



THE INVESTOR COMPENSATION COMPANY LIMITED

Annual Report Year Ended 31 July 2004

Mission Statement

The Investor Compensation Company Limited (“ICCL”) aims to:

- operate a financially sound scheme which provides statutory levels of compensation to eligible clients of failed authorised investment firms;
- ensure that claims for compensation are dealt with as quickly as possible and in a manner which is sympathetic to the difficult situation in which the claimant is involved;
- operate a cost effective method for the collection of contributions which is fair to all authorised firms;
- maintain an open and positive relationship with those institutions and investors with whom it deals;
- promote positive and close working relationships with the Central Bank and Financial Services Authority of Ireland (the “Bank”) and the Irish Financial Services Regulatory Authority (the “Financial Services Regulator”).



**The
Investor
Compensation
Company
Limited**



**Annual Report
Year Ended
31 July 2004**

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Directors and other information

Directors	Caitríona Murphy (Chairperson) Dan Coveney (Deputy Chairperson) (appointed 5 September 2003) Jim Bardon (retired 9 June 2004) Inge Clissmann (appointed 18 October 2004) Ann Fitzgerald Gearóid Geraghty (retired 31 July 2004) Brian Healy Dermott Jewell Geraldine Layden Paul Lynch Ann O'Neill Jerry Shanahan Enda Twomey (appointed 12 July 2004) Paul O'Donovan (appointed 18 October 2004)
Secretary	Patricia Fitzgerald
Registered Office	The Central Bank and Financial Services Authority of Ireland, 42-45 Dame Street, Dublin 2.
Auditors	Deloitte & Touche, Chartered Accountants, Deloitte & Touche House, Earlsfort Terrace, Dublin 2.
Bankers	Bank of Ireland, 2 College Green, Dublin 2.
Solicitors	William Fry Solicitors, Fitzwilton House, Wilton Place, Dublin 2.

Registered No 293240

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 investments 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 provided a mechanism whereby private investors may be entitled to compensation from the Investor Compensation Company Limited (“ICCL”).

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 securities 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 on 1 August 1998 through the introduction of the Investor Compensation Act, 1998.

The Investor Compensation Act, 1998 (the “Act”)

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

A principal objective of the ICCL 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.

A number of sections within the Investor Compensation Act, 1998, have been amended by the Central Bank and Financial Services Authority of Ireland Act, 2004.

Under Section 25 of the Investor Compensation Act, 1998, the Financial Services Regulator may also authorise the establishment of compensation schemes by professional bodies representing accountants. Such schemes would be independent of the ICCL and would provide compensation in respect of the failure of members of the relevant professional body. To date, however, no such authorisation has been granted.

Where a product producer appoints another firm to act as its agent, the appointing firm may, in certain circumstances, be obliged to pay compensation if the appointee firm fails.

Shareholders

The ICCL's three shareholders are:

- the Central Bank & Financial Services Authority 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 ICCL is prescribed by the Minister for Finance. The Chairperson and Deputy Chairperson of the Board are appointed by the Governor of the Bank. 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 Investor Compensation Act, 1998, 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 funds.

Following a consultation process in early 1999 with relevant bodies in the financial sector and various investment firms, the ICCL decided on the establishment of two Funds. The current categories of membership are as listed below:

Fund A

<ul style="list-style-type: none"> 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
<ul style="list-style-type: none"> Stockbrokers authorised under the Stock Exchange Act, 1995
<ul style="list-style-type: none"> Credit Institutions authorised to provide investment services
<ul style="list-style-type: none"> Certified persons who provide investment business services other than those provided by Multi Agency Intermediaries or Authorised Advisors, e.g. accountants providing investment services in a manner which <u>is not</u> incidental to their main professional activities

Fund B

<ul style="list-style-type: none"> Authorised Advisors authorised under the Investment Intermediaries Act, 1995
<ul style="list-style-type: none"> Multi Agency Intermediaries authorised under the Investment Intermediaries Act, 1995
<ul style="list-style-type: none"> Tied Insurance agents (unless the undertaking to which they are tied takes full and unconditional responsibility for all their activities, even those activities which may exceed the extent of their authorisation by the institution concerned)
<ul style="list-style-type: none"> Certified persons who provide investment business services other than those provided by Multi Agency Intermediaries or Authorised Advisors, e.g. accountants providing investment services in a manner which <u>is</u> incidental to their main professional activities.
<ul style="list-style-type: none"> Credit Unions authorised under the Investment Intermediaries Act, 1995 (in relation to their insurance activities)

How is the ICCL Funded?

The Scheme is funded by contributions from firms authorised to conduct investment services (“firm/firms”). The method for calculating the contributions payable was decided following three extensive consultation processes with firms and industry representative groups (1999, 2001 and 2003).

Contribution Rates

Current contribution 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 business 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 ICCL can only begin the process of making compensation payments to eligible investors once it has been advised by the Financial Services Regulator 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 Financial Services Regulator that the firm is unable to meet its obligations arising from claims by clients.

Subsequently, the ICCL 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 Financial Services Regulator with the agreement of the ICCL, or
- a person appointed by the Financial Services Regulator with the agreement of the ICCL.

Investors will be given at least five months from the date of the court ruling or determination by the Financial Services Regulator to make a claim. Once a claim has been certified by the Administrator, the ICCL 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 ICCL 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 ICCL. The level of these enquiries can be significant particularly at the time of a failure of a firm. The ICCL has published an information booklet “Investor Compensation – How Does it Work?” which provides useful information to investors. This is available by clicking on the publications section in the ICCL’s website or by contacting the ICCL directly (contact details are available at the back of this publication).

Relationship with the Central Bank and Financial Services Authority of Ireland

The Irish Financial Services Regulatory Authority (“Financial Services Regulator”) is the supervisory authority for the purpose of the Act. The Financial Services Regulator is a

constituent part of the restructured Central Bank and Financial Services Authority of Ireland, which was established following the enactment of the Central Bank and Financial Services of Ireland Act, 2003 on 1 May 2003. Accordingly, certain actions undertaken by the ICCL can only be carried out with the approval of the Financial Services Regulator.

