THE INVESTOR COMPENSATION COMPANY LIMITED

Annual Report Year Ended 31 July 2014

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Mission Statement

The Investor Compensation Company Limited 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.

Details on the Investor Compensation Scheme are contained in Appendix 1.

The Investor Compensation Company Limited

Annual Report Year Ended 31 July 2014

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DIRECTORS AND OTHER INFORMATION

Directors	Jim Bardon	(Chairperson)
	Daniel Coveney	(Deputy Chairperson)
	Liam Carberry	(Appointed on 1st August 2014)
	Inge Clissmann	(Re-appointed on 1st August 2014)
	Terry Hardiman	(Retired on 31st July 2014)
	Brian Healy	
	Dermott Jewell	(Re-appointed on 1st August 2014)
	Paul O'Donovan	(Senior Independent Director) (Re-appointed on 1st August 2014)
	Frank O'Dwyer	
	Louise O'Mahony	
	Ciaran Phelan	
	Gina Quin	(Re-appointed on 1st August 2014)
	Mark Redmond	(Re-appointed on 1st August 2014)
Secretary	Michael Fagan	(Appointed on 22nd September 2014)
	George Treacy	(Resigned on 22nd September 2014)
Registered Office	Central Bank of Ireland, PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1.	
Auditors	KPMG, 1 Harbourmaster Place, IFSC, Dublin 1.	
Bankers	Bank of Ireland, 2 College Green, Dublin 2.	
Solicitors	William Fry Solicitors, Fitzwilton House, Wilton Place, Dublin 2.	

Registered No 293240

The Board of Directors

All members serve as non-executive directors

Jim Bardon

(Chairperson)

Director General of the Irish Bankers' Federation from 1988 to 2004. Former Chairman of the Executive Committee of the European Banking Federation, and the Consumer Affairs Committee of the European Banking Federation. Secretary of the Council of the Financial Services Ombudsman and former Secretary of the Credit Institutions Ombudsman of Ireland Limited. Former member of the Member Services Committee of the IDA, Company Law Review Group, Small Business and Services Forum, Consultative Industry Panel of the Financial Regulator and Executive Committee of the European Banking Federation.

Daniel Coveney

(Deputy Chairperson)

Former Company Secretary of AIB Capital Markets plc and AIB Finance Ltd. A fellow of the Institute of Chartered Accountants in Ireland and a fellow of the Institute of Bankers. Holder of a BA in Economics.

Inge Clissmann

Senior Counsel in private practice at the Irish Bar. Chairperson, Civil Service Disciplinary Appeals Board. Deputy Chairperson, Irish Financial Services Appeals Tribunal. Former Chairperson of the Family Lawyers' Association and of the Consumers' Association of Ireland. Former Director, Free Legal Advice Centre and Staff Panel of Trinity College Dublin. Former Member, European Consumer Law Group, the Advertising Standards Authority and the Garda Complaints Board.

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 and past President of the Christian Brothers Parents Council of Ireland.

Brian Healy

Director of Traded Markets, Development, Operations, Irish Stock Exchange. Chairman of the Euroclear Group plc cross-market Irish Market Advisory Committee dealing with development and harmonisation issues for equity and fixed income. Previously worked with Arthur Andersen. A fellow of the Institute of Chartered Accountants in Ireland and of the Chartered Institute of Securities and Investment. He is also an Accredited Mediator.

Dermott Jewell

Policy and Council Advisor of the Consumers' Association of Ireland. Current representations include Chairperson Financial Services Ombudsman Council, Chairperson European Consumer Centre, Chairperson Governing Board Irish Food Quality Certification, Member Consumer Advisory Group of the Central Bank of Ireland, Member Bórd Bia Quality Assurance Board and Irish Representative alternate of the European Consumer Consultative Group (ECCG) of DG Sanco.

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.

Frank O'Dwyer

Chief Executive of the Irish Association of Investment Managers whose members manage assets of over €200 billion on behalf of Irish and international clients. A fellow of the Institute of Chartered Accountants in Ireland, he has been Finance Director of a number of companies and was an adviser at the Department of Finance. A director of the Irish Takeover Panel.

Louise O'Mahony

Head of Mortgage Policy – Banking and Payments Federation Ireland, the principal voice of the banking and financial services sector in Ireland, and Member of the Executive Committee of the European Mortgage Federation.

Ciaran Phelan

Ciaran is currently Chief Executive of the Irish Brokers Association. He has over 25 years' experience in the Life Assurance Industry having worked in various senior management roles. He also spent a number of years in the telecommunications industry. He holds a BA in Management.

Gina Quin

Chief Executive, Dublin Chamber of Commerce, representing businesses in the Greater Dublin Region. A Member of the Board of ESB Networks and a Chartered Director. Previously CEO of Gandon Enterprises, the commercial division of the Rehab Group.

Mark Redmond

Chief Executive of the American Chamber of Commerce in Ireland. Former Chief Executive of the Irish Taxation Institute and past Director with PricewaterhouseCoopers. A fellow of the Irish Taxation Institute.

Board Committees

The Board has set up two standing committees, a Funding Committee and an Audit Committee. The current membership of these committees is as follows:

Funding Committee

Daniel Coveney (Committee chairperson)
Liam Carberry[1]
Brian Healy
Dermott Jewell[3]
Frank O'Dwyer
Louise O'Mahony
Ciaran Phelan

Audit Committee

Brian Healy (Committee chairperson)
Mark Redmond
Gina Quin[2]
Frank O'Dwyer (Alternate member)

Attendance at Board and Committee Meetings

	Board	Funding Committee	Audit Committee
Number of meetings held	8	4	4
Jim Bardon	7	N/a	N/a
Daniel Coveney	8	4	N/a
Inge Clissmann	7	N/a	N/a
Terry Hardiman	8	3	N/a
Brian Healy	8	2	3
Dermott Jewell	8	3	N/a
Paul O'Donovan	7	N/a	N/a
Frank O'Dwyer	7	3	3
Louise O'Mahony	7	4	N/a
Ciaran Phelan	6	2	N/a
Gina Quin	6	N/a	4
Mark Redmond	7	N/a	1

[1] Appointed to the Funding Committee on 8th September 2014
[2] Appointed to the Audit Committee on 9th September 2013
[3] Resigned from the Audit Committee and appointed to the Funding Committee on 9th September 2013(Eligible to attend 3 Funding Committee meetings)

CHAIRPERSON'S STATEMENT

Jim Bardon

I again have the pleasure of presenting the Annual Report of the Investor Compensation Company Limited for its sixteenth year of operation.

Overview

A key strategic objective of the Company has been to rebuild its Fund A reserves following the provisions made in 2012/13 for the failure of Custom House Capital Limited (in Liquidation) ['CHC'], €19.7 million, and in 2012/13 for the failure of Irish Bank Resolution Corporation (in Special Liquidation) ['IBRC'], €2.6 million.

As part of its funding strategy the Company takes out an annual Excess of Loss Insurance Policy ['Insurance Policy'] under which its insurers will cover compensation payments over and above €15 million in the case of Fund A and €15 million in the case of Fund B. This is subject to a maximum insurers' pay-out of €50 million in the case of Fund A and €10 million in the case of Fund B. I am very satisfied that the Company has met its target Fund A reserves for 31st July 2014 of €17.4 million up from €11.3 million at 31st July 2013. This means that the Company can once again, and without recourse to additional levies or borrowing, meet the excess provided for under its Insurance Policy of €15 million for Fund A.

The Company remains committed to making compensation payments to claimants as quickly and efficiently as possible. During the financial year, the Company paid compensation in relation to a further 175 claims for CHC and 48 claims for IBRC, in the amounts of €1,463,545 and €12,368 respectively, within 2 weeks of receiving certification from the relevant Administrators, well within the three month statutory deadline. However, as provided for in its governing legislation, payment of compensation by the ICCL is entirely dependent on receipt of the necessary certification from the relevant Administrator. This in turn critically depends on the pace of the liquidation process for the relevant failed investment firm which unfortunately, due to a range of factors including poor record keeping, fraud and the complexity of the underlying financial transactions, can frequently take a protracted period of time. I am disappointed that this has meant that many former clients of failed firms, most recently those of CHC, have to wait for an extended period of time for a decision on their compensation claim. In many cases this delay will take some years. The ICCL remains committed to working with the Department of Finance, the Central Bank of Ireland ['Central Bank'] and other stakeholders

to shorten this process in any way possible within the legislative framework which governs our work.

Compensation Claims

The Company's aim is to pay claims as speedily as possible. Once claims are made by investors, they are initially considered for eligibility by the Administrator, and where eligible, the Administrator will proceed to calculate the amount of compensatable loss and provide a certified statement of compensation payable by the Company. This is often a complicated process and can take a significant time to complete. Once claims are certified, the ICCL normally makes the payment within two weeks of certification and well within the statutory three month period.

The most significant case currently being dealt with is CHC. The total number of claims, including late claims, which the Company has received and forwarded to the Administrator, stood at 1,972 claims at the 31st July 2014. As of end-July 2014 a total of €6.8 million, related to 479 claims, has been certified by the Administrator and paid by the ICCL. The Company remains committed to processing claim applications, once validated and certified by the Administrator, and paying compensation to clients of CHC as quickly as possible. However, the Administrator has indicated that the reconciliation process is protracted due to the poor quality, and concern over the accuracy, of records within the firm and that, given the circumstances of the firm's collapse, it is not possible to give an accurate estimate of when remaining individual claims will be resolved.

In the case of IBRC, the Company received 54 claims for compensation. It transpired, however, that many of those claimants were entitled to receive full compensation either from the Central Bank supervised Deposit Guarantee Scheme or under the State's Eligible Liabilities Guarantee. As of 31st July 2014, the Administrators had certified that 41 claimants had no eligible compensatable loss while 7 had compensatable losses amounting to €12,386. This amount was duly paid by the ICCL to the eligible claimants. Six claims remain to be considered by the Administrators.

All claims in respect of the failure of W&R Morrogh Stockbrokers (in Receivership) ['Morrogh'] have now been certified and paid following the processing of the final two claims in January 2013. The total amount of compensation paid amounted to €7.8 million in respect of 2,634 claims received. It is expected that the Receiver will shortly submit an application to the High Court to seek permission to distribute the final dividend from the receivership.

All Money Markets International Stockbrokers Limited (in Liquidation) ['MMI'] claims have been certified and the Company now awaits the outcome of its subrogated claim from the liquidation process.

