DUKASCOPY EUROPE IBS AS

(REGISTRATION NUMBER 40003344762)

ANNUAL REPORT FOR YEAR ENDED 31 DECEMBER 2015

Riga, 31 March 2016

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 Duka - Deputy Chairperson of the Council Vagrams Sajadovs – Member of the Council
Reporting period	1 January 2015 – 31 December 2015
Auditors	SIA KPMG Baltics Vesetas iela 7, Riga Latvia, LV -1013 Licence 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.

In order to rationalize use of the capital, on 17 June 2015, established in accordance with the decision of shareholders, the Company's share capital and amendments to the statute of change from 2 276 594.60 EUR to 1 216 461.40 EUR.

During 2015 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 and Capital Market Commission (FCMC) and legislation.

The financial result of 2015 for the Company is a profit of EUR 1 242, and of 2014 profit of EUR 235 169. Assets as at 31 December 2015 amount to EUR 735 327 (2014: EUR 1 729 853). During the reporting period assets of the Company decreased by 57% due to the capital reduction. As a result, the rest of the Company cash balances with credit institutions decreased.

In 2015 the Company performed active operations in the context of the new business model that was commenced in 2011 and new clients were attracted in 2015, amounting to 7 188 in total as at 31 December 2014 (2014: 4 876).

In 2015 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 2015, the Company strengthened significantly its market position by 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 2016 was a profit.

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

In 2016, the Company will continue improving the quality of services and introduce new IT solutions. In 2016 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 2015 continuing our cooperation in 2016.

A.Duka
Chairman of the Council

A. Gulbis
Chairman of the Board

I. Pronins
Board Member

A. Bagautdinovs
Board Member

Riga, 31 March 2016

The financial statements were approved by the shareholders' meeting on 31 March 2016.

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 2015 financial statements 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, 31 March 2016

Statement of Comprehensive Income

	Note	2015 EUR	2014 EUR
Commission and fee income	3	1 460 119	977 532
Commission and fee expense	4	(187 814)	(192 537)
Net commission income		**1 272 305**	**784 995**
Loss from trading and revaluation of foreign exchange	5	(5 489)	(1 610)
Net operating income		**1 266 816**	**783 385**
Other operating income	6	97 958	158 497
Administrative expenses	7	(1 360 692)	(705 963)
Other expenses		(1 767)	(128)
Deprecation		(1 073)	(622)
Profit before corporate income tax		**1 242**	**235 169**
Corporate income tax	16	-	-
Profit or Loss for the year		**1 242**	**235 169**
Other comprehensive income for the reporting period		-	-
Total comprehensive income for the reporting period		**1 242**	**235 169**

The accompanying notes on pages 11 to 26 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, 31 March 2016

Statement of Financial Position

ASSETS	Note	31.12.2015 EUR	31.12.2014 EUR
Cash and cash equivalents	8	143 607	1 619 748
Derivative financial instruments	9	445	-
Fixed assets	10	1 610	2 683
Other assets	11	589 665	107 422
Total assets		**735 327**	**1 729 853**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Taxes and social contributions	12	46 205	31 514
Accounts payable to suppliers and contractors	13	66 750	45 711
Other liabilities and accruals	14	84 617	55 981
Total liabilities		**197 572**	**133 206**
Paid-up share capital	15	1 216 461	2 276 595
Accumulated losses		(649 948)	(915 117)
Profit or Loss for the year		1 242	235 169
Total shareholders' equity		**537 755**	**1 596 647**
Total liabilities and shareholders' equity		**735 327**	**1 729 853**
Financial instruments and cash under management	20	4 773 439	2 835 404

The accompanying notes on pages 11 to 26 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, 31 March 2016

