DUKASCOPY EUROPE IBS AS

(REGISTRATION NUMBER 40003344762)

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

Riga, 1 March 2012

CONTENTS

Information on the Company

Name of the Company	Dukascopy Europe IBS AS
Legal status	Joint Stock Company
Number, place and date of registration	40003344762, Riga, Latvia, 30 May 1997
Legal address	Lāčplēša iela 20 A - 1, Riga, Latvia, LV-1011
Shareholders	DUKASCOPY BANK SA (100%)
Management Board	Dmitrijs Krutiks (Chairman) – until 26.05.2011, Aleksis Gulbis (Chairman) – entry on appointment made in the Commercial Register on 27 May 2011 Daniels Žirjakovs (Management Board Member) - until 26.05.2011, Andrejs Bagautdinovs (Management Board Member) – entry on appointment made in the Commercial Register on 27 May 2011 Igors Pronins (Management Board Member) – entry on appointment made in the Commercial Register on 27 May 2011
Supervisory Board	Aleksandrs Kaļinovskis (Chairman) - until 26.05.2011, Andrey Duka (Chairman) – entry on appointment made in the Commercial Register on 27 May 2011 Rolf P.Fuls (Member of the Supervisory Board) - until 26.05.2011, Veronika Makarova (Member of the Supervisory Board) – entry on appointment made in the Commercial Register on 27 May 2011 Jaroslavs Zamullo (Member of the Supervisory Board) - until 26.05.2011, Alain Daniel Broyon (Member of the Supervisory Board) – entry on appointment made in the Commercial Register on 27 May 2011
Reporting period	1 January 2011 – 31 December 2011
Auditors	SIA KPMG Baltics Vesetas iela 7, Riga Latvia, LV -1013 License No 55

Report of the Supervisory Board and Management Board

Dukascopy Europe IBS AS (the Company) is a licensed investment broker and a participant of the financial market.

Until 27 May 2011, the name of the Company was Joint Stock Company RB Securities and it was a 100% subsidiary of AS Rietumu Banka, Latvia.

On 27 May 2011, changes were registered in the Enterprise Register of the Republic of Latvia to reflect that the Company's name was changed to Dukascopy Europe IBS AS, a new Council and Board was elected, and the legal address was changed.

On 31 May 2011, changes were made in the shareholders' register of the Company to reflect that 100% shares were now held by Dukascopy Bank SA, CH-660-1823004-9, Route de Pre-Bois 20, CH-1215 Meyrin 15, Switzerland.

As a result of the above, all claims and liabilities of the Company as at 31 May 2011 and all customers were taken over by the new shareholders.

During 2011 the Company continued providing investment services and investment by-services to the existing customers and attracted new customers by offering them an opportunity to make transactions with financial instruments using SWFX Swiss Forex Marketplace, a technological solution of Dukascopy Bank SA (parent company).

Reputation and up-to-date technologies of the parent company represent the key advantages of the Company compared to other market players.

The Company's staff are high class specialists with long-term experience in financial markets and a potential that can be used efficiently to achieve the objectives that the customers set for their investments. As in the previous years, the Company acted in compliance and coordination with all the requirements set by the Financial Capital and Market Commission (FCMC, or the Regulator) and relevant Latvian legislation.

The financial result for 2011 is a loss of LVL 108 897, of which LVL 57 529 were incurred until the date of acquisition (31 May 2011). Assets as at 31 December 2011 amount to LVL 332 078. During the reporting year, total assets of the Company decreased by 23% which is explained by the net loss of the year and by the disposal of some assets before the Company was taken over in the middle of the reporting year.

The Company started developing business activities under new shareholder on 12 October 2011 and at the year-end it had 86 new customers.

In spite of the Company's focussing on administrative and organizational measures during 2011 in order to ensure the Company is in the position to provide high class investment services, there are certain positive trends noted in the performance indicators for the reporting year: the number of new customers and their transactions is increasing.

The new management combines reasonable decision-making with a strict approach to risk management.

In 2012, the Company will continue improving the quality of services and introduce new IT solutions. In 2012 it is planned to extend the range of services and investment products to provide our customers with more extensive investment opportunities.

Address: Lacplesa iela 20A-1, Riga, Latvia, LV-1011
Registration number: 40003344762

We are truly satisfied and grateful to our customers and partners for their trust in the Company, as well as to our team for their work and contribution in 2011.

