T&W Medical A/S

Annual report 2020/2021
01 October 2020 – 30 September 2021

The Annual General Meeting adopted the annual report on 24.02.2022

Chairman of the General Meeting

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Management commentary

Key figures and financial ratios

Key figures	2020/21 12 Months (IFRS)	2019/20 12 months (IFRS)	2018/19 17 months (IFRS)	2017/18 12 months (IFRS)	2016/17 (DK GAAP)
Income statement, DKKm					
Revenue	15.288	12.965	12.462	4.459	4.346
Gross profit	8.962	7.255	7.485	3.307	3.017
R&D costs	825	656	634	72	217
EBITDA	2.986	1.436	568	935	841
Normalized EBITDA	3.366	2.404	2.267	1.025	863
Amortisation and depreciation etc.	2.297	2.344	1.312	174	313
Operating profit (EBIT)	627	(913)	(744)	761	528
Net financial items	(247)	(1.293)	(1.497)	(87)	(57)
Profit/(loss) before tax	381	(2.206)	(2.241)	675	470
Profit/(loss) for the year	237	(1.816)	(2.156)	527	365
Balance sheet, DKKm					
Assets	55.498	55.659	56.008	5.425	5.117
Equity	15.792	17.280	19.080	1.150	1.591
Other key figures, DKKm					
Investment in property, plant and equipment	325	260	314	139	152
Cash flow from operating activities	3.409	2.006	1.500	732	572
Average number of employees	11.546	10.836	10.965	4.225	4.065
Financial ratios					
Gross profit margin	58,6%	56,0%	60,1%	74,2%	69,4%
EBITDA margin	19,5%	11,1%	4,6%	21,0%	19,3%
Normalized EBITDA margin	22,0%	18,5%	18,2%	23,0%	19,9%
Profit margin (EBIT margin)	4,1%	(7,0%)	(6,0%)	17,1%	12,1%
Return on equity	1,4%	(10,5%)	(11,3%)	38,5%	25,4%
Equity ratio	28,5%	31,0%	34,1%	21,2%	31,1%

Key Figures/ Financial ratios definitions	
EBITDA	Earnings before interest, tax, depreciation, amortisation investments in associates after tax
Net financial items	Interest income, interest expenses and other financials net
Gross profit margin	Gross profit/(loss) x 100/Revenue
EBITDA margin	EBITDA x 100/Revenue
Normalized EBITDA margin	Normalized EBITDA x 100/Revenue
Profit margin (EBIT margin)	Operating profit/(loss) x 100/Revenue
Return on equity	Profit/(loss) for the year x 100/Average equity
Equity ratio	Total Equity/ Total Assets x 100

Primary activities

T&W Medical A/S (TWM) is the holding company for the Tøpholm and Westermann families' ownership in WS Audiology Group (WSA), T&W Holding (TWH), UNEEG medical, T&W Engineering (TWE) and other group companies.

- **WSA** is a global leader in the hearing aid industry with more than 11.000 employees developing, manufacturing and selling hearing aids and associated products globally through own sales companies and independent distributors. The WSA Group generated revenue of DKK 15.278 million and normalized EBITDA of DKK 3.457 million in 2020/21 following strong growth and earnings improvements in the wake of a significant impact from COVID-19 in the comparison year.

- **TWH** is the main investment company of the Tøpholm and Westermann families, focused on equity investments in listed and unlisted companies, investments in private equity, properties, infrastructure projects and alternatives as well as other asset classes and lending to related parties. TWH delivered strong investment performance with profit before tax of DKK 1.064 million in 2020/21 on the back of positive financial market developments.

- **UNEEG medical** is pioneering cognitive technologies that collect, monitor and analyze brain activity, focusing on the commercialisation of active implantable devices and other EEG-/neurological medical solutions. In 2020/21, UNEEG medical reported a loss before tax of DKK 113 million after continuing to build the organisation, investing in R&D, conducting clinical trials and taking important steps to commercialise its technology with market launches in Germany, Austria and the Netherlands.

- **TWE** conducts research and develops EEG measurement technology and methods relevant to epilepsy and diabetes patients, among others. In 2020/21, TWE continued to support UNEEG medical with research and development work related to the measuring of long-term EEG and its varied use.

Financial review

TWM grew total revenue by 18% to DKK 15.288 million in fiscal year 2020/21 driven by strong performance by WSA following gradual recovery in the wake of the outbreak of COVID-19 in the 2019/20 fiscal year and related lockdowns in all major markets, especially the US and Europe. While COVID-19 continued to affect most markets, WSA displayed great operational resilience and agility. Based on continued innovation, new product launches and WSA's multi-brand, multi-channel sales strategy with a strong digital focus, the company reached more customers and consumers, grew the business and delivered 22% organic growth.

For the fiscal year 2020/21, TWM's gross profit increased to DKK 8.962 million corresponding to a 59% gross margin. The positive development was due to a significant improvement in WSA's gross profit following synergy realisation and supported by higher volumes.

The TWM group increased total investments in research and development by 15% to DKK 1.137 million in fiscal year 2020/21 of which DKK 825 million were expensed. Significant investments in innovation were made in WSA, UNEEG medical and TWE to strengthen the companies' innovation and product pipelines, supporting future growth and development.

One-time costs and gains incurred are normalized and excluded from reported EBITDA if they are unusual or non-recurring in nature. Total normalization items for the financial year 2020/21 declined to DKK 380 million from DKK 968 million in fiscal year 2019/20, mainly due to lower merger-related costs in WSA. Normalized items mainly comprise ERP/IT and transformation projects, merger and integration cost and acquisition related costs.

EBITDA grew by 108% to DKK 2.986 million corresponding to an EBITDA margin of 19,5%, mainly driven by a higher gross profit and efficiencies in sales and marketing as well as general and administrative expenses in WSA, partly offset by investments in R&D across TWM's subsidiaries and the normalization effect mentioned above.

Normalized EBITDA increased by 40% to DKK 3.366 million corresponding to a Normalized EBITDA margin of 22,0%.

TWM generated operating profit (EBIT) of DKK 627 million corresponding to an EBIT margin of 4,1% in the fiscal year 2020/21 against a DKK -913 million operating loss incurred in the previous fiscal year, which was significantly impacted by one-time costs in the WSA Group.

Net financial items amount to DKK -247 million and improved from DKK -1.293 despite relatively stable and high interest expenses of DKK 1.662 million in the fiscal year 2020/21 relating mainly to the ownership of WSA. The positive development was driven by a significant positive change in fair value of financial assets following the very satisfactory investment performance in TWH, which exceeded the expectations presented in the annual report for 2019/20. Details on net financial items are specified in note 4,4.

Profit before tax increased to DKK 381 million in 2020/21 as a result of the strong investment performance in TWH. Tax for the fiscal year 2020/21 amounted to DKK -144 million, and TWM generated net profit of DKK 237 million. The 2020/21 results are considered very satisfactory and in line with expectations set out in the annual report for 2019/20.

Outlook

WSA is expected to generate high single digit organic revenue growth with normalized EBITDA exceeding DKK 3.725 million in 2021/22. Completed acquisitions are expected to contribute with additional revenue growth of approximately 2%. The positive development is based on the attractive growth fundamentals of the hearing care market remaining unchanged and WSA being able to leverage its unique portfolio of differentiated product brands and attractive sales channels to strengthen market penetration and expand access to hearing healthcare with no material disruptions arising from COVID-19 or scarcity of components.

Based on the volatility of financial markets in early 2022, the outlook for the investment activities in TWH is subject to significant uncertainty. On this background, TWH is expected to generate a profit before tax of DKK 350-500 million in 2021/22.

UNEEG medical and TWE will continue to invest in research, development, clinical trials, organisational expansion and commercialisation, and the activities (combined) are expected to generate a loss before tax of DKK 180-205 million in 2021/22.

Risk management

The ownership in WSA constitutes the primary activity in TWM, and the risk management framework and efforts of WSA are therefore considered material and presented below, supplemented by comments about topics deemed relevant to TWM.

Risk management is a key part of effective management and internal control, and internal control systems have been implemented 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 over a broad range of areas such as strategic, operations, financial and compliance.

Intellectual property

Intellectual property rights, particularly patents and trade secrets, play a significant role in the development and differentiation of all TWM group companies' products. These proprietary rights are essential to the business of all group companies, and their ability to compete effectively with other companies in the market is greatly enhanced by the availability of any successful technology through licensing.

Patent protection is obtained in key jurisdictions for patentable subject matter in the proprietary devices. Furthermore, third-party patents and patent applications are reviewed to develop an effective patent strategy, avoid infringement of third-party patents, identify licensing opportunities and monitor patent claims of others.

Financial

TWM is subject to financial risks, including foreign currency exchange risk, credit risk, liquidity risk and interest rate risk. These risks derive from fluctuations in foreign currencies due to WSA's international operations; customers' potential inability to pay their obligations in due time; WSA's potential inability to meet financial liabilities towards suppliers and financial institutions; and WSA's exposure to interest rate fluctuations. Please refer to note 4.2 in the financial statements for detailed information.

40-75% of WSA's net currency exposure is mitigated through 3-12 months' foreign exchange forward contracts managed by the group treasury function and local management to alleviate the impact of adverse currency effects on earnings. Credit risk is monitored, and credit evaluations are performed for all customers above a certain threshold in accordance with WSA's credit policy. Credit enhancements such as personal guarantees and share pledges on customer loans are in place to reduce credit risk, which was diversified as of 30 September 2021. Effective working capital and cash management as well as short and long-term cash forecasts have been implemented, and adequate access to short-term contingency credit lines is maintained. A portion of the interest rate risk is mitigated using an interest rate swap to convert floating interest rate to fixed interest rate.

To partly offset the foreign currency exchange risk arising from significant USD-based loans in WSA and mitigate the impact of fluctuations, a significant proportion of TWH's well-diversified investments are made in USD-based assets.

Tax

TWM group companies invest and conduct business globally and are therefore subject to complex tax regimes with different tax rules and rates. This jurisdictional complexity entails risks of TWM group companies being subject to double taxation and loss of tax deductibility of costs incurred.

To avoid double taxation and ensure sound compliance with legislative requirements, TWM group companies cooperate with tax authorities to establish clear and unambiguous distribution of income between tax regimes. Significant resources are spent on ensuring compliance, and the efforts to ensure transparency and clarity regarding tax payments include obtaining advance rulings from and entering into Advance Pricing Arrangements with tax authorities as well as seeking expert advice from specialized tax consultants.

IT

WSA's global operations and services rely on robust and secure IT infrastructure and systems, and the group's IT-related risk exposure derives from potential data leaks, unauthorized access to data and systems, denial of services attacks and disruption of IT infrastructure and systems. Such events could have a substantial negative financial impact on WSA due to reputation loss and potential regulatory fines due to the failure to adequately protect data as well as disruption of internal operations and services provided to customers.

WSA continuously strives to minimize risk by developing and deploying prevention, response and disaster recovery measures. Technical competencies and process capabilities are continuously upgraded to mitigate the increasing cyber security threats and ensure employee awareness through recurrent information campaigns and mandatory trainings.

Compliance and legal

Compliance with applicable rules, legislation and company policies is crucial to WSA's reputation, status with regulators and business prospects. As part of daily business, WSA regularly conducts business with government agencies, public officials and other politically exposed persons. Potential violation of rules, legislation or company policies relating to bribery, anti-competitive behaviors as well as involvement in legal disputes or regulatory proceedings may have a significant detrimental impact on group financials that may not be adequately covered by insurance.

WSA's Code of Conduct and policies aim to prevent direct or indirect acts of bribery, anti-competitive behavior, money laundering, fraud, deception, and any other criminal or otherwise unacceptable conduct. Compliance trainings for relevant employees and complete legal reviews of key activities as well as internal audits are regularly conducted to review and ensure compliance with relevant policies. Several reporting channels have been introduced, including a web-based incident reporting system hosted by an independent third party to make it more accessible for employees and external stakeholders to anonymously report potential issues or concerns.

Supply chain

Stable performance in deliveries and quality of manufacturing and suppliers is key to ensuring strong business development. Any supply chain disruption may lead to shortages in customer deliveries, impacting business objectives and may entail quality issues, limited production output and delayed deliveries or unsatisfactory service to customers.

WSA engages closely with critical suppliers, conduct audits and identifies alternative sourcing options to reduce the risk of material shortages and ensure a satisfactory quality and service level. WSA's stock levels are designed based on supplier and component assessments to ensure continuous supply, and the group works with multiple freight forwarders to ensure available capacity and on-time deliveries.

Quality and regulatory

As a medical device company, WSA emphasizes that product quality and safety must never be compromised as errors in hearing aids or other devices could lead to significant and potentially lifelong damage to consumers. WSA's business and products are subject to market conditions and medical product regulations governing national and private reimbursement levels; the supply of products and services to the public; and the development, testing, manufacturing, labeling, premarket clearance, approval, marketing, export and import of products. WSA may therefore be affected by changes to 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.

WSA has implemented ISO 13485 certified multi-site Quality Management System (QMS) to enable global governance and align local adaptations, ensuring efficient quality management throughout WSA. In addition, the group's manufacturing sites in China, Denmark, Germany, the US, and Singapore have all successfully passed the US Food and Drug Administration (FDA) audit inspections since 2018. WSA's operations are fully certified under the European Medical Device Regulation (MDR EU 2017/745). WSA continuously monitors the regulatory landscape and adjusts management systems and manufacturing to accommodate relevant changes.

Health, safety and environment

It is of paramount importance to WSA to provide safe and healthy working conditions for employees, contractors and visitors while simultaneously ensuring that the group's product life cycle helps protect the natural environment and contributes to a sustainable future. Failure to realize these targets might endanger the health of stakeholders or entail environmental incidents that could impose strict liability on WSA.

WSA is systematically eliminating hazards and reducing risks as emphasized in the group's Environmental, Health & Safety Policy. A management system has been established in accordance with OHSAS 18001 and ISO 140001 at the manufacturing sites in Singapore, China, and Poland – with Denmark to be added in the financial year 2021/22 – covering the design, production and distribution of hearing aids and their components. Risk assessment and mitigation is carried out as an important part of the management system. WSA's Product Related Environmental Protection (PREP) procedure has been implemented to ensure compliance with all legal environmental obligations such as ROHS and REACH, while safeguarding consumer health. Risk assessments have been conducted on all parts and components delivered by suppliers, according to IEC EN 63000. Parts and components of high risk are tested by a third party to ensure substances of concern are not included in WSA products.