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 ICCL and the Financial Services Regulator.

The Board of Directors

All members serve as non-executive directors.



Back Row (L – R):

Mr D.Jewell, Mr E.Twomey, Ms A.Fitzgerald, Mr B.Healy, Ms G.Layden, Mr P.O'Donovan

Front Row (L – R):

Mr D.Coveney, Mr J.Shanahan, Ms C.Murphy, Mr P.Lynch, Ms A.O'Neill

Board Committees

The Board has set up two sub-committees, a Funding Committee and an Audit Committee. The following is the current membership of these committees:

Funding Committee

Dan Coveney¹ (Committee chairperson)
 Brian Healy
 Ann Fitzgerald
 Geraldine Layden
 Paul Lynch
 Enda Twomey²

Audit Committee

Brian Healy (Committee chairperson)
 Ann Fitzgerald (Alternate member)
 Dermott Jewell
 Paul Lynch
 Jerry Shanahan (Alternate member)

Attendance at Board and Committee Meetings

	Board	Funding Committee	Audit Committee
<i>Number of meetings held</i>	8	10	6
Caitríona Murphy	8	8	N/a
Dan Coveney ¹	7	10	N/a
Jim Bardon ³	5	6	N/a
Ann Fitzgerald	5	9	3
Gearóid Geraghty	2	N/a	N/a
Brian Healy	7	7	6
Dermott Jewell	6	N/a	5
Geraldine Layden	8	10	N/a
Paul Lynch	8	8	3
Ann O'Neill	6	N/a	N/a
Jerry Shanahan	3	N/a	1

Mr Enda Twomey joined the Board on 12 July 2004 and was not a member of the Board for any Board or sub-committee meetings during the year.

¹ Appointed 5 September 2003.

² Appointed 12 July 2004.

³ Retired 9 June 2004.

CHAIRPERSON'S STATEMENT

Caitríona Murphy

I am pleased to present the Annual Report of the ICCL for the sixth year of operations ended 31 July 2004.

Overview

It has been another busy year for the Board and its Committees. During the year the Board completed its review of the operations of the Investor Compensation Scheme in the light of the funding and claims experience since its establishment. The ICCL made a number of revisions to its funding arrangements following consultations with the financial services industry and with the Financial Services Regulator. It also made recommendations and proposals to the Financial Services Regulator and to the Department of Finance for changes to the Scheme to help smooth the funding burden over time and to manage the unlimited liability of contributors. The ICCL drew attention to the costly impact on the Scheme of the current statutory procedures governing the winding up of investment firms.

The ICCL's new Funding Arrangements were published in May 2004 and came into effect with respect to the funding year commencing 1 August 2004. Consideration of the proposals and recommendations made by the ICCL to the Financial Services Regulator and the Department of Finance is ongoing. This constitutes part of the review by the Department of appropriate legislative and other changes in relation to compensation schemes in the financial sector. The EU Commission has also commissioned a review of the operation of the investor compensation schemes in Member States which are governed by the Investor Compensation Directive. The Irish experience is also being considered in this context. The ICCL has been active in contributing to both the Department's and the EU reviews.

We look forward to continuing to work with the Financial Services Regulator and the Department of Finance to achieve further improvements in the Scheme, including any necessary legislative amendments, to ensure a sound and sustainable compensation scheme for the future.

I would like to express the Board's appreciation to all those who contributed to the consultation process in the course of the Board's own review and also for the cooperation and support of member firms in ensuring the timely and efficient collection of contributions.

Financial Outturn

Fund B collected €1.7 million in annual contributions from its 3,100 members in the current financial year, had approximately €7million in reserves at year end and had no claims payout during the year. Fund A collected €1.8 million in annual contributions from its 233 members in the current financial year. The third tranche (€1.7 million) of the agreed top up levy towards the costs of the failure of W&R Morrogh Stockbrokers (“Morrogh”) was also collected in the year from certain Fund A members. However, the estimated claims payout arising for Fund A from the Morrogh failure has continued to rise. It has been necessary for the ICCL to make further provision of €3 million in the current year, leaving Fund A at year end with a Reserve of just under €385,000. The latest estimate of compensation costs for the Morrogh case is in excess of €10 million. This is over twice the original estimate.

The lengthy, legally intensive Receivership process in the Morrogh case has been costly. The bulk of these costs will be borne by client assets, as provided for in the governing legislation which states that where there are insufficient non-client assets in the firm, a Receiver, with the Court’s permission, may access client assets to recover specified costs which are incurred in carrying out his functions. This erosion of client assets has given rise to additional losses by clients which are deemed to be compensatable under the terms of the Scheme. Just over €5 million of the total estimate relates to the compensation payable for these additional losses.

Given the severe drain of the Morrogh case on the Fund A Reserves, I am very pleased to report that, since the failure of W&R Morrogh in 2001, there have been no new reported cases of failed firms giving rise to compensation claims. The lessons from this case are a matter for particular examination as part of the Department of Finance review already mentioned above.

Compensation Claims

Most of the compensation claims certified and paid during the year related to the Morrogh case. We expect that the Administrator will shortly be in a position to certify the bulk of the remaining claims. The ICCL will continue to ensure that, once claims are certified, compensation payments are made as expeditiously as possible.

Staffing and Operations

The Board is very appreciative of the dedication and commitment of its Chief Operations Officer, Patricia Fitzgerald, and her staff in a particularly busy year. Claimants and contributors were dealt with in an efficient and sensitive manner.

The ICCL continues to have sound working relationships with the Bank and the Financial Services Regulator. The Board greatly appreciates their support, co-operation and guidance. It also values their continuing commitment to the provision of the support services necessary to enable the ICCL to carry out its functions in an effective and efficient manner.