A. Duka
Chairman of the Supervisory Board

A. Gulbis	I. Pronins	A. Bagautdinovs
Chairman of the Management Board	Management Board Member	Management Board Member

Riga, 1 March 2012

The financial statements were approved by the shareholders' meeting on 26 March 2012.

Statement of management responsibility

The Management Board of DUKASCOPY EUROPE IBS (the Company) is responsible for the preparation of the financial statements in accordance with applicable acts of legislation, regulations issued by the FCMC and the International Financial Reporting Standards as adopted by the EU, that give true and fair view of the Company's financial position at the year end, and the results of its operations and cash flows for the year then ended.

The Management Board confirms that the accounting methods used in the preparation of the 2011 financial statements set out on pages 7 to 25 have been consistently applied in accordance with the International Financial Reporting Standards as adopted by the EU, and the management has applied reasonable and prudent judgements and estimates. Management Board confirms that these financial statements have been prepared on a going concern basis, which the Management believes is the appropriate basis for preparation of these financial statements.

Management is responsible for maintaining proper accounting records, safeguarding the Company's assets and prevention and detection of fraud and other illegal activities.

A. Duka
Chairman of the Supervisory Board

A. Gulbis Chairman of the Management Board	I. Pronins Management Board Member	A. Bagautdinovs Management Board Member

Riga, 1 March 2012

Statement of Comprehensive Income

	Note	2011 LVL	2010 LVL
Commission and fee income	3	6 023	220
Commission and fee expense	4	(1 537)	(937)
Net commission income/(expenses)		**4 486**	**(717)**
Dividend income		-	3 510
Profit/loss from trading and revaluation of foreign exchange	5	(180)	514
Net operating income		**4 306**	**3 307**
Other operating income		329	-
Other operating expenses	6	(5 696)	(16 363)
Administrative expenses	7	(107 678)	(145 986)
Depreciation	9	(158)	(405)
Loss before corporate income tax		**(108 897)**	**(159 447)**
Corporate income tax	16	-	-
Loss for the year		**(108 897)**	**(159 447)**
Other comprehensive income in the reporting period		-	-
Total comprehensive loss in the reporting period		**(108 897)**	**(159 447)**

The accompanying notes on pages 11 to 25 form an integral part of these financial statements.

A. Duka
Chairman of the Supervisory Board

A. Gulbis
Chairman of the
Management Board

I. Pronins
Management Board
Member

A. Bagautdinovs
Management Board
Member

Riga, 1 March 2012

Statement of Financial Position

ASSETS	Note	31.12.2011 LVL	31.12.2010 LVL
At sight deposits with financial institutions	8	331 646	428 578
Property and equipment	9	-	676
Prepaid expenses and accrued income		-	166
Other assets	10	432	6 908
Total assets		**332 078**	**436 328**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Taxes and social contributions	11	6 305	2 945
Accounts payable to suppliers and contractors	12	3 296	2 499
Accrued liabilities	13	2 124	8 673
Other liabilities	14	8 184	1 145
Total liabilities		**19 909**	**15 262**
Paid-up share capital	15	1 250 000	1 250 000
Accumulated losses		(828 934)	(669 487)
Loss for the year		(108 897)	(159 447)
Total shareholders' equity		**312 169**	**421 066**
Total liabilities and shareholders' equity		**332 078**	**436 328**
Financial instruments and cash under management	20	116 666	74 384

The accompanying notes on pages 11 to 25 form an integral part of these financial statements.

A. Duka
Chairman of the Supervisory Board

A. Gulbis
Chairman of the Management Board

I. Pronins
Management Board Member

A. Bagautdinovs
Management Board Member

Riga, 1 March 2012

Statement of Cash Flows

		2011 LVL	2010 LVL
Cash flows from operating activities			
Loss before corporate income tax		(108 897)	(159 447)
Adjustments for:			
depreciation	9	158	405
changes in other assets and prepaid expenses		6 642	771
changes in liabilities		4 647	2 823
(profit)/loss from disposal of property and equipment	9	518	-
Net cash flows from operating activities		**(96 932)**	**(155 448)**
Cash flow from investing activities			
Cash received for sales of securities		-	18 750
Net cash flows from investing activities		**-**	**18 750**
Decrease of cash and cash equivalents		**(96 932)**	**(136 698)**
Cash and cash equivalents at the beginning of the year	8	428 578	565 276
Cash and cash equivalents at the end of the year	8	**331 646**	**428 578**

The accompanying notes on pages 11 to 25 form an integral part of these financial statements.