Staffing and Operations

The Company endeavours to operate in as effective and efficient manner as possible. To that end, the Company commissioned an external review of its operating policies and procedures in 2014 and, following consideration by the Board, it is now implementing a number of the resulting recommendations.

The key operational responsibilities of the Company and its staff are to build up and manage compensation funds from which certified compensation claims from former clients of failed investment firms can be met. This entails having in place systems and procedures which ensure that industry levies are collected efficiently, fund reserves are invested in a prudent and professional manner and claims are effectively managed. A number of projects were advanced during the year which have contributed to achieving these aims including the updating of IT equipment and systems, introduction of more efficient payment options for industry and the completion of a website tender.

During the financial year 2013/14, the Company gathered in levies amounting to €4.07 million and €1.48 million in respect of Funds A and B respectively. The Company continued to liaise with claimants and Administrators of failed firms, in particular CHC and IBRC, on outstanding claims. Our aim is to deal in a courteous and helpful manner with all stakeholders, including claimants and participating investment firms, while ensuring that the Company meets it legal and work objectives in the most efficient and cost effective manner.

The Company's normal staffing complement is seven full time staff and I would like to express the Board's gratitude to the team for its hard work and dedication throughout the year. Two of the Company's senior team informed the Board of their intention to leave the Company during the year. Eibhlín Power, who resigned on 31st July 2014, was with us for just a year but during that time made a significant contribution to the Company. George Treacy joined the Company as Chief Operating Officer on March 1st 2012 following a long and distinguished career in the Central Bank. His experience, expertise and knowledge of the Bank and the market proved invaluable to the Company. George resigned as Company Secretary and Chief Operating Officer in September and I wish both Eibhlín and George good fortune in their future careers.

The ICCL also actively interacts with, and relies on the support of, the Central Bank. The Board and I are very pleased and would like to express our appreciation for the operational assistance the Company receives from the Central Bank and its staff. The ICCL also liaised with other stakeholders, in particular the Department of Finance, throughout the year and I am grateful for the time and support given by the Department to the Company.

The unavoidable increase in participant levies combined with the write-back of €2.5 million in provisions made in respect of IBRC and the absence of any significant fresh failures has allowed the Company to rebuild its Fund A reserves to exceed the key insurance related threshold of €15 million. This, however, remains well short of the minimum target reserve of €30 million and means that the process of rebuilding Fund A's reserves must continue in order to ensure that the fund can withstand potential claims arising from future failures. The reserves held in Fund B are growing in line with the Company's short-term target (end-2016) of €24 million and longer term target of €30 million.

Corporate Governance

The Board at all times seeks to operate to the highest standards of corporate governance. The Board has formed two standing Committees and implemented structures and procedures designed to deliver this objective.

Board Retirements and Appointments

I would like to express my thanks and gratitude to Terry Hardiman who, having joined the Board in August 2005, retired on 31st July 2014. Terry's advice and contributions to the Board and its Committees were always welcomed by his colleagues over the nine years he served with them.

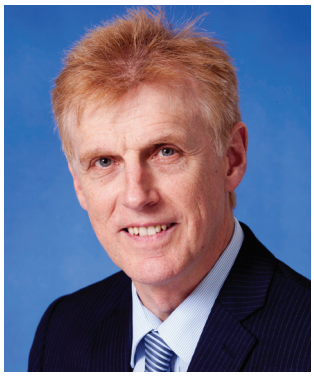
I also welcome Liam Carberry who joined the Board on 1st August 2014 and look forward to working with him over the years to come.

Finally, I would like to thank all of my fellow Board Directors for the time, expertise and commitment which they bring to the business of the Board and its Committees. Their support and guidance has been invaluable.

20th October 2014

OPERATING REPORT

The Company's primary role is to ensure that, in accordance with the Investor Compensation Act, 1998 (Act), investors have access to compensation in a timely fashion. The Company also strives to provide a value for money service to all its stakeholders.



George Treacy
Chief Operations Officer
(Resigned 22nd September 2014)

Michael Fagan
Chief Operations Officer
(Appointed 22nd September 2014)

This is my third and final Operating Report as Chief Operations Officer for the Investor Compensation Company Limited ["the Company/ICCL"] and covers the financial year to 31st July 2014. I will be handing over to my successor, Michael Fagan, in September 2014. I wish him every success in his new role.

Overview

There were no significant failures of investment firms over the reporting year that will involve claims for compensation for a failure to return investments or monies owed to clients. While Official Liquidators were appointed to Berehaven Credit Union Limited ['BCUL'] on 31st July 2014, this case is expected to result in very few, if any, eligible claims for compensation. BCUL was a Fund B participant but had not engaged in any significant investment business service in recent years. Over the year the Company has sought to bring closure to a number of outstanding cases and has focussed on the rebuilding of the reserves of Fund A in order to be in a better position to meet future claims.

Claims: As of 1st August 2013, the beginning of the reporting year, there were 6 outstanding compensation cases. Of these, two, Money Markets International Stockbrokers Limited (in Liquidation) ['MMI'] and W&R Morrogh Stockbrokers (in Receivership) ['Morrogh'] are long outstanding cases while, as mentioned above, BCUL is a very recent case. These are all dealt with in more detail later in this Report.

Funding: The Investor Compensation Act, 1998, as amended, ['the Act'] sets out the Company's principal objective. It requires the Company to establish and maintain funds out of which compensation payments can be made to clients. Therefore a key focus this year was to rebuild reserves in Fund A following the provisions made for compensation payments to former clients of Custom House Capital

Limited (in Liquidation) ['CHC'] and to a lesser extent Irish Bank Resolution Corporation Limited (in Special Liquidation) ['IBRC']. While this required further increases in levies charged to industry participants, substantial progress was made during the year.

Insurance: The Company maintains an annual insurance policy ['Policy'] which mitigates against potential large failures of investment firms. The Policy provides that where the aggregate claims arising from investment firm failures, exceed €15 million in the case of Fund A and/or Fund B, the insurers will cover subsequent claims to a maximum of €50 million and €10 million respectively. This Policy requires annual renewal and it has recently been renewed to cover the period 1st October 2014 to 30th September 2015. This will continue to allow the Company to focus on a more gradual rebuilding of the Fund's reserves than would otherwise be the case.

Investment of reserves: Successive cuts in Euro area official interest rates have depressed money market interest rates with many bank counterparties not quoting for short term deposits. Combined with the poor long-term credit ratings of many banking counterparties this has meant that the investment objectives of the Company, i.e. optimising return while minimising risk, preserving capital and ensuring adequate liquidity, have been difficult to achieve. The overall return on the ICCL's investment activities during 2013/14 was 0.58% compared with 0.93% in 2012/13. However, the 1-month EURIBID rate only averaged 0.03% over the equivalent period. Net investment income over the year amounted to €237,382.

Strategy: Every year the Board reviews its longer term Strategy Plan which was originally adopted in June 2011. The Board also reviews the Executive's Annual Work Plan which draws on this strategy and also sets out operational targets, projects and staff training and development objectives for both the Company and individual staff members. The Executive reports on progress towards achieving these goals on a quarterly basis to the Board.

Other: The Company continued to refine its collection processes during the year by improving its provision of direct debit options and the introduction of e-invoicing. The Company, while not covered directly by the Government's e-day initiative, fully supports the move to minimise the use of cheques. To this end, the Company agreed that all levies from Fund A firms must be made by way of Direct Debit ['DD'] or Electronic Fund Transfer while simultaneously encouraging the generally smaller Fund B firms to sign-up to Direct Debit by highlighting the time and cost efficiencies and also offering a 5% discount on the normal levy.

Funding of the Scheme

The Company is in the middle of implementing its three year funding arrangements which were put in place last year following a full consultation process in early 2013. In the case of **Fund A** the principal objective was to strike a balance between the need to rebuild reserves, following the failure of CHC and IBRC, while striking a balance with the ability of firms to pay increased levies. This has meant that the Board was required to approve annual increases averaging 15% over the period. However, the existence of the Company's Excess of Loss insurance policy and standby credit facilities have mitigated against significantly higher levies which would otherwise have been required. As at 31st July 2014 the reserves of Fund A stood at €17,374,846 an increase of €6,065,022 over the previous year-end. However, it should be noted that this increase included €2.5 million in respect of a write-back of provisions previously made in respect of IBRC and the receipt of €0.5 million in respect of subrogated income related to compensation previously paid in respect of Morrogh.

In the case of **Fund B**, the objective of the Company is to continue to build up the reserves of Fund B until a target reserve level of €30 million is reached. In the absence of any significant failures this has allowed the Company to maintain levies for firms with income from investment business activities of €700,000 or less unchanged from 2013/14 while an increase of 3% was applied to firms with higher levels of income. As at 31st July 2014 the reserves of Fund B stood at €21,372,747, an increase of €1,045,206 over the year.

Collections: The recent focus on improving the Company's collections processes continued to show positive results in 2013/14. The Table below demonstrates that the percentage of collections made against the level invoiced in Fund B has risen to 98.9%.

This excellent result is a tribute to the hard work and persistence of the staff of the Company and I thank them for their efforts.