Board Retirements and Appointments

I want to express the Board's appreciation to Mr Jim Bardon of the Irish Bankers' Federation and to Mr Gearóid Geraghty, Solicitor, both of whom retired from the Board towards the end of the financial year having served on the Board since its establishment in 1998. I wish to express the Board's particular appreciation to Mr Bardon for his active and valued contributions not just to the deliberations of the Board itself but also to the considerable work of the Funding committee over the years.

I would like to welcome the following three new members who were recently appointed to the Board:

- Mr Enda Twomey, Irish Bankers' Federation, appointed 12 July 2004,
- Ms Inge Clissmann, Senior Counsel, appointed 18 October 2004, and
- Mr Paul O'Donovan, Office of the Director of Consumer Affairs, appointed 18 October 2004.

Finally, I wish to thank all of my fellow Board members for the time, commitment and expertise which they bring to the business of the Board and its sub-committees and for their continuing cooperation and support.

15 November 2004

OPERATING REPORT



Patricia Fitzgerald
Chief Operations Officer

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

Overview

The year ended 31 July 2004 was the sixth year of operations for the Scheme. During the year the ICCL concluded the extensive general review of the operation of the Scheme which had commenced in 2003. In addition, the consequences of the W&R Morrogh Stockbrokers failure continued to command significant time and attention during the year.

The other main features of our sixth year were:

- The issuing of the ICCL's third Funding Arrangements document in May 2004.
- The management of the payment of compensation to clients.
- The ICCL's involvement with and submission to the Department of Finance's Working Groups, established early in 2004, to look at the issues arising from the collapse of W&R Morrogh Stockbrokers.
- Ongoing discussions with the Financial Services Regulator regarding the integration of the ICCL's billing system with the Financial Services Regulator's Funding levy system.
- The establishment of the ICCL's Audit Committee and implementation of its work programme.
- The ongoing upgrading of the ICCL's IT systems including the replacement of the Network Server.

Financial Results Summary as at 31 July 2004

INCOME and EXPENDITURE SUMMARY	Fund A €	Fund B €	Total €
Income from annual contributions	1,795,200	1,738,761	3,533,961
W&R Morrogh top-up	1,690,083	–	1,690,083
Interest Income	116,598	131,166	247,764
Compensation costs and provisions	(3,362,733)	–	(3,362,733)
Administration expenses / bad debts / provisions for bad debts	(317,599)	(403,032)	(720,631)
Surplus/(deficit) for Year	(78,451)	1,466,895	1,388,444

BALANCE SHEET SUMMARY	Fund A €	Fund B €	Total €
Cash at bank	7,849,992	7,082,360	14,932,352
Fixed assets	13,212	13,211	26,423
Debtors	350,854	27,287	378,141
Creditors	(137,151)	(121,054)	(258,205)
Provision for liabilities and charges	(7,692,107)	(9,142)	(7,701,249)
Share capital	(2)	(2)	(4)
Fund Reserves	384,798	6,992,660	7,377,458

Funding of the Scheme

The ICCL relies entirely on contributions from authorised investment firms and from insurance intermediaries in order to fund the Scheme. There were 233 firms in Fund A (2003: 235) and 3,108 firms in Fund B (2003: 3,350).

Annual contributions received during the year amounted to a total of €3.5 million (2003: €3.6 million) and were made up as follows:

	Fund A €	Fund B €	Total €
Annual contributions	1,795,200	1,738,761	3,533,961

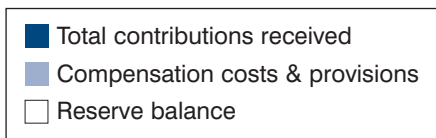
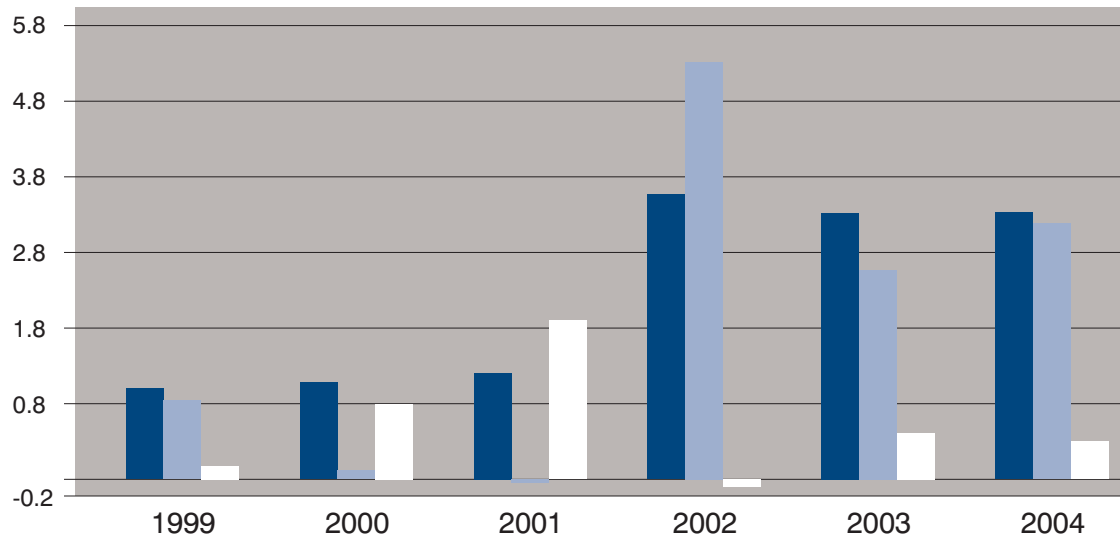
A further €1.7 million (2003: €1.6 million) was received from certain Fund A firms being the third tranche of the special top-up levy agreed by Fund A contributors in 2001 to meet the then estimated compensation and Administrator costs to the ICCL of the failure of W&R Morrogh Stockbrokers (“Morrogh”).