A. Duka
Chairman of the Supervisory Board

A. Gulbis
Chairman of the Management Board

I. Pronins
Management Board Member

A. Bagautdinovs
Management Board Member

Riga, 1 March 2012

Statement of Changes to the Shareholders' Equity

	Share capital	Accumulated losses	Total
	LVL	LVL	LVL
31 December 2009	**1 250 000**	**(669 487)**	**580 513**
Loss for the year		(159 447)	**(159 447)**
31 December 2010	**1 250 000**	**(828 934)**	**421 066**
Loss for the year		(108 897)	**(108 897)**
31 December 2011	**1 250 000**	**(937 831)**	**312 169**

The accompanying notes on pages 11 to 25 form an integral part of these financial statements.

A. Duka
Chairman of the Supervisory Board

A. Gulbis
Chairman of the Management Board

I. Pronins
Management Board Member

A. Bagautdinovs
Management Board Member

Riga, 1 March 2012

Notes to the financial statements

1. General information about the Company

DUKASCOPY EUROPE IBS AS was established on 30 May 1997 as a brokerage service company.

In 2011, DUKASCOPY BANK SA acquired the 100% shares of the Company from AS Rietumu Banka, Latvia, and the former name of the Company RB Securities IBS AS was changed to DUKASCOPY EUROPE IBS AS. The transfer of the ownership was conducted as follows: On 3 February 2011 a share purchase agreement was signed between AS Rietumu Banka and Dukascopy Bank SA regarding the shares of AS RB Securities IBS. On 8 February 2011 an escrow account agreement was signed between AS Rietumu Banka and Dukascopy Bank SA. On 27 May 2011, the Enterprise Register of Latvia registered a change of the Company's legal address and members of the Supervisory Board and Management Board. The takeover was completed on 31 May 2011 when changes in the ownership were recorded to the Company's shareholders' register.

As a result, 2011 was a transition year for the Company which explains the notable change in turnover and costs between the first and the second half of the year. The Company's business activity is to provide investment services. The activities of the Company are regulated by the Financial Instruments Market Law and other normative documents. The Company is supervised by the Financial and Capital Market Commission (FCMC).

2. Summary of significant accounting policies

Basis of preparation

The financial statements were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (EU IFRS) and regulations of the Financial and Capital Market Commission in force as at the reporting date.

The notes to the financial statements reflect the key accounting principles that the Company has consistently applied as required by the standards accepted by the Company.

The financial statements were authorized for issue by the Board on 1 March 2012. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

The chart of accounts corresponds to the requirements laid down by the Financial and Capital Market Commission in the Regulations on the Preparation of Annual Accounts and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies.

Comparatives

Financial figures for 2010 are presented in compliance with current year classification to enable the user to compare the two financial periods. There were no changes in classification compared to prior year.

New Standards and Interpretations

New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 January 2011 but not currently relevant to the Company:

- Revised IAS 24 Related Party Disclosure (effective for annual periods beginning on or after 1 January 2011). The amendment exempts government-related entity from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with (a) a government that has control, joint control or significant influence over the reporting entity; and (b) another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity. The revised Standard requires specific disclosures to be provided if a reporting entity takes advantage of this exemption. The revised Standard also amends the definition of a related party which resulted in new relations being included in the definition, such as, associates of the controlling shareholder and entities controlled, or jointly controlled, by key management personnel. Revised IAS 24 is not relevant to the Company's financial statements as the Company is not a government-related entity and the revised definition of a related party did not result in new relations requiring disclosure in the financial statements.

- Amendment to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective for annual periods beginning on or after 1 January 2011). The amendment of IFRIC 14 addresses the accounting treatment for prepayments made when there is also a minimum funding requirements (MFR). Under the amendments, an entity is required to recognize certain prepayments as an asset on the basis that the entity has a future economic benefit from the prepayment in the form of reduced cash outflows in future years in which MFR payments would otherwise be required. The amendments to IFRIC 14 are not relevant to the Company's financial statements as the Company does not have any defined benefit plans with minimum funding requirements.

