing schemes are recognised in equity as 'retained earnings'.

As part of their variable long-term remuneration for the period 2017 through 2019, Mr. Maes and Ms. Den Otter were unconditionally granted a total of 105, 278 and 73,358 Ordina N.V. shares respectively. This is equivalent to a payment percentage of approximately 114.9% of the on-target bonus. Of the total payment percentage, 77.0% pertains to the financial targets and 37.9% to the non-financial targets.

The cost of the long-term bonus was EUR 0.4 million in 2019 (2018: around EUR 0.2 million).

The current schemes can be summarised as follows:

	Conditionally granted number of shares	Grant date	Share price at grant	Fair value on grant date	Percentage	Recognised in profit & loss 2019	Recognised in profit & loss 2018
J.G. Maes							
Regeling 2016-2018						n.v.t.	17
Regeling 2017-2019	91,646	01-05-17	1.59	146	115%	93	39
Regeling 2018-2020	123,686	25-04-18	1.79	221	75%	48	55
Regeling 2019-2022	135,724	22-03-19	1.85	251	100%	74	n.v.t.
	351,056					**215**	**111**
J.W. den Otter							
Regeling 2016-2018						n.v.t.	7
Regeling 2017-2019	63,859	01-05-17	1.59	101	115%	64	27
Regeling 2018-2020	86,580	25-04-18	1.79	155	75%	34	39
Regeling 2019-2022	95,006	22-03-19	1.85	176	100%	52	n.v.t.
	245,445					**150**	**73**
Totaal	**596,501**					**365**	**184**

The members of the Management Board can participate in the pension scheme provided by the company. If a member of the Management Board participates in this scheme, the company pays the pension premium. If a member of the Management Board declines to participate, they receive a gross payment from the company. This is the same as the amount the company would have been due to pay if the member of the Management Board in question were to participate in the pension scheme provided by the company. In such a situation, any payments are presented as pension expenses.
The members of the Management Board are provided with a car, a laptop and a mobile phone. The related amounts for the members of the Management Board in 2019 were approximately EUR 0.1 million (2018: EUR 0.1 million) and are included as other benefits in the specification of the remuneration of the members of the Management Board.

No loans, advances or guarantees have been issued for the benefit of the

32.2.3. Shares held by the members of the Management Board

At year-end 2019, the members of the Management Board held 139,634 shares in Ordina N.V. (year-end 2018: 84,202 shares). The shares are distributed among the members of the Management Board as follows:

	2019	2018
J.G. Maes	98,579	67,878
J.W. den Otter	41,055	16,324
Total	**139,634**	**84,202**

32.2.4. Options granted to, and held by, the members of the Management Board
At year-end 2019 and year-end 2018, Ordina had not issued any option rights to the members of the Management Board.

32.2.5. Remuneration of the Supervisory Board
The remuneration for the members of the Supervisory Board can be specified as follows:

	2019	2018
J. van Hall, chairman (appointed per 1 January 2019)	65	n.a.
J.G, van der Werf, chairman (resigned per 26 April 2018)	n.a.	20
C. Princen, vice chairman (appointed per 26 April 2018)	47	44
P.G. Boumeester, vice chairman (resigned per 4 April 2019)	12	48
D.J. Anbeek	48	48
A. Kregting (resigned per 1 January 2019)	n.a.	45
J. Niessen	45	45
Total	**217**	**250**

The remuneration of the Supervisory Board is not linked to the financial performance of the company. No loans, advances or guarantees have been issued for the benefit of the members of the Supervisory Board.

32.2.6. Shares held by the members of the Supervisory Board
At year-end 2019, the members of the Supervisory Board held 14,460,967 shares in Ordina N.V. (year-end 2018: 14,460,967 shares). The shares are distributed among the members of the Supervisory Board as follows:

	2019	2018
J. van Hall, chairman	-	n.v.t.
C. Princen, vice chairman	-	-
P.G. Boumeester, vice chairman	n.a.	-
D.J. Anbeek	35,000	35,000
A. Kregting	n.a.	-
J. Niessen (held through Mont Cervin S.a.r.l.)	14,425,967	14,425,967
Totaal	**14,460,967**	**14,460,967**

33. Events after the balance sheet date

No events occurred after 31 December 2019 that have a material impact on, or warrant restatement of the financial statements.