Fund B reserves stood at €6,992,660 at the year-end (2003: €5,525,765) and Fund A reserves stood at €384,798 (2003: €463,249). Third party costs were incurred during the year in relation to the two Fund A cases, and, as explained in the Chairperson’s Statement, a further provision of €3 million was required for compensation costs relating to the Morrogh failure. This brings the total cumulative provision for compensation and Administrator costs at 31 July 2004 to over €10 million. This continues to be a significant drain on Fund A reserves.

The tables on the next page demonstrate, for each of the funds, the scale of contributions received over the past six years and how much of these funds have either been absorbed by claims or accumulated in reserves.

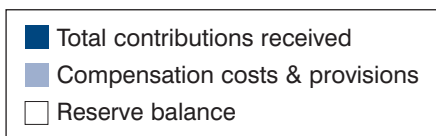
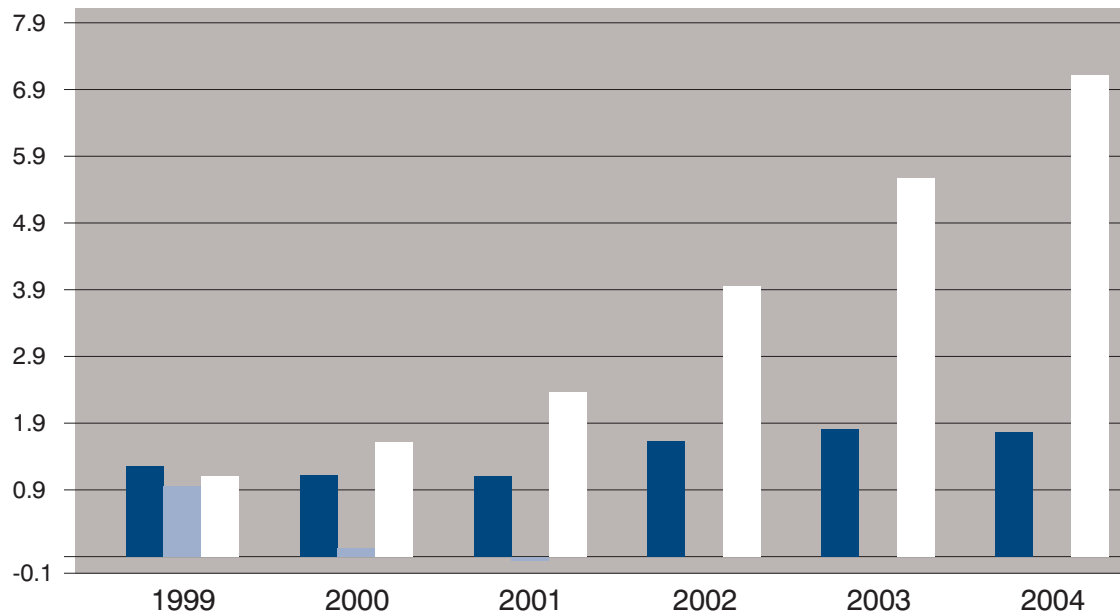
Fund A

€ million



Fund B

€ million



We are grateful to the majority of contributors who have co-operated with the ICCL in ensuring that contributions are paid in a timely manner. Contributions outstanding at the end of the year amounted to €324,241 (2003: €389,498). At 31 July 2004, contributions were outstanding from 6 Fund A contributors (2003: 12) and 99 Fund B contributors (2003: 140). The ICCL is dedicated to ensuring that all firms comply with their obligations. The ICCL applies interest to unpaid contributions. The ICCL also reports firms whose contributions are outstanding to the Financial Services Regulator for failing to comply with their obligations under the Act. The Financial Services Regulator has the power to require firms to suspend the carrying on of the business in cases of non-compliance. In addition, the ICCL works closely with product producers and insurance companies to ensure full contribution compliance by all tied agents. Since 2003, firms contributing to Fund B have the facility to pay contributions by direct debit.

Revised Funding Arrangements

Following public consultations in the course of 2003 and 2004, as part of the review of the Investor Compensation Scheme, the ICCL, with the support of the Financial Services Regulator, decided on certain revisions to its funding arrangements, set out in its booklet of November 2001. Revised Funding Arrangements were published in May 2004. These arrangements are effective from the Funding Year which commenced on 1 August 2004.

Payment of Compensation

Since the incorporation of the ICCL, three determinations have been made under the Act. These resulted in claims for compensation being made on the Scheme. One of these, relating to Andrew Casey trading as Andrew Casey Life & Pensions, a firm covered by Fund B, was made in October 1999. The other two determinations relate to stockbrokers covered by Fund A, Money Markets International Stockbrokers Limited and W&R Morrough Stockbrokers.

Under the Act, where the ICCL has paid compensation to a claimant, the ICCL becomes subrogated to the rights of that claimant in the liquidation proceedings for the amount of the compensation paid. This means that the ICCL steps into the shoes of the claimant in the liquidation proceedings and after compensating the claimant, is entitled to the payment of a dividend, if any, from the liquidation. Any actionable claim by the ICCL arising from its subrogated position is the subject of careful review by the ICCL with a view to reimbursing the ICCL in respect of compensation paid.

Andrew Casey trading as Andrew Casey Life & Pensions

Total compensation payments in this case involved a relatively modest amount of money (€20,000) which has been paid under the Scheme. There is one outstanding claim in this case in respect of which the Administrator (the person responsible for verifying the claims under the Act) has requested and is still awaiting further information from this claimant.

Money Markets International Stockbrokers Limited (“MMI”)

Since 1999, 313 claims have been received as a result of the liquidation of MMI. To date, 296 claims have been dealt with and compensation payments amounting to €747,731 have been made. The outstanding claims, which are affected by a number of factors, continue to be progressed by the Administrator. Compensation costs have been provided for in prior years accounts.