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (effective for annual periods beginning on or after 1 July 2010). The Interpretation clarifies that equity instruments issued to a creditor to extinguish all or part of a financial liability in a 'debt for equity swap' are consideration paid in accordance with IAS 39.41. The initial measurement of equity instruments issued to extinguish a financial liability is at the fair value of those equity instruments, unless that fair value cannot be reliably measured, in which case the equity instrument should be measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability (or part of the financial liability) extinguished and the initial measurement amount of equity instruments issued should be recognized in profit or loss. The Company did not issue equity to extinguish any financial liability during the current period. Therefore, the Interpretation does have no impact on the comparative amounts in the Company's financial statements for the year ending 31 December 2011. Further the Interpretation will be applied to relevant transactions in the future.

- Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 February 2010). The amendment requires that rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The amendments to IAS 32 are not relevant to the Company's financial statements as the Company has not issued such instruments at any time in the past.

- An amendment to standard IFRS 7 Disclosures related to the transfers of financial assets is effective for annual periods beginning after 1 January 2011, and this amendment is expected to have no significant impact on the financial statements of the Company.

Currency of the financial statements

All amounts disclosed in these financial statements are presented in Latvian lats (LVL), which is the functional currency of the Company.

Revenue and expenses recognition

Revenue and expenses are recognized on an accrual basis in the respective period and are disclosed in the income statement irrespective of the date of their receipt or payment. Revenue is formed primarily of commission fee for investment services. Commissions and fees are charged to the income statement as incurred.

Impairment

At each balance sheet date, the Company assesses whether there is objective evidence that a financial asset or group of financial assets are impaired. A financial asset or group of financial assets are impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition and that event has an impact on the estimated future cash flows that can be reliably estimated.

The carrying amount of the asset is reduced through the use of an allowance and the increase/decrease in the amount of the impairment loss is recognised in the income statement.

Revaluation of foreign currencies (LVL)

Foreign currency transactions are translated into Latvian lats applying the official exchange rate established by the Bank of Latvia at the transaction date. Assets and liabilities denominated in foreign currencies are translated to lats applying the official exchange rate established by the Bank of Latvia at the reporting date. Gain or loss arising from foreign currency exchange is charged to the income statement as Profit/loss on revaluation of foreign exchange positions.

Foreign exchange rates for the key currencies at the end of the reporting year and the prior year were the following:

	31.12.2011	31.12.2010
	LVL	LVL
1 USD	0.544	0.535
1 EUR	0.702	0.702
1 CAD	0.531	0.535
1 CHF	0.577	0.563
1 GBP	0.840	0.824

Taxes

Corporate income tax is calculated in accordance with Latvian tax regulations using the tax rate of 15% applied to taxable profit reported for the period.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting using the balance sheet method and the amounts used for taxation purposes. These differences have primarily occurred due to different depreciation rates used for fixed assets in tax accounting and financial accounting, recognized provisions and tax losses available to be carried forward according to the income tax declaration. Deferred tax is calculated based on the statutory rate of 15%.

Deferred tax asset is recognized to the extent that it is probable to be recovered in the future.

Property and equipment

Property and equipment are carried at cost less accumulated depreciation and impairment. In case the recoverable amount of an item of property and equipment becomes lower than its carrying amount due to conditions other than short term, the carrying amount is written down to the recoverable amount.

Depreciation is calculated on a straight line basis over the useful life of the asset. Depreciation is calculated based on an annual rate of 20%.

Maintenance and repair expenses related to the items of property and equipment are charged to the income statement as incurred.

Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required from the Company to settle the obligation, and the amount of obligation can be measured reasonably.

Cash and cash equivalents

Cash represents cash on current accounts with the bank and current accounts with counterparties.

Loans and receivables

Loans and receivables are recognized as cash disbursements are made to the borrower and derecognized as the cash is returned. Loans and receivables are disclosed at net amount due less special allowance for doubtful and bad debts. Special allowances for doubtful and bad debts are recognized when the company's management believe that the recoverability of these special liabilities is uncertain.

Use of estimates

The preparation of financial statements in conformity with EU IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Significant estimates in the preparation of the financial statements are those connected with depreciation and accruals for unused vacation.

Short-term employee benefits

Short-term employee benefits, including salaries, social contributions, bonuses and annual vacations, are recognized under net operating expenses on an accrual basis. As required by law, the Company makes certain contributions to the state social insurance fund for each employee over the entire duration of the employment. The Company has no obligations to make further contributions on behalf of retired employees.

