

Annual Report Year Ended 31 July 2005

The Investor Compensation Company Limited ("ICCL") aims to:

- operate a financially sound scheme which provides statutory levels of compensation to eligible clients of failed 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 investment 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 Regulator").

Details on the Investor Compensation Scheme are contained in Appendix 1

The

Investor

Compensation

Company

Limited

Annual Report

Year Ended

31 July 2005

TABLE OF CONTENTS

Page

Directors and Other Information	7
The Board of Directors	8
Chairperson's Statement	11
Operating Report	14
Directors' Report	21
Auditors' Report	26
Financial Statements	28
Appendix 1: What is the Investor Compensation Scheme?	40

Directors and other information

Directors	Caitríona Murphy (Chairperson) Dan Coveney (Deputy Chairperson) Inge Clissmann (Appointed 18 October 2004) Ann Fitzgerald (Reappointed 1 August 2005) Terry Hardiman (Appointed 1 August 2005) Brian Healy Dermott Jewell (Reappointed 1 August 2005) Geraldine Layden (Retired 31 July 2005) Paul Lynch Paul O'Donovan (Appointed 18 October 2004) Ann O'Neill (Retired 31 July 2005) Gina Quin (Appointed 1 August 2005) Mark Redmond (Appointed 1 August 2005) Jerry Shanahan (Retired 31 July 2005) Enda Twomey
Secretary	Patricia Fitzgerald
Registered Office	The Central Bank and Financial Services Authority of Ireland, 42-45 Dame Street, Dublin 2.
Auditors	PricewaterhouseCoopers, Chartered Accountants, George's Quay, Dublin 2.
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.



Caitríona Murphy (Chairperson)

Formerly Managing Director, AIB Corporate Finance; Chairman, Labour Relations Commission. Member of the Boards of the Electricity Supply Board, the International Fund for Ireland, the Institute of Directors in Ireland and St. James' Hospital. Member of An Garda Siochána Review Group and of Remembrance Commission. Member of TCPI (a business coaching partnership).



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. Chairperson, Staff Panel of Trinity College Dublin. Former Chairperson of the Family Lawyers' Association and of the Consumer Association of Ireland. Former Director, Free Legal Advice Centre. Former Member, European Consumer Law Group, the Advertising Standards Authority and the Garda Complaints Appeals Board.



Ann Fitzgerald Secretary General of the Irish Association of Investment Managers, whose members manage assets of €200 billion on behalf of Irish and international clients. The IAIM is at the forefront in setting guidelines in Ireland on Corporate Governance. Chairman of the Interim National Consumer Agency.



Terry Hardiman A fellow of the Life Insurance Association and a member of the Million Dollar Round Table, an Association of Financial Professionals. A practicing Insurance Broker and immediate past Chairman of the Professional Insurance Brokers Association (PIBA).



Brian Healy

Director of Trading, Irish Stock Exchange. Chairman of Euroclear Irish Market Advisory Committee dealing with the harmonisation issues for the Irish, UK, French, Dutch and Belgian equity and fixed income markets. Chairman of Dematerialisation Implementation Group. A fellow of the Irish Institute of Chartered Accountants. Former senior manager with Arthur Andersen. Member of the Securities and Investment Institute.



Dermott Jewell

Chief Executive of the Consumers' Association of Ireland. Other current representations include Chairman European Consumer Centre, Chairman Irish Food Quality Association, Member Consultative Council of the FSAI, Member Bórd Bia Quality Assurance Board, Member Financial Services Ombudsman Council and Irish Representative European Consumer Consultative Group of DG Sanco. Formerly with FBD Insurance, GEC Distributors (Irl) and the Rohan Group.



Paul Lynch

Chief Executive of the Irish Brokers Association whose members generate €2.5bn General Insurance and €2.6bn Life Assurance business annually. A member of the Financial Services Ombudsman Council. He holds a Masters Degree in Business Studies from University College Dublin, and is a fellow of the Chartered Institute of Personnel and Development. Formerly Secretary General of the Irish Red Cross.



Gina Quin

Chief Executive, Dublin Chamber of Commerce. Ireland's nominee to EU Enterprise Policy Group – DG Enterprise. A Director of Bord Bia. A Member of Dublin City Development Board. Previously CEO of Gandon Enterprises, the commercial division of the Rehab Group. Executive with the Irish Trade Board and Lansdowne Market Research, an IMS group Company.