Company balance sheet as at 31 December of Ordina N.V. (before appropriation of profit)

(In euro thousands)	Notes	**2019**	2018
Assets			
Non-current assets			
Investments in associates	35	157,352	143,815
Deferred income tax assets	36	6,143	9,213
Total non-current assets		**163,495**	**153,028**
Total current assets			
Other receivables		-	-
Current income tax receivables		2	2
Total current assets		**2**	**2**
Total assets		**163,497**	**153,030**

The notes 35 through 37 are an integral part of these company financial statements.

Company balance sheet as at 31 December of Ordina N.V. (before appropriation of profit, continued)

(In euro thousands)	Notes	**2019**	2018
Equity and liabilities			
Equity			
Paid-up and called-up share capital	37	9,326	9,326
Share premium reserve	37	136,219	136,219
Statutory reserve	37	2,349	2,517
Retained earnings	37	728	-1,905
Profit for the year	37	14,875	6,873
Total equity		**163,497**	**153,030**
Liabilities			
Current liabilities			
Trade payables and other short term liabilities		-	-
Total current liabilities		-	-
Total liabilities		-	-
Total equity and liabilities		**163,497**	**153,030**

The notes 35 through 37 are an integral part of these company financial statements.

Company income statement

(in euro thousands)	Notes	**2019**	2018
Revenue		**-**	**-**
Bedrijfslasten			
Other operating expenses		1	2
Total operating expenses		**1**	**2**
Operating profit		**-1**	**-2**
Finance income		3	6
Finance costs - other		-	-
Finance costs - lease liabilities		-	-
Finance costs - net		**3**	**6**
Share of profit of associates	35	16,455	7,975
Net profit for the year		**16,457**	**7,979**
Income tax expense		-1,582	-1,106
Net profit for the year		**14,875**	**6,873**

The notes 35 through 37 are an integral part of these company financial statements.

Notes to the company financial statements

34. General

34.1. Basis of preparation of company financial statements

The company financial statements of Ordina N.V. have been prepared in accordance with the provisions of Part 9 of Book 2 of the Dutch Civil Code. In preparing these financial statements, the company availed itself of the facility offered by Section 362(8), Book 2 of the Dutch Civil Code to use the same accounting policies (including those for the presentation of financial instruments as equity or loan capital) for the company and the consolidated financial statements.

The company financial statements of Ordina N.V. are presented in euros (EUR). Amounts are in thousands of euros, unless otherwise indicated.

34.2. Accounting policies

The accounting policies for the company financial statements are the same as for the consolidated financial statements. If no further policies are mentioned, reference is made to the accounting policies for the consolidated financial statements.

34.3. Financial assets / investments in associates

Associates and group companies in which Ordina N.V. exercises control or where Ordina N.V. is responsible for central management are accounted for using the equity method. The equity method is a method of accounting whereby the net assets, liabilities and provisions of the group company are measured and profit is calculated on the basis of the accounting policies used in the consolidated financial statements.

The expected credit losses on claims on group companies, as stated in IFRS 9, are recognised in the carrying amounts of the associated companies.

35. Financial assets

This item can be specified as follows:

	2019			2018		
	Investments in group companies	Receivables from group companies	Total	Investments in group companies	Receivables from group companies	Total
Closing balance previous year	137,844	5,971	143,815	129,623	7,749	137,372
First time adoption new IFRS's	-276	-	-276	-59	-	-59
At 1 January	**137,568**	**5,971**	**143,539**	**129,564**	**7,749**	**137,313**
Investments/loans advanced	691	-3,172	-2,481	309	-1,778	-1,469
Actuarial gains and losses	-161	-	-161	-4	-	-4
Share of profit of associates	16,455	-	16,455	7,975	-	7,975
At 31 December	**154,553**	**2,799**	**157,352**	**137,844**	**5,971**	**143,815**

36. Deferred income tax assets

Deferred income tax assets can be specified as follows:

	2019	2018
Intangible assets and property, plant and equipment	180	202
Recognised tax losses	5,963	9,011
At 31 December	**6,143**	**9,213**

Ordina N.V. heads the fiscal unit for corporate income tax in the Netherlands. Consequently, Ordina N.V. accounts for the fiscal positions of this fiscal unit, insofar as these are not already accounted for by the other members of the fiscal unit.