The staff's entitlement to current vacation is recognized when the employee has accumulated the respective number of vacation days. Accruals for unused vacations are estimated based on the number of vacation days unused by the reporting date.

Financial instruments and cash under management

Cash and financial instruments provided to the Company by the customers in order to receive investment services are deposited in a dedicated Financial Instruments (trade) account that can only be used in connection with investments in financial instruments, and these assets held separately from the Company's own cash and are reflected as off-balance-sheet items as third party property under management.

Fair value measurement principles

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. The Company's financial assets are represented by At sight deposits with financial institutions and the Company's financial liabilities are represented by Accounts payable, both items are measured at amortized cost which approximates their fair values. The Company manages client funds, part of which is invested in securities measured at fair value based on quoted market prices.

Risk management, analysis and capital adequacy

The Company has established an internal control system for identification and management of key risks. The Company has approved a risk management policy that forms the basis for risk management and mitigation. The objective of the risk management policy is to ensure effective risk management, identify and analyse risks inherent to the Company's operations, set limits, develop and introduce control procedures and apply consistent control of risks and compliance with set restrictions. The risk management system is subject to constant improvement in line with the Company's operational development.

Credit risk

Credit risk is the risk of loss in case counterparty fails and refuses to fulfil its liabilities towards the Company within the period or to the extent specified in the agreement.

The Company is exposed to credit risk connected to At sight deposits with financial institutions and receivables.

Effective management of credit risk at the Company is achieved by setting limits for balances held with a single credit institution and introducing an independent procedure for compliance with the limits.

The Company controls credit risk by monitoring receivables and, to the extent possible, by reducing the likelihood of delayed or unrecoverable receivables. As at 31 December 2011 the Company did not have any receivables.

Currency risk

Currency risk represents potential losses from the revaluation of the assets and liabilities denominated in foreign currencies due to movements in foreign exchange rates.

Financial assets and liabilities of the Company that are exposed to currency risk include At sight deposits with financial institutions and accounts payables to suppliers. The Company holds assets and liabilities in EUR and LVL; LVL is pegged against EUR, which mitigates any potential loss due to currency fluctuations.

Effective management of currency risk at the Company is based on setting restrictions for each currency and introducing an independent procedure for compliance with the limits.

Interest rate risk

Interest rate risk is a risk that the Company incurs losses due to fluctuations in interest rates. The Company is not exposed to significant interest rate risk.

Liquidity risk

Liquidity risk is a risk that the Company will not be able to meet its financial liabilities in due time. Liquidity risk related to funds under management is minimized because the term structure of assets and liabilities is matched. As at 31 December 2011 the Company's cash and cash equivalents exceed the amount of liabilities.

Operational risk

Operational risk is the risk of loss due to non-compliant or incomplete internal processes, human activities and system operation or the impact of external circumstances.

Management of operational risk at the Company is based on the Operational Risk Policy that prescribes the establishment of an operational risk management system and the basic principles for operation of the system.

The Company restricts the types of operational risk arising as a result of internal processes and staff activities by the following means:

- Separation of functions;
- Documented assignment of functions;
- Separation of duties in the business decision-making.

An event data base has been created to manage operational risk that registers and analyses operational risk events, the extent of their impact, their cause and other relevant information that forms the basis for decision-making regarding whether the Company accepts such a risk or takes the required measures to limit the risk.

Compliance and reputation risks

Compliance and reputation risk is the risk that the Company's revenue may decrease, additional expenses may be incurred, equity may decrease and the Company's further activities may be endangered in case the Company fails to comply or breaches laws and other acts of legislation regulating its activities, codes of professional conduct and ethics and other best practice standards connected with the Company's operations, and the risk that the Company's customers, counterparties, shareholders and supervision bodies may form an adverse opinion regarding the Company.

Compliance and reputation risk includes also the risk that the Company is not fully compliant with the regulations of anti money laundering (AML) acts, including the risk that the Company may be involved in money laundering.

The consequences of compliance and reputational risk may include adverse reputation, limited operational and/or development opportunities, losses etc. Adverse reputation has an impact on the Company's ability to establish new and maintain the existing business relationships (with customers and counterparties). Adverse reputation may be the cause for the Company to lose customers' trust that may threaten its solvency.