W&R Morrogh Stockbrokers (“Morrogh”)

Claims

Some 2,600 claims for compensation were received by the ICCL following the failure of Morrogh. To date, 794 claims have been dealt with and compensation payments amounting to €3.06 million have been made. The ICCL is still awaiting certification of the remaining claims by the Administrator. This will be done following the Receiver’s implementation of High Court rulings relating to various matters including costs of the Receivership.

Compensation payable

The total estimate of compensation payable by the ICCL in this case is €10.3 million. A sum of €7.3 million had been provided in prior year accounts. It is now necessary to make a further provision of €3 million in the accounts to 31 July 2004. All provisions are estimates which are prepared with assistance from the Administrator. The increase in the estimate of compensation costs arises from two factors, 1) the overall estimation of the costs of the Receivership and 2) the impact on compensatable losses arising from those costs.

Administrator Costs

A provision of €400,000 was made in 2002 for the Administrator’s costs and expenses arising from the Morrogh case. Approximately €270,000 of this has already been paid.

The ICCL is conscious of the lengthy delays experienced by claimants occasioned by the resolution of the various legal issues. The ICCL will continue to work closely with the Administrator to ensure that the remaining claims are certified and paid as soon as possible.

Administration expenses

The ICCL is very mindful of its duty to provide value for money to its stakeholders and there is a high focus on costs containment. Nonetheless, the overall administration expenses/bad debts and provisions have increased from €680,052 in 2003 to €720,631 in 2004, i.e. an increase of €40,579 or 6%. Benchmarking salary increases are the main factor contributing to this increase.

Due to the much greater numbers of contributors in Fund B, a proportionately higher amount of administrative time relates to collecting contributions from Fund B member firms. However, a significant amount of time has also been absorbed in the management of the Morrogh issues and is, therefore, a cost to Fund A.

Apportionment of Administration costs/bad-debts and provisions:

	Fund A €	Fund B €	Total €
2003	365,611	314,441	680,052
2004	317,599	403,032	720,631

During the financial year, a more detailed system was developed to track, on a weekly basis, the time which each staff member spends on tasks associated with each of the Funds. The Audit Committee reviewed the bases used for the allocation of costs between the Funds and concluded that the cost allocation bases⁴ used were rigorous and fair.

General review

As is noted in the Chairperson's Statement, the ICCL concluded its extensive general review of the operation of the Investor Compensation Scheme during the year. Responses to the August 2003 Consultation Paper were taken into account in completing the review and in determining the revised funding arrangements for the Scheme which were issued in May 2004. A number of issues, which arose from the review, are the subject of consideration by Working Groups (which include industry representatives) established early in 2004 by the Department of Finance. The brief of the Working Groups is to examine in detail matters arising from the Morrogh failure and to make recommendations.

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. Other costs are allocated equally between the Funds.

Organisation

In accordance with Section 20 of the Act, staff from the Bank perform the administrative functions of the ICCL. A significant programme of work was undertaken during the year.

The main areas of work were:

- dealing with the compensation issues arising from the Morrogh failure,
- conclusion of the review of the scheme and the preparation of decisions leading to the issuing of revised Funding Arrangements in May 2004,
- active participation in the Department of Finance's Working Groups (including the preparation and presentation of a detailed submission),
- reviewing the ICCL's investment policy,
- engagement with the Bank's Internal Audit Department in carrying out a review of the ICCL's operations,
- reviewing the bases for allocating administration costs between Fund A and Fund B, and
- working with the Financial Services Regulator towards the co-ordination of the levy raising and collection procedures for the Financial Services Regulator and the ICCL.

I consider that the resources, systems and procedures are in place to deal effectively with the issues as they arise, and I continue to monitor ways of improving the efficiency of the operations.

Finally, I wish to express my thanks to the Board of Directors for their guidance and support and also to the staff for their continued hard work and cooperation in ensuring the smooth functioning of the Scheme's operations.

15 November 2004

DIRECTORS' REPORT

The Directors present the sixth audited financial statements for the year ended 31 July 2004.

Principal Activities

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 maintenance of funds out of which payments or expenses are made in accordance with the Act.

Review of the Operation and Future Developments

Details of the operation of the ICCL and the likely future developments are contained within the Chairperson's Statement and the Operating Report on pages 14 to 24.

The Directors do not recommend the payment of a dividend.

Results

The ICCL generated an operating surplus of €1,388,444 (2003: Surplus of €2,181,470).

Statement of Directors' Responsibilities

Financial Statements

Irish Company law requires directors to maintain proper books of account and 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 its income and expenditure for the year. These books of account, which disclose with reasonable accuracy at any time the financial position of the Company, enable the directors to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with Irish statute comprising the Companies Acts, 1963 to 2003. They are also responsible for safeguarding the assets of the Company and, hence, for taking reasonable steps to prevent and detect fraud and other irregularities.

The Investor Compensation Act, 1998 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 consider that, in preparing the financial statements on pages 32 to 43, appropriate accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made.

Going Concern

The financial statements are prepared on a 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 and Financial Services Authority of Ireland. The remaining ten directors are also non-executive 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 Financial Services Authority of Ireland 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 Combined Code

The Company supports the principles of corporate governance outlined in the Code of Best Practice, published by the Cadbury Committee, on the Financial Aspects of Corporate Governance, in December 1992 (the “Code”).

The 'Combined Code' (Hampel Report on Corporate Governance) published in June 1998 applies to accounts of companies listed on the Irish Stock Exchange for periods ending on or after 31 March 1999. The Company supports the principles and provisions of the Combined Code. While the Company is not obliged to comply with the Combined Code, it has reviewed the principles and provisions of that Code and has implemented the main aspects that are appropriate to the Company.

The Board has a formal schedule of matters specifically reserved to it for decision at Board meetings held during the year. The directors, in the furtherance of their duties, may take independent professional advice as required, at the expense of the Company. All Board Members have access to the advice and services of the Secretary.

