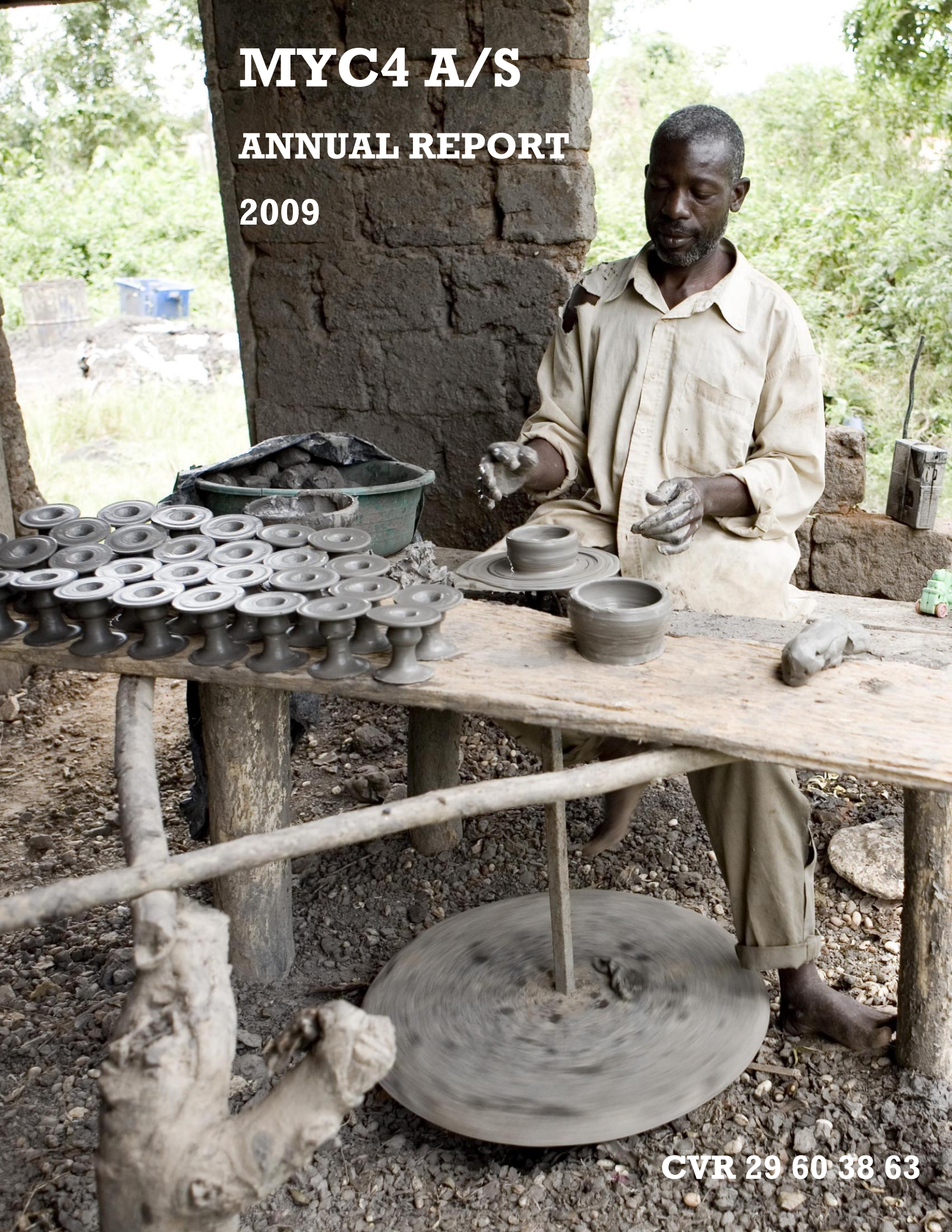


**MYC4 A/S**

**ANNUAL REPORT**

**2009**



**CVR 29 60 38 63**



# MYC4 A/S

## Annual Report 2009

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## 1. MYC4 – Eradicating Poverty through Business

MYC4 is a Danish innovative and ambitious company on an important mission to eradicate poverty in Sub-Saharan Africa. By combining new technologies and solid on-ground work, MYC4 connects people from all over the world and bridges the gap of capital between people with needs and people with means.

The access to capital for small and medium sized businesses in Africa is scarce, which is a major obstacle for economic growth. Therefore, MYC4 ignites entrepreneurship in Africa, to change millions of lives, by providing access to capital on fair and transparent terms. MYC4 triggers the long term business development and gives African entrepreneurs a tool to lift themselves out of poverty.

In many parts of the world, wealth is greater than ever before. The urge to contribute to a better global community is immense – for private individuals as well as professional Investors. And the demand for viable investment objectives in developing countries is growing rapidly.

MYC4 is the online hub to connect people across continents and cultures to fuel new business partnerships. It is a win-win partnership for both Investors and entrepreneurs: The African entrepreneur gets the opportunity to develop his or her business, and the Investors get at tool for making a difference – and a profit.



Our **vision** is to end poverty through business. We want to ensure that everyone has access to capital and knowledge on equal terms.

Our **mission** is to create prosperity for all by using modern technologies to bridge the gap between people with needs and people with means. We want to ignite entrepreneurship and fuel business potential across cultures and continents.

## 2. Company Details

### Company

MYC4 A/S  
Frederiksholms Kanal 4B, 4.  
DK-1220 Copenhagen K

Central Business Registration No: 29 60 38 63  
Registered in Copenhagen

Phone: +45 70 26 20 15  
Fax: +45 33 36 20 15  
Internet: [www.myc4.com](http://www.myc4.com)

### Company Auditors

PricewaterhouseCoopers

### Board of Directors

Niels B. Thuesen, Chairman  
Jørgen Horwitz  
Vagn Berthelsen  
Henk van Stokkom  
Susan Payne  
Nick Talwar

### Executive Management

Mads Kjær, CEO

The General Annual Meeting adopted the Annual Report on April 24, 2010:

*Chairman of the General Annual Meeting*

Niels B. Thuesen



---

### 3. Statement by Management on the Annual Report

We have today presented the Annual Report of MYC4 A/S for the financial year January 1 to December 31, 2009.

The Annual Report has been presented in accordance with the Danish Financial Statements Act. We consider the applied accounting policies appropriate for the annual report to provide a true and fair view of MYC4's financial position and results.

We also consider the Management Review to give a fair presentation of the development in MYC4's activities and finances, profit and loss for the year, its financial position as a whole as well as a description of the most material risks and elements of uncertainty facing MYC4.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, March 23, 2010

#### Executive Management

Mads Kjær,  
CEO



#### Board of Directors

Niels B. Thuesen  
Chairman



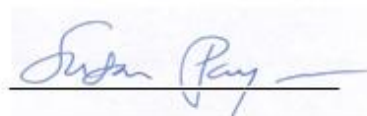
Jørgen Horwitz



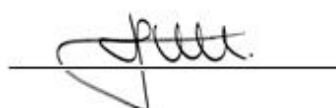
Vagn Berthelsen



Susan Payne



Henk van Stokkom



Nick Talwar



## 4. Independent Auditor's Report

### To the Shareholders of MYC4 A/S

We have audited the Financial Statements and of MYC4 A/S for the financial year 1 January 2009 – 31 December 2009. The Financial Statements comprise Income Statement, Balance Sheet, Notes and Accounting Policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act. Management's Review, which is not comprised by the audit, is prepared in accordance with the Danish Financial Statements Act.

### Management's Responsibility

Management is responsible for the preparation and fair presentation of the Financial Statements in accordance with the Danish Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error. The responsibility also includes selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. Furthermore, Management is responsible for preparing a Management's Review that includes a true and fair account in accordance with the Danish Financial Statements Act.

### Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with Danish Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing procedures to

### Til aktionærene i MYC4 A/S

Vi har revideret årsregnskabet for MYC4 A/S for regnskabsåret 1. januar 2009 – 31. december 2009. Årsregnskabet omfatter resultatopgørelse, balance, noter og anvendt regnskabspraksis. Årsregnskabet aflægges efter årsregnskabsloven. Ledelsesberetningen, der ikke er omfattet af revisionen, aflægges efter årsregnskabsloven.

### Ledelsens ansvar

Ledelsen har ansvaret for at udarbejde og aflægge et årsregnskab, der giver et retvisende billede i overensstemmelse med årsregnskabsloven. Dette ansvar omfatter udformning, implementering og opretholdelse af interne kontroller, der er relevante for at udarbejde og aflægge et årsregnskab, der giver et retvisende billede uden væsentlig fejlinformation, uanset om fejlinformationen skyldes besvigelser eller fejl. Ansvar omfatter endvidere valg og anvendelse af en hensigtsmæssig regnskabspraksis og udøvelse af regnskabsmæssige skøn, som er rimelige efter omstændighederne. Ledelsen har endvidere ansvaret for at udarbejde en ledelsesberetning, der indeholder en retvisende redegørelse i overensstemmelse med årsregnskabsloven.