Management of AML risks is described by and implemented in accordance with the Company's AML policy and related procedures.

To manage reputation risk the Company maintains a Customer Complaint Register that combines information from all complaint lists and is used to analyze these complaints on a consistent basis.

Capital adequacy

In determining the amount of capital required to cover risks the Company assesses all risks inherent to its operations, including risks that are subject to regulations on the minimum capital requirements set by the Regulator.

The minimum capital requirement for credit risk is determined by the Company using the standard approach and is calculated as 8% of total risk-weighted value.

The capital requirement for foreign currency risk is calculated as 8% of total absolute value of total net position in foreign currencies.

Capital adequacy is managed based on the Capital Adequacy Assessment Policy approved by the Council which requires to maintain the minimum capital adequacy ratio of 8% of weighted risk assets and off-balance-sheet items and minimum equity.

As at 31 December 2011, capital minimum requirement versus risk weighted assets and other relevant items was 56.64%.

3. Commission and fee income

	2011 LVL	2010 LVL
Commission income from transactions with financial instruments	6 023	-
Commission fee for the management of customer portfolios	-	173
Commission fee for account servicing, transfers and deregistration of securities	-	47
TOTAL:	**6 023**	**220**

4. Commission and fee expense

	2011 LVL	2010 LVL
Commission fee for financial services	984	421
Commission fee for White Label services	553	-
Commission fee for the management of customer portfolios	-	512
Commission fee for securities transactions	-	4
TOTAL:	**1 537**	**937**

5. Profit/loss from trading and revaluation of foreign exchange

	2011 LVL	2010 LVL
Profit/(loss) from trading with foreign currencies	-	391
Profit/(loss) from exchange rate fluctuations	(180)	123
TOTAL:	**(180)**	**514**

6. Other operating expenses

	2011 LVL	2010 LVL
Rent of office premises and other expenses related to the activities of AS RB Securities IBS	4 783	5 544
Other operating expenses of AS RB Securities IBS	913	99
Licenses, annual fees for the Central Depository, Riga Stock Exchange and FCMC	-	10 720
TOTAL:	**5 696**	**16 363**

Dukascopy Europe IBS AS has disclosed expenses related to FCMC and Central Depositary in Administrative expenses note.

7. Administrative expenses

	2011 LVL	2010 LVL
Remuneration for work	72 996	99 619
Social contributions	17 639	24 008
Professional services	7 233	4 603
VAT excluded from input tax	3 441	3 793
Communications and IT services	1 228	49
Business trips	-	6 255
Office expenses	-	1 590
Legal and translation services	-	2 692
Other	5 141	3 377
TOTAL:	**107 678**	**145 986**

8. At sight deposits with financial institutions

By currency:		31.12.2011		31.12.2010	
		Currency	LVL	Currency	LVL
Cash with AS Rietumu Banka (Latvia)	LVL	-	7 587	-	22 399
Cash with AS Rietumu Banka (Latvia)	EUR	21 027	14 778	577 496	405 866
Cash with AS Rietumu Banka (Latvia)	USD	-	-	584	313
Cash with Dukascopy Bank SA (Switzerland)	EUR	440 067	309 281	-	-
TOTAL:			**331 646**		**428 578**

The carrying amount of At sight deposits with financial institutions approximates their fair value.

9. Property and equipment

	Other property and equipment
Carrying amount as at 31 December 2009	**1 081**
Cost as at 1 January 2010	3 922
Accumulated depreciation as at 1 January 2010	2 841
Depreciation for the reporting year	405
Accumulated depreciation as at 31 December 2010	3 246
Carrying amount as at 31 December 2010	**676**
Cost as at 1 January 2011	3 922
Disposals	(3 922)
Accumulated depreciation as at 1 January 2011	3 246
Depreciation for the reporting year	158
Depreciation on disposals	(3 404)
Accumulated depreciation as at 31 December 2011	-
Carrying amount as at 1 January 2011	**676**
Carrying amount as at 31 December 2011	**-**

10. Other assets

	31.12.2011 LVL	31.12.2010 LVL
Prepaid taxes	432	362
Guarantee deposit (Nasdaq OMX)	-	3 733
Guarantee deposit for rent agreement	-	2 554
Input tax for services received	-	228
Others	-	31
TOTAL:	**432**	**6 908**

