MYC4 A/S

ANNUAL REPORT

2013

CVR 29 60 38 63

MYC4 A/S

Annual Report 2013

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1. MYC4 – Eradicating Poverty through Business

Africa is among the world's most rapidly growing economic regions, with real GDP rising 5 percent per year since 2000. MYC4 is a solution to the paradigm that Africa represents an enormous untapped business potential, yet investment opportunities in Africa are hard to access due to incomplete financial markets, with 80% of the adult African population having no bank account.

MYC4 is an online Peer-to-Peer platform providing loans at fair price to micro- and small businesses in Africa and social- as well as economical return to the funding investors. MYC4 is matching people with need for capital and people with means to invest, fueled by:

- enabling African business to attract capital at market conditions and grow their business
- providing Investors access to risk/return adjusted investments with social impact

The online platform is built around a network of African Financial Partners who are responsible for identifying and screening for sound businesses as well as handling all financial transactions. The Partners are incentivized to provide best possible economic prospects for return to Investors and simultaneously social impact.

MYC4 is a business, based on servicing volumes of loans via the online platform. MYC4 charges a fee and an interest to the African Business for providing the loan and facilitating the financial transactions.

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
Sankt Annæ Plads 19A,2.
DK-1250 Copenhagen K

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

Phone: +45 70 26 20 15
Internet: www.myc4.com

Company Auditors

PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Board of Directors

Niels B. Thuesen, Chairman
Steven Thomas
Tim Vang
Lukas Wellen
Iris Ollivault
Derek Saleeby

Executive Management

Mads Kjær, CEO and Co-founder

The General Annual Meeting adopted the Annual Report on May ____, 2014

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, 2013.

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. The Annual Report is presented in English, which is the language applied in the Company. At the Annual General Meeting we will propose the Articles of Association amended so that all corporate documents can be in English.

We 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, 17 March 2014

Executive Management

Mads Kjær,
CEO

____

Board of Directors

Niels B. Thuesen *Chairman* ____________________________	*Tim Vang* ____________________________
Lukas Wellen ____________________________	*Steven Thomas* ____________________________
Iris Ollivault ____________________________	*Derek Saleeby* ____________________________

4. Independent Auditor's Report

To the Shareholders of MYC4 A/S

Report on the Financial Statements

We have audited the Financial Statements of MYC4 for the financial year 1 January – 31 December 2013, which comprise income statement, balance sheet, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires 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 audit procedures to 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 of Financial Statements that give a true and fair view 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.

The 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 2013 and of the results of the Company operations for the financial year 1 January - 31 December 2013 in accordance with the Danish Financial Statements Act.

Emphasis of matters concerning issues in the annual report

Without qualifying our auditor's report, we draw attention to the information in note 5 "Equity" in which Management describes the assumptions for how the share capital is expected to be restored, for the Company's future liquidity resources and the uncertainty associated with them.

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 of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Financial Statements.

Hellerup, 17 March 2014

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Benny Voss

State Authorised Public Accountant

5. Management Review

5.1 Main Activities 2013

MYC4's focus since 2010 has been carried into 2013 improving the business model, the co-operation with our loan providers and the quality of our loan portfolio with reduced default ratio. We have achieved the objective and demonstrated that MYC4 can deliver the product intrinsic/imbedded in its business model i.e. the ability to invest in Africa with the possibility of both a social and a financial return. The operations in 2013 once again confirmed the basics in the business model were working.

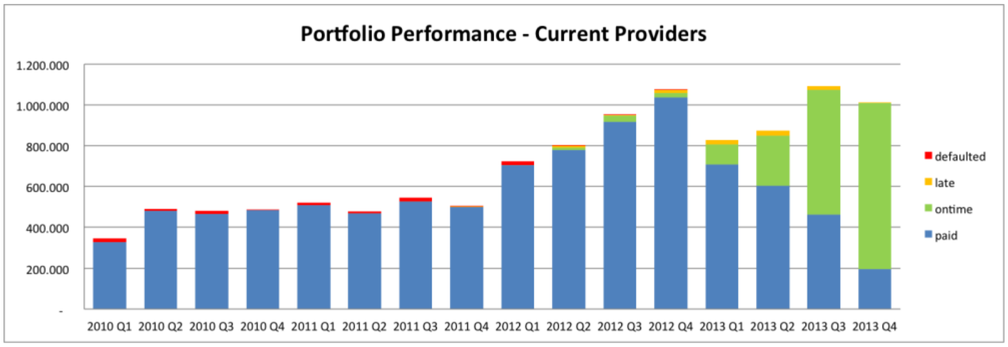
Since 2010 we have also made our head office lean and cut costs. As part of this process we have moved some operations to Kenya where we in 2013 established MYC4 (EA) Limited as a 100% owned subsidiary of MYC4 A/S.

