T&W Medical A/S

Annual report 2018/2019
01 May 2018 – 30 September 2019

The Annual General Meeting adopted the annual report on 28.02.2020

Chairman of the General Meeting

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Management commentary

Key figures and financial ratios

Key figures	2018/19 17 months (IFRS)	2017/18 12 months (IFRS)	2016/17 (DK GAAP)	2015/16 (DK GAAP)	2014/15 (DK GAAP)
Income statement, DKKm					
Revenue	12.462	4.459	4.346	3.855	3.277
Gross profit	7.485	3.307	3.017	2.629	2.083
R&D costs	634	72	217	194	157
EBITDA	568	935	841	735	458
Adjusted EBITDA	2.267	1.025	863	735	525
Amortisation and depreciation etc.	1.312	174	313	318	328
Operating profit (EBIT)	(744)	761	528	417	130
Net financial items	(1.497)	(87)	(57)	(109)	(37)
Profit/(loss) before tax	(2.241)	675	470	306	93
Profit/(loss) for the year	(2.156)	527	365	163	34
Balance sheet, DKKm					
Assets	55.839	5.425	5.117	4.366	3.945
Equity	18.911	1.150	1.591	1.289	1.156
Other key figures, DKKm					
Investment in property, plant and equipment	314	139	152	118	56
Cash flow from operating activities	1.500	732	572	634	568
Average number of employees	10.965	4.225	4.065	3.974	3.700
Financial ratios					
Gross profit margin	60,1%	74,2%	69,4%	68,2%	63,6%
EBITDA margin	4,6%	21,0%	19,3%	19,1%	14,0%
Adjusted EBITDA margin	18,2%	23,0%	19,9%	19,1%	16,0%
Profit margin (EBIT margin)	(6,0%)	17,1%	12,1%	10,8%	4,0%
Return on equity	(21,5%)	38,5%	25,4%	13,4%	3,1%
Equity ratio	33,9%	21,2%	31,1%	29,5%	29,3%

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Key figures and financial ratios for 2018/19 and 2017/18 are prepared in accordance with IFRS. All other figures have been prepared in accordance with the Danish Financial Statements Act. For a description of the effect of the transition to IFRS, please refer to note 1.1.

Please refer to note 1.1 in the consolidated financial statements for an analysis on how the DK GAAP figures for 2016/17, 2015/16 and 2014/15 would be adjusted to IFRS as the basis of preparation.

Primary activities

T&W Medical A/S (TWM) is the holding company for the Tøpholm and Westermann families ownership in the WS Audiology Group, T&W Holding, UNEEG Medical and other group companies. WS Audiology Group (WSA) is the combination of former Widex and Sivantos that develops and manufactures hearing aids and associated products that are sold globally through own sales companies and independent distributors. T&W Holding (TWH) is the main investment company of the Tøpholm and Westermann families and UNEEG Medical` main activity is commercialisation of active implantable devices and other EEG-/neurological medical devices supported by T&W Engineering which main activity is research and development of technology used for measuring long-term EEG and its varied use.

Merger of Widex and Sivantos

On 1st March 2019 the EQT funds, that are owners of Sivantos Pte. Ltd. (“Sivantos”), and the Tøpholm and Westermann families, that are owners of Widex A/S (“Widex”), announced the successful completion of the merger of the two companies.

The merger created a leading hearing aid company with yearly revenue of more than DKK 12 billion, more than 10,000 employees and one of the strongest R&D teams in the industry. The merged company operates under the name WS Audiology (WSA) housing a unique multi-branded portfolio of product and business brands, including Signia, Widex, Rexton, AudioService, Coselgi, audibene, HearUSA, Bloom, TruHearing etc.

WSA combines more than 140 years of company industry experience and offers a broad and competitive range of innovative, high-quality hearing aid products across several brands, price segments and instrument types well positioned to serve multiple customers with the right products at relevant price points. The product portfolio comprises BTE, ITE and Receiver-in-the-Canal ("RIC") devices and related accessories, diagnostic tools, managed care and other services for the hearing care professionals and hearing impaired.

From an accounting point of view the Widex Group and as such TWM has been regarded as the accounting acquirer, and the Sivantos Group is regarded as the accounting acquiree. A purchase price allocation has been prepared for the Sivantos Group with an acquisition date of 28 February 2019 as outlined in note 5.1. on business combinations.

Furthermore, T&W Medical A/S acquired a majority stake (based on voting rights) in T&W Holding A/S. Net assets acquired are included in the other acquisitions in note 5.1 on business combinations, and in all material aspect no fair value adjustments were made.

To align the accounting periods in the combined group, TWM and Widex Group have changed their accounting period end from 30 April to 30 September, such that the accounting period will be from 1 October to 30 September. Therefore, the consolidated financial statements for 2018/19, which is the year in which the accounting period is changed, cover 17 months from 1 May 2018 to 30 September 2019, whereas the comparative figures cover 12 months from 1 May 2017 to 30 April 2018. These comparative figures are prepared in accordance to IFRS. The financials for the Sivantos Group are included in the consolidated financials from closing of the merger, i.e. 1 March 2019 to 30 September 2019.

Financial review

For the extended fiscal year 2018/19, TWM delivered a total revenue of DKK 12.462 million driven in particular by the merger. The underlying WSA business delivered solid revenue growth driven by product launches like Signia Nx platform and Widex Evoke as well as other organic growth initiatives across the business parcularly in the eCommerce business (Audibene) and Managed care in US (TruHearing). The growth was however negatively impacted by challenges in US Wholesales mainly driven by the lack of a lithium-ion rechargeable solution in the Widex product portfolio, implementation of an ERP system and the loss of the Kirkland private label contract in CostCo in June 2019 combined with a decline in performance in the US retail business.

Gross profit ended at DKK 7.485 million corresponding to 60,1% gross margin. The gross margin declined compared to previous years due to a combination of change in business mix driven by the merger and as the Group was impacted by lower wholesale gross margins especially in the US.

Earnings before Interest, Tax, Depreciations and Amortizations (EBITDA) ended at DKK 568 million corresponding to an EBITDA margin of 4,6% driven by the lower gross margin and significant one-time cost related to the merger, transformation projects, harmonization of accounting policies etc.

Adjusting for normalization items in WSA Adjusted EBITDA ended at DKK 2.267 million corresponding to an adjusted EBITDA margin of 18,2%. Adjusted EBITDA margin for the period is lower than previous years for the Widex/TWM Group mainly due to the challenges in US Wholesales with the lack of a Lithium Ion rechargeable solution in the Widex product portfolio, implementation of an ERP system and the loss of the Kirkland private label contract in CostCo combined with a decline in performance in the US retail business.

The Group considers one-time costs and one-time gains as normalization items if they are non-recurring in nature. These are excluded in Adjusted EBITDA and Adjusted EBITDA margin. The total normalisation for the extended fiscal year 2018/19 amount to DKK 1.699 million and is mainly driven by cost related to the Merger of DKK 1.145 million, ERP implementation of DKK 129 million, Transformation projects of DKK 57 million, restructuring cost of DKK 176 million and harmonisation of accounting policies of DKK 18 million.

Operating results (EBIT) ended at DKK -744 million corresponding to an EBIT margin of -6%. Adjusting for one-time cost of DKK 1.699 million the operating results ended at DKK 955 million or adj EBIT margin of 7,7%.

Net Financial items including the investment results in TWH ended at DKK -1.497 million effected by interest expenses of DKK -1.004 million, foreign currency losses of DKK 60 million and fair value losses on derivatives and other financial instruments of DKK 491 million in WSA and a return on securities and other investments in TWH with DKK 165 million. Details on Net Financial items are specified in note 4.4.

Included in the income from investments in subsidiaries in the separate financial statements for T&W Medical A/S and the group equity is the dilution gain of DKK 6.797 million from the ownership interest in WS Audiology being diluted to 47% by the issuance of additional shares to EQT for the contribution of Sivantos in return for new shares in WS Audiology. The dilution gain recognized in share of profits in subsidiaries in the equity statement is including the fair value of the call option and net of transaction costs. T&W Medical incurred transaction costs related to the preparation and set-up of the merger of DKK 122 million.

With the negative operating result mainly in WSA and consolidated negative net financial items the Group result before tax ended at DKK -2.241 million and Group net results after tax ended at DKK -2.156 million. Despite the negative operating result in WSA the Group remain well positioned with an equity ratio of 33,9% and a solid financial and liquidity position. The capital structure and financial items are described in detail in Note 4.

As a consequences of the dilution effect the result in the parent company was positively effected.

The reported financial results cannot be compared to earlier provided guidance from TWM due to the merger of Widex Group and Sivantos Group. However still the adjusted EBITDA margin for WSA is lower than previous years. Despite the lower adjusted EBITDA margin Management is satisfied with the results considering the significant efforts from the organization in connection with the merger and the significant progress on merging the previous two companies into one company with one joint purpose and one joint strategy.

Outlook

The merger between two leading hearing aid companies forming WSA has created a strong player. The Group aims at accelerating growth using the unique portfolio of differentiated product brands to strengthen its market penetration and in parallel enhancing efficiencies to enable additional investments into R&D and supply chain. This will allow the Group to expand access to hearing healthcare via its dedicated salesforce by product brand through even more innovative solutions across a wide range of hearing needs, increasing the quality of life of millions of people and thereby delivering on the purpose of WS Audiology being "unlocking human potential by making wonderful sound part of everyone's life"

Leading technologies, flexible business models and a broad geographical footprint combined with a unique portfolio of brands and products puts the Group in a strong position to capture substantial business opportunities in the future. The Group plans to gain market share in traditional channels and key mature markets, and at the same time grow in new channels such as big box retailers, optical stores, and managed care. The Group is also well positioned to grow in emerging markets such as China with next generation business models being developed and tested. Beside a stronger than market growth, the Group is also focusing on further improving profit margins. The Group is continuing to invest heavily into building capabilities and realize optimizations and synergies from the merger coupled with established technological leadership driving sustainable growth.

With the above fundamentals and plans in place, management of WSA expects to grow revenue for the group above 10%-pts for the financial year 2019/20 and improve the adjusted EBITDA margin to above 20% due to a combination of stronger earnings performance in Wholesale and Retail as well as realization of synergies related to the merger.

For the TWM financial investments activities mainly executed in T&W holding, Management expects result for 2019/20 before tax to be in the range of DKK 250-300 million depending on the development of the financial markets. For the other activities within TWM incl. Uneeg Medical and T&W Engineering, the reseach and development and commercialisation activities will continue and result of the these before tax is expected to be in the range of DKK 90-110 million (negative) in 2019/20 depending on level on delvelopment projects.

Risk management

The Group considers risk management as a key part of effective management and internal control. The Group has implemented internal control systems with the aim to provide a framework for all processes and activities designed to give reasonable assurance regarding the achievement of business objectives. Such systems are designed to manage, rather than eliminate, the risk of failure. Assurance activities monitor the efficiency and effectiveness of policies and operations and the status of compliance with statutory obligations. These can cover the effectiveness of Internal Controls (IC) over a broad range of areas such as strategic, operations, financial and compliance.

Strategy Risk

The hearing instrument industry has in the past experienced shifts to new key technologies, for recent shift towards rechargeable products across all major markets. For the Group to remain competitive, it is essential to develop and bring to market new technologies and offerings or to find new applications for existing technologies at an increasing speed.

The Group operate in a competitive industry which is characterized by some downward price pressures. In order to compensate the pressure, the Group constantly develops new products and offerings are constantly developed with new and enhanced consumer value propositions. A good example to illustrate this is the WSA launch of the new technology platform 'Signia Xperience' in September 2019 which is the first hearing aid platform with acoustic motion sensor integrated adding additional value to the consumer experience.

The risks of new competitor entrants offering over the counter ("OTC") products exist, but the impact on the current hearing aid business will be limited. The OTC products will cater to a new segment of the market currently not in focus for the traditional hearing aid providers and therefore the OTC products will likely attract new customers towards traditional hearing aids thus expanding the overall market. WS Audiology has the product portfolio, channel footprint and operational experience to quickly respond to any developments in the OTC segment when needed.

Regulatory Risk

The Group's business and products are subject to a variety of market conditions and medical product regulations in the jurisdictions in which the Group operates. In particular, these regulations govern: (i) coverage and reimbursement by national health services or by private health insurance services for the purchase of hearing instruments, (ii) the supply of hearing instruments to the public and, (iii) the development, testing, manufacturing, labelling, premarket clearance and approval, and marketing, export and import of hearing instruments. Accordingly, the Group's business may be affected by changes of laws and regulations, and in particular, changes to the conditions for coverage, the way in which reimbursement is calculated, and the ability to obtain national health insurance coverage.

Intellectual Property Risk

Intellectual property rights, particularly patents and trade secrets, play a significant role in product development and differentiation in our industry. These proprietary rights are essential to the Group's business and its ability to compete effectively with other companies in the market is greatly enhanced by the availability of any successful technology through licensing. The Group pursues a policy of generally obtaining patent protection in key jurisdictions for patentable subject matter in the Group's proprietary devices and attempt to review third party patents and patent applications to the extent publicly available to develop an effective patent strategy, avoid infringement of third party patents, identify licensing opportunities and monitor patent claims of others.

Operational Risk

As any interruption in the operations of the Group's manufacturing facilities may adversely affect the Group's businesses, financial conditions and result of operations, the Group conducts preventive maintenance in all operating equipment. The operation of production plants and the transfer of data between the affiliates and market organizations depend on the efficient and uninterrupted operation of the Group's's IT landscape. The Group has experienced IT cyber-attacks, but has mitigated any material effects from these by ensuring a solid level of IT security and clear Business Continuity Plans in case of breaches.

Finally, the Group not only relies on the timely supply from suppliers; for key components or products dual sourcing strategies are being implemented on top of a constant monitoring of supplier quality and delivery performance

Compliance Risk

Conducting the Group's business in an ethical acceptable manner is important to the Group's reputation, status with regulators and business prospects. A part of the Group's revenue is derived under contracts with government agencies and consequently, the Group regularly conduct business with public officials and other politically exposed persons. The Group has policies in place to prevent direct or indirect acts of corruption, bribery, anti-competitive behavior, money laundering, fraud, deception, and any other criminal or otherwise unacceptable conduct. A law firm, which is experienced in the duties of an ombudsman, has been entrusted with this function by the Group. The contacts of the Ombudsman are available on the Group intranet and internet.

Legal Disputes Risk

The Group is and has been in the past, subject to legal disputes and regulatory proceedings in connection with business activities. Although the Group maintains liability insurance in amounts it believes to be adequate and consistent with industry practice, the Group may not be fully insured against all potential damages that may arise out of any claims to which the Group may be party in the ordinary course of business (though the Group is not aware of any such claims at present). A negative outcome of these proceedings might prevent the Group from pursuing certain activities and/or require the Group to incur additional costs in order to do so and pay damages.

Currency Risk

The Group's international operations expose the Group to foreign currency exchange rate risks, particularly regarding fluctuations of the USD, EUR, CAD and CNY in the ordinary course of business. The Group mainly employs the use of foreign exchange forward contracts to mitigate the group's major risks from adverse FX movements' impact on consolidated earnings for 3-12 months rolling forward.

As a matter of principle, the foreign currency risk is centrally managed by Group Treasury in cooperation with the Group entities in the countries. Please refer to Note 4.2 in the Consolidated financial statements for further information.

Credit Risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Group may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis and considers country credit ratings. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. However, the Group has credit enhancements such as personal guarantees and share pledge related to customer loans.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. There were no significant concentrations of credit risks as of 30 September 2019. Please refer to Notes 3.4 and 3.7 for more information.

Liquidity Risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, in particular, paying its suppliers and servicing its interest-bearing debt. In addition to having implemented effective working capital and cash management, the Group has implemented short-term and medium-term liquidity forecasts. Group Treasury monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. Please refer to Note 4.2 for more information.

Interest Rate Risk

As of 30 September 2019, the Group's long-term debt consists of secured term floating rate loans of which a certain proportion have been swapped for fixed interest rates. Please refer to Note 4.2 for more information.

Statutory report on corporate social responsibility

Following the approval of the merger of Widex Group and Sivantos Group to form WSA, work has started to align the policies, actions, systems and procedures, and processes to ensure a company-wide CSR policy. Some of that work is still ongoing and will be completed during 2020.

For a brief description of the WSA Group's business model, please refer to section above on merger Description.

The TWM Group's activitities on CSR are mainly executed within WSA but also within the investments activites of T&W Holding where substansial capital is allocated to investments in renewables and other sustainable investments. ESG factors (environmental, social, governance) are integrated part of the investment processes in T&W Holding.

WSA has introduced a new Code of Conduct to replace the previous codes produced by Sivantos and Widex. The code reflects the organization's commitment to customers, business partners, employees and communities where WS Audiology does business.

The code covers:

- How to speak up
- Conduct in our business
- Conduct towards our customers and society
- Working with business partners and suppliers
- Fair treatment of our employees and workspace conduct
- Financial integrity and protection of our assets

The Code of Conduct can be found at https://www.wsa.com/-/media/Files/WSA_Code-of-Conduct.ashx

In addition, WSA will become a signatory to the UN Global Compact, following on from the work already done by Sivantos. The UN Global Compact (UNGC) provides a company with a value system and a principles-based approach to doing business.

This means meeting fundamental responsibilities in the areas of human rights, labor, environment and anti-corruption. The Ten Principles of the United Nations Global Compact are derived from The Universal Declaration of Human Rights, the International Labor Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention Against Corruption.

As a global goals system, the Sustainable Development Goals (SDGs) provide a common language and compass for the challenges of the 21st century. We are committed to work towards them wherever possible.

WSA is currently focusing on four SDGs:

SDG 3 – Good Health and Well-being

SDG 4 – Quality Education

SDG 7 – Affordable and Clean Energy

SDG 12 – Responsible Consumption and Production

Health and Safety, Environment and Climate

As part of the WSA commitment to support the UN Sustainable Development Goals, WSA is focused on reducing the company's impact on the environment and climate by responsible production and consumption. We aim for environmental sustainability by contributing to the UN Sustainable Development Goal 12.

As a medical instrument manufacturer, WSA places a great deal of importance on excellence in environmental protection, occupational health management, and workplace safety within the business as well as in the product life cycle.

WSA is committed to:

- Providing a safe and healthy working condition for our employees, contractors and visitors, and systematically eliminating hazards and reducing risks.
- Ensuring that our product life cycle helps protect the natural environment and contributes to a sustainable future.
- Fulfilling our EH&S compliance obligations in our processes, which are the cornerstone of our daily work.
- Continuously improving our EH&S management system & performance to bring us closer toward the goal of zero accidents, zero health impact and zero waste.

This policy is implemented through a comprehensive EH&S Management System based on international standards and overseen by governance arrangements at all levels of the organization. EH&S must be embraced by everyone and clearly demonstrated through communication, consultation and participation of all stakeholders.

WSA's manufacturing process has a low risk of impact on the environment and climate and reduces or avoids the risk of environmental damage via the regular maintenance of production processes and environmental protection systems.

Since the construction in 2010, the Danish office and manufactoring site in Lynge (headquarters for T&W Medical A/S, T&W Holding A/S, T&W Engineering A/S, UNEEG Medical A/S and shared headquarter for WS Audiology A/S) has been CO2 neutral, and in the daily use of the property focus is centered around saving of energy and minimum exploitation of natural resources. Thus, rain water is collected and used for toilet flushing and waste heat is reused for the heating of domestic water.

The electricity consumed to run the building and the production facility is produced by the Group's own wind turbine and solar cells installed on the building. In periods in which the company's own production of electricity does not cover the energy demand, "green" electricity is purchased from the grid. In addition, sensors are applied in the entire building to minimize the consumption of energy.

Furthermore, an advanced system for ground water heat exchange is established by which excess heat from the cooling of the building during the summer is collected and stored in the subsurface and subsequently, the energy is used to heat the building in the winter.

With regards to Health and Safety the risk is also considered low due to manufacturing process and use of products. The risk is mitigated through implementation of the multi-site EH&A systems described below.

However, there is some metal, electronic and plastic waste generated during the manufacturing process. Waste from operations is disposed of in a legally compliant and sustainable manner with proper records and verifiable data. In 2018, Sivantos began a new program with the goal of 100% recycling or reutilization of all materials. We aim to recycle all plastics while batteries undergo a recovery process including the lithium component in the case of Li-ion batteries, as well as components from all other electronic waste. This is already done in some sites and will be expanded to all in the coming years. We have a goal of setting a formal target during 2020.

Former-Sivantos implemented a comprehensive multi-site EH&S (Environmental, Health and Safety, ISO 14001) and OHSAS 18001 (Occupational Health and Safety Assessment Series) management system at the three production sites at Singapore, Suzhou and Poznan. They were awarded an ISO14001 and OHSAS 18001 certification. This concept will be rolled out to all major manufacturing sites of WS Audiology.