Mark Redmond Former Director with PricewaterhouseCoopers, now Chief Executive of the Irish Taxation Institute. A fellow of the Irish Taxation Institute. A member of the Governing Authority and Finance Committee of University College Dublin.



Enda Twomey Deputy Chief Executive of the Irish Bankers' Federation having joined in 1999. Worked in Manufacturers Hanover Ltd. in London from 1989 to 1991, the National Treasury Management Agency from 1991 to 1997 and William Fry Solicitors from 1997 to 1999. Holder of a BCL degree. A qualified solicitor. Holder of a Master of Business Studies.



Paul O'Donovan

Independent consultant operating across all sectors of the Financial Services Industry and an adviser to financial regulators. Former Senior Consultant with Accenture (Andersen Consulting, Arthur Andersen & Co.) and a founder Director of Prospectus Strategy Consultants. Established O'Donovan Associates in 1994. Member of the Institute of Business Analysts & Consultants and a former Council Member of the Irish Computer Society.

Board Committees

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

Funding Committee

Dan Coveney (Committee chairperson) Ann Fitzgerald Terry Hardiman * Brian Healy Paul Lynch Enda Twomey

Audit Committee

Brian Healy (Committee chairperson) Ann Fitzgerald (Alternate member) Dermott Jewell Paul Lynch Mark Redmond (Alternate member) *

Attendance at Board and Committee Meetings

	Board	Funding Committee	Audit Committee
Number of meetings held	9	9	4
Caitríona Murphy	9	4	N/a
Dan Coveney	9	9	N/a
Inge Clissman **	5	N/a	N/a
Ann Fitzgerald	7	8	0
Brian Healy	8	8	4
Dermott Jewell	6	N/a	4
Geraldine Layden ***	9	9	N/a
Paul Lynch	8	7	3
Ann O'Neill ****	5	N/a	N/a
Paul O'Donovan **	7	N/a	N/a
Jerry Shanahan *****	6	N/a	0
Enda Twomey	6	7	N/a

^{*} Appointed 1 August 2005.

^{**} Appointed 18 October 2004.

^{***} Retired 31 July 2005. Also served on the Funding Committee.

^{****} Retired 31 July 2005.

^{*****} Retired 31 July 2005. Also served as alternate director on the Audit Committee.

CHAIRPERSON'S STATEMENT

Caitríona Murphy

I am pleased to present the Annual Report for the seventh year of operations ended 31 July 2005.

Overview

This is the fourth consecutive year in which there have been no new failures of investment firms giving rise to fresh claims for compensation from the Investor Compensation Scheme (the "Scheme"). Considerable strain was placed on the funding of the newly established Scheme by the failures of the two stockbroking firms, Money Markets International Stockbrokers Limited ("MMI") and W&R Morrogh Stockbrokers ("Morrogh") in 1999 and 2001 respectively. This further year, free from failures, was very welcome. It provided a much needed space to build more adequate reserves against future risks of default. The ICCL continues to seek opportunities to improve the funding and the operation of the scheme and, as I note below, has been active in the EU level and national reviews of investor compensation schemes.

As explained in further detail below, certification of net losses in respect of some 1,800 claims is still awaited by the ICCL from the Administrator. As the ICCL can only pay compensation once claims are certified, payment of compensation to these claimants is still outstanding. The Board regrets that this is the case. Payment by the ICCL of statutory compensation in respect of all outstanding claims has already been fully provided for in prior year accounts.

Reserves

Total Fund reserves at year end amounted to ≤ 10.3 million and are included in two funds, A and B. Fund A reserves were ≤ 2.1 million and Fund B reserves were ≤ 8.2 million. As indicated in our last review of funding arrangements in May 2004, our plan was to build total reserves to a level of ≤ 20 million by 31 July 2007 with some ≤ 9 million in Fund A and ≤ 11 million in Fund B. Fund A may take longer to reach the target level. Increases in client losses arising from access to client funds in respect of the receivership costs in the Morrogh case led to additional compensation of some ≤ 3 million to be met by Fund A.

Relative to many other EU states, the Irish investor compensation scheme has a broad coverage of firms and products. Prospective EU developments may result in a further widening of the range of products and services covered by EU investor compensation schemes. Against this

background, the Board is firmly of the view that the current levels of reserves can only be regarded as minimal buffers to help smooth the impact on the industry of its liability to meet the costs of investor compensation in the event of firm failures.

Reviews of Compensation Schemes

At year end there is only limited progress to report on the outcome of the national and EU reviews of investor compensation which I referred to in my statement last year. The conclusions of the Department of Finance review, in which the ICCL and many other interested parties participated and which was conducted in the wake of the Morrogh failure, have yet to be finalised. The review conducted by Oxera Consultants for the EU Commission has just been published and the Commission has invited views from interested parties. The ICCL welcomes the comparative analysis, prepared by Oxera, of the incidence of failures experienced and of operational and other difficulties encountered in the implementation of the EU Directive by the Member States.

Many of the conclusions in the Oxera report underpin the two key positions taken by the ICCL in the context of the national review:

- 1) that a means to facilitate an annual cap on members' contributions needs to be put in place to help manage the unlimited liability of members, and
- 2) that provision needs to be made for the more speedy winding up of failed investment firms. Experience in the Morrogh case has shown that where recourse had to be made to the Courts for interpretation and clarification of contentious issues, long delays have arisen in the certification by the Administrator of certain client losses and the consequent payment by the ICCL of compensation.

The ICCL will continue to seek practical, implementable changes to improve the effectiveness of the Scheme for both claimants and contributors alike and will liaise as appropriate with the industry, with the Central Bank & Financial Services Authority of Ireland (the "Bank"), the Financial Regulator and the Department of Finance to this end.

Compensation Claims

In my report last year, I stated that the ICCL expected the Administrator in the Morrogh case to certify the bulk of the remaining claims within a short time. In the event, the ICCL's expectations were not met. Thirty further claims were certified in the year just ended leaving about 1,800 still to be dealt with. The Receiver needed further legal clarifications in relation to his application of the High Court ruling: he needed to obtain written instructions from clients on the transfer of their

shares, and, in accordance with the Court's ruling, he had to allow a sixteen week period for clients to respond to his proposals. This deadline only expired in May 2005. At the time of writing, the Receiver has confirmed his intention, as Administrator in the case, to certify the bulk of the remaining client claims in the last quarter of 2005. Once claims are certified the ICCL makes every effort to pay claims as speedily as possible and well within the statutory three month period. In fact most claims are paid within a few weeks of certification.

Staffing and Operations

The Board and I recognize the excellent work of the Chief Operations Officer and her staff and appreciate their commitment and dedication. In a busy year, contributors and claimants were dealt with in an efficient and sensitive manner by ICCL staff.

The working relationships with the Bank and with the Financial Regulator continue to operate in an effective and efficient manner. The Board greatly appreciates their support and co-operation and acknowledges their continuing commitment to providing ICCL with the services which are necessary for the efficient and effective discharge of its functions.

Board Retirements and Appointments

I wish to express the Board's appreciation to the three directors who retired on 31 July 2005, Ms. Geraldine Layden, Ms. Ann O'Neill and Mr. Jerry Shanahan. All three had served on the Board for several years and I wish to thank them for their valued contributions to the deliberations of the Board.

I would like to welcome to the Board the three new members who were appointed on 1 August 2005:

- Mr. Terry Hardiman, Professional Insurance Brokers Association,
- Ms. Gina Quin, Dublin Chamber of Commerce, and
- Mr. Mark Redmond, Irish Taxation Institute

Finally, may I thank all 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.

17 October 2005

OPERATING REPORT



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.

Patricia Fitzgerald Chief Operations Officer

Overview

The year ended 31 July 2005 was the seventh year of operations for the Scheme. Key Financial results are summarised in the following tables.

Financial Results Summary as at 31 July 2005

INCOME and EXPENDITURE SUMMARY	Fund A €	Fund B €	Total €
Income from annual contributions	1,765,926	1,438,014	3,203,940
W&R Morrogh top-up	(144,948)	-	(144,948)
Interest Income	154,542	157,349	331,891
Compensation costs and provisions	141	_	141
Administration expenses / bad debts / provisions for bad debts	(41,890)	(414,448)	(456,338)
Surplus/(deficit) for Year	1,733,771	1,180,915	2,914,686

BALANCE SHEET	Fund A	Fund B	Total
SUMMARY	€	€	€
Cash at bank	9,512,954	8,388,176	17,901,130
Fixed assets	8,458	8,458	16,916
Debtors	55,492	19,355	74,847
Creditors	(93,372)	(233,270)	(326,642)
Provision for liabilities and charges	(7,364,961)	(9,142)	(7,374,103)
Share capital	(2)	(2)	(4)
Fund Reserves	2,118,569	8,173,575	10,292,144

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 228 Fund A contributors (2004: 233) and 3,030 Fund B contributors (2004: 4,039¹).

Annual contributions received were as follows:

	Fund A	Fund B	Total
	€	€	€
Year ended 31 July 2005	1,765,926	1,438,014	3,203,940
Year ended 31 July 2004	1,795,200	1,738,761	3,533,961

The decrease in Fund B primarily relates to reduction in the number of Tied Agents contributing during the year. Fund B reserves stood at $\in 8,173,575$ at the year-end (2004: $\in 6,992,660$). Fund A reserves stood at a much improved $\in 2,118,569$ (2004: $\in 384,798$). I am pleased to report that no further provision was required in the current year in relation to the two ongoing Fund A cases. The cumulative provision for compensation and Administrator costs associated with these cases has already significantly depleted Fund A reserves. However, this year the decline in the Fund A reserve balance has been reversed and the Fund A reserve is showing an increase. We hope

¹ Incorrectly printed in last year's Annual Report as 3,108.

that this trend will continue and that the Fund A reserve will be replenished in the coming years.

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



€ million





Contributions Outstanding

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. At 31 July 2005, contributions were outstanding from 8 Fund A contributors (2004: 6) and 100 Fund B contributors (2004: 99). New contribution rates were introduced with effect from 1 August 2004. The ICCL operates a self-assessment regime for contributors, and, in cases where contributors have yet to indicate the appropriate contribution rate, no estimates have been made for such debtors. 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 Regulator for failing to comply with their obligations under the Act. The Financial Regulator has the power to require firms to suspend the carrying on of the business in cases of noncompliance. 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. Details on debtors are set out in Note 5 on page 35.

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 Morrogh 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.

Money Markets International Stockbrokers Limited ("MMI")

Since 1999, 313 claims have been received as a result of the liquidation of MMI. To date, 304 claims have been dealt with and compensation payments amounting to €752,737 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 year accounts.

W&R Morrogh Stockbrokers ("Morrogh")

<u>Claims</u>

Some 2,618 claims for compensation were received by the ICCL following the failure of Morrogh. To date, 819 claims have been dealt with and compensation payments amounting to €3.278 million have been made. The ICCL is still awaiting certification of the remaining claims by the Administrator which is expected in late 2005.

Compensation payable

The total estimate of compensation payable by the ICCL in this case is €10.3 million which has been provided in prior year accounts. All provisions are estimates which are prepared with assistance from the Administrator.

Administrator Costs

A provision of €471,900 was made in prior year accounts for the Administrator's costs arising from the Morrogh case. Approximately €270,400 of this has already been paid.

Further delays were experienced in the certification of claims during the year and just 30 claims were certified. As outlined in the Chairperson's report, the need for further legal clarifications in relation to the Receiver's application of the High Court ruling, the Receiver's need to obtain written instructions from clients on the transfer of their shares, and, in accordance with the Court's ruling, the provision of a sixteen week period for clients to respond to the Receiver's proposals were among the reasons for the delay. 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. As shown in the summary tables below, the overall administration expenses/bad debts and provisions have decreased from €720,631 in 2004 to €456,338 in 2005, i.e. a decrease of €264,293 or 37%.

Apportionment of Administration costs/bad-debts and provisions:

Voor Endod 21 July 2005	Fund A	Fund B	Total
Year Ended 31 July 2005	€	€	€
Bad Debts written-off	63,754	2,140	65,894
(Decrease)/Increase in provision	(335,802)	34,778	(301,024)
Administration expenses	313,938	377,530	691,468
	41,890	414,448	456,338

Apportionment of Administration costs/bad-debts and provisions:

Year Ended 31 July 2004	Fund A	Fund B	Total
Teal Ended ST July 2004	€	€	€
Bad Debts written-off	64,915	-	64,915
(Decrease)/Increase in provision	(14,735)	76,915	62,180
Administration expenses	267,419	326,117	593,536
	317,599	403,032	720,631

Administration expenses have increased from €593,536 in 2004 to €691,468 in 2005. More details are provided in Note 2 on page 33.

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 ongoing management of the Morrogh issues and is, therefore, a cost to Fund A.

A detailed system is used 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 bases² used were rigorous and fair.

²Costs, 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.

General review

Arising from its extensive general review of the operation of the Investor Compensation Scheme in 2003, a number of issues were identified and were 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 was to examine in detail matters arising from the Morrogh failure and to make recommendations. The Working Groups concluded their deliberations in the Autumn of 2004 and the report is awaited.

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 Administrators in relation to compensation issues arising from the Morrogh and MMI failures,
- implementation of the revised Funding Arrangements published in May 2004,
- input to the Department of Finance and EU Commission reviews of compensation schemes,
- servicing of the Board and of Board Committee meetings,
- implementation of the ICCL's investment policy,
- development of a business recovery plan,
- reviewing the controls operated by the ICCL to ensure compliance with legislation,
- working with the Financial Regulator towards the co-ordination of the levy raising and collection procedures for the Financial Regulator and the ICCL, and
- relocation of the ICCL's accommodation within the Dame Street premises.

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.

17 October 2005

DIRECTORS' REPORT

The Directors present their report and the seventh audited financial statements for the year ended 31 July 2005.

Principal Activities

The principal activites are:

- The establishment and maintenance of arrangements for the payment of compensation to clients of investment firms in accordance with the Investor Compensation Act, 1998 ("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 11 to 20.

The Directors do not recommend the payment of a dividend.

Results

The ICCL generated an operating surplus of €2,914,686 (2004: Surplus of €1,388,444).

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 2005. 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.

To achieve this, 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 28 to 39, appropriate accounting policies have been used and consistently applied and reasonable and prudent judgements and estimates have been made.

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.

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 interests 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 Combined Code on Corporate Governance³ adopted by the Irish and London Stock Exchanges and effective for reporting years beginning on or after 1st November 2003. This replaces the previous Combined Code which had been in place since 1998. While the Company is not obliged to comply with the Combined 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 Directors are committed to maintaining the highest standards of corporate governance.

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 financial statements, the annual budget, acquisitions and disposals. 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. Details of remuneration paid to the Directors are set out on page 33. There were 9 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. Copies of Board papers are circulated to Directors in advance of meetings.

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 assurance against material misstatement or loss.

³ Higgs review of the role and effectiveness of non-executive directors and Smith review of audit committees.

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.

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 (Internal Control: Guidance for Directors on the Combined Code, published in September 1999). 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 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. Each of the permanent committees has terms of reference 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 meetings held during the year is set out in the table on page 10.

The Audit Committee meets a minimum of three times per year. During the year, the Committee met four times. The Committee's responsibilities include:

- Monitoring the integrity of the financial statements,
- Making recommendations to the Board in relation to the appointment and removal of the Company's external auditors,
- Evaluating the performance of the external auditors including their independence and objectivity,
- Reviewing the annual external audit plan,
- Monitoring and reviewing the effectiveness of the Company's controls.

The Funding Committee meets a minimum of three times per year. During the year, the Committee met nine 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 Investor Compensation Act, 1998,
- Reviewing the collection of contributions 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 31 July 2005.

Auditors

The Auditors, PriceWaterhouseCoopers, were appointed during the period and will continue in office in accordance with Section 160(2) of the Companies Act 1963.

Signed on behalf of the Board: 17 October 2005

C. Murphy)	
)	DIRECTORS
B. Healy)	

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

We have audited the financial statements on pages 28 to 39 which have been prepared under the historical cost convention and the accounting policies set out on pages 31 and 32.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Directors' report and the Financial Statements in accordance with applicable Irish law and accounting standards generally accepted in Ireland are set out on page 21 in the Directors' report.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and auditing standards issued by the Auditing Practices Board applicable in Ireland. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 193 of the Companies Act 1990 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2005. We state whether we have obtained all the information and explanations we consider necessary for the purposes of our audit and whether the financial statements are in agreement with the books of account. We also report to you our opinion as to:

- whether the Company has kept proper books of account;
- whether the Directors' Report is consistent with the financial statements; and

• whether at the balance sheet date there existed a financial situation which may require the Company to convene an extraordinary general meeting; such a financial situation may exist if the net assets of the Company, as stated in the Company balance sheet, are not more than half of its called-up share capital.

