



**THE INVESTOR COMPENSATION COMPANY
DAC**

ANNUAL REPORT

YEAR ENDED 31 JULY 2019



MISSION STATEMENT

The Investor Compensation Company DAC aims to operate a financially sound scheme so that it is in a position to pay, in a prompt manner, statutory levels of compensation to eligible clients of failed investment firms.

In doing this, we will:

- Ensure that claims for compensation are dealt with promptly.
- Operate a cost effective method for the collection of levies which is fair to all investment firms.
- Maintain an open and positive relationship with the participant firms and claimants with whom we deal.

In fulfilling our mission we are guided by the following values:

- We take seriously our responsibility to the Investor Compensation Scheme's claimants and participant firms.
 - We work in a consultative and co-operative manner with our participant firms, with the Central Bank of Ireland and with the Department of Finance.
 - We operate with integrity and transparency.
 - We work efficiently and effectively.
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YEAR ENDED
31 JULY 2019**

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COMPANY INFORMATION

Secretary	Michael Fagan
Registered Office	Central Bank of Ireland, PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1, D01 W920.
Auditor	Mazars, Chartered Accountants & Statutory Audit Firm, Block 3, Harcourt Centre, Harcourt Road, Dublin 2, D02 A339.
Bankers	Bank of Ireland, 2 College Green, Dublin 2, D02 VR66. Ulster Bank Ireland DAC, George's Quay, Dublin 2, D02 VR98.
Solicitors	William Fry Solicitors, 2 Grand Canal Square, Grand Canal Dock, Dublin 2, D02 A342.

Registered No 293240

THE BOARD OF DIRECTORS

All members serve as non-executive directors



Jane Marshall

(Chairperson)

Appointed chairperson on 1 June 2018, Jane is a solicitor and formerly a partner with McCann FitzGerald Solicitors, where she specialised in the areas of restructuring, insolvency and associated litigation.

She is a non-executive director of State Street Fund Services (Ireland) Limited and also an Adjunct Professor of Law at University College Cork.



George Treacy

(Deputy Chairperson)

Company Secretary and Chief Operations Officer of The Investor Compensation Company DAC from 2011 to 2014. A former member of the Company Law Review Group. He began his career with the Central Bank of Ireland where he held various senior positions including Head of Division in the Legal, Consumer Protection and Intermediaries Supervision Divisions and latterly as Acting Director of Enforcement.



Valerie Bowens

Ms Bowens (BComm, Master of Business Studies). Currently a member of the Boards of the National Standards Authority of Ireland (NSAI), and its US subsidiary, NSAI Inc. Also, a member of the Council of the Financial Services Ombudsman and its Audit and Risk Committee. Executive experience includes Managing Director and Country Head of Compliance at BNY Mellon, Director at Dillon Eustace Solicitors, Senior Manager at AIB, and Senior Regulator at the Central Bank. Member of the Institute of Directors and the Association of Compliance Officers in Ireland.



Regina Breheny

CEO of the Irish Association of Investment Managers since 2017. Prior to this she was the Director General of the Irish Venture Capital Association (IVCA). She has extensive investment experience gained in Russia and Eastern Europe. Her early career included institutional fund management at AIB Bank and Zurich Insurance (Eagle Star Insurance Group), and stockbroking at Solomons Stockbrokers.



Liam Carberry

A practicing Insurance Broker with 25 years' experience in the Financial Services Industry and immediate past Chairman of the Professional Insurance Brokers Association (PIBA). A former member of the Financial Services Industry Consultative Panel, past President of the Christian Brothers Parents Council of Ireland and current Director of Brokers Ireland.



Brian Healy

Principal and founder of Atlantic Vantage, a strategic consultancy business. Non-executive roles include Chairmanship of the Irish Market Advisory Committee of Euroclear Group Plc, dealing with Brexit and other issues for the equity and fixed income markets in Ireland. Previously a senior executive, most recently COO/CFO, of the Irish Stock Exchange Plc and before that a senior manager with Arthur Andersen. A fellow of Chartered Accountants Ireland and of the Chartered Institute of Securities and Investment.



Dermott Jewell

Mr Jewell (B.Sc. (Mgmt.) Law (TCD)) is Policy & Council Advisor to the Consumers' Association of Ireland. His representations include Chairperson/Director of the European Consumer Centre (ECC) Ireland; Member – Legal Services Regulatory Authority (LSRA); Member of the Financial Services and Pensions Ombudsman Council (FSPOC) and Member of the European Banking Authority (EBA) – Banking Stakeholder Group. He is Ireland's representative on the European Consumer Consultative Group (ECCG) of the European Commission. He is an accredited mediator and a member of the Chartered Institute of Arbitration (Irish Branch) (CIArb), Mediators' Institute of Ireland (MII) and the Institute of Directors (IoD).



Siobhán Madden

Appointed to the board of the ICCL in October 2015 and a member of the board of Bus Atha Cliath. Siobhan is an international corporate legal consultant. Her practice specialties are the law relating to banking & financial services, aviation and corporate governance. Siobhan is an Irish solicitor, tax consultant, and a member of the New York Bar. She is a graduate of Trinity College, was a partner in A&L Goodbody Solicitors for 15 years, and for 8 years was General Counsel Ireland for Zurich Insurance Group. She has also worked in New York and France for major international companies.



Enda Newton

A Corporate Partner in AMOSS Solicitors with extensive experience in advising on mergers and acquisitions, equity capital markets, corporate re-organisations, shareholder arrangements, corporate fundraising, joint ventures, venture capital and private equity. Formerly a senior legal advisor in the Banking Division of the Department of Finance where he was involved in advising on a diverse range of issues relating to the banking crisis.



Paul O'Donovan

Independent consultant operating across all sectors of the Financial Services Industry working with regulatory bodies, representative bodies and service providers. Formerly a Senior Consultant with Accenture (Andersen Consulting, Arthur Andersen & Co.) and a founder Director of Prospectus Strategy Consultants. Established O'Donovan Associates in 1994.



Ann Smith

Director of Corporate Services with Banking & Payments Federation Ireland (BPF) since late 2016. Before moving to BPF, worked with Chartered Accountants Ireland for 20 years in a variety of education, regulatory and financial roles. Having trained with Butler Chance & Co/Touche Ross she moved to Irish Life Building Society as financial accountant. A Chartered Accountant and fellow of Chartered Accountants Ireland.

CHAIRPERSON'S STATEMENT



Jane Marshall

Chairperson

OVERVIEW

The past twelve months saw further progress towards reaching the Company's current target funding levels. Accumulated reserves have grown steadily in recent years and now stand at more than €61 million. The ICCL is well on course to attain its medium-term funding objective for the Compensation Scheme. It is to be welcomed that no new compensation cases arose during the past year. I will refer to the ongoing cases later in this review.

The Company continued its preparations in respect of the implications of the United Kingdom's departure from the European Union. In that context, we have seen many new investment firms authorised by the Central Bank of Ireland, some of which introduce business models of significant scale and complexity. The issues and risks associated with Brexit are many and are considered on an ongoing basis by the Board with appropriate measures adopted as necessary. These issues are also discussed as part of regular engagement with the Central Bank of Ireland, the supervisory authority for investor compensation.

A major programme to upgrade the ICCL's core IT platforms was commenced. The implementation of this programme is designed to provide better customer service and improve operational efficiency.

I am pleased to present the Annual Report of The Investor Compensation Company DAC (the "Company/ICCL") for the year ended 31 July 2019.

FUNDING

During the year, following completion of consultation with relevant stakeholders, funding arrangements for the next three-year funding period (2020-22) were finalised and approved. This incorporated the recalibration of funding targets for both ICCL Funds (Fund A and Fund B) and the setting of contributions from investment firms over that timeframe. Our primary fund (Fund A), which is dedicated to larger investment firms, including MiFID firms, has a planned total funding capacity of €150 million by 2024, comprising €50 million of reserves and €100 million in insurance. The Company is on course to attain this target. For Fund B, which covers smaller investment firms, including investment intermediaries and insurance brokers, the proposed level of reserves, €25 million, was reached last year. These resources are augmented by insurance cover of €10 million. The achievement of this objective facilitated a reduction in levies for firms participating in that fund in 2018 and no increase in levy rates for Fund B contributors is foreseen during the upcoming funding period.

After periods in which the number of Fund A participants declined, partly due to market consolidation, there was a material increase in new members, due to Brexit-related considerations. On the other hand, there was a decline in Fund B firms, reflecting the impact of the EU (Insurance Distribution) Regulations, introduced in late 2018. The ICCL's success in growing its compensation funds is primarily attributable to the ongoing commitment of contributing firms, the vast majority of which continue to discharge annual levy obligations on a timely basis. The Board is very appreciative of their ongoing commitment to the Scheme.

COMPENSATION CASES

Irish Bank Resolution Corporation (IBRC)

The IBRC case was concluded from the standpoint of the ICCL in the period. The total compensation paid to eligible investors in prior reporting periods was €12,368. A final dividend of €6,184 was received from the joint liquidators in satisfaction of the ICCL's subrogated claim.