Statement of Cash Flows

		2015 EUR	2014 EUR
Cash flows from operating activities			
Profit or Loss before corporate income tax		1 242	235 169
Adjustments for:			
deprecation		1 073	622
prepaid expenses		(480 521)	(104 232)
(increase)/decrease in assets		(2 167)	198
increase in liabilities		64 366	93 693
Net cash flows from operating activities		**(416 007)**	**225 450**
Cash flows used in investing activities			
Fixed assets and intangible assets		-	(3 305)
Net cash flows used in investing activities		**-**	**(3 305)**
Cash flows used in financing activities			
Reduction of share capital		(1 060 134)	-
Net cash flows used in financing activities		**(1 060 134)**	**-**
Net increase of cash and cash equivalents		**(1 476 141)**	**222 145**
Cash and cash equivalents at the beginning of the year		1 619 748	1 397 603
Cash and cash equivalents at the end of the year	8	**143 607**	**1 619 748**

The accompanying notes on pages 11 to 26 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, 31 March 2016

Statement of Changes to the Shareholders' Equity

	Share capital	Accumulated losses	Total
	EUR	EUR	EUR
31 December 2013	**2 276 595**	**(915 117)**	**1 361 478**
Profit for the year	-	235 169	**235 169**
31 December 2014	**2 276 595**	**(679 948)**	**1 596 647**
Share capital reduction	**(1 060 134)**	-	**(1 060 134)**
Profit for the year	-	1 242	**1 242**
31 December 2015	**1 216 461**	**(678 706)**	**537 755**

The accompanying notes on pages 11 to 26 form an integral part of these financial statements.

A.Duka
Chairman of the Council

A. Gulbis
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I. Pronins
Board Member

A. Bagautdinovs
Board Member

Riga, 31 March 2016

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 / 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 of the Republic of Latvia (FCMC).

NACE classification

66.99 Other financial service activities, except insurance and pension funding; 66.12 Commodity brokerage services; 66.19 Other activities auxiliary to financial services, except insurance and pension funding.

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 Company has consistently applied the accounting policies set out in Note 2 to all periods presented in these financial statements. The IFRSs and their amendments applicable for the first time for the periods beginning on 1 January 2015 are not binding for the Company.

The financial statements were authorized for issue by the Board on 31 March 2016. 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 in these financial statements are expressed in the Company's functional currency, the official currency of the Republic of Latvia – euro (EUR).

New Standards and Interpretations

A number of new standards, amendments to standards and interpretations became effective as of 1 January 2016, and they have not been applied in preparing these 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 11: Accounting for Acquisitions of Interests in Joint Operations (effective for reporting periods beginning on 1 January 2016 or after)

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured.

The Company is not a party to any joint arrangements.

(ii) IAS 1 – Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2016).

The Amendments to include the five, narrow-focus improvements to the disclosure requirements contained in the standard.

The Company does not expect the amendment to have any impact on the financial statements of the Company.

(iii) IAS 16 – Property, Plant and Equipment and IAS 38 – Intangible Assets (effective for reporting periods beginning on 1 January 2016 or after)

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. In addition, the amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the Amendments, when initially applied, will not have material impact on the Company financial statements, as the Company do not apply revenue-based methods of amortisation/depreciation.

(iv) IAS 16 – Property, Plant and Equipment and IAS 41 – Agriculture (effective for reportingperiods beginning on 1 January 2016 or after)

These amendments result in bearer plants being in the scope of IAS 16 Property, Plant and Equipment, instead of IAS 41 Agriculture, to reflect the fact that their operation is similar to that of manufacturing.

The Company do not expect that the amendments, when initially applied, will have material impact on the financial statements as the Company has no bearer plants.

(v) IAS 19 – Defined Benefit Plans: Employee Contributions (effective for reporting periods beginning on 1 February 2015 or after)

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(vi) IAS 27 – Separate Financial Statements (effective for reporting periods beginning on 1 January 2016 or after)
The amendments allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures. The Company does not expect that the amendments, when initially applied, will have a material impact on the financial statements as the Company has no investments in subsidiaries, associates companies and joint ventures.

(vii) Annual Improvements to IFRSs

The improvements introduce ten amendments to ten standards and consequential amendments to other standards and interpretations. Most of these amendments are applicable to reporting periods beginning on 1 February 2015 or after, with earlier adoption permitted. Another four amendments to four standards are applicable to reporting periods beginning on 1 January 2016 or after, with earlier adoption permitted.