11. Taxes and social contributions

	Value added tax	Compulsory state social security contributions	Resident income tax	Business risk state duty	Total
Liabilities as at 31 December 2009	**-**	**3 276**	**-**	**-**	**3 276**
Prepaid as at 31 December 2009	**(1 075)**	**-**	**-**	**-**	**(1 075)**
Calculated for 2010	-	32 536	22 569	31	**55 136**
Paid in 2010	-	(32 837)	(22 546)	(31)	**(55 414)**
Transferred from another tax	53	(53)	-	-	**-**
Written off in 2010	660	-	-	-	**660**
Liabilities as at 31 December 2010	**-**	**2 922**	**23**	**-**	**2 945**
(Prepaid) as at 31 December 2010	**(362)**	**-**	**-**	**-**	**(362)**
Calculated for 2011	(101)	27 577	16 741	32	**44 249**
Paid in 2011	-	(26 524)	(14 411)	(24)	**(40 959)**
Transferred from another tax	31	(31)	-	-	**-**
Liabilities as at 31 December 2011	-	**3 944**	**2 353**	**8**	**6305**
(Prepaid) as at 31 December 2011	**(432)**	**-**	**-**	**-**	**(432)**

Prepaid taxes are disclosed under other assets note.

12. Accounts payable to suppliers and contractors

	31.12.2011 LVL	31.12.2010 LVL
Audit services	3 108	1 792-
IT services provider	183	707
Services of AS Rietumu Banka	3	-
Other	2	-
TOTAL:	3 296	2 499

13. Accrued liabilities

	31.12.2011 LVL	31.12.2010 LVL
Accrued liabilities for unused vacations	2 124	8 673
TOTAL:	**2 124**	**8 673**

14. Other liabilities

	31.12.2011 LVL	31.12.2010 LVL
Due for staff salaries for December 2011	7 650	-
FCMC	500	500
Latvian Central Depository	34	35
NASDAQ OMX (Riga Stock Exchange)	-	425
Other	-	185
TOTAL:	**8 184**	**1 145**

15. Share capital

As at 31 December 2011, the registered and fully paid share capital consists of 1 250 000 (2010: 1 250 000) ordinary shares with voting rights and nominal value of LVL 1. The sole shareholder of the Company is DUKASCOPY BANK SA.

DUKASCOPY BANK SA is a Joint Stock Company registered on 2 November 2004. Registration No. CH-660-1823004-9, legal address: Route de Pré-Bois 20, Meyrin, Switzerland. The two main shareholders of DUKASCOPY BANK SA are Mr. Andrey Duka and Ms. Veronika Makarova who each owns 49.5% of the shares. The remaining 1% is held by members of the board of Directors of Dukascopy Bank SA.

In May 2011, DUKASCOPY BANK SA acquired AS RB Securities from AS Rietumu Banka and changed its name in DUKASCOPY EUROPE IBS AS.

16. Corporate income tax

Effective versus theoretical corporate income tax:

	2011 LVL	2010 LVL
Loss before tax	(108 897)	(159 447)
Theoretical corporate income tax, 15%	(16 335)	(23 917)
Non-deductible expenses	98	569
Changes in unrecognized deferred tax asset in the reporting period	16 237	23 348
Actual corporate income tax for the reporting year	**-**	**-**

As at 31 December 2011, accumulated tax loss carried over to future taxation periods is LVL 937 831. Deferred tax asset is not recognized as the Company cannot reliably estimate future taxable income against which the tax losses carried forward can be utilised.

17. Average number of employees

	2011 LVL	2010 LVL
The average number of staff in the reporting year:	11	10

18. Staff expenses

	2011 LVL	2010 LVL
Remuneration for work	72 996	99 619
Social contributions	17 639	24 008
TOTAL:	**90 635**	**123 627**

Information on the remuneration to the Board members:	2011 LVL	2010 LVL
Remuneration for work	6 380	16 011
Social contributions	1 537	3 857
TOTAL:	**7 917**	**19 868**

Members of the Management Board of DUKASCOPY EUROPE IBS AS do not receive remuneration for their work at the Managgement Board. The item reflects the remuneration paid to the member of the Board of AS RB Securities.