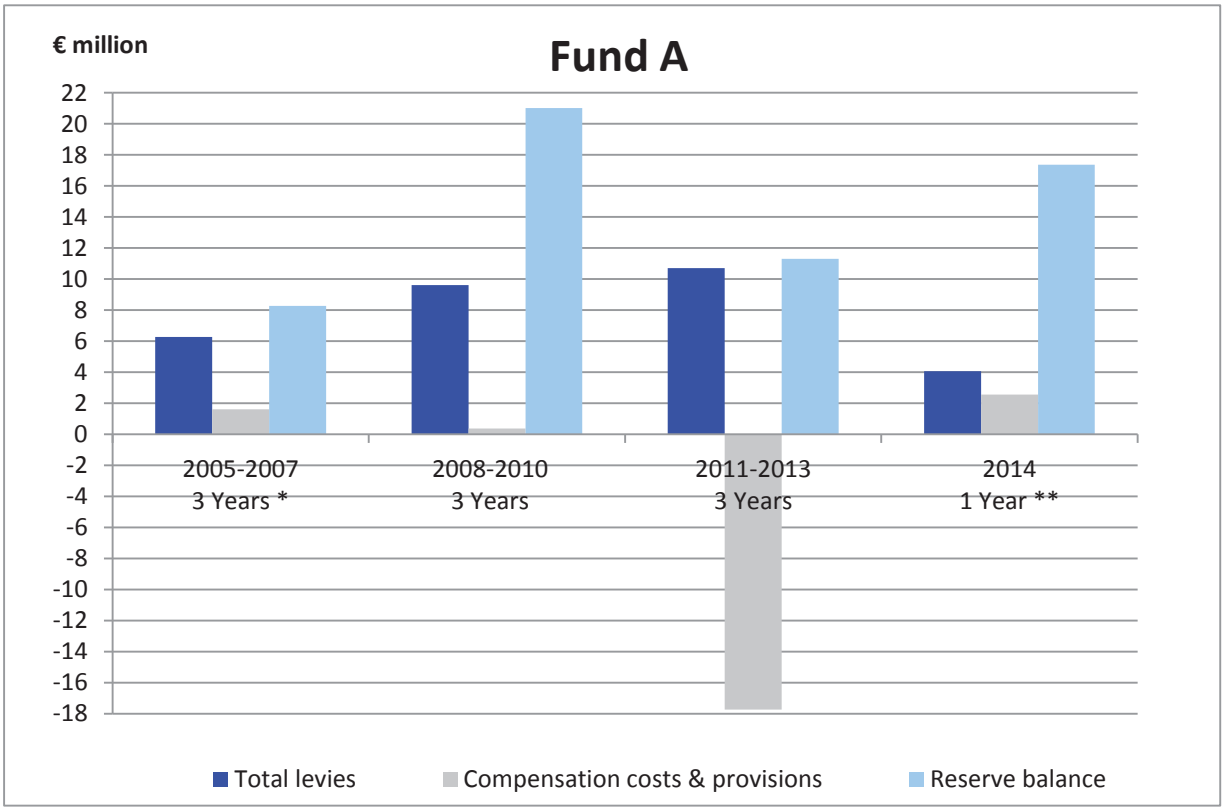
Year ended	Collections: Fund A			Collections: Fund B			Total
	Firms	€	Rate	Firms	€	Rate	€
31 July 2014	175	3,877,252	99.9%	3,769	1,468,839	98.9%	5,346,091
31 July 2013	195	3,560,198	99.7%	4,096	1,590,136	97.5%	5,150,334
31 July 2012	205	3,434,341	98.5%	4,487	1,595,236	95.7%	5,029,577
31 July 2011	222	3,428,756	99.6%	5,233	1,574,322	94.3%	5,003,078
31 July 2010	240	3,458,975	99.6%	5,728	2,050,894	91.4%	5,509,869

This excellent outcome resulted from a combination of factors:

- the ICCL's staff have continued to co-operate closely with the Central Bank of Ireland ['Central Bank'] in order to revoke the authorisation of firms which are no longer active;
- a determined effort to follow-up on firms who did not pay their levy; and
- the legal pursuit of persistent non-payers.

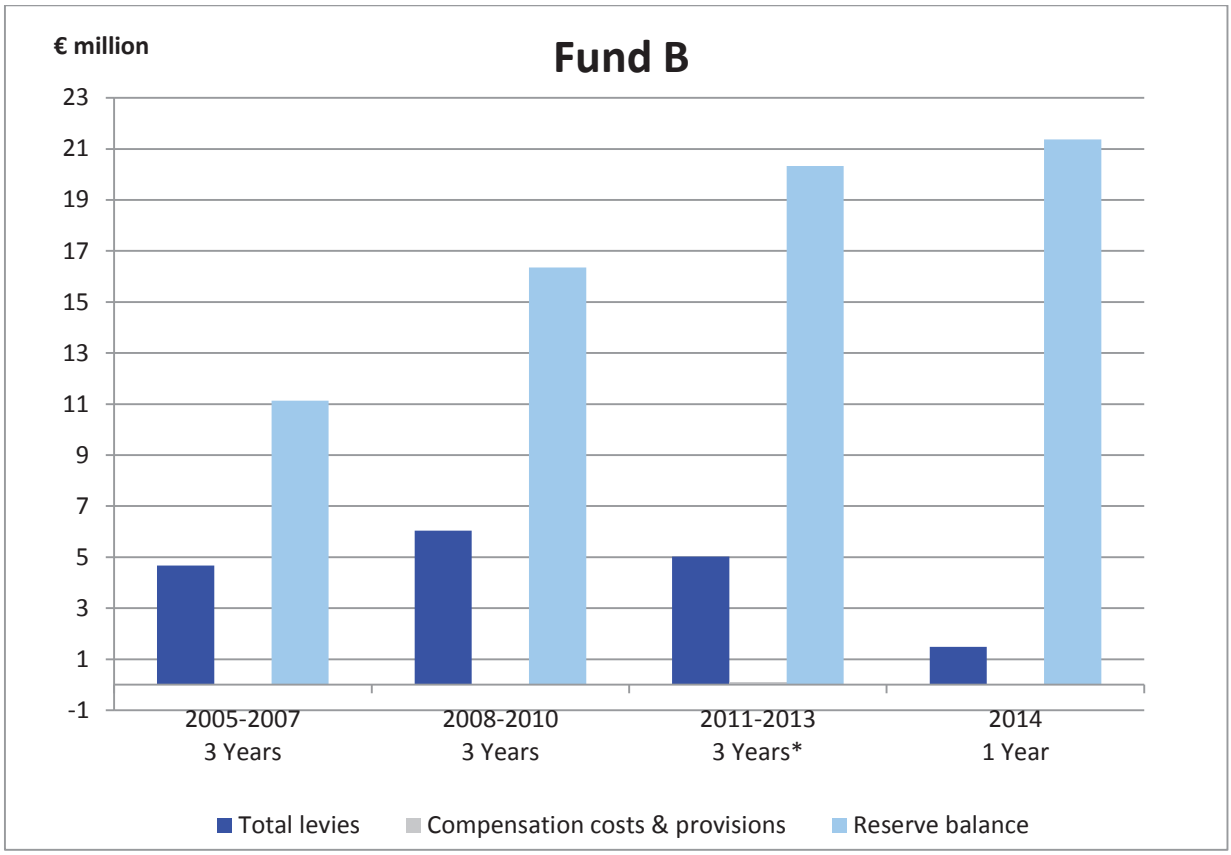
I would like to acknowledge the significant majority of investment firms who pay their levy in full and on time. In deference to those compliant firms, the ICCL believe that it is necessary to vigorously pursue non-paying firms as a failure to pay inevitably results in higher levies for others. Over the year to 31st July 2014 the ICCL had issued proceedings against 26 firms. Of these, 6 had their licences revoked, 6 paid in full, 2 firms were placed on a payment plan, 10 were still in correspondence with the Company's solicitors and 2 judgments were received and published both in Stubbs Gazette and the ICCL's website.

The following tables demonstrate, for each of the Funds, the scale of levies received over the past eleven years and how much of these funds have either been absorbed by claims or accumulated in reserves.



*€1.8 million release of W&R Morrogh Claims Compensation Provision

**€2.5 million release of IBRC Claims Compensation Provision



*€9,996 release of Andrew Casey Claims Compensation Provision

Investments

Background: The Company maintains a prudent Investment Policy [‘Policy’] with an emphasis on capital preservation and appropriate liquidity levels. The Policy, which requires the approval of the Central Bank, permits investment in money market deposits placed with highly rated credit institutions with an Irish office. The Policy was recently extended to permit investment in Government Bonds with remaining maturities of 3-years or less. The Company reports annually to the Central Bank on its investment performance.

However, as yields on short-dated Government bonds and money market deposits reached historic lows over the year, the return on the Company’s investments have been correspondingly low. Many deposits counterparties were quoting zero or negative deposit rates for terms out to 3 or more months. The investment strategy adopted was to create a smooth maturity profile of deposits with deposits maturing at regular monthly intervals but where maturing deposits could be replaced for a 1-year term.

Outturn: The average rate of return over the year as a whole fell to 0.58%. However, the average 1-month deposit rate over the year was 0.04% while the rate for the month of July 2014 was a negative -0.03%. The total investment income generated over the financial year was correspondingly low at €237,382.

The following table compares the Company's investment return with the average 1-month Euribid rate over the equivalent time period.

YEAR	Actual Rate of Return	Average EURIBID 1-Month	Difference
2013/14	0.58%	0.04%	+0.54%
2012/13	0.93%	0.03%	+0.90%
2011/12	1.31%	0.94%	+ 0.37%
2010/11	1.25%	1.00%	+ 0.25%

The Company liaised closely with the Central Bank in relation to both its investment performance and, as referred to earlier, its investment policy.

Outstanding Cases of Compensation

Our website, www.investorcompensation.ie, is updated regularly with the latest news on all outstanding cases.

Custom House Capital Limited (in liquidation) ['CHC']: On 21st October 2011, CHC was placed into liquidation and Mr Kieran Wallace was appointed both as Official Liquidator and Administrator by the High Court. The CHC case is likely to prove the most costly, in terms of compensation paid by the ICCL, to date. It is also likely to prove the most complicated and potentially time-consuming in terms of the final liquidation of the firm. This process is also expected, unfortunately, to lead to considerable delays in the final review and certification of claims by Mr Wallace. As of 31st July 2014 a total of 1,972 claims had been received, including 107 claims which were received after the statutory deadline but which were approved for processing by the Central Bank of Ireland.

As at 31st July 2013 a total of €4,720,000 had been paid out by the ICCL in compensation payments in respect of 259 claims. A further €2,106,305 was paid out in the financial year 2013/14 in respect of a further 220 claims. These are detailed below.

	Certification received on	Claims	Claims Re-Certified	Compensation Paid	Date Paid
Tranches 1 to 6	October 2012 to May 2013	260	(1)	€4,720,000	December 2012 to May 2013
Tranche 7	30 July 2013	45	-	€642,760	1 August 2013
Tranche 8	10 Sept. 2013	100	(1)	€578,730	19 Sept. 2013
Tranche 9	4 Dec. 2013	27	(2)	€682,790	10 Dec. 2013
Tranche 10	3 Feb. 2014	1	-	€40,000	12 Feb. 2014
Tranche 11	23 April 2014	50	-	€162,025	7 May 2014
	Sub Totals	483	(4)		
Total Claims Certified:		**479**		**€6,826,305**	

The Company, having paid compensation to date amounting to €6.8 million, continues to provide for potential compensation costs amounting to €12.9 million in its accounts based on the Administrator's upper estimate of compensatable losses incurred by former clients of CHC of €19.7 million. In the event that compensation payments made in respect of CHC exceed €15 million, the ICCL will reclaim those costs against its insurance policy.

Bloxham (in Liquidation) ['Bloxham']: This case is effectively closed as all claims received in respect of Bloxham have been reviewed and certified by Mr Wallace, the Administrator appointed in accordance with the Act, and all claimants have been notified of his decision.

Andrew Casey: This case is now closed.