Asset Management Trust Limited (AMT)

The aggregate compensation amount paid to clients of the firm remained at €22,596, as reported last year. No additional claims are anticipated.

Money Markets International Stockbrokers Limited (MMI)

The MMI case commenced in 1999 following the appointment of a Liquidator and Administrator, on the application of the Central Bank of Ireland. As a result of certifications completed by the Administrator, aggregate compensation of €775,000 has been paid to MMI clients, the last payments made in 2008.

There are a number of unresolved issues in this ongoing liquidation which may possibly give rise to further claims for compensation. These include the extent to which the Liquidator's fees and costs are recouped from the remaining client assets and the ICCL's claim for subrogation. The ICCL has sought further information from the Liquidator to confirm the position.

Custom House Capital Limited (CHC)

The ICCL has paid aggregate compensation of €7.4 million to 574 CHC investors (out of an estimated final amount of €19.7 million). The Company has made provision for all outstanding claims which will be paid promptly on receipt of certifications from the Liquidator/Administrator. The most recent certifications were received in mid-2018., leaving an estimated further 1,400 claims outstanding. The liquidation, which started in October 2011 remains ongoing. In his most recent report to the High Court, the Liquidator indicated that he has made progress in the recovery of misappropriated funds during the past year.

The ICCL has engaged extensively with the Liquidator to explore how it may clarify and exercise its statutory right of subrogation, which only arises when compensation has been paid to an eligible

client of a failed investment firm. In January 2019, the Court decided that the question of subrogation rights is an issue between the ICCL and the CHC clients, and not the Liquidator. The Court indicated that the pursuit of the ICCL's claim to be subrogated to the assets of CHC clients would require information in relation to the assets of compensated clients to be provided by the Liquidator, and that process is continuing.

MANAGEMENT AND OPERATIONS

The operations of the ICCL which are expanded on in the Operations Report below, are conducted by a small executive team, led by Michael Fagan. I wish to express my appreciation, and that of the entire Board, to Michael and his staff for their dedication to ensuring that the Company discharges its responsibilities in an effective and efficient manner. I wish to thank Governor Lane, Acting Governor Donnelly and other Central Bank officials with whom the ICCL engages for their assistance to the ICCL in carrying out its mandate. I look forward to continuing this important relationship with the recently appointed Governor Makhoul. I am also grateful to our other stakeholders, particularly the Department of Finance, for their continued support.

GOVERNANCE AND BOARD

During the year, the Board implemented a revised Code of Conduct and an updated Data Protection Policy for Directors and staff. The Schedule of Matters Reserved to the Board, which focuses on governance, risk, finance and oversight, was updated, and comprehensive Terms of Reference for the Board were implemented. The Board also undertook an evaluation of its own performance while an off-site strategy day was held in addition to its regular meetings. Further details on our governance processes are set out in the Directors' Report.

The past year saw some changes in Board membership. Amy Walsh resigned as a Director in October 2018 and I would like to thank her for contributing to the work of the Board during her tenure. I welcome Ann Smith to the Board following her appointment as a Director, as well as Valerie Bowens, Siobhan Madden and Dermott Jewell, all of whom were re-appointed as Directors, and look forward to working with them in the years ahead.

Following the recent introduction of legislation prescribing Chartered Accountants Ireland as a nominating body, a nominee from the Institute is awaited.

Finally, I am grateful for the advice and support of the Deputy Chairperson, George Treacy and of my other fellow Directors and for the time, expertise and commitment which they bring to the business of the Board.

Jane Marshall
Chairperson

21 October 2019

OPERATING REPORT



Michael Fagan

Chief Operations Officer

The Company's primary role is to ensure that, in accordance with the Investor Compensation Act, 1998 (the Act), it has the funds available to pay all certified claims in a timely fashion.

Overview

There was a further strengthening in the ICCL's financial position during the past twelve months with cash reserves reaching €61.6 million by the end of the period, aided by another very strong levy collection performance. Claims activity was subdued: there were no new failures of investment firms while progress slowed in current compensation cases. The year saw a significant increase (34) in larger investment firms affiliating to the Investor Compensation Scheme (the Scheme). These mainly comprised newly-authorized MiFID firms and Alternative Investment Managers that established operations in the State on foot of Brexit and which provide services primarily to institutional and professional clients. There was renewed emphasis on ensuring that the Company was equipped to respond to external developments including prospective legislative change, while prioritisation of governance and compliance-related tasks continued.

STRATEGY

As part of its Strategic Plan, the Company has adopted four High Level Goals in the furtherance of its stated Mission. These are:

- To ensure that the Scheme is adequately funded, by collecting levies and managing invested reserves prudently, so that the Company has the resources to pay claims when they arise.
- To handle claims for compensation promptly and to expedite the certification of claims.
- To manage the ICCL efficiently and effectively, implementing quality corporate governance and risk management procedures.
- To communicate effectively, manage relationships and be an advocate of change with all key stakeholders.

Based on the above, a detailed Work Plan is approved annually by the Board that outlines priority

tasks for the advancement of these objectives. The Board monitors progress achieved on a regular basis throughout the year and conducts a review of strategy annually.

The current Plan is entering its final year and preliminary consideration of themes to be incorporated into a new plan has commenced.

FINANCIAL SUMMARY

A surplus of €4.3 million was recorded for the year to 31 July 2019, which equated to a decrease of €214,000 (4.7 per cent) on the previous year. Total income, primarily derived from levies paid by authorised investment firms, amounted to €6.2 million. Aggregate expenditure amounted to €1.9 million, a rise of €340,000, which was largely attributable to increases of €132,000 in compensation-related legal costs and of €147,000 in administration expenses, due mainly to higher staff costs. At year-end, net assets (equivalent to Compensation Funds maintained) stood at €61.6 million, (2018: €57.3 million). Further details are contained in the accompanying Financial Statements.

CLAIMS

ASSET MANAGEMENT TRUST (AMT)

In the course of the past year, the remaining compensation claims arising in this case were certified by the Administrator. All of these claims were certified as ineligible. In summary, 12 claims were received since the outset of this case in February 2016, with total compensation of almost €23,000 being paid to eligible clients. No further claims or compensation payments are anticipated.

CUSTOM HOUSE CAPITAL (CHC)

This case commenced in October 2011 following the appointment by the High Court of a liquidator. The Liquidator was also appointed to act as Administrator for investor compensation purposes, i.e. to establish the eligibility for and certify the amount of compensation due to clients of the firm. To date, 574 claims for compensation have been certified by the Liquidator, resulting in €7.4 million being paid to eligible clients. Some 1,400 claims remain to be certified by the Liquidator. The final maximum compensation liability of the ICCL is estimated at €19.7 million. This estimate has been fully provided for in the Company's accounts.

No claims were certified during the past year. As reported by the Liquidator, he has been engaged in the reconciliation of pooled client accounts, and the recovery and allocation of funds which had been misappropriated from those accounts. The Liquidator had indicated that some of the outstanding claims could be certified contemporaneously with the reconciliation process. However, this had not transpired in the reporting period.

The ICCL has sought to have the extent of its statutory right of subrogation clarified by the Court.

This right only occurs in circumstances where compensation has been paid to eligible clients of a failed investment firm. In that context, the Liquidator has been requested to provide certain information regarding the assets of CHC clients which would assist in determination of the issue by the Court, and that process is continuing. The ICCL has continued to pursue the certification of outstanding claims.

IRISH BANK RESOLUTION CORPORATION (IBRC)

Following the appointment of joint Special Liquidators and Administrators, to IBRC in May 2013, aggregate compensation of €12,368 was paid to clients following certification of claims received. During the year, a final dividend of €6,184 was received in respect of the ICCL's subrogated claim in the liquidation. Accordingly, the total compensation paid out has been recouped. The joint Administrators have confirmed that no further liabilities will arise for the ICCL.

MONEY MARKETS INTERNATIONAL STOCKBROKERS LIMITED (MMI)

In March 1999, a Liquidator/Administrator was appointed to MMI. Subsequently, compensation of more than €774,000 was certified by the Administrator and paid to 313 clients, the most recent payment being in 2008. The ICCL maintains a subrogated claim in the liquidation for an amount equivalent to the aggregate compensation paid. The liquidation of MMI is continuing with a number of issues awaiting resolution, including the ICCL's subrogated claim and whether the Liquidator can recover his fees and costs from the residual client assets. These could yet result in additional compensation being claimed from the ICCL. Further developments are awaited.