Statutory report on corporate social responsibility

This report constitutes the consolidated statements on corporate social responsibility and gender diversity 2020/21, cf. the Danish Financial Statements Act sec. 99a and 99b for T&W Medical A/S.

Business model

T&W Medical A/S (TWM) is the holding company for the Tøpholm and Westermann families' ownership in WS Audiology Group (WSA), T&W Holding (TWH), UNEEG medical, T&W Engineering (TWE) and other group companies. For a more detailed description of the business model of WSA please refer to the Annual Report 2020/21 for the company.

TWM Group – policies and activities

TWM supports the 10 principles of the UN Global Compact through WSA's membership of the UN Global Compact and the group's incorporation of the principles into the strategies, policies and procedures, covering human rights, environment and climate protection, social and employee matters and anti-corruption.

TWM follows the development in WSA through its active ownership and board participation. Key highlights from WSA's sustainability reporting for 2020/21 are outlined below, and reference is made to WSA's Annual Report 2020/21, which presents integrated financial and sustainability reporting with additional detailed data available.

TWM has not introduced separate group CSR policies for its subsidiaries or financial investments at this point, since this has not been considered necessary considering the scope of the investment activities.

The activities of TWH includes significant investments in energy infrastructure projects with a particular focus on renewables and greenfield projects. These investments contribute to the green energy transition and comprise newly constructed energy capacity such as solar plants and wind turbines.

Real estate investments include the ownership of the building in Lynge, which serves as a shared headquarter and manufacturing site for WSA as well as the headquarter for T&W Medical A/S and T&W Holding A/S. The building is CO_2 neutral with several functions focused on saving energy and ensuring a minimum exploitation of natural resources, including rainwater collection and use, production waste heat reused for water heating, etc. Electricity for the building and production facility is produced by the group's own wind turbine and solar cells installed on the building. When the production of electricity does not cover demand, "green" electricity is purchased from the grid. Furthermore, an advanced system for ground water heat exchange has been established to ensure that excess heat from the cooling of the building during the summer is collected, stored in the subsurface and used to heat the building in the winter.

CSR risk evaluation and mitigation

The principal CSR risks in the TWM Group in terms of human rights, environment and climate protection, social and employee matters and anti-corruption are mainly related to the activities in WSA. The risk evaluation and mitigation procedures are described in WSA's sustainability reporting for 2020/21, outlined below.

TWM gender diversity

For the Family Office, the gender split is 55% women and 45% men (excluding family members) with equal gender diversity in managerial positions.

The board of directors of TWM currently consists of six members. At present, there are no female board members as the board consists solely of family owners. The gender target is that the share of women should be two members by 2025. Until now no candidates have been identified. The board composition will be reviewed on an ongoing basis to pursue the ambition.

WSA Code of Conduct and contribution to SDGs

WSA's Code of Conduct reflects the belief that respecting human rights is fundamental to doing business. WSA supports the 10 principles of the United Nations (UN) Global Compact, the UN Guiding Principles on Business and Human Rights (UNGP), and the principles defined within the International Labor Organization Core Conventions.

WSA continuously contributes to the following five UN Sustainable Development Goals (SDGs):

SDG 3 – Good Health and Well-being
SDG 5 – Gender Equality
SDG 8 – Decent Work and Economic Growth
SDG 12 – Responsible Consumption and Production
SDG 13 – Climate Action

Environment and Climate

WSA's environmental and climate impact is mainly related to material consumption waste from operations and packaging, electronic waste generated when products are replaced, as well as from overall greenhouse gas emissions. Even though

WSA's products are small and energy consumption is limited, WSA still endeavors to improve resource efficiency and minimize the group's impact.

Clean production
WSA's main production sites in Singapore, China, Poland, and the Philippines have implemented environmental management systems according to ISO standards. The production site in Denmark will be certified in the financial year 2021/2022.

WSA monitors relevant laws and regulations to ensure compliance and work to continuously reduce water and energy consumption as well as waste generation. The effectiveness of WSA's environmental management system is reviewed by management and through internal and external audits.

WSA ensures that hazardous waste is collected and disposed of in accordance with applicable regulation, and the group continuously improves the data quality pertaining to non-hazardous waste and work to increase the recycling rate.

The production of hearing aids is not intensive in terms of energy or water consumption. However, WSA is committed to reducing energy consumption and increasing the use of renewable energy.

One of WSA's two headquarters, just outside Copenhagen in Lynge, was designed to impact the surrounding environment as little as possible. The building has a geothermal system that uses groundwater as a heat reservoir to store heating and cooling for an entire year's consumption. A wind turbine rises above the headquarters, delivering excess energy to the electricity grid. The building is carbon neutral.

Rechargeable hearing aids
WSA has always been a pioneer in hearing aid technology and the inventor of many world firsts – especially in the field of rechargeable hearing solutions, which saves hundreds of disposable batteries per hearing aid user.

WSA has performed a thorough life cycle assessment to compare the environmental impacts of rechargeable and non-rechargeable hearing aids. The life cycle assessment is carried out according to the ISO 14040/44 standards.

The environmental advantage of rechargeable hearing aids is clear and applies to all 18 environmental categories, including climate change, fossil depletion, and human and eco-toxicity.

Circular business model
WSA is committed to transitioning to a circular business model re-using materials to the widest extent possible. Over 60% of the returned hearing aids components are reused to repair hearing aids, where all reused parts have been thoroughly tested in accordance with applicable standards and permissible regulatory frameworks.

As far as possible, the remaining parts of returned hearing aids are sent for recycling to close the circular loop, avoiding waste.

Greenhouse gas emissions
WSA is working to improve energy efficiency and reduce greenhouse gas emissions, even though the emissions of WSA's own operation (scope 1 and 2) are limited. Most of the emissions are in the value chain (scope 3).

- Scope 1: 11.094 tCO_2e
- Scope 2: 3.764 tCO_2e
- Scope 3: 383.900 tCO_2e

Science-based targets
WSA has committed to setting science-based climate targets in line with limiting the global temperature rise to 1,5° C. WSA's ambition is that 100% of the electricity directly consumed by WSA should come from renewable sources, and WSA aims to be carbon neutral in own operations by 2025. Since June 2021, the Singapore headquarters has been powered by 100% renewable electricity. This means the share of renewable electricity used by WSA as a whole will increase from 16% last year to 23%, bringing WSA closer to the commitment of using 100% renewable electricity by 2025.

Labor rights

WSA's employees are paramount to the success of WSA, and the group strives to provide them with a great place to work and grow. WSA recognizes that the group is also responsible for the impact of its business activities on partners and the people in the communities in which WSA operates. WSA continues to monitor and mitigate any labor rights risks through complying with national legislation, having open and honest relationships with employees, and respecting their right to be informed, heard and to voice their concerns in an open and transparent manner.

Values and behaviors
In March 2021, WSA introduced a new set of values and behaviors based on input from more than 1.000 employees. The new values and behaviors play a crucial role in the culture journey WSA embarked on in late 2020 while navigating the COVID-19 pandemic.

Employee engagement
WSA wants to ensure high workplace satisfaction and actively engaged employees, while reducing employee turnover. WSA therefore strives to make the group a great place to work and grow. In pursuit of this ambition, the group launched WSA Heartbeat in 2021 as a frequent employee survey, which replaces the annual engagement survey. In June 2021,

WSA completed the first WSA Heartbeat pulse showing a significant increase in engagement levels, indicating that the culture journey is on the right track. WSA will continue to monitor engagement levels on a regular basis.

Fostering a diverse and inclusive workforce
WSA strives to create a work environment where diverse ideas, views, opinions and backgrounds are valued. Differences give broader perspectives and better equip WSA to solve challenges, increase innovation and create industry-leading customer experiences. Underlining the commitment to Diversity & Inclusion ('D&I'), WSA welcomed a Global Head of Diversity & Inclusion in September 2021 to further strengthen the global efforts in driving an inclusive work environment.

D&I communities across WSA
In 2020, WSA launched the first volunteer network – Team for Inclusion, Diversity, and Equality (TIDE) – focusing on D&I goals in the US and serving as a feedback loop between people and executive leadership. In 2021, WSA launched several employee resource groups consisting of a total of 43 passionate colleagues around the globe. Each group has a specific focus within diversity and inclusion, thus bringing to life the commitment to ensure equal opportunities and foster a diverse workforce.

Safe and inclusive workforce for all
WSA promotes everyone's equal value and opportunities and condemns all forms of discrimination. WSA expects its people to be responsible for treating others with dignity and respect. In September 2020, WSA made a clear commitment to equality and to a culture that is free from discrimination and harassment by launching the group Harassment Free Policy.

Gender balance at WSA
WSA's diversity and inclusion agenda aims at a more balanced gender representation at all managerial levels. WSA's overall employee gender representation is fairly balanced, consisting in 2021 of 57% women and 43% men. As of 30 September 2021, WSA's Group Management Team was comprised of 13 members representing nine nationalities and 15% made up by women. The Board of Directors currently consists of 10 members, including two female members after Malou Aamund was appointed in 2021. WSA's goal is to reach a 30% share of women in the Group Management Team by 2025, 35-40% female representation in the Global Leadership Team and a 45-50% share of women in other managerial roles.

To reach these goals and ensure accountability, WSA has defined clear 2025 targets for increasing the share of female leaders across WSA. Furthermore, WSA continuously focuses on ensuring that gender diversity is promoted in candidate selection, especially for leadership positions. In addition, WSA ensures that the composition of gender and nationality at leadership courses is monitored and calibrated.

Child labor and forced labor
The risk of child labor and forced labor in WSA's own operation is low, as WSA deploys thorough hiring procedures, ensuring that the group has no child labor or any forms of forced or compulsory labor. Relative to WSA's own operation, the risk of child labor and forced labor in the external supply chain is higher but strictly managed through the group's supply chain due diligence.

Freedom of association and collective bargaining
WSA respects employees' freedom of association and their rights to collective bargaining, also in countries of operation where these rights are not inherent. The employee representatives on workers councils in selected countries continue to facilitate the dialogue between the company and employees regarding employment conditions.

Human rights impact assessment
WSA completed a human rights impact assessment in 2021 with the support of external human rights experts from BSR. The assessment covers the full scope of WSA's corporate operations and value chain, from supply chain to sales, marketing, and distribution. Through this assessment, WSA has obtained a more comprehensive picture of the salient issues relating to human rights, and WSA reviews corporate policies related to human rights, and identifies gaps in the human rights due diligence approach. This serves as an important input for WSA to become fully aligned with UNGP.

Health and safety
WSA is committed to providing safe and healthy working conditions for employees, contractors, and visitors, and systematically eliminating hazards and reducing risks as emphasized in the group's Environmental, Health & Safety Policy. WSA has established a management system in accordance with OHSAS 18001 at the manufacturing sites in Singapore, China, Poland, and Denmark, covering the design and production of hearing aids and their components.

Local community engagement
Helping others fully participate in life again is a great motivation for many of the employees who work for WSA. WSA adheres to an "every-step-counts" approach and encourages all employees to participate in any activity that makes a positive difference. WSA has a broad scope of engagement that has been driven by the passion of the group's people.

Human Rights

WSA is aware of the risks of human rights violations across the value chain and acts on this responsibility by exercising the group's influence to promote and protect the human rights of all business partners.

Product safety, marketing and labeling
As a medical device company, WSA understands that product safety and information must never be compromised as quality issues and unsafe use of hearing aids or other devices could lead to damages to consumers.

WSA's quality policy outlines the commitment to high quality and safe hearing solutions.

WSA's product risk management procedure is certified according to ISO 14971. WSA is committed to minimizing the residual risks as far as reasonably possible to avoid serious injuries.

The group's ISO 13485 certified multi-site Quality Management System (QMS) allows global governance and local adaptations to ensure efficient quality management throughout WSA.

In addition, by implementing WSA's Product Related Environmental Protection (PREP) procedure, WSA complies with all legal environmental obligations such as ROHS and REACH, and safeguard consumer health.

WSA products are registered according to local regulations. WSA continuously surveys requirements and takes them into consideration when developing new products.

- The manufacturing sites in China, Denmark, Germany, the US, and Singapore have all successfully passed the US Food and Drug Administration (FDA) audit inspections since 2018.
- WSA was the first hearing aid manufacturing company that was successfully audited under the EU's new Medical Device Regulation (MDR) and received the new certificates in Q1/2020.

WSA's post market surveillance system enables the group to follow and manage complaints. In case of safety issues, WSA has a procedure to report to authorities, and if necessary, recall products.

Health and safety impacts are assessed for improvement for all product categories.

To ensure the veracity of marketing claims, WSA maintains a claim management practice that establishes the claim type and required data substantiation. Each claim and supporting substantiation is listed in a platform evidence document. Furthermore, each product launch is documented with a clinical evaluation.

WSA ensures that the product safety manual for each product is included in the package to every consumer who purchases hearing devices.

WSA has zero incidents of non-compliance with regulations and/or voluntary codes concerning product and service information and labeling.

WSA's quality management systems in main manufacturing sites are ISO 13485 certified.

As reflected in our Code of Conduct, we believe that respecting human rights is fundamental to our way of business. We support the United Nations (UN) Global Compact Ten Principles and the UN Guiding Principles on Business and Human Rights.

WSA recognizes that the group is responsible for the impact of its business activities on the people who work for or with WSA and is also responsible for our impact on the people in communities where WSA operates. WSA acts on this responsibility by using the group's influence to promote and protect the human rights of all those WSA works with and alongside.

Product safety
As a medical device company, WSA understands that product safety must never be compromised as errors in 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 2018-2020.

In Europe, WSA is one of the first hearing aid manufacturing companies audited successfully under the new Medical Device Regulations (MDR) and received the new certificates in 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.

Local community engagement
Helping others fully participate in life again is a great motivation for many of the employees who work for WSA.

WSA follows an "every-step-counts" approach and encourages its personnel to participate in any activity that makes a difference. WSA has a broad-scope of engagement that has been driven by the passion of the group's people. Three recent examples:

- Lebanon:
  On the 4th of August 2020, a terrifying explosion ripped through the heart of Beirut, killing around two hundred people, injuring thousands, and damaging the hearing of many. WSA donated 100 Widex Dream hearing aids to Lebanon to help those in need.

- Philippines:
  2020 was a challenging year for everyone but even more so for the Philippines, which suffered a volcano eruption earlier in January and has been severely battered by successive typhoons towards the end of the year. Many people lost homes and livelihoods. WSA and its employees raised funds to support people affected by the Taal

Volcano eruption. WSA employees also collected and distributed relief goods to families staying outside of the evacuation centers.

- Germany:
  WSA works with the German Lions on the "Help for Little Ears" project. Together, they provide people in need with hearing aids and a chance to live independently. Through the project, implemented by the Lions Club Kelkheim, around 30,000 hearing aids have already been fitted to patients in many parts of the world. These hearing aids, which often come from WSA, are passed on to charitable aid organizations for suitable projects with the hard of hearing. On-site specialists adapt the devices to the patients individually. The collaboration with the German Lions is long term.

Besides donating hearing aid devices, WSA also offers audiological services free of charge to selected groups of people that would otherwise have no access to such healthcare. Although the frequency of these projects has slowed due to COVID-19, WSA was still able to support those who needed it most.

Furthermore, WSA has long-standing partnerships with many universities worldwide forming the foundation for disruptive innovations.

At a time when people are more physically separated than ever before, WSA's US entity has taken action against racism, bias and discrimination and empowered their people to use two paid days per year to participate in charitable causes in their communities, combatting our collective complicity, naivete and cultural blinders.

Data privacy
WSA strives to foster a corporate culture of responsibility, respect and trust for personal data and the privacy rights of individuals by complying with all applicable laws wherever WSA does business.

WSA ensures through routinely reviewed processes and policies that personal data are collected, stored, processed, disclosed, protected, secured, and destroyed properly and according to good data protection practices. Individuals exercising their rights to rectify, change or be informed about what data WSA processes from and about them, can exercise those rights in compliance with relevant legal requirements.

Cyber security
Safe, reliable and precise handling of information is essential to the success of WSA's business. Risk management and IT security are therefore an integral part of WSA's IT strategy.

Key objectives are:
- To safeguard group and customers' data and to protect and guarantee the integrity of the digital assets.
- To achieve business goals while reducing IT risks and potential impact through technical measures and controls.
- To keep employees and management aware and educated about security risks and best practices.
- To ensure the availability of IT services and infrastructure according to business needs.

Anti-corruption and bribery

WSA is building true global leadership in the hearing aid industry on a foundation of healthy business ethics and a well-structured approach to compliance across the group.

WSA is committed to working against corruption in all its forms, by always acting professionally, fairly and with integrity. WSA takes a zero-tolerance approach to bribery, corruption and fraud. This is entrenched in the Code of Conduct ("Code"), which guides the organization and employees in conducting their day-to-day business.

Anti-corruption considerations are integral to WSA's business partner handling process, and WSA continues to ensure that partners acknowledge and respect their responsibility when doing business with the group. The main risks related to WSA's activities include employees' and business partners' violation of the group's anti-corruption commitment and the resulting potential legal and financial consequences.

WSA has established multiple measures, such as vetting of all suppliers and ad hoc evaluations, to ensure that there is zero tolerance of any corrupt behavior in the business. In addition, all WSA employees must read and become familiar with the Code, as its principles need to be part of their daily work.

Anti-competitive behavior
WSA adheres to anti-trust laws and ensures fair competition, achieving the group's market position through the outstanding quality of products as well as performance. WSA does not discuss any anti-trust relevant information with competitors, suppliers, or customers. Further, WSA does not participate in any discussions or enter into agreements with competitors that could result in a restriction of competition or use the group's position in the market to discriminate against others through unfair business practices. In addition, WSA's ethical guidelines in competitive intelligence govern actions when collecting information about competitors in an ethical manner. WSA's approach is aligned with SCIP.

Whistle-blower mechanism
WSA fosters an environment where employees can ask questions and raise issues or concerns about business ethics and other topics without fear of retaliation.

Employees can raise concerns to their managers, Legal Compliance Advisor, Regional Compliance Officer and Human Resources Department. Employees and third parties can raise concerns anonymously to tell-us@wsa.com and/or through the WSA Compliance Portal.

The WSA Compliance Portal is available in 15 languages. Reports in the WSA Compliance Portal are done through an externally hosted internet portal by an independent third-party service provider.

WSA follows up on every reported violation with internal compliance investigations when justified by supporting evidence. Upon completion of an investigation, WSA proposes solutions for any identified issue and ensures all are carried out. WSA also responds to incidents of employee misconduct with appropriate disciplinary action.

All emails and reporting are always 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 potential violation.

Suppliers code of conduct and due diligence
WSA's supply chain consists of direct material suppliers and indirect suppliers. The direct material suppliers provide WSA with batteries, plastics, packaging, components, etc. Indirect suppliers include real estate, facility management, and other service providers. WSA's main suppliers are located in Europe, North America, and Asia.

As reflected in WSA's Code of Conduct, the group recognizes a range of operational and reputational risks in its supply chain, and WSA refrains from working with third parties that do not share the group's commitment to integrity. The WSA Code of Conduct for Suppliers reflects the group's internal values and the expectations of external stakeholders, such as customers, regulators, investors, and the public.

As part of WSA's sourcing procedure, all potential suppliers that enter tenders must sign the Code of Conduct for Suppliers. Based on the environmental, social, and governance risks of the countries in which WSA does business, the group identified 25 high-risk suppliers. WSA conducts due diligence procedures to evaluate the qualifications and reputation of suppliers and avoid working with suppliers whose standards are incompatible with the group's Code. Due to COVID-19 travel restrictions, WSA conducted five Code of Conduct audits, instead of 11 as originally planned. Since the audit is only effective if it is carried out in person, WSA must postpone the audits of the remaining suppliers to next year. This year, WSA invited third party auditors to conduct the audits. The audit result shows that most suppliers have major non-compliances related to working hours and safety management. WSA will follow up closely with these suppliers.

See WSA's statement on the UK Modern Slavery Act**.**

Consolidated financial statements

Consolidated income statement

DKKm	Notes	1 October 2020 – 30 September 2021	1 October 2019 - 30 September 2020
Revenue	2.1	15.287,7	12.965,3
Cost og goods sold		(6.325,6)	(5.710,0)
Gross profit		**8.962,1**	**7.255,3**
Research and development costs	3.1	(825,3)	(655,7)
Selling and general admin expenses		(7.494,1)	(7.521,7)
Other operating income & costs		42,5	(8,9)
Share of profit/(loss) in associates	5.6	(57,9)	17,6
Operating profit/(loss)		**627,3**	**(913,4)**
Interest income	4.4	105,2	86,0
Interest expenses	4.4	(1.662,3)	(1.686,1)
Other financials net	4.4	1.310,5	307,5
Financing, net		(246,6)	(1.292,6)
Profit before tax		**380,7**	**(2.206,0)**
Tax on profit/(loss)	2.3	(143,3)	389,6
Group share of result		**237,4**	**(1.816,4)**
Shareholders of T&W Medical A/S		(373,6)	(1.048,1)
Minority interests share of result		611,0	(768,3)
Group share of result		**237,4**	**(1.816,4)**

Consolidated statement of comprehensive income

Profit/(loss) for the year	**237,4**	**(1.816,4)**
Items that will not be reclassified to profit or loss		
Actuarial Gains/losses	60,2	(20,9)
Tax on items that will not subsequently be reclassified to the income statement	(13,3)	6,0
Items that may be reclassified subsequently to profit or loss		
Change in fair value gains of cash flow hedge	33,1	(0,7)
Tax on items that have been or may subsequently be reclassified to the income statement	(57,4)	12,7
Foreign exchange adjustment	110,7	(152,1)
Other comprehensive income for the year, net of tax	**133,3**	**(155,0)**
Shareholders of T&W Medical A/S	71,9	(73,4)
Non-controlling interests share of result	61,4	(81,6)
Group share of other comprehensive income	**133,3**	**(155,0)**
Total comprehensive income for the year	**370,7**	**(1.971,4)**

Consolidated balance sheet

DKKm	Notes	30 September 2021	30 September 2020
BALANCE			
Assets			
Goodwill	3.1	26.540,5	26.056,7
Other intangible assets	3.1	14.001,3	14.781,7
Property, plants and equipment	3.2	1.895,9	1.905,0
Right of use assets	3.4	874,7	1.031,5
Investments in associates	5.6	208,3	166,7
Deferred tax assets	2.3	521,0	755,7
Other non-current financial assets	3.5	4.324,7	3.678,6
Other non-current assets	3.6	130,9	35,0
Total non-current assets		**48.497,3**	**48.410,9**
Inventories	3.7	1.258,6	1.052,9
Trade receivables	3.8	2.145,3	2.122,5
Current income tax receivables		71,3	12,3
Other current financial assets	3.5	1.610,4	1.835,4
Prepayments		2,3	1,2
Other assets	3.6	626,3	286,4
Cash and cash equivalents		1.283,8	1.937,4
Total currents assets		**6.998,0**	**7.248,1**
Total assets		**55.495,3**	**55.659,0**

DKKm	Notes	30 September 2021	30 September 2020
Equity and Liabilities			
Share capital	4.1	500,0	500,0
Other reserves		(105,9)	(177,8)
Retained earnings		3.706,4	5.459,2
Total equity attributable to the shareholders of T&W Medical A/S		**4.100,5**	**5.781,4**
Non-Controlling interest		11.688,2	11.498,1
Total Equity		**15.788,7**	**17.279,5**
Long-term debts	4.2, 4.3	27.657,6	25.895,2
Lease liabilities	4.3	730,5	906,6
Pension obligations	5.4	127,2	177,2
Provisions	3.10	220,1	183,9
Deferred tax liabilities	2.3	2.743,9	2.983,7
Other non-current liabilities	3.9	1.011,0	1.287,6
Total non-current liabilities		**32.490,3**	**31.434,2**
Short-term debts	4.2, 4.3	1.431,7	1.571,5
Lease liabilities	4.3	273,6	247,1
Trade payables		1.715,8	1.369,7
Debt to related parties		1.371,7	1.487,3
Current income tax liabilities		212,7	224,1
Provisions	3.10	446,9	430,4
Other current liabilities	3.9	1.763,9	1.615,2
Total current liabilities		**7.216,3**	**6.945,3**
Total liabilities		**39.706,6**	**38.379,5**
Total equity and liabilities		**55.495,3**	**55.659,0**

Consolidated statement of cash flow

DKKm	Notes	1 October 2020 – 30 September 2021	1 October 2019 - 30 September 2020
Operating activities			
Profit/(loss) for the year		**237,4**	**(1.816,4)**
Depreciation, amortisation & impairment	3.3	2.287,4	2.390,7
Income tax expenses, net	2.3	143,1	(389,7)
Interest expenses, net		1.083,1	1.609,5
Loss on sales of assets		(4,0)	23,1
Impairment loss/profit right of use assets	3.4	(3,0)	20,1
Share of profit/loss associates		57,9	(17,6)
Income from equity investments, fixed		(645,8)	(36,3)
Other non-cash adjustments	5.7	167,4	(252,8)
Cash flow from operating activities before changes in working capital		**3.323,5**	**1.530,6**
Change in inventories		(165,6)	(286,4)
Change in receivables		27,9	218,7
Change in other current assets		101,9	126,8
Change in trade payables		302,5	16,7
Change in other assets/liabilities		(420,7)	256,7
Change in provisions		(32,0)	92,5
Cash flow from operating activities before financial items and tax		**3.137,5**	**1.955,6**
Financial income received		562,4	234,2
Income taxes paid, net		(290,7)	(183,5)
Cash flow from operating activities		**3.409,2**	**2.006,3**
Acquisition of companies/operations	5.1	(2.218,7)	(43,2)
Investments in intangible & tangible assets		(1.094,4)	(1.002,6)
Investments in other assets		(354,6)	(7,5)
Proceeds from disp intangible & tangible assets	4.6	51,0	38,8
Proceeds from disp of other assets		-	231,5
Cash flow used in investing activities		**(3.616,7)**	**(783,0)**
Cashflow from operating and investing activities		**(207,5)**	**1.223,3**
Increase in capital reserve and issuance of shares	4.1	2,1	197,7
Transcation costs issuance long-term debt		-	(20,9)
Proceeds from long-term & short term debt		2.664,8	2.087,9
Repayments of long-term & short-term debt		(1.242,4)	(913,0)
Other transactions with non-controlling interest		20,8	(8,9)
Financial expenses paid		(1.424,1)	(1.306,6)
Dividens paid to shareholders		(0,6)	0,0
Lease liabilities		(370,9)	(363,1)
Change in other short-term debt and other financing activities		(2,9)	(25,4)
Change in debt to related parties		(115,6)	(52,9)
Cash flow from/(used in) financing activities		**(468,8)**	**(405,2)**
Net cash flow		**(676,3)**	**818,1**
Cash & cash equivalents beginning og period		1.937,5	1.146,3
Adjustments foreign currency cash and cash equivalents		22,6	(27,0)
Cash and cash equivalents, end of period		**1.283,8**	**1.937,4**

Customer loans have been separately presented as a financial statement line item, while "*Other assets*" and "*Other Financial assets*" and "*Other liabilities*" and "*Other Financial liabilities*" have been combined into "*Other assets*" and "*Other liabilities*" respectively, to better reflect the disclosures required for readers of the financial statements.

Consolidated statement of changes in equity

DKKm	Share capital	Foreign exchange adjustments	Hedging reserve	Retained earnings
Equity at 30 September 2019	**500,0**	**(64,4)**	**(47,5)**	**6.514,9**
Income for the period				
Profit for the period	-	-	-	(1.048,7)
Other transactions with non-controlling interest	-	-	-	-
Actuarial losses	-	-	-	(9,8)
Adjustment of hedges	-	-	(0,4)	-
Foreign exchange adjustment, etc.	-	(71,5)	-	-
Tax relating to other comprehensive income	-	6,0	-	2,2
Total income for the year	**-**	**(65,5)**	**(0,4)**	**(1.056,6)**
Equity at 30 September 2020	**500,0**	**(129,9)**	**(47,9)**	**5.458,6**
Income for the period				
Profit for the period	-	-	-	(373,6)
Other transactions with non-controlling interest	-	-	-	(1.356,0)
Other transactions	-	-	-	(22,6)
Actuarial gains	-	-	29,7	-
Adjustment of hedges	-	-	27,1	-
Foreign exchange adjustment, etc.	-	50,0	-	-
Tax relating to other comprehensive income	-	-	(34,9)	-
Total income for the year	**-**	**50,0**	**21,90**	**(1.752,2)**
Equity at 30 September 2021	**500,0**	**(79,0)**	**(26,0)**	**3.706,4**

DKKm	Proposed dividend	Equity of shareholders in T&W Medical A/S	Non-controlling interest	Total Equity
Equity at 30 September 2019	**-**	**6.903**	**12.176,5**	**19.079,5**
Profit for the period	0,6	(1.048,1)	(768,3)	**(1.816,4)**
Other transactions with non-controlling interest	-	-	168,4	**168,4**
Actuarial losses	-	(9,8)	(5,2)	**(15,0)**
Adjustment of hedges	-	(0,4)	-	**(0,4)**
Foreign exchange adjustment, etc.	-	(71,5)	(80,6)	**(151,1)**
Tax relating too the rcomprehensive income	-	8,2	7,3	**15,5**
Total income for the year	**0,6**	**(1.121,6)**	**(678,4)**	**(1.800,0)**
Equity at 30 September 2020	**0,6**	**5.781,4**	**11.498,1**	**17.279,5**
Income for the period				
Profit for the period	-	(373,6)	611,0	**237,4**
Other transactions with non-controlling interest	-	(1.356,0)	(482,3)	**(1.838,3)**
Other transactions	-	(22,6)	-	**(22,6)**
Paid dividend	(0,6)	(0,6)	-	**(0,6)**
Actuarial gains	-	29,7	30,5	**60,2**
Adjustment of hedges	-	27,1	6,0	**33,1**
Foreign exchange adjustment, etc.	-	50,0	60,7	**110,7**
Tax relating to other comprehensive income	-	(34,9)	(35,8)	**(70,7)**
Total in come for the year	**(0,6)**	**(1.680,9)**	**190,1**	**(1.490,8)**
Equity at 30 September 2021	**0,0**	**4.100,5**	**11.688,2**	**15.788,7**

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 section 1.1 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.

1.1 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 5.10.

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 DKK, at the exchange rates at the reporting date. The income statements and statements of cash flows of foreign operations are translated into DKK 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.

1.2 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:

Specific accounting estimates and judgements are described in each of the following individual notes to the consolidated financial statements:

Principal accounting policies	**Key accounting**	**Note**	**Estimation risk**
Income tax and deferred income	Judgement and estimate of deferred tax assets and uncertain tax positions	2.3	Medium
Intangible assets	Judgement of determination of use-ful lives of intangible asset	3.1	Medium
Depreciation, amortization and impairment	Estimates used in impairment testing	3.3	High
Financial instruments	Judgement and estimate for expected credit losses for customer loans	3.5	Medium
Provisions	Estimates over the measurement of provisions	3.11	Medium
Share-based payment	Judgement and estimate of share-based payments	5.3	Medium

1.3 Adoption of new and amended IFRS

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 October 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards
The Group has adopted the amendments included in *Amendments to References to the Conceptual Framework in IFRS Standards* for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASC Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business
The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 October 2020.
Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet:

IFRS 10 and IAS 28 (amendments)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment-Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases and IAS 41 Agriculture*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IFRS 9/IAS 39 and IFRS7	*Interest Rate Benchmark Reform*

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

2 Results of the year

2.1 Revenue

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Revenue by geographic region:		
EMEA-LA	6.706,7	5.344,3
US	6.086,1	5.811,4
Asia-Pacific	2.494,9	1.809,6
Total	**15.287,7**	**12.965,3**
Hereof US	6.086,1	5.341,7
Hereof Germany	2.121,2	1.699,3
Hereof Other	7.080,4	5.924,3
Total	**15.287,7**	**12.965,3**

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-CA" consists of Europe, the Middle East, Africa, Canada and Latin-America. The Region "US" is the United States. The Region "Asia-Pacific" consists of Asia, Australia and the Pacific region.

Consolidated revenue mainly derives from sale 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 constitute 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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Customer prepayments	69,9	76,1
Deferred revenue	232,1	189,4
Volume discounts	341,4	298,2
Right of returns	177,0	198,0
Contract liabilities with customers	**820,4**	**761,7**

Significant changes in the contract liabilities balances during the year are as follows:

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Contract Liabilites		
Opening balances as at 1 October	761,7	626,3
Foreign Currency Translation Adjustments	(42,6)	(23,9)
Revenue recognised that was included in the contract liability from prior year and current year balance	(320,6)	(278,9)
Advances received during the year	379,4	429,5
Others	42,5	8,7
Total	**820,4**	**761,7**

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 any known 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 and extended warranties
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. Note 3.6 Other 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 warranties for inventories sold. The extended warranty is a distinct service to the customer. 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, in some cases up to 60 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.

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. Note 3.5 Other non-current and current financial assets) is based on the customers total 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 October 2020 – 30 September 2021**	**1 October 2019 - 30 September 2020**
Wages, salaries and remuneration	4.642,1	4.227,2
Statutory social welfare contributions and expenses for optional support	506,3	463,5
Expenses relating to pension plans and employee benefits	135,7	135,3
Total	**5.284,1**	**4.826,0**
Average number of full-time employees	11.546	10.836

For information regarding remuneration of the Board of Directors, Executive Board and other Key Management Personnel, please refer to note 5.2 Remuneration of 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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Tax on profit/(loss)		
Current tax for the year	(197,2)	(256,6)
Deferred tax for the year	97,9	623,8
Effect of change in income tax rates	(6,0)	(17,9)
Withholding tax	(7,4)	(5,2)
Adjustment to current tax with respect to prior years	25,9	32,1
Adjustment to deferred tax with respect to prior years	(56,5)	13,4
Total	**(143,3)**	**389,6**
Reconciliation of effective tax rate		
Expected income tax (expense)/benefit	(6,4)	462,4
Non-deductible expenses	(183,7)	(144,7)
Non-taxable income	17,1	76,8
Adjustment of tax with respect to prior years	(29,8)	45,5
Reassessment of deferred tax assets on tax losses and temporary differences	(202,3)	(151,8)
Effect of change in income tax rates	(6,0)	(17,9)
Effect of tax rates in foreign jurisdictions	81,1	50,7
Tax incentives	197,1	57,4
Withholding tax	(7,4)	(5,2)
Other, net	(3,0)	16,4
Total	**(143,3)**	**389,6**
Tax relating to other comprehensive income		
Actuarial gains	6,5	(4,5)
Adjustment of hedges	34,9	(0,7)
Foreign exchange adjustments, etc.	29,3	(12,5)
Total	**70,7**	**(18,7)**

Deferred tax

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Deferred tax, net 1 October	(2.228,0)	(2.868,9)
Foreign currency translation adjustments	4,5	2,2
Changes in deferred tax assets/(liabilities)	75,0	621,1
Additions relating to acquisitions	-	(1,5)
Adjustment of deferred tax, prior years	(52,7)	18,4
Impact of changes in corporate tax rates	6,0	(17,9)
Deferred tax relating to changes in equity, net	(20,1)	18,6
Deferred tax, net	**(2.222,9)**	**(2.228,0)**
Deferred tax recognised in the balance sheet		
Deferred tax assets	521,0	755,7
Deferred tax liabilities	(2.743,9)	(2.983,7)
Deferred tax, net	**(2.222,9)**	**(2.228,0)**

Breakdown of the Group's temporary differences and changes

DKKm	Tax effect of Temporary differences at 30 September 2020	Exchange rate adjustments	Recognised in profit for the year
Other assets	126,9	-	5,2
Intangible assets	(3.032,0)	(3,0)	125,3
Property, plant and equipment	(93,7)	-	(25,2)
Right of use assets	(386,5)	(1,5)	81,8
Inventories	169,0	0,7	29,8
Receivables	20,8	-	(20,8)
Pension plans and similiar commitments	(13,4)	-	2,2
Provisions	87,1	1,5	(8,2)
Other liabilities	71,5	2,2	(14,3)
Lease liabilities	402,1	0,7	(61,0)
Tax loss and credit carry-forward	359,7	1,5	(97,4)
Other	49,1	2,2	(2,9)
Total	(2.228,0)	**4,3**	**14,5**

DKKm	Other comprehensive income	Tax effect of Temporary differences at 30 September 2021
Other assets	-	**131,8**
Intangible assets	-	**(2.909,7)**
Property, plant and equipment	-	**(118,8)**
Right of use assets	-	**(306,1)**
Inventories	-	**199,4**
Receivables	-	**-**
Pension plans and similiar commitments	(17,9)	**(29,1)**
Provisions	-	**80,3**
Other liabilities	-	**59,3**
Lease liabilities	-	**341,8**
Tax loss and credit carry-forward	-	**263,7**
Other	(2,2)	**64,5**
Total	**(20,1)**	**(2.222,9)**

DKKm	Tax effect of Temporary differences at 30 September 2019	Exchange rate adjustments	Acquisitions
Financial assets	128,4	-	-
Intangible assets	(3.430,6)	27,6	(1,5)
Property, plant and equipment	(98,1)	5,2	-
Inventories	153,0	(2,2)	-
Receivables	(62,0)	(3,0)	-
Pension plans and similiar commitments	(17,9)	(0,7)	-
Provisions	93,5	(2,5)	-
Liabilities	19,8	(13,4)	-
Tax loss and credit carry-forward	334,3	(9,7)	-
Other	10,7	1,5	-
Total	**(2.868,9)**	**2,8**	**(1,5)**

DKKm	Recognised in profit for the year	Other comprehen-sive income	Tax effect of Tempo-rary differences at 30 September 2020
Financial assets	(1,5)	-	**126,9**
Intangible assets	402,6	-	**(3.001,9)**
Property, plant and equipment	(5,3)	-	**(98,2)**
Inventories	18,6	-	**169,4**
Receivables	85,7	-	**20,7**
Pension plans and similiar commitments	(0,7)	6,0	**(13,3)**
Provisions	(3,7)	-	**87,3**
Liabilities	59,5	-	**65,9**
Tax loss and credit carry-forward	35,8	-	**360,4**
Other	42,6	-	**54,8**
Total	**633,6**	**6,0**	**(2.228,0)**

The tax loss carry-forward (gross amount) of DKK 966,7 million (2020: DKK 1.437 million) includes tax losses of DKK 26,0 million (2020: DKK 61,0 million) that can be carried forward for 5 to 20 years. The remaining tax loss have no expiry date.

Unrecognized deferred tax assets
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.

Deferred tax assets have not been recognized with respect to the following items (gross amounts):

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Capital loss carry forwards	0,7	-
Tax loss carry forwards	2.716,5	2.394,2
Total unrecognized tax carry forwards	**2.717,2**	**2.394,2**

The tax loss carry-forward for period ended 30 September 2021 has been changed from DKK 26,8 million to DKK 11,5 million to reflect the correct amount.

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 30,5 million (2020: DKK 26,8 million) 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.

T&W Medical A/S is jointly taxed with all Danish subsidiaries, The current Danish corporation tax is allocated between the jointly taxed companies in proportion to their taxable income. The jointly taxed companies are taxed under the on-account tax scheme.

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 tempo-rary 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 enacted 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 October 2020	**26.056,7**	**1.659,9**	**18.461,1**	**561,0**	**46.738,6**
Foreign exchange adjustments	43,1	21,8	29,3	15,7	**109,9**
Additions from business combinations	450,4	-	83,3	-	**536,7**
Additions	-	629,0	-	133,8	**762,9**
Disposals	(9,7)	(33,5)	(0,7)	(174,7)	**(218,6)**
Cost at 30 September 2021	**26.540,5**	**2.277,3**	**18.572,9**	**538,8**	**47.926,5**
Amortisation and impairment at 1 October 2020	**-**	**(502,7)**	**(5.046,4)**	**(349,3)**	**(5.898,4)**
Foreign exchange adjustments	-	(11,9)	(15,6)	(8,2)	**(35,7)**
Amortisation	-	(290,8)	(1.208,8)	(159,9)	**(1.659,5)**
Disposals	-	33,5	-	175,5	**209,0**
Amortisation and impairment at 30 September 2021	**-**	**(772,0)**	**(6.270,8)**	**(341,9)**	**(7.384,6)**
Carrying amount at 30 September 2021	**26.540,5**	**1.505,3**	**12.302,1**	**193,9**	**40.551,8**
Cost at 1 October 2019	**26.107,8**	**1.180,6**	**18.620,4**	**493,2**	**46.402,0**
Foreign exchange adjustments	(70,7)	(68,5)	(140,0)	(30,5)	**(309,7)**
Business Combinations	19,6	-	3,0	-	**22,6**
Additions	-	610,4	8,2	122,9	**741,5**
Disposals	-	(62,5)	(30,5)	(26,6)	**(119,6)**
Cost at 30 September 2020	**26.056,7**	**1.659,9**	**18.461,1**	**561,0**	**46.738,6**
Amortisation and impairment at 1 October 2019	**0,8**	**(342,0)**	**(3.625,9)**	**(283,1)**	**(4.250,2)**
Foreign exchange adjustments	(0,8)	28,3	34,3	17,9	**79,7**
Business Combinations	-	-	-	-	**-**
Amortisation	-	(251,8)	(1.482,4)	(116,9)	**(1.851,1)**
Disposals	-	62,8	27,6	20,1	**110,5**
Impairment	-	-	-	12,7	**12,7**
Transfers	-	-	-	-	**-**
Amortisation and impairment at 30 September 2020	**-**	**(502,7)**	**(5.046,4)**	**(349,3)**	**(5.898,4)**
Carrying amount at 30 September 2020	**26.056,7**	**1.156,3**	**13.414,7**	**208,9**	**40.838,4**

Please refer to note 5.1 for further information about increases in goodwill related to the business combinations in 2020/21.

Total expensed development costs

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Research and development cost incurred	1.136,9	992,5
Development costs capitalised as development projects	(629,3)	(611,2)
Depreciation of operating assets etc., used for development purposes	32,7	25,4
Amortisation and impairment of capitalised developments projects	285,0	249,1
	825,3	**655,7**

Please refer to Note 5.1 for further information about increases in goodwill related to the business combinations.

Impairment losses recognized
There were no impairment losses recognized on goodwill at 30 September 2021 and 30 September 2020.

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

Internal development expenditure is capitalised only if it meets the recognition criteria of IAS 38 Intangible Assets. Where regulatory and other uncertainties are such that the criteria are not met, the expenditure is charged to profit and loss.

Where, however, recognition criteria are met, intangible assets are capitalised and amortised on a straight-line basis over their useful economic lives from product launch, of which judgement is required.

Costs incurred on development projects are recognized as an intangible asset when the following criteria are met:

- It is technically feasible to complete the product so that it will be available for use;
- Management intends to complete the product and use it;
- The product can be used;
- It can be demonstrated how the product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete development and use the product are available;
- The expenditure attributable to the product during its development can be reliably measured.

The Group has defined milestones for various phases of the development of new products, from the commencement of the project to successful realization and subsequently product launch. The criteria as required by IAS 38 for the recognition of development costs, have been adapted within the work processes of the first milestone, to ensure that all criteria have been met for development cost to be capitalized.

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	2020/21	2019/20
WS Audiology A/S	26.464,0	26.028,2
Other investments	76,5	28,5
	26.540,5	**26.056,7**

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 October 2020	**1.799,3**	**867,5**	**874,0**	**68,8**	**3.609,6**
Foreign exchange adjustments	15,4	10,6	15,6	1,5	**43,1**
Additions from business combinations	2,2	0,7	1,5	-	**4,4**
Additions	63,8	70,6	115,0	75,7	**325,1**
Disposals	(61,8)	(21,6)	(50,6)	(6,7)	**(140,7)**
Transfers	(1,5)	19,3	14,9	(55,8)	**(23,1)**
Cost at 30 September 2021	**1.817,4**	**947,1**	**970,4**	**83,5**	**3818,4**
Amortisation and impairment at 1 October 2020	**(487,1)**	**(626,0)**	**(598,9)**	**7,4**	**(1.704,6)**
Foreign exchange adjustments	(7,4)	(8,4)	(16,9)	-	**(32,7)**
Depreciation	(91,5)	(86,3)	(126,6)	-	**(304,4)**
Disposals	39,5	17,8	38,8	-	**96,1**
Transfers	4,5	7,4	11,2	-	**23,1**
Amortisation and impairment at 30 September 2021	**(542,1)**	**(695,5)**	**(692,2)**	**7,4**	**(1.922,5)**
Carrying amount at 30 September 2021	**1.275,3**	**251,6**	**278,1**	**90,9**	**1.895,9**
Cost at 1 October 2019	**1.659,2**	**868,2**	**1.065,4**	**80,0**	**3.672,8**
Foreign exchange adjustments	(62,5)	(24,6)	(69,2)	(3,7)	**(160,0)**
Business Combinations	6,0	1,5	0,7	-	**8,2**
Additions	55,1	63,3	117,6	23,8	**259,8**
Disposals	(44,7)	(40,2)	(45,4)	(31,3)	**(161,6)**
Transfers	195,1	-	(195,1)	-	**-**
Disposals of subsidiaries	(8,9)	(0,7)	-	-	**(9,6)**
Cost at 30 September 2020	**1.799,3**	**867,5**	**874,0**	**68,8**	**3.609,6**
Amortisation and impairment at 1 October 2019	**(347,1)**	**(587,0)**	**(677,7)**	**(8,2)**	**(1.620,0)**
Foreign exchange adjustments	31,3	11,9	49,9	-	**92,2**
Business Combinations	(3,0)	(0,7)	(0,7)	-	**(4,4)**
Depreciations	(77,4)	(82,2)	(147,5)	-	**(307,1)**
Disposals	32,7	32,0	61,8	-	**126,5**
Impairment	-	-	-	8,2	**8,2**
Transfers	(123,6)	-	115,3	7,4	**0**
Amortisation and impairment at 30 September 2020	**(487,1)**	**(626,0)**	**(598,9)**	**7,4**	**(1.704,6)**
Carrying amount at 30 September 2020	**1.312,2**	**241,5**	**275,1**	**76,2**	**1.905,0**

The T&W Medical A/S Group has contractual commitments for purchases of property, plant and equipment amounting to DKK 49,8 million as of 30 September 2021 (30 September 2020: DKK 34,3 million).

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

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Depreciation of property, plant, equipment, right of use assets recognised in the income statement as follows:		
Cost of goods sold	168,9	150,6
Research and development costs	26,8	55,2
Selling, general and administrative expenses	438,5	447,6
Total	**634,2**	**653,4**
Amortisation and impairment of intangible assets recognised in the income statement is as follows:		
Cost of goods sold	343,7	339,3
Research and development costs	277,5	256,8
Selling, general and administrative expenses	1.038,3	1.128,1
Total	**1.659,5**	**1.724,2**

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.

Significant judgements and accounting estimates

Impairment test – Goodwill

The recoverable amount of the CGU was tested on the basis of the higher of value in use and fair value less costs to sell. The value in use was determined on the basis of a discounted cash flow model, while the fair value less cost to sell was determined mainly by computing the Enterprise Value (“EV”).

The EV was estimated as of 30 September 2021 by taking the market capitalization of a comparable peer group, adjusted for the most updated balance sheet numbers of interest-bearing debt and other liabilities with the carrying amounts. The estimated EV was then compared with the respective consensus EBITDA to derive multiple, taking into account an illiquidity discount and control premium.

The Group applied the EV/EBITDA multiple to the adjusted consensus EBITDA of WS Audiology; the carrying amount of the CGU was determined to be lower than its recoverable amount and the Group has therefore no impairment loss to be recognised.

Key assumptions used in the determination of the fair value less costs to sell are consensus EBITDA for the comparable companies as well as for WS Audiology, where adjustments for one-time cost as described in the management commentary were factored in. Furthermore, in using the market based EV/EBITDA multiple models, the Group has applied relevant illiquidity discounts and control premiums to reflect the ownership structure of WS Audiology. The adjusted consensus EBITDA is based on Management’s best estimates and most recent financial budgets for the coming year as approved by the Board of Directors. All the above inputs are level 3 input factors according to the fair value hierarchy.

Management has not identified any reasonably possible changes in the above key assumptions that 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.

3.4 Right of use assets/Lease liabilities

DKKm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
Cost at 1 October 2020	**1.284,7**	**54,6**	**9,0**	**1.348,3**
Foreign exchange adjustments	11,8	-	-	**11,8**
Additions during the year	225,0	20,1	-	**245,1**
Disposals	(133,8)	(6,7)	-	**(140,5)**
Transfers	(19,3)	-	-	**(19,3)**
Cost at 30 September 2021	**1.368,4**	**68,0**	**9,0**	**1.445,4**
Amortisation and impairment at 1 October 2020	**(295,5)**	**(19,8)**	**(1,5)**	**(316,8)**
Foreign exchange adjustments	(4,4)	0,7	-	**(3,7)**
Transfers	19,3	-	-	**19,3**
Depreciation	(306,7)	(21,6)	(1,5)	**(329,8)**
Disposals	50,6	6,7	-	**57,3**
Impairment	3,0	-	-	**3,0**
Amortisation and impairment at 30 September 2021	**533,7**	**(34,0)**	**(3,0)**	**(570,7)**
Carrying amount at 30 September 2021	**834,7**	**34,0**	**6,0**	**874,7**

DKKm	Buildings and retail shops	Vehicle fleet	Other plant, fixtures and operating equipment	Total
Cost at 1 October 2019, Effect of adoption of IFRS 16	**1.195,8**	**46,3**	**3,0**	**1.245,1**
Foreign exchange adjustments	(50)	(0,7)	-	**(50,7)**
Additions during the year	152,3)	11,2	6,0	**169,5**
Disposals	20,9	(2,2)	-	**(23,1)**
Transfers	7,5	-	-	**7,5**
Cost at 30 September 2020	**1.284,7**	**54,6**	**9,0**	**1.348,3**
Amortisation and impairment at 1 October 2020	**-**	**-**	**-**	**-**
Foreign exchange adjustments	7,5	-	-	**7,5**
Transfers	3,7	-	-	**3,7**
Depreciation	(297,7)	(20,4)	(1,5)	**(319,4)**
Disposals	11,2	0,4	-	**11,6**
Impairment	(20,2)	-	-	**(20,2)**
Amortisation and impairment at 30 September 2021	**(295,5)**	**(19,8)**	**(1,5)**	**(316,8)**
Carrying amount at 30 September 2021	**989,2**	**34,8**	**7,5**	**1.031,5**

Other disclosures relating to ROU assets/ lease liabilities are as follows:

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Interest expense on lease liabilites	(52,4)	(61,7)
Lease expense not capitalised in lease liabilites:		
Lease expense - short-term leases and low value assets	(49,8)	(46,9)
Total cash outflow for all leases	(383,8)	(362,6)

The maturity analysis of the lease liabilities is included in Note 4.2 Financial risks and financial instruments/ liquidity risk.

Accounting policies

When the Group is the lessee:
At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

Right of use assets
The Group recognised a right of use asset and lease liability at the date which the underlying asset is available for use. Right of use assets are measured at cost which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement date and lease incentive received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right of use assets.

These right of use assets are subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use assets or the end of the lease term.

Lease liabilities
The initial measurement of lease liability is measured at the present value of the lease payments discounted using the implicit rate in the lease if the rate can be readily determined. If that rate cannot be readily determined, the incremental borrowing rate is used.

Lease payments include the following:

- Fixed payment (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payment that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amount expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease component. The Group has elected to not separate lease and non-lease component for property leases and account for these as one single lease component.

Lease liability is measured at amortised cost using the effective interest method. Lease liability is remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group’s assessment of whether it will exercise an extension option; or
- There is a modification in the scope or the consideration of the lease that was not part of the original term.

Lease liability is remeasured with a corresponding adjustment to the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short term and low value leases
The Group has elected to not recognise right of use assets and lease liabilities for short-term leases that have lease terms of 12 months or less and low value leases, except for leased asset subject to sublease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

3.5 Other non-current and current financial assets

DKKm	30 September 2021	30 September 2020
Other non-current financial assets		
Customer loans	401,5	597,9
Other loans	1.343,4	1.235,4
Derivative financial instruments	-	-
Trade receivables, non-current	0,8	6,7
Other securities and equity investments	2.579,0	1.736,8
Others	-	101,8
Total	**4.324,7**	**3.678,6**
Other current financial assets		
Customer loans	127,9	154,9
Derivative financial instruments	11,1	14,9
Loans receivables from related parties	-	0,8
Other securities and equity investments	1.471,4	1.467,1
Others	-	191,8
Total	**1.610,4**	**1.835,4**

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	8%	12-month expected credit loss	463,3
Underperforming	39%	Lifetime expected credit losses	167,3
Write-off	100%	Assets derecognised through the income statement	81,1
Total customer loans at 30 September 2021			**752,8**

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	702,9
Underperforming	42%	Lifetime expected credit losses	192,9
Write-off	100%	Assets derecognised through the income statement	101,3
Total customer loans at 30 September 2020			**997,1**

DKKm	Performing (12-month ECL)	Underperforming (Lifetime ECL)	Credit impaired (Lifetime ECL)	Total
Closing loss allowance as at 1 October 2020	**61,1**	**81,9**	**101,3**	**244,2**
Write-off year	-	-	(31,2)	(31,2)
Foreign currency translation differences	-	2,2	4,5	6,7
Impairment loss for the year (net reversal) for the year	(25,3)	(18,6)	6,7	(37,2)
Closing loss allowance as at 30 September 2021	**35,8**	**65,5**	**81,3**	**182,5**

DKKm	Performing (12-month ECL)	Underperforming (Lifetime ECL)	Credit impaired (Lifetime ECL)	Total
Closing loss allowance as at 1 October 2019	**24,6**	**48,4**	**-**	**73,0**
Foreign currency translation differences	(2,2)	(3,0)	(3,7)	(8,9)
Impairment loss for the year	38,7	36,5	105,0	180,2
Closing loss allowance as at 30 September 2020	**61,1**	**81,9**	**101,3**	**244,2**

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

- New customer loans of DKK 76,6 million were issued in the year ended 30 September 2021 (DKK 112,4 million was issued in the period 1 October 2019 to 30 September 2020);
- Customer loans with gross carrying amount of DKK 3,7 million (2020: DKK 133,3 million) went from performing to underperforming during the year ended 30 September 2021;
- Customer loans with a gross carrying amount of DKK 14,9 million were repaid in the period in the year ended 30 September 2021 (2020: DKK 102,8 million were repaid en the period 1 October 2019 to 30 September 2020).

Management has put a special focus on situations where the COVID-19 situation has rendered additional financial pressure on already low performing customers which is reflected in the evaluation of credit risks and the basis of expected credit losses applied. As such, adjustments to the loan allowances were made where deemed necessary, including instances where enforcement activities are still undergoing, which is evaluated on a case-by-case basis.

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.

3.6 Other assets

Other non-current assets

DKKm	**30 September 2021**	**30 September 2020**
Prepaid assets, non-current	6,7	-
Assets for deferred compensation plan	25,3	4,5
Others	98,9	30,5
Total	**130,9**	**35,0**

Other current assets are as follows:

Other current assets

DKKm	**30 September 2021**	**30 September 2020**
Pre-paid expenses	138,3	112,9
Miscellaneous tax receivables	234,9	120,5
Others	253,1	53,0
Total	**626,3**	**286,4**

Accounting policies

Other assets

Other assets are recognized initially at fair value less directly attributable transactions costs. Subsequently, they are measured at amortized 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.

3.7 Inventories

DKKm	**30 September 2021**	**30 September 2020**
Raw materials and purchased components	519,1	462,3
Work in progress	152,4	91,6
Rights to returned goods	93,7	87.1
Finished goods and goods for resale	493,4	411,8
Inventories	**1.258,6**	**1.052,9**
Write-downs, provisions for obsolescence etc. included	(284,1)	(227,9)

Included in the income statement under production costs:

DKKm	**30 September 2021**	**30 September 2020**
Write-downs of inventories for the year	(56,5)	(51,4)
Cost of goods sold during the year	(5.815,7)	(4.193,7)
Total	**(5.972,2)**	**(4.245,1)**

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.

3.8 Trade receivables

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	1.829,6	189,6	104,1	55,8	111,1	288,5	**2.578,7**
Sales rebates	-229,0	0,0	0,0	0,0	0,0	0,0	**(229,0)**
Loss allowance at 30 September 2021	-29,0	-5,9	-5,2	-5,2	-26,0	-133,1	**(204,4)**
Trade receivables at 30 September 2021	**1.571,6**	**183,7**	**98,9**	**50,6**	**85,1**	**155,4**	**2.145,3**
Expected loss rate	-1,6%	-3,1%	-5,0%	-9,3%	-23,4%	-46,1%	-7,9%

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	1.766,2	200,3	109,5	76,0	120,9	260,6	**2.533,5**
Sales rebates	(195,8)	-	-	-	-	-	**(195,8)**
Loss allowance at 30 September 2020	(43,2)	(6,7)	(3,7)	(3,0)	(29,8)	(128,8)	**(215,2)**
Trade receivables at 30 September 2020	**1.527,2**	**193,6**	**105,8**	**73,0**	**91,1**	**131,8**	**2.122,5**
Expected loss rate	-2,5%	-3,3%	-3,4%	-3,9%	-24,6%	-49,4%	-8,5%

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 October 2020	**(31,5)**	**(185,0)**	**(216,5)**
Net remeasurement of loss allowance	16,6	3,7	**20,3**
Amounts written off	0,7	-	**0,7**
Other changes	(6,7)	(2,2)	**(8,9)**
Closing loss allowance as at 30 September 2021	**(20,9)**	**(183,5)**	**(204,4)**
Opening loss allowance as at October 2019	(88,8)	(112,0)	**(200,8)**
Net remeasurement of loss allowance	49,1	(76,7)	**(26,3)**
Amounts written off	1,5	-	**1,5**
Other changes	6,7	3,7	**10,4**
Closing loss allowance as at 30 September 2020	**(31,5)**	**(185,0)**	**(215,2)**

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

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.

3.9 Other liabilities

Other non-current liabilities are as follows:

DKKm	30 September 2021	30 September 2020
Derivative financial instruments	433,0	783,8
Deferred revenue	178,0	149,4
Employee related liabilities	33,0	42,2
Liability under MPP scheme	312,8	265,8
Others	54,2	46,4
Total	**1.011,0**	**1.287,6**

Other current liabilities are as follows:

DKKm	30 September 2021	30 September 2020
Bonuses and discounts to customers	84,8	117,6
Customers with net credit balances	37,9	14,1
Customer prepayment	69,9	75,8
Deffered income	84,8	41,2
Derivative financial instruments	8,9	17,9
Employee related liabilities	564,2	179,9
Payroll and social security liabilities	345,1	412,2
Sales tax and other tax liabilities	209,2	136,7
Earnout provision	157,6	129,3
Bonus obligations	1,8	241,2
Other	199,7	249,3
Total	**1.763,9**	**1.615,2**

Earnout provision 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.

Other liabilities are measured at cost.

3.10 Provisions

DKKm	Warranties	Right of returns	Asset Retirement Obligation	Other	Total
Provision at 1 October 2020	**344,7**	**196,6**	**35,3**	**37,6**	**614,3**
Foreign exchange adjustments	7,4	3,0	0,7	(0,7)	10,4
Additions	116,0	3,7	3,7	43,1	116,5
Usages	(88,8)	(26,5)	-	-	(114,5)
Reversals	(8,2)	-	-	-	(8,2)
Reclassifications	-	-	(1,5)	-	(1,5)
Accretion and effect of changes in discount rates	(0,7)	-	0,7	-	-
Provision at 30 September 2021	**371,2**	**176,9**	**38,9**	**80,0**	**667,0**
Which is presented in the consolidated balance sheet as:					
Non-current	175,2	0,8	37,7	6,4	**220,1**
Current liabilities	196,0	174,1	3,1	73,6	**446,9**
Provision at 30 September 2021	**371,2**	**176,9**	**38,9**	**80,0**	**667,0**
Provision at 1 October 2019	**358,9**	**183,8**	**18,7**	**7,5**	**568,9**
Foreign exchange adjustments	(24,5)	(8,0)	(1,6)	(0,7)	(34,8)
Additions	122,6	39,3	16,0	21,9	199,8
Reversals	(5,2)	-	-	-	(5,2)
Usages	(95,2)	(15,4)	-		(111,3)
Accretion and effect of changes in discount rates	(11,2)	(3,0)	2,2	8,9	(3,1)
Provision at 30 September 2020	**344,7**	**196,7**	**35,3**	**37,6**	**614,3**
Which is presented in the consolidated balance sheet as:					
Non-current	144,1	0,8	35,3	3,7	183,9
Current liabilities	200,6	195,9	-	33,9	430,4
Provision at 30 September 2020	**344,7**	**196,6**	**35,3**	**37,6**	**614,3**

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.

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 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 Structure

The Group's ambition is to maintain access to a strong capital base and with a high degree of investor, creditor and market confidence to support the strategic development of the Group. To support this ambition, the Group has obtained a credit rating from the three rating agencies Moody's, Standard & Poor and Fitch Ratings.

The capital structure of the Group consists of net debt (short-term and long-term borrowings disclosed in Note 4.2 after deducting cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and non-controlling interests).

The Group raised debt in 2019 to finance the establishment of the Group through the merger of Sivantos and Widex. In June 2020, the Group raised an additional Sidecar loan of EUR 100.0 million with a backup guarantee from the Danish Export Credit Foundation (EKF) as contingency working capital in the face of COVID-19. The Group's debt is shown in table below:

FY 2021

Debt	**Interest rate**
Sidecar Loan EUR 100,0 million	Euribor + 4,5%
Facility B1 EUR 1.962,5 million	Euribor + 4,0 %
Facility B2 USD 1.204,3 million	USD Libor + 3,75 %
2nd Lien Loan EUR 525,0 million	Euribor + 6,75 %
Revolving Facility EUR 90,5 million	Euribor + 2,75 %
Danske Bank DKK 1.640 million	CIBOR + 0,75 %*

*Subject to adjustment for changing capital relief value

FY 2020

Debt	**Interest rate**
Sidecar Loan EUR 100,0 million	Euribor + 4,5%
Facility B1 EUR 1.962,5 million	Euribor + 4,0 %
Facility B2 USD 1.204,3 million	USD Libor + 3,75 %
2nd Lien Loan EUR 525,0 million	Euribor + 6,75 %
Revolving Facility EUR 90,5 million	Euribor + 2,75 %

If Euribor or Libor is less than zero, the rate shall be deemed zero.

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 and are subject to a loan covenant. The Group has complied with to the loan covenants of the Senior Facilities Agreement.

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 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 TWH) 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 3.5 Other non-current and current financial assets and note 3.8 Trade receivables and contract assets.

There were no significant concentrations of credit risk as of the 30 September 2021 and 30 September 2020.

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 2021 and 30 September 2020, that defaults in payment obligations will occur.

Liquidity risk

Liquidity risk, foreign exchange risk and interest rate risk are managed by Group Treasury while customer credit risk is managed by the individual business units and affiliates. The Group uses financial instruments only to mitigate financial risks. The objective, policies and processes for managing the risk exposure to these items are further explained in the following sections.

The Group finances itself from its operating cash flow and through access to DKK 1.933,4 million of committed Revolving Credit provided by a group of banks – of which DKK 695.3 million has been carved out as ancillary facilities.

The Group had cash and cash equivalents of DKK 1.283,8 million as of 30 September 2021 (30 September 2020: DKK 1.937,4 million). In addition, the Group has access to DKK 1.168,9 million (30 September 2020: DKK 648,4 million) available Revolving Credit Facility as of 30 September 2021. 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.

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 out-flows on trade and other payables.

The Group maintains an in-house banking and cash pool setup. A significant part of cash bal-ances from affiliates is pooled centrally with Group Treasury to secure an effective liquidity management and use of funds within the Group.

The following table reflects all contractually fixed payoffs for settlement, repayments and interest resulting from recognized financial liabilities. It includes expected net cash outflows from derivative financial liabilities that were in place at 30 September 2021 and 30 September 2020. 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 2021 and 30 September 2020.

DKKm	Less than 1 year	Between 1-5 years	More than 5 years	Total
30 September 2021				
Interest-bearing debt	1.431,7	27.370,4	287,2	29.089,3
Lease liabilities	273,6	-	730,5	1.004,1
Trade payables	1.715,8	-	-	1.715,8
Other financial liabilities	1.352,6	349,5	-	1.702,1
Total non-derivative financial liabilities	**3.421,1**	**27.719,9**	**1.017,7**	**33.511,3**
Derivative financial liabilities	8,9	394,1	-	403,0

DKKm	Less than 1 year	Between 1-5 years	More than 5 years	Total
30 September 2020				
Interest-bearing debt	1.571,5	7.105,2	18.790,0	27.466,7
Lease liabilities	247,1	-	906,6	1.153,7
Trade payables	1.369,7	-	-	1.369,7
Other financial liabilities	300,1	791,7	-	1.091,8
Total non-derivative financial liabilities	**3.488,4**	**7.896,9**	**19.696,6**	**31.081,9**
Derivative financial liabilities	17,9	720,8	-	738,7

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 Group has cash flow in foreign currencies due to its international operations and USD denominated debt which exposes the Group to fluctuations in exchange rates vs reporting currency EUR. Foreign currency exchange rate fluctuations may create unwanted and unpredictable earnings and cash flow volatility. The Group manufactures and distributes most of its products at its headquarters in Singapore and Denmark. The products are sold to its regional affiliates and as a general principle invoiced in the currency of the buying entities.

The majority of the Group's sales and costs are in USD, JPY, GBP, AUD, CAD and SGD. The Group's hedging 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 move-ments' impact on consolidated earnings for 3-12 months rolling forward.

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

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					
< 3 months	1,6	(8,0)	37,2	*	-
3-12 months	1,6	(30,4)	141,3	1,5	-
Sell CAD					
< 3 months	1,5	(3,0)	14,9	-	*
3-12 months	1,5	(3,0)	14,9	-	*
Sell GBP					
< 3 months	0,87	(5,2)	44,6	-	(0,8)
3-12 months	0,87	(19,5)	167,3	-	*
Sell JPY					
< 3 months	128,0	(1.920,3)	111,5	1,6	-
3-12 months	130,8	(3.924,1)	223,1	-	(1,6)
Buy SGD					
< 3 months	1,6	32,1	148,7	2,2	-
3-12 months	1,6	32,3	148,7	3,0	-
				8,2	*2,2*

**Amount less than DKKm 0,5*

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	1,7	(20,1)	104,5	-	(1,5)
Sell CAD					
< 3 months	1,5	(7,6)	59,7	0,7	-
Sell GBP					
< 3 months	0,9	(10,6)	89,6	3,0	-
Sell JPY					
< 3 months	121,4	(3.641,5)	149,3	4,5	-
3-6 months	124,0	(1.240,4)	112,0	-	-
Buy SGD					
< 3 months	1,6	86,0	(261,3)	-	(11,2)
3-6 months	1,6	40,2	(298,6)	-	(0,7)
Buy USD					
< 3 months	1,2	(21,3)	186,7	-	(0,7)
**Amount less than DKKm 0,5*				*8,2*	*(14,1)*

The hedged items are forecast transactions denominated in foreign currencies. The ineffective portions of these hedges are insignificant.

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

DKKm	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Movement during the period		
Foreign currency risk – Current period hedging gains recognized in other comprehensive income	(12,7)	7,4
Amount reclassified to profit/(loss) - Due to hedged item affecting profit/(loss)	0,8	(7,4)

Translation risk and effects of foreign currency translation

The Group's presentation currency is 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 Group does not hedge net investments in foreign operations.

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 . This analysis comprises effects from the Group's cash, trade receivables, trade payables and loans. All other variables, in particular interest rates are assumed to be constant.

30 September 2021

DKKm	Profit/(Loss)	Other comprehensive income	Total comprehensive income
USD +5%	(358,4)	–	(358,4)
CAD +5%	11,9	–	11,9
CNY +5%	(6,7)	–	(6,7)
AUD +5%	5,9	–	5,9

30 September 2020

DKKm	Profit/(Loss)	Other comprehensive income	Total comprehensive income
USD +5%	(352,2)	–	(352,2)
CAD +5%	33,5	–	33,5
CNY +5%	7,5	–	7,5
AUD +5%	(4,5)	–	(4,5)

Interest rate risk

The Group's long-term debt consists of secured term loans of EUR 2.062,5 million, USD 1.204,1 million and DKK 1.640 million as well as 2nd lien term loan of EUR 525,0 million with a floating interest rate of which 72% 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 362.773 thousands to expire in 2047. There are two interest rate swap agreement both with outstanding debt of DKK 181,387 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 2021	30 September 2020
Cash and cash equivalents	1.283,8	1.937,4
Bank loans, non-current liabilities	(27.657,6)	(25.895,2)
Bank loans, current liabilities	(1.431,7)	(1.571,5)
Total net interest-bearing debt	**27.805,5**	**(25.529,3)**

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.

At 30 September 2021, if interest rates had been 1 per cent higher and all other variables were held constant, the Group's loss for the year ended 30 September 2021 would increase by DKK 21,6 million (2020: DKK 23,2 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 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)	3.5	-	11	-	-	-	11	-	11	-	**11**
Other financial assets (current and non-current)*	3.5	5.405	-	-	-	-	5.405	2.201	1.343	-	**5.405**
		5.405	**11**	**-**	**-**	**-**	**4.416**				
Financial assets measured at amortised cost											
Trade receivables*	3.8	-	-	2.145	-	-	2.145	-	-	-	-
Other financial assets (current and non-current)*	3.5	-	-	530	-	-	530	-	-	-	-
Cash and cash equivalents*		-	-	1.284	-	-	1.284	-	-	-	-
		-	**-**	**3.954**	**-**	**-**	**3.954**				
Financial liabilities measured at fair value											
Forward Exchange Contracts (designated as hedging instruments)	3.9	-	-	-	-	3	3	-	3	-	**3**
Forward Exchange Contracts (not designated as hedging instruments)	3.9	-	-	-	-	6	6	-	6	-	**6**
Interest rate swaps	3.9	-	-	-	-	94	94	-	94	-	**94**
Interest rate floors	3.9	-	-	-	-	340	340	-	-	339	**339**
		-	**-**	**-**	**-**	**443**	**443**				
Financial liabilities measured at amortised cost											
Other financial liabilities*	3.9	-	-	-	1.004	-	1.004	-	-	-	**-**
Loans under Senior Facilities Agreement	4.3	-	-	-	29.088	-	29.088	-		-	
Trade payables*		-	-	-	1.716	-	1.716	-	-	-	**-**
		-	**-**	**-**	**31.808**	**-**	**31.808**				

*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 October 2020 - 30 September 2021
Carrying amount 1 October 2020	(501)
Total gains or losses on recognised in profit/(loss)	161
Carrying amount 30 September 2021	**340**

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 October 2020	**27.466,7**	**9,6**	**501,0**	**282,3**	**1.487,3**	**1.153,7**	**31.300,6**
Changes from financing cash flows	1.385,8	18,7	-	-	(115,6)	370,9	1.659,8
Amortisation of transaction costs	154,9	-	-	-	-	-	154,9
Interest paid	(1.198,0)	(0,8)	-	(163,9)	-	-	(1.362,7)
Other changes	1.279,9	(0,8)	161,3	(24,3)	-	221,3	1.637,4
Liabilities at 30 September 2021	**29.089,3**	**28,3**	**339,7**	**94,1**	**1.371,7**	**1.004,1**	**34.616,0**
Liabilities at 1 October 2019	**26.660,0**	**1,5**	**521,1**	**289,0**	**1.540,2**	**-**	**29.011,8**
Changes from financing cash flows	1.411,8	674,2	-	-	-	-	2.086,0
Amortisation of transaction costs	(15,6)	-	-	-	-	-	(15,6)
Interest paid	(1.132,4)	-	-	(116,9)	-	-	(1.249,3)
Other changes	542,9	(666,1)	(20,1)	110,2	(52,9)	1.153,7	1.067,7
Liabilities at 30 September 2020	**27.466,7**	**9,6**	**501,0**	**282,3**	**1.487,3**	**1.153,7**	**31.300,6**

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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Interest income	68,7	63,1
Interest income customer loans	18,6	11,2
Other interest income	17,9	11,7
Total	**105,2**	**86,0**
Interest expenses	(1.654,9)	(1.683,9)
Interest expense from pension plans	(2,2)	(2,2)
Other interest expenses	(5,2)	-
Total	**(1.662.3)**	**(1.686,1)**
Other financials, net		
Foreign currency translation gains/(losses)	(112,3)	395,4
Change in fair value of embedded derivatives	160,7	25,4
Change in fair value of financial instruments	1.244,7	(105,0)
Others	17,4	(8,3)
Total	**1.310,5**	**307,5**

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.

4.5 Government grants

For the financial year ended 30 September 2021, various subsidiaries of the Group received government grants for wage subsidy schemes, training grants or in lieu of negative business impact caused by the COVID-19 pandemic. The total grant amount received by the Group recorded within other income in income statement is DKK 64.7 million (2020: DKK 160,4 million), mainly for a training grant received from the Economic Development Board in Singapore.

Accounting policies

Grants from the government are recognized as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognized as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

5 Other disclosures

5.1 Business combinations

The Group had completed various acquisitions during the year. The acquisitions are meant to increase the Group's footprint in various regions and expand its technological capabilities.

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

On 30 June 2021, the Group, through its subsidiary, My Hearing Centers LLC (also known as "MHC"), acquired certain assets and liabilities of Auralcare Hearing Centers of America, LLC (also known as "Auralcare") for a consideration of DKK 268,3 million. Auralcare has brand and operations in USA which is well known in their markets with over 110 locations and its retail footprint is complimentary to HearUSA's business.

The amounts recognized in respect of the identifiable assets acquired and liabilities assumed are set out in the table below.

DKKm	Auralcare	Other Acquisitions
Assets acquired:		
Other intangible assets	56,5	26,8
Property, plant and equipment	-	4,5
Other non-current assets	0,7	-
Inventories	3,0	3,7
Trade and other receivables	34,2	8,9
Other current assets	2,2	0,7
Cash and cash equivalent	31,2	7,4
Total assets acquired at the date of acquisition	**127,8**	**52,0**
Liabilities assumed at the date of acquisition:		
Trade payables	(152,4)	(16,4)
Other current liabilities	(9,7)	(4,5)
Total liabilities assumed at the date of the acquisition	**(162,1)**	**(20,9)**
Net assets acquired	**(34,3)**	**31,1**
Goodwill	302,6	138,3
Total consideration transferred	**268,3**	**169,4**
Fair value of contingent consideration and deferred payments	(9,7)	(46,8)
Cash and cash equivalents acquired	(31,2)	(7,4)
Total cash consideration paid/(received)	**227,4**	**115,2**

The fair value of the financial assets includes trade receivables with a fair value of DKK 40,0 million. The best estimate at acquisition date of the trade receivables not to be collected is DKK 5,9 million.

The Group had conducted a Purchase Price Allocation exercise to identify any identifiable assets. The Group has identified trademarks and covenants not to compete as identifiable assets, which were valued using the income approach methods. The residual amounts were allocated to goodwill of DKK 302,6 million which includes an assembled workforce. None of the goodwill is expected to be deductible for income tax purposes.

An amount of DKK 9,7 million was held back in the contingency that unforeseen liabilities from events existing pre-acquisition are required to be paid. The amount will be paid twelve months from closing date.
The Group incurred acquisition-related cost of DKK 5,9 million in financial year 2021 for legal fees and due diligence services. These costs have been included as part of profit or loss when incurred.

Share of the revenue and profit/(loss) from acquisitions:

Share of revenue **DKKm**	**30 September 2021**
Share of revenue and profit/(loss) for the year from the acquisition date:	
Revenue	115,3
EBIT	1,5
Loss for the year	1,5
The share of revenue and profit/(loss) if acquisition had taken place at 1 October 2020:	
Revenue	357,0
EBIT	6,0
Loss for the year	5,2

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.

Significant judgements and accounting estimates

Brands and trademarks

The value of brands and trademarks acquired and their useful lives are based on the brands' and trademarks' market position, expected long-term developments in the relevant markets and profitability. Management determines the useful life for each brand and trademark based on its relative local, regional and global market strength, market share, and the current and planned marketing efforts that are helping to maintain and increase the value of the brand or trademark.

When the value of a well-established brand or trademark is expected to be maintained for an indefinite period in the relevant markets, and these markets are expected to be profitable for a long period, the useful life of the brand or trademark is determined to be indefinite.

The fair value of brands and trademarks is based on the relief from royalty method, under which the value is calculated from expected future cash flows for the brands and trademarks. Cash flows are based on key assumptions about expected useful life, royalty rate, growth rate and tax effects. A post-tax discount rate that reflects the risk-free interest rate with the addition of a risk premium associated with the particular brand is used to discount the expected future cash flows.

Customer relationships

Customer relationships are valued based on the multi-period excess earnings method. Cash flows related to the customer relationships are based on the forecasted revenues from existing customers, reduced by the expected future churn. Profits generated from those revenues are typically adjusted for saved selling costs, given that in most cases part of the selling costs relates solely to acquiring new customers. Profits are then netted of taxes and reduced by charges on contributory asset, which are required to generate those profits. Cash flows calculated in this way are discounted and adjusted for tax amortisation benefit.

Contingent consideration

Business combinations may include contingent considerations, e.g. when the Group acquires audiology chains or shops. Such contingent considerations are usually additional payments to the previous owners, when certain events occur or certain financial results are achieved. The measurement of contingent consideration at fair value at the transaction date inherently involve significant estimates. In making these estimates, Management e.g. considers sales run rates of the acquired business.

5.2 Remuneration of Key Management Personnel

1 October 2020 - 30 September 2021

DKKm	Short-term benefits	Termination benefits	Total
Board and Executive Management	43,5	-	43,5
Other Key Management	28,3	-	28,3
Total	**71,8**	**-**	**71,8**

1 October 2019 - 30 September 2020

DKKm	Short-term benefits	Termination benefits	Total
Board and Executive Management	5,5	-	5,5
Other Key management	31,3	-	31,3
Total	**36,8**	**-**	**36,8**

Other Key Management hold ordinary and preference shares in NH Lux ManCo SCSp. Please refer to Note 5.3 for details of this program. The shares held by the Executive Management and the Board of Directors are insignificant.

5.3 Management Participation Program Liability

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 fair value of the equity instruments on acquisition date is equivalent to the cost. The redemption price is based on the leaver status at the time of redemption. The fair value of the liability associated with the equity instruments is equivalent to the cost price as at 30 September 2021 and 30 September 2020.

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 3.10.

MPP Liability	Number of shares (mil)
Outstanding at 1 October 2020	35,7
Additions	3,8
Disposals	(1,4)
Others	(1,0)
Outstanding at 30 September 2021	37,1

MPP Liability	Number of shares (mil)
Outstanding at 1 October 2020	38,1
Additions	11,0
Disposals	(14,4)
Others	1,0
Outstanding at 30 September 2021	35,7

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, and is consistent with the overall approach applied in the evaluation of Goodwill impairment testing as discussed in Note 3.3.

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 2021 – 3.488 participants, including 2.365 active employees, 703 former employees with vested rights and 420 retirees and surviving dependents (2020: 3.539 participants, including 2.429 active employees, 716 former employees with vested rights and 394 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 are as follows:

DKKm	**Defined benefit obligation**	**Fair value of plan assets**	**Total**
30 September 2021			
Germany	(470,7)	445,4	(25,3)
U.S.	(293,7)	250,6	(43,1)
Others	(58,7)	25,3	(33,4)
Total	**(823,1)**	**721,3**	**(101,8)**
30 September 2020			
Germany	(472,8)	401,4	(71,4)
U.S.	(311,3)	231,6	(79,7)
Others	(39,5)	13,4	(26,1)
Total	**(828,8)**	**646,4**	**(177,2)**

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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Current service cost	20,1	20,1
Net interest expenses	2,2	2,2
Liability administration expenses	1,5	(1,5)
Defined benefit costs recognized in the income statement	**23,8**	**24,5**
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)	(46,9)	(0,7)
Remeasurement losses on defined benefit obligations	(15,6)	20,9
Foreign currency translation differences	2,2	(1,5)
Remeasurements of defined benefit plans recognized in the Statement of Comprehensive Income	**(62,5)**	**18,7**
Change in defined benefit obligations:		
Defined benefit obligation at beginning of year	822,7	817,2
Current service cost	20,1	20,1
Interest expense	9,7	11,2
Contributions paid	(0,7)	0,7
Net accumulated actuarial gains	(15,6)	20,9
Benefits paid	(22,3)	(24,6)
Foreign currency effects	9,7	(20,9)
Defined benefit obligation	**823,1**	**828,8**
Change in plan assets:		
Fair value of plan assets at beginning of year	645,7	669,6
Interest income	7,4	8,9
Remeasurement (losses)/ gains (Return on plan assets excluding amounts included in net interest income and net interest expense)	46,9	0,7
Contributions paid	4,5	2,2
Benefits paid	(11,2)	(12,7)
Employer contributions	19,3	(0,7)
Liability administration costs	(1,5)	(2,2)
Foreign currency effects	10,4	(18,6)
Fair value of plan assets	**721,5**	**647,2**
Plan assets comprise of the following:		
Investment funds	711,1	647,4
Cash and cash equivalents	10,4	12,7
Total	**721,4**	**647,2**
Quoted	711,1	634,5
Unquoted	10,4	12,7
Total	**721,4**	**647,1**

Acturial 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 2021 and 2020. 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 2021	30 September 2020
Germany		
Discount rate	0,85%	0,63%
Future salary growth	2,25%	2,25%
Expected return on assets	1,75%	1,75%
Expected pension progression	1,75%	1,75%
U.S.		
Discount rate	2,39%	2,80%
Future salary growth	N/A	N/A
Expected return on assets	2,39%	2,80%
Expected pension progression	3,00%	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 2021	30 September 2020
Germany		
Longevity at age 55 for current pensioners		
Males	148,7	151,4
Females	178,5	177,5
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	156,2	158,1
Females	185,9	183,4
U.S.		
Longevity at age 55 for current pensioners		
Males	212,7	214,7
Females	231,3	233,4
Longevity at age 55 for current pensioners with 10% reduction in mortality rates		
Males	220,1	222,9
Females	238,0	240,8

The weighted-average duration of the defined benefit obligation was 11,2 years as at 30 September 2021 (2020: 13,6 years).

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 assumption shown.

Sensitivity analysis

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

30 September 2021 **DKKm**	**0.5% increase**	**0.5% decrease**
Germany		
Discount rate	(26,8)	30,5
Rate of pension progression	19,0	(17,1)
	-1 year	+1 year
Life expectancy	(12,6)	14,1
U.S	**0.5% increase**	**0.5% decrease**
Discount rate	(13,4)	14,1

30 September 2020 **DKKm**	**0.5% increase**	**0.5% decrease**
Germany		
Discount rate	-30,6	39,5
Rate of pension progression	20,1	-18,6
	-1 year	+1 year
Life expectancy	-12,7	14,9
U.S	**0.5% increase**	**0.5% decrease**
Discount rate	-14,9	16,4

The Company expects to pay DKK 52,0 million (2020: DKK 49,9 million) in contribution to its defined benefit plans in the upcoming financial year.

Defined contribution plan

The amount recognized as an expense for defined contribution plans at 30 September 2021 was DKK 75,9 million (2020: DKK 73,7 million).

Accounting policies

Defined contribution plans

The 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 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

Guarantees
The Group has issued Corporate Guarantees, mainly to the business partners, outstanding for an amount of DKK 752,5 million at 30 September 2021 (2020: DKK 752,0 million). None of the outstanding guarantees are likely to be drawn, hence no provisions have been made.

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.

5.6 Associates

DKKm	Investments in associated	Receivables from associates
Cost at 1 October 2020	**166,7**	**23,8**
Share of post acquisition retained earnings	41,6	14,8
Carrying amount at 30 September 2021	**208,3**	**38,6**

DKKm	Investments in associated	Receivables from associates
Cost at 1 October 2019	106,6	16,4
Share of post acquisition retained earnings	60,1	7,4
Carrying amount at 30 September 2020	**166,7**	**23,8**

Included in the investments in associates is a customer loan to an associate, Hear-Mart Holdings LLC, of DKK 12,6 million. The investment was fully impaired fully in 2019/20 as Management has assessed that there are difficulties in recovering the loan.

The Group's investments in associates are not individually material.

Please refer to Note 5.10 for a list of associates.

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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Unrealised loss of loans and borrowings	137,6	(270,3)
Others	29,7	17,9
Total	**167,3**	**(252,4)**

Significant non-cash transaction – for the period 1 October 2020– 30 September 2021
For the financial year ended 30 September 2021, there were no significant non-cash transaction.

Significant non-cash transaction – for the period 1 October 2019– 30 September 2020
For the Financial year ended 30 September 2020, there significant additions of ROU assets af DKK 169 million.

5.8 Fees to auditors appointed at the annual general meeting

1 October 2020 – 30 September 2021

DKKm	Deloitte	Others
Audit fees	6,9	1,0
Other assurance related services	6,7	11,9
Tax services	11,2	11,9
Other services	0,7	9,2
Total	**25,5**	**34,0**

1 October 2019 – 30 September 2020

DKKm	Deloitte	Others
Audit fees	5,6	-
Other assurance related services	7,6	3,0
Tax services	4,5	13,4
Other services	0,7	1,0
Total	**18,4**	**17,4**

5.9 Related parties

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

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 2020/21 and 2019/20.

DKKm	1 October 2020 – 30 September 2021	1 October 2019 – 30 September 2020
Transactions with shareholders		
- Loans from related parties	(1.371,7)	1.487,3
- Repayment of loans to related parties	277,1	165,1
- Interest on loans	(27,9)	(29,6)
Transactions with associates		
- Sales of goods and services	70,7	60,3
Other related parties		
- Purchase of goods and services	(53,5)	(69,2)

As at 30 September 2021, the outstanding balances with the associated are DKK 42,4 million (30 September 2020: DKK 23,8 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. In financial years 2020/21 and 2019/20, there were no significant, material or major transactions between the Group and members of the Executive Management and the Board of Directors, other than their remuneration and transactions towards the participation program. For information about remuneration to Executive management and Board of Directors refer to Note 5.2.

5.10 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	51
Nymøllevej ApS	Denmark	100
UNEEG medical A/S	Denmark	99,6
- UNEEG Medical DE GMBH	Germany	100
- UNEEG Medical US Inc.	USA	100
- UNEEG Medical UK Ltd.	UK	100
T&W Engineering A/S	Denmark	100
Twings ApS	Denmark	100
Nabto ApS	Denmark	56,2
Subsidiaries of T&W Holding A/S		
Core Bolig VIII nr. 14	Denmark	100
Heidelburg GmbH	Germany	100
TWI I ApS	Denmark	100
Vipic ApS	Denmark	58
Other equity investments of T&W Holding A/S		
Din HøreSpecialist	Denmark	40
Core Bolig VIII nr. 13	Denmark	45
EnViAc Komplementar ApS	Denmark	50
EnViAc P/S	Denmark	50
Kjøbenhavns Boligejendomsselskab A/S	Denmark	29,1
Symic OA ApS	Denmark	37,5
Østergaard & Co. ApS	Denmark	20
Subsidiaries of WS Audiology A/S	Denmark	100
North Harbour Topco S.à.r.l.	Luxembourg	99
North Harbour Midco S.à.r.l.	Luxembourg	100
Auris Luxembourg 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
Hear.com N.V.	Netherlands	100
Subsidiaries of Widex A/S		
EMEA-LA		
Bloomhearing ApS	Denmark	100
WSAUD A/S	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
Widex-Slovton Slovakia	Slovakia	100
Widex Slušni Aparati d.o.o.	Bosnia	100
ReOton Ltd	Ukraine	100
Koalys Technologies Ltd	Isreal	100
Shoebox France SARL	France	100
Koalys Poland Sp z.oo	Poland	100
Widex Regional Operation Center EMEA	Poland	100
Asia-Pacific		
Widex Hearing Aid Sdn Bhd	Malaysia	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	-
Widex India Private Ltd.	India	100
Widex New Zealand Ltd.	New Zealand	100
Widex Australia Pty. Ltd.	Australia	-
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	-
TW Group Canada Ltd.	Canada	100
Lifestyle Hearing Corporation Inc.	Canada	100
Lifestyle Hearing Corporation USA Inc.	USA	100
Widex USA Inc.	USA	100
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
Manji Nicholaou Audiology	Canada	100

Subsidiaries of Lifestyle Hearing Corporation USA Inc.		
North-America		
Audiology Management Group Inc.	USA	100
Helix Hearing Care (California) Inc.	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	100
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
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
Sivantos Newco GmbH	Germany	100
Bloom Hörekustik GmbH	Austria	100
WS Audiology Spain S.A. (formerly AS IBERICA Soluciones Auditivas S.L.U.)	Spain	100
Sivantos (RUS) LLC	Russia	100
Biotone Technologie SAS	France	100
North America		
WS Audiology Mexico S.A. de C.V.	Mexico	100

Asia-Pacific		
Sivantos K.K.	Japan	100
Hearing Express K.K. (formerly audiobene K.K)	Japan	100
WS Audiology Korea Limited (formerly audiobene K.K.)	Japan	100
Subsidiaries of Sivantos Holding Germany GmbH		
Sivantos GmbH	Germany	100
Subsidiaries of Sivantos GmbH		
EMEA-LA		
AS-AUDIO SERVICE GmbH	Germany	100
Signia GmbH	Germany	100
Sivantos Kft.	Hungary	100
Sivantos AG	Switzerland	-
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
WS Audiology South Africa Pty Ltd *(formerly 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
WS Audiology Canada Inc. *(formerly 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
WS Audiology ANZ Pty Ltd. *(formerly Sivantos Pty Ltd)*	Australia	100
Subsidiaries of Sivantos NewCo GmbH		
audibene GmbH	Germany	100
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

5.11 Significant events after the balance sheet date

On 22 September 2021, the Group entered into a Sales and Purchase agreement to purchase 51% interests in 4 companies, namely Hangzhou V Hearing, Hangzhou Miaoyin Medical Equipment, Suzhou Fenbei and Zhejiang Longkang. The Group has not consolidated the results of these entities as control of these entities have not passed over from the sellers to the Group as of 30 September 2021.

On 8 November 2021 Group CFO Søren Westh Lonning stepped down to fully focus on recovering from back issues. He was replaced by Michael Tyroller, who took on the role as interim Group CFO on 8 November 2021.

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

5.12 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 21 February 2022.

Parent financial statements

Income statement

DKKm	Notes	1 October 2020 – 30 September 2021 (12 month)	1 October 2019 – 30 September 2020 (12 month)
Gross Profit		**1,8**	**0,0**
Selling and general admin expenses		(22,1)	(20,5)
Operating (loss)/profit		**(17,9)**	**(20,5)**
Income from equity investments	3.1	(357,8)	(870,8)
Interest income		117,6	118,2
Interest expenses		(115,8)	(109,5)
Other financials net		(1,2)	(173,4)
Profit before tax		**(377,4)**	**(1.056,1)**
Tax on profit/(loss)	2.1	3,8	8,0
Profit for the year		**(373,6)**	**(1.048,1)**

Statement of comprehensive income

(Loss)/profit for the year	**(373,6)**	**(1.048,1)**
Items that may be reclassified subsequently to profit or loss		
Share of other comprehensive income in group enterprises, net	49,5	(73,5)
Other comprehensive income for the year, net of tax	**49,5**	**(73,5)**
Total comprehensive income for the year	**324,1**	**(1.121,6)**

Balance sheet

DKKm	Notes	30 September 2021	30 September 2020
BALANCE			
Assets			
Property, Plant & equipment	3.1	1,6	0,0
Investments in group enterprises	3.2	8.234,1	6.328,7
Investments in associate enterprises		0,0	7,5
Deferred tax asset		1,6	8,2
Other non-currents financial assets	3.3	1.892,3	1.781,0
Total non-current assets		**10.129,6**	**8.125,4**
Intragroup receivables		0,6	274,9
Current income tax receivables		10,5	16,9
Other current financial assets	3.3	1,1	13,4
Other current assets		3,2	-
Cash and cash equivalents		25,7	-
Total currents assets		**41,1**	**305,2**
Total assets		**10.170,7**	**8.430,6**

DKKm	Notes	30 September 2020	30 September 2020
Equity and Liabilities			
Share capital	4.1	500,0	500,0
Retained earnings		4.925,4	5.439,6
Other reserves		31,2	(158,2)
Total equity		**5.456,6**	**5.781,4**
Long-term debts		1.640,0	0,0
Other non-current liabilities		8,4	4,9
Total non-current liabilities		**1.648,4**	**4,9**
Short-term debts		260,5	0,0
Trade payables		1,1	0,0
Intragroup short-term payables		2.799,0	2.608,4
Other current liabilities		5,1	35,9
Total current liabilities		**3.065,7**	**2.644,3**
Total liabilities		**4.714,1**	**2.649,2**
Total equity and liabilities		**10.170,7**	**8.430,6**

Statement of changes in equity

DKKm	Share capital	Other re-serves	Foreign exchange adjust-ments	Hedging reserve	Retained earnings	Propo-sed di-vidend	Equity of sharehold-ers in T&W Medical A/S
Equity at 30 September 2019	**500,0**	**-**	**(78,6)**	**1,0**	**6.480,6**	**-**	**6.903,0**
Profit for the period	-	-	-	-	(1.048,7)	0,6	(1.048,1)
Other comprehensiv income, net	-	-	(83,7)	3,1	7,1	-	(73,5)
Total comprehensive income for the year	**-**	**-**	**(83,7)**	**3,1**	**(1.050,0)**	**0,6**	**(1.121,6)**
Equity at 30 September 2020	**500,0**	**-**	**(162,3)**	**4,1**	**5.439,0**	**0,6**	**5.781,4**
Profit for the period	-	-	-	-	(373,6)	-	(373,6)
Paid dividend	-	-	-	-	-	(0,6)	(0,6)
Other comprehensiv income, net	-	(27,5)	49,9	27,1	-	-	49,5
Total comprehensive income for the year	**500,0**	**(27,5)**	**49,9**	**27,1**	**(373,6)**	**-**	**(324,7)**
Equity at 30 September 2021	**500,0**	**(27,5)**	**(112,4)**	**31,2**	**5.065,4**	**-**	**5.456,7**

Statement of cash flow

DKKm	Notes	1 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
(Loss)/profit for the year		**(373,6)**	**(1.048,1)**
Income from equity investment		357,8	870,8
Financial income adjustments, net		(1,8)	(8,7)
Depreciation		0,1	0,0
Tax on profit/(loss)		13,2	(8,0)
Other non-cash adjustments		-	168,4
Cash flow from operating activities before changes in working capital		**(4,3)**	**76,5**
Change in receivables		9,2	42,3
Change in trade payables		1,1	(3,5)
Change in other current liabilities		-	35,9
Change in other assets/liabilities		(26,6)	4,2
Cash flow from operating activities before financial items and tax		**(20,6)**	**38,2**
Financial income received		117,6	118,2
Financial expenses paid		(115,8)	(109,5)
Cashflow from operating activities		**(18,8)**	**62,0**
Acquisition of companies		(2.231,1)	
Dividend received		25,0	-
Investments in other assets, net		(113,4)	(107,2)
Cash flow used in investing activities		**(2.319,5)**	**(107,2)**
Cashflow from operating and investing activities		**(2.338,3)**	**(45,2)**
Proceeds from long-term & short term debt		1.900,3	35,1
Repayments of long-term & short-term debt		-	-
Dividens paid to shareholders		(0,6)	-
Change in intercompany balances		464,3	-
Cash flow from/(used in) financing activities		**2.364,0**	**35,1**
Net cash flow		**25,7**	**(10,1)**
Cash & cash equivalents beginning og period		-	10,1
Cash and cash equivalents, end of period		**25,7**	**-**

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.

The financial statements for all periods presented have been prepared in accordance with all IFRS as adopted by EU effective for accounting periods ending 30 September 2021.

2 Result of the year

2.1 Tax

DKKm	1 October 2020 – 30 September 2021	1 October 2019 – 30 September 2020
Tax on profit/(loss)		
Current tax for the year	3,8	0,1
Deferred tax for the year	(6,6)	7,9
Adjustment to current tax with respect to prior years		-
Total	**3,8**	**8,0**

Reconciliation of effective tax rate	1 October 2020 – 30 September 2021 (12 months)	1 October 2019 – 30 September 2020 (12 months)
Danish tax rate	22%	22%
Expected income tax (expense)/benefit	(377,4)	(232,3)
Non-taxable income	360,1	240,3
Adjustment of tax with respect to prior year		-
Total	**(17,3)**	**8,0**

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 Property, Plant & Equipment

DKKm	30 September 2021
Cost beginning of year	**0,0**
Additions	1,7
Cost end of year	**1,7**
Amortisations and depreciation beginning of year	**0,0**
Depreciation	(0,1)
Amortisations and depreciation end of year	**1,6**
Carrying amount end of year	**1,6**

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:

- Other fixtures and fittings, tools and equipment, furniture etc. 3-5 years

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.

3.2 Investment in subsidiaries

DKKm	30 September 2021	30 September 2020
Cost beginning of year	**3.475,7**	**3.300,7**
Additions	2.229,3	175,0
Transfers	9,3	-
Disposals	-	-
Cost end of year	**5.714,3**	**3.475,7**
Revaluations beginning of year	**2.853,0**	**3.797,3**
Other adjustments	-	(27,2)
Share of profit/loss for the year	(357,8)	(870,8)
Share of other comprehensive income, net	49,5	(73,5)
Dividend	(25,0)	-
Revaluations end of year	**2.519,8**	**2.853,0**
Carrying amount end of year	**8.234,1**	**6.328,7**

Group companies are listed on Note 5.10 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.

Accounting policies
Investments in subsidiaires are recognized and measured under the equity method. This means that investments are measured at the pro rate share of the enterprises equity plus or less unamortized positive, or negative, goodwill and plus or less unrealized intra-group profits or losses.

The Parent’s share of the enterprises’ profits or losses after elimination of unrealized intra-group profits and losses and less or plus amortization of positive, or negative, goodwill is recognized in the income statement.

Subsidiaries with negative equity value are measured at zero value, and any receivables from these enterprises are written down by the Parent’s share of such negative equity if it is deemed irrecoverable. If the negative equity exceeds the amount receivable, the remaining amount is recognized under provisions if the Parent has a legal or constructive obligation to cover the liabilities of relevant enterprises.

Upon distribution of profit or loss, net revaluation of investments in subsidiaries is transferred to reserve for net revaluation according to the equity method under equity.

3.3 Other non-current and current assets

DKKm	30 September 2021	30 September 2020
Other non-current financial assets		
Other loans	1.292,9	1.232,0
Intragroup loans	548,8	549,0
Securities and other equity investments	50,6	0,0
Total	**1.892,3**	**1.781,0**
Other current financial assets		
Others	1,1	13,4
Total	**1,1**	**13,4**

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 2020/21.

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

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.

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 October 2020 - 30 September 2021	1 October 2019 - 30 September 2020
Transactions with related parties		
- Intergroup loans, granted	548,8	548,0
- Loans, received	2.799,0	2.608,4
- Receivables, intergroup	0,6	274,0
- Interest on loans, paid	105,2	103,2
- Interest on loans, received	54,9	22,4

4.3 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.

4.4 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 21 February 2022.

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: 01.10.2020 – 30.09.2021

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 October 1, 2020 to September 30, 2021.

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, 2021 and of their financial performance and cash flows for the financial year October 1, 2020 to September 30, 2021.

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, 21 February 2022

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 October 1, 2020 to September 30, 2021, 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 2021, and of the results of their operations and cash flows for the financial year October 1, 2020 to September 30, 2021 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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, 21 February 2022

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