Money Markets International Stockbrokers Limited (in Liquidation) ['MMI']: The liquidation of MMI was listed before the Examiner's Court on 17th February 2014 for '*further consideration*'. On the request of the liquidator, the Judge granted an adjournment to 16th February 2015 and directed that the liquidator provide a full report in advance of that listing if the liquidation has not been completed by that date.

However, all related claims for compensation, 313 in total, have been dealt with and compensation payments amounting to €774,422 have been paid. The Company awaits the final outcome of the liquidation process.

W&R Morrogh Stockbrokers (in Receivership) ['Morrogh']: On the 19th February 2014, the application for final orders by the Receiver, Mr Tom Grace, was heard and granted by Judge Gilligan. Subsequently the Receiver paid a final dividend of 13 cent in the euro to the eligible creditors of W&R Morrogh which brought the total dividend paid to 43 cent in the euro.

The ICCL paid €7.8 million in compensation to 2,634 claimants and, as a direct result were entitled to subrogated rights of those claimants, in the receivership, in the amount of the compensation paid. Consequently, as the single biggest creditor, the ICCL obtained an additional €506,171 in the final dividend which brought the total amount of subrogated income received to €2,024,685.

An application for the final dissolution of Morrogh is expected to be made by the Receiver in October 2014.

Irish Bank Resolution Corporation (inSpecial Liquidation) ['IBRC']: On 17th May 2013, Mr Kieran Wallace and Mr Eamonn Richardson, who were also acting as Special Liquidators, were appointed as joint Administrators to IBRC under section 33(1) of the Act. On 22nd July 2013, using information supplied by the joint Administrators, the ICCL wrote to known investment clients of the firm enclosing to the ICCL. On this statement 48 claims were certified whereby seven claims were determined to have compensatable losses amounting to €12,368 and 41 claims were determined to have no compensatable losses. The ICCL paid compensation in respect of each of the eligible claimants on 30th July 2014. The IBRC case was the first occasion on which the Deposit Guarantee Scheme ['DGS'] operated by the Central Bank was activated. In addition a number of former clients were entitled to refunds under the State operated Eligible Liabilities Guarantee ['ELG']. A significant number of claims which were rejected by the Administrators had obtained compensation under the DGS and the ELG such that no compensatable loss remained in respect of their claims on the ICCL. It is hoped that the outstanding 6 claims will be processed by the Administrators shortly once their eligibility under the ELG is clarified. The maximum level of compensatable losses for which the ICCL is potentially liable has been estimated by the joint Administrators as €64,209, which includes the €12,368 paid to date.

Berehaven Credit Union Limited (in Liquidation) ['BCUL']: On the 31st July 2014, on the application of the Central Bank, BCUL was put into liquidation by the High Court. On 15th August the ICCL, based on information supplied by the Liquidator, wrote to relevant members of BCUL to inform them of their potential entitlements under the Act and also published a notice in the Examiner newspaper giving notice of the Court Ruling. However, the ICCL has been informed that:

- the Central Bank has confirmed that all members' savings are covered by and will be fully compensated under the DGS; and
- neither the Central Bank nor the Official Liquidators have identified circumstances which would lead them to conclude that the liquidation of BCUL will result in compensatable losses for members.

Therefore, it is anticipated that there will be no eligible claims in this case.

Financial Results Summary as at 31 July 2014

INCOME and EXPENDITURE SUMMARY	Fund A €	Fund B €	Total €
Income from annual levies	4,072,159	1,483,717	5,555,876
Interest Income	126,708	110,674	237,382
Subrogated Income	171,608	-	171,608
Compensation (costs/provisions) and write-backs	2,568,669	-	2,568,669
(Administration expenses/bad debts/provisions for bad debts)	(874,122)	(549,185)	(1,423,307)
Surplus for Year	**6,065,022**	**1,045,206**	**7,110,228**

BALANCE SHEET SUMMARY	Fund A €	Fund B €	Total €
Cash at bank	25,899,229	21,317,660	47,216,889
Fixed assets	23,827	23,827	47,654
Debtors	4,832,447	83,129	4,915,576
Creditors	(133,171)	(51,867)	(185,038)
Provision for liabilities and charges	(13,247,484)	-	(13,247,484)
Share capital	(2)	(2)	(4)
Fund Reserves	**17,374,846**	**21,372,747**	**38,747,593**

Administration Expenses

The Company continued to focus on the provision of value for money to its stakeholders, achieving efficiencies and containing costs while also investing to enhance its services.

The key cost areas are highlighted in the table below.

Bad Debts and Provisions: The level of bad debt write-offs approved by the Board this year at €52,571, while slightly higher than last year, reflects a considerably better outturn than recent bad-debt experiences. Over the 3-year period to 31st July 2011 the annual bad-debt write-off averaged €171,000. A number of factors have contributed to this performance, in particular the level of ongoing co-operation between the staffs of the Central Bank and the ICCL which have led to many inactive firms being removed from the authorisation register and the initiation of legal action against firms who have failed to pay their levy when it fell due. It is also worth noting that while the Company may write-off a debt, this does not necessarily mean that no further efforts are made to recover the amount owed. In 2013/14 the Company recovered €16,907 in respect of previously written-off bad debts.

Other Administration Expenses: Other administration expenses increased by €117,064 in 2014. However, the previous year's amount included an accrual release of €83,989. When account is taken

of this exceptional item which temporarily reduced costs in that period, and an increase this past year of €14,015 in the Company's Insurance policy premium, the underlying level of administration costs were largely unchanged year-on-year.

Administration costs / bad debts and provisions:

	Year ended 31 July 2014 (€)			Year ended 31 July 2013 (€)		
Particulars	**Fund A**	**Fund B**	**Total**	**Fund A**	**Fund B**	**Total**
Bad debts written-off	-	52,571	52,571	-	*42,983*	*42,983*
(Decrease) in provision	(6,100)	(36,489)	(42,589)	*(4,575)*	*(7,233)*	*(11,808)*
Other administration expenses	880,222	533,103	1,413,325	*828,417*	*467,844*	*1,296,261*
	874,122	**549,185**	**1,423,307**	***823,842***	***503,594***	***1,327,436***

The time which each staff member spends on tasks associated with each of the Funds is tracked, on a weekly basis. The Audit Committee reviewed the bases used for the allocation of costs between the Funds and concluded that the bases[4] used for cost allocation were rigorous and fair.

Strategic Plan

At its June 2011 meeting the Board adopted a revised Strategy for the Company to cover the period from 2011 to 2016. The Board actively consider risks facing the Scheme as a standing item of each Board meeting and, as necessary, the Board updates the Strategy. The strategy is also formally reviewed on an annual basis and this was done at the April 2014 Board meeting.

The Executive, taking account of the Strategic goals, prepared and presented to the Board an annual programme of work against which progress is formally measured on a quarterly basis. This, in turn, forms the basis for annual work plans agreed with individual staff members as part of the Company's formal performance measurement and development program.

Organisation

All of the executive staff are seconded from the Central Bank. Section 20 of the Act allows the Central Bank to provide administrative services to the Company. All expenses, including staff remuneration, is, however, paid from the resources of the Company. As at 31st of July 2014 the team consisted of 7 permanent executive staff. A significant programme of work was undertaken by the team during the year.

[4] Costs, which are directly attributable to a particular Fund, are allocated to that Fund. Costs, which are directly related to the number of firms contributing to 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.

The main areas of work for the year to 31st July 2014 are summarised below:

- In the context of the Company's longer term strategic goals:
  - Ensure the claims handling process is effective and certified claims are paid promptly;
  - Maintain an efficient collections process;
  - Manage and invest fund reserves prudently;
  - Respond promptly and effectively to external developments;
  - Ensure that the Company adheres to high standards of corporate governance;
  - Communicate effectively with stakeholders.

- In the context of the Company's annual work plan:
  - Ensure the clients of recently failed firms (CHC, IBRC and BCUL) receive relevant information in relation to failures;
  - Maintain close liaison with case Administrators;
  - Implement the Arrangements for the funding year 1st August 2013 to 31st July 2014;
  - Support the National Payments Plan by reducing the number of cheque payments received and cheque payments made;
  - Service meetings of the Board and its Committees;
  - Endeavour to close the W&R Morrogh Receivership and finalise outstanding claims for IBRC;
  - Maintain the Company's Investment Policy under review;
  - Assist the Department of Finance with any necessary legislative changes to the Act, including pre-determined client asset distribution rules;
  - Agree a tender for the redevelopment of the ICCL website;
  - Continue to monitor and upgrade Information Technology Systems;
  - Periodically test and review the ICCL Business Recovery Management Plan;
  - Renewal of the excess of loss Insurance Policy;
  - Commission an independent review of Policies and Procedures.

The Company is committed to implementing efficiencies where possible with the key objectives of improving our collection processes, communicating effectively with claimants and other stakeholders and achieving operational efficiencies. In the face of two new cases, IBRC and BCUL, in addition to the existing workload, I consider that the Company has delivered effectively on these objectives. Collection rates are at an historic high, our IT systems have been updated and a redesign of our website is underway and, while implementation relies on other stakeholders, the Company has actively participated with them, in particular the Department of Finance and the Central Bank, to improve outcomes for clients of failed investment firms. Notwithstanding the understandable frustration of former clients of CHC at the delays in determining claim applications, the staff of the Company endeavour at all times to deal in a considerate and professional manner with claimants who may have suffered considerable losses.

As this is my last year as Chief Operating Officer, I would like to acknowledge my debt of gratitude to the small team of staff within the Company for their hard work, dedication and good humour. I know that they will provide an invaluable source of wisdom and experience to my successor, Michael Fagan, who takes up his responsibilities in September 2014.

I also wish to express my sincere thanks to the Board of Directors for their support and wise counsel over the past three years. In particular the guidance and help of Mr Jim Bardon, Chairman, and Mr Dan Coveney, Deputy Chairman, were deeply appreciated.

20th October 2014

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31st July 2014.

Principal Activity and Review of the Business

The principal activities are:

- The establishment and maintenance of arrangements for the payment of compensation to clients of investment firms in accordance with the Act.
- The management of funds out of which payments or expenses are made in accordance with the Act.

Details of the operation of the Company and the likely future developments are contained within the Chairperson's Statement and the Operating Report on pages 11 to 26.

This year presented the Company with the challenge of rebuilding the significantly depleted reserves of Fund A through the implementation of revised Funding Arrangements, while also seeking to encourage progress with the certification of claims by the Administrators of Custom House Capital Limited (in Liquidation) ['CHC'] and Irish Bank Resolution Corporation (in Special Liquidation) ['IBRC'].