FUNDING

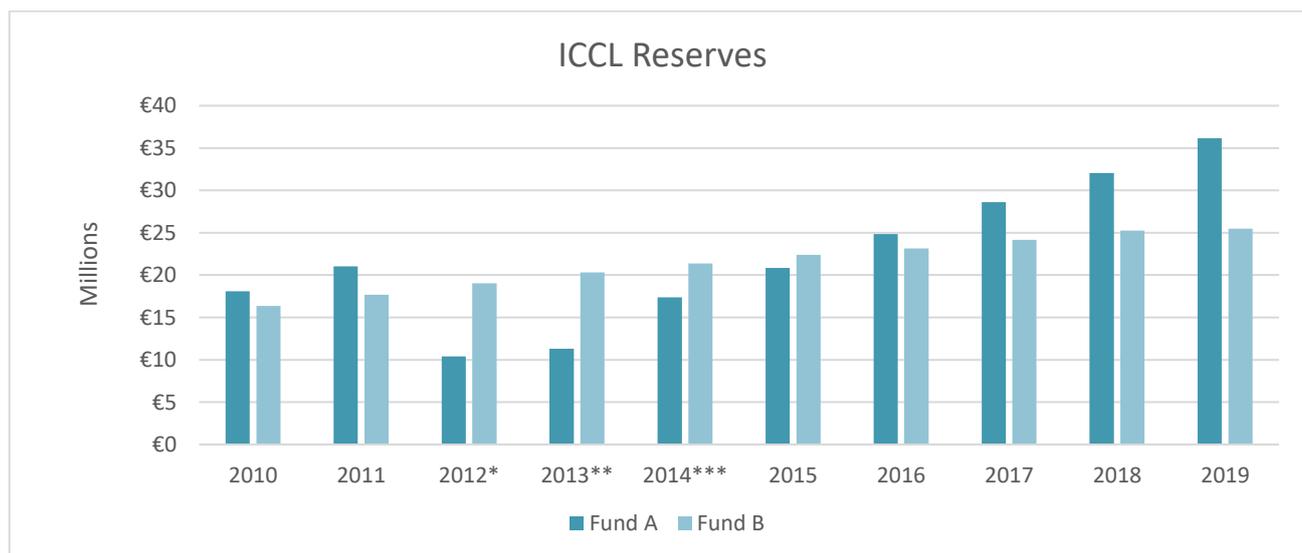
In accordance with the provisions of the Act, the ICCL is obliged to have adequate financial reserves available to meet compensation liabilities as they arise. These reserves have been accumulated from mandatory levies contributed annually by investment firms affiliated to the Scheme. At present, the Company maintains two separate compensation funds: Fund A for large investment firms including banks, investment managers and stockbrokers, and Fund B, which covers other firms such as investment and insurance intermediaries. Levies are fixed at three yearly intervals based on the setting of funding targets, following consultation with relevant stakeholders including the Central Bank of Ireland and participating firms.

In the year to 31 July 2019, total levies amounted to €6.2 million. Fund A firms contributed an aggregate amount of €5.4 million during the year, which resulted in the relevant reserve level reaching €36.2 million at the reporting date. In Fund B, levy income amounted to €0.8 million, with that Fund's balance standing at €25.5 million at year-end. Both funds exceeded their respective target balances for the period.

During the first half of 2019, a new 3-year funding plan for the years 2020-22 was approved by the Board and published. This incorporated a revised band structure for Fund A firms in order to ensure a more balanced framework, while Fund B structures were left unchanged. By the expiry of the plan, it is intended that Fund A reserves will have reached €45 million. The current target level for Fund B of €25 million is being retained for each of the next three years. The plan is available on the ICCL's website, www.investorcompensation.ie

In addition to its financial reserves, the ICCL's capacity to discharge compensation liabilities is augmented by insurance cover which provides up to €100 million (Fund A) and €10 million (Fund B). These arrangements are in place through bespoke insurance policies underwritten by Lloyds of London (Brussels Office). Accordingly, at the reporting date the Company is in a position to meet potential claims of up to €136 million for a Fund A member firm and €35 million for a Fund B member.

The table below shows the development of core reserves for both funds over the past decade.



FUND A

* Creation of CHC Claims Compensation Provision

** Creation of IBRC Claims Compensation Provision

*** Release of IBRC Claims Compensation Provision

There was another solid levy collection outturn for the year, which facilitated the further growth of the Company's underlying financial resources. The ongoing support of the contributor investment firms is gratefully acknowledged.

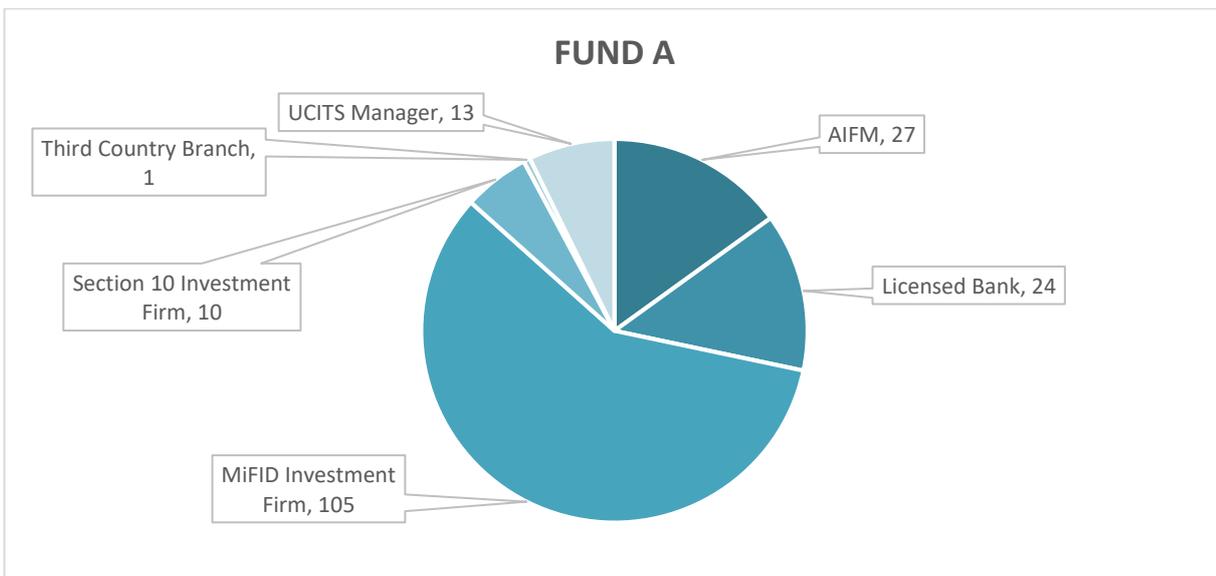
MEMBERSHIP

At 31 July 2019, 3,285 investment firms were affiliated to the Scheme, an increase of 5 per cent on the previous year, consisting of 180 firms in Fund A and 3,105 in Fund B. Further details of the Scheme participant firms are outlined below.

FUND A

This Fund covers clients of large investment firms that provide a broad scope of services to retail investors, including the execution of client orders on financial instruments and the management of clients' investment portfolios. There has been a significant increase in the number of Fund A firms within the past year, particularly in respect of MiFID firms and Alternative Investment Fund Managers. This increase has been largely attributable to the establishment of operations by UK-based investment firms on foot of the pending departure of the UK from the European Union. The predominant focus of the new entrant firms is on the servicing of institutional or professional clients, rather than retail clients.

The following chart illustrates the composition of the Fund between different sectors in the market.

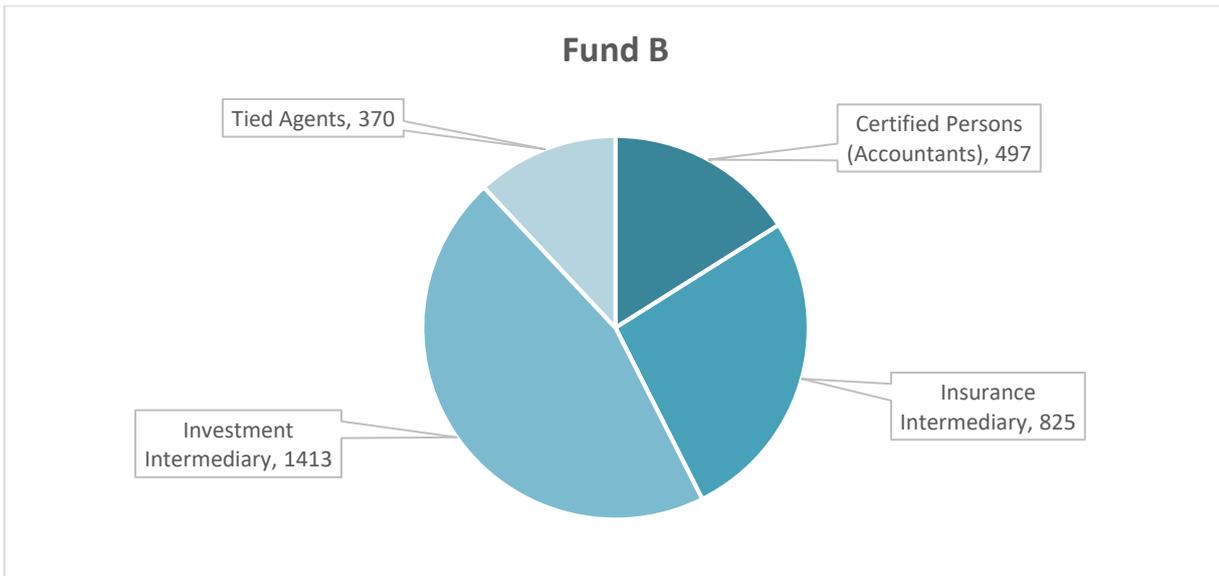


Total Contributing Firms: 180

FUND B

Fund B involves a range of smaller firms involved in the provision of investment services to retail investors, such services being less extensive than those offered by Fund A firms, typically the receipt and transmission of orders and the provision of investment advice. These include investment intermediaries, insurance intermediaries and certified persons (member firms of Approved Professional Bodies (APBs) that have been authorised to provide certain investment business services). During the year, there was a decline in the number of Fund B firms, primarily due to the implementation of *the EU (Insurance Distribution) Regulations 2018*. These regulations provide that all insurance intermediaries, including certified persons, are now subject to registration with the Central Bank of Ireland, which in effect means that some firms must now hold separate authorisations from both their APB for investment business, and from the Bank for insurance-related activities. (These firms pay a single levy to the ICCL). There was also a reduction in the number of tied insurance agents affiliated to the Scheme.

The chart below provides details of the nature of participant firms in this Fund.



Total Contributing Firms: 3,105

INVESTMENTS

The Company has an investment policy and related operational framework in place which governs the management of reserves. The policy, which has been authorised by the Board and approved by the Central Bank of Ireland, sets out the parameters to be applied in the investment of accumulated funds. The policy has regard to the requirements outlined in the relevant legislation (the Investor Compensation Act 1998), which stipulates that funds may only be placed on deposit with approved credit institutions or invested in securities in which trustees are authorised by law to invest trust funds.

For some years, the market has been characterised by largely negative deposit interest rates and bond yields. This environment continued during the past year with the result that there was an emphasis on ensuring that the Funds' capital values were maintained. This outcome was realised with an overall return on the portfolio of 0.04 per cent, which was marginally lower than the previous year.

The European Central Bank has recently reduced interest rates and approved a resumption of its bond purchase programme as it seeks to address inflation expectations. Against this backdrop, it is anticipated that market conditions will remain challenging over the medium term.

OTHER ACTIVITIES

There was extensive engagement with the Central Bank of Ireland on Brexit, including the implications for the Scheme of prospective new member firms and on the United Kingdom becoming a so-called Third Country for regulatory purposes, following its departure from the European Union.

There were ongoing consultations with the Central Bank of Ireland, as supervisory authority for investor compensation in the State, and with the Department of Finance on a range of policy matters, as well as on legislative changes designed to improve the operation of the Scheme.

As part of a programme to enhance governance and compliance, policies in respect of Data Protection, Fraud Prevention and Ethics/Code of Conduct were revised, as was the ICCL's Claims Policy. A project for a major upgrade of the Company's main IT platforms was initiated to support our operations and improve the delivery of services to customers.

The ICCL is a member of the European Federation of Deposit Insurers (EFDI), the representative body for Deposit Guarantee Schemes and Investor Compensation Schemes across Europe. In April, the Company hosted a meeting of the EFDI's Investor Compensation Scheme Working Group.

ADMINISTRATION

The ICCL's Executive staff are seconded from the Central Bank of Ireland and the Company also avails of administrative and other support services provided by the Central Bank of Ireland. The cost of these services, including staff remuneration, is recouped from the resources of the Company.

For the year-ending 31 July 2019, average staff numbers were 8.8 FTE. I wish to acknowledge my fellow team members for their ongoing application and commitment throughout what was a very busy year for the Company.

I am also grateful for the continued support and guidance from the Board of Directors during the past year, particularly from the Chair, Jane Marshall and Deputy Chair, George Treacy.

Michael Fagan
Chief Operations Officer

21 October 2019

REPORT OF THE DIRECTORS

INTRODUCTION

The Directors are pleased to submit to the thirteenth Annual General Meeting of the Investor Compensation Company DAC (the 'ICCL') the audited financial statements for the year ended 31 July 2019, together with the Report of the Directors, which has been prepared pursuant to the provisions of section 325 of the Companies Act 2014.

PRINCIPAL ACTIVITIES

The principal activities of the Company are as follows:-

- the establishment and maintenance of arrangements for the payment of compensation to clients of investment firms in accordance with the Investor Compensation Act, 1998 (as amended) (referred to hereafter as the "Act").
- the collection of levies from investment firms and the management of these funds out of which compensation or expenses are paid in accordance with the Act.

BUSINESS REVIEW

A summary of the main developments during the period under review is provided in the Operating Report on pages 13 to 18.

FINANCIAL POSITION

The assets, liabilities, and financial position of the company are set out in detail in the financial statements on pages 32 to 47.

In accordance with the Constitution of the ICCL, no dividend is payable by the Company.

ACCOUNTING RECORDS

To ensure that adequate accounting records are maintained in accordance with the requirements of sections 281 to 286 of the Companies Act, 2014, ICCL has employed an appropriately qualified Funding and Policy Manager and provides sufficient resources to the finance function. The accounting records are located at ICCL's registered office at Spencer Dock, North Wall Quay, Dublin 1.

PROVISION OF RELEVANT AUDIT INFORMATION

In accordance with Section 330(1) of the Companies Act, 2014, the directors believe that they have taken all steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditor is aware of that information. Insofar as they are aware, there is no relevant audit information of which the Company's statutory auditor is unaware.

EVENTS AFTER THE END OF THE REPORTING PERIOD

No material events have occurred subsequent to the reporting date which would require disclosure in the financial statements.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The Company made no political or charitable donations or incurred any related expenditure during the year.

AUDITORS

Mazars, Chartered Accountants, were re-appointed as auditors to the Company during the financial year and continue in office in accordance with Section 383 (2) of the Companies Act 2014.

ASSESSMENT OF PRINCIPAL RISKS

The Board of the ICCL (the 'Board') has identified a range of key risks and uncertainties facing the Company including:

Economic: adverse developments in both the domestic and international economy which would affect the stability of markets and investment firms covered by the Compensation Scheme. This includes the uncertain short to medium term effects on the Irish economy and financial services firms generally, arising from the departure of the United Kingdom from the European Union;

Funding: insufficient funds maintained to discharge the Company's responsibility of paying compensation to eligible investors of failed investment firms;

Liquidity: temporary unavailability of resources to meet payment obligations;

Investment/Credit: default of deposit counterparties, deterioration of investment ratings;

Compliance: non-compliance with legislative and regulatory requirements arising from process failures or poor governance;

Operational: potential exposures arising in respect of ICT (cyber threats), Human Resources (loss of experienced personnel), and reliance on third party service providers;

Reputational: loss of good standing with stakeholders, including the public, owing to a risk or event materialising.

The Board analyses these risks and their potential impact on an ongoing basis, and has a comprehensive framework in place for their management and control. Further details are contained in the following section on Corporate Governance.

GOVERNANCE

BOARD

The Board of the ICCL is constituted in accordance with the provisions of the Act, as follows:

- The Governor of the Central Bank appoints the Chairperson and Deputy Chairperson;
- The Minister for Finance prescribes five bodies or persons deemed to represent the interests of retail investors for nomination as Directors;
- The Minister prescribes five bodies deemed to represent the financial services industry, each to nominate a Director.

Each Director serves for a term of three years, following which they are eligible for re-appointment for a further period.

The Central Bank of Ireland is the supervisory authority for the ICCL while also providing a range of administrative and support services to the Company, for which it is reimbursed. An annual review of the Company's operations, to include its relationship with the Central Bank of Ireland, takes place between the Governor and the Company's Chairperson.

COMPOSITION OF THE BOARD AT 31 JULY 2019

Board Member	Role	Nominating Body	Date Appointed / Re-appointed
Jane Marshall	Chairperson	Governor of Central Bank of Ireland	1 June 2018
George Treacy	Deputy Chairperson	Governor of Central Bank of Ireland	7 September 2018
Valerie Bowens	Ordinary Member	Minister for Finance	22 January 2019
Regina Breheny	Ordinary Member	Irish Association of Investment Managers	22 January 2018
Liam Carberry	Ordinary Member	Brokers Ireland	1 August 2017
Brian Healy	Ordinary Member	Irish Stock Exchange plc	1 August 2018
Dermott Jewell	Ordinary Member	Consumers Association of Ireland	1 August 2019
Siobhán Madden	Ordinary Member	Minister for Finance	22 January 2019
Enda Newton	Ordinary Member	Minister for Finance	11 September 2017
Paul O'Donovan	Ordinary Member	Competition and Consumer Protection Commission	1 August 2017
Ann Smith	Ordinary Member	Banking and Payments Federation Ireland	22 October 2018
Vacancy	Ordinary Member	Chartered Accountants Ireland	N/A

DETAILS OF APPOINTMENTS AND REAPPOINTMENTS TO THE BOARD DURING THE YEAR

Director	Role	Nominating Body	Reason for vacancy
Valerie Bowens	Ordinary Member	Minister for Finance	Reappointment
Siobhán Madden	Ordinary Member	Minister for Finance	Reappointment
Dermott Jewell	Ordinary Member	Consumers Association of Ireland	Reappointment
Ann Smith	Ordinary Member	Banking and Payments Federation Ireland	Resignation of Amy Walsh

DETAILS OF RESIGNATIONS FROM THE BOARD DURING THE YEAR

Board Member	Role	Nominating Body	Date of retirement / resignation
Amy Walsh	Ordinary Member	Banking and Payments Federation Ireland	8 October 2018

COMPLIANCE WITH THE CODE OF PRACTICE FOR THE GOVERNANCE OF STATE BODIES

The Board is committed to maintaining the highest standards and supports the principles of corporate governance outlined in the *Code of Practice for the Governance of State Bodies* (the “Code of Practice”) as issued in 2016. While not formally obliged to abide by the Code of Practice, the Directors confirm that the Company has complied throughout the accounting period with the main aspects that are appropriate to the ICCL.

The Board is responsible for the leadership and control of the Company, and for ensuring that the necessary financial and other resources are available for the Company to achieve its objectives. There is a formal schedule of matters specifically reserved to the Board for consideration and decision. This includes approval of strategic plans for the Company, matters relating to the maintenance of Compensation Funds and the approval of the annual financial statements. The roles of Chairperson and Chief Operations Officer are not combined. The Chairperson is responsible for organising the business of the Board, facilitating the effective contribution of all Directors and ensuring that Directors receive accurate, timely and clear information. The Chief Operations Officer is responsible for the direction and control of the Company’s business on a day-to day basis and is accountable to the Board for all authority delegated to executive management.

DIRECTORS’ INDEPENDENCE

The Directors, in the furtherance of their duties, are given access to independent professional advice, as required, at the expense of the Company.

INDUCTION AND TRAINING

On appointment, all new Directors are provided with an extensive induction and briefing on the Company and its operations, led by the Chairperson and the Chief Operations Officer. They are also advised of their obligations and duties as a Director and provided with the ICCL’s Code of Conduct, Data Protection policy and other relevant documentation. Training is arranged for Board members as required to facilitate the updating of their skills and knowledge necessary to fulfil their role, both on the Board and its Committees.

BOARD COMMITTEES

The Board has established two permanent Committees to assist in the execution of its responsibilities. These are the Audit & Risk Committee and the Funding Committee.

Each of these Committees has bespoke terms of reference, under which authority is delegated to them by the Board, and which are subject to annual review. Minutes of meetings are circulated to Committee members and the Chairperson of each Committee reports to the Board on all significant issues considered by the respective Committees.

THE AUDIT AND RISK COMMITTEE comprises four Board members and one alternate. The role of the Audit and Risk Committee (ARC) is to support the Board in relation to its responsibilities for issues of risk, control and governance, and associated assurance. The ARC is independent from the financial management of the organisation. In that context, the Committee ensures that the internal control systems including audit activities are monitored actively and independently. The main functions of the Audit and Risk Committee are set out in written terms of reference and include:

- Monitoring the integrity of the financial statements;
- Reviewing the effectiveness of the Company’s internal control and risk management processes;
- Overseeing compliance with legal and regulatory requirements;
- Overseeing the internal audit process including the agreed implementation of audit recommendations;
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company’s external auditors including agreeing terms of engagement and remuneration;
- Facilitating arrangements for the collation and investigation of any matters which are the subject of confidential disclosures by staff.

The members of the Audit and Risk Committee are: Brian Healy (Chairperson), Valerie Bowens, Enda Newton and Ann Smith. Siobhán Madden serves as an alternate member of the ARC.

THE FUNDING COMMITTEE comprises six Board members. The Funding Committee is required to assist the Board of the ICCL in fulfilling its role in overseeing the adequacy of funds maintained to meet the compensation liabilities of the Company. The main functions of the Funding Committee are set out in written terms of reference and include:

- Assisting the Board with the development of a comprehensive funding strategy and related policies with a view to maintaining an appropriate level of funds out of which payments shall be made in accordance with the Act;
- Evaluating the adequacy of funding plans and overseeing their implementation;
- Monitoring the collection of annual levies, including the proposed write-off of bad debts;

- Reviewing the estimates of compensation payable as provided by Administrators appointed to investment firms;
- Assisting the Board with the formulation of policies which affect the funding and operations of the Company.

During the year, the Committee was charged with overseeing the implementation of the ICCL's Funding Arrangements for the next three year cycle (2020-2022). This process was completed during the year through extensive stakeholder engagement with the resultant funding arrangements document published via the ICCL's website. This funding paper outlines the medium-term funding targets of the Company and the annual levy contribution rates for investment firms, for the next 3 year funding period commencing on the 1st August 2019.

The members of the Funding Committee are: George Treacy (Chairperson), Regina Breheny, Liam Carberry, Brian Healy, Dermott Jewell and Ann Smith.

SCHEDULE OF ATTENDANCE, FEES AND EXPENSES

A schedule of attendance at the Board and Committee meetings for which members were eligible to attend during the financial year ended 31 July 2019 is set out below including the fees and expenses received by each member:

	Board	Audit & Risk Committee	Funding Committee	Fees 2019 €	Expenses 2019 €
Number of meetings	9	4	5		
Jane Marshall	9/9	N/A	N/A	31,500	164
George Treacy	9/9	N/A	5/5	15,750	-
Valerie Bowens	5/5	2/2	N/A	4,585	35
Regina Breheny	8/9	2/2	5/5	8,550	-
Liam Carberry	8/9	N/A	5/5	8,550	-
Brian Healy	9/9	4/4	3/5	8,550	-
Dermott Jewell	8/9	N/A	5/5	8,550	-
Siobhán Madden	5/5	N/A	N/A	4,585	-
Enda Newton	6/9	3/4	N/A	8,550	-
Paul O'Donovan	9/9	N/A	N/A	8,550	-
Amy Walsh	0/1	1/1	0/1	1,612	-
Ann Smith	7/8	2/3	2/4	6,650	-
				€115,982	€199

No director was subject to the One Person One Salary (OPOS) principle during the year ended 31 July 2019

TRAVEL AND SUBSISTENCE EXPENDITURE

Travel and subsistence expenditure is categorised as follows:

	2019 €	2018 €
Domestic		
- Board	199	819
- Staff	598	200
International		
- Board	-	-
- Staff	2,892	2,157
Total	3,689	3,176

HOSPITALITY EXPENDITURE

The Income and Expenditure Account includes the following hospitality expenditure:

	2019 €	2018 €
Hospitality		
- Staff	732	519
- Board	2,097	1,544
- Clients	-	-
Total	2,829	2,063

The ICCL does not engage in client hospitality. The above amounts do not include expenditure on refreshments / hospitality associated with business operations such as conference hosting, events and meetings. In April 2019, ICCL hosted a meeting of European Investor Compensation Schemes at a cost of €1,016. The ICCL also incurred costs of €218 associated with staff undertaking voluntary work within the community.

PERFORMANCE EVALUATION

In line with the Code of Practice guidance, the Board and its Committees completed annual self-assessed performance reviews. (An external review of the Board's performance is also completed on a periodic basis and as appropriate.) Any recommendations from these evaluations are implemented as part of the annual workplan.

INTERNAL CONTROL

A Statement on Internal Control has been included in this Annual Report on pages 26 to 27 and should be read in conjunction with the Directors' Report.

PROTECTED DISCLOSURES REPORT

Section 22 of the Protected Disclosures Act 2014 requires the publication of a report each year relating to the number of protected disclosures made in the preceding year and also for the publication of information with regard to any actions taken in response to protected disclosures made.

No protected disclosures were received by the Investor Compensation Company DAC in the year ended 31 July 2019.

COMPANY SECRETARY

The appointment and removal of the Company Secretary is a matter for the Board. All Directors have access to the advice and services of the Company Secretary who is responsible to the Board for ensuring that Board procedures are complied with.

DIRECTORS AND TRANSACTIONS INVOLVING DIRECTORS

The Directors of the Company are listed on page 21. All Directors serve in a non-executive capacity.

There were no contracts in relation to the business of the Company in which the Directors had any interest at any time during the year ended 31 July 2019.

Signed on behalf of the Board:

Jane Marshall

Brian Healy

21 October 2019

STATEMENT ON INTERNAL CONTROL

SCOPE OF RESPONSIBILITY

On behalf of the Investor Compensation Company DAC ('ICCL'), I acknowledge the Board's responsibility for ensuring that an effective system of internal control is maintained and operated.

PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

The ICCL's system of internal control is designed to manage risk rather than eliminate it. On that basis, the system can only provide reasonable assurance, and not absolute assurance, that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or detected in a timely manner.

In discharging its responsibilities in respect of the maintenance of effective internal controls, the Board is assisted by the Audits and Risk Committee ('ARC'). The ARC reports to the Board on its oversight and review of the ICCL's internal financial control and risk management systems.

CAPACITY TO HANDLE RISK

The ARC comprises four Board members, with financial and audit expertise, one of whom is the Chair of the Committee. The ARC met four times during the year under review.

The ICCL engages the Internal Audit Division ('IAD') of the Central Bank of Ireland to provide internal audit services. The ARC is satisfied that IAD is adequately resourced to conduct a programme of work as agreed with the ARC.

The ICCL has developed a risk management framework which outlines its risk appetite, the risk management processes in place and the roles and responsibilities of staff in relation to risk. Staff are trained in relation to the risk management framework and are expected to raise emerging risks and control weaknesses identified during the discharge of their roles.

RISK AND CONTROL FRAMEWORK

The ICCL has implemented a comprehensive risk management system which identifies and reports key risks and the management actions being taken to address and, to the extent possible, mitigate those risks.

A risk register is in place which identifies the key risks facing the ICCL and these have been identified, evaluated and graded according to their significance. The register is reviewed and updated by the ARC at each meeting. Significant risks, and notable changes to risks, are also reported to the Board, where Risk Management remains a standing agenda item. The outcome of these assessments is used to plan and allocate resources to ensure risks are managed to an acceptable level.

The risk register details the controls in place to mitigate risks and where applicable, assigns responsibility for operation of controls to specific staff. A control environment containing the following elements is in place:

- procedures for all key business processes have been documented;
- financial responsibilities have been assigned at management level with corresponding accountability;
- there is an appropriate budgeting system with an annual budget which is kept under review by senior management and the Board;
- there are systems aimed at ensuring the security of information and communication technology systems;
- there are systems in place to safeguard the assets.

ONGOING MONITORING AND REVIEW

Formal procedures have been established for monitoring control processes. Any identified control deficiencies are communicated to those responsible for taking corrective action and to management and Board, where relevant, in a timely way. The following ongoing monitoring systems are in place:

- key risks and related controls, where applicable, have been put in place to monitor the operation of those key controls and report any identified deficiencies;
- responsibility for monitoring compliance and the identification of risk within the Company has been assigned to the Risk & Compliance Manager;
- responsibility for financial management has been assigned to the Policy and Funding Manager, a professional accountant.
- there are regular reviews by senior management and the Board of periodic and annual performance and financial reports which outline outturn against targets.

PROCUREMENT

ICCL has procedures in place to ensure that procurement is conducted to achieve the best outcomes for ICCL and its stakeholders.

REVIEW OF EFFECTIVENESS

ICCL's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal and external auditors, the ARC which oversees their work, and senior management within ICCL responsible for the development and maintenance of the internal control framework. The Board is apprised of the outcome of all such reviews.

The Board conducted an annual review of the effectiveness of the internal controls for the year ended 31 July 2019.

INTERNAL CONTROL ISSUES

An internal audit report from June 2019 identified weaknesses in a small number of operational areas. Senior management of ICCL have agreed a programme of work with the Board to implement the recommendations identified with significant progress already made at year-end.

Signed on behalf of the Board:

Jane Marshall
Chairperson
21 October 2019

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the report of the directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, they have elected to prepare the financial statements in accordance with FRS 102, the Financial Reporting Standard applicable in the Republic of Ireland.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to:

- correctly record and explain the transactions of the Company;

- enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy;
- enable them to ensure that the financial statements comply with both the Companies Act 2014 and the Companies (Accounting) Act 2017, enabling those Financial Statements to be audited.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors confirm that to the best of each Director's knowledge and belief, they have complied with the above requirements in preparing the financial statements.

On behalf of the board

Jane Marshall

Brian Healy

21 October 2019

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF THE INVESTOR COMPENSATION COMPANY DAC**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Investor Compensation Company DAC ('the company') for the year ended 31 July 2019, which comprise the Income and Expenditure account, the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including the summary of significant accounting policies set out on page 35. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland.

In our opinion the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the company as at 31 July 2019 and of its results for the year then ended;
- have been properly prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (Ireland) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate: or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF THE INVESTOR COMPENSATION COMPANY DAC**

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2014

Based solely on the work undertaken in the course of the audit, we report that:

- in our opinion, the information given in the directors' report is consistent with the financial statements; and
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

We have obtained all the information and explanations which we consider necessary for the purposes of our audit. In our opinion, the accounting records of the company were sufficient to permit the financial statements to be readily and properly audited and financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

Based on the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the directors' report. The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE
MEMBERS OF THE INVESTOR COMPENSATION COMPANY DAC**

Respective responsibilities

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 28, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the IAASA's website at: [http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description of auditors responsibilities for audit.pdf](http://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf) . This description forms part of our auditor's report.

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Tuohy
for and on behalf of Mazars
Chartered Accountants & Statutory Audit Firm
Harcourt Centre,
Block 3
Harcourt Road
Dublin 2

Date: 21 October 2019

F inancial Statements

INCOME AND EXPENDITURE FOR THE YEAR ENDED 31 JULY 2019

		2019 €	2018 €
INCOME	<i>Notes</i>		
Levy Income		6,161,029	6,058,482
Interest Income		55,599	35,383
Subrogation Income		6,184	3,092
		<u>6,222,812</u>	<u>6,096,957</u>
EXPENDITURE			
Compensation costs and provisions			
Claims provision decrease	9	-	54,306
3 rd party costs provision			
(increase)/decrease		(98)	12,492
ICCL claims legal costs		<u>(206,082)</u>	<u>(74,578)</u>
		(206,180)	(7,780)
Administration expenses	2	<u>(1,686,784)</u>	<u>(1,545,578)</u>
TOTAL EXPENDITURE		<u>1,892,964</u>	<u>1,553,358</u>
SURPLUS ON ORDINARY ACTIVITIES	1	4,329,848	4,543,599
Surplus at beginning of year		<u>57,310,905</u>	<u>52,767,306</u>
Surplus at 31 July		<u>61,640,753</u>	<u>57,310,905</u>
ALLOCATED BETWEEN FUNDS AS FOLLOWS:			
FUND A	3	36,147,558	32,056,994
FUND B	3	<u>25,493,195</u>	<u>25,253,911</u>
		<u>61,640,753</u>	<u>57,310,905</u>

The financial statements were approved by the Board of Directors on 21 October 2019 and were signed on its behalf by:

Jane Marshall

Brian Healy

DIRECTORS

BALANCE SHEET AS AT 31 JULY 2019

	Notes	2019 €	2018 €
FIXED ASSETS			
Equipment	6	76,070	42,691
		<u>76,070</u>	<u>42,691</u>
CURRENT ASSETS			
Trade and other receivables	4	285,702	153,219
Other assets	5	4,700,000	4,700,000
Cash and Cash Equivalents	3	50,059,450	47,677,475
Short-term investments	7	19,332,553	17,482,757
		<u>74,377,705</u>	<u>70,013,451</u>
CREDITORS: amounts falling due within one year	8	3,093,018	3,025,233
NET CURRENT ASSETS		71,284,687	66,988,218
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>71,360,757</u>	<u>67,030,909</u>
CREDITORS: Amounts falling due after more than one year			
Provisions for Compensation Claims & Associated Costs	9	9,720,000	9,720,000
NET ASSETS		<u>61,640,757</u>	<u>57,310,909</u>
FINANCED BY:			
Called-up share capital	11	4	4
Funds	3	61,640,753	57,310,905
	13	<u>61,640,757</u>	<u>57,310,909</u>

The accompanying notes form an integral part of the financial statements.

The financial statements were approved by the Board of Directors on 21 October 2019 and were signed on its behalf by:

Jane Marshall

Brian Healy

DIRECTORS

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2019

	<i>Notes</i>	2019 €	2018 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus on ordinary activities		4,329,848	4,543,599
Adjustments for:			
Depreciation		17,388	8,426
(Increase)/Decrease in debtors		(132,483)	9,268
Increase/(Decrease) in creditors and provisions for liabilities and charges		67,785	(117,552)
Loss on disposal		-	476
NET CASH INFLOW FROM OPERATING ACTIVITIES		4,282,538	4,444,217
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets	6	(50,767)	(33,125)
(Increase)/Decrease in short-term investments		(1,849,796)	2,134,429
NET CASH FLOWS FROM INVESTING ACTIVITIES		(1,900,563)	2,101,304
Net Increase In Cash and Cash Equivalents		2,381,975	6,545,521
Cash and Cash Equivalents at 1 August		47,677,475	41,131,954
Cash and Cash Equivalents at 31 July		50,059,450	47,677,475

STATEMENT OF ACCOUNTING POLICIES

The following accounting policies, together with applicable Accounting Standards in Ireland have been applied in the preparation of the financial statements.

BASIS OF PREPARATION

The financial statements have been prepared in accordance with Irish statute comprising the Companies Act, 2014 and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”) as issued in September 2015, however the amendments arising from the implementation of the EU Accounting Directive in the UK have been dis-applied. The financial statements are prepared in Euro which is the functional currency of the Company.

ACCOUNTING CONVENTION

The financial statements have been prepared in accordance with the historical cost convention.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to exercise judgement in the process of applying the Company’s accounting policies. The area involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements is in relation to provisions for compensation claims. See note 9 for further information.

LEVY INCOME

Levy income from authorised investment firms is recognised on an accruals basis as income in the period to which the amount levied relates.

Levies outstanding at the Company's year-end are recognised as debtors and appropriate provision is made for bad and doubtful debts.

COMPENSATION COSTS

Compensation costs, including associated third party costs which have not already been invoiced at year-end, are recognised at the time that the Company becomes aware of an event having occurred which will give rise to a default and when a reliable estimate can be made of the amount of the compensation costs to be paid.

The Company will normally become aware of a default on being informed by the Central Bank of Ireland (the Bank) that:

- a determination has been made by the Bank in accordance with section 31(3) of the Act, or,
- the High Court has made a ruling appointing a liquidator, receiver, the official assignee or a trustee in Bankruptcy in respect of an investment firm.

The Company is subrogated to the rights of each eligible investor in liquidation proceedings against the investment firm in respect of the amount the Company has paid to each eligible investor. This is in accordance with section 35(5) of the Act. Recoveries from subrogation are recognised when receipt is virtually certain. Where recoveries from subrogation are probable but not virtually certain, the Company will not recognise the subrogated income but will make the necessary disclosures in the Contingent Assets note.

ADMINISTRATION EXPENSES

Administration expenses include all costs which are not compensation costs and include costs relating to the ongoing management of the Company, including movement in provision for bad or doubtful debts and bad debts written off in the period under review.

EQUIPMENT

The capitalised cost of fixed assets is their purchase cost together with any incidental expenses of acquisition.

Depreciation is provided on bases and rates which are estimated to reduce the assets to their realisable values by the end of their expected useful lives, using the straight line method. The expected useful life of equipment is stated below:

Computer software and equipment	:	3 years
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CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents comprise cash on hand and deposits maturing within 3 months. The Company discloses cash and cash equivalents in accordance with FRS 102.

SHORT TERM INVESTMENTS

Short term investments comprise fixed term deposits with a period to maturity of greater than 3 months. The Company discloses short-term investments in accordance with FRS 102.

TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

FUNDS

In accordance with the provisions of the Act, the Company has established two separate Funds in respect of the various categories of investment firms.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

1. SURPLUS ON ORDINARY ACTIVITIES

The surplus on ordinary activities is stated after charging:

	2019	2018
	€	€
Directors' fees	115,982	123,756
Depreciation	17,388	8,426
Auditors' remuneration for audit services (ex-VAT)	8,000	8,000
Auditors' remuneration for non-audit services (ex-VAT)	850	-

The Company's staff is sourced under a secondment arrangement with the Central Bank of Ireland which also provides certain other administrative services to the Company.

The Chairperson and Deputy Chairperson were remunerated €31,500 (2018: €28,630) and €15,750 (2018: €15,750) respectively during the year. The other Directors were remunerated at the rate of €8,550 per annum (2018: €8,550), on a pro-rata basis.

The Company does not operate any share option or long term incentive schemes in respect of qualifying services of Directors. The Company does not operate a retirement benefit scheme in respect of qualifying services of Directors. The Company did not make any compensation payments or other termination payments to directors in respect of loss of office during the current or preceding financial year.

2. ADMINISTRATION EXPENSES

	2019	2018
	€	€
Staff costs*	677,067	547,280
Directors' fees and expenses	119,062	125,381
Other administration expenses including funding costs	867,408	852,676
Bad debts written off	1,787	5,508
Increase in provision for bad and doubtful debts	4,072	6,307
Depreciation	17,388	8,426
	<u>1,686,784</u>	<u>1,545,578</u>

* The Company has no direct employees (2018: nil). The average number of secondees were 8.8 full time equivalent (FTE) (2018: 7.3 FTE). Staff costs are included in the charge for administrative services by the Central Bank

3. FUNDS

	2019			2018		
	Fund A	Fund B	Total	Fund A	Fund B	Total
	€	€	€	€	€	€
Levy income	5,349,461	811,568	6,161,029	4,512,418	1,546,064	6,058,482
Interest income	30,395	25,204	55,599	18,067	17,316	35,383
Subrogated income	6,184	-	6,184	3,092	-	3,092
Compensation (costs)/recoveries:						
Claims provision	-	-	-	-	54,306	54,306
3 rd party costs provision	-	(98)	(98)	(152)	344	192
ICCL legal costs	(208,203)	2,121	(206,082)	(68,973)	(5,605)	(74,578)
Administrator Legal Fees	-	-	-	-	12,300	12,300
Administration expenses:						
Bad Debts (written off)	-	(1,787)	(1,787)	-	(5,508)	(5,508)
(Increase)/decrease in provision for bad and doubtful debts	(5,400)	1,328	(4,072)	(5,400)	(907)	(6,307)
Other administration expenses	(1,081,873)	(599,052)	(1,680,925)	(1,009,755)	(524,008)	(1,533,763)
Surplus for the year	4,090,564	239,284	4,329,848	3,449,297	1,094,302	4,543,599
Surplus at 1 st August 2018/2017	32,056,994	25,253,911	57,310,905	28,607,697	24,159,609	52,767,306
Surplus at 31 st July 2019/2018	36,147,558	25,493,195	61,640,753	32,056,994	25,253,911	57,310,905
Represented by:						
Cash and Cash Equivalents	31,171,744	18,887,706	50,059,450	28,864,510	18,812,965	47,677,475
Short-term investments	12,716,504	6,616,049	19,332,553	11,010,586	6,472,171	17,482,757
Fixed assets	38,035	38,035	76,070	21,346	21,345	42,691
Debtors	4,961,002	24,700	4,985,702	4,828,288	24,931	4,853,219
Creditors	(210,861)	(73,293)	(284,154)	(138,870)	(76,306)	(215,176)
Provision for liabilities and charges	(12,528,864)	-	(12,528,864)	(12,528,864)	(1,193)	(12,530,057)
Share capital	(2)	(2)	(4)	(2)	(2)	(4)
Total	36,147,558	25,493,195	61,640,753	32,056,994	25,253,911	57,310,905

The income and expenditure is allocated between Funds as follows:

Costs, which are directly attributable to a particular Fund, are allocated to that Fund. Costs, which are directly related to the number of firms paying into each Fund, are allocated on that basis. Commitment fees associated with commercial borrowing arrangements are allocated 2/3rds to Fund A and 1/3rd to Fund B. Other costs are allocated equally between the Funds

4. TRADE AND OTHER RECEIVABLES

	2019	2018
	€	€
(a) Debtors and Accrued Income:		
Debtors (after provision for bad and doubtful debts)	153,548	970
Accrued income & prepayments	132,154	152,249
	<u>285,702</u>	<u>153,219</u>
	€	€
(b) Bad debts written-off during the year:	<u>1,787</u>	<u>5,508</u>
	€	€
(c) Movement in respect of the provision for bad and doubtful debts:		
Opening provision for bad & doubtful debts	14,117	7,810
Closing provision for bad & doubtful debts	18,189	14,117
	<u>4,072</u>	<u>6,307</u>

5. OTHER ASSETS

	2019	2018
	€	€
Claims compensation amounts recoverable under Excess of Loss Insurance contract	<u>4,700,000</u>	<u>4,700,000</u>
	<u>4,700,000</u>	<u>4,700,000</u>

EXCESS OF LOSS INSURANCE POLICY

This amount represents the estimated funds recoverable by the company, from insurers after payment of compensation amounts equivalent to the excess of the insurance policy currently in place.

The Company has two contracts of insurance to provide cover where claims for compensation in a policy year exceed the policy excesses. The first policy provides cover for claims of up to €50 million for Fund A and €10 million for Fund B above an excess of €15 million. The second policy provides cover for claims of up to €50 million for Fund A above an excess of €65 million.

The Company is required by the Insurance Underwriters to settle each claim up to and in excess of €15 million directly with the eligible investors. The Insurance Underwriters will reimburse the Company for the amount of claims compensation paid to clients of Custom House Capital Limited (In Liquidation) ['CHC'] in excess of €15 million subject to the policy limit of €50 million. As outlined in note 9, a provision of €19.7 million was made for the claim compensation costs associated with the failure of Custom House Capital Limited (In Liquidation), a Fund A firm. At the balance sheet date, the Company had paid €7.4m in respect of claims compensation to clients of CHC.

6. EQUIPMENT

Computer Software and Equipment

	2019	2018
	€	€
Cost:		
At 1 August	236,101	205,039
Additions	50,767	33,125
Disposals	-	(2,063)
	<u>286,868</u>	<u>236,101</u>
At 31 st July		
Depreciation:		
At 1 August	193,410	186,571
On Disposals	-	(1,587)
Charge for year	17,388	8,426
	<u>210,798</u>	<u>193,410</u>
At 31 st July		
Net book value:		
At 31 st July	<u><u>76,070</u></u>	<u><u>42,691</u></u>

The historic cost of fully depreciated assets at 31st July 2019 was €182,662 (2018: €179,514)

7. SHORT-TERM INVESTMENTS

	2019	2018
	€	€
Fixed term deposits	<u>19,332,553</u>	<u>17,482,757</u>
	<u><u>19,332,553</u></u>	<u><u>17,482,757</u></u>

Short term investments are comprised of fixed term deposits with a period to maturity of greater than 3 months. Fixed term deposits are measured at amortised cost.

MATURITY PROFILE

	2019	2018
	€	€
3 – 6 months	5,701,649	5,080,067
6 – 9 months	3,762,719	3,512,631
9 – 12 months	9,868,185	8,890,059
	<u><u>19,332,553</u></u>	<u><u>17,482,757</u></u>

AVERAGE INTEREST RATE

	2019	2018
	%	%
3 – 6 months	0.15	0.16
6 – 9 months	0.14	0.14
9 – 12 months	0.08	0.14

8. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2019	2018
	€	€
Compensation costs	54,457	54,457
Central Bank of Ireland (Administration charges)	62,410	92,082
Directors' fees and expenses	10,550	10,550
Prepaid levies	2,518	1,313
Other	154,218	56,773
Provision for compensation claims and associated costs (note 9)	2,808,865	2,810,058
	<u>3,093,018</u>	<u>3,025,233</u>

9. PROVISIONS FOR COMPENSATION CLAIMS & ASSOCIATED COSTS

	Fund A Claims	Fund B Claims	Total Claims	3 rd Party Costs (Fund A & B)	Total
	€	€	€	€	€
Opening provision at 1 st August 2017	12,300,559	76,902	12,377,461	261,991	12,639,452
(Decrease)/Increase in provision	-	(54,306)	(54,306)	(12,492)	(66,798)
Payments during the year	(20,000)	(22,596)	(42,596)	-	(42,596)
Provision at 31 st July 2018 and at 1 st August 2018	12,280,559	-	12,280,559	249,499	12,530,058
(Decrease)/Increase in provision	-	-	-	(1,193)	(1,193)
Payments during the year	-	-	-	-	-
Closing Provision at 31 st July 2019	12,280,559	-	12,280,559	248,306	12,528,865
Represented by:					
Amounts falling due within one year	2,560,559	-	2,560,559	248,306	2,808,865
Amounts falling due after one year	9,720,000	-	9,720,000	-	9,720,000

(A) CUSTOM HOUSE CAPITAL LIMITED (FUND A)

At the financial year ended 31st July 2019, the provision in respect of compensation payable to eligible clients of Custom House Capital Limited stood at €12,280,559. The provision was initially made in the year ended 31 July 2012 on the basis of the range of estimates received from the Administrator¹. Currently, the provision

¹ Validation of claims and certification of the amount of compensation payable to claimants is carried out by an 'Administrator'.

takes account of claims compensation already paid as at 31st July 2019. The provision is subject to a number of variables, including:

- the number of clients that meet the definition of an “eligible investor” for the purposes of the Investor Compensation Act, 1998,
- the extent to which the losses suffered by “eligible investors” are deemed compensatable,
- the extent of losses suffered by eligible investors (which in many instances will depend on the performance of an underlying investment product and/or the extent of recovery of misappropriated funds),
- the nature, and extent of discretion, of the mandates which investors had given to CHC,
- whether the losses are derived from regulated or unregulated investment products,
- whether the liquidator² has access to records enabling him to reconcile records and establish clients’ positions,
- reliable information about the distribution of compensatable losses amongst eligible investors. (i.e. a small number of large losses may give rise to lower compensation than a large number of small losses), and
- the financial position of CHC itself.

During the year under review, the Administrator did not submit any interim certifications of compensatable losses to the ICCL for payment by the ICCL.

At 31 July 2019, the Company had received, recorded and forwarded 1,982 claims to the Administrator, of these claims the Administrator has certified 574 resulting in payment of cumulative compensation of €7,419,441.

The Administrator has confirmed to the ICCL that as at 31 July 2019 his previously estimated range of total compensatable loss of, at least €9.98 million but not more than €19.7 million, remains unchanged. The ICCL had previously provided for the maximum amount of compensatable loss estimated by the Administrator. The provision for claims at 31 July 2019 is €12,280,559, of which €2,560,559, being the difference between the amount of compensation paid to date by the ICCL and the Administrator’s minimum estimate of compensatable loss, is classified as falling due within one year.

As at 31 July 2019 the Company has a provision of €248,306 (2018: €249,499) towards the costs of the Administrator for the completion of the Administration process which are payable by the Company in accordance with the provisions of the Act. During the year ended 31 July 2019 the Company paid no fees to the Administrator and no Administrator legal costs.

² A Liquidator is appointed by the High Court and is principally charged with inquiring into a Company’s affairs; realising the assets; paying the debts, and, distributing any surplus to the members.

(B) ASSET MANAGEMENT TRUST (AMT)

AMT was a Fund B firm authorised under the Investment Intermediaries Act, 1995, in respect of which, the Central Bank of Ireland on 29 February 2016 made a determination in accordance with Section 31 of the Investor Compensation Act, 1998.

The statutory deadline for clients of AMT to apply for compensation has passed. To date the company has received 11 claims. During the year the final five claims were certified by the Administrator. No liability to pay compensation arose for the ICCL on foot of the certifications as the remaining claims were deemed ineligible or had suffered no losses that were compensatable in accordance with the Act. On foot of discussions with the Administrator the Company has determined that no further provision was required at 31 July 2019 (2018: €NIL).

The Company had a provision at 31 July 2018 of €1,193 towards the costs of the Administrator for the completion of the Administration process which are payable by the Company in accordance with the provisions of the Act. During the year ended 31 July 2019 the Company paid fees of €1,291 to the Administrator in respect of his work for certifying the claims. The Company has determined that no further provision was required at 31 July 2019 (2018: €1,193).

10. CONTINGENT ASSETS AND LIABILITIES

CONTINGENT ASSETS

There were no Contingent Assets at 31st July 2019.

CONTINGENT LIABILITIES

Custom House Capital Limited (In Liquidation)

The Company does not have a definitive timeline on when the remainder of claimants will have their claims certified for compensatable loss and thus when compensation amounts due will be paid. The Administrator has estimated that the total compensation payable by the Company will not exceed €19,700,000, of which €4,700,000 is recoverable from Insurers under an Excess of Loss Insurance Contract. Notwithstanding the progress to date, in estimating the total cost of claims, the final determination of compensation costs is subject to significant uncertainty, as identified in note 9 above.

Money Markets International Stockbrokers Limited (In Liquidation) [“MMI”]

All submitted compensation claims were certified and paid by September 2008. Although the Liquidation of MMI is ongoing, the ICCL does not believe that the failure of MMI will result in any further payment of compensation under the Act. No provision has been made for claims or other costs associated with the failure of MMI in this respect.

11. SHARE CAPITAL

	2019 €	2018 €
AUTHORISED:		
10 Ordinary shares of €1.25 each	13	13
ISSUED AND FULLY PAID:		
3 Ordinary shares of €1.25 each	4	4

The Investor Compensation Company DAC is a company limited by guarantee and having a share capital. There are three shareholders, the Central Bank of Ireland, the Irish Stock Exchange plc and the Irish Association of Investment Managers, each holding one share. The amount to be paid by each shareholder in the event of the Company being wound up is limited to €6.00.

On 2nd December 2002, by a special resolution of the shareholders, the authorised share capital of the Company was changed to €12.50 and the ordinary shares were renominalised with a par value of €1.25 each. The amount equal to the reduction in nominal value of the allotted share capital was transferred to a capital conversion redemption fund. The capital conversion redemption fund has not been disclosed on the face of the balance sheet or in the notes to the financial statements as it is not deemed material. (Amounts relating to share capital have been rounded-up in the Financial Statements).

12. TAXATION

The Company is exempt from Corporation Tax in accordance with section 219B of the Taxes Consolidation Act, 1997 (as amended). The Company is also exempt from Deposit Interest Retention Tax in accordance with section 256 of the Taxes Consolidation Act, 1997 (as amended).

13. MOVEMENTS IN TOTAL FUNDS

	Share Capital attributable to Shareholders €	Attributable to Funds €	Total €
At 1 st August 2018	4	57,310,905	57,310,909
Surplus for the year	-	4,329,848	4,329,848
At 31 st July 2019	4	61,640,753	61,640,757

14. RELATED PARTIES

The following transactions took place between the Company and its related party, the Central Bank of Ireland:

	2019	2018
	€	€
Administration costs chargeable to the Company by the Central Bank of Ireland for services provided	799,259	556,974

At 31 July 2019 a balance of €62,410 (2018: €92,330) was due to the Central Bank of Ireland. This was paid in full on 27 August 2019 (2018: Balance paid on 25 September 2018). Details of Directors' fees and expenses are disclosed in Note 1.

15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the balance sheet date there were no material events.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 21 October 2019.

The Investor Compensation Company DAC

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