Internal Financial Control

The Board has overall responsibility for the Company's systems of internal financial control and for monitoring their effectiveness. These systems are designed to provide reasonable but not absolute assurance against material mis-statement 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 clear operating and reporting procedures, lines of responsibility, authorisation limits, segregation of duties and delegated authority.

On 21 August 2003, an Audit Committee was established, as a sub-committee of the Board of Directors of the ICCL, to assist the Board in fulfilling its responsibilities relating to the financial reporting process, the system of internal control, the risk management process, the internal audit process, the statutory audit process and the Company's process for monitoring compliance with laws and regulations.

Compliance with the Turnbull Guidance

Effective systems of internal control and risk management are central to the management and strategy of the Company and there is an ongoing commitment to embed them further into the operations of the business and to implement improvements which are proactively identified by management and by the Board.

Compliance with Section 90 of the Company Law Enforcement Act, 2001

The directors have ensured that proper books and 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 42-45 Dame Street, Dublin 2.

Directors and Transactions Involving Directors

The directors of the Company are listed on page 6. Mr Jim Bardon and Mr Gearóid Geraghty retired as directors on 9 June 2004 and on 31 July 2004 respectively. Mr Enda Twomey was appointed to the Board on 12 July 2004. Ms Inge Clissmann and Mr Paul O'Donovan were appointed to the Board on 18 October 2004.

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 31 July 2004.

Auditors

The Auditors, Deloitte & Touche, Chartered Accountants, will not continue in office in accordance with Section 160(2) of the Companies Act, 1963. The Board intends to appoint PriceWaterhouseCoopers as auditors.

Signed on behalf of the Board: 15 November 2004

C. Murphy)	DIRECTORS
)	
B. Healy)	

Independent Auditor's Report to the members of the Investor Compensation Company Limited

We have audited the financial statements of the Investor Compensation Company Limited for the year ended 31 July 2004 which comprise the Statement of Accounting Policies, the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 13. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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 Auditors

The directors are responsible for preparing the Annual Report, including as set out in the Statement of Directors' Responsibilities, the preparation of the financial statements in accordance with applicable Irish law and accounting standards. Our responsibilities, as independent auditors, are established in Ireland by statute, auditing standards as promulgated by the Auditing Practices Board in Ireland and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2003. We also report to you whether in our opinion: proper books of account have been kept by the Company; whether, at the balance sheet date, there exists a financial situation requiring the convening of an extraordinary general meeting of the Company; and whether the information given in the directors' report is consistent with the financial statements. In addition, we state whether we have obtained all information and explanations necessary for the purposes of our audit and whether the Company's balance sheet and income and expenditure account are in agreement with the books of account.

We also report to you if, in our opinion, any information specified by law regarding directors' remuneration and directors' transactions is not given and, where practicable, include such information in our report.

We read the other information contained in the Annual Report and considered whether it is consistent with the audited financial statements. The other information comprises only the Chairperson's Statement, the Operating Report and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

Basis of Audit Opinion

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board and generally accepted in Ireland. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the Financial Statements give a true and fair view of the state of the affairs of the Company as at 31 July 2004 and of the surplus for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2003.

We have obtained all the information and explanations we considered necessary for the purpose of our audit. In our opinion proper books of account have been kept by the Company.

The Company's Balance Sheet and its Income and Expenditure Account are in agreement with the books of account.

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 the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2004 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.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

15 November 2004

F inancial Statements

Income and expenditure account for the year ended 31 July 2004

		2004	2003
		€	€
INCOME	<i>Notes</i>		
Contributions		3,533,961	3,574,983
Top-Up in respect of Fund A (W&R Morrogh)		1,690,083	1,646,767
Interest Income		247,764	205,938
		<u>5,471,808</u>	<u>5,427,688</u>
EXPENDITURE			
Compensation costs and provisions			
Claims	7	(3,034,000)	(2,520,000)
Claims – 3rd party costs	7	(328,733)	(46,166)
Recovery of compensation paid		– (3,362,733)	– (2,566,166)
Bad debts			
Written-off in year	5(b)	(64,915)	–
Decrease/(Increase) in provision	5(c)	(62,180) (127,095)	(112,318) (112,318)
Administration expenses	2	(593,536)	(567,734)
TOTAL EXPENDITURE		<u>(4,083,364)</u>	<u>(3,246,218)</u>
SURPLUS ON ORDINARY ACTIVITIES	1	1,388,444	2,181,470
Opening Surplus		5,989,014	3,807,544
Surplus at 31 July		<u>7,377,458</u>	<u>5,989,014</u>
ALLOCATED BETWEEN FUNDS AS FOLLOWS:			
FUND A	3	384,798	463,249
FUND B	3	6,992,660	5,525,765
		<u>7,377,458</u>	<u>5,989,014</u>

The Company had no recognised gains and losses in the period to 31 July 2004 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 period. 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 15 November 2004 and were signed on its behalf by:

C. Murphy)	
)	DIRECTORS
B. Healy)	

Balance sheet as at 31 July 2004

	Notes	2004 €	2003 €
NET ASSETS EMPLOYED			
FIXED ASSETS			
Tangible assets	4	<u>26,423</u>	<u>18,013</u>
CURRENT ASSETS			
Debtors and accrued income	5(a)	378,141	428,287
Cash at bank and on deposit	13	<u>14,932,352</u>	<u>10,707,267</u>
		15,310,493	11,135,554
CREDITORS:			
(Amounts falling due within one year)	6	<u>(258,205)</u>	<u>(345,546)</u>
NET CURRENT ASSETS			
		<u>15,052,288</u>	<u>10,790,008</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		15,078,711	10,808,021
PROVISION FOR LIABILITIES AND CHARGES			
	7	<u>(7,701,249)</u>	<u>(4,819,003)</u>
NET ASSETS			
		<u>7,377,462</u>	<u>5,989,018</u>
FINANCED BY:			
Called-up share capital	9	4	4
Funds	3	<u>7,377,458</u>	<u>5,989,014</u>
	11	<u>7,377,462</u>	<u>5,989,018</u>

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

The financial statements were approved by the Board of Directors on 15 November 2004 and were signed on its behalf by:

C. Murphy)	DIRECTORS
)	
B. Healy)	

Cash flow statement for the year ended 31 July 2004

	<i>Notes</i>	2004 €	2003 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	13(i)	4,244,734	5,355,920
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	4	(19,649)	(17,718)
INCREASE IN CASH	13(iii)	4,225,085	5,338,202

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 accounting standards generally accepted in Ireland and Irish statute comprising the Companies Acts, 1963 to 2003.