None of these amendments are expected to have a significant impact on the financial statements of the Company.

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.

Bonuses to clients

The Company is providing several bonuses to its clients provided that the clients apply for the bonus and meet the conditions for earning the bonus, e.g. trade volume. Some of these bonuses are prepaid upon application, but fully released to the client accounts only upon vesting conditions are met. The Company recognizes the prepaid bonuses under Other assets, while creating provisions against expenses for the part of the accrued bonus that is probable to be paid out.

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

All monetary asset and liability items were revalued to euros according to the reference exchange rate published by the European Central Bank on the reporting date. Foreign currency transactions are translated into euro applying the euro foreign exchange reference rate published by the European Central Bank at the transaction date. Gain or loss arising from foreign currency exchange is charged to the statement of comprehensive income as gain/loss from exchange rate fluctuations.

Non-monetary items of assets and liabilities, and foreign exchange transactions are revalued to euros in accordance with the euro foreign exchange reference rate published by the European Central Bank on the transaction date.

	2015	**2014**
	1 EUR	**1 EUR**
USD	1.08870	1.21410
CAD	1.51160	1.40630
CHF	1.08350	1.20240
AUD	1.48970	1.48290
GBP	0.73395	0.77890
JPY	131.07000	145.23000
PLN	4.26390	4.27320
RUB	80.67360	72.33700

Taxes

Current tax is calculated in accordance with the law "On Corporate Income Tax" by setting the amount of taxable income and applying a tax rate of 15%.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%.

The calculation of deferred tax has resulted in a deferred tax asset that is not recognized in the balance sheet as the recovery is not probable.

Fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment . If the recoverable amount of an asset is lower than its book value, due to non-short-term circumstances, the book value of the respective asset is written down to its recoverable amount.

Depreciation of fixed assets is calculated on a straight line basis using the declining balance method over the useful life of the asset.. Depreciation rates:

Type of fixed assets	Depreciation method	Depreciation rate
Computer software	declining balance method	20%
Computing machinery and equipment, including printers, Information systems and data storage systems, communication tools, Copiers and related equipment	declining balance method	35%
Furniture	straight line	25%
Other fixed assets	straight line	25%

FA maintenance and repair expenses are recorded in profit and loss statement.

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. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those 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 were used in relation to provisions for vacations and staff bonuses, but not for unpaid client bonuses.

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. Cash and financial instruments that the Company holds on behalf of its clients, are held separately from the Company's own cash and are recognized in the Company's off-balance-sheet items as property owned by third parties and managed or held by the Company.

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. Company's financial assets consist mainly from deposits with credit institutions and financial liabilities include short-term liabilities. Both financial assets and financial liabilities are carried at book value which is close the fair value. Company maintains cash on behalf of its clients that is invested in securities measured at fair value based on 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 payable to suppliers. The Company aims at holding financial assets and liabilities in EUR.

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 the 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 that require free cash funds or transfer of financial assets in due time. Liquidity risk exists when the maturities of assets and liabilities do not match. As at 31 December 2015 and 2014 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.

A data base has been created 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 analyse 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 FCMC. Capital adequacy of the Company is calculated in accordance with the Regulation (EU) No. 575/2013 of the European Parliament and the Council of the 26 June 2013 on prudential requirements for credit institutions and investment broker companies amending the Regulation (EU) No. 648/2012.

The minimum capital requirement for credit risk is determined based on the standard approach and is calculated as 8% of total risk-weighted value. Foreign currency risk capital requirement is calculated as 8% of the total net foreign currency position.

As at 31 December 2015, capital minimum requirement versus risk weighted assets and other relevant items was 24.37% (2014: 152.66%).

3. Commission and fee income

		2015 EUR	2014 EUR
Commission income from transactions with financial instruments		1 460 119	977 254
Commission income from SMS services		-	278
	TOTAL:	**1 460 119**	**977 532**

4. Commission and fee expense

		2015 EUR	2014 EUR
Commission fee for financial services		26 621	10 989
Commission fee for SMS services		61	278
Commission fee for client acquisition (*Business Introducers*)		161 132	181 270
	TOTAL:	**187 814**	**192 537**

5. Loss from trading and revaluation of foreign exchange

		2015 EUR	2014 EUR
Loss from exchange rate fluctuations		5 489	1 610
	TOTAL:	**5 489**	**1 610**

6. Other operating income

		2015 EUR	2014 EUR
Commission income for using the trade platform (for more details see Note 19)		97 254	158 128
Other income		704	369
	TOTAL:	**97 958**	**158 497**

7. Administrative expenses

		2015 EUR	2014 EUR
Remuneration for work		743 070	404 918
Social contributions		171 901	95 355
Employee health insurance costs		18 514	-
Rental and buildings expenditure		148 188	66 040
Marketing expenses		158 923	65 530
Non-deductible VAT		49 077	31 573
Audit and other professional services		17 667	21 931
FCMC and other EU supervisory authority fees		13 502	11 338
Communications and IT services		17 805	5 307
Office expenses		10 002	2 759
Other		927	779
Legal and translation services		11 116	433
	TOTAL:	**1 360 692**	**705 963**

8. Cash and cash equivalents

		31.12.2015		31.12.2014	
		Currency	EUR	Currency	EUR
Cash with AS Rietumu Banka (Latvia)	EUR	-	9 057	-	25 187
Cash with AS Rietumu Banka (Latvia)	PLN	-	-	29 748	6 962
Cash with AS Rietumu Banka (Latvia)	RUB	-	-	39 975	553
Cash with AS Rietumu Banka (Latvia)	GBP	88	119	-	-
Cash with AS Rietumu Banka (Latvia) (credit card)	EUR	-	729	-	863
TOTAL cash with AS Rietumu Banka:			**9 905**		**33 565**
Cash with AS SEB Pank (Estonia)	EUR	-	18	-	92
TOTAL cash with AS SEB Pank:			**18**		**92**
Cash with Dukascopy Bank SA (Switzerland)	EUR	-	76 010	-	1 560 021
Cash with Dukascopy Bank SA (Switzerland)	CAD	-	-	7 287	5 182
Cash with Dukascopy Bank SA (Switzerland)	USD	1 476	1 356	-	-
Cash with Dukascopy Bank SA (Switzerland)	JPY	-	-	1 592 500	10 965
Cash with Dukascopy Bank SA (Switzerland)	PLN	17 291	4 055	42 402	9 923
Cash (FX) with Dukascopy Bank SA (Switzerland)	EUR	-	52 263	-	-
TOTAL cash with Dukascopy Bank SA:			**133 684**		**1 586 091**
TOTAL:			**143 607**		**1 619 748**

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

9. Derivative financial instruments

	31.12.2015 EUR		31.12.2014 EUR	
	Carrying amount	**Notional amount**	**Carrying amount**	**Notional amount**
Foreign currency swap contracts	445	379 185	-	-
TOTAL:	**445**	**379 185**	**-**	**-**

10. Fixed assets

	Computers, printers, copiers and related equipment	Total
Initial value	**EUR**	**EUR**
Initial value 01.01.2015	3 305	3 305
Initial value 31.12.2015.	3 305	3 305
Accumulated depreciation 01.01.2015	622	622
Depreciation	1 073	1 073
Accumulated depreciation 31.12.2015	1 695	1 695
Residual value 31.12.2015	**1 610**	**1 610**
Residual value 31.12.2014	**2 683**	**2 683**

11. Other assets

		31.12.2015 EUR	31.12.2014 EUR
Prepaid bonuses			
Actual prepaid bonuses		616 991	91 941
Provisions for bonus payout		(62 067)	-
	TOTAL prepaid bonuses:	**554 924**	**91 941**
Prepayments for services			
Rental deposit		-	14 084
Advances for advertising services		18 255	-
Advance payments for insurance		13 367	-
	TOTAL prepayments for services:	**31 622**	**14 084**
Other assets		3 119	1 397
	TOTAL:	**589 665**	**107 422**

Prepaid bonuses are provided to customers based on applications. The bonus is paid after reaching a specific volume of trades and expenses are recognized in the income statement. If the sales volume is not achieved during the year, the funds are returned to the Company. The Company is creating provisions against expenses for the part of the accrued bonus that is probable to be paid out.

12. Taxes and social contributions

	Value added tax	Compulsory state social security contributions	Resident income tax	Business risk state duty	Corporate income tax on non-residents	Total
Liabilities as at 31 December 2013	-	-	-	-	-	-
Calculated for 2014	8 240	133 781	79 471	266	-	**221 758**
Paid in 2014 Transferred from another tax	(3 813)	(116 862)	(69 329)	(240)	-	**(190 244)**
Liabilities as at 31 December 2014	4 427	16 919	10 142	26	-	**31 514**
Calculated for 2015	11 598	249 889	142 357	415	4 022	**408 281**
Paid in 2015	(9 737)	(241 412)	(138 015)	(404)	(4 022)	**(393 590)**
Liabilities as at 31 December 2015	**6 288**	**25 396**	**14 484**	**37**	-	**46 205**

13. Accounts payable to suppliers and contractors (accrued expenses)

	31.12.2015 EUR	31.12.2014 EUR
Audit services	9 188	13 171
IT services	258	258
Commission fees payable to *Business Introducers*	51 745	28 170
Buildings expenditure	5 292	3 410
Telecommunications services	215	599
Other	52	103
TOTAL:	**66 750**	**45 711**

14. Other liabilities and accruals

	31.12.2015 EUR	31.12.2014 EUR
Annual leave accrual	31 282	22 320
Salaries due to employees	49 597	30 981
FCMC financing	3 695	2 637
Latvian Central Depositary	43	43
TOTAL:	**84 617**	**55 981**

15. Paid-up share capital

As at 31 December 2015, the registered and fully paid share capital consists of 868 901 (2014: 1 600 000) ordinary shares with voting rights and nominal value of EUR 1.40, total EUR 1 216 461.40 (2014: EUR 2 276 595). The sole shareholder of the Company is DUKASCOPY BANK SA.

In accordance with the Latvian legislation, on 9 March 2015, the Company's share capital was re-registered in euros, from LVL 1 600 000 to EUR 2 276 594.60. As the re-registration result the renewal capital consists from 1 626 139 shares with total nominal value of EUR 2 276 594.60. The nominal value of one share is EUR 1.40. The balance after the denomination of EUR 0.30 was paid to the sole shareholder.

Amendments in statutes and changes in Company's share capital as at 17 June 2015: authorized and paid share capital was reduced from EUR 2 276 594.60 to EUR 1 216 461.40. As a result of re-registration the share capital consists of 868 901 shares with total nominal value of EUR 1 216 461.40. The nominal value of one share is EUR 1.40 . The structure of the shareholders did not change as a result of re-registration, EUR 1 060 134 was paid to the sole shareholder.

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 Duka, who both own 49.5% of the shares each. The remaining 1% is held by the members of the Board of Directors.

16. Corporate income tax

Effective versus theoretical corporate income tax:

	2015 EUR	2014 EUR
Profit or Loss before tax	1 242	235 169
Theoretical corporate income tax charge/ (benefit), 15%	186	35 275
Non-deductible expenses	287	12
Changes in unrecognized deferred tax asset in the reporting period	(473)	(35 287)
Actual corporate income tax for the reporting year	-	-

Deferred tax assets

	31.12.2015 EUR		31.12.2014 EUR	
	assets	**liabilities**	**assets**	**liabilities**
Other liabilities	14 002	-	3 348	-
Tax losses carried forward	11 425	-	22 609	-
Fixed assets	-	197	-	254
(Unrecognized deferred tax asset)	(25 230)	-	(25 703)	-
Net deferred tax assets	-	-	-	-

As at 31 December 2015, accumulated tax losses carried forward amounts EUR 138 231 (2014: EUR 150 721). 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

	2015	2014
The average number of staff in the reporting year:	96	62

18. Staff expenses

	2015 EUR	2014 EUR
Remuneration for work	743 070	404 918
Social contributions	171 901	95 355
TOTAL:	**914 971**	**500 273**

Out of which remuneration to the Board members:	2015 EUR	2014 EUR
Remuneration for work	55 963	34 625
Social contributions	13 201	8 168
TOTAL:	**69 164**	**42 793**

19. Related party transactions

Items of the statement of financial position (Dukascopy Bank SA)	31.12.2015 EUR	31.12.2014 EUR
Due from credit institutions (Dukascopy Bank SA, see note 8)	133 684	1 586 091
TOTAL:	**133 684**	**1 586 091**

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 EUR 61 (2014: EUR 278), EUR 7 724 - commission fee for FOREX trading services.

In accordance with additional amendment to "Outsourcing and White Label Agreement" concluded on 1 July 2012, parent company Dukascopy Bank SA has made commission fee payments for *White Label* services to its subsidiary Dukascopy Europe IBS AS as it's *White Label* partner in the amount of EUR 97 254 (2014: EUR 158 128). 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.

20. Financial instruments and cash under management

Clients' funds		2015 EUR	2014 EUR
Cash		4 720 044	2 791 883
Other financial instruments		53 395	43 521
	KOPĀ:	**4 773 439**	**2 835 404**

21. Capital adequacy

The Company's policy requires management to ensure a strong capital base in order to maintain investor, creditor and market confidence and ensure continuous business development. However, management understands the impact of the capital level on shareholders returns and recognizes the need to maintain a balance between higher returns and advantages from solid capitalization. The capital adequacy requirements are determined and monitored by the Financial and Capital Market Commission. The Company has defined capital in line with the definitions in statutory regulations.

According to capital requirements set by the Financial and Capital Market Commission for investment brokerage companies a ratio of capital to risk weighted assets ("statutory capital ratio") must exceed a predetermined minimum rate. As at 31 December 2015 and 31 December 2014 the minimum rate was 8% and the Company was compliant with the minimum capital requirements. As at 31 December 2014 the Company had a significant capital adequacy ratio surplus (152.66%) and therefore in order to rationalize the use of the capital, on 17 June 2015, based on shareholder's decision, the Company's statutes were amended to decrease the share capital from EUR 2 276 594.60 to EUR 1 216 461.40.

The table below reflects the Company's capital position as at 31 December 2015 and 31 December 2014 in accordance with the Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms amending the Regulation No. 648/2012.

	2015 EUR	2014 EUR
Tier 1 capital		
Paid-up share capital	1 216 461	2 276 595
Accumulated loss of previous years	(679 948)	(915 117)
Current year profit (loss)	1 242	235 169
Total Tier 1	**537 755**	**1 596 647**
Minimum capital requirement	**176 523**	**83 671**
Capital adequacy ratio (%)	**24.37**	**152.66**

22. Currency analysis

Financial assets and liabilities analysis as at 31.12.2015 by currencies, **EUR**:

	Total	EUR	USD	CAD	AUD	CHF	GBP	PLN	Citas
Cash and cash equivalents	**143 607**	138 077	1 356	-	-	-	119	4 055	-
Prepaid bonuses	**554 924**	170 874	216 150	12 940	29 557	11 221	42 446	62 483	9 253
Other assets	**3 119**	3 027	92	-	-	-	-	-	-
Total financial assets 31.12.2015	**701 650**	311 978	217 598	12 940	29 557	11 221	42 565	66 538	9 253
Accounts payable to suppliers and contractors	**66 750**	30 100	33 843	2	678	1 177	354	37	559
Other liabilities	**53 335**	53 335	-	-	-	-	-	-	-
Total financial liabilities 31.12.2015	**120 085**	83 435	33 843	2	678	1 177	354	37	559
Net position in the statement of financial position	**581 565**	**228 543**	**183 755**	**12 938**	**28 879**	**10 044**	**42 211**	**66 501**	**8 694**
Foreign currency swap contracts		**370 000**	**(190 295)**	**(14 903)**	**(30 000)**	**(10 043)**	**(45 204)**	**(69 992)**	**(9 118)**
Net position		**598 543**	**(6 540)**	**(1 965)**	**(1 121)**	**1**	**(2 993)**	**(3 491)**	**(424)**

Financial assets and liabilities analysis as at 31.12.2014 by currencies, **EUR**:

	Total	EUR	USD	CAD	AUD	CHF	GBP	PLN	JPY	Other
Cash and cash equivalents	**1 619 748**	1 586 163	-	5 182	-	-	-	16 885	10 965	553
Prepaid bonuses	**91 941**	21 495	54 265	316	160	68	1 567	8 400	289	5 381
Other assets	**1 397**	-	1 397	-	-	-	-	-	-	-
Total financial assets 31.12.2015	**1 713 086**	1 607 658	55 662	5 498	160	68	1 567	25 285	11 254	5 934
Accounts payable to suppliers and contractors										
Other liabilities	**45 711**	28 353	15 673	40	49	619	666	311	-	-
Total financial liabilities 31.12.2015	**33 661**	33 661	-	-	-	-	-	-	-	-
Net position	**79 372**	62 014	15 673	40	49	619	666	311	-	-
Cash and cash equivalents	**1 633 714**	**1 545 644**	**39 989**	**5 458**	**111**	**-551**	**901**	**24 974**	**11 254**	**5 934**

23. Sensitivity analysis

A reasonably possible strengthening (weakening) of the euro against the following currencies at 31 December 2015 and 31 December 2015 would have affected profit or loss and equity (the only effect on equity is from profit or loss) by the amounts shown below. This analysis assumes that all other variables, remain constant.

	2015		2014	
	Strengthening	**Weakening**	**Strengthening**	**Weakening**
USD (10% change)	654	(654)	3 999	(3 999)
CAD (10% change)	197	(197)	546	(546)
AUD (10% change)	112	(112)	11	(11)
CHF (10% change)	-	-	55	(55)
GBP (10% change)	299	(299)	90	(90)
PLN (10% change)	349	(349)	2 497	(2 497)
Citas (10% change)	42	(42)	1 718	(1 718)
	1 653	**(1 653)**	**8 916**	**(8 916)**

24. Maturity analysis

The table represents Company's asset and liability reprising analysis that was carried out based on remaining maturity from the reporting date to contractual maturity date. Undiscounted cash flows of financial liabilities correspond with the dates and amounts represented in the maturity analysis.

31 December 2015, EUR:

	Total	On demand	Within 3 months
Cash and cash equivalents	**143 607**	143 607	-
Prepaid bonuses	**554 924**	554 924	-
Other assets	**3 119**	-	3 119
Total assets 31.12.2015	**701 650**	**698 531**	**3 119**
Accounts payable to suppliers and contractors	**66 750**	-	66 750
Other liabilities	**53 335**	-	53 335
Total liabilities 31.12.2015	**120 085**	**-**	**120 085**
Net position	**581 565**	**698 531**	**(116 966)**

31 December 2014, EUR:

	Total	On demand	Within 3 months
Cash and cash equivalents	**1 619 748**	1 619 748	-
Prepaid bonuses	**91 941**	91 941	-
Other assets	**1 397**	-	1 397
Total assets 31.12.2015	**1 621 145**	**1 619 748**	**1 397**
Accounts payable to suppliers and contractors	**45 711**	-	45 711
Other liabilities	**33 661**	-	33 661
Total liabilities 31.12.2015	**79 372**	**-**	**79 372**
Net position	**1 633 714**	**1 711 689**	**(77 975)**

25. 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 or 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 2015, 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 26.

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 these 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 these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Company's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Company 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 2015, 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 | *Valda Užāne*

Ondrej Fikrle
Partner pp KPMG Baltics SIA
Riga, Latvia
31 March 2016

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.