The deferred income tax assets by virtue of intangible assets and property, plant and equipment relates to temporary measurement differences due to the difference between actual economic write-down period and the minimum fiscal write-down period. Deferred tax assets are recognised at the set tax rates.

Ordina recognises tax loss carry-forwards if it expects to utilise said tax loss carry-forwards (total at year-end 2019: around EUR 26.3 million; year-end 2018: around EUR 40.8 million). Recognition is at the nominal tax rate that will apply to future financial years. At year-end 2019, around EUR 4.0 million (year-end 2018: around EUR 7.1 million) of the deferred tax assets had a term of more than one year. For more details on the scale and measurement of Ordina's total tax loss carry-forwards, see note 12.

37. Equity

Movements in equity in 2019 and 2018 were as follows:

	2019						2018					
	Issued capital	Share premium reserve	Statutory reserve	Retained earnings	Profit for the year	Total	Issued capital	Share premium reserve	Statutory reserve	Retained earnings	Profit for the year	Total
Closing balance previous year	**9,326**	**136,219**	**2,517**	**-1,905**	**6,873**	**153,030**	**9,326**	**136,219**	**3,059**	**-3,938**	**3,110**	**147,776**
First time adoption new IFRS's	-	-	-	-276	-	-276	-	-	-	-57	-2	-59
At 1 January	**9,326**	**136,219**	**2,517**	**-2,181**	**6,873**	**152,754**	**9,326**	**136,219**	**3,059**	**-3,995**	**3,108**	**147,717**
Prior-year retained earnings	-	-	-	6,873	-6,873	-	-	-	-	3,108	-3,108	-
Dividend distribution to shareholders	-	-	-	-4,663	-	-4,663	-	-	-	-1,865	-	-1,865
Share based payments - treasury shares settlement	-	-	-	-91	-	-91	-	-	-	-52	-	-52
Share-based payments - personnel expenses	-	-	-	783	-	783	-	-	-	361	-	361
Actuarial gains and losses	-	-	-	-161	-	-161	-	-	-	-4	-	-4
Nettoresultaat over het boekjaar	-	-	-	-	14,875	14,875	-	-	-	-	6,873	6,873
Movement regarding statutory reserve	-	-	-168	168	-	-	-	-	-542	542	-	-
At 31 December	**9,326**	**136,219**	**2,349**	**728**	**14,875**	**163,497**	**9,326**	**136,219**	**2,517**	**-1,905**	**6,873**	**153,030**

The share premium reserve at year-end 2019 includes share premium of approximately EUR 2.9 million which does not qualify as tax approved share premium related to share-based payments (year-end 2018: around EUR 2.9 million).

The statutory reserve relates to the carrying amounts of the internally generated intangible assets (see section 2.5.2 and note 8).

At year-end 2019 and year-end 2018, Ordina N.V. had not purchased any treasury shares.

At year-end 2019 and year-end 2018, there were no outstanding option rights for Ordina N.V. shares.

For details on the remuneration of the members of the Management Board, see note 32.2.2.

Nieuwegein, 12 February 2020

Management Board
J.G. Maes, *CEO*
J.W. den Otter, *CFO*

Supervisory Board
J. van Hall, *Chairman*
C. Princen, , *Vice-Chair*
D.J. Anbeek
J. Niessen

Other information

List of group companies/principal associates

List of group companies/principal associates

	Registered office	**Participation as a % at year-end 2019**	Participation as a % at year-end 2018
Ordina Holding B.V.*	Nieuwegein	100	100
Ordina Nederland B.V.*	Nieuwegein	100	100
Ordina Business Consulting & Solutions B.V.*	Nieuwegein	100	100
Ordina Technologie & Competenties B.V.*	Nieuwegein	100	100
Ordina Software Development B.V.*	Nieuwegein	100	100
Ordina RulesMatter B.V.	Nieuwegein	100	n.a.
Ordina Beheer & Outsourcing B.V.*	Nieuwegein	100	100
Ordina Sourcing B.V. *	Nieuwegein	100	100
Clockwork B.V.*	Amsterdam	100	100
SourcePower B.V.*	Nieuwegein	100	100
Ordina Belgium N.V.	Mechelen (België)	100	100
Ordina Luxembourg SA	Windhof (Luxemburg)	100	100

All group companies listed above are fully consolidated. The company has issued declarations of joint and several liability (pursuant to Section 403, Part 9 of Book 2 of the Dutch Civil Code) for the subsidiaries marked *. These companies were given permission to prepare financial statements based on a format that is in contravention of the provisions of said Part of the Dutch Civil Code.

Independent Auditor's Report

For the Independent Auditor's Report we refer to page 164 in the Dutch version of the Annual Report 2019.

Assurance-report

For the Assurance-report we refer to page 174 in the Dutch version of the Annual Report 2019.

Legal organogram Ordina

Ordina N.V.

Ordina Holding B.V.

Ordina Belgium N.V.

- Ordina Luxembourg S.A.
- Passwerk CVBA (37.31%)

Ordina Nederland B.V.

- Ordina Business Consulting & Solutions B.V.
  - Clockwork B.V.
- Ordina Technologie & Competenties B.V.
  - Ordina Software Development B.V.
  - Ordina RulesMatter B.V.
- Ordina Beheer & Outsourcing B.V.
- Ordina Sourcing B.V.
- Facilitaire Diensten Ordina B.V.
- SourcePower B.V.
- Quli B.V. (25%)

Glossary

General terms

Agile and DevOps: Agile is related to the 12 principles of the Agile Manifesto for the production of software. The best developers also use these principles in their day-to-day activities.

'Agile' literally means: agile. In the IT world, it refers to software development in short, clearly demarcated periods, often less than a month and sometimes no more than a week. These periods are referred to as iterations and each one is like a mini project in itself. DevOps is a new principle that was prompted by the frustration arising from the fact that many IT projects in the field of software are delivered after the deadline, do not perform as planned and do not generate a return on investment. The word DevOps comes from the terms 'developer' and 'system operator'. DevOps represents a development method in which new code is written in an agile way that can run in a stable fashion (error-free) in a production environment and for which the developer remains responsible.

Client satisfaction survey: We use an external research agency to measure client satisfaction via telephone calls. Ordina's largest clients in both the Netherlands and Belgium are invited to take part in the survey. When clients express a well-founded wish not to be approached by an external research agency, the telephone interview is conducted by an independent Ordina employee.
The survey provides an objective overview of our clients' perception, satisfaction and expectations of our services.

Client satisfaction index (CSI): The CSI is a client satisfaction survey conducted among our clients in the Netherlands and Belgium/Luxembourg. We measure the general satisfaction of our clients and conduct research on Ordina's image.

FTE: Number of employees expressed in full-time equivalents (40 hours per week) measured on the basis of roster days compared to workable days during a period.

Global Reporting Initiative: International organisation that draws up guidelines for corporate social responsibility reporting.

Inclusive organisation (inclusivity): An organisation that has room for differences in the broadest sense of the word. This is measured as part of the employee engagement survey, by asking employees to what extent they agree with the statement "I feel free to voice my opinion". Respondents can answer by assigning a score of between 1 and 10.

Employee engagement survey (EES): Ordina measures employee engagement several times a year using pulse measurements to gain insight into the current mindset within Ordina. This enables us to target our efforts on areas where improvements are needed and continue to improve the working climate for all employees. Employees are able to express their views anonymously by filling in a questionnaire and express their general satisfaction by giving scores (1-10).
Ordina Promotor Score (OPS): The survey measures the OPS by asking the following question: 'If someone is looking for a partner for their services, would you recommend Ordina as a partner?' Reply options are: very likely, likely, neither likely / nor unlikely, very unlikely.

Ordina calculates the score as the difference between the percentage of 'Highly likely'(Promoters) and 'Highly unlikely' (Detractors). The OPS itself is expressed in absolute terms in a number between -100 and +100.

Ratio of men/women: the ratio of men to women working at Ordina at year-end.

Revenue from business propositions: the part of Ordina's revenue (%) that falls under one of the five business propositions (High performance teams, Intelligent data-driven organisations, Business platforms, Digital acceleration and Security & Compliance).

Sickness-related absenteeism percentage: Calculation of the number of sickness-related absentee days in the period/number of available days in the period x 100%. This takes into account the % of sick people and the % of employment contracts.

Financial terms

Amortisation: the depreciation of intangible fixed assets such as goodwill.

Dutch GAAP: The accounting policies for financial reporting generally accepted in the Netherlands (Annual reporting guidelines) and the legal provisions with respect to financial statements, as laid down in Section 9, Book 2 of the Dutch Civil Code.

EBIT: earnings before interest and taxes.

EBITDA: earnings before interest, taxes, depreciation and amortisation.
IFRS EU: International Financial Reporting Standards are the accounting standards for company annual reports, as accepted within the European Union. With effect from 1 January 2005, stock exchange listed companies in the EU are obliged to report according to these standards.

Solvency: shareholders' equity as a percentage of the balance sheet total (fixed assets and current assets).

Terms and measurements used for CSR results

Availability (average): the percentage of hours in a given period (calendar year) an employee was not used for a paid client contract, but during which they could have been used for same. Calculated as the number of hours registered (in the SAP time registration) under time code 'available' by direct employees divided by the number of workable hours in the year for those direct employees.

Fuel consumption reduction in litres: the fuel consumption of the lease cars in the Ordina fleet. The number of lease cars per category (diesel, petrol, LPG) and total fuel consumption are reported monthly by the lease companies and fuel card companies in the Netherlands, Belgium and Luxembourg.

CO_2 footprint: the quantity of emissions expressed in tonnes of CO_2. These emissions fall under scope 1, 2 and 3 emissions as defined in the CO_2 Performance ladder guide 3.0 produced by Stichting Klimaatvriendelijk Aanbesteden en Ondernemen (The Foundation for Climate Friendly Procurement and Business - SKAO) dated 10-06-2015. The conversion factors Ordina uses are also derived from this guide. You can find these online at www.co2emissiefactoren.nl (Dutch only).
CO_2 footprint calculation: Ordina's CO_2 footprint calculation includes the following components:

- Gas consumption: the gas consumption (in m3) in the buildings that Ordina leases, corrected for any sub-leases;
- Fuel consumption lease cars: the fuel consumption of the lease cars per category (diesel, petrol, LPG) in the Ordina fleet (statements from lease companies and fuel card companies);
- Electricity consumption: the electricity consumption (in kWh) in the buildings that Ordina leases, corrected for any sub-leases;
- Business kilometres private cars: in the Netherlands, these kilometres are determined on the basis of the amounts claimed as expenses for business kilometres. The amount is converted into the number of kilometres on the basis of a conversion factor laid down in the employment terms and conditions (standard amount per kilometre). The division into categories of car (diesel, petrol, LPG) is on the basis of the index figures produced by the Dutch Central Bureau for Statistics (CBS). This does not apply to Belgium/Luxembourg;
- Fuel consumption rental cars: the fuel consumption of the rental cars per category (diesel, petrol, LPG) in the Ordina fleet (statements from lease companies and fuel card companies);
- Air travel: the number of kilometres flown (does not apply to Belgium/Luxembourg);
- Paper use: the number of kilogrammes of paper used, including printed matter (determined on the basis of invoices received);
- Train kilometres: in the Netherlands, these kilometres are determined on the basis of the amounts claimed as expenses for public transport costs. The amount is converted into the number of kilometres on the basis a conversion factor laid down in the employment terms and conditions (standard amount per kilometre). This does not apply to Belgium/Luxembourg;
- Commuter traffic: this is calculated on the basis of the distance travelled from home to work for employees who do not have a lease car (calculated on the basis of 214 work days per year)
- Waste: the number of kilogrammes of waste. In the Netherlands, this is calculated on the basis of invoices received. In Belgium/Luxembourg, Ordina receives statements from the company that picks up the waste.
- Electricity consumption suppliers: electricity consumption (in kWh) of the data centres that Ordina uses. In the Netherlands, this is determined on the basis of invoices received or meter readings. In Belgium/Luxembourg, electricity consumption (in kWh) is calculated on the basis of quarterly readings.

Direct employee/professional: employee who can book billable hours for clients and has no full-time staff or management role.

Energy reduction per work station for electricity: reduction in electricity consumption (in kWh) per work station (see below) in the buildings that Ordina leases, corrected for any sub-leases.
Energy reduction per work station for gas: reduction in gas consumption (in m3) per work station (see below) in the buildings that Ordina leases, corrected for any sub-leases.

Client projects 'Ahead of Change': This refers to services Ordina provides that explicitly relate to our new strategy with the pay-off 'Ahead of change'.
Employee Engagement Survey (EES): Ordina measures employee engagement several times a year to gain insight into the current mindset within Ordina. It enables us to focus our efforts on areas where improvements are needed and continue to improve the working climate for all employees. Employees are able to express their views anonymously on the basis of a questionnaire.

Participation level: This KPI is the percentage of direct employees employed at Ordina on the benchmark date (31 December 2019) that have taken a training course.

Outflow direct employees at Ordina's request: the number of direct employees (in FTEs) whose contract was terminated at Ordina's request in 2019, expressed as a percentage of the number of direct employees (in FTEs) at year-end 2018.

Heating degree days (HDD):
To enable the accurate measurement of the effects of rises or drops in gas consumption and electricity consumption, Ordina looks at the number of heating degree days (HDD). The heating degree days are downloaded from the internet: http://www.kwa.nl/graaddagen-en-koeldagen (De Bilt).

Work stations
The number of desks/tables that can be adjusted in height by the user or facilities manager with adjustable chair in a working environment that meets the terms of working conditions directives (desk with chair), measured on the basis of up-to-date drawings of the buildings that Ordina leases.

GRI-Index

Standard	Disclosure title	Location part provision of information	Pagenumber or link
GRI 102: General Disclosures			
Organizational profile			
102-1	Name of the organization	Ordina N.V.	
102-2	Activities, brands, products, and services	At a glance	3
102-3	Location of headquarters	Nieuwegein	5
102-4	Location of operations	Netherlands, Belgium and Luxembourg, About Ordina	12, link locaties
102-5	Ownership and legal form	Legal organogram, Financial statements (Group companies / Principal associates)	165
102-6	Markets served	Our markets	14
102-7	Scale of the organization	Key figures, Five-year overview, Financial statements	4, 6, 95
102-8	Information on employees and other workers	Key figures, Five-year overview, Our people, Financial statements	4, 6, 49, 95
102-9	Supply chain	About Ordina, Value creation model, Corporate Social Responsibility	12, 43, 55
102-10	Significant changes to the organization and its supply chain	About Ordina, Annual results (Group companies / principal associates)	12, 162
102-11	Precautionary Principle or approach	About Ordina, Governance	12, 70
102-12	External initiatives	Corporate Social Responsibility	55
102-13	Membership of associations	NL Digital	
Strategy			
102-14	Statement from senior decision-maker	Introduction from the Management Board	7
Ethics and integrity			
102-16	Beschrijving van de waarden, principes, standaarden en normen van de organisatie ten aanzien van gedrag, zoals ethische en gedragscodes.	Our people, Governance	7, 70

Standard	Disclosure title	Location part provision of information	Pagenumber or link
Governance			
102-18	Governance structure	About Ordina, Report Supervisory Board	12, 78
102-22	Composition of the highest governance body and its committees	Comsposition management Board and Supervisory Board, Report Supervisory Board	76, 78
102-30	Effectiveness of risk management process	Risks, Governance	64, 70
102-32	Highest commission or function in sustainable reporting	Corporate Social Responsibility	55
102-35	Remuneration policies	Remuneration report	84
Stakeholder engagement			
102-41	Collective bargaining agreements	Employees of Ordina are not subject to an Collective bargaining agreement	
102-42	Identifying and selecting stakeholders	Corporate Social Responsibility (Materiality matrix)	55
102-43	Approach to stakeholder engagement	Corporate Social Responsibility (Materiality matrix)	55
102-44	Key topics and concerns raised	Corporate Social Responsibility (Materiality matrix)	55
Reporting practice			
102-45	Entities included in the consolidated financial statements	Consolidated Financial Statements	95
102-46	Defining report content and topic Boundaries	Corporate Social Responsibility (Materiality matrix)	55
102-47	List of material topics	Value creation model, Corporate Social Responsibility (Materiality matrix)	43, 55
102-48	Restatements of information	Corporate Social Responsibilityn, Financial statements	55,95
102-49	Changes in reporting	Corporate Social Responsibility, Financial statements	55, 95
102-50	Reporting period	1 January until 31 December 2019	
102-51	Date of most recent report	Ordina annual report 2018 (publication 14 February 2019)	
102-52	Reporting cycle	yearly	
102-53	Contact point for questions regarding the report	Colophon	173
102-54	Claims of reporting in accordance with the GRI Standards	Core option	
102-55	GRI content index	GRI-index	
102-56	External assurance	Other information	

Standard	Disclosure title	Location part provision of information	Pagenumber or link
Topic specific disclosures			
Diversity and inclusiveness			
	Management approach	Our people, Corporate Social Responsibility	49, 55
405-1	Diversity of governance bodies and employees	Our people, Corporate Social Responsibility, Report Supervisory Board	49, 55, 78
Recruitment, retension and development of talent			
	Management approach	Our strategy, Our people, Corporate Social Responsibility,	34, 49, 55
Excellent services			
	Management approach	Our strategy, Corporate Social Responsibility	34, 55
Innovation and digital transformation			
	Management approach	Our strategy, Corporate Social Responsibility	34, 55
Impact on the environment (direct and indirect)			
	Management approach	Corporate Social Responsibility	55
302-3	Energy intensity	Corporate Social Responsibility	55
302-4	Reduction of energy consumption	Corporate Social Responsibility	55
Growth in return			
	Management approach	Our strategy, Corporate Social Responsibility	34, 55

NFI Reference table

EU-directive: Non-Financial Information and Diversity Information (reference table)

Onderwerp	Aspect	included (yes/no)	Chapter / Page reference
Business model	n.a.	Yes	About Ordina
Relevant social and personal matters (e.g. HR, safety, etc.)	A description of the policies pursued, including due diligence	Yes	Corporate social responsibility, Our people
	The outcome of those policies	Yes	Corporate social responsibility, Our people
	Principle risks in own operations and within value chain	Yes	Our people
	How risks are managed	Yes	Corporate social responsibility, Our people
	Non -financial key performance indicators	Yes	Corporate social responsibility, Our people
Relevant environmental matters (e.g. climate-related impacts)	A description of the policies pursued, including due diligence	Yes	Corporate social responsibility
	The outcome of those policies	Yes	Corporate social responsibility
	Principle risks in own operations and within value chain	Yes	Corporate social responsibility
	How risks are managed	Yes	Corporate social responsibility
	Non -financial key performance indicators	Yes	Corporate social responsibility
Relevant matters with respect for human rights (e.g. labour protection)	A description of the policies pursued, including due diligence	Yes	Corporate social responsibility, Governance
	The outcome of those policies	Yes	Governance
	Principle risks in own operations and within value chain	Yes	Governance
	How risks are managed	Yes	Governance
	Non -financial key performance indicators	Yes	Corporate social responsibility, Governance
Relevant matters with respect to anti-corruption and bribery.	A description of the policies pursued, including due diligence	Yes	Governance
	The outcome of those policies	Yes	Governance
	principle risks in own operations and within value chain	Yes	Governance
	How risks are managed	Yes	Governance
	Non-financial indicators	Yes	Governance
Insight into the diversity (executive board and the super-visory board)	A description of the policies pursued	Yes	Report Supervisory Board, Corporate social responsibility
	Diversity targets	Yes	Report Supervisory Board
	Description of how the policy is implemented	Yes	Report Supervisory Board
	Results of the diversity policy	Yes	Report Supervisory Board, Composition Management Board and Super-visory Board

Colophon

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