Accounting Convention

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

Contributions

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

Contributions 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. A reliable estimation can normally be made only when the date for the receipt of applications for compensation has elapsed (which is not less than five months from the date of the determination).

The Company will normally become aware of a default on the presentation of a bankruptcy petition, the appointment of a liquidator or receiver or examiner, the convening of a meeting of creditors or a similar event. These events, inter alia, may lead to a determination by the Central Bank and Financial Services Authority of Ireland in accordance with the Investor Compensation Act, 1998.

Recoveries from subrogation are recognised when receipt is certain.

Administration Expenses

Administration expenses include all costs which are not compensation costs and include costs relating to the ongoing management of the Company.

Fixed Assets

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 $\frac{1}{3}$ % straight line
----------------------------------	----------------------------------

Funds

In accordance with the provisions of the Investor Compensation Act, 1998, 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 2004

1. SURPLUS ON ORDINARY ACTIVITIES

The surplus on ordinary activities is stated after charging:

	2004	2003
	€	€
Directors' fees	100,312	88,029
Depreciation	7,036	6,652
Auditors' remuneration	13,310	13,403

The Company did not have any employees during the period. The administrative services are provided by the Central Bank and Financial Services Authority of Ireland.

The current Chairperson and Deputy Chairperson were remunerated €30,000 (2003: €21,937) and €13,542 (2003: €8,937) respectively during the year. The other directors were remunerated at the rate of €6,349 per annum (2003: €6,349).

2. ADMINISTRATION EXPENSES ANALYSIS

	2004	2003
	€	€
Personnel costs*	375,389	302,967
Directors' fees & expenses	102,654	92,637
Administration overheads	103,387	81,280
General review costs	5,070	84,198
Depreciation	7,036	6,652
	<u>593,536</u>	<u>567,734</u>

*Personnel costs are part of the Central Bank and Financial Services Authority of Ireland charge for administrative services.

3. FUNDS

The income and expenditure is allocated between Funds as follows:

	Fund "A"	Fund "B"	2004 Total
	€	€	€
Contributions	1,795,200	1,738,761	3,533,961
Top-Up Contribution	1,690,083	–	1,690,083
Interest income	116,598	131,166	247,764
Compensation (costs)/recoveries:			
Claims	(3,034,000)	–	(3,034,000)
Claims – 3rd party costs	(328,733)	–	(328,733)
Bad Debts written off	(64,915)	–	(64,915)
Decrease/(increase) in provision for bad and doubtful debts	14,735	(76,915)	(62,180)
Administration expenses	(267,419)	(326,117)	(593,536)
Surplus/(deficit) for year	<u>(78,451)</u>	<u>1,466,895</u>	<u>1,388,444</u>
Surplus at 1 August 2003	<u>463,249</u>	<u>5,525,765</u>	<u>5,989,014</u>
Surplus at 31 July 2004	<u>384,798</u>	<u>6,992,660</u>	<u>7,377,458</u>
Represented by:			
Cash at bank	7,849,992	7,082,360	14,932,352
Fixed assets	13,212	13,211	26,423
Debtors	350,854	27,287	378,141
Creditors	(137,151)	(121,054)	(258,205)
Provision for liabilities and charges	(7,692,107)	(9,142)	(7,701,249)
Share capital	<u>(2)</u>	<u>(2)</u>	<u>(4)</u>
Total	<u>384,798</u>	<u>6,992,660</u>	<u>7,377,458</u>

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. Other costs are allocated equally between the Funds.

Early in the financial year, the Audit Committee reviewed the bases used for the allocation of costs between the Funds. This review concluded that the bases used for the purposes of cost allocation between Fund A and Fund B are rigorous and fair. A more detailed system has been developed to track, on a weekly basis, the time which each staff member spends on tasks associated with each of the Funds (previously this was done on a monthly basis).

4. TANGIBLE ASSETS

Computer Software and Equipment

	2004 €	2003 €
Cost:		
At 1 August	65,721	48,003
Disposals	(46,374)	–
Additions	19,649	17,718
At 31 July	<u>38,996</u>	<u>65,721</u>
Depreciation:		
At 1 August	47,708	41,056
On Disposals	(42,171)	–
Charge for year	7,036	6,652
At 31 July	<u>12,573</u>	<u>47,708</u>
Net book value:		
At 31 July	<u>26,423</u>	<u>18,013</u>

5. DEBTORS and ACCRUED INCOME

	2004 €	2003 €
(a) Debtors and Accrued Income:		
Debtors (after a provision for bad and doubtful debts)	324,241	389,498
Accrued income & Prepayments	<u>53,900</u>	<u>38,789</u>
	<u>378,141</u>	<u>428,287</u>
(b) Bad debts written-off during the year:	<u>€ 64,915</u>	<u>€ –</u>
(c) Movement in respect of the provision and write-off for bad and doubtful debts:		
Opening provision for bad & doubtful debts	€ 329,943	€ 217,625
Closing provision for bad & doubtful debts	<u>392,123</u>	<u>329,943</u>
Increase in provision	<u>62,180</u>	<u>112,318</u>

6. CREDITORS

	2004	2003
	€	€
Compensation costs	15,830	135,628
Central Bank and Financial Services Authority of Ireland	94,113	104,471
Directors' fees	8,511	7,262
Other	139,751	98,185
	<u>258,205</u>	<u>345,546</u>

7. PROVISION FOR LIABILITIES AND CHARGES

(a) Money Markets International Stockbrokers Limited (Fund A) & Andrew Casey trading as Andrew Casey Life & Pensions (Fund B)

Claims for compensation have been made by clients of Money Markets International Stockbrokers Limited (Fund A) and Andrew Casey trading as Andrew Casey Life & Pensions (Fund B) and certain compensation payments have been made. Provision has been made in respect of estimated compensation where the claims have been received by the respective Administrators but have yet to be certified. Provision has also been made in respect of third party costs, which represent the costs of the Administrator and also directly attributable legal costs of the Administrator based upon an estimate of these costs to the completion of the Administration process.

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

Claims for compensation have been made by clients of W&R Morrogh Stockbrokers. Provision has been made in respect of compensation claims which have yet to be certified by the Administrator. In this case, a provision for compensation payments of €10.3 million has been made to 31 July 2004, of which €3.06 million has already been paid out by 31 July 2004. The provision is based on an estimate of compensation payable. The estimate is based on three key assumptions: 1) The stock held to the order of W&R Morrogh or, as applicable, Morrogh Nominees Limited, which can be identified to purchases made for particular clients will, (subject to any disposals which the Receiver will make under 2)), be returned to those clients. 2) Specific costs, fees and expenses of the Receiver in carrying out his functions, as provided for in the Stock Exchange Act, 1995, are to be borne by client assets on a pro rata basis. In his application to the High Court, the Receiver indicated that these costs, fees and expenses could be as high as €5.7 million. The estimate of compensation payable has been prepared on the basis of costs, fees and expenses of €5.4 million. 3) The estimate of compensation is also dependant on the

value of the shares as at the date of realisation. The estimate has been prepared on the basis of share values as at 31 July 2004. Provision of €400,000 has also been made in respect of the costs of the Administrator for completion of the Administration process, of which approximately €270,000 has already been paid.

	CLAIMS				
	Fund A €	Fund B €	Total €	3rd Party Costs (Funds A & B) €	Total €
Opening provision	4,781,927	9,142	4,791,069	27,934	4,819,003
Increase in provision	3,034,000	–	3,034,000	328,733	3,362,733
Payments during the year	(496,053)	–	(496,053)	–	(496,053)
Transferred from creditors	–	–	–	15,566	15,566
Closing Provision	<u>7,319,874</u>	<u>9,142</u>	<u>7,329,016</u>	<u>372,233</u>	<u>7,701,249</u>

8. CONTINGENT LIABILITY

As outlined in Note 7 above in respect of W&R Morrogh, the certification of compensatable losses and the payment of compensation to claimants has been delayed as a result of the uncertainties and delays experienced in the Receivership process. Uncertainty still surrounds the amount of money which the Receiver needs to set aside to cover the costs, fees and expenses to the completion of the Receivership. Uncertainty also exists with regard to the quantity of shares which the Receiver will need to sell at the appropriate time in order to realise the cash pool necessary to cover these costs. Both of these uncertainties affect the quantum of client shares which will not be available to return to clients and, consequently, the extent of the compensation payable by the ICCL.

It is estimated that the compensation payable by the ICCL will be in excess of €10 million, of which €3.06 million has already been certified and paid. The balance has been provided for in the ICCL's Financial Statements to 31 July 2004.

9. SHARE CAPITAL

Authorised:

10 Ordinary shares of €1.25 each

Issued and fully paid:

3 Ordinary shares of €1.25 each

	2004 €	2003 €
	<u>13</u>	<u>13</u>
	<u>4</u>	<u>4</u>

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

On 2 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 renominialised 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.

10. TAXATION

The Company is exempt from Corporation Tax and Deposit Interest Retention Tax.

11. MOVEMENTS IN TOTAL FUNDS

	Share Capital attributable to Shareholders €	Attributable to Funds €	Total €
At 1 August 2003	4	5,989,014	5,989,018
Surplus for the year	<u>-</u>	<u>1,388,444</u>	<u>1,388,444</u>
At 31 July 2004	<u>4</u>	<u>7,377,458</u>	<u>7,377,462</u>

12. RELATED PARTIES

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

	2004 €	2003 €
Administration costs chargeable to the Company by the Central Bank and Financial Services Authority of Ireland for services provided	<u>409,305</u>	<u>354,696</u>

Other than the payment of directors' fees and expenses as disclosed in Note 2, there have been no transactions in the year to 31 July 2004 between the Company and its directors.

13. CASH FLOW NOTES

	2004 €	2003 €
(i) Reconciliation of surplus on ordinary activities to net cash inflow from operating activities		
Surplus on ordinary activities	1,388,444	2,181,470
Depreciation	7,036	6,652
Loss on Disposal of Fixed Assets	4,203	–
Decrease in debtors	50,146	1,243,290
Increase in creditors and provisions for liabilities and charges	<u>2,794,905</u>	<u>1,924,508</u>
	<u>4,244,734</u>	<u>5,355,920</u>
(ii) Analysis of net funds		
Cash at bank	<u>14,932,352</u>	<u>10,707,267</u>
(iii) Reconciliation of net cash flow to movement in net funds		
Net Funds at 1 August	10,707,267	5,369,065
Increase in cash in the period	<u>4,225,085</u>	<u>5,338,202</u>
Net Funds at 31 July	<u>14,932,352</u>	<u>10,707,267</u>

The Investor Compensation Company Limited
C/o The Central Bank & Financial Services Authority of Ireland
P.O. Box 559
42-45 Dame Street
Dublin 2

Telephone: (01) 410 4955
Fax: (01) 410 4284
Email: info@investorcompensation.ie
Website: www.investorcompensation.ie