19. Related party transactions

On 3 February 2011, a share purchase agreement was signed between AS Rietumu Banka and Dukascopy Bank SA regarding the shares of AS RB Securities IBS. On 8 February 2011, an escrow account agreement was signed between AS Rietumu Banka and Dukascopy Bank SA. The date of transfer of ownership and control is 31 May 2011.

Items of the statement of financial position (AS Rietumu Bank)	31.05.2011 LVL	31.12.2010 LVL
Due from credit institutions (AS Rietumu Banka)	366 118	428 578
Other assets (security deposit according to a rent agreement)	2 554	2 554
Due for services	-	707

Before change of the ownership the Company has received from mother company services for the total amount of LVL 3 870 (2010: LVL 9 065).

Starting 31 May 2011, Dukascopy Bank SA is the key and sole shareholder of the Company. Transactions between Dukascopy Europe IBS AS and Dukascopy Bank SA are reflected as follows:

Items of the statement of financial position (Dukascopy Bank SA)	**31.12.2011 LVL**	**01.06.2011 LVL**
Due from credit institutions (Dukascopy Bank SA)	309 281	-

According to Outsourcing and White Label Agreement, Dukascopy Europe IBS AS has paid its parent company, Dukascopy Bank SA, a fee for services of LVL 553.

Related party transactions were conducted on an arm's length basis.

20. Financial instruments and cash under management

Customers' funds	**31.12.2011 LVL**	**31.12.2010 LVL**
Cash	75 163	33 064
Financial instruments	41 503	41 320
Total	**116 666**	**74 384**

21. Going concern

The Company has incurred recurring losses which may raise doubts about its ability to continue as going concern. However, the Company, under its new shareholders, is currently developing new business activities. It is planned that the Company will be profitable in the near future. In addition, the assets which are represented by At sight deposits with financial institutions are significantly exceeding current liabilities and also annual administrative expenses, therefore the management believes that the Company is able to continue as going concern in the foreseeable future.

Therefore, the management concludes that the assumption that these financial statements should be prepared on a going concern basis is appropriate.

22. Capital adequacy

Capital adequacy ratio calculated in accordance with the requirements of the FCMC as at 31 December 2011 and 2010 was as follows:

	2011	2010
Shareholders' equity	**312 169**	**421 066**
Tier 1 capital	**312 169**	**421 066**
Paid-up share capital	1 250 000	1 250 000
Paid-up share capital	**1 250 000**	**1 250 000**
Legal and other reserves	(937 831)	(828 934)
Reserve capital and other reserves and retained earnings or accumulated loss of previous years	(828 934)	(669 487)
Loss for the reporting year (-)	(108 897)	(159 447)
Additional information: total of Tier 1 and Tier 2 capital for the calculation of restrictions on large risk transactions and significant interest	312 169	421 066
Total Tier 1	**312 169**	**421 066**
Additional information: equity (incl. Tier 3 capital) for the calculation of restrictions on large risk transactions	312 169	421 066
Minimum initial capital	**87 851**	**87 851**
Summary of calculations	**44 171**	**44 171**
Total capital requirement for credit risk, counterparty credit risk, impairment of recoverable amount and unpaid deliveries risk	**5 341**	**7 467**
Standard approach (SA)	**5 341**	**7 467**
Categories of risk transactions according to SA, except securitization positions	**5 341**	**7 467**
Government institutions	35	29
Institutions	5 306	7 062
Companies	-	298
Other items	-	78
Total capital requirement for position, foreign currencies and commodity risk	**25 926**	**33 080**
Foreign currency	25 926	33 080
Capital requirement equal to 25% of total recurring expenses of the previous year	**44 171**	**44 171**
Additional information		
Capital requirement versus equity (surplus (+) or shortage (-))	**267 998**	**376 895**
Capital adequacy ratio (%)	**56.54**	**76.26**

23. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.

KPMG Baltics SIA
Vesetas iela 7
Riga LV 1013
Latvia

Phone +371 670 380 00
Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of Dukascopy Europe IBS AS

Report on the Financial Statements

We have audited the accompanying financial statements of Dukascopy Europe IBS AS ("the Company"), which comprise the statement of financial position as at 31 December 2011, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 25.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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, we consider internal controls relevant to the entity'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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting principles 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 opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Dukascopy Europe IBS AS as at 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Management Report, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the Management Report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
1 March 2012

Valda Užāne
Sworn Auditor
Certificate No 4

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails.