DUKASCOPY EUROPE IBS AS

(REGISTRATION NUMBER 40003344762)

ANNUAL REPORT FOR YEAR ENDED 31 DECEMBER 2013

Riga, 14 March 2014

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%)
Board	Aleksis Gulbis – Chairman of the Board Andrejs Bagautdinovs – Board Member Igors Proņins – Board Member
Council	Andrey Duka - Chairman of the Council Veronika Makarova – Member of the Council Alain Daniel Broyon – Member of the Council
Reporting period	1 January 2013 – 31 December 2013
Auditors	SIA KPMG Baltics Vesetas iela 7, Riga Latvia, LV -1013 License No 55

Report of the Council and Board

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

During 2013 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 staffs 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 and Capital Market Commission (FCMC) and legislation.

The financial result of 2013 for the Company is a profit of LVL 359 999, 2012 for the Company was a loss of LVL 65 316. Assets as at 31 December 2013 amount to LVL 984 622. During the reporting period assets of the Company increased by 57%. As a result of the successful operations of the Company cash balances with credit institutions increased.

In 2013 the Company performed active operations in the context of the new business model that was commenced in 2011 and new clients were attracted in 2013, amounting to 1 455 (2012: 1 121) in total as at 31 December 2013.

In 2013 the Company has extended FCNC licence for new investment services and ancillary services provided in accordance with Financial Instruments Market Law.

In 2013 the Company continued improving and providing high quality investment services to the clients and during the reporting year the indices of the Company were positive: the number of new attracted clients and their transactions increased.

In 2013 recognition of the Company increased significantly offering the unique technological solution of Dukascopy Bank SA – SWFX Swiss Forex Marketplace. Access to SWFX Swiss Forex Marketplace is provided to clients with the initial investment exceeding USD 100.

The Company commenced offering mobile phone message services to their clients using the White Label concept informing the clients about the performed and current transactions in the account.

Due to implementing quality improvements of selected products and services the financial result of the Company in the first two months of 2014 was a profit.

The management continues combining reasonable decision-making with a strict approach to risk management.

In 2014, the Company will continue improving the quality of services and introduce new IT solutions. In 2014 it is planned to extend the range of services and investment products to provide our customers with more extensive investment opportunities.

We are truly content 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 2013 continuing our cooperation in 2014.

A.Dūka
Chairman of the Council

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

Riga, 14 March 2014

The financial statements were approved by the shareholders' meeting on 17 March 2014.

Statement of management responsibility

The 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 a 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 Board confirms that the accounting methods used in the preparation of the 2013 financial statements set out on pages 7 to 23 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 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 Council

A. Gulbis
Chairman of the Board

I. Pronins
Board Member

A. Bagautdinovs
Board Member

Riga, 14 March 2014

Statement of Comprehensive Income

	Note	2013 LVL	2012 LVL
Commission and fee income	3	502 122	155 909
Commission and fee expense	4	(107 646)	(36 556)
Net commission income		**394 476**	**119 353**
Loss from trading and revaluation of foreign exchange	5	(1 001)	(2 175)
Net operating income		**393 475**	**117 178**
Other operating income	6	202 040	26 875
Administrative expenses	7	(235 131)	(209 253)
Other expenses		(385)	(116)
Profit or Loss before corporate income tax		**359 999**	**(65 316)**
Corporate income tax	14	-	-
Profit or Loss for the year		**359 999**	**(65 316)**
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		**359 999**	**(65 316)**

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

A.Duka
Chairman of the Council

A. Gulbis
Chairman of the Board

I. Pronins
Board Member

A. Bagautdinovs
Board Member

Riga, 14 March 2014

Statement of Financial Position

ASSETS	Note	31.12.2013 LVL	31.12.2012 LVL
Cash and cash equivalents	8	982 241	625 903
Other assets	9	2 381	-
Total assets		**984 622**	**625 903**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Taxes and social contributions	10	-	6 948
Accounts payable to suppliers and contractors	11	19 913	8 860
Other liabilities and accruals	12	7 857	13 242
Total liabilities		**27 770**	**29 050**
Paid-up share capital	13	1 600 000	1 600 000
Accumulated losses		(1 003 147)	(937 831)
Profit or Loss for the year		359 999	(65 316)
Total shareholders' equity		**956 852**	**596 853**
Total liabilities and shareholders' equity		**984 622**	**625 903**
Financial instruments and cash under management	18	1 576 060	691 306

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

A.Duka
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Chairman of the Board

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Board Member

A. Bagautdinovs
Board Member

Riga, 14 March 2014

Statement of Cash Flows

		2013 LVL	2012 LVL
Cash flows from operating activities			
Profit or Loss before corporate income tax		359 999	(65 316)
Adjustments for:			
(increase)/decrease in assets		(2 381)	432
increase/(decrease) in liabilities		(1 280)	9 141
Net cash flows from operating activities		**356 338**	**(55 743)**
Cash flow from financing activities			
Issue of shares		-	350 000
Net cash flows from financing activities		**-**	**350 000**
Net increase/(decrease) of cash and cash equivalents		**356 338**	**294 257**
Cash and cash equivalents at the beginning of the year		625 903	331 646
Cash and cash equivalents at the end of the year	8	**982 241**	**625 903**

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

A.Duka
Chairman of the Council

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Board Member

A. Bagautdinovs
Board Member

Riga, 14 March 2014

Statement of Changes to the Shareholders' Equity

	Share capital	Accumulated losses	Total
	LVL	LVL	LVL
31 December 2011	**1 250 000**	**(937 831)**	**312 169**
Loss for the year	-	(65 316)	**(65 316)**
Increase of share capital	350 000	-	**350 000**
31 December 2012	**1 600 000**	**(1 003 147)**	**596 853**
Profit for the year	-	359 999	**359 999**
31 December 2013	**1 600 000**	**(643 148)**	**956 852**

The accompanying notes on pages 11 to 23 form an integral part of these financial statements.

A.Duka
Chairman of the Council

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Chairman of the Board

I. Pronins
Board Member

A. Bagautdinovs
Board Member

Riga, 14 March 2014

Notes to the financial statements

1. General information about the Company

DUKASCOPY EUROPE IBS AS (the 'Company') was established on 30 May 1997 as a brokerage service company. License for investment services has been received on 24 November 1997.

The Company's business activity is to provide access to foreign exchange currency trading platform. 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 of the Republic of Latvia (FCMC).

2. Summary of significant accounting policies

Basis of preparation

These 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 7 March 2014. 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.

Currency of the financial statements

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

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early.

(i) IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. As a result, the Company may need to change its consolidation conclusion in respect of its investees, which may lead to changes in the current accounting for these investees. The Company does not expect the new standard to have any impact on the financial statements.

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. The Company's interest is a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Company's interest in those assets and liabilities. The Company's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted. The Company does not expect IFRS 11 to have material impact on the financial statements since it is not a party to any joint arrangements.

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company does not expect the new standard will have a material impact on the financial statements.

These standards are effective for annual periods beginning on or after 1 January 2014 with early adoption permitted.

(ii) IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014)

IAS 27 (2011) carries forward the existing accounting and disclosure requirements of IAS 27 (2008) for separate financial statements, with some minor clarifications. As well, the existing requirements of IAS 28 (2008) and IAS 31 for separate financial statements have been incorporated into IAS 27 (2011). The standard no longer addresses the principle of control and requirements relating to the presentation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Company does not expect IAS 27 (2011) to have a material impact on the financial statements, since it does not result in a change in the entity's accounting policy.

(iii) *IAS 28 (2011) Investments in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2014)*

There are limited amendments to IAS 28 (2008) which related to associates and joint ventures held for sale and changes in interest held in associates and joint ventures. The Company does not expect the amendments to Standard to have material impact on the financial statements since it does not have any significant investments in associates or joint ventures that will be impacted by the amendments.

(iv) *Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after 1 January 2014)*

Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an Company currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Company does not expect the Amendments to have any impact on the financial statements since the Company does not apply offsetting to any of its financial assets and financial liabilities and have not entered into master netting arrangements.

(v) *Amendments to IFRS 10, IFRS 12 and IAS 27 on Investment Entities (effective for annual periods beginning on or after 1 January 2014)*

The Amendments provide an exception to the consolidation requirements in IFRS 10 and require qualifying investment entities to measure their investments in controlled entities, as well as investments in associates and joint ventures at fair value through profit or loss, rather than consolidating them. The consolidation exemption is mandatory (i.e. not optional), with the only exception being that subsidiaries that are considered as an extension of the investment entity's investing activities, must still be consolidated. An entity qualifies as an investment entity if it meets all of the essential elements of the definition of an investment entity. The Company does not expect the new standard to have any impact on the financial statements, since the Company does not qualify as an investment entity.

(vi) *Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets (effective for annual periods beginning on or after 1 January 2014)*

The Amendments clarify that recoverable amount should be disclosed only for individual assets (including goodwill) or cash-generated units for which an impairment loss was recognised or reversed during the period. The Amendments also require additional disclosures related to fair value hierarchy when impairment for individual assets (including goodwill) or cash-generated units has been recognised or reversed in the period and recoverable amount is based on fair value less costs to disposal. The amendment does not have any impact on the financial statements, as the Company does not have non-financial assets for which an impairment loss was recognised or reversed during the period.

(vii) *Amendments to IAS 39 on Novation of Derivatives and Continuationof Hedge Accounting (effective for annual periods beginning on or after 1 January 2014)*

The Amendments allows hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws and regulations, when certain criteria are met. The Company does not expect the new standard to have any impact on the financial statements, since the entity does not apply hedge accounting.

Revenue recognition

Revenue is formed primarily of commission fee for investment management services. Commissions and fees are charged to the profit and loss at the moment when foreign exchange trade is completed as a percentage on trade volume.

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 profit and loss.

Revaluation of foreign currencies

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 profit and loss statement as gain/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:

	2013	2012
	LVL	LVL
1 USD	0.51500	0.53100
1 EUR	0.70280	0.70280
1 CAD	0.48300	0.53500
1 CHF	0.57300	0.58200
1 GBP	0.84300	0.85700

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 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.

Cash and cash equivalents

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

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 related to 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 that the Company holds on behalf of its clients, are held in accounts with financial institutions separately from the Company's own cash and financial instruments.

Fair value of financial assets and liabilities

Fair value represents the amount at which an asset could be exchanged or a liability settled on an arm's length basis or based on discounted future cash flow method. The Company's financial assets are represented by Demand 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 demand 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.

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 demand 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 2013 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.

As at 31 December 2013, capital minimum requirement versus risk weighted assets and other relevant items was 82.56% (2012: 82.23%). The Company was therefore in compliance with relevant regulations as at 31 December 2013 and 2012.

3. Commission and fee income

		2013 LVL	2012 LVL
Commission income from transactions with financial instruments		501 777	155 892
Commission income from SMS services		345	17
	TOTAL:	**502 122**	**155 909**

4. Commission and fee expense

		2013 LVL	2012 LVL
Commission fee for financial services		2 634	1 371
Commission fee for SMS services		345	16
Commission fee for using the trade platform		-	6 763
Commission fee for client acquisition (*Business Introducers*)		104 667	28 406
	TOTAL:	**107 646**	**36 556**

5. Loss from trading and revaluation of foreign exchange

		2013 LVL	2012 LVL
Loss from exchange rate fluctuations		1 001	2 175
	TOTAL:	**1 001**	**2 175**

6. Other operating income

	2013 LVL	2012 LVL
Commission income for using the trade platform (for more details see Note 17)	202 040	26 875
TOTAL:	**202 040**	**26 875**

7. Administrative expenses

	2013 LVL	2012 LVL
Remuneration for work	154 030	145 968
Social contributions	37 084	35 164
Marketing expenses	15 868	9 820
Professional services, audit services	12 560	9 655
VAT excluded from input tax	5 596	3 909
FCMC and other EU supervisory authority expenses	5 016	2 371
Other	3 243	618
LCD annual fee	1 000	1 000
Communications and IT services	679	680
Legal and translation services	55	68
TOTAL:	**235 131**	**209 253**

8. Cash and cash equivalents

By currency:

		31.12.2013		31.12.2012	
		Currency	LVL	Currency	LVL
Cash with AS Rietumu Banka (Latvia)	LVL	-	4 879	-	19 653
Cash with AS Rietumu Banka (Latvia)	EUR	7 390	5 194	8 268	5 811
Cash with AS SEB Pank (Estonia)	EUR	131	92	300	211
Cash with Dukascopy Bank SA (Switzerland)	EUR	1 368 683	961 916	854 047	600 228
Cash with Dukascopy Bank SA (Switzerland)	CAD	12 214	5 899	-	-
Cash with Dukascopy Bank SA (Switzerland)	USD	8 273	4 261	-	-
TOTAL:			**982 241**		**625 903**

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

9. Other assets

	2013 LVL	2012 LVL
Other assets	1 121	-
Prepaid bonuses	1 260	-
TOTAL:	**2 381**	-

Prepaid bonuses are provided to customers based on application and vested after achieving agreed trade volume.

10. 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 2011	-	**3 944**	**2 353**	**8**	**6 305**
Prepaid as at 31 December 2011	**(432)**	-	-	-	**(432)**
Calculated for 2012	1 607	50 543	30 343	116	**82 609**
Paid in 2012	(1 506)	(49 843)	(30 072)	(113)	**(81 534)**
Transferred from another tax	331	(331)	-	-	-
Liabilities as at 31 December 2012	-	**4 313**	**2 624**	**11**	**6 948**
(Prepaid) as at 31 December 2012	-	-	-	-	-
Calculated for 2013	2 407	53 781	31 323	140	**87 651**
Paid in 2013	(2 407)	(53 617)	(38 424)	(151)	**(94 599)**
Transferred from another tax	-	(4 477)	4 477	-	-
Liabilities as at 31 December 2013	-	-	-	-	-
(Prepaid) as at 31 December 2013	-	-	-	-	-

11. Accounts payable to suppliers and contractors

	31.12.2013 LVL	31.12.2012 LVL
Audit services	5 929	2 494
IT services	182	182
Commission fees payable to *Business Introducers*	13 756	6 148
Other	46	36
TOTAL:	**19 913**	**8 860**

12. Other liabilities

	31.12.2013 LVL	31.12.2012 LVL
Annual leave accrual	5 450	4 520
Salaries due to employees	-	8 007
FCMC financing	2 337	678
Latvian Central Depositary	70	37
TOTAL:	**7 857**	**13 242**

13. Share capital

As at 31 December 2013, the registered and fully paid share capital consists of 1 600 000 (2012: 1 600 000) 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 Pre Bois 20, Meyrin, Switzerland. The two main shareholders of DUKASCOPY BANK SA are Andrey Duka and Veronika Makarova, who both own 49.5% of the shares each. The remaining 1% is held by the members of the Board of Directors.

14. Corporate income tax

Effective versus theoretical corporate income tax:

	2013 LVL	2012 LVL
Profit or Loss before tax	359 999	(65 316)
Theoretical corporate income tax charge/ (benefit), 15%	54 000	(9 797)
Non-deductible expenses	45	17
Changes in unrecognized deferred tax asset in the reporting period	(54 045)	9 780
Actual corporate income tax for the reporting year	-	-

As at 31 December 2013, accumulated tax loss carried over to future taxation periods is LVL 280 309 (2012: LVL 641 538). 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.

Deferred tax assets

	2013 LVL		2012 LVL	
	Assets	Liabilities	Assets	Liabilities
Other liabilities	818	-	678	-
Tax losses carried forward	42 046	-	96 231	-
(Unrecognized deferred tax asset)	(42 864)	-	(96 909)	-
Net deferred tax assets	-	-	-	-

15. Average number of employees

	2013 LVL	2012 LVL
The average number of staff in the reporting year:	47	39

16. Staff expenses

	2013 LVL	2012 LVL
Remuneration for work	154 030	145 968
Social contributions	37 084	35 164
TOTAL:	**191 114**	**181 132**

Out of which remuneration to the Board members:	2013 LVL	2012 LVL
Remuneration for work	4 516	1 812
Social contributions	1 087	436
TOTAL:	**5 603**	**2 248**

17. Related party transactions

Items of the statement of financial position (Dukascopy Bank SA)	31.12.2013 LVL	31.12.2012 LVL
Due from credit institutions (Dukascopy Bank SA)	972 076	600 228
TOTAL:	**972 076**	**600 228**

According to the Outsourcing and White Label Agreement, Dukascopy Europe IBS AS has paid its parent company, Dukascopy Bank SA, a fee for received SMS services in the amount of 345 LVL (2012: 17 LVL).

In accordance with additional amendment to "Outsourcing and White Label Agreement" concluded on 1 July 2012 parent company Dukascopy Bank SA to its subsidiary Dukascopy Europe IBS AS as it's *White Label* partner has made commission fee payments for *White Label* services in the amount of 202 040 LVL (2012: 26 875 LVL). Dukascopy Bank SA provides such services to all of its *White Label* partners, following the same exact principles of services offered.

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

18. Financial instruments and cash under management

Clients' funds	2013 LVL	2012 LVL
Cash	1 536 471	634 119
Financial instruments	39 589	57 187
Total	**1 576 060**	**691 306**

19. Going concern

Since 2011, when Dukascopy Bank SA acquired 100% shares of the Company, the new investment services related to foreign exchange trading are being introduced. The volume of business is growing, and the Company realized profit in 2013. The management is confident that the positive development in business volume will continue in the nearest future.

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

20. Capital adequacy

Capital adequacy ratio calculated in accordance with the requirements of the FCMC as at 31 December 2013 and 2012 was as follows:

	2013 LVL	2012 LVL
Tier 1 capital		
Paid-up share capital	1 600 000	1 600 000
Accumulated loss of previous years	(1 003 147)	(937 831)
Current year profit (loss)	359 999	(65 316)
Total Tier 1	**956 852**	**596 853**
Minimum capital requirememt	**92 720**	**58 068**
Capital adequacy ratio (%)	**82.56**	**82.23**

21. Currency analysis

Financial assets and liabilities analysis as at 31.12.2013 by currencies, LVL:

	Total	LVL	EUR	USD	CAD	AUD	CHF	GBP
Cash and cash equivalents	982 241	4 879	967 202	4 261	5 899	-	-	-
Other assets	1 121	-	-	1 121	-	-	-	-
Total financial assets 31.12.2013	983 362	4 879	967 202	5 382	5 899	-	-	-
Accounts payable to suppliers and contractors	19 913	218	13 210	3 919	2 392	9	62	103
Other liabilities	2 407	2 407	-	-	-	-	-	-
Total financial liabilities 31.12.2013	22 320	2 625	13 210	3 919	2 392	9	62	103
Net position	961 042	2 254	953 992	1 463	3 507	(9)	(62)	(103)

Financial assets and liabilities analysis as at 31.12.2012 by currencies, LVL:

	Total	LVL	EUR	USD	CAD	AUD
Cash and cash equivalents	625 903	19 653	606 250	-	-	-
Total financial assets 31.12.2012	625 903	19 653	606 250	-	-	-
Accounts payable to suppliers and contractors	8 860	218	5 579	1 560	1 493	10
Other liabilities	8 722	8 722	-	-	-	-
Total financial liabilities 31.12.2012	17 582	8 940	5 579	1 560	1 493	10
Net position	608 321	10 713	600 671	(1 560)	(1 493)	(10)

22. Maturity analysis

The amounts in the tables below represent term structure of carrying amounts of financial assets and liabilities as at the reporting date. Undiscounted cash flows of liabilities correspond to terms and amounts represented in the tables below.

31 December 2013, LVL:

	Total	On demand	Within 3 months
Cash and cash equivalents	982 241	982 241	-
Other assets	1 121	-	1 121
Total assets 31.12.2013	983 362	982 241	1 121
Accounts payable to suppliers and contractors	19 913	-	19 913
Other liabilities	2 407	-	2 407
Total liabilities 31.12.2013	22 320	-	22 320
Net position	961 042	982 241	(21 199)

31 December 2012, LVL:

	Total	On demand	Within 3 months
Cash and cash equivalents	625 903	625 903	-
Total assets 31.12.2012	**625 903**	**625 903**	-
Accounts payable to suppliers and contractors	8 860	-	8 860
Other liabilities	8 722	-	8 722
Total liabilities 31.12.2012	**17 582**	-	**17 582**
Net position	**608 321**	**625 903**	**(17 582)**

23. Subsequent events

On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat was replaced by the euro.

As a result, DUKASCOPY EUROPE IBS AS converted its financial accounting to euros as from 1 January 2014 and the financial statements for subsequent years will be prepared and presented in euros.

Future comparative information will be translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.

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.

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Independent Auditors' Report

To the shareholder 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 2013, 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 23.

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 are 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 the Company as at 31 December 2013, 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
Licence Nr. 55

Ondrej Fikrle

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
14 March 2014

Valda Užāne

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.