### Revisors ansvar og den udførte revision

Vores ansvar er at udtrykke en konklusion om årsregnskabet på grundlag af vores revision. Vi har udført vores revision i overensstemmelse med danske revisionsstandarder. Disse standarder kræver, at vi lever op til etiske krav samt planlægger og udfører revisionen med henblik på at opnå høj grad af sikkerhed for, at årsregnskabet ikke indeholder væsentlig fejlinformation.

En revision omfatter handlinger for at opnå

obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2009 and of the results of the Company operations for the financial year 1 January 2009 - 31 December 2009 in accordance with the Danish Financial Statements Act.

### **Emphasis of matter**

#### **Emphasis of matters concerning issues in the annual report**

Without qualifying our auditor's report, we draw attention to the information in Management's Review, the section "Outlook 2010" in

revisionsbevis for de beløb og oplysninger, der er anført i årsregnskabet. De valgte handlinger afhænger af revisors vurdering, herunder vurderingen af risikoen for væsentlig fejlinformation i årsregnskabet, uanset om fejlinformationen skyldes besvigelser eller fejl. Ved risikovurderingen overvejer revisor interne kontroller, der er relevante for virksomhedens udarbejdelse og aflæggelse af et årsregnskab, der giver et retvisende billede med henblik på at udforme revisionshandling, der er passende efter omstændighederne, men ikke med det formål at udtrykke en konklusion om effektiviteten af virksomhedens interne kontrol.

En revision omfatter endvidere stillingtagen til, om den af ledelsen anvendte regnskabspraksis er passende, om de af ledelsen udøvede regnskabsmæssige skøn er rimelige, samt en vurdering af den samlede præsentation af årsregnskabet.

Det er vores opfattelse, at det opnåede revisionsbevis er tilstrækkeligt og egnet som grundlag for vores konklusion.

Revisionen har ikke givet anledning til forbehold.

### **Konklusion**

Det er vores opfattelse, at årsregnskabet giver et retvisende billede af selskabets aktiver, passiver og finansielle stilling pr. 31. december 2009 samt af resultatet af selskabets aktiviteter for regnskabsåret 1. januar 2009 - 31. december 2009 i overensstemmelse med årsregnskabsloven.

### **Supplerende oplysninger**

#### **Supplerende oplysninger vedrørende forhold i regnskabet**

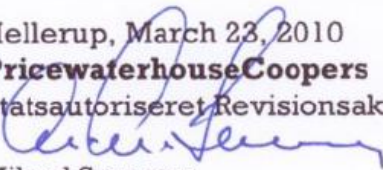
Uden at tage forbehold gør vi opmærksom på oplysningerne i ledelsesberetningen, afsnit "Outlook 2010", hvori ledelsen

which Management describes the assumptions for the Company's future capital resources and the uncertainty associated with them.

In addition, we draw attention to the information in Management's Review, the section "Financial development in 2009" in which it is stated that the Company has capitalised a development project concerning the MYC4 platform at a total value of DKK 7.2 million. The determination of the value of the asset depends on the company's future earnings capabilities.

**Emphasis of matters concerning other issues**  
We draw attention to the fact that contrary to section 6(1) of the Danish Executive Order on the Filing and Publication of the Annual Reports issued by the Danish Commerce and companies Agency, Management has chosen not to present the Annual Report in Danish but has instead chosen to present the Annual Report in English, which is the language applied in the Company.

**Statement on Management's Review**  
We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit performed of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

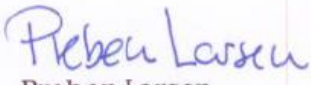
Hellerup, March 23, 2010  
**PricewaterhouseCoopers**  
Statsautoriseret Revisionsaktieselskab  
  
Mikael Sørensen  
State Authorised Public Accountant

redegør for forudsætningerne for selskabets fremtidige kapitalberedskab og usikkerheden knyttet hertil.

Herudover gør vi opmærksom på oplysningerne i ledelsesberetningen, afsnit "Financial development in 2009", hvori det fremgår, at selskabet har aktiveret et udviklingsprojekt vedrørende MYC4 platformen til en samlet værdi på DKK 7,2 mio. Berettigelsen af dette aktivs værdi afhænger af selskabets fremtidige indtjeningsevne.

**Supplerende oplysninger vedrørende andre forhold**  
Vi gør opmærksom på, at ledelsen i strid med bekendtgørelse om indsendelse og offentliggørelse af årsrapporter i Erhvervs- og Selskabsstyrelsen § 6, stk. 1, har valgt ikke at aflægge årsrapporten på dansk, men har i stedet valgt at aflægge årsrapporten på engelsk, som er det sprog, der dagligt anvendes i virksomheden.

**Udtalelse om ledelsesberetningen**  
Vi har i henhold til årsregnskabsloven gennemlæst ledelsesberetningen. Vi har ikke foretaget yderligere handlinger i tillæg til den gennemførte revision af årsregnskabet. Det er på denne baggrund vores opfattelse, at oplysningerne i ledelsesberetningen er i overensstemmelse med årsregnskabet.

  
Preben Larsen  
State Authorised Public Accountant



# BUSINESSES

**NABUNYA FATUMA**

**HAIRDRESSER IN UGANDA**

33 year old Nabunya Fatuma from Kampala is an independent entrepreneur with great ambitions to grow her business. Since 2006, she has been running a small hair salon, where she employs two female staff. Nabunya Fatuma is married and has two children.

In July 2008, Nabunya Fatuma received her first loan of EUR 850 through MYC4 funded by a total of 19 different Investors. She wanted to increase her stock in order to serve more clients, offer more products and a higher level of service. She managed to pay back the loan successfully and her business is performing well. The progress in her salon has wetted her appetite, and now she has applied for her second loan, which she will use to buy another hairdryer, a steamer and more products.



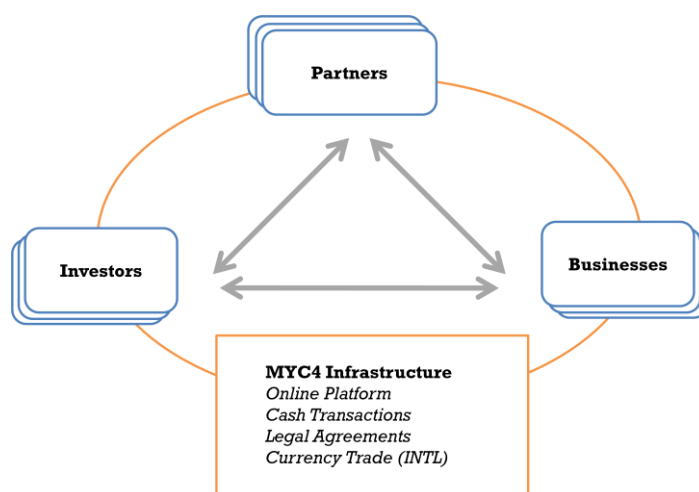


## 5. Management Review

### 5.1 Overview of Portfolio by Year-end 2009

Since www.myc4.com was launched in October 2007, EUR 10.6 million has been disbursed to some 5,000 businesses from 16,700 Investors (*note: the term 'Investor' refers to private individuals, companies and institutions using the MYC4 marketplace for investments in small and medium sized businesses in Africa. The term 'Musketeer' or shareholder refers to the stockholders of MYC4*). Even though these are impressive figures, they do not match the level of ambition MYC4 set out with.

MYC4's business model is built around a network of local Partners, also referred to as Providers and Administrators.



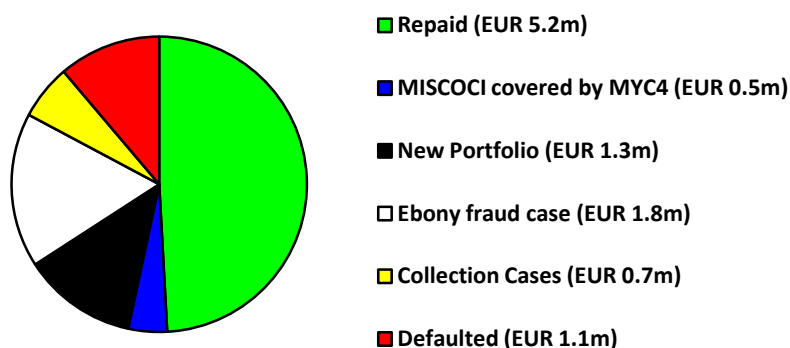
In general, MYC4 has been too optimistic in regards to the growth and performance among these Partners and especially during second part of 2008 and during 2009 it has become clear that the business model needs some amendments in order to be scalable and eventually turn MYC4 into a sustainable business.

Although an unacceptably high amount of loans have defaulted, and the overall risk in the portfolio is too high (44% by year-end), the toxic portfolio has been identified and contained, and action plans in regards to collections have been put in place. The prerequisites for lowering risk and expanding a new, healthy portfolio are established with improved due diligence processes with new Partners, implementation of Risk Sharing, and Capacity Building among existing Partners.

MYC4 is now in a transition period having obtained comprehensive experience and practical insight into the industry of microfinance and lending business in Africa, which equips the organization for handling current issues as well as building a strong, scalable model.

MYC4 distinguish between the 'old portfolio' which encompass the loans handled by MYC4's first Partners during the first year of operations. These are 'collection cases', which include

loans through Partners who have not been able to get back on track and with whom MYC4 is not interested in cooperating with beyond collecting current outstanding funds. The other part of the portfolio is referred to as the ‘new portfolio’, which covers the portfolio of loans paid out by Partners who have either managed to turn bad performance around, or loans paid out by new Partners, who have a strong track record and proven capacities within the industry. The performance of the EUR 10.6 million disbursed is shown in the chart below.



*The figure shows MYC4's overall portfolio performance from October 2007 to December 2009 at a total of EUR 10.6m*

The division of MYC4's overall loan portfolio shows that EUR 5.7 million has been repaid to Investors, whereof EUR 0.5 million was covered by MYC4 as a result of the bankruptcy of the insurance scheme MISCOCI in Ivory Coast.

The old portfolio represents in total EUR 3.6 million corresponding to 34%, encompassing collection cases and the potential default of Ebony loans. Although intensive efforts are carried out to recover the outstanding in the old portfolio, it is expected that MYC4 will not be able to recover more than 5-15%, due to experience and the nature of microfinance.

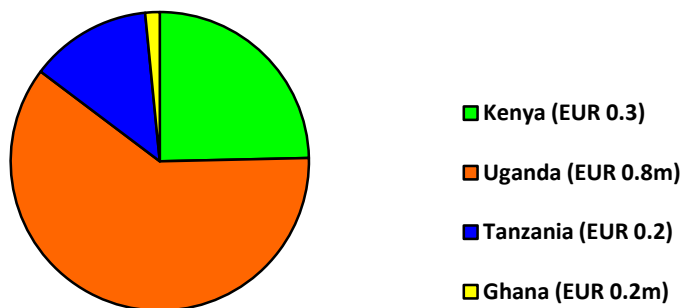
# facts

## 2009 IN NUMBERS

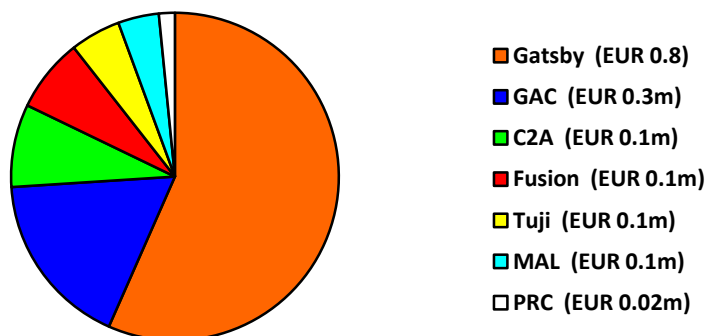
- 1,734 loans funded
- Average loan size of EUR 2,430
- Average loan duration of 12.9 months
- Average of 63 bids on each loan
- Average Investor bid rate of 10.8%



The new portfolio, corresponding to EUR 1.3 million of outstanding balance, is active and healthy with an acceptable level of risk. The new portfolio has the following division between countries and Partners:



*Partners divided between countries*



*Partners divided between sizes of outstanding portfolio*

According to MYC4's overall Risk Policies the aim is to have a healthy balance between countries and Partners where no country accounts for more than 30% of the total portfolio and no Partner accounts for more than 20% of the total portfolio. The goal is to achieve this balance by the end of 2010.

The overall performance on the online marketplace since launch in October 2007 has developed negatively with an average Return on Investment (ROI) on all loans by year-end 2009 at minus 9.5% compared to plus 4% in 2008 including losses on currency. When losses on currency fluctuations are not taken into account, the average return by year-end 2009 was minus 5.6%. As a result of the old portfolio the Return on Investment is expected to deteriorate further during part of 2010.

MYC4 is committed to ensure an average positive Return on Investment on overall investments made in the new portfolio, yet MYC4 has no influence on the currency fluctuations and how they impact Investors' return.

## 5.2 Main Activities 2009

MYC4's core business is to function as the infrastructure between Investors from all over the world and Businesses in Sub-Saharan Africa – and potentially in other regions of the world. In order to carry out this function, MYC4 is working closely together with local Partners. Local Partners carry out all practical lending activities such as loan appraisals, collections and repayments. The first years of operations have shown the necessity of MYC4 controlling these activities and processes thoroughly.

In June 2009, a strategy titled 'Back on Track' was developed which formed the groundwork for the rest of the year. Four executive themes were identified to deal with:

- the poor performance of the first start-up Partners and slower than expected signing up of new experienced quality Partners (see section: 5.3 Current Partner Performance)
- ongoing IT development of MYC4's marketplace (see section: 5.5 IT Development Highlights)
- attract funding for MYC4's budget for 2<sup>nd</sup> half of 2009 and 2010 (see section: 5.7 Musketeers and Funding Strategy)
- improving organizational structure and competences (see below)

To a large extent these issues have been dealt with.

The MYC4 Board has been further internationalized and professionalized with more banking- and financial experience. This enables the Board to provide improved support and supervise MYC4's activities.

With the setting-up of a regional representative office in Nairobi, Kenya, the African Operations side has been improved. The organization in Nairobi will be further strengthened in 2010 and the aim is to have a highly competent organization based in Africa close to the market, issues and potentials.

MYC4 is a web-based company delivering Financial Services, also referred to as FINTECH (Financial Technology). To strengthen this position, Steven Thomas who has extensive background from the financial sector, was recruited as Chief Technology Officer in June, and the IT development team was moved from Kampala, Uganda, to the Copenhagen Office in order to reduce errors and idle time due to long distance cooperation. Also, a Head of Finance & Administration with experience from the Financial Services Sector in the UK, Ian Fannon, joined in June to carry out a thorough and comprehensive reconciliation project bringing all transactions and cash flows into new structures enabling MYC4 to offer a good control of Investor funds trusted to the company.

Part of MYC4's core business is to deal with trusted funds, and the goal is to do this in the most secure way for Investors. Investor funds are kept 100% separate from MYC4 funds

through separate bank accounts and separate cash flows. To strengthen the separation even further, the money is not held within MYC4 A/S but on an escrow account owned by the independent entity 'MYC4 Foundation'. As a result the theoretical risk of a bankruptcy of MYC4 A/S will not bring Investors' money at risk. In 2009, the establishing of the MYC4 Foundation, which has the main purpose to function as an escrow account for Investor funds, was finalized and all Investor money was transferred to the Foundation to complete the separation of the funds from any risk within MYC4 A/S. The Foundation is a 100% independent entity with its own Board of Directors who, on an ongoing basis, controls the separation.

In 2008, MYC4 initiated a partnership with the UK-based financial partner INTL, which is specialized in cash management between Europe and Africa. During 2009, INTL cash management procedures were implemented with all Partners in Kenya, Uganda, Tanzania, and Rwanda, where the majority of MYC4's activities are. This has reduced the money handling time, reduced the loan disbursement time, reduced risk by having faster money transfers out of Africa, as well as ensured a better exchange rate for Investors. So far, INTL is not supporting Senegal and Ghana.

In July, MYC4 changed the income fee structure, to be aligned with the interest of Investors, with MYC4 earning 6% interest commissions of the outstanding loan balance as the loans are being repaid. This corresponds to approx. EUR 100,000 after withholding tax in African countries in 2009. This income is far from covering the costs of MYC4; yet it has been a clear decision from the very beginning that MYC4 shall not add unnecessary costs for the African Businesses. For MYC4 to reach break-even, the outstanding loan balance must grow to EUR 50 million estimated to be in 2013. MYC4 is revising the fee structure on an ongoing basis in order to optimize risk and return.

Despite the limited activity on the marketplace in 2009, the number of loans increased from 3,600 to 5,400; the total amount disbursed increased from EUR 6.4 million to EUR 10.6 million; and the number of Investors went from 12,600 to 16,700. 2009 has been a year with focus on improving the performance and quality among MYC4's network of Partners in Africa in order to prepare the company for growth in the years to come. As a result, only one new Provider was signed up, and exit strategies for five existing Partners were planned.

# facts

Already in its relatively short time of existence, MYC4 has gained wide attention across the world, in spite of very few marketing efforts.

In 2009, [www.myc4.com](http://www.myc4.com) was visited a total of **735,882** times by **199,802** unique visitors from **201** different countries.

They spend an average of **7.02** minutes on the website.





### 5.3 Current Partner Performance

The main reasons for the negative development in the old portfolio are the first selected start-up Partners and the bankruptcy of the MISCOCI insurance scheme in Ivory Coast in September 2008, which have resulted in an unacceptable high number of defaulted loans in 2009. Based on the lack of quality in the old portfolio it is expected that the relatively high number of defaults will continue during first half of 2010. Additionally, there is a risk of further losses for Investors depending on the outcome of a current fraud case with Ebony Capital Enterprise (see section: 5.3.1 Lawsuit against Ebony Capital Enterprise).

Activities with MYC4's two Partners in Ivory Coast have been stopped completely and in September 2009 the entire outstanding portfolio was transferred to a specialized local company, TRIUM, hired to collect as much money as possible. By December 31, TRIUM had collected EUR 2,687 out of a total outstanding balance of EUR 152,948. TRIUM has now informed that they no longer see a business case in continuing. MYC4 will either find a new Partner to take over the collection process or write off the remaining loans.

Through extensive Capacity Building and training, GrowthAfrica and Uganda Gatsby Trust have managed to improve both their operations significantly and both are showing promising perspectives for future development. Uganda Gatsby Trust has experienced an increase in late repayments in 2009, but the Management, the Board and the owner have worked hard to improve the situation and Capacity Building is continued. It is expected that a Risk Sharing agreement will be implemented with both Partners in first half of 2010.

Overall, the Capacity Building efforts have not been as successful as expected. FED/CMC in Uganda has experienced an increased risk in spite of extensive efforts. FED/CMC in Uganda has experienced an increased risk in spite of extensive efforts. In October 2009, FED/CMC was suspended from the marketplace to focus on collections alone. This effort has been with limited success, and the level of collections dropped from EUR 120,000 in February 2009 to EUR 5,000 in December 2009. With very few staff left, collections have been minimal in the first months of 2010. This has caused borrowers to speculate in a potential collapse of FED/CMC and thus showing no will to repay their loans. As of March 5, 2010, MYC4 signed a new agreement with FED/CMC based on the firm belief that the best possible way of collecting outstanding funds is to do this in collaboration with FED/CMC, who has the knowledge of the borrowers. The agreement is built on a step-by-step approach with main focus on collecting the loans that are least in arrears. MYC4 will support FED/CMC with EUR 2,000 per month for March and April. FED/CMC will also earn an extraordinary collections fee on collected loans. The agreement is to be evaluated and decisions of whether or not to continue will be made by end of April.

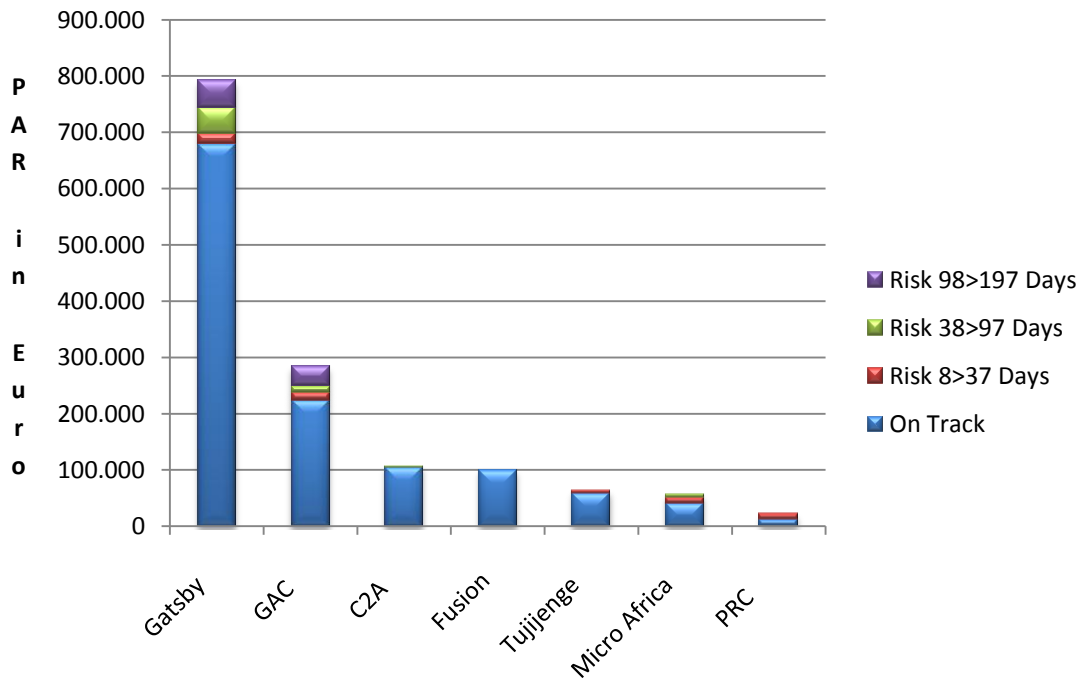
In Senegal, the Partner Birima, established by the world-renowned singer Youssou N'Dour, has grown to have an extremely unacceptable Portfolio at Risk (PAR) by year-end. September 3, an agreement between MYC4 and Birima was signed outlining that Birima will pay MYC4 Investors two installments one week before a loan passes into default. However, Birima has not been able to meet this agreement, and in November the first Birima loan was de-

faulted. Birima had an outstanding balance of EUR 121,630 at December 31, 2009. MYC4 is strongly pursuing the fulfillment of the agreement with Birima.

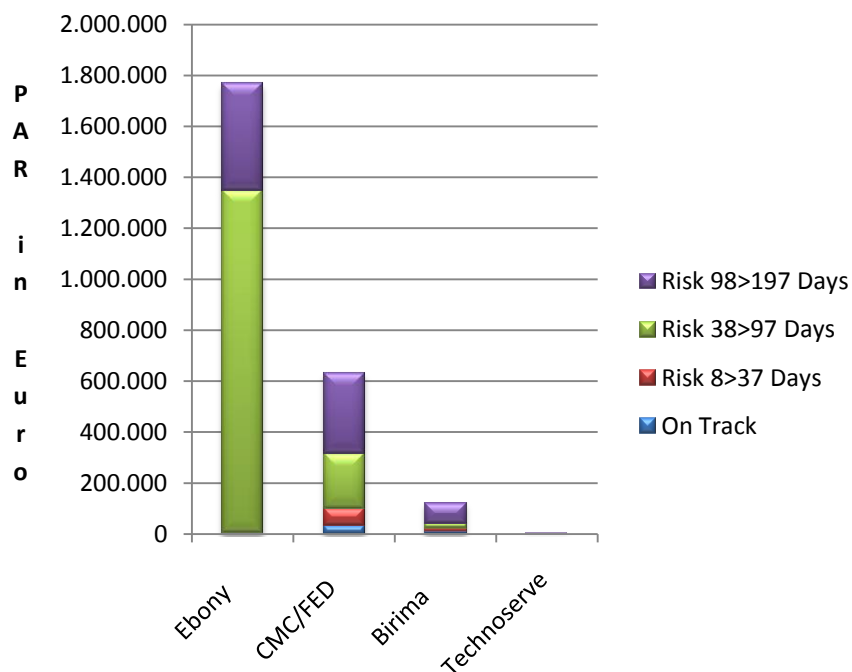
Throughout 2009, the strategy has been to either exit from or to bring poor performing Partners back on track with new procedures, Risk Management policies, the local presence and closer connection to Partners together with and overall prudence.

The learning and mistakes made during the company’s first years of operations have not shaken MYC4’s firm belief in the business model and the immense potential for creating a sustainable business while changing millions of lives in Africa via MYC4.

The figures below illustrate Portfolio at Risk (PAR) with ‘new’ and ‘old’ portfolio respectively:



*PAR in new portfolio divided between Partners*



*PAR in old portfolio divided between Partners*

### 5.3.1 Lawsuit against Ebony Capital Enterprise

In the fall of 2009, MYC4 experienced its first fraud case with a Partner by the name Ebony Capital Enterprise. Until early October, Ebony was amongst MYC4’s best performing Partners. However, an internal audit of Ebony, carried out by MYC4 late September, raised some concerns regarding Ebony’s procedures. From then it developed with breach of contract, court case and even into a criminal case against Ebony and its owner James Maina. At a ruling on December 24, 2009, a Receiver was appointed by court to take over control of Ebony. MYC4 is currently awaiting further development in the case. MYC4 is pursuing the case against Ebony very seriously with the goal to secure as much of Investors funds as possible as well as to pursue justice and set at strong example for future Partnerships that MYC4 does not tolerate fraud at any level.

The issues with Ebony pose a risk for MYC4 financially as well as image wise, since the potential large amount of losses among Investors can create dissatisfaction and mistrust in MYC4. Ebony has a total outstanding portfolio of EUR 1.8 million and all possible legal steps are being taken.

### 5.4 Partner Selection Strategy and Risk Sharing with Partners

Having learned from previous experience, an improved due diligence process of signing up new Partners was implemented in 2009. The process involves a thorough review by the Afri-

can team of the prospective Partner's current procedures including governance, management, operations, and review of loan book, products, reputation, business plans, and history.

To secure high quality in the process, the diligence, and a possible approval, has been broken down into steps ending up with a review and formal decision in the Partner Approval Committee (PAC) by the Executive Management. This setup will be further developed going forward.

This structured process is intended to ensure a good understanding of the capacities, strengths and weaknesses of the organizations with whom MYC4 enters into partnership, and to avoid partnering with organizations, which are too weak to carry out the task of providing quality loans to the marketplace.

It has been made mandatory for new Partners to undertake Risk Sharing in order to strengthen the quality of loans and the collection incentives for building a healthy portfolio.

In September 2009, the first new Partner was signed up using the above process. Fusion Capital Limited is a venture finance provider working in partnership with its owner, a UK registered fund with a main focus on the SME segment in Africa. In 2009, Fusion disbursed six loans at a total value of EUR 101,000. MYC4 and Fusion have a Risk Sharing agreement that Fusion maintains appropriate funds in a specified account that covers 15% of its portfolio. This account is updated every three months, where Fusion pays in funds prior to growing their portfolio. A specific loan, if defaulted, will be covered by the Fusion fund except for the first loss on 5% of the defaulted amount, which is carried by Investors.


Additionally, at year-end, MYC4's Partner in Ghana, Premier Resource Consulting (PRC), received a long awaited approval from the Ghanaian Central Bank allowing PRC to function as a financial provider receiving funds into the country and repatriating funds out of the country. This means that PRC can now start scaling activities, just as a planned supply chain project with a large supplier of cocoa beans, UK-based Armajaro, is ready.



# PROVIDER

Uganda Gatsby Trust has been a MYC4 Partner since January 2008. Uganda Gatsby Trust is a Non-Governmental Organization based at the Faculty of Technology, Makerere University, whose purpose is to support manufacturing and value adding businesses with the potential to grow. Uganda Gatsby Trust pursues the vision, mission, and purpose through Gatsby Micro Finance Limited, a company providing affordable financial services to existing SMEs and Gatsby Uganda Limited providing value-added solutions to all sectors.

*Read more on [www.gatsbyuganda.com](http://www.gatsbyuganda.com).*

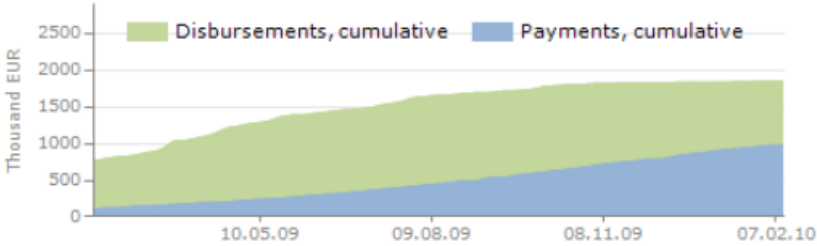


**Uganda Gatsby Trust**  
 UGT enhances the competitiveness and growth of Small and Medium enterprises by providing access to know-how, productive capacity, finance and markets.

|                                |   |
|--------------------------------|---|
| <b>MYC4 Partner Since:</b>     | 30.01.2008                                      |
| <b>Businesses Funded:</b>      | €1,856,307.00 in 795 Loans and 770 Businesses   |
| <b>Repaid Loans:</b>           | €246,286.33 in 127 loan(s) and 125 business(es) |
| <b>Repayments Received:</b>    | €975,783.94                                     |
| <b>Countries of Operation:</b> | Uganda  |
| <b>Average Loan Size:</b>      | €2,377.40                                       |
| <b>Average Loan Duration:</b>  | 16.6 months                                     |



|                                      |                                     |
|--------------------------------------|-------------------------------------|
| <b>Performance</b>                   |                                     |
| <b>Default risk:</b>                 | 14.50%                              |
| <b>Defaults to Date:</b>             | 3.16% with €58,705.48 in 38 loan(s) |
| <b>Total Portfolio at Risk(PAR):</b> | 23.25%                              |
| <b>PAR(8-37 days):</b>               | 8.93%                               |
| <b>PAR(38-97 days):</b>              | 6.34%                               |
| <b>PAR(98-187 days):</b>             | 7.98%                               |

### 5.5 IT Development Highlights 2009

IT development in 2009 has largely focused on optimizing the workflows for MYC4's Partners and providing them tools to manage their portfolio and risk more effectively. The first half of 2009, introduced the 'business' and 'product' concepts to the platform. The business concept allows improved tracking of borrowers, their credit history and their development across multiple loans. The product concept enables Partners to operate with a range of loan products with different predefined conditions instead of manually determining the conditions for each loan. This reduces the workload for the Partners in creating the loans and for MYC4 in reviewing the loans. Further the product concept creates more clarity for the Investors as similar loan types are attached to the same product. Improvements in the usability and reporting tools for partners were also made - allowing them to better follow up on borrowers, loans and payments. Finally a number of usability improvements were made in the backend used by MYC4 staff, allowing them to work more effectively.

In the second half of 2009 a restructuring of the repayment cycle was started, thereby improving reconciliation, reducing risk and shortening turnaround time. This work will complete in Q1 2010.

A significant portion of the development resources was also spent on a long list of smaller enhancements and maintenance. Some examples of enhancements include: grace period on loans, piloting Application Programming Interfaces (APIs) to allow people outside MYC4 to extend the marketplace functionality, implementation of a Partner specific forum to allow dialog between investors and Partners.

The IT organization went through significant changes in 2009. The offshore development center in Kampala was closed down in August and replaced by a smaller development team based in Copenhagen.

### 5.6 Investors, Online Forum and Media

There was an increase in the number of Investors in 2009 of approx. 4,100 new Investors in spite of no marketing efforts or advertising.

This has been in correspondence with MYC4's strategic decision of curbing growth and concentrating on building a strong marketplace and on-the-ground setup in order to be able to offer quality loans. Still the website has been visited more than 700,000 times during the year and MYC4 has attracted attention from 201 different countries throughout the globe. This proves the interest for MYC4 and the interest for alter-

facts

In 2009, news, discussions and debates in the MYC4 online Forum was viewed a total of **307,397** times.

**591** new debate threads were created by Investors and MYC4 Staff.

**4,067** times fellow Investors replied to and participated in the debates and discussions in Forum.

native ways of doing social business and investments in developing countries.

Even with the relatively limited amount of activity on the marketplace, especially during the latter half of the year, there has been a lively debate in MYC4's online Forum – a place for fellow Investors to discuss investments and related topics, and a place for direct dialogue with MYC4 and Partners. In average every new thread created gets replied to 6.8 times and it is read 520 times, which shows that the Forum is an important channel for communication with existing as well as new Investors.

MYC4's Investor Support Team receives inquiries and questions from Investors and other stakeholders, who chose to ask questions by email or telephone instead of in the Forum. A total of 2,550 email inquiries were handled during 2009 corresponding to approx. 10 emails per workday.

In the autumn, MYC4 experienced its first negative press coverage as a result of the overall bad performance and lack of positive returns among Danish Investors. MYC4 made itself available for interviews, and all articles were published on the MYC4 website and debated openly in the Forum. A surprising consequence of the bad publicity was an increase in new Investors during September. As it has been the nature of MYC4 from the very beginning, openness and transparency is characteristic for the way negative press inquiries are dealt with.

Without any proactive PR initiatives, MYC4 did also get positive publicity during 2009 in for instance in NOKIA's international stakeholder magazine 'Expanding Horizons', in Danish Samvirke, in a DR documentary 'Verdens Største Udfordringer' regarding poverty, and in Dutch television RTL.

In April, MYC4 was awarded the E-commerce Award given by the Association of Internet and Distance Trade. MYC4 won the category 'best financial e-commerce'.



### **5.7 Musketeers and Funding Strategy**

The vision of MYC4 is to become a global company owned widely by the citizens of the world. MYC4 invites diverse ownership and the company will sign up 12 co-owners, also called 'Musketeers', in addition to the three founding shareholders. The Musketeers will, besides investing patient capital in the growth of MYC4, act as ambassadors and catalysts for development of MYC4.

Three rounds of funding are planned with four new shareholders per round. The first round in 2008 has been completed; the second is open now, while the third round is expected to start in 2011. Each of the three rounds of shareholders can collectively nominate one Board member.

In January 2009, the Dutch foundation d.o.b joined as the fifth Musketeer and the first in round two. As the initial funding strategy was to have an increase in the investment amount

as MYC4's valuation increased, d.o.b foundation paid DKK 10 million (EUR 1.3 million) corresponding to a pre-money valuation set to DKK 190 million (EUR 25 million).

In December at an extraordinary General Assembly it was decided to change the conditions for new potential Musketeers to be similar to the price per share paid by first round of Musketeers in 2008. Hence, in 2010 MYC4 offers new as well as old shareholders to buy up to maximum 76,800 shares in MYC4 A/S at a share price of DKK 195 per nominal DKK 10.

An agreement was made between d.o.b foundation and the three founders of MYC4 to compensate d.o.b foundation for their higher purchase price by transferring 25,600 shares from the founders to d.o.b foundation.

At the extraordinary general assembly in December it was decided to convert a loan from Mads Kjaer through his company; The Way Forward of DKK 7 million (EUR 950,000) into shares. The conversion of debt to equity was at the share price of DKK 195.

With today's share capital, it is equal to a valuation of MYC4 A/S at DKK 112 million (EUR 15 million) pre money evaluation.

The Way Forward has committed to invest additionally DKK 8 million (EUR 1.1 million) into MYC4.

The budget for 2010 has been reduced in line with available funding commitment for 2010, and staff terminations were carried out in November 2009 reducing the headcount from 30 to 20 divided between the Copenhagen and Nairobi Offices. The priority has been to secure a strong Risk Management function with the responsibility to grow the company with new quality Partners in Africa and monitor the performance among Partner on the marketplace. Similar priority has been given to IT and to MYC4's ability to constantly develop the marketplace with new technology, and to the Cash Management function securing adequate handling of all Investor money.

With the revised funding strategy and the valuation of MYC4 it is expected to be likely to attract new shareholders.

# INVESTOR

## MALENE SMIDT HERTZ

Any initiative taken to eradicate poverty in an effective manner shall be welcomed. It is my core value that any change you want to see, starts with oneself. The idea of MYC4 is appealing to me, and has become my tool to acknowledge another human being's effort to change her life condition to the benefit of others as well. From my professional life, I have experienced that nothing moves things ahead more than when someone believes in you.

Malene Smidt Hertz was among the first Investors on MYC4 when she signed up in 2007 after having heard about the possibility of a new way of contributing to the long term development in Africa. She has invested in a total of 52 Businesses.





### 5.7.1 Grants and Donations

Since MYC4 was established it has benefitted from soft money from various donors, which has played an important role in the funding of development, operations and Capacity Building. In 2009, MYC4 has received grants/commitments from the following five donors:

|  |                    |
|--|--------------------|
| <p><b>DOEN;</b> one grant was received to fund the activities of a Capacity Building Coordinator to oversee the Capacity Building of African Partners. An option of additional EUR 25,000 is still pending for disbursement in 2010.</p> | <p>EUR 75,000</p>  |
| <p><b>Hivos;</b> two grants received in Q1 and Q4 for Capacity Building/Partner strategy and IT development respectively.</p> <p>An additional EUR 8,924 is due to be received in 2010.</p>  | <p>EUR 239,244</p> |
| <p><b>FMO;</b> two grants were committed in Q2 and Q3 for Capacity Building and Partner Strategy respectively. EUR 50,800 was paid out in 2009; the remainder is to be paid out in 2010.</p>   | <p>EUR 85,500</p>  |
| <p><b>Morgan Stanly/King Baudouin Foundation;</b> grant for Capacity Building and investing via the MYC4 marketplace.</p> <p>(USD 95,000, received 22nd January 2010)</p>  | <p>EUR 73,000</p>  |
| <p><b>Government of Luxembourg via the European Investment Bank;</b> partly for Partner Capacity Building and partly for MYC4's footprint in Africa (to be received in 2010)</p>   | <p>EUR 350,000</p> |

The Partner Capacity Building activities in 2009 concerned five of MYC4 first generation Partners who needed support to improve their loan appraisal methodologies, internal control systems, governance, and collections procedures. Two of these Partners have managed to turn around their businesses and improve the quality of their loan portfolios.

The work of the Capacity Building Coordinator in 2009 includes, among other things, a needs assessment in terms of future Capacity Building of old and new Partners, and should determine the Partner Capacity Building program for 2010.

The grant for a study of a new Partner Selection Strategy resulted in the development of a new Partner Selection Strategy, which was presented to and approved by the MYC4 Board end of 2009. This new strategy will give MYC4 a broader outreach by using other channels than MFIs as Partners, enabling MYC4 to reach the rural, youth and SME segments also going forward.

The IT grant enabled MYC4 to develop new functionalities on our marketplace such as grace periods, flexible repayment management and introducing of an API functionality, which will

allow for external programmers to develop features for the marketplace beyond what lies in the scope of MYC4's strategy.

The grant from King Baudouin Foundation was used for two purposes: Capacity Building and investing on the MYC4 marketplace via MYC4 Foundation, who can receive donations for investing in African entrepreneurs. MYC4 Foundation also received a number of small donations for permanent investment via the MYC4 platform in 2009.

The grant from the Government of Luxembourg administered by EIB is for 2010 activities and intended partly for Partner Capacity Building and partly for MYC4's footprint in Africa. The grant also entails that EIB will take an active role.

Due to the fact that it has not been possible to attract sufficient funding, the budget for 2010 is also relying on the ability to attract grants for e.g. IT development, marketing, business development, staff and pilot projects in Africa. MYC4 are grateful for the support and recognizes the importance of these grants to develop and grow outreach to more African entrepreneurs.

### **5.8 Processing and Internal Control**

Ongoing reconciliation is a requirement when dealing with trusted money. With the hiring of Ian Fannon as Head of Finance & Administration in June, a robust and structured approach to the reconciliation of the MYC4 marketplace in comparison to the bank accounts and cash transfer flows was initiated. This process will be finalized, documented, and fully implemented in first half of 2010.

To implement separation in all processes MYC4 decided to appoint PricewaterhouseCoopers as auditor while continuing using Deloitte for outsourcing of MYC4's book keeping. This separation follows the split between maker and checker.

### **5.10 Triple Bottom Line and CSR**

Corporate Social Responsibility has become a field with increasing focus. In its core business, MYC4 was founded with this tendency as a big driver, and in its nature, MYC4's business is social. Businesses like MYC4, which are founded on the basis of a social purpose, are often referred to as socially innovative businesses meaning that CSR is not an addition to the companies' area of business – it is the business model itself.

MYC4 was founded with inspiration from the United Nations' Millennium Development Goals to meet the problem that capital is scarce to businesses and entrepreneurs in Sub-Saharan Africa, which keeps millions of people trapped in poverty. MYC4 is based on a firm belief that by igniting business potential in developing countries, it is possible to trigger long term positive social impact. By providing access to capital on fair and transparent terms for 'underbanked' entrepreneurs, MYC4 speeds up economic growth in Sub-Saharan Africa and prosperity permeates through the lives of entrepreneurs, their families, employees and local community. MYC4 does not only contribute to business growth but also to higher standards within education, health, knowledge and gender equality.

In early 2007 MYC4 acquired membership of the UN Global Compact. The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anticorruption. By doing so, business, as a primary agent driving globalization, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

For MYC4, the Global Compact is a forum for learning and a way of engaging in dialogue with stakeholders. The Global Compact is also an opportunity to be accountable and transparent about efforts to integrate sustainability into the business.

Living up to the Global Compact Principles is part of MYC4's Code of Conduct, which enforces the following seven principles:

- 1) We enhance business potential through responsible strategic partnerships
- 2) We offer accountable, competitive and sustainable financial services
- 3) We only fund businesses acting in accordance with current legislation and in responsible industries
- 4) We urge transparency and accuracy of information in all aspects of MYC4
- 5) We avoid over-indebtedness
- 6) We incentivize ethical behavior and avoid conflicts of interest
- 7) We are committed to the ten UN Global compact principles

MYC4's business model is based on the theory of the Triple Bottom Line encompassing People, Planet and Profit in all activities and initiatives. MYC4 is a disruptive approach to addressing poverty, as; *'Business must be for a profit, but profit must be for a purpose'* governs all involved parties.

### **5.11 Financial Development in 2009**

In line with expectations, a loss of DKK 15.7 million and a positive equity of DKK 6.8 million were realized in 2009 as MYC4 continued to develop the organization. This development was realigned twice during the year, in June and November, resulting in the company's internal organization being restructured with new skills and competences added within Africa Operations, IT and Finance & Administration as well as reducing Sales, Marketing, Communication and Executive Management. MYC4 has reduced the organization to match the current level of business.

The development of the MYC4 marketplace continued with DKK 2 million being capitalized in 2009, yet a depreciation charge of same size. The current Net Book Value of the capital development costs as of December 31, 2009 is DKK 7.2 million.

The shareholders increased the equity of the company by DKK 17 million in 2009 by d.o.b foundation contributing with DKK 10 million. The Way Forward loan to MYC4 of DKK 7 million was converted in order to strengthen the equity of MYC4.

MYC4 made an additional provision of DKK 0.8 million in 2009 in respect to salary tax contributions following a final ruling from the Danish tax authorities confirming that MYC4 is considered a provider of financial services. This ruling means that MYC4 must calculate salary tax for all employees' salary related costs based on approximately 10%.

During 2009 MYC4 has paid out DKK 3.7 million to cover the MISCOCI Insurance Scheme in Ivory Coast. The provision made in 2008 assumed a certain repayment from Ivory Coast yet as no money has been received during 2009; MYC4 decided to write off the expected repayments 100% and has expensed DKK 0.8 million in 2009.

### **5.12 Outlook for 2010**

MYC4 expects to disburse EUR 5-7 million to African businesses through its Partners in 2010. This is expected to be in a combination of loans through existing Partners with EUR 2 million of the volume and EUR 3-5 million coming through new Partners.

The first years of activity have provided a solid Proof of Concept, yet it has become clear that using MFIs as the sole or primary source of loan screening and distribution does not provide the necessary scalability nor allow MYC4 to reach out to small businesses, rural and youth segments of the credit market.

MYC4's goal is to offer financial services at fair and transparent conditions to SMEs and cooperatives in the 'Missing Middle'. Thus, it has been assessed which channels will be most useable to target this market.

A new Partner Selection Strategy has been developed to outline how MYC4 can adjust the Partner search and selection together with Risk Management to scale the supply of African businesses faster and to better reflect MYC4's general strategy to reach out to small busi-



nesses and rural areas. In addition to MFIs and banks, the following two new categories of Partners are required to meet the goal:

- Small and Medium sized Businesses (SMEs)
- Supply Chain business (e.g. agriculture, health, education, and sustainable energy)

These segments represent not only great need for capital but also high social and environmental impact. MYC4 expects growth in all three segments. Thus, in 2010, MYC4 will offer the possibility to invest in different products of different loan sizes, and it is expected to introduce borrowers of significantly bigger size, while maintaining the ability to deal with a high number of smaller businesses.

In 2010, MYC4 will focus operations in East Africa, more specifically Kenya, Uganda, Rwanda, and Tanzania; plus a focus on Ghana in West Africa. Regarding Supply Chain businesses, pilots are to be carried out mainly in Mozambique and South Africa.

As MYC4's success depends on the capability to deliver satisfactory return to Investors, quality is of utmost importance. The aim is to have a PAR 30 in the forward going portfolio below 10%.

MYC4's cash flow is secured for the first 10 months of 2010. The Way Forward and Kjaer-Group have committed DKK 8 million, and a joint taxation contribution from KjaerGroup at DKK 2.5 million is expected. It is expected to sign up the next Musketeer or alternatively to be able to attract grants to cover the remaining DKK 1.5 million of the budget. The Way Forward has issued a Letter of Comfort to ultimately supply the required cash for 2010.

MYC4 will in 2010 continue investing in growth of the company resulting in an expected cash burn of DKK 12 million for the year.

### **5.13 Events after the Balance Sheet Date**

No further events have occurred after the balance sheet date to this date, which would influence the Annual report.

### **Going forward...**

- Risk Sharing is a must for all new Partners in order to have shared incentives for building a healthy portfolio
- Partners' fee structure must be incentivizing repayments (25% on disbursement and 75% on repayments)
- One Partner cannot account for more than 20% of the total MYC4 outstanding portfolio
- One country cannot account for more than 30% of the total MYC4 outstanding portfolio
- Focus on other Financial Institutions and Supply Chain Projects in order to grow MYC4's total portfolio
- Risk scoring of Partners in order to rate and manage Partners and their portfolios

## 6. Accounting Policies

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of a few provisions for reporting class C enterprises.

The accounting policies applied for this annual report is consistent with those applied last year.

### **Recognition and measurement**

Assets are recognized in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognized in the balance sheet when the Company has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement. Income is recognized in the income statement when earned, whereas costs are recognized by the amounts attributable to this financial year.

### **Foreign currency translation**

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognized in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## 6.2 Income statement

### **Revenue**

Revenue is taken to income as the customer's pays the fees.

### **Other external expenses**

Other external expenses comprise expenses for sale, marketing, administration, premises, bad debts, etc.

Other external expenses also include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet.

#### **Staff costs**

Staff costs comprise salaries and wages as well as social security costs, pension contributions, etc for the Company's staff.

#### **Financial income and expenses**

These items comprise interest income and expenses, realized and unrealized capital gains and losses on payables and transactions in foreign currencies, as well as tax surcharge and tax relief under the Danish Tax Prepayment Scheme. Interest expenses and other financial expenses for manufacturing assets are not included in the cost of assets, but are recognized in the income statement as incurred.

#### **Income taxes**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year.

The current tax payable or receivable is recognized in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Deferred tax is recognized on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carry forwards, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets.

The Company is jointly taxed with its Parent and the entire Parent's other Danish subsidiaries. The current income tax is allocated among the jointly taxed companies proportionally to their taxable income (full allocation with a refund concerning tax losses).

### **6.3 Balance sheet**

#### **Intangible assets**

Intangible assets comprise uncompleted and completed development projects. Other intangible assets comprise uncompleted and completed development projects with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilization, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognized as intangible assets. Other development costs are recognized as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and amortization that are directly and indirectly attributable to the development projects. Financing costs are not included in cost.

Completed development projects are amortized on a straight-line basis using the estimated useful lives of the assets. The amortization period is five years.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

### **Equipment**

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation. Cost comprises the acquisition price, costs directly attributable to the acquisition, and preparation costs of the asset until the time when it is ready to be put into operation. Financing costs are recognized in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets: Other fixtures and fittings, tools and equipment: 3-5 years.

Equipment is written down to the lower of recoverable amount and carrying amount.

### **Receivables**

Receivables are measured at amortized cost, usually equaling nominal value less provisions for bad debts.

### **Other investments**

Securities recognized under current assets comprise investments on the MYC4 portal. The investments are measured at fair value at the balance sheet date.

### **Prepayments Received from Investors**

Prepayments received from Investors relate to cash transactions received into the MYC4 A/S Investor bank accounts subsequent to the transfer of account balances to the newly created Investor bank accounts within the Foundation. These funds have since been transferred to the Foundation bank accounts in 2010.

### **Dividends**

Dividends are recognized as a liability at the time of adoption at the general meeting. The proposed dividends for the financial year are disclosed as a separate item in equity.

### **Other provisions**

Other provisions comprise anticipated costs of non-recourse guarantee commitments.

Other provisions are recognized and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.



**Lease commitments**

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

**Other financial liabilities**

Other financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

## 7. Income Statement 2009

|  | <u>Notes</u> | <u>2009<br/>DKK</u>        | <u>2008<br/>DKK'000</u> |
|--|--------------|----------------------------|-------------------------|
| Revenue                                    |              | 955.592                    | 1.269                   |
| Staff costs                                | 1            | (7.861.586)                | (8.437)                 |
| Other external expenses                    |              | (11.032.150)               | (15.470)                |
| Depreciations                              | 2            | <u>(2.278.792)</u>         | <u>(1.423)</u>          |
| <b>Operating profit/loss</b>               |              | <b>(20.216.936)</b>        | <b>(24.061)</b>         |
| Financial income                           |              | 66.017                     | 112                     |
| Financial expenses                         |              | <u>(149.212)</u>           | <u>(219)</u>            |
| <b>Profit/loss before tax</b>              |              | <b>(20.300.131)</b>        | <b>(24.168)</b>         |
| Tax on profit/loss regarding previous year |              | 2.093.114                  | 0                       |
| Tax on profit/loss for the year            | 3            | <u>2.500.000</u>           | <u>3.411</u>            |
| <b>Net profit/loss for the year</b>        |              | <b><u>(15.707.017)</u></b> | <b><u>(20.756)</u></b>  |
| Proposed distribution of profit/loss       |              |                            |                         |
| Retained earnings                          |              | <u>(15.707.017)</u>        |                         |
|  |              | <b>(15.707.017)</b>        |                         |

## 8. Balance sheet December 31 2009

|  | <u>Notes</u> | <u>2009<br/>DKK</u> | <u>2008<br/>DKK'000</u> |
|--|--------------|---------------------|-------------------------|
| Development costs                                | 4            | 7.186.675           | 7.284                   |
| <b>Intangible assets</b>                         |              | <b>7.186.675</b>    | <b>7.284</b>            |
| Other fixtures and fittings, tools and equipment | 5            | 260.803             | 374                     |
| <b>Property, plant and equipment</b>             |              | <b>260.803</b>      | <b>374</b>              |
| <b>Fixed assets</b>                              |              | <b>7.447.478</b>    | <b>7.658</b>            |
| Receivables from group enterprises               |              | 19.136              | 0                       |
| Trade receivables                                |              | 569.005             | 1.084                   |
| Income taxes receivable                          |              | 2.500.000           | 3.116                   |
| Other receivables                                |              | 1.395.378           | 1.817                   |
| <b>Receivables</b>                               |              | <b>4.483.519</b>    | <b>6.017</b>            |
| Investments on MYC4                              |              | 115.447             | 100                     |
| <b>Current asset investments</b>                 |              | <b>115.447</b>      | <b>100</b>              |
| <b>Cash</b>                                      |              | <b>1.768.346</b>    | <b>1.671</b>            |
| <b>Not invested investor payments</b>            |              | <b>640.215</b>      | <b>8.886</b>            |
| <b>Current assets</b>                            |              | <b>7.007.527</b>    | <b>16.675</b>           |
| <b>Assets</b>                                    |              | <b>14.455.005</b>   | <b>24.333</b>           |

|   | <u>Notes</u> | <u>2009<br/>DKK</u>      | <u>2008<br/>DKK'000</u> |
|---|--------------|--------------------------|-------------------------|
| Share capital                                       |              | 5.478.050                | 4.864                   |
| Retained earnings                                   |              | <u>1.312.647</u>         | <u>634</u>              |
| <b>Equity</b>                                       | 6            | <b><u>6.790.697</u></b>  | <b><u>5.498</u></b>     |
| Other provisions                                    |              | <u>979.976</u>           | <u>4.000</u>            |
| <b>Provisions</b>                                   |              | <b><u>979.976</u></b>    | <b><u>4.000</u></b>     |
| Bank debt   |              | 34.722                   | 197                     |
| Payables to group enterprises                       |              | 0                        | 1.041                   |
| Trade payables                                      |              | 407.077                  | 1.447                   |
| Prepayments received from investors                 |              | 888.299                  | 8.886                   |
| Other payables                                      |              | <u>5.354.234</u>         | <u>3.264</u>            |
| <b>Short-term liabilities other than provisions</b> |              | <b><u>6.684.332</u></b>  | <b><u>14.835</u></b>    |
| <b>Liabilities other than provisions</b>            |              | <b><u>6.684.332</u></b>  | <b><u>14.835</u></b>    |
| <b>Equity and liabilities</b>                       |              | <b><u>14.495.005</u></b> | <b><u>24.333</u></b>    |
| Contingent liabilities, etc.                        | 7            |                          |                         |
| Other notes   | 8-9          |                          |                         |

## Notes

|  | <b>2009<br/>DKK</b> | <b>2008<br/>DKK'000</b>              |
|--|---------------------|--------------------------------------|
| <b>1. Staff costs</b>  |                     |                                      |
| Salaries and wages   | 8.709.070           | 8.365                                |
| Other social security costs  | 118.439             | 72                                   |
|  | <b>8.827.509</b>    | <b>8.437</b>                         |
| Activation of development costs  | (965.923)           | 0                                    |
|  | <b>7.861.586</b>    | <b>8.437</b>                         |
| <b>Average number of employees</b>   | <b>20</b>           | <b>24</b>                            |
| <b>2. Depreciation</b>   |                     |                                      |
| Development costs  | 2.125.989           | 1.317                                |
| Other fixtures and fittings, tools and equipment                           | 152.803             | 106                                  |
|  | <b>2.278.792</b>    | <b>1.423</b>                         |
| <b>3. Tax on profit/loss for the year</b>                                  |                     |                                      |
| Current tax  | (2.500.000)         | (3.000)                              |
| Change in deferred tax   | 0                   | (411)                                |
| Change in deferred tax as a result of the reduction in the income tax rate | 0                   | 0                                    |
|  | <b>(2.500.000)</b>  | <b>(3.411)</b>                       |
|  |                     | <b>Development<br/>costs<br/>DKK</b> |
| <b>4. Intangible assets</b>  |                     |                                      |
| Cost at 01.01.2009   |                     | 8.601.470                            |
| Additions  |                     | 2.028.476                            |
| <b>Cost at 31.12.2009</b>  |                     | <b>10.629.946</b>                    |
| Depreciation at 01.01.2009   |                     | 1.317.282                            |
| Depreciation for the year  |                     | 2.125.989                            |
| <b>Depreciation at 31.12.2009</b>  |                     | <b>3.443.271</b>                     |
| <b>Carrying amount at 31.12.2009</b>                                       |                     | <b>7.186.675</b>                     |



|                                      | <b>Other<br/>fixtures, etc<br/>DKK</b> |
|--------------------------------------|--|
| <b>5. Equipment</b>                  |  |
| Cost at 01.01.2009                   | 544.612                                |
| Additions                            | 199.928                                |
| Disposal                             | (199.928)                              |
| <b>Cost at 31.12.2009</b>            | <b>544.612</b>                         |
| Depreciation at 01.01.2009           | 170.437                                |
| Depreciation for the year            | 152.802                                |
| Depreciation disposal                | (39.430)                               |
| <b>Depreciation at 31.12.2009</b>    | <b>283.809</b>                         |
| <b>Carrying amount at 31.12.2009</b> | <b>260.803</b>                         |

|                             | <b>Share<br/>capital<br/>DKK</b> | <b>Retained<br/>earning<br/>DKK</b> | <b>Total<br/>DKK</b> |
|-----------------------------|----------------------------------|-------------------------------------|----------------------|
| <b>6. Equity</b>            |                                  |                                     |                      |
| Equity at 01.01.2009        | 4.864.000                        | 633.712                             | 5.497.712            |
| Capital increase            | 614.050                          | 16.384.952                          | 16.999.002           |
| Profit/loss for the year    | 0                                | (15.707.017)                        | (15.707.017)         |
| <b>Equity at 31.12.2009</b> | <b>5.478.050</b>                 | <b>1.312.647</b>                    | <b>6.790.697</b>     |

Share capital consists of shares at DKK 1,000 or multiples of these. The shares have not been divided into classes.

|   | <b>2009<br/>DKK</b> |
|---|---------------------|
| Changes in share capital since the Company's establishment on 19.05.2006: |                     |
| Contribution on establishment   | 500.000             |
| Capital increase 2006   | 1.240.000           |
| Capital reduction 2006 to cover loss                                      | (300.000)           |
| Capital increase 2007   | 2.400.000           |
| Capital increase 2008   | 1.024.000           |
| Capital increase 2009   | 614.050             |
| <b>Share capital at 31.12.2009</b>  | <b>5.478.050</b>    |

### **7. Contingent liabilities, etc.**

The Company has entered into a rent agreement which is interminable until 1 April 2011. The total rent obligation in the period of interminability amounts to DKK 613,000.

### **8. Ownership**

The Company has registered the following shareholders to hold more than 5% of the voting share capital or of the nominal value of the share capital:

**Kjaer Group A/S**, Groennemosevej 6, DK-5700 Svendborg

**The Way Forward ApS**, Groennemosevej 6, DK-5700 Svendborg

**casa-share ApS**, Ved Kanalen 1, DK-1413 Copenhagen K

**Dutch Oak Tree Foundation**, 2 Temple Back East, Temple Quay, Bristol, BS 1 6EG, UK

### **9. Consolidation**

MYC4 A/S is included in the consolidated financial statements of The Way Forward ApS, Central Business Registration No 25 47 31 59.

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## **Contact**

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