In 2013, MYC4 business continued growing. A total of €3.8 million was disbursed to 5,300 borrowers, which is a 6 % growth from 2012 in amount disbursed. This growth was achieved despite the fact that our biggest partner (loan provider) stopped activity on MYC4 in March 2013 after a successful takeover by a financial institution who preferred to fund the loans. The growth was also realized in the backdrop of one other partner (loan provider) experiencing some challenges in 2013 and could only disburse less than half of what the institution did in 2012. We managed to compensate for this through increased cooperation with other partners and by developing partnerships with 3 new loan providers: Mtaji Credit Facility, Fanikiwa Microfinance Company and Uganda Microcredit Foundation.

However, we could have done more if we had more liquidity on the platform MYC4.COM which is currently the biggest limitation for growth. In 2013 two financial institutions became active on the platform uploading app. €100,000 each and investing them in loans on the platform.

In terms of performance the portfolio continues to be healthy with portfolio at risk measured as loans with installments due for more than 30 days (PAR30) currently being approximately 5.4%. The net defaults remained below 2% which is usually compensated by the loan providers under risk cover guarantees.

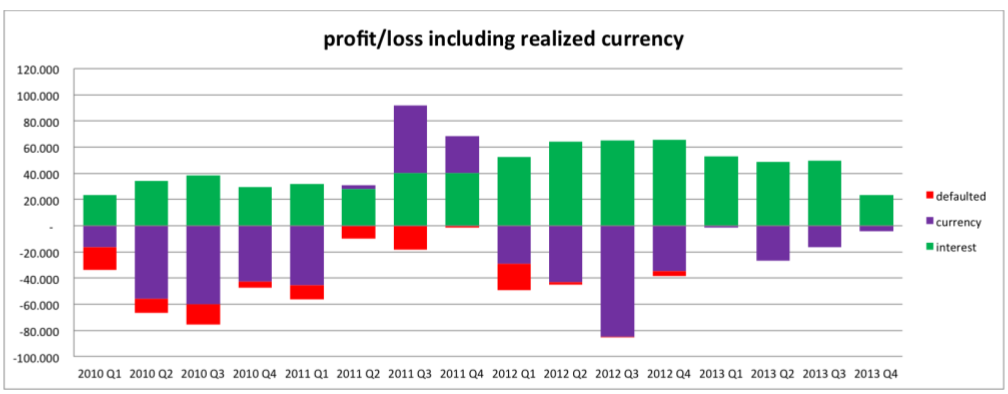
From an investor point of view, the **overall net return is again positive at 1.9 %** on loans disbursed by the current providers* in the last four years. This is an indication of stability in overall net returns when looked at in the light of the last few quarters: 1.7% for Q3 2013, 1.6 % for Q2 2013, 1.5 % for Q1 2013, 1.7 % for Q4 2012 and 1.9 % for Q3 2012.



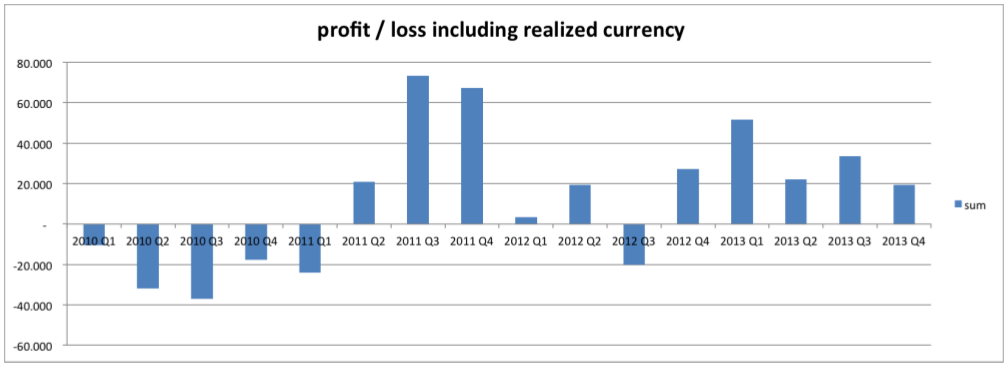
The Portfolio Performance Graph above shows the performance of loans disbursed since 2010 divided by quarter of disbursement. The colour blue shows funds that have already been repaid, green shows amounts that are being repaid on time, yellow indicates the balances on loans that are currently more than 30 days late, while red shows the net defaulted principal (i.e. defaulted principal less recoveries).

The disbursements were distributed among 9 providers, three in each of our countries of operation (Kenya, Uganda and Tanzania).

The overall net result of 9 of the last 10 quarters – the exception still being Q3 2012 with significant currency losses – continues to be positive seeing as interest earned covers losses on currency and defaults (see graphs below). Loans disbursed in 2013 have not been affected that much by currency fluctuations, but considering that 65 % is still outstanding on this portfolio, it is too soon to know how it will develop in the months to come.



Profit & Loss – current providers*



Net profit & loss (sum of interest, defaults less recoveries, and currency gains/losses) – current providers*

The Profit & Loss graphs above show the current result on loans disbursed since 2010 divided by quarter of disbursement. In the first graph, the colour green shows the earned interest, the red indicates the net defaults (i.e. defaulted principal less recoveries), and the purple shows the net realised currency gains or losses. The second graph shows the same figures as a net sum to give an easy overview quarter by quarter.

**Current Providers: Gatsby Microfinance Ltd, Tujijenge Tanzania, Tujijenge Uganda, KEEF, Yehu Microfinance Trust, SISDO, Fanikiwa Microfinance Company Ltd., Mtaji Credit Facility Ltd, and Uganda Microcredit Foundation Ltd.*

The total MYC4 portfolio closed the year with an **outstanding loan balance (OLB) of €2.35 million** in 5,188 active loans. This is an increase from the previous year's €2.26 million with app. 3,800 active loans and an overall growth of 3.7% in 2013. Around 47 % of the portfolio is concentrated in Kenya; 26 % is held in Uganda and with 27 % in Tanzania.

At the end of 2013 +83,300 people had been influenced directly through 16,927 businesses funded through MYC4. 82% of these businesses are informal and majority of them (61%) are owned by women. Business and farming loans continue to be the major funding areas accounting for 71% of the loans disbursed. Others include service, education, health and renewable energy loans.

5.2 Challenges and opportunities for 2014

We are coming off a good year and begin 2014 with a lot of enthusiasm.

During 1st quarter 2014 we expect to formalize partnership agreements with additional two new loan providers and are looking forward to more growth in 2014.

Liquidity on the platform MYC4.COM is still the biggest limitation for growth. In 2013 two financial institutions became active on the platform uploading app. €100,000 each and investing them in loans on the platform. We are working on models to attract more institutional investors to fund the loans on the platform.

On the investor side, foreign exchange risk remains a key challenge when it comes to making a positive return on the platform. While it is unrealistic to eliminate this risk, it may be possible to improve the MYC4 model in such a way that foreign exchange risk is better contained and that expenses related to currency conversions and money transfers are reduced. This we will work with in the next year.

We hope you will join us for 2014.

5.3 Financials

As expected, MYC4 came out of 2013 with a loss of DKK 2.209.268. The loss has been funded by new share subscriptions, primarily by the majority shareholder The Way Forward ApS but also from other shareholders. The accumulated losses over the years is seen as an investment by the Shareholders in building a profitable and sustainable business that can serve its stakeholders with fair and transparent financial services.

For 2014 we expect a smaller loss and The Way Forward ApS has also offered to fund the budgeted cash needs for the coming year. We continue our efforts to find new Shareholders to fund initiatives which can take the business the next step and grow it to critical mass.

More than EUR 8m has been invested into the company over the last 5 years and the platform today is unique in respect to a for-profit organization that provides full transparency and access to information globally.

5.4 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.

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 measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities.

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.

Investments in subsidiaries
Investments in subsidiaries are recognized and measured under the Equity method.

The items "Investments in subsidiaries" in the balance sheet include the proportionate ownership share of the net asset value of the enterprise calculated on the basis of the fair values of identifiable net assets at the balance sheet date.

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

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 for 2013

	Notes	2013 DKK	2012 DKK'000
Revenue		1.920.294	1.926
Other income		92.947	810
Staff costs	1	(1.338.658)	(1.551)
Other external expenses		(2.403.400)	(2.294)
Depreciations	2	(975.856)	(2.330)
Operating profit/loss		**(2.704.673)**	**(3.439)**
Share of Profit/Loss in Subsidiary		(176.792)	0
Financial income		5.118	0
Financial expenses		(48.921)	(146)
Profit/loss before tax		**(2.925.268)**	**(3.585)**
Tax on profit/loss regarding previous year	3	716.000	1.142
Tax on profit/loss for the year	3	0	0
Net profit/loss for the year		**(2.209.268)**	**(2.443)**
Proposed distribution of profit/loss			
Retained earnings		(2.209.268)	(2.443)
		(2.209.268)	(2.443)

8. Balance sheet at 31 December 2013

	Notes	2013 DKK	2012 DKK'000
Development costs	4	167.152	1.143
Intangible assets		**167.152**	**1.143**
Other fixtures and fittings, tools and equipment	4	0	0
Property, plant and equipment		**0**	**0**
Investments in Subsidiary	4	50.695	0
Investments in Subsidiary		**50.695**	**0**
Fixed assets		**217.847**	**1.143**
Loans and Investment accounts on MYC4 platform		0	296
Trade receivables		146.768	187
Receivables on Group enterprises		97.739	0
Other receivables		158.525	145
Receivables		**403.032**	**628**
Cash		**609.299**	**59**
Current assets		**1.012.331**	**687**
Assets		**1.230.178**	**1.830**

8. Balance sheet at 31 December 2013 continued

	Notes	2013 DKK	2012 DKK'000
Share capital		11.244.680	8.453
Retained earnings		(11.748.407)	(9.815)
Equity	5	**(503.727)**	**(1.362)**
Payables to Group enterprises		125.483	1.291
Trade payables		0	38
Cut off items		0	6
Other payables		1.608.422	1.857
Short-term liabilities		**1.733.905**	**3.192**
Equity and liabilities		**1.230.178**	**1.830**
Contingent liabilities, etc.	6		
Other notes	7-8		

Notes

	2013 DKK	2012 DKK'000
1. Staff costs		
Salaries and wages	1.240.975	1.476
Other social security costs	97.683	75
	1.338.658	**1.551**

2. Depreciation		
Development costs	975.856	2.293
Other fixtures and fittings, tools and equipment	0	37
	975.856	**2.330**

3. Tax on profit/loss

The Company has a deferred tax asset relating to losses in 2006-2013. The deferred tax asset is not recognized in the balance sheet, cf. accounting policies.

Revenues from associated companies for their use of the Company's tax losses are reported as Tax on profit/loss regarding previous year.

Tax on profit/loss for the year:		
Current tax	0	0
Change in deferred tax	0	0
Change in deferred tax as a result of the reduction in the income tax rate	0	0
	0	**0**

Notes continued

4. Fixed assets

	Development costs DKK	Other fixtures etc. DKK	Investments in Subsidiary DKK
Cost at 01.01.2013	11.465.696	544.612	0
Additions	0	0	230.785
Disposal	0	0	0
Cost at 31.12.2013	**11.465.696**	**544.612**	**230.785**
Depreciation at 01.01.2013	10.322.688	544.612	0
Depreciation / write down for the year	975.856	0	180.090
Depreciation disposal	0	0	0
Depreciation at 31.12.2013	**11.298.544**	**544.612**	**180.090**
Carrying amount at 31.12.2013	**167.152**	**0**	**50.695**

Investments in Subsidiary are 100% of the shares in MYC4 (EA) Limited, Kilimani Business Centre Kirichwa Road P.O. Box 24050, 00100 Nairobi, Kenya founded in 2013.

5. Equity

	Share capital DKK	Retained earnings DKK	Total DKK
Equity at 01.01.2013	8.453.010	(9.815.008)	(1.361.998)
Capital increase	2.791.670	279.167	3.070.837
Exchange rate adj. of Investments in Subsidiary	0	(3.298)	(3.298)
Profit/loss for the year	0	(2.209.268)	(2.209.268)
Equity at 31.12.2013	**11.244.680**	**(11.748.407)**	**(503.727)**

The biggest shareholder The Way Forward ApS has undertaken to make available to MYC4 A/S additional funding of an amount up to 150,000 EUR which according to the company's budget is assumed to secure the expected needs for Cash for the next year according to the Company's budget. In the longer run it is expected that the company will produce positive financial results and reestablish the share capital.

Notes continued

Share capital consists of shares at DKK 10 or multiples of these. The shares have not been divided into classes.

Changes in share capital since the Company's establishment on 19.05.2006 are:

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
Capital increase 2011	157.290
Capital increase 2012	2.817.670
Capital increase 2013	2.791.670
Share capital at 31.12.2013	**11.244.680**

6. Contingent liabilities, etc.

The Company has no contingent liabilities at the reporting date.

7. Ownership and related parties

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:

The Way Forward ApS, Skt. Annæ Plads 19A, 2., DK-1250 Copenhagen K
Kjaer Group A/S, 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

MYC4 A/S is working closely together with MYC4 Foundation, Skt. Annæ Plads 19A, 2., DK-1250 Copenhagen K. However, the MYC4 Foundation is an independent, self-owned fund administering deposited funds received from investors, who wish to invest via the MYC4 A/S platform.

8. Consolidation

MYC4 A/S is included in the consolidated financial statements of The Way Forward ApS, Sankt Annæ Plads 19A,2., DK-1250 Copenhagen K, Central Business Registration No 25 47 31 59. The consolidated financial statements can be ordered from Erhvervsstyrelsen, Langelinie Alle 17, 2100 København Ø, Denmark or on www.erhvervsstyrelsen.dk.