The Board is pleased to report that significant progress was made during the year towards the restoration of Fund A reserves as a consequence of excellent collections in challenging circumstances and the significantly lower than expected cost of the IBRC failure. As disclosed in Note 8 to the Financial Statements, the final cost of compensation claims for eligible investors of IBRC is now not expected to exceed €65,000 when compared with the original estimate and provision of €2,602,500. The final cost of compensation claims for CHC has not changed and is not expected to exceed €19.7 million with a net claims compensation payable by the Company limited at €15 million due to an Excess of Loss Insurance Policy put in place by the ICCL. During the year, the Company received and processed 4 tranches of claims certifications from the Administrator of CHC. In total, compensation of €2,106,305 was paid to 223 CHC claimants, which includes compensation payments of €642,760 in respect of 45 claimants which was certified on 30th July 2013 and paid on 1st August 2013.

Fund A reserves now stand at €17,374,846. The growth in the Fund B reserve was in line with expectations and reserves now stand at €21,372,747.

Results

The Company recorded a surplus of €7,110,228 (2013: €2,190,774). The main reason for the change year on year, as noted above, relates to the release of €2,538,291, at 31st July 2014, from the provision for compensation claims of €2,602,500 created by the Company, in respect of IBRC, at 31st July 2013. Levy income increased in Fund A by 10% as a consequence of the revised Funding Arrangements which introduced a large increase in levy rates to rebuild the reserves post CHC. However, Fund B levy income decreased by approximately 10% due to the revised Funding Arrangements which sought to bring greater proportionality to Fund B levies and consequently introduced a 20% price decrease for most firms which reside in the lower levy bands. Income from deposits continued to decrease as a consequence of the low interest rate environment. The Company also received a final dividend from its subrogated claims in W&R Morrogh Stockbrokers (in Receivership) during the year which resulted in additional income of €171,608. The accounts also include a decrease of €42,589 in the provision for bad and doubtful debts, an increase of €9,588 in bad debts written off, and an increase in administration expenses of €117,064. This latter amount arises primarily from two areas, an increase of €57,639 in staff costs (arising from the need for additional temporary staffing) and an increase of €61,918 in other administration overheads. Other administration overheads include professional fees arising from an external review of Governance, Policy and Procedure, an internal audit review and the redevelopment of the ICCL website which was progressed significantly towards the end of the reporting period. It should be noted that the comparative other administration overheads amount included a once off accrual release of €83,989.

In accordance with the Articles of Association, no dividend is payable by the Company.

Principal Risks and Uncertainties

The principal risk to which the Company is exposed is the risk that there would be insufficient funds available to the Scheme to pay compensation arising from future failure(s).

Financial Risk

The Company is exposed to financial risk and uncertainty through its financial assets and financial liabilities. The most important components of this risk and uncertainty are credit, interest rate, liquidity and currency risks and compensation uncertainty.

Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when they fall due. The main area where the Company is exposed to credit risk is through institutional deposits.

On an ongoing basis, the Company manages this risk inter alia through its Investment Policy by restricting acceptable counterparties to those with adequate credit ratings and placing limits on its exposure to any single counterparty. Counterparties are selected based on their credit ratings which are continuously monitored.

This is an area of heightened risk for the Company and the Board and Executive have taken a series of measures to mitigate this risk to the greatest extent possible.

Interest Rate Risk

Interest rate risk is the risk that the Company might not obtain the best available deposit interest rates. The main area where the Company is exposed to interest rate risk is through institutional deposits.

The Company manages this risk through its Investment Policy by firstly selecting the counterparties with the appropriate credit rating criteria, and, thereafter, those institutions that offer the highest interest rates.

Liquidity Risk

Liquidity risk is the risk that cash may not be available to pay obligations when due. The risk of cash not being available could arise due to unexpected levels of demand being placed on a particular Fund at a given time. In the event of a failure, the Company is obliged to pay compensation within three months of the date of certification by the Administrator. For that reason, a significant proportion of funds are normally placed on deposit for periods not exceeding three months. In addition, a standby credit facility of €50 million is in place. The Excess of Loss Insurance policy further mitigates this risk. Furthermore, the EU Directive, under which the Scheme is established, states that the cost of financing investor compensation must, in principle, be borne by investment firms. The Directive also states that the financing capacities of such schemes must be in proportion to their liabilities. This requirement must not, however, jeopardise the stability of the financial system of the Member State concerned.

The Board carries out regular reviews (at least every three years) of the arrangements which are in place to fund the Scheme. The review includes setting targets for reserve fund balances and seeking support for funding arrangements from all stakeholders, including investment firms, the Central Bank and the Department of Finance, to ensure that the Scheme can meet its future funding requirements. The Company monitors the achievement of these targets using various reporting procedures. The Company successfully concluded a Funding Consultation process in May 2013 that culminated in the Company issuing revised Funding Arrangements for the period 1st August 2013 to 31st July 2016.

Currency Risk

Currency risk is the risk of incurring financial losses due to adverse movements in foreign exchange rates.

The Company has no exposure to currency risk in the technical sense as all financial transactions are denominated in Euro.

Compensation Uncertainty

Compensation uncertainty is the uncertainty associated with estimating the final value of compensation payable in advance of the Administrator certifying all outstanding claims.

The Company addresses this uncertainty through detailed review of calculations underlying estimates, where available, and through the receipt of regular updates from an Administrator regarding progress on the certification of claims and any issues affecting the certification of outstanding claims.

Statement of Directors' Responsibilities

Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable Irish law and Generally Accepted Accounting Practice in Ireland including the accounting standards issued by the Financial Reporting Council and published by The Institute of Chartered Accountants in Ireland.

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for the year. In preparing those 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and with Irish statute comprising the Companies Acts, 1963 to 2012. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Act requires the Directors to keep all proper and usual accounts of all monies paid into the Fund or Funds maintained by the Company and all disbursements from such Fund or Funds including an income and expenditure account and a balance sheet.

The Directors have appointed appropriate accounting personnel in order to ensure that those requirements are met. The Directors consider that, in preparing the financial statements on pages 41 to 57, appropriate accounting policies have been used and consistently applied, and that reasonable and prudent judgements and estimates have been made.

The Directors have ensured that proper accounting records are kept in accordance with Section 202 of the Companies Act, 1990, by employing appropriately qualified personnel and by maintaining appropriate computerised accounting systems. The books of account are located at the Company's registered office at Spencer Dock, North Wall Quay, Dublin 1.

The Directors consider the report and accounts, taken as a whole, are fair, balanced and understandable and provides the information necessary for shareholders to assess the company's performance, business model and strategy.

Going Concern

The financial statements are prepared on the going concern basis as the Board, after making appropriate enquiries, is satisfied that the Company has adequate resources to continue in operational existence for the foreseeable future.

Corporate Governance

The Chairperson and Deputy Chairperson are appointed on a non-executive basis by the Governor of the Central Bank. The remaining ten Directors are also non-executive Board members. Five of these Directors are prescribed by the Minister for Finance on the basis that they represent the interest of clients of investment firms while the remaining five Directors are nominated by bodies which are prescribed by the Minister for Finance on the basis that they represent the financial services industry. The Board, having obtained the approval of the Governor of the Central Bank and the Minister for Finance, has introduced a standard three year term of appointment for Directors (with a system of rotation) with Directors being eligible for re-appointment at the end of each term.

Compliance with the Corporate Governance Code

The Board remains committed to maintaining the highest standards and supports the principles of corporate governance outlined in the Corporate Governance Code adopted by the Irish and London Stock Exchanges and effective for reporting years beginning on or after 1st October 2012. While the Company is not obliged to comply with the Corporate Governance Code, it has reviewed the principles and provisions of that Code and the Directors confirm that the Company has complied throughout the accounting period with the main aspects that are appropriate to the Company.

The Board is responsible for the leadership and control of the Company. 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 the Scheme's Funds, approval of the annual financial statements, the annual budget and acquisitions and disposals of assets. The roles of Chairperson and Chief Operations Officer are not combined. The Chief Operations Officer is accountable to the Board for all authority delegated to executive management.

The Board has also delegated some of its responsibilities to Committees of the Board. The Directors, in the furtherance of their duties, may seek independent professional advice, as required, at the expense of the Company. New Directors are provided with extensive briefing materials on the Company and its operations and the Chairman and Chief Operations Officer are available to brief members as required. Details of remuneration paid to the Directors are set out in Note 1 to the Financial Statements. There were 8 full meetings of the Board during the year. Details of Directors' attendance at those meetings are set out in the table on page 10. The Chairperson sets the agenda for each meeting in consultation with the Chief Operations Officer. Directors are provided with detailed briefing material in advance of meetings.

Under the Investor Compensation Act, 1998:

- Director nominations to the Board of the Company are at the discretion of the Minister for Finance;
- The Governor of the Central Bank appoints the Chairperson and Deputy Chairperson;
- The Central Bank is the supervisory authority for the Company.

In addition to an annual review undertaken between the ICCL Chairperson, Deputy Chairperson, Governor of the Central Bank and Deputy Governor, Financial Supervision, the Board undertakes an annual evaluation of its own performance, using the section on Evaluating the Performance of the Board and Directors given in the Financial Reporting Council's **Guidance on Board Effectiveness** of March 2011, which has replaced the Higgs Report, as a formal agenda item at a scheduled Board Meeting. Formal evaluation of the performance of individual Directors during the year is conducted jointly by the Chairperson and Deputy Chairperson. Led by the Chairperson of the Audit Committee, evaluation of the performance of the Chairperson and Deputy Chairperson is conducted by all Board Members without the Chairperson and Deputy Chairperson being present. The objective of these evaluations is to identify any scope for improvement and, in the case of individual evaluations, to determine whether each Director continues to contribute effectively and demonstrates commitment to the role. The individual Director performance evaluation process is based on the principles outlined in the Financial Reporting Council's **Guidance on Board Effectiveness** of March 2011, and the findings are reported to the Board as part of the Board evaluation process for consideration and action as required.

Internal Control

The Board has overall responsibility for the Company's system of internal control and for monitoring its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

In order to discharge that responsibility in a manner which ensures compliance with laws and regulations, the Board has established an organisational structure with:

- Clearly documented operating and reporting procedures;
- Clear lines of responsibility, segregation of duties and delegated authority;
- Identification of risks in the risk register and ongoing assessment and monitoring of those risks and the arrangements for managing them;
- Clear authorisation limits;
- Regular monitoring of performance against plans and targets.

The Audit Committee regularly reviews the effectiveness of the system of internal control and confirms that necessary actions are taken to remedy any significant failings or weaknesses identified. During the year, the Audit Committee commissioned an independent external expert to review the ICCL systems of Governance, Policy and Procedures. The review found that the Management and Board of the ICCL place a high emphasis on the maintenance of appropriate systems of internal control and that substantially all key processes are documented in a structured manner.

Compliance with the Turnbull Guidance

The Directors confirm that the Company's ongoing process for identifying, evaluating and managing its significant risks is in accordance with the Turnbull guidance[5]. The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements and is regularly reviewed by the Board.

Committees

The Board has established two permanent committees to assist in the execution of its responsibilities. These are the Funding Committee and the Audit Committee. Ad hoc committees are formed from time to time to deal with specific matters. During the year ended 31st July 2014, no such ad hoc committees were established.

Each of the permanent committees has terms of reference, which are subject to annual review, and, under which authority is delegated to them by the Board. Minutes of all Committee meetings are circulated to Committee members and the Chairman of each Committee reports to the Board on all significant issues considered by the Committee. The current membership of each Committee is set out on page 10. Attendance at Committee meetings held during the year is set out in the table on page 10.

[5] Internal Control: Revised Guidance for Directors on the Combined Code, published in October 2005.

Audit Committee

The Audit Committee met on four occasions during the year. The main role and responsibilities of the Audit Committee are set out in written terms of reference and include:

- Monitoring the integrity of the financial statements,
- Making recommendations to the Board in relation to the appointment, re-appointment and removal of the Company's external auditors including agreeing remuneration and terms of engagement,
- Overseeing the Internal Audit process,
- Evaluating the performance of the external auditors including their independence, objectivity and effectiveness,
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services,
- Facilitating a process for "whistleblowing",
- Reviewing the Investment Policy and Procedures,
- Reviewing the effectiveness of the Company's internal financial control and risk management process and its process for monitoring compliance with laws and regulations affecting financial reporting.

KPMG continue in office as external auditors, having been appointed in 2012. The Committee have considered the nature and extent of services provided by the firm to the Company and the fees paid to the external auditors for audit and non-audit services. The Company has considered whether the independence of the external auditor is prejudiced by the appointment of Mr Kieran Wallace and Mr Eamonn Richardson of KPMG as Joint Administrators of IBRC and Mr Kieran Wallace as Administrator of CHC and Bloxham. The Company is satisified that the independence of the external auditor is not prejudiced as the Joint Administrators of IBRC were appointed by the Central Bank in accordance with section 33(1) of the Act, while the Administrator of CHC and Bloxham was appointed by the High Court in accordance with section 33A of the Act.

Funding Committee

The Funding Committee is required to meet a minimum of three times per year. During the year, the Committee met four times. The Committee's responsibilities include:

- Assisting the Board with establishing and maintaining a fund or funds out of which payments shall be made in accordance with the Act,
- Reviewing the collection of levies and proposed bad debt write-offs,
- Reviewing the estimates of compensation payable as provided by Administrators,
- Assisting the Board with formulation of policies which affect the funding and operations of the Company.

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 7. All Directors serve as non-executive Directors.
There were no contracts in relation to the business of the Company in which the Directors had any interest, as defined by the Companies Act, 1990, at any time during the year ended 31st July 2014.

Subsequent Events

There were no other material events since the year end.

Auditors

The auditors, KPMG, will continue in office in accordance with Section 160(2) of the Companies Act, 1963.

Signed on behalf of the Board:

Mr Jim Bardon

Mr Brian Healy

DIRECTORS

Independent Auditors' Report to the members of the Investor Compensation Company Limited

We have audited the financial statements (''financial statements'') of Investor Compensation Company Limited for the year ended 31st July 2014 which comprise the income and expenditure account, balance sheet, cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

This report is made solely to the company's members, as a body, in accordance with section 193 of the Companies Act 1990. 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.

Respective Responsibilities of Directors and Auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 32, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Ethical Standards for Auditors issued by the Financial Reporting Council.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the company's affairs as at 31st July 2014 and of its surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Acts 1963 to 2013.

Matters on which we are required to report by the Companies Acts 1963 to 2013

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

The financial statements are in agreement with the books of account and, in our opinion, proper books of account have been kept by the company.

In our opinion the information given in the directors' report is consistent with the financial statements.

The net assets of the company, as stated in the balance sheet are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31st July 2014 a financial situation which under Section 40(1) of the Companies (Amendment) Act, 1983 would require the convening of an extraordinary general meeting of the company.

Matters on which we are required to report by exception

We have nothing to report in respect of the provisions in the Companies Acts 1963 to 2013 which require us to report to you if, in our opinion the disclosures of directors' remuneration and transactions specified by law are not made.

Killian Croke
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
20th October 2014

Financial Statements

Income and expenditure account for the year ended 31 July 2014

	Notes		2014 €		2013 €
INCOME					
Levy Income			5,555,876		5,327,114
Interest Income			237,382		322,263
Subrogated Income	5		171,608		520,186
			5,964,866		**6,169,563**
EXPENDITURE					
Compensation costs and provisions					
Claims provision decrease/ (increase)	8	2,548,291		(2,471,413)	
Certified claims written back	9	72		-	
3rd party costs provision decrease/ (increase)		63,341		(108,009)	
ICCL claims legal costs		(43,035)		(71,931)	
			2,568,669		(2,651,353)
Administration expenses	2		(1,423,307)		(1,327,436)
TOTAL EXPENDITURE			**1,145,362**		**(3,978,789)**
SURPLUS ON ORDINARY ACTIVITIES	1		7,110,228		2,190,774
Surplus at 1st August			31,637,365		29,446,591
Surplus at 31st July			**38,747,593**		**31,637,365**
ALLOCATED BETWEEN FUNDS AS FOLLOWS:					
FUND A	3		17,374,846		11,309,824
FUND B	3		21,372,747		20,327,541
			38,747,593		**31,637,365**

The Company had no recognised gains and losses in the year to 31st July 2014 other than those dealt with in the income and expenditure account. There have been no movements in the reserves of the Company other than the surplus for the year. The accompanying notes form an integral part of the financial statements. All activities arise from continuing operations.

The financial statements were approved by the Board of Directors on 20th October 2014 and were signed on its behalf by:

Mr Jim Bardon

Mr Brian Healy

DIRECTORS

Balance sheet as at 31 July 2014

	Notes	2014 €	2013 €
CURRENT ASSETS			
Trade and other receivables	*4(a)*	215,576	216,574
Other assets	*5*	4,700,000	5,206,171
Cash at bank	*14(ii)*	1,256,989	8,108,841
Short-term investments	*14(ii)*	45,959,900	36,365,009
		52,132,465	49,896,595
NON-CURRENT ASSETS			
Equipment	*6*	47,654	9,560
		47,654	9,560
TOTAL ASSETS		52,180,119	49,906,155
CURRENT LIABILITIES			
Trade and other payables	*7*	185,038	819,628
Provisions for Compensation Claims & Associated Costs	*8*	847,484	17,449,158
		1,032,522	18,268,786
NON-CURRENT LIABILITIES			
Provisions for Compensation Claims & Associated Costs	*8*	12,400,000	-
TOTAL LIABILITIES		13,432,522	18,268,786
NET ASSETS		38,747,597	31,637,369
FINANCED BY:			
Called-up share capital	*10*	4	4
Funds	*3*	38,747,593	31,637,365
	12	38,747,597	31,637,369

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

The financial statements were approved by the Board of Directors on 20th October 2014 and were signed on its behalf by:

Mr Jim Bardon

Mr Brian Healy

DIRECTORS

Cash flow statement for the year ended 31 July 2014

	Notes	**2014 €**	**2013 €**
NET CASH INFLOW FROM OPERATING ACTIVITIES	*14(i)*	2,790,618	676,392
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	*6*	(47,579)	(13,355)
INCREASE IN CASH	*14(iii)*	**2,743,039**	**663,037**

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 Acts, 1963 to 2013 and in accordance with accounting standards generally accepted in Ireland in preparing financial statements giving a true and fair view which are those published by the Institute of Chartered Accountants in Ireland and issued by the Financial Reporting Council.

Accounting Convention

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

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 (Central 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. The bases and rates are stated below:

Computer software and equipment	:	$33^{1}/_{3}$ % straight line

Cash at bank

Cash at bank comprises amounts held in bank current accounts that are readily convertible into known amounts of cash within 24 hours.

Short term investments

Short term investments comprise Fixed Term deposits with a period to maturity of less than 12 months.

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 2014

1. SURPLUS ON ORDINARY ACTIVITIES

The surplus on ordinary activities is stated after charging:

	2014 €	2013 €
Directors' fees	132,750	132,515
Depreciation	9,485	8,935
Auditors' remuneration (ex-VAT)	7,500	7,500

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

The Chairperson and Deputy Chairperson were remunerated €31,500 (2013: €31,500) and €15,750 (2013: €15,750) respectively on a pro-rata basis during the year. The other Directors were remunerated at the rate of €8,550 per annum (2013: €8,550), also on a pro-rata basis.

2. ADMINISTRATION EXPENSES ANALYSIS

	2014 €	2013 €
Personnel costs*	592,865	540,466
Directors' fees and expenses	137,482	135,285
Other administration overheads	673,493	611,575
Bad debts written off	52,571	42,983
Decrease in provision for bad and doubtful debts	(42,589)	(11,808)
Depreciation	9,485	8,935
	1,423,307	1,327,436

*Personnel costs are included in the charge for administrative services by the Central Bank.

3. FUNDS

	Fund A	Fund B	2014 Total	Fund A	Fund B	2013 Total
	€	€	€	€	€	€
Levy income	4,072,159	1,483,717	5,555,876	3,695,245	1,631,869	5,327,114
Interest income	126,708	110,674	237,382	184,383	137,880	322,263
Subrogated income	171,608	-	171,608	520,186	-	520,186
Compensation (costs)/recoveries:						
Claims provision	2,548,291	-	2,548,291	(2,480,555)	9,142	(2,471,413)
Certified claims written back	72	-	72	-	-	-
3rd party costs provision	63,341	-	63,341	(108,863)	854	(108,009)
ICCL legal costs	(43,035)	-	(43,035)	(71,931)	-	(71,931)
Administration expenses:						
Bad Debts (written off)	-	(52,571)	(52,571)	-	(42,983)	(42,983)
(Increase)/decrease in provision for bad and doubtful debts	6,100	36,489	42,589	4,575	7,233	11,808
Other administration expenses	(880,222)	(533,103)	(1,413,325)	(828,417)	(467,844)	(1,296,261)
Surplus for the year	6,065,022	1,045,206	7,110,228	(914,623)	1,276,151	2,190,774
Surplus at 1st August	11,309,824	20,327,541	31,637,365	10,395,201	19,051,390	29,446,591
Surplus at 31st July	**17,374,846**	**21,372,747**	**38,747,593**	**11,309,824**	**20,327,541**	**31,637,365**
Represented by:						
Cash at bank	862,506	394,483	1,256,989	7,481,603	627,238	8,108,841
Short-term investments	25,036,723	20,923,177	45,959,900	16,705,120	19,659,889	36,365,009
Fixed assets	23,827	23,827	47,654	4,780	4,780	9,560
Debtors	4,832,447	83,129	4,915,576	5,334,801	87,944	5,422,745
Creditors	(133,171)	(51,867)	(185,038)	(767,320)	(52,308)	(819,628)
Provision for liabilities and charges	(13,247,484)	-	(13,247,484)	(17,449,158)	-	(17,449,158)
Share capital	(2)	(2)	(4)	(2)	(2)	(4)
Total	**17,374,846**	**21,372,747**	**38,747,593**	**11,309,824**	**20,327,541**	**31,637,365**

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

	2014	2013
	€	€
(a) *Debtors and Accrued Income*:		
Debtors (after provision for bad and doubtful debts)	2,128	3,198
Accrued income & prepayments	202,538	203,146
Euroclear administration account	10,910	10,230
	215,576	216,574
	€	€
(b) *Bad debts written-off during the year:*	52,571	42,983
(c) *Movement in respect of the provision for bad and doubtful debts*:	€	€
Opening provision for bad & doubtful debts	84,597	96,405
Closing provision for bad & doubtful debts	42,008	84,597
Decrease in provision	(42,589)	(11,808)

5. OTHER ASSETS

	2014	2013
	€	€
Subrogated Income	-	506,171
Claims compensation amounts recoverable under Excess of Loss Insurance contract	4,700,000	4,700,000
	4,700,000	5,206,171

Subrogated Income

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.

The Receiver of W&R Morrogh Stockbrokers (in Receivership) ['Morrogh'] notified the Company of his intention to pay a final dividend in early 2014 to claimants with an admissible claim against the client bank accounts of Morrogh. On the advice of the Receiver, the Company expected that the payment of the second and final dividend would lead to a subrogated income receipt of €506,171 which was calculated based on a dividend rate of €0.10. During the year under review, the Company actually received a final dividend of €677,779, representing a dividend rate of €0.134, in excess of the €506,171 originally anticipated, resulting in subrogated income for the year of €171,608.

The Company is not aware of and has not received to date, subrogated income from any other case where it has paid claims compensation. The ICCL has exercised its subrogated claim in accordance with the requirements of the Act in respect of compensation paid to claimants of failed firms.

Excess of Loss Insurance Policy

The Company has a contract of insurance to provide cover where claims for compensation in a policy year exceed the policy excess of €15 million. The policy provides cover for claims of up to €50 million for Fund A and €10 million for Fund B above the excess. As outlined in note 8, a provision of €19.7 million was made for the claims compensation costs associated with the failure of Custom House Capital Limited (In Liquidation) ['CHC'], a Fund A firm.

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 have confirmed to the Company that they will reimburse the Company for the amount of claims compensation paid to clients of CHC in excess of €15 million subject to the policy limit of €50 million. At the balance sheet date, the Company had paid €6,826,304 in respect of claims compensation to clients of CHC.

6. EQUIPMENT

Computer Software and Equipment	**2014 €**	**2013 €**
Cost:		
At 1 August	167,903	156,804
Additions	47,579	13,355
Disposals	(25,382)	(2,256)
At 31 July	190,100	167,903
Depreciation:		
At 1 August	158,343	151,664
On Disposals	(25,382)	(2,256)
Charge for year	9,485	8,935
At 31 July	142,446	158,343
Net book value:		
At 31 July	47,654	9,560

7. TRADE AND OTHER PAYABLES

	2014 €	2013 €
Compensation costs	75,967	663,704
Central Bank of Ireland (Administration charges)	46,864	45,192
Directors' fees and expenses	13,596	11,862
Prepaid levies	1,236	1,289
Other	47,375	97,581
	185,038	819,628

8. PROVISIONS FOR COMPENSATION CLAIMS & ASSOCIATED COSTS

	Fund A Claims €	Fund B Claims €	Total Claims €	3rd Party Costs (Fund A & B) €	Total €
Opening provision at 1st August 2012	20,050,000	9,142	20,059,142	393,988	20,453,130
(Decrease) / increase in provision	2,480,555	(9,142)	2,471,413	108,009	2,579,422
Payments during the year	(5,580,815)	-	(5,580,815)	(2,579)	(5,583,394)
Provision at 31st July 2013 and at 1st August 2013	16,949,740	-	16,949,740	499,418	17,449,158
(Decrease) in provision	(2,548,291)	-	(2,548,291)	(76,801)	(2,667,650)
Payments during the year	(1,475,913)	-	(1,475,913)	(100,669)	(1,534,024)
Closing Provision at 31st July 2014	12,925,536	-	12,925,536	321,948	13,247,484
Represented by:					
Amounts falling due within one year	525,536	-	525,536	321,948	847,484
Amounts falling due after one year	12,400,000	-	12,400,000	-	12,400,000

(a) Money Markets International Stockbrokers Limited (Fund A)

Claims for compensation were made by clients of Money Markets International Stockbrokers Limited (MMI) and all submitted compensation claims were certified and paid by 31st July 2011. Provision has been made in respect of estimated third party costs, which represent the costs of the Administrator and directly attributable legal costs of the Company and the Administrator based upon an estimate of these costs to the completion of the Administration process. At 31st July 2014, the provision for claims compensation in respect of MMI is €NIL (2013: €NIL). At 31st July 2014, the provision for costs in respect of MMI is €49,200 (2013: €49,200).

(b) W&R Morrogh Stockbrokers (Fund A)

The total value of claims compensation paid to clients of W&R Morrogh Stockbrokers up to 31st July 2014 is €7,758,007 (2013: €7,758,007). As at 31st July 2013, the provision for claims compensation payments that had yet to be certified by the Administrator was €10,000. On the basis that the Company is satisfied that all submitted claims for compensation are now certified and paid, the remaining provision of €10,000 has been released.

(c) Custom House Capital Limited (Fund A)

In the financial year ended 31st July 2013, the Company had made a provision of €14,337,240 in respect of compensation payable to eligible clients of Custom House Capital Limited. The provision was made on the basis of the range of estimates received from the Administrator[6] and took account of claims compensation already paid as at 31st July 2013. 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),
- 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,

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

- whether the liquidator[7] 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 submitted four interim certifications of compensatable losses arising from the reconciliation of client positions in respect of certain asset categories. However, significant reconciliation progress has not yet been achieved in more complex areas e.g. pooled client bank accounts and syndicated property funds. The delays in progressing the reconciliation work by the Liquidator's team is a consequence of the uncertainty the Liquidator faces regarding the discharge of his fees for the reconciliation work necessary to determine the value of client claims in the liquidation process. When the Liquidator is in a position to progress the necessary reconciliation work to determine creditor claims in the liquidation, he will then be able to determine the amount of compensatable loss applicable to claimants under the Investor Compensation Act. This matter is currently before the High Court.

At 31st July 2014, the Company had received, recorded and forwarded 1,972 claim application forms to the Administrator. In relation to the claim application forms submitted, the number of claimants who meet the definition of "eligible investor" remains to be quantified by the Administrator. On the basis of estimates received from the Administrator, the Company has reduced the provision for claims by an amount equal to the interim certifications received and processed during the year ended 31st July 2014 of €1,463,544 (2013: €5,362,760). The provision for claims at 31st July 2014 is €12,873,696, of which €473,696 is classified as falling due within one year.

The Company has an Excess of Loss Insurance policy to provide cover where claims for compensation in a policy year exceed the policy excess of €15,000,000. Cumulative claims compensation of €6,826,304 has been paid to 31st July 2014 (2013: €5,362,760). The balance of the excess of the policy is €8,173,696, beyond which the remainder of the claims compensation costs, currently estimated at €4,700,000 will be recoverable. Accordingly, the Company has recognised a recoverable asset of €4,700,000 (Note 5 provides relevant details).

The Company had made a provision at 31st July 2013 of €342,273 towards the costs of the Administrator and his legal advisors 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 31st July 2014 the Company paid Administrator fees of €55,651 and Administrator legal costs of €42,558. At 31st July 2014, the Company increased this provision by €2,706 to €246,770 to reflect the receipt and forwarding of additional late claims during the year.

[7] 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.

(d) Irish Bank Resolution Corporation Limited (Fund A)

In May 2013, Mr Kieran Wallace and Mr Eamonn Richardson were appointed as Joint Special Liquidators and Joint Administrators for the purposes of the Act. In July 2013, the Company wrote to 545 known clients of IBRC inviting claim applications for compensation. As of 31st July 2014, the Company had received 54 applications for compensation. Good progress was made with the reconciliation of client positions during the year resulting in 48 of the submitted claims being certified with compensation totalling €12,368 paid before 31st July 2014. The Company is awaiting a decision from the Joint Administrators in respect of the remaining six claims with the total compensatable loss not expected to exceed €51,841. On the basis of estimates received from the Administrator, the Company has released €2,538,291 of the provision and reduced it by an amount equal to the interim certification received and paid during the year ended 31st July 2014 of €12,368 (2013: €NIL). The provision for claims at 31st July 2014 is €51,841 (2013: €2,602,500).

The primary reason for the release of €2,538,291 of the claims provision at year end is due to the majority of the former clients of IBRC having had their claims for compensation satisfied in full, or to the maximum limit permitted by the Deposit Guarantee Scheme operated by the Central Bank of Ireland or the Eligible Liabilities Guarantee operated by the National Treasury Management Agency on behalf of the Exchequer.

The Company created a provision at 31st July 2013 of €103,794 towards the costs of the Administrators and their legal advisors for the completion of the Administration process which are payable by the Company in accordance with the provisions of the Act. No payments were made during the year towards these costs. However, on the basis that the number of claims received at 54 is significantly less than the level anticipated and provided for, €77,816 of the provision has been released at year end. The provision for costs of the Administrators and their legal advisors at 31 July 2014 is €25,978 (2013: €103,794).

9. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

There were no Contingent Assets at 31st July 2014.

Contingent Liabilities

Bloxham (In Liquidation)

The Central Bank of Ireland and the Liquidator of Bloxham, Mr Kieran Wallace of KPMG, have to date, not identified any case which would lead them to conclude that the winding down of Bloxham will result in compensatable losses for eligible clients of the firm. The Administrator rejected all known claims submitted during the year and the Board does not at this point believe that the failure of Bloxham (In Liquidation) will result in the payment of claims compensation. No provision has been made for claims or other costs associated with the failure of Bloxham in this respect.

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. The Company will continue to meet and work with the Administrator at regular intervals to facilitate as much progress as possible. 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 significant progress to date, in estimating the total cost of claims, the final determination of costs is subject to significant uncertainty, as identified in note 8 above.

Irish Bank Resolution Corporation Limited (In Special Liquidation)

The Joint Administrators have estimated that the total compensation payable by the Company will not exceed €51,841. The Company have provided for this amount in the Claims Compensation provision as at 31st July 2014.

Berehaven Credit Union Limited (In Liquidation)

The Central Bank of Ireland and the Joint Liquidators of Berehaven Credit Union Limited [‘BCUL’], Mr David O’Connor and Mr Jim Hamilton of BDO, have to date, not identified any case which would lead them to conclude that the winding down of BCUL will result in compensatable losses for eligible clients of the firm. An Administrator, for the purposes of the Investor Compensation Act, has not been appointed to the firm either by the High Court or by the Central Bank as it is not expected that any client was disadvantaged as a consequence of the insolvency process.

W&R Morrogh Stockbrokers (In Receivership)

During the year, the Company undertook a concentrated effort to establish contact with the beneficiaries of certified claims paid by the Company to claimants in respect of W&R Morrogh Stockbrokers that remained unclaimed after a significant period of time. Following unsuccessful attempts to contact a number of the claimants, the Company wrote back previously certified compensation costs. The total value of unclaimed certified compensatable costs written back amounted to €72, all of which related to W&R Morrogh Stockbrokers. The Company will reinstate the amounts written-off, if the relevant claimants come forward in the future. No other certified compensatable losses have been written off by the Company in prior reporting periods.

10. SHARE CAPITAL

	2014 €	2013 €
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 Limited is a company limited by guarantee and having a share capital. There are three shareholders, the Central Bank of Ireland, the Irish Stock Exchange and the Irish Association of Investment Managers, each holding one share. The limit of guarantee to be paid by each shareholder in the event of the Company being wound up is €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.

11. 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).

12. MOVEMENTS IN TOTAL FUNDS

	Share Capital attributable to Shareholders €	Attributable to Funds €	Total €
At 1st August 2013	4	31,637,365	31,637,369
Surplus for the year	-	7,110,228	7,110,228
At 31st July 2014	4	38,747,593	38,747,597

13. RELATED PARTIES

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

	2014 €	2013 €
Administration costs chargeable to the Company by the Central Bank of Ireland for services provided	664,540	719,075

Other than the payment of Directors' fees and expenses as disclosed in Note 2, there have been no transactions in the year to 31st July 2014 between the Company and its Directors.

14. CASH FLOW NOTES

	2014 €	2013 €
(i) Reconciliation of surplus on ordinary activities to net cash inflow from operating activities		
Surplus on ordinary activities	7,110,228	2,190,774
Depreciation	9,485	8,935
Decrease in debtors	507,169	978,173
Decrease in creditors and provisions for liabilities and charges	(4,836,264)	(2,501,490)
	2,790,618	676,392
(ii) Analysis of net funds		
Cash at bank	1,256,989	8,108,841
Short-term investments	45,959,900	36,365,009
	47,216,889	44,473,850
(iii) Reconciliation of net cash flow to movement in net funds		
Net Funds at 1 August	44,473,850	43,810,813
Increase in cash in the year	2,743,039	663,037
Net Funds at 31 July	47,216,889	44,473,850

What is the Investor Compensation Scheme?

Introduction

Instances may arise in the financial services industry where a firm is unable, due to its financial circumstances, to return to investors their investment instruments and/or their money. In the past, investors could do very little to recover their assets and people have suffered losses.

The establishment of an investor compensation scheme in 1998 provides a mechanism whereby private investors may be entitled to compensation from the Investor Compensation Company Limited (the Company).

Background

In March 1997, the European Council adopted a Directive in relation to the establishment of investor compensation schemes in Member States. The purpose of the Investor Compensation Directive is to provide a minimum level of protection for investors in circumstances where fraud or insolvency results in the inability of an investment firm to return investment instruments or money to investors.

The Investor Compensation Directive lays down certain basic requirements for investor compensation schemes in order to provide a harmonised minimum level of investor protection across the Community.

It is left to each individual Member State to implement an appropriate scheme and to determine the most appropriate way of organising and financing such schemes.

In Ireland, the Directive was transposed into Irish law on 1 August 1998 through the introduction of the Investor Compensation Act, 1998.

The Investor Compensation Act, 1998 (the Act)

Under the Act, the Company was established as a company limited by guarantee and having a share capital.

A principal objective of the Company is the putting in place of arrangements (e.g. funding and payment procedures) to ensure that eligible clients of a failed firm receive compensation, within the parameters set down in the Act, as quickly as possible.

APPENDIX 1

Shareholders

The Company's three shareholders are:

- the Central Bank of Ireland,
- the Irish Stock Exchange, and
- the Irish Association of Investment Managers.

The structure adopted in Ireland (i.e. the establishment of a specialist company to put compensation arrangements in place) is one which has also been used in some other Member States of the European Union.

The Board of Directors

The number of directors of the Company is prescribed by the Minister for Finance. The Chairperson and Deputy Chairperson of the Board are appointed by the Governor of the Central Bank of Ireland. The ten other directors represent either the interests of consumers (5) or the interests of the financial services industry (5) and are prescribed by the Minister for Finance.

Scope of the Scheme

The Investor Compensation Directive applies to all authorised investment firms (including Credit Institutions authorised to provide investment services). In addition to transposing the Directive into Irish Law, the Act also provides for compensation arrangements to apply to a large number of authorised investment firms which were not covered by the Directive. This reflected the Government's view that eligible investors who dealt with investment firms should be entitled to some degree of financial compensation if an authorised firm failed and investors lost assets.

Following a consultation process in early 1999 with relevant bodies in the financial sector and various investment firms, the Company decided on the establishment of two Funds for the following categories of membership:

Fund A

• Investment Firms authorised under the European Communities (Markets in Financial Instruments) Regulations 2007
• Investment Firms authorised under Section 10 of the Investment Intermediaries Act, 1995 that are not exempt under Section 2(5) of the Investor Compensation Act, 1998
• Stockbrokers authorised under the European Communities (Markets in Financial Instruments) Regulations 2007
• Credit Institutions authorised to provide investment business services
• Certain certified persons who provide investment business services, which are similar to services provided by Fund A firms, in a manner which is incidental to their main professional activities
• UCITS management companies, authorised to undertake Individual Portfolio Management Services[8]
• Alternative Investment Fund Managers ['AIFM's], authorised to undertaken Individual Portfolio Management Services.

[8] Individual Portfolio Management Services refers to the management of portfolios of investments and discretionary portfolio management services as well as non-core services such as investment advice, safekeeping and administration services.

Fund B

• Authorised Advisors authorised under the Investment Intermediaries Act, 1995
• Multi Agency Intermediaries authorised under the Investment Intermediaries Act, 1995
• Insurance Intermediaries required to register with the Central Bank of Ireland under the European Communities (Insurance Mediation) Regulations 2005
• Certain certified persons who provide investment business services, which are similar to services provided by Fund B firms, in a manner which is incidental to their main professional activities

How is the Company Funded?

The Scheme is funded by levies from firms authorised to conduct investment services and insurance mediation. The method for calculating the levies payable was decided following six extensive consultation processes with firms and industry representative groups (1999, 2001, 2004, 2007, 2010 and 2013).

Levy Rates

Current levy rates vary depending on the membership category and are based either on the number of eligible clients of the firm or on the firm's income from investment and insurance business.

When is Compensation Payable?

The Scheme will pay compensation where an authorised firm is unable, due to its financial circumstances, to return money or investment instruments owed to a client. Investors will be compensated if they are eligible investors and have dealt with a firm that has been authorised to conduct business. The Scheme will not pay compensation where a loss arises as a result of poor advice or where the value of a client's investment declines because of market or other economic forces.

Process for Paying Compensation

The Company can only begin the process of making compensation payments to eligible investors once it has been advised by the Central Bank of Ireland that an authorised firm has either:

a) been the subject of a court ruling which prevents the firm returning money or investment instruments to clients, or

b) been the subject of a determination by the Central Bank of Ireland that the firm is unable to meet its obligations arising from claims by clients.

Subsequently, the Company will write to all known eligible clients of the failed firm advising them of their right to make a claim for compensation. It will also place notices in the national newspapers and/or in Iris Oifigiúil seeking claims from investors.

Validation of claims and certification of the amount of compensation payable to claimants is carried out by an 'Administrator'. An Administrator will be either:

- the Court-appointed liquidator to the firm as a result of a proposal made by the Central Bank of Ireland with the agreement of the Company, or
- a person appointed by the Central Bank of Ireland with the agreement of the Company.

Investors will be given at least five months from the date of the court ruling or determination by the Central Bank of Ireland to make a claim. Once a claim has been certified by the Administrator, the Company will make payments as quickly as possible and is obliged to do so within three months of the date of certification.

Compensation Limits

The amount of compensation payable to each eligible investor is limited to 90 per cent of the amount lost subject to a maximum payout of €20,000. This amount reflects the obligations imposed under the Investor Compensation Directive and is generally consistent with the levels of payment available in most other Member States of the European Union.

Relationship with Claimants

The Company aims to actively assist eligible investors and particularly those affected by the failure of a firm. It aims to deal in a co-operative and sensitive way with investors and to provide assistance to all those who contact the Company. The level of these enquiries can be significant particularly at the time of a failure of a firm. The Company has published an information booklet which provides useful information to investors. This is available by accessing the publications section in the Company's website or by contacting the Company directly (contact details are available at the back of this publication).

Relationship with the Central Bank of Ireland

The Central Bank of Ireland is the supervisory authority for the purpose of the Act. Accordingly, certain actions undertaken by the Company can only be carried out with the approval of the Central Bank of Ireland.

These include:

- the establishment of any fund
- the raising of finance, or borrowing of any money
- amending the Memorandum and Articles of Association

Certain other matters pertinent to the operation of the compensation scheme, require a process of consultation between the Company and the Central Bank of Ireland.

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