In November 2017, Sivantos Group started a comprehensive improvement program. Thanks to this "smart lean program", our European and Asian manufacturing centers go beyond the traditional manufacturing methods that were long common in the hearing aid industry. Following the merger, the smart lean program has been extended to the former Widex manufacturing centers.

The above-mentioned activities have contributed to succeed in maintaining a high level of people and environmental protection throughout the merger period.

Social engagement

The Group takes part in a wide range of activities with global and local communities on its own behalf and in support of employees. The WSA Group maintains strong partnerships with local non-profit organizations around the globe, most notably, the China Foundation for Disabled Persons and the Akshaya Patra foundation in India.

From employees raising funds for multiple sclerosis, to a multi-year university sponsorship program in Singapore, it is a broad-scope engagement that has been driven by the passion of our people. We are currently reviewing our existing policies and activities to see how we can further engage and contribute.

The two companies behind WSA have long-standing partnerships with the Danish Technical University in improving the basic science behind hearing aids and the National University of Singapore in creating better-qualified audiologists.

For the financial year 2019-20, WSA plans to continue its contributions to sustainability activities through monetary and in-kind donations to local non-profit organizations, educational facilities, and relief associations.

Financial support is given to the association every year so they can continue their work in schools for the deaf and hard of hearing in Morocco, Tunisia, Guinea, Vietnam, Madagascar, Cameroon and Burkina Faso.

On World Hearing Day, Sivantos China donated around 7,500 USD to the "Love Ears" concert put on by the China Symphony Orchestra. Children with hearing loss also performed songs and poems to an audience of around 2,000 in celebration of the beauty of hearing. The annual event is organized by the China Rehabilitation Research Center for Hearing and Speech Impairment.

The main risk in this area is considered bribery, please refer to the section below which describes action to prevent bribery.

For more information see https://www.wsa.com/-/media/Files/Sivantos_CoP-Report_2019_for-ePaper.ashx

Anti-corruption and bribery

The Group is committed to working against corruption in all its forms, by always acting professionally, fairly and with integrity. There is a zero-tolerance approach to corruption, including fraud and bribery. Anti-corruption considerations are an integrated part of our business partner handling process, and we continue to safeguard that our partners acknowledge and respect their responsibility when doing business with us.

The main risks related to the Group's activities include employees' and business partners' violation of our anti-corruption commitment and the resulting potential legal and financial consequences.

The main suppliers of WSA are located in Europe and North America, regions generally perceived as being low risk with regards to anti-corruption. The risk of corruption in connection with our business is perceived to be higher in some of our markets, but we have established multiple measures to ensure that anti-corruption is an integrated part of our business, such as vetting of all suppliers, and ad-hoc evaluations.

The Group ensures that is is not indirectly facilitating corrupt or unethical practices by allowing money or materials to get into the wrong hands. In particular, the Group does not do business with third parties (such as consultants, agents, and intermediaries) if the circumstances indicate that all or part of the money paid to them may be directly or indirectly passed on to a government official to influence official action or obtain an improper advantage; or passed on to a private commercial counterparty in consideration for an unfair advantage in a business transaction. For that reason, the Group will evaluate the qualifications and reputation of these third parties and avoid working with third parties whose standards are incompatible with our Code.

Like any business, the Group sometimes gives and accepts gifts, hospitality or entertainment. In every case, we must consider whether it is appropriate. Before offering or accepting anything, employees must ensure that it complies with our internal policy or procedure, that it is normal in a business relationship and is unlikely to influence the other person's – or our own – decision making.

If the gift, hospitality or entertainment is linked to a sale, or can be perceived as excessive or as a bribe, we do not offer or accept such a gift, hospitality or entertainment. We do not offer, promise or give anything of value to any public official, directly, or indirectly, with the intention of influencing them in their work or to obtain or retain business or a business advantage. We also do not make facilitation payments or permit others to make them on our behalf. The Group's internal guidelines and trainings set the basis for our system that is designed to prevent, detect, and respond to potential violations of anti-corruption and antitrust regulations.

All employees must read and become familiar with the Code, as its principles need to be a part of daily work. Both former Sivantos and Widex employees have attended mandatory training sessions on their separate codes of conduct before the merger. Mandatory training for the WS Audiology Code of Conduct will start in February 2020.

The Group is committed to fostering an environment where our employees can ask questions and raise issues or concerns about business ethics without fear of retaliation. If unethical behavior or illegal conduct in the workplace is experienced or witnessed, we require our employees to report it and seek guidance on such matters. Employees and third parties can contact an external Ombudsman anonymously if they believe to have witnessed incorrect business practices within the group.

We follow up on every reported violation with internal compliance investigations when justified by supporting evidence. Upon completion of an investigation, we propose solutions for any identified issues and ensure they are carried out. We also respond to incidents of employee misconduct with appropriate and legal disciplinary action. The Ombudsman investigates any reported matter and if there is any suspicion of violation, especially of criminal nature or in defiance of our Code of Conduct, the reports will be forwarded to the group so that we can start investigations immediately. The identity of the informant will not be revealed.

All emails and reporting will be kept confidential to the extent permitted by law and will only be shared on a need-to-know basis with the required person(s) who shall investigate and/or decide on the reported possible violation. The Group has a policy of "zero tolerance" for retaliation. Employees can report issues and concerns in good faith without fear of the consequences.

For the last calendar year, there has not been any substantiated breaches of our code of conduct save for one case in retail US where the employee has been terminated and was also under police investigations for a fraud case amounting to USD100K.

No reports were made to the Ombudsman in the last calendar year.

Labor rights

The Group seeks to create a safe working environment that appeals to all employees, so we can attract, develop and retain well-qualified and engaged employees.

In regard to labor rights the risk is considered low due to the organizational setup of the Group and strong culture for having an open and honest relationship with employees. The risk is mitigated through clear compliance with national legislation, implementation of UN global compact principles 3-6 and employee representatives in workers councils in selected countries.

We work towards an open and honest relationship with employees. We respect their right to be informed, heard and to voice their concerns in an open and transparent manner.

We act in compliance with national legislation in the countries in which we operate, and we follow the UN Global Compact Principles 3-6.

- Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- The elimination of all forms of forced and compulsory labor
- The effective abolition of child labor;
- and the elimination of discrimination in respect of employment and occupation.

WSA is committed to regular Employee Engagement surveys, following on from the surveys undertaken in the former Sivantos and Widex companies.

The first of these surveys from the Great Place To Work Institute® was completed in October. It surveyed all employees in the merged company with a response rate of 87%. Employees were asked for their feedback on three key relationships that make a Great Place to Work®: Management, Employee and Job. These were measured on Credibility, Respect, Fairness, Pride and Camaraderie.

Country managers have been tasked with sharing the results for their companies and Six WS Audiology countries attained a Trust Index© of more than 70% to be certified as a Great Place to Work.

Employee Representatives from fourteen countries met in December 2019 to begin negotiations for an agreement towards a WS Audiology European Works Council. Employee elected delegates from Italy, Germany, France, Hungary, Austria, Czech Republic, Norway, Estonia, the Netherlands, Poland, UK, Sweden, Slovakia and Denmark, met as part of a Special Negotiation Body that will have the task of creating a Works Council from the different European countries in which WS Audiology has operations. The representatives are informed and consulted by central management on transnational issues of concern to the company's employees. Under European Union rules, the Special Negotiation Body has now three years to reach an agreement with the WS Audiology management on the structure of the Works Council.

Human Rights

In the Group we believe that respecting human rights is fundamental to our way of business.

We recognize that we are responsible for the impact of our business activities on the people who work for or with us and are also responsible for our impact on the people in communities where we operate. We act on this responsibility by using our influence to promote and protect the human rights of all those we work with and alongside. We support the principles defined within the International Labor Organization Core Conventions, the United Nations (UN) Global Compact and the UN Guiding Principles on Business and Human Rights.

Regarding human rights the risk is considered low due to the organizational setup of the Group and strong culture for having an open and honest relationship with employees. The risk is mitigated through implementation of our Employee code of conduct as well as our OHSAS certifications as described below.

We are committed to complying with applicable laws and regulations regarding working conditions, labor standards, modern slavery, human trafficking, discrimination and harassment.

We are committed to ensuring a safe and healthy work environment

We are committed to providing a safe and healthy workplace for our customers, business partners, employees and other stakeholders working within, or visiting, our facilities or premises.

We are committed to ensuring that all of our employees are familiar with our Employee Code of Conduct and kept updated when changes are integrated.

Respecting human rights is a core value of WS Audiology and is part of our Business Conduct Guidelines. We have a multisite OHSAS 18001 certification for manufacturing sites and offices as part of our commitment to upholding a safe work environment.

As a medical device company, we understand that product safety can never be compromised as errors in our hearing aids or other devices could lead to significant and potentially life-long damages.

To ensure that medical devices are safe in every aspect, the US Food and Drug Administration (FDA) regularly inspects manufacturers. Sites in China, Denmark, Germany, the USA and Singapore all successfully passed the FDA audit inspection in 2018-19.

In Europe, WSA is one of the first hearing aid manufacturing companies audited successfully under the new Medical Device Regulations (MDR), awaiting the new certificates by Q1/2020. The success behind is a multi-site Quality Management Systems (QMS) following the ISO 13485 that allows global governance and local adaptations to ensure an effective but efficient quality throughout the whole WS Audiology group.

Statutory report on the underrepresented gender

The Group wishes to promote diversity at all levels of the Group. Discrimination and harassment are not tolerated in any form. A series of new policies, including the updated code of conduct, has been introduce in WSA to support this commitment, including an updated working environment policy and an antiharassment policy. All employees will have the same opportunities regardless of gender, age, race, ethnicity, sex, religion, sexual orientation, etc. Personal privacy will be respected; discrimination and verbal or psychological harassment will not be tolerated.

For the total employee population, the gender split in WSA is 56% women and 44% men. For employees with managerial responsibility the split is 72% men and 28% women. For the Family Office, the gender split is 67% women and 33% men (excluding family members) with equal gender diversity in managerial positions.

The share of women in managerial positions is not at the desired level across the Group, and there are still countries where better representation of women is needed. The company is focused on ensuring that gender diversity is promoted. This is for example the case when hiring for leadership positions where at least one female candidate must be found and when organizing leadership courses where female representations is examined

The board of directors currently consist of six members. At present there are no female board members, but the target is that the share of women should be two members by 2022. The target has not been reached in the reporting year, as the best qualified candidate for the board member who joined during the year was man. The board composition will be reviewed on an ongoing basis to ensure the ambition is met.

Consolidated financial statements

Consolidated income statement

DKKm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Revenue	2.1	12.462,4	4.459,4
Cost og goods sold		(4.977,8)	(1.152,3)
Gross profit		**7.484,6**	**3.307,1**
Research and development costs		(633,5)	(72,1)
Selling and general admin expenses		(7.557,4)	(2.496,2)
Other operating income & costs		(27,9)	23,0
Share of profit/(loss) in associates	5.6	(9,7)	(0,9)
Operating (loss)/profit		**(743,9)**	**761,2**
Interest income	4.4	79,6	54,5
Interest expenses	4.4	(1.004,4)	(108,4)
Other financials net	4.4	(572,5)	(32,7)
Profit before tax		**(2.241,2)**	**674,6**
Tax on profit/(loss)	2.3	85,3	(147,7)
Group share of result		**(2.155,9)**	**526,9**
Shareholders of T&W Medical A/S		(1.125,1)	535,8
Minority interests share of result		(1.030,8)	(9,2)
Group share of result		**(2.155,9)**	**526,6**

Consolidated statement of comprehensive income

(Loss)/profit for the year	**(2.155,9)**	**526,6**
Items that will not be reclassified to profit or loss		
Actuarial gains	(71,7)	-
Tax on items that will not subsequently be reclassified to the income statement	20,0	-
Items that may be reclassified subsequently to profit or loss		
Change in fair value gains of cash flow hedge	(73,2)	6,0
Tax on items that have been or may subsequently be reclassified to the income statement	(3,2)	(1,0)
Foreign exchange adjustment	134,0	(127,4)
Other comprehensive income for the year, net of tax	**5,9**	**(122,4)**
Shareholders of T&W Medical	(23,20)	(122,40)
Minority interests share of result	29,10	-
Group share of other comprehensive income	**5,9**	**(122,4)**
Total comprehensive income for the year	**(2.150,0)**	**404,2**

Consolidated balance sheet

DKKm	Notes	30 September 2019	30 April 2018	Opening IFRS balance sheet 1 May 2017
Assets				
Goodwill	3.1	26.108,6	1.237,3	1.151,1
Other intangible assets	3.1	16.043,2	348,4	264,8
Property, plants and equipment	3.2	2.052,8	1.278,1	1.270,5
Investments in associates	5.6	106,6	48,4	43,1
Deferred tax assets	2.3	515,1	210,1	249,6
Other non-currents financial assets	3.4	3.638,5	409,0	400,2
Other non-currents assets	3.5	35,1	2,0	38,0
Total non-current assets		**48.499,9**	**3.533,3**	**3.417,3**
Inventories	3.6	874,9	409,8	361,5
Trade receivables	3.7	2.434,4	733,1	719,5
Current income tax receivables		38,4	7,5	0,0
Other current financial assets	3.4	2.412,1	279,4	210,5
Prepayments		0,5	9,9	0,0
Other current assets	3.5	432,1	173,5	130,5
Cash and cash equivalents		1.146,3	278,0	349,5
Total currents assets		**7.338,7**	**1.891,2**	**1.771,5**
Total assets		**55.838,6**	**5.424,5**	**5.188,8**

DKKm	Notes	30 September 2019	30 April 2018	Opening IFRS balance sheet 1 May 2017
Equity and Liabilities				
Share capital	4.1	500,0	500,0	500,0
Other reserves		(111,9)	(122,4)	100,0
Retained earnings		6.317,8	726,7	1.000,1
Total equity attributable to the shareholders		**6.705,9**	**1.104,3**	**1.600,1**
Non-Controlling interest		12.204,7	45,5	49,1
Total Equity		**18.910,6**	**1.149,8**	**1.649,2**
Long-term debts	4.2, 4.3	25.743,6	372,3	372,5
Pension obligations	5.4	147,8	9,7	14,1
Provisions	3.10	211,3	64,5	69,9
Deferred tax liabilities	2.3	3.385,7	73,1	51,7
Other non-current financial liabilities	3.8	1.204,0	77,2	68,4
Other non-current liabilities	3.9	266,0	53,5	185,2
Total non-current liabilities		**30.958,4**	**650,3**	**761,8**
Short-term debts	4.2, 4.3	916,4	0,1	16,4
Trade payables		1.452,5	381,0	319,5
Debt to related parties		1.540,2	2.564,0	1.790,2
Current income tax liabilities		212,8	51,4	98,4
Provisions - current	3.10	357,6	61,3	76,5
Other current financial liabilities	3.8	280,7	36,3	0,0
Other current liabilities	3.9	1.209,4	530,3	476,8
Total current liabilities		**5.969,6**	**3.624,4**	**2.777,8**
Total liabilities		**36.928,0**	**4.274,7**	**3.539,6**
Total equity and liabilities		**55.838,6**	**5.424,5**	**5.188,8**

Consolidated statement of cash flow

DKKm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Operating activities			
(Loss)/profit for the year		**(2.155,9)**	**526,6**
Depreciation, amortisation & impairment	3.3	1.383,7	151,8
Amortisation of transaction cost		74,6	-
Income tax expenses, net	2.3	(85,3)	158,4
Interest expenses, net		730,8	64,4
Loss on sales of assets		14,2	-
Share of profit/loss associates		9,7	0,7
Income from equity investments, fixed		103,6	-
Other non-cash adjustments	5.7	294,2	0,2
Cash flow from operating activities before changes in working capital		**369,6**	**902,1**
Change in inventories		449,4	(58,1)
Change in receivables		(109,5)	(13,5)
Change in other current assets		173,9	6,7
Change in trade payables		58,5	134,1
Change in other current liabilities		(129,3)	(76,7)
Change in other assets/liabilities		484,8	-
Change in provisions		58,2	(26,1)
Cash flow from operating activities before financial items and tax		**1.355,6**	**868,6**
Financial income received		307,6	12,7
Income taxes paid, net		(163,4)	(149,0)
Cash flow from operating activities		**1.499,8**	**732,3**
Acquisition of companies/operations	5.1	(239,6)	(136,3)
Investments in intangible & tangible assets		(837,7)	(284,3)
Investments in other asstes		(1.156,0)	(84,8)
Proceeds from disposals intangible & tangible assets		33,9	32,0
Proceeds from disposals of other assets		-	8,2
Cash flow used in investing activities		**(2.199,4)**	**(465,2)**
			-
Cashflow from operating and investing activities		**(699,6)**	**267,1**
			-
Transcation costs issuance long-term debt		(90,3)	-
Proceeds from long-term & short term debt		3.131,5	-
Repayments of long-term & short-term debt		(506,7)	(139,7)
Financial expenses paid		(943,5)	(198,2)
Dividens paid to shareholders		(2,2)	(6,0)
Change in other short-term debt and other financing activities		(27,6)	5,2
Cash flow from/(used in) financing activities		**1.561,2**	**(338,7)**
			-
Net cash flow		**861,5**	**(71,6)**
			-
Cash & cash equivalents beginning og period		278,1	348,9
Adjustments foreign currency cash and cash equivalents		6,7	0,7
Cash and cash equivalents, end of period		**1.146,3**	**278,0**

Consolidated statement of changes in equity

DKKm	Share capital	Foreign exchange adjustments	Hedging reserve	Retained earnings
Equity at 30 April 2017	**500,0**	**-**	**-**	**941,4**
Impact of transition to IFRS	-	-	-	58,7
Equity at 1 May 2017	**500,0**	**-**	**-**	**1.000,1**
Profit for the period	-	-	-	526,6
Adjustment of hedges	-	-	6,0	-
Foreign exchange adjustment, etc.	-	(127,4)	-	-
Tax relating to other comprehensive income	-	-	(1,0)	-
Total comprehensive income for the year	**-**	**(127,4)**	**5,0**	**526,6**
Dividends paid	-	-	-	(800,0)
Equity at 30 April 2018	**500,0**	**(127,4)**	**5,0**	**726,7**
Profit for the period	-	-	-	(1.125,1)
Other transactions with non-controlling interest	-	-	-	6.749,9
Acturial losses	-	-	-	(33,7)
Adjustment of hedges	-	-	(67,3)	-
Foreign exchange adjustment, etc.	-	63,0	-	-
Tax relating to other comprehensive income	-	-	14,8	-
Total comprehensive income for the year	**-**	**63,0**	**(52,5)**	**5.591,1**
Equity at 30 September 2019	**500,0**	**(64,4)**	**(47,5)**	**6.317,8**

DKKm	Proposed dividend	Equity of shareholders in T&W Medical A/S	Non-controlling interest	Total Equity
Equity at 30 April 2017	**100,0**	**1.541,4**	**49,1**	**1.590,5**
Impact of transition to IFRS	-	**58,7**	-	**58,7**
Equity at 1 May 2017	**100,0**	**1.600,1**	**49,1**	**1.649,2**
Profit for the period	-	**526,6**	2,4	**529,0**
Adjustment of hedges	-	**6,0**	-	**6,0**
Foreign exchange adjustment, etc.	-	**(127,4)**	-	**(127,4)**
Tax relating to other comprehensive income	-	**(1,0)**	-	**(1,0)**
Total comprehensive income for the year	**-**	**404,2**	**2,4**	**406,6**
Dividends paid	(100,0)	**(900,0)**	(6,0)	**(906,0)**
Equity at 30 April 2018	**-**	**1.104,3**	**45,5**	**1.149,8**
Profit for the period	-	**(1.125,1)**	(1.030,8)	**(2.155,9)**
Other transactions with non-controlling interest	-	**-**	13.160,9	**19.910,8**
Acturial losses	-	**(33,7)**	(38,0)	**(71,7)**
Adjustment of hedges	-	**(67,3)**	(5,9)	**(73,2)**
Foreign exchange adjustment, etc.	-	**63,0**	71,0	**134,0**
Tax relating to other comprehensive income	-	**14,8**	2,0	**16,8**
Total comprehensive income for the year	**-**	**(1.149,8)**	**12.159,2**	**17.760,8**
Equity at 30 September 2019	**-**	**6.705,9**	**12.204,7**	**18.910,6**

Notes to the consolidated financial statements

1 Basis of preparation

The consolidated financial statements for the Group and separate parent financial statements for T&W Medical A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further requirements in the Danish Financial Statements Act.

The consolidated financial statements and separate parent financial statements are presented in Danish Kroner (DKK) which is the functional currency of T&W Medical A/S. All values are rounded to the nearest million (DKK) with one decimal, except where indicated otherwise.

The Group's general accounting policies are described in 1.2 Significant general accounting policies below. In addition to this, specific accounting policies are described in each of the individual notes to the consolidated financial statements. The accounting policies set out below and in each note have been used consistently in respect of the financial year and the comparative figures, except as explained in note 1.1 First-time adoption of IFRS.

The Merger of Widex Group and Sivantos Group

On 28 February 2019, but prior to the incorporation of WS Audiology A/S, the shares in the Widex Group were held by T&W Medical A/S (previously named Widex Holding A/S) and the shares in the Sivantos Group were held by Auris Luxembourg I S.A., North Harbour VII S.à.r.l. and North Harbour VIII S.à.r.l.

WS Audiology A/S was established 28 February 2019 to effectuate the merger of the Sivantos Group and the Widex Group, as explained in the Management Commentary.

From an accounting point of view the Widex Group has been regarded as the accounting acquirer, and the Sivantos Group is regarded as the accounting acquiree. Accordingly, the consolidated financial statements for T&W Medical A/S and the subsidiary, WS Audiology A/S, therefore represent a continuation of the financial position, performance and cash flows of the Widex Group and a purchase price allocation has been prepared for the Sivantos Group with an acquisition date of 28 February 2019 as outlined in note 5.1. on business combinations. Accordingly, the consolidated financial statements are prepared on the following basis:

a) the assets and liabilities of the Widex Group are recognised and measured in the consolidated statement of financial position of the Group at their pre-acquisition carrying amounts;
b) the assets and liabilities of the Sivantos Group are recognised and measured in the consolidated statement of financial position of the Group at their acquisition-date fair values;
c) the retained earnings and other equity balances recognised in the consolidated financial statements are the retained earnings and other equity balances of the Widex Group immediately before the Reverse Acquisition;
d) the amount recognised as issued equity interests in the consolidated financial statements is determined by adjusting the issued equity of Widex Group immediately before the Reverse Acquisition to the fair value of the consideration effectively transferred at the acquisition date.
e) To align the accounting periods in the combined group, Widex Group has changed its accounting period end from 30 April to 30 September, such that the accounting period will be from 1 October to 30 September. Therefore, the consolidated financial statements for 2018/19, which is the year in which the accounting period is changed, cover 17 months from 1 May 2018 to 30 September 2019, whereas the comparative figures cover 12 months from 1 May 2017 to 30 April 2018. These comparative figures are presented according to the IFRS framework (refer to Note 1.1)
f) As a result of the merger, the accounting estimates have been aligned within the Group and there was no significant financial impact from the alignment of these estimates.

1.1 First-time adoption of IFRS

The consolidated financial statements of T&W Medical A/S have historically been prepared in accordance with the Danish Financial Statements Act ("DFSA"). Beginning from 2018/19, the consolidated financial statements are prepared in accordance with IFRS, and the Group has applied IFRS 1 First-time adoption of IFRS with 1 May 2017 as the date of transition to IFRS. The Group has also applied the exemption under IFRS 1 Para E2 (a); IFRS 9 has been adopted on 1 May 2018, with the comparative information in compliance with the requirements of DK GAAP in place of the requirements IFRS 9 and IFRS 7.

The financial statements for all periods presented, including the opening IFRS statement of financial position have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2019 except when IFRS 1 require or allow prospective implementation as explained below.

DKKm	1 May 2017 Assets	Liabilities	Equity	Profit for the year 2017/18	30 April 2018 Assets	Liabilities	Equity
According to previous GAAP (Danish Financial Statements Act)	**5.116,7**	**3.526,2**	**1.590,5**	**383,0**	**5.188,4**	**4.256,9**	**931,4**
Goodwill	-	-	-	154,1	173,5	-	173,5
Other intangible assets	-	-	-	-	1,5	-	1,5
Deferred tax assets	43,9	-	43,9	-	-	-	-
Other non-current financial assets	(12,6)	-	(12,6)	-	3,7	-	3,7
Other current financial assets	40,8	-	40,8	(6,7)	57,4	-	57,4
Other financial liabilities	-	12,7	(12,7)	(3,7)	-	17,0	(17,0)
Other current liabilities	-	0,7	(0,7)	-	-	0,7	(0,7)
According to IFRS	**5.188,8**	**3.539,6**	**1.649,2**	**526,7**	**5.424,5**	**4.274,7**	**1.149,8**
Other comprehensive income							
Exchange rate adjustments investments in foreign operations				(127,4)			
Tax on other comprehensive income				5,0			
Total comprehensive income				**404,3**			

IFRS adjustments related to the statement of comprehensive income for the period 1 May 2017 to 30 April 2018:

1) T&W Medical A/S recognizes a fair value adjustment on initial recognition of interest free customer loans within "Other financial expenses" under DFSA. Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. DKK 6,7 million represents the reduction in sales prices for goods delivered during the year.
2) Under DFSA, T&W Medical A/S amortizes goodwill over 10 years. Under IFRS, goodwill is not amortized but tested for impairment at least annually. Goodwill amortization of DKK 173 million has been reversed, and "Selling and general administration expenses" was decreased with the same amount.
3) Under DFSA, T&W Medical A/S recognizes operating lease expenses at the amounts paid for each period. Under IFRS, operating lease expenses are recognized on a straight-line basis. "Selling and general administration expenses" was increased by DKK 8,9 million.
4) Under DFSA, T&W Medical A/S recognizes adjustments to earn-outs in business combinations as an adjustment to consideration paid for the business combinations. Under IFRS, adjustments to earn-outs in business combinations are recognized in profit or loss. DKK 4,5 million in reduction of earn-out liabilities during the year was recognized in "Other operating income".
5) Under DFSA, T&W Medical A/S recognizes transactions costs related to business combinations as part of the consideration paid for the business combinations. Under IFRS, transaction costs related to business combinations are recognized in profit or loss. EDKK 1,5 million in costs was recognized in "Other operating expenses" related to transaction costs related to business combinations during the year.
6) Under DFSA, T&W Medical A/S recognizes amortization of goodwill recognized as part of the investments in associates. Under IFRS, goodwill related to investments in associates is not amortized. DKK 1,5 million related to amortization of goodwill as part of the investments in associates during the year was reversed.
7) Under DFSA, T&W Medical A/S has based the amortization of fair value adjustments related to interest free customer loans on an interest rate determined for the entire portfolio of customer loans in the T&W Medical A/S Group. Under IFRS, the amortization is based on market interest rates in each jurisdiction. DKK 2,2 million in additional interest income was recognized under IFRS.
8) Under DFSA, T&W Medical A/S recognizes a fair value adjustment on initial recognition of interest free customer loans within "Other financial expenses" under DFSA. Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. DKK 34,2 million related to fair value adjustments on initial recognition of new customer loans issued during the year was reversed.
9) DKK 38,7 million was recognized as a net increase in deferred tax (additional tax cost) for the period from the tax effects of reversals of goodwill amortizations, straight lining of operating lease costs and actuarial gains or losses related to defined benefit plans.
10) Under DFSA, T&W Medical A/S recognizes exchange rate adjustments related to investements in foreign operations directly in equity. Under IFRS, exchange rate adjustments related to investments in foreign operations are recognized in other comprehensive income. Foreign exchange rate adjustments previously recognized directly in equity, net of effects of adjustments from IFRS adjustments amount to DKK 127,4 million.

IFRS adjustments related to the statement of financial position at 1 May 2017 and 1 May 2018:

11) Under DFSA, T&W Medical A/S amortizes goodwill over 10 years. Under IFRS, goodwill is not amortized but tested for impairment at least annually. T&W Medical A/S has not adjusted the accounting for business combinations prior to 1 May 2017. Under IFRS, goodwill amortization from 1 May 2017 until 30 April 2018 amounting to DKK 173 million was reversed.
12) Business combinations entered into after 1 May 2017 was reassessed under IFRS. Compared to the accounting for business combinations under DFSA, removal of transaction costs as part of considerations for the business combinations, adjustments to identified intangible assets related to customer lists, adjustments to measurement of earn-outs resulted in a net increase of goodwill of DKK 2,2 million at 30 April 2018.
13) The effects of exchange rate adjustments related to goodwill from the abovementioned IFRS adjustments related to goodwill decreased "Goodwill" by DKK 5,7 million at 30 April 2018.
14) Business combinations after 1 May 2017 was reassessed under IFRS. Compared to the accounting for business combination under DFSA, adjustments to identify intangible assets related to customer lists resulted in a net increase of "Other intangible assets" related to customer lists of DKK 1,5 million at 30 April 2018.
15) Under DFSA, T&W Medical A/S recognizes amortization of goodwill recognized as part of the investments in associates. Under IFRS, goodwill related to investments in associates is not amortized. DKK 1,5 million related to amortization of goodwill recognized as part of the investments in associates from 1 May 2017 to 30 April 2018 was reversed.
16) The accumulated tax effects of IFRS adjustments amounts to an increase in deferred tax asset of DKK 44 million at 1 May 2017. The net IFRS adjustments to deferred tax asset at 30 April 2018 is nill. The accumulated net tax effects relate to reversal of amortization of goodwill and other adjustments related to business combinations, straight lining of operating lease expenses and consequential adjustments to foreign exchange rate adjustments..
17) Under DFSA, T&W Medical A/S recognizes a fair value adjustment on initial recognition of interest free customer loans in profit or loss within "Other financial expenses". Under IFRS, the fair value adjustment on initial recognition is considered to represent consideration payable to the customer and hence a reduction of transaction prices for goods to be delivered in the future. Under IFRS, the asset related to accrual of fair value adjustments at 1 May 2017 amounts to DKK 41,7 million and DKK 57,4 million at 30 April 2018 and is presented as "Other current financial assets".
18) Under DFSA, T&W Medical A/S has measured the fair value of customer loans at initial recognition and subsequent amortization of fair value adjustments related to interest free customer loans on an interest rate determined for the entire portfolio of customer loans in the T&W Medical A/S Group. Under IFRS, the measurement and amortization is based on market interest rates in each jurisdiction. Under IFRS, the carrying amount of customer loans is reduced by DKK 12,7 million at 1 May 2017 and increased by DKK 2.2 million at 30 April 2018.
19) Under DFSA, T&W Medical A/S recognizes operating lease expenses at the amounts paid for each period. Under IFRS, operating lease expenses are recognized on a straight-line basis. The non-current portion of the related accrued operating lease liability amounts to DKK 12.7 million at 1 May 2017 and DKK 21,6 million at 30 April 2018. The current portion of the related accrued operating lease liability amounts to DKK 0,7 at 1 May 2017 and EUR 0,7 at 30 April 2018

1.2 General accounting policies

Basis of consolidation

The consolidated financial statements comprise the financial statements of T&W Medical A/S (the parent company) and subsidiaries, which are entities controlled by T&W Medical A/S, prepared in accordance with Group policies. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are listed in note 5.11.

The consolidated financial statements are prepared by combining items of a uniform nature and subsequently eliminating intercompany transactions, internal shareholdings and balances and unrealized intercompany gains or losses. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences and until the date on which control ceases.

The accounting items of subsidiaries are recognised 100% in the consolidated financial statements. Non-controlling interest's share of subsidiaries' profit or loss for the year and of equity are included in the Group's profit or loss and equity, but are disclosed separately.

Acquisitions or disposals on non-controlling interests in subsidiaries, which does not result in obtaining or losing control of such subsidiaries, are treated as an equity transaction in the consolidated financial statements, and any difference between the consideration and the carrying amount of the non-controlling interest is allocated to the Parent's share of the equity.

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, as well as any related non-controlling interests and other components of equity. Any interest retained in the former subsidiary is measured at fair value when control is lost. Any resulting gain or loss is recognised in profit or loss.

Translation of foreign currency

A functional currency is determined for each or the reporting entities in the Group. The functional currency is the primary currency used for the reporting entity's operations. Transactions denominated in other that the functional currency are translated into the functional currency at the exchange rates at the transaction date. Foreign exchange differences between the exchange rate at the transaction date and at the date of payment are recognised in other financials, net.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the transaction date.

Foreign exchange differences are generally recognised in other financials, net in the income statement. However, the following foreign exchange differences are recognised in other comprehensive income ("OCI"):

- Qualifying cash flow hedges to the extent that the hedges are effective
- Hedges of net investment in foreign operations to the extent that the hedges are effective
- Foreign exchange adjustment of balances with foreign entities that are considered part of the net investment in the entity

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into EUR, at the exchange rates at the reporting date. The income statements and statements of cash flows of foreign operations are translated into EUR at average exchange rates for the period, unless such average exchange rates are unrepresentative of the exchange rates prevailing at the transaction dates, in which case the transaction date exchange rates are applied.

Foreign exchange differences arising on translation of the opening balance of equity of foreign entities at the exchange rate at the reporting date and on translation of the income statement from the average exchange rate to the exchange rate at the reporting date are recognised on other comprehensive income and attributed to a separate translation reserve in equity, except to the extent that the translation difference is allocated to non-controlling interests.

On complete or partial disposal of a foreign entity such that control, significant influence or joint control is lost, or on repayment of balances that constitute part of the net investment in the foreign entity, the share of the cumulative amount of the exchange differences recognised in other comprehensive income relating to that foreign entity is recognised in the income statement as part of the gain or loss on disposal. When the Group disposes of part of its interest in a subsidiary but retains control, the relevant portion of the cumulative amount is reattributed to non-controlling interest. On partial disposal of an associate or joint venture while retaining significant influence or joint control, the relevant portion of the cumulative amount is reclassified to the income statement.

Statement of cash flows

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the profit/(loss) for the period adjusted for non-cash operating items, changes in working capital and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc. of intangible assets and property, plant and equipment. Cash flow from acquired enterprises is recognised in the cash flow statement from the acquisition date. Cash flow from disposed of enterprises is recognised up until the disposal date.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, repayment of interest-bearing debt (principal and interest), acquisition and disposal of treasury shares and payment of dividends to shareholders.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk.

Cash flows cannot be derived directly from the statement of financial position and income statement.

Applying materiality

The consolidated financial statements are a result of processing large numbers of transactions and aggregating those transactions into classes according to their nature or function. The transactions are presented in classes of similar items in the consolidated financial statements. If a line item is not individually material, it is aggregated with other items of a similar nature in the consolidated financial statements or in the notes.

There are substantial disclosure requirements throughout IFRS. Management provides specific disclosures required by IFRS unless the information is not applicable or considered immaterial to the economic decision-making of the users of these financial statements.

1.3 Significant accounting estimates and judgements

In preparation of the consolidated financial statements, Management makes various accounting estimates and judgements that form the basis of presentation, recognition and measurement of the Group's assets, liabilities, income and expenses. The key accounting estimates identified are those that have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

The application of the Group's accounting policies may require Management to make judgements that can have a significant effect on the amounts recognised in the consolidated financial statements. Management judgement is required in particular when assessing the substance of transactions that have a complicated structure or legal form.

The accounting estimates and judgements made are based on historical experience and other factors that Management assesses to be reliable, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect. Specific accounting estimates and judgements are described in each of the following individual notes to the consolidated financial statements:

Significant estimate/judgement	**Section**
Revenue recognition for multiple elements contracts	2.1 Revenue
Measurement of deferred tax assets and uncertain tax positions	2.3 Tax
Recognition and measurement of development projects	3.1. Intangible assets
Impairment testing, useful lives and residual values	3.3. Depreciation, amortisation and impairment
Measurement of provisions	3.10 Provisions
Loans to customers – Initial recognition at fair value and allowance for expected credit losses	3.4 Other current and non-current financial assets
Recognition and measurement of acquired assets and liabilities in business combinations	5.1 Business combinations
Measurement of defined benefit plans	5.4 Pension obligations

1.4 Adoption of new and amended IFRS

New or amended standards and interpretations not yet adopted

IASB has issued new or amended accounting standards and interpretations that have not yet become effective and have consequently not been implemented in the consolidated financial statements for 2018/19. T&W Medical A/S expects to adopt the accounting standards and interpretations when they become effective. Apart from the implementation of IFRS 16 Leases, the implementation of new or amended accounting standards and interpretations is not expected to have any significant impact on financials or the Group's accounting policies as they cover arears that are either not material or relevant for the Group.

IFRS 16 Leases, issued in January 2016, replaces IAS 17 Leases and related interpretations, and will significantly change the accounting treatment of leases that are currently treated as operating leases. IFRS 16 introduces a single lessee accounting model, requiring lessees to recognise all leases in the balance sheet as a lease liability and a right-of-use asset unless the lease term is 12 months or less or the underlying asset has a low value. In the income statement, the lease cost is replaced by depreciation of the right-of-use asset and an interest expense for the lease liability.

The standard will be implemented on 1 October 2019 using the modified retrospective approach, where the right-of-use asset on transition are measured at an amount equal to the lease liability at the date of initially applying the standard without restating comparative figures. In addition, the Group plans to apply the practical expedient to not reassess whether a contract is, or contains, a lease at the date of initial application.

The Group has reviewed its leasing arrangements, which mainly comprise leases of properties and cars. The identified right-of use assets are expected to increase the Group's non-current assets and interest-bearing debt by approximately DKK 427,9 million and DKK 418,9 million respectively. The effects are based on current lease agreements and are estimates subject to uncertainties. Possible future changes in activities and lease terms are not taken into account.

The cumulative effect of initially applying IFRS 16 will be presented as an adjustment to opening retained earnings under equity.

Apart from the implementation of IFRS 16,other published changes to IFRS Standards, including IFRIC 23, Uncertainty over Income Tax Treatments, are not expected to have any significant impact on the financials or the Group's accounting policies, as they cover areas that are not material and/or relevant for the Group.

2 Results of the year

2.1 Revenue

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Revenue by geographic region:		
EMEA-LA	4.412,0	1.720,7
North-America	5.543,3	1.815,9
Asia-Pacific	2.507,1	922,8
Total	**12.462,4**	**4.459,4**
Hereof US	4.544,9	1.273,7
Hereof Germany	1.233,7	320,8
Hereof Other	6.683,8	2.864,9
Total	**12.462,4**	**4.459,4**

Revenue is predominantly recognized at a point in time, and revenue recognized over time is not significant. Revenues are attributed to countries on the basis of the customer's location. The Region "EMEA-LA" consists of Europe, the Middle East, Africa and Latin-America. The Region "North-America" includes the United States and Canada. The Region "Asia-Pacific" consists of Asia, Australia and the Pacific region.

Consolidated revenue mainly derives from sales of goods and is broken down by the selling entity. No individual customer accounts for 10% or more of the total revenue. The Group considers its operations to constitue a single operating segment.

Contract liabilities
The T&W Medical A/S Group has recognised the following liabilities related to contracts with customers:

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Customer prepayments	90,3	0,7
Deferred revenue	147,0	11,2
Volume discounts	206,0	-
Right of returns	183,6	27,5
Contract liabilities with customers	**626,9**	**39,4**

The contract liabilities has increased significantly from the prior year mainly due to the merger as explained in Note 1.

Accounting policies

Revenue from sale of products is recognised when the Group has transferred control of products sold to the buyer and it is probable that the Group will collect the consideration to which it is entitled for transferring the products. Control of the products is transferred at a point in time, typically on delivery.

Revenue is measured at the fair value of the consideration received or receivable net of discounts, VAT and other duties.

Contracts with customers sometimes include multiple promises that constitute separate performance obligations, and to which a portion of the transaction price needs to be allocated. The total transaction price in the contract is allocated to separate performance obligation based on the relative stand-alone selling prices of each such performance obligation. Each separate performance obligation is recognised when control is transferred to the customer.

When products are sold with a right of return, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. In such cases, the expected returns are estimated based on an analysis of historical experience adjusted for anyknown factors impacting expectations for future return rates To the extent that the Group will be able to recover the cost of returned products, when the customers exercise their right to return, a separate right to returned products asset and a reduction in cost of sales is recognised.

Discounts, rebates and sales incentives to customers

The Group pays various discounts, rebates and sales incentives to customers including trade discounts and volume rebates. Furthermore, customer discounts include the difference between the present value and the nominal amount of loans to customers at below market interest rates, cf. section 3.4 Other non-current and current finanicial assets.

Discounts, rebates and sales incentives to customers are deducted from revenue and are measured using either the expected value method or the most likely amount method depending on which method better predicts the amount of consideration to which the Group will be entitled net of discounts, rebates and sales incentives.

The Group offers customers the option to separately purchase extended warranty for inventories sold. The extended warranty is a distinct service to the customer. The Group recognised all warranty-related costs as a provision for warranty at the time of the sales which were previously accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as deferred revenue. Under IFRS 15, the Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price when the warranty is bundled together with the sale of inventories. The portion of the transaction price allocated to the service-type warranty is initially recorded as a contract liability and recognised as revenue on a straight-line basis over the period the warranty services are provided. Revenue is recognised when the customer receives the warranty coverage and loss and damage as part of the purchase of the hearing aid.

The standard warranty period for hearing aids varies across territories, typically between 12 and 36 months. The extended warranty covers periods beyond the standard warranty period or standard warranty terms. Payment terms vary significantly across territories.

Significant judgements and accounting estimates

Significant judgements are required in identifying separate performance obligations in contracts with customers, and allocation of the total consideration under the contract to each identified performance obligation. Separate performance obligations may include e.g. free or discounted supply of consumables for hearing aids, training of staff, leases of equipment, marketing contribution, extended warranties etc.

Estimates of the number of returns of products under customers right of return are based on the right of return policies and practices, accumulated historical experience, sales trends and the timing of returns from the original transaction date when applicable. Where new products are sold or products are sold to new markets, for which sufficient historical experience does not exist, refund liability and revenue to be recognised are based on estimated demand and acceptance rate for well-established products with similar market characteristics. If such similar product or market characteristics do not exist, recognition of revenue is postponed until there is evidence of consumption of the products by the customer, or when the right of return has expired.

Estimates of discounts, rebates and sales incentives are estimated and accrued when the related revenue is recognised. To make such estimates require use of judgement, as all conditions are not known at the time of the sale, e.g. the number of units sold to a given customer or the expected utilization of loyalty programmes. Liabilities in respect of sales discounts, rebates and loyalty programmes are adjusted, as the Group gain better information on the likelihood that they will be realized and the value at which they are expected to be realized.

The accrual against revenue of discounts from issue of customer loans at off-market terms (cf. Section 3.4 Other non-current and current financial assets) is based on the customers totally committed purchases of products throughout the term of the customer loan, and is recognised as a discount for each product sold.

2.2 Staff costs

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Wages, salaries and remuneration	3.869,2	1.393,2
Statutory social welfare contributions and expenses for optional support	471,3	184,3
Expenses relating to pension plans and employee benefits	229,1	93,1
Total	**4.569,6**	**1.670,6**
Average number of full-time employees	10.965	4.225

For information regarding remuneration of the Board of Directors, Executive Board and other Key Management Personnel, please refer to note 5.2 Remuneration of Key Management Personnel.

Accounting policies

Wages, salaries, social security contributions, annual leave and sick leave, bonuses and non-monetary benefits are recognised in the year in which the associated services are rendered by employees of the Group. Where the Group provides long-term employee benefits, the costs are accrued to match the rendering of the services by the employees concerned.

2.3 Tax

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Tax on profit/(loss)		
Current tax for the year	(174,8)	(101,1)
Deferred tax for the year	234,5	(52,5)
Effect of change in income tax rates	14,1	-
Withholding tax	(3,7)	-
Adjustment to current tax with respect to prior years	33,1	(1,5)
Adjustment to deferred tax with respect to prior years	(17,9)	7,4
Total	**85,3**	**(147,7)**
Income tax expense differs from the amount computed by applying the statutory Danish income tax rate of 22% (2017/18: 22%) as follows:		
Reconciliation of effective tax rate		
Expected income tax (expense)/benefit	715,0	(229,9)
Non-deductible expenses	(283,5)	(6,7)
Non-taxable income	(170,2)	82,9
Adjustment of tax with respect to prior years	12,4	6,0
Reassessment of deferred tax assets on tax losses and temporary differences	(110,4)	-
Effect of change in income tax rates	14,2	(11,9)
Effect of tax rates in foreign jurisdictions	(97,7)	-
Tax incentives	23,1	-
Withholding tax	(3,7)	-
Other, net	(13,8)	11,9
Total	**85,3**	**(147,7)**
Tax relating to other comprehensive income		
Actuarial gains	(20,0)	-
Other	3,2	(1,0)
Total	**16,8**	**(1,0)**

Deferred tax

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Deferred tax, net 1 May	137,3	196,9
Foreign currency translation adjustments	2,2	(30,5)
Changes in deferred tax assets/(liabilities)	234,5	(52,5)
Additions relating to acquisitions	(3.261,6)	-
Adjustment of deferred tax, prior years	(14,0)	7,4
Impact of changes in corporate tax rates	14,2	-
Deferred tax relating to changes in other comprehensive income	16,8	15,4
Deferred tax, net	**(2.870,6)**	**136,7**
Deferred tax recognised in the balance sheet		
Deferred tax assets	515,1	209,9
Deferred tax liabilities	(3.385,7)	(73,2)
Deferred tax, net	**(2.870,6)**	**136,7**

Breakdown of the Group's temporary differences and Changes

DKKm	Tax effect of Temporary differences at 30 April 2018	Effect of Implementa-tion of IFRS	Tax effect of Temporary differences at 1 May 2018	Exchange rate adjustments
Financial assets	(5,2)	-	**(5,2)**	-
Intangible assets	(14,1)	-	**(14,1)**	(9,7)
Property, plant and equipment	(68,8)	-	**(68,8)**	(0,7)
Inventories	64,1	-	**64,1**	-
Receivables	16,4	-	**16,4**	2,2
Pension plans and similiar commitments	-	-	**-**	0,7
Provisions	18,6	-	**18,6**	3,7
Liabilities	56,6	-	**56,6**	0,7
Tax loss and credit carry-forward	69,3	-	**69,3**	5,2
Other	0,0	-	**0,0**	-
Total	**136,9**	**-**	**136,9**	**2,1**

DKKm	Tax effect of Temporary differences at 1 May 2018	Acquisitions	Recognised in profit for the year	Other compre-hensive income	Tax effect of Temporary differences at 30 September 2019
Financial assets	(5,2)	121,7	11,9	-	**128,4**
Intangible assets	(14,1)	(3.489,7)	81,7	-	**(3.430,6)**
Property, plant and equipment	(68,8)	(53,8)	11,1	-	**(98,1)**
Inventories	64,1	29,9	59,0	-	**153,0**
Receivables	16,4	(47,8)	(14,9)	-	**(62,0)**
Pension plans and similiar commitments		(32,9)	(6,0)	20,0	**(17,9)**
Provisions	18,6	53,8	17,2	-	**93,2**
Liabilities	56,4	(156,0)	118,5	(3,2)	**19,8**
Tax loss and credit carry-forward	69,3	308,4	(48,5)	-	**334,3**
Other	-	4,8	6,2	-	**10,7**
Total	**136,7**	**(3.261,6)**	**237,5**	**16,8**	**(2.870,6)**

Unrecognised tax assets are based on the Managements expectation about the future taxable profits during the periods in which those temporary differences and tax loss carry forwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, it is probable the Group will realize the benefits of these deductible differences.

Unrecognized deferred tax assets

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Capital loss carry forwards	0,7	-
Tax loss carry forwards	57,2	60,8
Total unrecognized tax carry forwards	**57,9**	**60,8**

The value of tax loss carry forwards capitalized of DKK 334,3 milltion includes tax losses of DKK 73,2 million that can be carried forward for 5 to 20 years. The remaining tax loss have no expiry date.

Unrecognized deferred tax liabilities

The Group has not recognized deferred tax liabilities for income taxes or foreign withholding taxes on the cumulative earnings of subsidiaries of DKK 56,7 million as of 30 September 2019 because the earnings are intended to be permanently reinvested in the subsidiaries.

Accounting policies

Income tax comprises current tax and changes in deferred tax for the year, including changes as a result of changes in tax rates. The tax expense for the year is recognised in profit or loss except to the extent that it relates to items recognised directly in other comprehensive income or directly in equity.

Current tax liabilities or assets are measured using the tax rates and tax laws that have been enacted or substantively enacted in each jurisdiction by the end of the reporting period.

Deferred tax is measured using the balance sheet liability method and comprises all temporary differences between the carrying amount and tax base of assets and liabilities. Deferred tax is not recognised for taxable or deductible temporary differences:

- arising from the initial recognition of goodwill
- on the initial recognition of assets and liabilities in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit
- associated with investments in subsidiaries, branches, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that the termporary differences will not reverse in the foreseeable future.

If amortisation of goodwill is deductible for tax purposes, a deferred tax liability is recognised on temporary differences arising after initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates entacted or substantially enacted at the reporting date.

Deferred tax assets and tax liabilities are offset if the entity has a legally enforceable right to offset current tax liabilities and tax assets or intends either to settle current tax liabilities and tax assets or to realise the assets and settle the liabilities simultaneously.

Significant judgements and accounting estimates

The T&W Medical A/S Group operates in a large number of tax jurisdictions where tax legislation can be highly complex and subject to interpretation. Significant judgement and estimates are required in determining the worldwide accrual for income taxes, deferred tax assets and liabilities and uncertain tax positions.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. This judgement is made annually and based on budgets and business plans, including planned commercial initiatives, for the coming five years unless a longer period in certain situations (e.g. for start-up businesses) is warranted. Currently, a longer period than five years has not been applied in any of the jurisdictions in which the T&W Medical A/S Group operates.

In the course of conducting business globally, tax and transfer pricing disputes with tax authorities may occur. Management judgement is applied to assess the possible outcome of such disputes. The "most probable outcome" method is used when determining whether to recognise any amounts related to such uncertain tax position. If it is probable that a tax adjustment will be required, the amount of such adjustment is measured at the most likely amount or the expected value, whichever method better predict the resultion of the uncertain tax position.

3 Operating assets and liabilities

3.1 Intangible assets

DKKm	Goodwill	Develop-ment projects	Customer relation-ships, Patents and rights	Software	Total
Cost at 1 May 2018	**1.237,3**	**97,9**	**494,1**	**152,0**	**1.981,2**
Foreign exchange adjustments	56,0	17,9	129,9	13,4	**217,3**
Business Combinations	24.815,4	575,6	17.995,8	281,5	**43.688,2**
Additions	1,4	489,2	0,6	61,2	**552,4**
Disposals	(2,2)	-	-	(14,9)	**(17,1)**
Cost at 30 September 2019	**26.107,8**	**1.180,6**	**18.620,4**	**493,2**	**46.402,0**
Amortisation and impairment at 1 May 2018	**-**	**-**	**(298,4)**	**(103,1)**	**(401,5)**
Foreign exchange adjustments	-	(7,5)	(21,7)	(8,2)	**(37,3)**
Business Combinations	-	(188,9)	(2.406,4)	(125,4)	**(2.720,7)**
Amortisation	-	(83,6)	(899,5)	(59,0)	**(1.042,1)**
Disposals	-	-	-	12,7	**12,7**
Impairment	-	(62,0)	-	-	**(62,0)**
Transfers	0,8	-	-	-	**0,8**
Amortisation and impairment at 30 September 2019	**0,8**	**(342,0)**	**(3.625,9)**	**(283,1)**	**(4.250,2)**
Carrying amount at 30 September 2019	**26.108,6**	**838,6**	**14.994,4**	**210,1**	**42.151,8**
Cost at 30 April 2017	**3.394,2**	**-**	**494,1**	**131,1**	**1.776,7**
Effect of implementation of IFRS	(2.242,7)	-	-	-	**-**
Cost at 1 May 2017	**1.151,5**	**-**	**494,1**	**131,1**	**1.776,7**
Foreign exchange adjustments	(33,4)	-	(12,7)	(5,2)	**(51,3)**
Additions	120,7	97,9	15,6	26,1	**260,3**
Disposals	(1,5)	-	(3,0)	-	**(4,5)**
Cost at 30 April 2018	**1.237,3**	**97,9**	**494,1**	**152,0**	**1.981,2**
Amortisation and impairment at 30 April 2017	**2.204,9**	**-**	**(255,4)**	**(79,0)**	**(334,4)**
Effect of implementation of IFRS	(2.204,9)	-	-	-	**-**
Amortisation and impairment at 1 May 2017	**-**	**-**	**(255,4)**	**(79,0)**	**(334,4)**
Foreign exchange adjustments	-	-	6,7	1,5	**8,2**
Amortisation	-	-	(52,7)	(24,0)	**(76,7)**
Disposals	-	-	3,0	(1,6)	**1,4**
Amortisation and impairment at 30 April 2018	**-**	**-**	**(298,4)**	**(103,1)**	**(401,5)**
Carrying amount at 30 April 2018	**1.237,3**	**97,9**	**195,6**	**48,9**	**1.579,6**

Please refer to note 5.1 for further information about increases in goodwill related to the business combinations in 2018/19.

There were no impairment losses recognized on goodwill at 30 September 2019 and 30 April 2018. DKK 62.0 million of impairment losses was recognised on development projects in 2019 due to significant changes in the technological market (2018: Nil).

Total expensed development costs

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Research and development cost incurred	934,1	323,8
Development costs capatalised as development projects	-484,6	-119,7
Depreciation of operating assets etc., used for development purposes	25,4	9,7
Amortisation and impairment of capatalised developments projects	152,3	6
	627,2	**219,8**

Accounting policies

Goodwill

On initial recognition, goodwill is recognised and measured at cost as described in Accounting policies in note 5.1. Subsequently goodwill is measured at cost less accumulated impairment losses.

Goodwill is not amortised but is tested for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units (CGUs) expected to benefit from synergies of the business combination, and that represent the lowest level at which the goodwill is monitored for internal management purposes. The lowest level at which the goodwill is tested for impairment is at the level of operating segments before aggregation according to IFRS 8 Operating Segments.

CGUs (or operating segments) to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the CGU may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the CGU, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU on the basis of the carrying amount of each asset in the CGU. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Other intangible assets

Other intangible assets include development projects, acquired intellectual property, trademarks, patents and licenses, acquired customer contracts and relationships, software and other internally generated intangible assets.

Development projects that are clearly defined and identifiable, where the technical feasibility of completion, availability of adequate resources to complete, existence of potential future market can be demonstrated, and where Management has the intent to manufacture, market or apply the product or process in question are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. The costs of development projects comprise all directly attributable costs including wages, salaries, costs to external consultants, rent, materials and services and other costs.

Intangible assets other than goodwill are measured at cost less accumulated amortisation and impairment losses. Amortisation is provided on a straight-line basis over the expected useful lives of the assets to their estimated residual value if any.

The estimated useful lives are as follows:

Completed development projects	3 years
Patents, licenses and other similar rights	3-10 years
Customer relationships acquired	2-10 years
Customer contracts	15-20 years
Trademark	20 years
Acquired intellectual property	8-12 years
Software and other internally generated intangible assets	3-10 years

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Significant judgements and accounting estimates

Identification of cash generating units
Management has determend that T&W Medical A/S has two operating segments in accordance with IFRS 8, to which goodwill is allocated:

1: Developing, producting and selling of hearing aids (WS Audiology A/S)
2: Development and commercialicing of medical devices within UNEEG Medical A/S.

Management minotors goodwill at the operating segment level.

DKKm	2018/19	2017/2018
WS Audiology A/S (2017/18: Widex)	26.078,7	1.191,3
Other investments	29,9	46,0
	26.108,6	**1.237,3**

Determination of useful lives
Management applies judgements in determination of the useful lives of intangible assets.

For patents, licenses, acquired intellectual property and other intangible assets arising from contractual or other legal rights, the useful life is the shorter of the period of the contractual or legal rights and the economic useful life.

For acquired customer contracts and relationships, the useful life is based on normal attrition/churn rates within the hearing aid business in the market in question, with a maximum of 10 years, except in exceptional situations, where a longer useful life can be justified. The useful life for customer contracts is based on the contractual term including expected extensions of the term.

3.2 Property, plant and equipment

DKKm	Land and buildings and Lease-hold im-provement	Plant and Machinery	Other plant, fixtures and operating equipment	Assets under con-struction	Total
Cost at 1 May 2018	**1.051,0**	**518,5**	**483,9**	**38,9**	**2.092,3**
Foreign exchange adjustments	29,9	6,0	29,9	1,5	**67,3**
Business Combinations	510,7	279,4	524,1	53,8	**1.368,0**
Additions	90,0	74,7	109,6	39,6	**313,9**
Disposals	(37,3)	(48,5)	(73,1)	(9,7)	**(168,6)**
Transfers	14,9	38,1	(9,0)	(44,1)	**(0,1)**
Cost at 30 September 2019	**1.659,2**	**868,2**	**1.065,4**	**80,0**	**3.672,8**
Amortisation and impairment at 1 May 2018	**(87,8)**	**(380,7)**	**(345,7)**	**-**	**(814,2)**
Foreign exchange adjustments	(12,7)	(3,7)	(22,4)	-	**(38,8)**
Business Combinations	(165,0)	(144,8)	(277,0)	-	**(586,8)**
Depreciations	(100,3)	(86,9)	(82,8)	-	**(270,0)**
Disposals	20,2	36,6	50,2	-	**107,0**
Impairment	-	(7,5)	-	(8,2)	**(15,7)**
Transfers	(1,5)	-	-	-	**(1,5)**
Amortisation and impairment at 30 September 2019	**(347,1)**	**(587,0)**	**(677,7)**	**(8,2)**	**(1.620,0)**
Carrying amount at 30 September 2019	**1.312,1**	**281,2**	**387,7**	**71,8**	**2.052,8**
Cost at 1 May 2017	**1.089,8**	**485,0**	**454,0**	**12,8**	**2.041,6**
Foreign exchange adjustments	(11,9)	(6,0)	(20,9)	-	**(38,8)**
Additions	4,4	51,4	55,3	27,6	**138,7**
Disposals	(17,1)	(11,9)	(20,1)	-	**(49,1)**
Transfers	(14,2)	-	15,6	(1,5)	**(0,1)**
Cost at 30 April 2018	**1.051,0**	**518,5**	**483,9**	**38,9**	**2.092,3**
Amortisation and impairment at 1 May 2017	**(96,8)**	**(355,4)**	**(318,9)**	**-**	**(771,1)**
Foreign currency trasnlation adjustments	2,2	5,2	11,3	-	**18,7**
Transfers	8,9	-	(8,9)	-	**-**
Depreciation for the year	(12,6)	(39,3)	(44,8)	-	**(96,7)**
Disposals during the year	10,4	8,9	15,6	-	**34,9**
Amortisation and impairment at 30 April 2018	**(87,9)**	**(380,6)**	**(345,7)**	**-**	**(814,2)**
Carrying amount at 30 April 2018	**963,1**	**137,9**	**138,2**	**38,9**	**1.278,1**

DKK 15,7 million of impairment losses was recognised on property, plant and equipment in 2019 (2018: Nil). The T&W Medical A/S Group has contractual commitments for purchases of property, plant and equipment amounting to DKK 49,2 million as of 30 September 2019 (30 April 2018: DKK Nil).

Accounting policies

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and costs directly attributable to bringing the asset to its location and condition necessary for its intended use. In addition, the initial estimate of the costs related to dismantling and removing the asset and restoring the site on which the asset is located are added to the cost, if relevant. Where individual components of an item of property, plant and equipment, that is material, have different useful lives, they are accounted for as separate items, and depreciated separately. Borrowing costs are included in the cost for assets that necessarily take a substantial period of time to get ready for the intended use.

Depreciation is recognised on a straight-line basis over the expected useful lives of property, plant and equipment, taking into account the expected residual value after the end of the useful life. The expected useful lives are as follows:

The estimated useful lives are as follows:

Factory and office buildings	20-50 years
Technical machinery & equipment	4-10 years
Other fixtures and fittings, tools and equipment, furniture etc.	3-5 years

Land is not depreciated.

Estimated useful lives and residual values are reassessed annually. If the residual value exceeds the carrying amount, depreciation is discontinued. When changing the expected useful lives or the expected residual value, the effect on the depreciation is recognised prospectively as a change in accounting estimates.

Depreciation is recognised in the income statement as production costs, development costs, distribution costs and administrative expenses.

3.3 Depreciation, amortisation and impairment

Depreciation, amortisation and impairment of property, plant and equipment and intangible assets are contained in line items Cost of Sales, Research and development expenses or, selling and general administrative expenses, depending on the use of the asset.

The impairment of intangible assets relate to capitalised development cost for a specific development project for which management no longer believe that there will be a market for the output from the development project if finished. The development project was terminated, and hence the recoverable amount is nil.

Impairment test – Goodwill
The recoverable amount of the CGUs were based on fair value less costs to sell, determined mainly by computing the Enterprise Value ("EV") by applying the Last Twelwe Months (LTM) EV/EBITDA multiple range of comparable listed companies. The carrying amount of the CGUs was determined to be lower than its recoverable amount and the Group has no impairment loss to be recognised.

Key assumptions used in determination of the fair value less costs to sell are LTM normalized EBITDA based adjustments for one-time cost as described in the management commentary, the market based EV/EBITDA multiple applied, along with the relevant illiquidity discounts and control premium accounting for the ownership structure of WS Audiology. These are level 3 inputs according to the fair value hierarchy.

Management has identified that no reasonably possible change in two key assumptions of budgeted EBITDA or EV/EBITDA multipes could cause the carrying amount to exceed the recoverable amount.

Accounting policies

Impairment
Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use, e.g. development projects in progress, are not subject to amortisation, but are tested for impairment at least annually, irrespective of whether there is any indication that they may be impaired.

Other intangible assets, which are subject to amortisation, and property, plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If assets do not generate cash flows that are largely independent of those from other assets or groups of assets, the impairment test is performed at the level of the CGUs to which the asset belong.

Recoverability of assets is measured by comparing the carrying amount of the asset or CGUs with the recoverable amount, which is the higher of the asset's or CGU's value in use and its fair value less costs to sell.

If the carrying amount of an asset, or of the CGUs to which the asset belong, is higher than its recoverable amount, the carrying amount is reduced to the recoverable amount, and an impairment loss is recognised in the income statement.

Impairment of intangible assets, other than goodwill, and impairment of property, plant and equipment is reversed only to the extent of changes in the assumptions and estimates underlying the impairment calculation. Impairment is only reversed to the extent that the asset's new carrying amount does not exceed the carrying amount of the asset after amortisation had the asset not been impaired.

Significant judgements and accounting estimates

The Group generally uses the Enterprise value to determine the recoverable amount of the CGUs. The estimation of future cash flows of the LTM normalized EBITDA is inherently associated with significant uncertainty.

Key assumptions on which Management has based its determination of CGUs and recoverable amounts include the LTM normalized EBITDA and EV/EBITDA multiples.

The LTM normalized EBITDA uses projections that represent Management's best estimate of the future cash flows generated by the CGUs, based on the most recent financial budgets for the coming year and forecasts for the subsequent years approved by Management.

3.4 Other non-current and current financial assets

DKKm	30 September 2019	30 April 2018
Other non-current financial assets		
Customer loans	771,3	379,2
Other loans	1.306,7	-
Derivative financial instruments	79,1	-
Trade receivables, non-current	6,7	-
Other securities and equity investments	1.398,1	-
Others	76,6	29,8
Total	**3.806,5**	**409,0**
Other current financial assets		
Customer loans	218,0	239,2
Derivative financial instruments	11,9	-
Loans receivables from related parties	0,8	-
Other securities and equity investments	1.978,2	-
Others	203,2	40,2
Total	**2.412,1**	**279,4**

The below table shows the carrying amount of customer loans by categories representing Management's credit risk assessment (credit risk rating grades) and gross carrying amounts.

Credit rating DKKm	Expected credit loss (ECL) rate	Basis for recognition of expected credit loss	Estimated gross carrying amount at default
Performing	9%	12-month expected credit loss	865,3
Underperforming	53%	Lifetime expected credit losses	197,1
Write-off	100%	Assets derecognised through the income statement	-
Total customer loans at 30 September 2019			**1.062,4**

DKKm	Performing (12-month ECL)	Underperforming (Lifetime ECL)	Total
Opening loss allowance as at 1 May 2018	**26,1**	**5,2**	**31,3**
New customer loans	11,2	9,7	20,9
Loan recovered	(12,7)	-	(12,7)
Impairment loss for the year	-	33,5	33,5
Closing loss allowance as at 30 September 2019	**24,6**	**48,4**	**73,0**

The following significant changes in gross carrying amount of customer loans contributed to changes in the loss allowance:

- New customer loans of DKK 164.3 million was issued in the period 1 Mar 2019 to 30 September 2019
- Customers with gross carrying amount of DKK 104.5 million went from performing to underperforming
- Customer loans with a gross carrying amount of DKK 174.7 million were repaid in the period 1 Mar 2019 to 30 September 2019

Other loans are loans issued to non-controlling interests in WS Audiology for the purpose of such non-controlling interests acquisition of shares in Auris Lux II S.A., which was ultimately exchanged for shares in WS Audiology. The loans become due at 28 February 2025, at which date T&W Medical may at its election require that the repayment of the loans be satisfied in full through the transfer of shares in WS Audiology from the borrower to T&W Medical. No fair value adjustments are recognized in 2018/19.

Accounting policies

Customer loans

Customer loans are initially recognised at fair value less transaction costs and subsequently measured at amortised cost less loss allowance or impairment losses. Any difference between the nominal value and the fair value of the loans at initial recognition is treated as a prepaid discount on future sales to the customer, and is recognised in the income statement as a reduction of revenue as and when the customer purchases goods from the WS Audiology A/S Group.

The fair value of customer loans at initial recognition is measured at the present value of future repayments of the loan discounted at a market interest rate corresponding to the money market rate based on the expected maturity of the loan with the addition of a risk premium. The effective interest on customer loans is recognised as interest income in the income statement over the term of the loans.
A loss allowance is recognised at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loan, in which case the loss allowance is based on lifetime expected credit losses.

Customer loans are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

Other loans and receivables, including loans to associates
Other loans and receivables, including loans to associates are recognised initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortised cost using the effective interest method less impairment. A loss allowance is recognised at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loans and receivables, in which case the loss allowance is based on lifetime expected credit losses.

Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve.

Other investments
Other investments comprise listed and unlisted securities, which are measured at fair value through profit or loss.

Significant judgements and accounting estimates

Customer loans
The T&W Medical A/S Group grants sales related financing in the form of loans to some of its customers. These customer loan arrangements are complex, cover several aspects of the customer relationship and may vary from agreement to agreement.
Management has determined that off-market terms, if any, represent a prepayment of discounts on future sales to the customer.

Significant accounting estimates are involved in determination of the expected maturity of the loans, as repayments may to some extent be aligned with the customers purchases of goods, and also in determining a market based discount rate for each customer loan. Management estimates are based on current market condition at the time of issuing the loan as well as historical sales information and e.g. market penetration rates for loans to customers without substantial history with the T&W Medical A/S Group.

The T&W Medical A/S Group's assessment of credit risk associated with customer loans and prepaid discounts primarily involves consideration of the economic environment in which the customer operates, historic loss rates for customer loans, and the actual repayments on the loans compared to the repayment plan agreed when the loans were issued.

For customer loans performing in all material respect, and for which no other indications of increase in credit risk exist, the expected credit loss on the customer loan and related prepaid discount is measured at 12-month expected credit loss. For customer loans that are underperforming compared to the repayment plan agreed when the loans were issued, or for which there are other indications of increase in credit risk, the expected credit loss is measured at lifetime expected credit loss.

Loss rates are based on actual credit loss experience over the past years. These rates are multiplied by factors to reflect possible differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The calculation of 12-month expected credit losses on customer loans are based on a weighted average of historical annual losses on customers. Payment plans are agreed with customers when issuing loans to these. The credit risk of loans to customers is considered to have in-creased significantly since initial recognition when actual loan balances differ from the agreed development in loan balances with more than 50%. At this point the loan is considered to be in default and credit impaired.

Based on the above, the customer loans and related prepaid discount are categorised as either performing, non-performing or credit impared.

3.5 Other non-current and current assets

Other non-current assets

DKKm	30 September 2019	30 April 2018
Prepaid assets, non-current	5,3	2,0
Assets for deferred compensation plan	29,1	-
Others	0,7	-
Total	**35,1**	**2,0**

Other current assets

DKKm	30 September 2019	30 April 2018
Pre-paid expenses	143,7	64,1
Miscellaneous tax receivables	104,5	-
Others	183,9	109,4
Total	**432,1**	**173,5**

3.6 Inventories

DKKm	30 September 2019	30 April 2018
Raw materials and purchased components	134,3	36,6
Work in progress	41,1	164,6
Finished goods and goods for resale	699,5	208,6
Inventories	**874,9**	**409,8**
Write-downs, provisions for obsolescence etc. included	**(191,9)**	**(46,9)**

Included in the income statement under production costs:

DKKm	30 September 2019	30 April 2018
Write-downs of inventories for the year	(130,7)	(33,5)
Reversals of write-downs of inventories for the year	60,5	23,1
Cost of goods sold during the year	(4.027,3)	(809,8)
Total	**(4.097,5)**	**(820,2)**

The reversal of write down of inventories of DKK 60,5 mil (2018: DKK 23,1 mil) was made as a result of a reassessment of the net realisable values of these inventories due to changed economic circumstances.

Accounting policies

Inventories are measured at the lower of cost and net realisable value, cost being generally determined on the basis of a weighted average or FIFO method. Cost comprise raw materials, consumables, direct labour and indirect production overheads. Indirect production overheads comprise indirect supplies, wages, and salaries, amortisation of brands and software, as well as maintenance and depreciation of machinery, plant and equipment used for production.
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3.7 Trade receivables and contract assets

DKKm	Current not due	1-30 days past due	31-60 days past due	61-90 days past due	91-180 days past due	More than 181 days past due	Total
Gross carrying amount - Trade receivables	1.906,9	248,6	182,2	102,3	135,4	233,7	**2.809,1**
Sales rebates	-174,0	0,0	0,0	0,0	0,0	0,0	**(174,0)**
Loss allowance at 30 September 2019	-26,1	-11,9	-3,0	-10,5	-26,9	-122,4	**(200,8)**
Trade receivables at 30 September 2019	**1.706,8**	**236,7**	**179,2**	**91,8**	**108,5**	**111,3**	**2.434,3**
Expected loss rate	-1,4%	-4,8%	-1,6%	-10,3%	-19,9%	-52,4%	-7,1%

The below table shows the movement in lifetime expected credit losses that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9.

DKKm	Collectively assessed	Individually assessed	Total
Opening loss allowance as at May 2018	(47,7)	-	(47,7)
Transfer to credt impaired	13,4	(12,7)	0,7
Changes from business combinations	(14,9)	(29,1)	(44,0)
Net remeasurement of loss allowance	(89,6)	(56,0)	(145,6)
Amounts written off	37,3	-	37,3
Amounts recovered	9,7	1,5	11,2
Change in loss allowance due to new receivables, net of receivable settled	-	(6,0)	(6,0)
Other changes	3,0	(9,7)	(6,7)
Closing loss allowance as at 30 September 2019	**(88,8)**	**(112,0)**	**(200,8)**

Receivables acquired in business combinations are recognised in the consolidated financial statements at fair value at the date of acquisition, which in most cases equals the carrying amounts net of loss allowance. Expected credit losses related to receivables acquired in business combinations are therefore only included in the above to the extent that the loss allowance for the receivables has increased compared to the acquisition date.

Accounting policies

Trade receivables and contract assets are measured at amortised cost less allowance for lifetime expected credit losses.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. For trade receivables and contract assets that are considered credit impaired, the expected credit loss is determined individually.
Trade receivables and contract assets are written off when all possible options have been exhausted and there is no reasonable expectation of recovery.

Significant judgements and accounting estimates

The T&W Medical A/S Group has historically suffered insignificant credit losses on trade receivables and contract assets.

Loss allowance is calculated using a provision matrix that incorporates an ageing factor, geographical risk and specific customer knowledge. The provision matrix is based on historical credit losses incurred within relevant time bands of days past due adjusted for a forward looking element.

3.8 Other non-current and current financial liabilities

Other non-current financial liabilities are as follows:

DKKm	30 September 2019	30 April 2018
Derivative financial instruments	890,0	-
Others	29,1	77,2
Total	**919,1**	**77,2**

Other current financial liabilities are as follows:

DKKm	30 September 2019	30 April 2018
Bonuses and discounts to customers	20,2	1,5
Contingent considerations from acquisitions	3,0	-
Derivative financial instruments	29,9	-
Others	162,6	34,8
Liabilities from rebates	41,1	-
Customers with net credit balances	23,9	-
Total	**280,7**	**36,3**

Contingent consideration from business combinations relates to components of the purchase price for which the payments depend on the achievement of defined performance measures. For additional information related to business combinations in the period, refer to note 5.1

Accounting policies

Other financial liabilities are measured initially at fair value less transaction costs and subsequently at amortised cost using the effective interest rate method.

The Group bifurcates embedded derivatives at initial recognition when they are not closelyrelated to the respective host contract. Bifurcated derivatives are measured at fair value through profit or loss.

3.9 Other non-current and current liabilities

Other non-current liabilities are as follows:

DKKm	30 September 2019	30 April 2018
Employee related liabilities	108,1	-
Deferred revenue	106,8	-
Liability under MPP scheme	284,5	-
Other	51,4	53,5
Total	**550,8**	**53,5**

Other current liabilities are as follows:

DKKm	30 September 2019	30 April 2018
Employee costs payable	336,7	145,3
Sales tax and other tax liabilities	91,9	10,4
Payroll and social security taxes	184,7	31,1
Bonus obligations	203,6	52,9
Deferred revenue	40,3	-
Other liabilities	352,2	290,6
Total	**1.209,4**	**530,3**

Accounting policies

Other liabilities are measured at amortised cost.

3.10 Provisions

DKKm	Warranties	Right of returns	Asset Retirement Obligation	Other	Total
Provision at 1 May 2018	**87,7**	**27,6**	**-**	**10,5**	**125,8**
Foreign exchange adjustments	15,7	4,5	0,7	(9,7)	11,2
Additions	216,3	57,5	1,5	5,2	280,5
Additions through business combinations	215,0	119,5	17,2	31,4	383,1
Usages	(120,2)	(2,2)	-	(28,4)	(150,8)
Reversals	(53,8)	(23,1)	(0,7)	(1,5)	(79,1)
Accretion and effect of changes in discount rates	(2,2)	-	-	-	(2,2)
Provision at 30 September 2019	**358,5**	**183,8**	**18,7**	**7,5**	**568,5**
Which is presented in the consolidated balance sheet as					
Non-current	192,6	-	18,7	-	211,3
Current liabilities	166,3	183,8	-	7,5	357,6
Provision at 30 September 2019	**358,9**	**183,8**	**18,7**	**7,5**	**568,9**

The Group’s provisions are generally expected to result in cash outflow during the next one to ten years.

Right of return relates to products sold for which customers have the right to return the products at their own discretion within a specified period. Based on historical data, return rates are calculated and provisions are recorded to cover the expected cost.

Warranties relate to products sold. The warranty provision represent Managements best estimate of the Group's liability under assurance type warranties granted on hearing aids sold. The warranty period of regular assurance type warranties differ depending on jurisdiction and range between 1 and 3 years.

Asset retirement obligation relates to the Group's obligations to restore rented premises to the certain standards upon the expiry of the lease contracts including removal of leasehold improvements and other assets from the premises.

Accounting policies

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect is material, provisions are measured at present value by discounting the expected future cash flows expected to settle the liability at a pre-tax rate that reflects current market assessment of the time value of money.

A provision for onerous contract is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The unavoidable cost is the lower of the expected cost of fulfilling the contract and the expected cost of terminating the contract.

Significant judgements and accounting estimates

Significant estimates are involved in the determination of provisions related to warranty costs, right of return, legal proceedings and onerous contracts. Due to the technological features of the Group's products, the Group incurs a substantial amount of warranty costs and the determination of future warranty costs related to products sold is based on historic results as well as estimated product defects.

In some jurisdictions, the T&W Medical A/S Group sells extended warranties to customers and/or provide other service-type warranties in addition to regular (assurance-type) warranties. Such warranties are treated as separate performance obligations in the contracts with the customers and are recognised as contract liabilities and not provisions. In determining whether a warranty is an assurance type warranty or a service type warranty, Management considers factors such as whether the warranty is required by law, the length of the warranty coverage period and the nature of the tasks that the entity promises to perform in case of product defects. Generally, warranties covering periods after 3 years from the sale of the hearing aid are considered to be service-type warranties and treated as separate performance obligations.

The T&W Medical A/S Group is from time to time subject to legal disputes and regulatory proceedings in several jurisdictions. Such proceedings may result in criminal or civil sanctions, penalties, damage claims and other claims against the Group. Regulatory and legal proceedings as well as government investigations often involve complex legal issues and are subject to substantial uncertainties. Accordingly, Management exercises considerable judgement in determining whether there is a present obligation as a result of a past event, whether it is more likely than not that an outflow of economic resources will be required and the estimated amount of such outflow. Management consider the input of external counsels on each case, as well as known outcomes in case law. Although, Management believes that the total provisions for legal proceedings are adequate based on currently available information, there can be no assurance that there will not be any changes in facts or circumstances, or that any future lawsuits, claims, proceedings or investigations will not be material.

4 Capital structure and financing items

4.1 Outstanding shares

All shares are fully issued and paid up. The share capital was nominally DKK 500 million divided into a corresponding number of shares of 500 million. There are no restrictions on the negotiability or voting rights of the shares, no changes to share capital during the financial year.

Capital management

The T&W Medical A/S Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The capital structure of the Group consists of net debt (short-term and long-term borrowings disclosed in notes 4.3 after deducting cash and cash equivlents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

Accounting Policies

Proposed dividend is recognised as a liability at the date when it is adopted at the Annual General Meeting (declaration date). The dividend recommended by the Board of Directors, and therefore expected to be paid for the year, is disclosed in the notes.

4.2 Financial risks and financial instruments

Financial risk management

The T&W Medical A/S Group is exposed to several financial risks arising from its operating, investing and financial activities, including market risk (foreign exchange risk and interest rate risk), liquidity risk and credit risk.

Risks arising from financial investments are managed in the holding companies (TWM and TWW) in accordance with the approved investment strategy. Those financial risks that arise from the operation of WSA Group are managed by WSA Group Treasury in accordance with the approved policies on Foreign Currency and Interest Hedging Policy approved by Group CFO. The WSA Group enters financial instruments only to mitigate these financial risks. It is the WSA Group policy to maintain investor, creditor and market confidence, and to sustain future development of the business. The objective, policies and processes for managing the risk exposure to these items are summarized in the table below and further explained in the following sections. The WSA Group is managed centrally by Management, which is responsible for the operating business, comprising commercial risk with hedge accounting to reduce volatility in the income statement

Credit risk

Credit risk is defined as an unexpected loss in cash and earnings if the customer is unable to pay its obligations in due time. The Group may incur losses if the credit quality of its customers deteriorates or if they default on their payment obligations to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables including loans to customers.

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. This includes the review of individual receivables and of individual customer creditworthiness on a case-by-case basis as well as the review of current economic trends, the analysis of historical bad debts on a portfolio basis, and the considers country credit ratings. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. However, the Group has credit enhancements such as personal guarantees and share pledge related to customer loan. Assessment of the credit risk related to customers is further described in note 3.4 Other non-current and current financial assets and note 3.7 Trade receivables and contract assets.

There were no significant concentrations of credit risk as of the 30 September 2019 and 30 April 2018.

The maximum exposure to credit risk of financial assets is represented by their carrying amount. Concerning trade receivables and other receivables, as well as loans or receivables included in line item Other financial assets that are neither impaired nor past due, there were no indications as of 30 September 2019, that defaults in payment obligations will occur.

Liquidity risk

Liquidity risk results from the Group's potential inability to meet its financial liabilities, in particular paying its suppliers and servicing its interest-bearing debt. In addition to having implemented effective working capital and cash management, the Group has implemented short-term and medium term-liquidity forecasts. Treasury monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables.

The Group maintain an in-house banking setup within Sivantos Pte Ltd (Singapore) "Treasury". Cash from its related entities is pooled centrally for an efficient cash management and treasury purposes. The arrangement is governed by agreements signed by Sivantos Pte Ltd and related entities, which limits joint and several liabilities to each party's net credit balance at any time with Sivantos Pte Ltd.

The Group has access to a Revolving Credit Facility of DKK 1.941,2 million of which DKK 616,7 million was utilised as of 30 September 2019.

The Group finances itself from its operating cash flow and utilizing the Group's cash pooling and cash management systems, in which excess liquid funds are deposited at Treasury by its affiliates.

The Group has secured term loans to finance the merger of Sivantos and Widex. The Senior Secured Term Loans are secured by a pledge of the shares of major subsidiaries as well as pledge of assets of major subsidiaries.

The Group had cash and cash equivalents of DKK 1.146,3 million as of 30 September 2019 (30 April 2018: DKK 278,0 million). In addition, the Group has access to DKK 1.324,5 million (30 April 2018: DKK 105,8 million) available Revolving Credit Facility as of 30 September 2019. With its strong operating cash flow the Group expects to be able to meet all of its present and future obligations arising from operational cash needs.

The following table reflects all contractually fixed pay-offs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place as per 30 September 2019 and 30 April 2018. Such expected net cash outflows are undiscounted net cash outflows for the respective upcoming fiscal years, based on the earliest date on which the Group could be required to pay. Cash outflows for financial liabilities (including interest) without fixed amount or timing are based on the conditions existing at 30 September 2019 and 30 April 2018.

DKKm	Less than 1 year	Between 1-5 years	More than 5 years	Total
2018/19				
Interest-bearing debt	916,4	5.651,9	20.091,7	**26.660,0**
Trade payables	1.452,5	-	-	**1.452,5**
Other financial liabilities	280,7	919,1	-	**1.199,8**
Total non-derivative financial liabilities	**2.649,6**	**6.571,0**	**20.091,7**	**29.252,3**
Derivative financial liabilities	**29,1**	**820,5**	**69,5**	**919,1**

The risk implied from the values in the table above reflects the one-sided scenario of cash outflows only. Obligations under trade payables and other financial liabilities mainly originate from the financing of assets used in the Group's ongoing operations such as property, plant and equipment, and investments in working capital such as inventories and trade receivables. These assets are considered in the Group's overall liquidity risk management.

Foreign currency risk
Transaction risk and foreign currency exchange rate risk management

The T&W Medical A/S Group has exposure towards foreign currency exchange rate risk arising from fluctuations in exchange rates, in connection with international operations. The exposure is particularly regarding fluctuations of the USD, EUR, CAD and CNY in the ordinary course of business. The general policy is to reduce the Group currency exposure mainly through employment of foreign exchange forward contracts to mitigate the group's major risks from adverse FX movements' impact on consolidated earnings for 3-12 months rolling forward.

Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group manufactures most of its products at its headquarters in Singapore and Denmark. The products are sold to its regional entities and invoiced in the currency of the buying entities, mostly in EUR and USD. As most of the material cost are also EUR and USD denominated, the Group is able to significantly reduce the net currency exposure.

The foreign currency risk is centrally managed by Group Treasury in cooperation with the Group entities in the countries. It is the Group's policy for the entities not to undertake any financial transactions in foreign currencies of a speculative nature. It is a target for the Group to maintain an adequate hedging level of between 40% and 75% of the net foreign currency exposure. Cash flow hedge accounting shall be applied to the extent possible to mitigate negative impacts of adverse development from foreign exchange risk on the consolidated operating result of the Group.

Sensitivity analysis for foreign currency risk
The following table demonstrates the approximate effect on the Group's Total comprehensive income Statement (financial items) in response to fluctuation of the currencies other than the respective group entities' functional currencies which the group entities have significant exposure at the balance sheet date. This analysis assumes that all other variables, in particular interest rates, remain constant.

30 September 2019

DKKm	Profit/(Loss)	Other Comprehensive income	Total comprehensive income
USD +5%	(363,6)	-	(363,6)
EUR +5%	(96,3)	-	(96,3)
CAD +5%	13,4	-	13,4
CNY +5%	3,0	-	3,0

Cash flow hedges of foreign currency risk:

	Average exchange Rate	Notional value: Foreign currency mil	Notional value: Functional currency DKKm	Carrying amount of hedging instruments – Assets DKKm	Carrying amount of hedging instruments - Liabilities DKKm
Sell AUD					
< 6 months	1,6	-22,7	104,5	-	*
6-12 months	1,6	-3,3	14,9	-	*
Sell CAD					
< 3 months	1,5	-11,8	59,7	-	-0,7
3-6 months	1,5	-8,9	44,8	-	-0,7
Sell GBP					
< 3 months	0,9	-10,5	89,6	1,5	-
3-6 months	0,9	-5,3	44,8	0,7	-
Sell JPY					
< 3 months	121,6	-2.432,8	149,3	-	-6,0
3-6 months	118,1	-1.771,9	112,0	-	*
Buy SGD					
< 3 months	1,6	54,1	-261,3	5,2	-
3-6 months	1,6	62,1	-298,6	4,5	-
Buy USD					
< 3 months	1,1	-28,8	186,7	-	-7,5
3-6 months	1,1	-30,3	201,6	-	-2,2
**Amount less than DKKm 0,5*				11,9	-17,1

The following table table provides a reconciliation of components of equity and analysis of OCI items, gross of tax, resulting from cash flow hedge accounting:

DKKm	1 May 2018 - 30 September 2019 (17 months)
Movement during the period	
Foreign currency risk - Current period hedging gains recognised in other comprehensive income	19,4
Amount reclassified to profit/(loss) - Due to hedged item affecting profit/(loss)	(10,5)

Translation risk and effects of foreign currency translation
T&W Medical A/S Group's presentation currency is the DKK and the financial statements of foreign operations are translated into DKK for the preparation of the consolidated financial statements. To consider the effects of foreign currency translation in the risk management, the general assumption is that investments in foreign operations are permanent and that reinvestment is continuous. Effects from foreign currency exchange rate fluctuations on the translation of net assets amounts into DKK are reflected in the Group's consolidated statement of changes in equity. The T&W Medical A/S Group does not hedge net investments in foreign operations.

Interest rate risk

The Group's long-term debt consists of secured term loans of EUR 1.962,0 million and USD 1.229,0 million as well as 2nd lien term loan of EUR 525,0 million with a floating interest rate of which 74% have been swapped into fixed interest rate. The Group does not apply hedge accounting in relation to these interest rate swap, however the Group applies an interest rate swap to limit interest rate risk on floating-rate mortgages (Danish headquarter) with a residual debt of DKK 366.498 thousands to expire in 2047. There are two interest rate swap agreement both with outstanding debt of DKK 183.303 thousands each, one that expires in 2027 and the other to expire in 2037. Changes in market value of the interest rate swap is recognized directly in equity.

Specification of net interest-bearing debt:

DKKm	**30 September 2019**
Cash and cash equivalents	1.146,4
Bank loans, non-current liabilities	(25.743,6)
Bank loans, current liabilities	(916,1)
Total net interest-bearing debt	**(25.513,3)**

Interest rate sensitivity analysis

The sensitivity analyses has been determined based on the exposure to interest rates at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% per cent increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1 per cent higher and all other variables were held constant, the Group's loss for the period ended 30 September 2019 would increase by DKK 24,6 million This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Accounting policies

Derivative financial instruments, including hedge accounting

The T&W Medical A/S Group uses various financial instruments to reduce the impact of foreign exchange and interest rates on financial results. The derivative financial instruments are used to manage the exposure to market risk. Treasury enters into derivative contracts in accordance with Group policies. Financial instruments used include e.g. foreign currency exchange contracts, interest rate swaps, interest rate floors and redemption options (the latter two being bifurcated embedded derivatives).

All derivative financial instruments are recognised initially and subsequently at fair value. Any attributable transaction costs are recognised in the income statement in other financial income, net as incurred.

On initial recognition, Management determines if the derivative financial instrument qualifies for hedge accounting and if so designates the instrument as a hedging instrument in a fair value hedge, cash flow hedge or hedge of net investment respectively.

Cash flow hedges

For cash flow hedges, the portion of the fair value adjustments on the hedging instrument that is an effective hedge is recognised in other comprehensive income and accumulated in a separate reserve in equity. The cumulative fair value adjustments of these contracts is transferred from the reserve in equity and recycled to the income statement through other comprehensive income when the hedged transaction is recognised in the income statement. However, when the forecast transaction subsequently result in the recognition of a non-financial asset or non-financial liability, the transfer from the reserve in equity is recognised directly in the initial cost or other carrying amount of the asset or liability without recycling through other comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the reserve within equity at that time remains in the reserve and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss existing in the reserve is immediately transferred to the income statement as a recycling through other comprehensive income and recognised in other financial income, net.

Categories of financial assets and financial liabilities and Fair value hierarchy

The below table shows the categories of financial assets and financial liabilities, their carrying amounts and their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

DKKm		Carrying Amount						Fair value			
	Note	**Financial assets measured at fair value through profit and loss**	**Financial assets used as hedging instruments**	**Financial assets measured at amortised cost**	**Financial liabilities at amortised costs**	**Financial liabilities measured at fair value through profit and loss**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.4	-	12	-	-	-	12	-	12	-	**12**
Other financial assets (current and non-current)*	3.4	4.682	-	-	-	-	4.682	3.375	1.307	-	**4.682**
Redemption call option and interest rate floor	3.4	79	-	-	-	-	79	-	-	79	**79**
		4.761	**12**	**-**	**-**	**-**	**91**				
Financial assets measured at amortised cost											
Trade receivables*	3.7	-	-	2.434	-	-	2.434	-	-	-	-
Other financial assets (current and non-current)*	3.4	-	-	1.192	-	-	1.192	-	-	-	-
Cash and cash equivalents*		-	-	1.146	-	-	1.146	-	-	-	-
		-	**-**	**4.772**	**-**	**-**	**4.772**				
Financial liabilities measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.8	-	-	-	-	17	17	-	17	-	**17**
Forward Exchange Contracts (not designated as hedging instruments)	3.8	-	-	-	-	13	13	-	13	-	**13**
Interest rate swaps	3.8	-	-	-	-	289	289	-	289	-	**289**
Interest rate floors	3.8	-	-	-	-	600	600	-	-	600	**600**
		-	**-**	**-**	**-**	**919**	**919**				
Financial liabilities measured at amortised cost											
Other financial liabilities*	3.8	-	-	-	280	-	280	-	-	-	**-**
Loans under Senior Facilities Agreement	4.3	-	-	-	26.577	-	26.577	-	26.577	-	**26.577**
Trade payables*		-	-	-	1.452	-	1.452	-	-	-	**-**
		-	**-**	**-**	**28.309**	**-**	**28.309**				

*The Group has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are not reasonable approximation of fair value.

The fair values of cash and cash equivalents, trade and other receivables and trade payables with a remaining term of up to twelve months, other current financial liabilities and borrowings under revolving credit facilities are approximately equal to their carrying amount, mainly due to the short-term maturities af these instruments.

Treasury enters into derivative contracts in accordance with Group policies. The exact calculation of fair values of derivative financial instruments depends on the specific type of instrument.

Derivative currency contracts – the fair value of foreign currency exchange contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models.

The levels of the fair value hierarchy and its application to financial assets and financial liabilities are described below:.

Level 1:	Quoted prices in active markets for identical assets or liabilities
Level 2:	Inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3:	Valuations methods, with significant inputs not being based on observable market data

Type	Valuation Technique	Significant unobservable inputs	Sensitivity of fair value to significant unobservable inputs
FX contracts	The fair value of the exchange rate contracts is based on forward exchange rates. Currency options are valued on the basis of quoted market prices or on estimates based on option pricing models with marked-standard inputs including implied volatility (level 2).	Not applicable	Not applicable
Interest rate swaps	The fair value of Interest Rate Swaps are determined using discounted cash flows of fixed leg and Net Present Value of floating leg based on Forward rate curve, and can be categorized as level 2 (observable inputs) in the fair value hierarchy.	Not applicable	Not applicable
Interest rate floors	The fair value of Interest Rate Floors is based on discounted cash flows or floorlets for intrinsic and option pricing models with implied volatility for time value component.	Implied volatility	Higher implied volatility will lead to higher fair value and vice versa
Redemption call option	Hull-White-Two-Factor model simulating interest-rate changes as well as credit spread changes is the valuation technique applied to cancellation rights with implied volatility of options on CDS as unobservable input (level 3). An increase in implied volatility will lead to an increase in fair value and vice versa.	Implied volatility of Options on CDS	Higher implied volatility will lead to higher fair value and vice versa
Other loans	Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve.	Implied volatility	Higher implied volatility will lead to higher fair value and vice versa

The following table shows the reconciliation of level 3 fair value measurements of the interest rate floors and the redemption call option:

DKKm	1 May 2018 - 30 September 2019 (17 months)
Carrying amount 1 May	0,0
Additions through business combinations	-489,8
Total gains or losses on recognised in profit/(loss)	-31,4
Carrying amount 30 September 2019	**-521,2**

Offsetting, Master netting agreements and similar arrangements

The T&W Medical A/S Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting agreements/FX Payment Netting Agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs – all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

4.3 Liabilities from financing activities

DKKm	Loans and borrowings under the Senior Facilities Agreements	Other short term debt	Interest rate floors and redemption options relating to financing agreement	Interest rate swap	Payables to related parties	Others	Total
Liabilities at 1 May 2018	**364,1**	**-**	**-**	**(5,8)**	**2.564,0**	**-**	**2.922,3**
Changes from financing cash flows	615,2	(8,2)	-	(23,9)	-	(73,2)	509,9
Changes in fair value	-	-	315,8	156,6	-	-	472,4
Amortisation of transaction costs	74,7	-	-	-	-	-	74,7
Changes from business combinations on 1 March 2019 (net)	24.404,6	9,7	205,3	-	(971,2)	-	23.648,4
Other changes	1.201,4	-	-	23,9	-	73,2	1.298,5
Non cash changes	-	-	-	-	(52,6)	-	(52,6)
Liabilities at 30 September 2019	**26.660,0**	**1,5**	**521,1**	**150,8**	**1.540,2**	**-**	**28.873,6**
Liabilities at 1 May 2017	371,0	-	-	-	1.790,2	-	2.161,2
Non cash changes	(5,9)	-	-	(5,8)	(773,8)	-	(785,5)
Liabilities at 30 April 2018	**365,1**	**-**	**-**	**(5,8)**	**1.016,4**	**-**	**1.375,7**

Accounting policies

Financial liabilities, other than derivatives, are initially recognised at fair value less transaction costs, and subsequently measured at amor-tised cost using the effective interest method. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the liability.

4.4 Financial income and expenses

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Interest income	49,0	2,4
Interest income customer loans	27,6	35,0
Other interest income	3,0	17,1
Total	**79,6**	**54,5**
Interest expenses	(982,8)	(42,8)
Interest expense from pension plans	(1,5)	-
Other interest expenses	(20,1)	(65,6)
Total	**(1.004,4)**	**(108,4)**
Other financials, net		
Foreign currency translation gains/(losses)	(60,4)	(32,7)
Change in fair value of embedded derivatives	(315,7)	-
Change in fair value of derivative financial instruments	(175,4)	-
Others	(21,0)	-
Total	**(572,5)**	**(32,7)**

Interest income/(expense) includes the interest/(expense) from financial assets/(financial liabilities) not measured at fair value through profit or loss.

Accounting policies

Financial income and expenses comprise interest income and expenses, gains and losses on securities, receivables, payables and trans-actions denominated in foreign currencies, credit card fees, amortisation and impairment of financial assets other than trade receivables and contract assets and liabilities, gains and losses on derivative financial instruments not designated as hedging instruments etc.

Interest income and expenses on financial assets and liabilities measured at amortised cost is recognised using the effective interest method. Other financial income and expenses are recognised on an accrual basis in the period to which they relate. Borrowing costs that are directly attributable to the construction or production of qualifying assets form part of the cost of that assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use.

5 Other disclosures

5.1 Business combinations

Acquisition of Sivantos Group

The Group acquired Sivantos Group with acquisition date of 28 February 2019. The difference between consideration transferred and net assets at fair value at the acquisition date amounting to DKK 24.082,0 million was recorded as goodwill.

The consideration transferred for the acquisition was DKK 16.031,6 million, which consisted of consideration as part of the reverse takeover arrangement.

Fair value of identified assets and liabilities and consideration paid in acquired businesses:

DKKm	**Sivantos Group**	**Other Acquisitions**
Assets acquired:		
Other intangible assets	15.826,10	306,10
Property, plant and equipment	777,50	3,70
Other non-current assets	82,90	-
Other non-current financial assets	2.815,50	-
Other security and equity investments	-	3.120,60
Deferred tax assets	286,00	-
Inventories	891,50	11,20
Trade and other receivables	1.540,30	36,60
Other current financial assets	129,20	5,20
Other current assets	236,70	18,20
Fair value of call option	168,70	-
Cash and cash equivalent	594,30	666,50
Total assets acquired at the date of acquisition	**23.348,70**	**4.168,10**
Liabilities assumed at the date of acquisition:		
Long-term debts	(24.685,5)	(24,8)
Short term debts	(8,2)	(501,9)
Provisions	(381,5)	(1,5)
Deferred tax liabilities	(3.491,2)	(57,5)
Pension obligations	(67,2)	-
Other financial liabilities	(298,6)	-
Other liabilities	(157,5)	-
Trade payables	(983,3)	(77,8)
Other current financial liabilities	(415,1)	(7,5)
Income taxes payables	(149,3)	(21,2)
Intragroup payables	-	(1.592,8)
Other current liabilities	(436,0)	(7,0)
Total liabilities assumed at the date of the acquisition	**(31.073,4)**	**(2.292,0)**
Net assets acquired	**(7.724,7)**	**1.876,1**
Goodwill	24.130,7	684,7
Fair value of non-controlling interest	(344,2)	178,9
Total consideration transferred	**16.061,8**	**2.739,7**
Fair value of contingent consideration and deferred payments	-	(65,7)
Consideration as part of the acquisitions	(16.074,0)	-
Cash and cash equivalents acquired	(594,3)	634,2
Total cash consideration (received)/paid	**(606,5)**	**3.308,2**

The Group incurred acquisition-related cost of DKK 237,3 million in fiscal year 2019 for legal fees and due diligence services. These costs have been included as part of profit or loss when incurred.

The goodwill arising on acquisition includes a new customer base expansion through new channels and new markets, new technologies which are not separately identifiable but contribute significantly to the business enterprise value and an assembled workforce. Goodwill will not be deductible for tax purposes.

Share of revenue
DKKm

Share of revenue and profit/(loss) for the year from the acquisition date:	
Revenue	5.979,5
EBIT	271,1
Loss for the year	(1.289,7)
The share of revenue and profit/(loss) if acquisition had taken place at 1 May 2018:	
Revenue	13.502,7
EBIT	690,7
Loss for the year	(2.279,5)

Accounting policies

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquisition or formation. The time of acquisition is the date when control of the enterprise is transferred to the Group. On acquiring new enterprises of which the Group obtains control, the purchase method is applied according to which their identified assets, liabilities and contingent liabilities are measured at their fair values on the acquisition date. Any non-current assets acquired for the purpose of resale are, however, measured at their fair values less expected costs to sell. Restructuring costs are solely recognised in the pre-acquisition balance sheet if they are a liability for the acquired enterprise. Any tax effect of revaluations will be taken into account.

Goodwill is measured at the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interests in the acquiree (if any) over the net of acquisition date fair values of the identifiable assets and liabilities and contingent liabilities. Goodwill is not amortised but tested at least annually for impairment. The first impairment test is performed within the end of the acquisition year.

The consideration transferred consists of the fair value of the consideration paid for the enterprise. If the final consideration is conditional upon one or more future events, the consideration will be recognised at the fair value on acquisition. Any subsequent adjustment of contingent consideration is recognised directly in the income statement, unless the adjustment is the result of new information about conditions prevailing on the acquisition date, and this information becomes available up to 12 months after the acquisition date. Transaction costs are recognised directly in the income statement when incurred.

If, on the acquisition date, there are any uncertainties with respect to identifying or measuring acquired assets, liabilities or contingent liabilities or uncertainty with respect to determining their cost, initial recognition will be made on the basis of provisionally calculated values. Such provisionally calculated values may be adjusted, or additional assets or liabilities may be recognised up to 12 months after the acquisition date, if new information becomes available about conditions prevailing on the acquisition date, which would have affected the calculation of values on that day, had such information been known.

Non-controlling interests are measured at the transaction date at either fair value or at its proportionate share of the fair value of identified net assets, determined on a transaction-by-transaction basis.

When a business combination is achieved in stages, the Group's previously held interests in the acquired business are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in the income statement. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in Other comprehensive income are reclassified to the income statement, where such treatment would be appropriate if that interest were disposed of.

Goodwill and fair value adjustments in connection with the acquisition of a foreign operation with a functional currency other than the Group's presentation currency (DKK) are treated as assets and liabilities belonging to the foreign entity and translated into the foreign operations functional currency at the exchange rate at the transaction date.

Acquisition or sale of equity interests without gaining or losing control of an entity is accounted for as equity transactions.

5.2 Remuneration of Key Management Personnel

1 May 2018 - 30 September 2019 (17 months) DKKm	Short-term benefits	Termination benefits	Total
Executive Management & Board of Directors	3,8	-	3,8
Other Key Management	400,6	34,3	434,9
Liabilities at 30 September 2019	**404,4**	**34,3**	**438,7**

1 May 2017 - 30 April 2018 (12 months) DKKm	Short-term benefits	Termination benefits	Total
Executive Management & Board of Directors	-	-	-
Other Key Management	11,7	-	11,7
Liabilities at 30 April 2018	**11,7**	**-**	**11,7**

5.3 Management Participation Program Liability

Management in the subsidiary T&W Holding A/S was in the period 2015-2018 granted certain bonus programs, which will be settled from 2020 and onwards in cash. The amount of the bonus that will ultimately be settled is dependent on the management remaining employed until settlement and is based on changes in equity.

The Group has in place a Management Participation Program ("MPP") - Certain members of Key Management Personal in WS Audiology A/S (the "MPP Participants") could acquire a partnership interest in NH Lux ManCo SCSp ("NHSCSp") from NorthHarbour Lux TopCo Sar ("TopCo"), a holding entity that is fully consolidated within WS Audiology, therefore indirectly having an ownership interest in the intermediate North Harbour Group.

The MPP participants acquired Ordinary shares, which rank pari passue in all respets, as well as preference shares. The reacquisition of the ownership interests is triggered upon the termination of employment.of MPP Particiants; a liability in this regard is included in Other non-current liabilities, with reference to note 3.9.

Accounting policies

The accounting for the shares purchased by management (at fair value, represented by 'interests' in NHSCSp) as part of the North Harbour MPP scheme falls within the scope of IFRS 2 as a cash-based arrangement. A liability is recognised reflecting the fair value of the Group's intention to acquire the 'interests'.

Significant judgements and accounting estimates

The terms of the North Harbour MPP scheme include references to "good" and "bad" leavers, which impact the return to be received by MPP plan participants. The determination of the fair value of the liability under the MPP scheme is most significantly impacted by the estimation of good vs. bad leavers, and the determination of the fair value of the Group.

The fair value for the MPP at inception and 30 September 2019 reflects the valuation of the combined Group by the parties in the merger as described in Note 1.1.

5.4 Pension obligations

Post-employment benefits provided by the Group are organized primarily through defined contribution plans as well as defined benefit plans which cover almost all of the Group's domestic employees and many of the Group's foreign employees. Post-employment defined benefit plans include to the major extent pension benefits.

Defined benefit plans

General principles are determined in a corporate pension policy. That means inter alia that the Group regularly reviews the design of its post-employment defined benefit plans. In order to reduce Group's exposure to certain risks associated with defined benefit plans, such as longevity, inflation, effects of compensation increase, the Group regularly review and continuously improves the design of its post-employment defined benefit plans. The benefits of the defined benefit plan open to new entrants are based predominantly on contributions made by the Group and are still affected by longevity, inflation adjustments and compensation increases, but only to a lesser extent. The major pension plans are funded with assets in segregated pension entities.

The existing defined benefit plans cover approximately as of 30 September 2019 3,135 participants, including 2,058 active employees, 700 former employees with vested rights and 378 retirees and surviving dependents. Individual benefits are generally based on eligible compensation levels and/or ranking within the Group's hierarchy and years of service. The characteristics of the defined benefit plans and the risks associated with them vary depending on legal, fiscal and economic requirements in each country. For the major defined benefit plans of the Group the characteristics and risks are as follows:

Germany:
In Germany, the Group provides pension benefits through the cash-balance plan BSAV (Beitragsorientierte Siemens Altersversorgung), frozen legacy plans and deferred compensation plans. Active employees in Germany participate in the BSAV introduced in fiscal 2004. A legacy pension plan (Altzusage) has been transformed into BSAV.

These benefits are predominantly based on contributions made by the Group and returns earned on such contributions, subject to a minimum return guaranteed. In general, the BSAV is fully funded from the Group's perspective. Sivantos GmbH has set up a CTA (=Contractual Trust Arrangement) in order to take precautions of financing all of its BSAV pension obligations, including the Group. Individual benefits under the frozen legacy plans are based on eligible compensation levels or ranking within the Group's hierarchy and years of service. In connection with the implementation of the BSAV, benefits provided under the frozen legacy plans were modified to substantially eliminate the effects of compensation increases by freezing the accretion of benefits under the majority of these plans. However, these frozen plans still expose the Group to actuarial risks such as investment risk, interest rate risk and longevity risk. Furthermore, deferred compensation plans are offered which are funded via a CTA. In Germany no legal or regulatory minimum funding requirements apply. The Trust which is legally separate manages its plan assets as trustee in accordance with the respective trust agreements.

U.S.:
The assets under these pension plans are administered by the Group and are, therefore, the sole responsibility of the Group. The assets are not separately identifiable; instead the companies had a common right to the trusts' assets. One major defined benefit plan, the Sivantos Pension Plan, is frozen to new entrants and accretion of new benefits. Employees hired prior to April 1, 2006 participate in the Sivantos Pension Plan. Most of the defined benefit plan participants' benefits are calculated using a cash balance formula; although a small group of participants are eligible for a benefit based on a final average pay formula. This frozen defined benefit plan exposes the Group to actuarial risks such as investment risk, interest rate risk and longevity risk.

The defined benefit plan assets are held in a Master Trust. The Group, as the sponsoring employer, has delegated investment oversight of the plans' assets to the Investment Committee. The Investment Committee members have a fiduciary duty to act solely in the best interests of the beneficiaries according to the trust agreement and U.S. law. The Committee has established an Investment Policy Statement which articulates the goals and objectives of the plans' investment management, including diversifying the assets of the Master Trust with the intention of appropriately addressing concentration risks. The trustee of the Master Trust acts only by direction of the Investment Committee. It is responsible for the safekeeping of the trust, but generally has no decision making authority over the plan assets. The legal and regulatory framework for the plans is based on the applicable U.S. legislation Employee Retirement Income Security Act (ERISA). Based on this legislation a funding valuation is prepared annually. There is a regulatory requirement to maintain a minimum funding level of 80% in the defined benefit plans in order to avoid benefit restrictions.

The amounts included in the Group's Consolidated Statements of Financial Position arising from its pension obligations at 30 September 2019 and 30 April 2018 are as follows:

DKKm	**Defined benefit obligation**	**Fair value of plan assets**	**Total**
Germany	461,4	404,7	56,7
U.S.	318,8	249,4	69,4
Others	38,1	16,4	21,7
Total	**818,3**	**670,5**	**147,8**

The following table show the total defined benefit cost that was recognised in profit or loss account and Other Comprehensive Income ("OCI") at the end of the reporting period.

DKKm	**1 May 2018 – 30 September 2019 (17 months)**
Current service cost	17,9
Past service benefit	-24,6
Net interest expenses	2,2
Liability administration expenses	-1,5
Defined benefit costs recognized in the income statement	**-6,0**
The costs are recognized in the following income statement items:	
Return on plan assets (excluding amounts included in net interest expense and net interest income)	-24,6
Remeasurement losses on defined benefit obligations	98,6
Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income	**74,0**

Change in defined benefit obligations:	
Defined benefit obligation at beginning of year	9,7
Additions - Business combinations	680,9
Current service cost	19,4
Interest expense	17,9
Contributions paid	1,5
Net accumulated actuarial gains	98,6
Benefits paid	-25,4
Prepaid cost for post employee benefit	-1,5
Foreign currency effects	19,4
Plan settlement	-2,2
Defined benefit obligation at 30 September 2019	**818,3**

Change in plan assets:	
Fair value of plan assets at beginning of year	0,0
Additions through business combinations	613,8
Interest income	14,9
Remeasurement (losses)/ gains (Return on plan assets excluding amounts included in net interest income and net interest expense)	24,6
Contributions paid	1,5
Benefits paid	-13,4
Employer contributions	13,4
Liability administration costs	-1,5
Foreign currency effects	17,2
Fair value of plan assets at 30 September 2019	**670,5**

Plan assets comprise of the following:	
Investment funds	647,4
Cash and cash equivalents	8,2
Qualified insurance policies	13,4
Others	1,5
Total	**670,5**

Quoted	645,9
Unquoted	24,6
	670,5

Actuarial assumptions
Assumed discount rates, compensation increase rates, pension progression rates and mortality rates used in calculating the DBO vary according to the economic and other conditions of the country in which the retirement plans are situated.

The mortality tables used for the actuarial valuation of the DBO were as follows (most significant countries):
Germany: Heubeck Richttafeln 2005G (modified)
U.S.: RP-2014 Employee and Healthy Annuitant Tables projected with Scale MP-2015 for all years

The DBO was only significantly affected by other financial assumptions in Germany and U.S. For Germany, the long-term rate of compensation increase and the pension increase rate were constant on average in fiscal year 2019. For U.S., the DBO was mainly affected by the discount rate as the plan is frozen to new entrants and accretion of new benefits.

The DBO is also affected by assumed future inflation rates. The effect of inflation is recognized within the assumptions above where applicable.

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages).

	30 September 2019
Germany	
Discount rate	0,64%
Future salary growth	2,25%
Expected return on assets	0,64%
Expected pension progression	1,75%
U.S.	
Discount rate	2,80%
Future salary growth	N/A
Expected return on assets	3,90%
Expected pension progression	3,00%

Assumptions regarding future mortality have been based on published statistics and mortality tables. The current longevities underlying the values of the defined benefit obligation at the reporting date were as follows.

DKKm	30 September 2019
Germany	
Longevity at age 55 for current pensioners	
Males	150,8
Females	177,0
Longevity at age 55 for current pensioners with 10% reduction in mortality rates	
Males	157,5
Females	182,9
U.S.	
Longevity at age 55 for current pensioners	
Males	216,5
Females	234,5
Longevity at age 55 for current pensioners with 10% reduction in mortality rates	
Males	224,0
Females	241,9

The weighted-average duration of the defined benefit obligation was 15.3 years at 30 September 2019. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

Sensitivity analysis

As the significant part of the DBO results from the German and U.S. entities, the sensitivity analysis were as follows:

DKKm	0.5% increase	0.5% decrease
Germany		
Discount rate	-29.618,2	38.170,7
Rate of compensation increase	102,4	-99,6
Rate of pension progression	21.064,5	-19.117,2
US		
Discount rate	-14.838,0	16.167,4

	-1 year	+1 year
Germany		
Life expectancy	-12.727,3	14.468,0
US		
Life expectancy	-12.451,1	13.532,5

The Company expects to pay DKK37 million in contributions to its defined benefit plans in year 2019.

Defined contribution plan

The amount recognised as an expense for defined contribution plans at 30 September 2019 was DKK97 million.

Accounting policies

Defined contribution plans

The T&W Medical A/S Group operates a number of defined contribution plans around the World. These plans are externally funded in entities, e.g. insurance entities, that are legally separate from the Group. Contributions to defined contribution plans are recognised in the income statement in the year to which they relate.

Defined benefit plans

The T&W Medical A/S Group also operates defined benefit plans in a few jurisdictions, primarily in Germany and the USA.

The liability and costs for the year for defined benefit plans are determined using the projected unit credit method. This reflects services rendered by employees to the valuation dates and is based on actuarial assumptions regarding future compensation and benefit increases, mortality, expected return on plan assets and discount rates. Discount rates are based on average market yields of high quality corporate bonds in the country and/or currency in which the pension liabilities are expected to be settled.

Current service cost, past service cost and settlements for post-employment benefits as well as other administration costs which are un-related to the management of plan assets are recognised in the income statement and allocated among functional costs, following the functional area of the corresponding profit and cost centre. Administration costs which are related to the management of plan assets and taxes directly linked to the return on plan assets and payable by the plan itself are included in the return on plan assets and are recognised in other comprehensive income.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in Other comprehensive income in the period in which they arise. Past service costs are recognised immediately in the income statement.

For unfunded plans, the Group recognises a post-employment liability as non-current liability. For funded plans, the Group offsets the fair value of plan assets with the benefit obligations, and recognises the net amount, after adjustments for effects related to any asset ceiling, as a non-current liability or other current assets.

5.5 Contingent liabilities and securities

The Group has investments commitments which at 30 September 2019 total DKK 1.414 million.

Guarantees

The Group has issued Corporate Guarantees, mainly to the business partners, outstanding in an amount of DKK 746 million as of 30 September 2019.

In addition, the Group has a contingent obligation to indemnify the issuing Banks for Bankers Guarantees for an amount up to DKK 49,2 million as of 30 September 2019. None of the outstanding guarantees are likely to be drawn, hence no provisions have been made.

Security

The Group is securing an overdraft facility for a related company through a Standby Letter of Credit over DKK 3 million as of 30 September 2019. Furthermore, an additional pledge have been deposited in cash and securities for a total value of DKK 1.173 million

The Group is securing an interest rate swap through a deposit of cash and securities of a total value of DKK 83 milllion. Mortgage debt of a total DKK 364 million is secured by way of a deposit mortgage deed registered to the mortgagor on properties of DKK 807 million as of September 30, 2019.

Outstanding Lawsuits and disputes

The Group is, from time to time, subject to legal disputes in connection with its business activities. In the light of the number of legal disputes and proceedings in which the Group is involved, it cannot be ruled out that some of these proceedings could result in rulings against the Group. Although the Group maintains liability insurance in its non-amounts the Group considers consistent with industry practice, it may not be fully insured against all potential damages that may arise out of any claims to which the Group may be party in the ordinary course of the Group’s business. At this time, however the Group does not expect any significant negative effects on the Group’s financial position or finance and earnings situation resulting from legal disputes.

The Group seeks to make adequate provisions for any legal disputes and proceedings, and assesses the likely outcome in which the Group is involved.

For information on lease obligations, please refer to note 5.8.

5.6 Associates

DKKm	Investments in associated	Receivables from associates
Cost at 1 May 2018	56,0	43,3
Share of post acquisition of retained earnings	(0,7)	5,2
Carrying amount at 30 September 2019	**55,3**	**48,5**

DKKm	Investments in associated	Receivables from associates
Cost at 1 May 2017	160,9	21,6
Share of post acquisition of retained earnings	53,6	11,9
Carrying amount at 30 April 2018	214,5	33,5

Please refer to note 5.11 for a list of associates.

Aggregate information about the Group's investments in associates that are not individually material, not adjusted for the proportion of ownership interests held by the Group, are as follows:

Summarized information of the associate

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Non-current assets	279,5	60,3
Current assets	66,1	53,6
Current liabilities	(167,4)	(28,3)
Net assets	**178,2**	**85,6**
Revenue	134,8	63,3
Net loss from continuing operation	(1,0)	(0,7)
Total comprehensive income	**(1,0)**	**(0,7)**

Accounting policies

Associates are those entities in which the Group has significant influence but not control or joint control over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control over the financial and operating policies, and where the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in associates and joint ventures are accounted for using the equity method. This entails that the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture calculated in accordance with the Group's accounting policies. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in such associate or joint venture, the Group discontinues recognising its share of future losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

5.7 Non cash adjustments

DKKm	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Unrealised loss of loans and borrowings	339,0	-
Others	(44,8)	(0,7)
Total	**294,2**	**(0,7)**

5.8 Lease obligations

Future payment obligations under operating leases are as follows:

DKKm	30 September 2019	30 April 2018
Rent	2.040,1	1.336,1
Other operating leases	69,6	28,3
Total	**2.109,7**	**1.364,4**
Operating leases		
Less than one year	374,8	147,5
Between one and five years	912,4	408,3
More than five years	821,3	808,3
Total	**2.108,5**	**1.364,1**
Operating leases recognised in the income statement	521,9	251,1

Accounting policies

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the Group as lessee, are capitalised at the commencement date of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and repayment of the lease liability, so as to achieve a constant rate of interest on the remaining balance of the liability. Leased assets are depreciated over the lease term, or if shorter, the expected useful life or the assets.

Leases of assets under which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Costs related to operating leases are recognised in the income statement on a straight-line basis.

5.9 Fees to auditors appointed at the annual general meeting

1 May 2018 - 30 September 2019 (17 months)

DKKm	Deloitte	Others	KPMG
Audit fees	3,5	1,4	2,2
Other assurance related services	6,0	-	4,5
Tax services	3,0	0,7	-
Other services	19,4	0,7	3,7
Total	**31,9**	**2,8**	**10,4**

1 May 2017 - 30 April 2018 (12 months)

DKKm	Deloitte
Audit fees	4,8
Tax services	1,5
Other services	1,8
Total	**8,1**

5.10 Related parties

Related parties include Westermann A/S and Tøpholm Holding A/S and entities controlled by T&W Medical A/S.

Transactions with related parties
In addition to the related party disclosure that is disclosed elsewhere in the financial statements, the following significant transactions between the Group and its related parties took place at terms agreed during the fiscal year 2018/19 and 2017/18.

DKKm	1 May 2018 – 30 September 2019 (17 months)	1 May 2017 – 30 April 2018 (12 months)
Transactions with shareholder		
- Loans from related parties	1.540,2	2.564,0
- Repayment of loans to related parties	14,8	-
- Interest on loans	15,3	36,6
Transactions with associates		
- Sales of goods and services	81,4	50,0
Other related parties		
- Sales of goods and services	14,2	9,0

As at 30 September 2019, the outstanding balances with the associates are DKK 229 million (30 April 2018: DKK 34 million).

Transactions with related individuals
The Group's Executive management is defined as those persons, who are responsible for the Group's worldwide operating business, based on their function within the Group or the interests of WS Audiology A/S and registered directors in the parent company. For information about remuneration to Executive management and Board of Directors refer to note 5.2.

The following individuals belong or belonged to the Group's Executive management:

Year 2018/19	Director	Member of Executive Management since/ until
Executive Management		
Lars Nørgaard	CEO T&W Medical A/S	May 2018 - September 2019
Board of Directors		
Jan Tøpholm	Chairman T&W Medical A/S	May 2018 - September 2019
Julian Tøpholm	Member	May 2018 - September 2019
Richard Tøpholm	Member	May 2018 - September 2019
Søren Erik Westermann	Member	May 2018 - September 2019
Anders Steen Westermann	Member	May 2018 - September 2019
Adam Westermann	Member	December 2018 - September 2019
Other Key Management		
Jørgen Jensen	CEO Widex A/S	May 2018 - February 2019
Jørgen Jensen	CEO WS Audiology A/S Group	February 2019 - August 2019
Eric Bernard	CEO WS Audiology A/S Group	September 2019
Dr. Wolfgang Ollig	CEO WS Audiology A/S Group	February 2019 - August 2019
Henrik Bender	CEO WS Audiology A/S Group	September 2019

Year 2017/18	Director	Member of Executive Management since/ until
Executive Management		
Lars Nørgaard	CEO T&W Medical A/S	May 2017 - April 2018
Board of Directors		
Jan Tøpholm	Chairman T&W Medical A/S	May 2017 - April 2018
Julian Tøpholm	Member	May 2017 - April 2018
Richard Tøpholm	Member	May 2017 - April 2018
Søren Erik Westermann	Member	May 2017 - April 2018
Anders Steen Westermann	Member	May 2017 - April 2018

5.11 Companies in the T&W Medical A/S Group

List of the Group's active companies included in the Consolidated Financial Statements:

Company	Country	Equity Interest in %
T&W Medical A/S		
T&W Holding A/S	Denmark	0,3
WS Audiology A/S	Denmark	47
Nymøllevej ApS	Denmark	100
UNEEG medical A/S	Denmark	84
T&W Engineering A/S	Denmark	100
Twings ApS	Denmark	100
Subsidiaries of T&W Holding A/S		
Core Bolig VIII nr. 14	Denmark	100
EnViAc P/S	Denmark	90
Other equity investments of T&W Holding A/S		
Din HøreSpecialist	Denmark	40
Core Bolig VIII nr. 13	Denmark	45
Cortrium ApS	Denmark	23
Subsidiaries of WS Audiology A/S	Denmark	100
North Harbour Topco Sarl	Luxembourg	99
North Harbour Midco S.a.r.l	Luxembourg	100
Auris Luxembourgh II S.A.	Luxembourg	100
Auris Luxembourg III S.à.r.l.	Luxembourg	100
Widex A/S	Denmark	100
Sivantos Holding Singapore Pte. Ltd.	Singapore	100
Subsidiaries of Widex A/S		
EMEA-LA		
Bloomhearing ApS	Denmark	100
Investment DK ApS	Denmark	100
Veenhuis Medical Audio BV	Netherlands	100
Widex UK Ltd.	UK	100
Widex Marketing Services Ltd.	UK	100
Coselgi UK Ltd.	UK	100
Widex DK A/S	Denmark	100
Coselgi DK ApS	Denmark	100
SAS Clermont Distribution	France	98
Progression SAS	France	100
Savoire Audition SAS	France	100
Widex S.A.S	France	100
Winster House Ltd.	UK	100
Acuitis Optical & Hearing Limited	UK	100
Bloom Hearing Specialists Ltd.	UK	100
Aberdeen Hearing Services Ltd.	UK	100
Bonavox Limited	Ireland	100
Widex Chile SpA	Chile	100
Widex Uruguay	Uruguay	51
COW-Audición en Alta Definición S.A. de C.V	Mexico	99
Widex Argentina S.A	Argentina	51
Centro Auditivo Widex Brasitom Ltda	Brazil	100
Communicare Aparelhos Auditivos Ltda	Brazil	100
Sivantos Solucuoes Auditiva Ltd.	Brazil	100
Chestenbaum AG	Switzerland	100
Widex Hörgeräte AG	Switzerland	100
Widex Hörgeräte GmbH	Germany	100
Widex AB	Sweden	100
Hörselhuset Aktiebolag	Sweden	100
Widex Biocord AB	Sweden	100
Widex OOO LLC	Russia	100
Widex Norge AS	Norway	100
Widex-Reabilitacão Auditiva Lda.	Portugal	100

Coselgi Portugal S.A.	Portugal	100
Widex Service OOO LLC	Russia	100
Widex Akustik OY	Finland	100
Widex Lines s.r.o	Czech Republic	100
Widex Poland Sp. Z.o.o	Poland	60
Widex South Africa Pty. Ltd.	South Africa	100
Widex Regional Operation Center EMEA	Poland	100
Widex Eesti OÜ	Estonia	100
Widex Italia S.r.l	Italy	100
ReOton LLC	Ukraine	100
Widex Slušni Aparati d.o.o	Bosnia	60
Widex-Slovton Slovakia s.r.o	Slovakia	100
Coselgi S.p.A	Italy	100
Widex Tibbi ve Teknik Chihazlar San.ve Tic. AŞ	Turkey	100
Widex Trading d.o.o Ljubljana	Slovenia	60
Slušni Aparati d.o.o. Widex Ljubljana	Slovenia	61
Widex-H Kft	Hungary	100
Audiofon Kft	Hungary	100
Widex Italia s.r.l.	Italy	100
Asia-Pacific		
Widex Hearing Aid Sdn Bhd	Malaysia	100
Widex Singapore Pte Ltd	Singapore	100
Bloom Hearing Co. Ltd.	Japan	100
Widex Co. Ltd.	Japan	100
Widex Hearing Aid (Shanghai) Co. Ltd.	China	100
Widex Korea Ltd.	South Korea	100
Widex India Private Ltd.	India	100
Widex New Zealand Ltd.	New Zealand	100
Widex Australia Pty. Ltd.	Australia	100
Active Hearing Pty. Ltd.	Australia	100
Hearclear Audiology Pty. Ltd.	Australia	100
Bloom Hearing Ltd.	New Zealand	100
Widex Hong Kong Hearing & Speech Centre Ltd.	Hong Kong	100
Starry Hearing & Speech Centre Ltd.	Hong Kong	65
North-America		
Widex Canada Ltd.	Canada	100
TW Group Canada Ltd.	Canada	100
Lifestyle Hearing Corporation Inc.	Canada	100
Lifestyle Hearing Corporation USA Inc.	USA	100
Widex USA Inc.	USA	100

Company	Country	Equity Interest in %
Subsidiaries of Lifestyle Hearing Corporation Inc.		
North-America		
Lifestyle Hearing Network Inc.	Canada	100
Helix Hearing Inc.	Canada	100
Hearcanada Inc.	Canada	100
Helix Service Corporation Inc.	Canada	100

Company	Country	Equity Interest in %
Subsidiaries of Lifestyle Hearing Corporation USA Inc.		
North-America		
Happy hearing LLC	USA	100
Audiology Management Group Inc.	USA	100
Helix Hearing Care (California) Inc.	USA	100
Lifestyle Managed Care LLC	USA	100
Lifestyle Hearing Professionals LLC	USA	100
New Asheville Audiology Services PLLC	USA	100
Helix Hearing Care (Ohio) LLC.	USA	100
Helix Hearing Care (Texas) LLC	USA	100
Helix Hearing Care (Florida) LLC	USA	100

Physician Audiology Services Inc.	USA	100
Hearing Center of Browards Inc.	USA	100
Randa Nashour-Shousher LLC	USA	51
Hear Again Hearing Auds LLC.	USA	60
Helix Hearing Care Naples LLC	USA	60
The Hearing Center of ENTA LLC	USA	60
Medical Hearing Systems LLC	USA	70
PAS Development LLC	USA	55
Hands on Hearing Inc.	USA	51
Other equity investments of Widex A/S		
HIMSA A/S	Denmark	25
HIMSA II a/s	Denmark	17
HIMSA II K/S	Denmark	23
HIMP A/S	Denmark	9
K/S HIMPP	Denmark	10
Sound Advice Hearing Ltd.	UK	49
D Med Hearing Company	Thailand	38
Widex Columbia SAS	Columbia	20
Hear-Mart Holdings LLC.	USA	49
Audiology Associates of Westchester LLC	USA	49
Smartcare LLC	USA	10
Widex Servicios Technico S.A.	Spain	30
Widex Audifonos S.A.	Spain	30
Instituto Auditivo Widex C.A.	Venezuela	44
Widex Macau Hearing & Speech Centre Ltd.	Macau	49
Subsidiary of Sivantos Holding Singapore Pte. Ltd.		
Sivantos Pte. Ltd.	Singapore	100
Subsidiaries of Sivantos Pte. Ltd.		
EMEA-LA		
Sivantos Holding Germany GmbH	Germany	100
Sivantos A/S	Denmark	100
Sivantos B.V.	Netherlands	100
Oorwerk B.V.	Netherlands	100
Oorwerk den Haag B.V.	Netherlands	100
Hoortechnish Centrum Schagen B.V	Netherlands	100
Sivantos Isitme Cihazlari Sanayi Ve Ticaret A.S.	Turkey	100
Sivantos Soluções Auditivas Ltda.	Brazil	100
Sivantos Europe GmbH	Germany	100
Hörwelt GmbH	Austria	100
Medakustik GmbH	Austria	100
AS IBERICA Soluciones Auditivas S.L.U.	Spain	100
Sivantos (RUS) LLC	Russia	100
Entone SAS	France	100
Biotone Technologie SAS	France	100
Asia-Pacific		
Sivantos K.K.	Japan	100
Best Sound K.K.	Japan	100
audibene K.K.	Japan	100
Sivantos Limited	Korea	100
Hear.com Korea Limited	Korea	100
Subsidiaries of Sivantos Holding Germany GmbH		
Sivantos GmbH	Germany	100
audibene GmbH	Germany	100

Company	Country	Equity Interest in %
Subsidiaries of Sivantos GmbH		
EMEA-LA		
AS-AUDIO SERVICE GmbH	Germany	100
Signia GmbH	Germany	100
Sivantos Kft.	Hungary	100
Sivantos AG	Switzerland	100
Sivantos AS	Norway	100
Sivantos s.r.o	Czech Republic	100
Sivantos Sp. z o.o.	Poland	100
Sivantos S.r.l	Italy	100
Sivantos S.A.S.	France	100
Sivantos Limited	United Kingdom	100
Sivantos (Pty) Ltd	South-Africa	100
North-America		
Sivantos, Inc.	USA	100
Audiology Distribution, LLC	USA	100
HearX West, LLC	USA	50
HearX West, Inc.	USA	100
HearUSA IPA, Inc.	USA	100
hear.com, LLC	USA	100
Sivantos Inc.	Canada	100
Shoebox, Inc.	Canada	100
TruHearing, Inc.	USA	100
TruHearing IPA LLC	USA	100
Hearing Care Solutions, Inc	USA	100
Harmony Hearing Services LLC	USA	100
MEDPlus Health Solutions LLC	USA	100
Clearwater Clinical Inc	USA	100
Asia-Pacific		
Sivantos (Suzhou) Co. Ltd.	China	100
Sivantos India Pvt. Ltd	India	100
Soundrise Hearing Solutions Private Limited	India	100
Sivantos Pty Ltd	Australia	100
Subsidiaries of audibene GmbH		
audibene GmbH	Switzerland	100
Audiocare Hearing Experts Malaysia Sdn. Bhd.	Malaysia	100
audibene B.V.	Netherlands	100
Ihre Hörgeräte Beratung GmbH	Germany	100
Hear.com - Simply Good Hearing Inc	Canada	100
Hearing Experts (Thailand) Co. Ltd.	Thailand	100
Other equity investments of Sivantos Pte. Ltd.		
Koden Co., Ltd.	Japan	43
Kikoeno Soudanshitsu Co., Ltd.	Japan	50
Kanto Hochouki Co., Ltd.	Japan	25
HIMPP A/S	Denmark	11
HIMSA II A/S	Denmark	17
HIMSA II K/S	Denmark	15

5.12 Significant events after the balance sheet date

There have been no non-adjusting events afther the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

5.13 Approval of the consolidated financial statements

The financial statements of T&W Medical A/S were approved by the Board of Directors and authorised for issue on 28 February 2020

Parent financial statements

Income statement

DKKm	Notes	1 May 2018 – 30 September 2019 (17 month)	1 May 2017 – 30 April 2018 (12 month)
Selling and general admin expenses		-3,4	0,3
Operating (loss)/profit		**-3,4**	**0,3**
Income from equity investments	3.1	5.802,5	499,1
Interest income		91,1	29,7
Interest expenses		-102,0	-36,6
Other financials net		-3,5	0,0
Profit before tax		**5.784,7**	**492,5**
Tax on profit/(loss)	2.1	7,7	1,0
Profit for the year		**5.792,4**	**493,5**

Statement of comprehensive income

(Loss)/profit for the year	**5.792,4**	**493,5**
Items that may be reclassified subsequently to profit or loss		
Foreign exchange adjustment	49,6	(128,0)
Other comprehensive income for the year, net of tax	**49,6**	**(128,0)**
Total comprehensive income for the year	**5.842,0**	**365,5**

Balance sheet

DKKm	Notes	30 September 2019	30 April 2018	Opening IFRS balance sheet 1 May 2017
Assets				
Investements in group enterprises	3.1	7.098,0	2.687,6	2.690,8
Other non-currents financial assets	3.2	1.855,6	0,0	0,0
Total non-current assets		**8.953,6**	**2.687,6**	**2.690,8**
Intragroup receivables		250,8	966,8	986,1
Current income tax receivables		16,8	1,6	3,0
Other current financial assets	3.2	182,0	0,0	0,0
Other current assets		43,0	16,7	11,9
Cash and cash equivalents		10,0	0,0	0,3
Total currents assets		**502,6**	**985,1**	**1.001,3**
Total assets		**9.456,2**	**3.672,7**	**3.692,1**

DKKm	Notes	30 September 2019	30 April 2018	Opening IFRS balance sheet 1 May 2017
Equity and Liabilities				
Share capital	4.1	500,0	500,0	500,0
Retained earnings		-77,4	-127,0	0,0
Other reserves		6.480,6	688,2	1.094,7
Total Equity		**6.903,2**	**1.061,2**	**1.594,7**
Trade payables		-	2,3	0,2
Intragroup short-term payables		2.549,0	44,8	398,8
Debt to related parties		-	2.564,4	1.698,4
Other current liabilities		4,0	-	-
Total current liabilities		**2.553,0**	**2.611,5**	**2.097,4**
Total liabilities		**2.553,0**	**2.611,5**	**2.097,4**
Total equity and liabilities		**9.456,2**	**3.672,7**	**3.692,1**

Statement of changes in equity

DKKm	Share capital	Foreign exchange adjust-ments	Hedging reserve	Retained earnings	Proposed dividend	Equity of share-holders in T&W Med-ical A/S
Equity at 30 April 2017	**500,0**	**-**	**-**	**942,0**	**100,0**	**1.542,0**
Impact of transition to IFRS	-	-	-	52,7	-	52,7
Equity at 1 May 2017	**500,0**	**-**	**-**	**994,7**	**100,0**	**1.594,7**
Profit for the period	-	-	1,0	493,6	-	494,5
Foreign exchange adjustment, etc.	-	(128,0)	-	-	-	(128,0)
Total comprehensive income for the year	**-**	**(128,0)**	**1,0**	**546,2**	**-**	**366,5**
Dividends paid	-	-	-	(800,0)	(100,0)	(900,0)
Equity at 30 April 2018	**500,0**	**(128,0)**	**1,0**	**688,2**	**-**	**1.061,2**
Profit for the period	-	-	-	5.792,4	-	5.792,4
Foreign exchange adjustment, etc.	-	49,6	-	-	-	49,4
Total comprehensive income for the year	**-**	**49,6**	**-**	**5.792,4**	**-**	**5.841,8**
Equity at 30 September 2019	**500,0**	**(78,4)**	**1,0**	**6.480,6**	**-**	**6.903,0**

Statement of cash flow

DKKm	Notes	1 May 2018 - 30 September 2019 (17 months)	1 May 2017 - 30 April 2018 (12 months)
Operating activities			
(Loss)/profit for the year		**5.792,4**	**546,2**
Income from equity investments		(5.802,5)	(551,8)
Financial income, received		91,1	29,7
Taxes paid		(7,7)	(1,0)
Other non-cash adjustments		3,2	(13,6)
Cash flow from operating activities before changes in working capital		**76,5**	**9,5**
Change in receivables		(39,5)	16,9
Change in other assets/liabilities		1,2	(2,1)
Cash flow from operating activities before financial items and tax		**38,2**	**14,8**
Cash flow from operating activities		**114,7**	**24,3**
Dividend received		1.725,0	400,0
Investments in other assets		(2.307,5)	-
Cash flow used in investing activities		**(582,5)**	**400,0**
Cashflow from operating and investing activities		**(544,3)**	**424,3**
Proceeds from long-term & short term debt		656,2	866,0
Repayments of long-term & short-term debt		-	(354,0)
Financial expenses paid		(102,0)	(36,6)
Dividens paid to shareholders		-	(900,0)
Cash flow from/(used in) financing activities		**554,2**	**(424,6)**
			-
Net cash flow		**9,9**	**(0,3)**
			-
Cash & cash equivalents beginning og period		0,0	0,3
Cash and cash equivalents, end of period		**9,9**	**0,0**

Notes to the parent financial statements

1 Basis of preparation

The parent financial statements for T&W Medical A/S have been prepared in accordance with IFRS as adopted by the European Union (EU) and further require-ments in the Danish Financial Statements Act.

The parent financial statements are presented in Danish Krone (DKK) which is the functional currency of T&W Medical A/S. All values are rounded to the nearest million (DKK) with one decimal, except where indicated otherwise.

The Parent's general accounting policies are described in each of the individual notes to the parent financial statements. The accounting policies set out below and in each note have been used consistently in respect of the financial year and the comparative figures, except as explained in note 1.1 First-time adoption of IFRS.

The financial statements for all periods presented, including the opening IFRS statement of financial position have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2019 except when IFRS 1 require or allow prospective implementation as explained below.

1.1 First-time adoption of IFRS

The parent financial statements of T&W Medical A/S have historically been prepared in accordance with the Danish Financial Statements Act ("DFSA"). Beginning from 2018/19, the consolidated financial statements are prepared in accordance with IFRS, and the Group has applied IFRS 1 First-time adoption of IFRS with 1 May 2017 as the date of transition to IFRS. The Company has also applied the exemption under IFRS 1 Para E2 (a); IFRS 9 has been adopted on 1 May 2018, with the comparative information in compliance with the requirements of DK GAAP in place of the requirements IFRS 9 and IFRS 7.

The financial statements for all periods presented, including the opening IFRS statement of financial position have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2019 except when IFRS 1 require or allow prospective implementation as explained below.

	1 May 2017			**30 April 2018**			
DKKm	**Assets**	**Liabili-ties**	**Equity**	**Profit for the year 2017/18**	**Assets**	**Liabili-ties**	**Equity**
According to previous GAAP (Danish Financial Statements Act)	**3.639,4**	**2.097,4**	**1.542,0**	**371,2**	**3.497,7**	**2.611,5**	**886,2**
Investments on group enterprises	52,7	-	52,7	122,3	175,0	-	175,0
According to IFRS	**3.692,1**	**2.097,4**	**1.594,7**	**493,5**	**3.672,7**	**2.611,5**	**1061,2**

2 Result of the year

2.1 Tax

DKKm	1 May 2018 – 30 September 2019 (17 months)	1 May 2017 – 30 April 2018 (12 months)
Tax on profit/(loss)		
Current tax for the year	3,7	1,0
Deferred tax for the year	0,3	-
Adjustment to current tax with respect to prior years	3,7	-
Total	**7,7**	**1,0**

Reconciliation of effective tax rate	1 May 2018 – 30 September 2019 (17 months)	1 May 2017 – 30 April 2018 (12 months)
Danish tax rate	22%	22%
Expected income tax (expense)/benefit	(1.486,8)	(81,3)
Non-taxable income	1.490,8	82,3
Adjustment of tax with respect to prior year	3,8	-
Total	**7,7**	**1,0**

T&W Medical A/S serves as the administration company in a Danish joint taxation arrangement with all subsidiaries. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

3 Operating assets and liabilities

3.1 Investment in subsidiaries

DKKm	30 September 2019	30 April 2019
Cost beginning of year	2.969,70	2.944,70
Additions	331,00	25,00
Disposals	-	-
Cost end of year	**3.300,70**	**2.969,70**
Revaluations beginning of year	(259,30)	744,70
Effect of implementation of IFRS	-	(998,60)
Exchange adjustments	68,60	(128,30)
Share of profit/loss for the year	(994,10)	521,90
Share of other comprehensive income	(89,60)	1,00
Share of other changes in equity in subsidiaries	-	-
Gain on dilution of ownership interests	6.796,70	-
Dividend	(1.725,00)	(400,00)
Revaluations end of year	**3.797,30**	**(259,30)**
Amortisation goodwill beginning of year	-	(1.051,30)
Effect of implementation of IFRS	-	1.051,30
Amortisation goodwill end of year	**-**	**-**
Carrying amount end of year	**7.098,0**	**2.710,4**

Group companies are listed on Note 5.11 of the Group financial statements. As set out in Note 1 to the Consolidated financial statements, the investment in subsidiary represents a significant non-cash transaction.

3.2 Other non-current and current assets

DKKm	30 September 2019	30 April 2018
Other non-current financial assets		
Other loans	1.307,3	0,0
Intragroup loans	548,3	0,0
Total	**1.855,6**	**0,0**
Other current financial assets		
Securities and equity investments	168,1	0,0
Others	13,9	0,0
Total	**182,0**	**0,0**

Other loans are loans issued to non-controlling interests in WS Audiology for the purpose of such non-controlling interests acquisition of shares in Auris Lux II S.A., which was ultimately exchanged for shares in WS Audiology. The loans become due at 28 February 2025, at which date T&W Medical may at its election require that the repayment of the loans be satisfied in full through the transfer of shares in WS Audiology from the borrower to T&W Medical. No fair value adjustments are recognized in 2018/19.

Intragroup loans are loans to subsidiaries of WS Audiology A/S. Credit risk related to the loans is insignificant.

T&W Medical received call options to acquire additional shares in WS Audiology from the non-controlling interest with a fair value of DKK 168,1 million. No fair value adjustments was recognized in 2018/19.

Accounting policies

Issued loans with conversion options are measured in their entirety at fair value through profit or loss. Fair value is determined using discounted cash flows based on forward rate curve (level 2).

Other loans and receivables, including intragroup loans are recognized initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortised cost using the effective interest method less impairment. A loss allowance is recognized at initial recognition and subsequently based on 12-months expected credit losses, unless a significant increase has arisen since the initial recognition of the loans and receivables, in which case the loss allowance is based on lifetime expected credit losses.

Call options are measured at fair value through porift or loss. Fair value is determined using a Monte Carlo simulation approach (level 3). Significant unobservable input relate primarily to expected volatility, which is determed based on the average enterprice value volatiliyy of quoted comparable companies over a 5 year period. The volatility used is 21,2%.

4 Other disclosures

4.1 Outstanding shares

For more information regarding outstanding shares, please refer to Note 4.1 in the consolidated financial statements.

4.2 Related parties

T&W Medical A/S is the parent entity and ultimate parent controlling WS Audiology A/S.

DKKm	1 May 2018 - 30 September 2019 (17 Months)	1 May 2018 - 30 April 2018 (12 Months)
Transactions with related parties		
- Loans received	2.549,0	2.609,2
- Receivables	141,8	-
- Repayment of loans	296,5	476,6
- Interest on loans	95,0	35,6

4.3 Fees paid to the auditor appointed at the Annual General Meeting

Fees paid to Deloitte P/S for assurance related services for the period ended 30 September 2018 was DKK 1.5 million.

1 May 2018 - 30 September 2019 (17 months)

DKKm	Deloitte
Audit fees	0,5
Other assurance related services	-
Tax services	-
Other services	-
Total	**0,5**

1 May 2017 - 30 April 2018 (12 months)

DKKm	Deloitte
Audit fees	0,2
Tax services	-
Other services	-
Total	**0,2**

4.4 Significant events after the balance sheet date

There have been no non-adjusting events afther the balance sheet date that would be expected to influence the economic decisions that users make on the basis of these financial statements.

4.5 Approval of the consolidated financial statements

The financial statements of T&W Medical A/S were approved by the Board of Directors and authorised for issue on 28 February 2020.

Entity Information

Entity
T&W Medical A/S
Nymøllevej 6
3540 Lynge

Business Registration No (CVR): 28511809
Founded: 22.03.2005
Registered in: Allerød
Financial year: 01.05.2018 – 30.09.2019

Board of Directors
Jan Tøpholm, Chairman
Julian Tøpholm
Richard Tøpholm
Søren Erik Westermann
Anders Steen Westermann
Adam Westermann

Executive Management
Lars Nørgaard, Chief Executive Officer

Auditors
Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 København S

Statement by Management on the Annual Report

The Board of Directors and the Executive Management have today considered and approved the Annual Report of T&W Medical A/S for the financial year May 1, 2018 to September 30, 2019.

The Annual Report is presented in accordance with the International Financial Reporting Standards, which have been adopted by the EU and disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's assets, liabilities and financial position at September 30, 2019 and of their financial performance and cash flows for the financial year May 1, 2018 to September 30, 2019.

We also find that the Management commentary provides a fair statement of developments in the activities and financial situation of the Group and the Parent, financial results for the period, the general financial position of the Group and the Parent, and a description of conditions referred to therein.

We recommend that the Annual Report be approved at the Annual General Meeting.

Lynge, February 28, 2020

Executive Manangement:

Lars Nørgaard
Chief Executive Officer

Board of Directors:

Jan Tøpholm *Chairman*	Julian Tøpholm	Richard Tøpholm
Søren Erik Westermann	Anders Steen Westermann	Adam Westermann

Independent auditors' report

To the shareholders of T&W Medical A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of T&W Medical A/S for the financial year May 1, 2018 to September 30, 2019, which comprise the income statement, statement of comprehensive income, balance sheet, statement of cash flow, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 30 September 2019, and of the results of their operations and cash flows for the financial year May 1, 2018 to September 30, 2019 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements and the parent financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the consolidated financial statements and the parent financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

Management is responsible for the preparation of consolidated financial statements and parent financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of consolidated financial statements and parent financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and the parent financial statements, Management is responsible for assessing the Group's and the Parent's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements unless Management either intends to liquidate the Group or the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Copenhagen, February 28, 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Nikolaj Thomsen
State-Autorised
Public Accountant
MNE no. mne33276