We also report to you if, in our opinion, information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of Audit Opinion

We conducted our audit in accordance with the auditing standards issued by the Auditing Practices Board. 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 Company's affairs at 31 July 2005 and of the surplus for the year then ended and have been properly prepared in accordance with the Companies Acts, 1963 to 2005.

We have obtained all the information and explanations we considered necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Company. The financial statements are in agreement with the books of account.

In our opinion the information given in the Directors' Report on pages 21 to 25 is consistent with the Financial Statements.

The net assets of the Company, as stated in the Balance Sheet on page 29, 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 2005 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.

PricewaterhouseCoopers Chartered Accountants and Registered Auditors, Dublin 17 October 2005

inancial Statements

Income and expenditure account for the year ended 31 July 2005

			2005		2004
INCOME	Notes		€		€
Contributions	140100		3,203,940		3,533,961
Top-Up in respect of Fund A			0,200,040		0,000,001
(W&R Morrogh)			(144,948)		1,690,083
Interest Income			311,891		247,764
		-	3,370,883		5,471,808
EXPENDITURE		-	0,010,000		
Compensation costs and provisions					
Claims	7	33,477		(3,034,000)	
Claims – 3rd party costs	7	(33,336)		(328,733)	
Recovery of compensation paid		-	141	_	(3,362,733)
Bad debts					
Written-off in year	5(b)	(65,894)		(64,915)	
Decrease/(Increase) in provision	5(c)	301,024	235,130	(62,180)	(127,095)
Administration expenses	2		(691,468)		(593,536)
TOTAL EXPENDITURE			(456,197)		(4,083,364)
SURPLUS ON ORDINARY ACTIVITIES	1		2,914,686		1,388,444
Opening Surplus			7,377,458		5,989,014
Surplus at 31 July			10,292,144		7,377,458
ALLOCATED BETWEEN FUNDS					
AS FOLLOWS:					
FUND A	3		2,118,569		384,798
FUND B	3		8,173,575		6,992,660
			10 202 144		7 277 450
			10,292,144		7,377,458

The Company had no recognised gains and losses in the period to 31 July 2005 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 17 October 2005 and were signed on its behalf by:

C. Murphy)	
)	DIRECTORS
B. Healy)	

Balance sheet as at 31 July 2005

	Notes	2005 €	2004 €
NET ASSETS EMPLOYED			
FIXED ASSETS			
Tangible assets	4	16,916	26,423
CURRENT ASSETS			
Debtors and accrued income Cash at bank and on deposit CREDITORS:	5(a) 13	74,847 <u>17,901,130</u> 17,975,977	378,141 14,932,352 15,310,493
(Amounts falling due within one year)	6	(326,642)	(258,205)
NET CURRENT ASSETS		17,649,335	15,052,288
TOTAL ASSETS LESS CURRENT LIABILITIES		17,666,251	15,078,711
PROVISION FOR LIABILITIES AND CHARGES	7	(7,374,103)	(7,701,249)
NET ASSETS		10,292,148	7,377,462
FINANCED BY:			
Called-up share capital Funds	9 3 11	4 10,292,144 10,292,148	4 7,377,458 7,377,462

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

The financial statements were approved by the Board of Directors on 17 October 2005 and were signed on its behalf by:

C. Murphy)	
)	DIRECTORS
B. Healy)	

Cash flow statement for the year ended 31 July 2005

	Notes	2005 €	2004 €
NET CASH INFLOW FROM OPERATING ACTIVITIES	13(i)	2,972,252	4,244,734
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	4	(3,474)	(19,649)
INCREASE IN CASH	13(iii)	2,968,778	4,225,085

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 2005 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 Accounting Standards Board.

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:

331/3 % 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.

1. SURPLUS ON ORDINARY ACTIVITIES

The surplus on ordinary activities is stated after charging:

	2005	2004
	€	€
Directors' fees	126,915	100,312
Depreciation	12,981	7,036
Auditors' remuneration	12,135	13,310

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 \in 30,000 (2004: \in 30,000) and \in 15,000 (2004: \in 13,542) respectively during the year. The other directors were remunerated at the rate of \in 8,500 per annum (2004: \in 6,349).

2. ADMINISTRATION EXPENSES ANALYSIS

	2005	2004
	€	€
Personnel costs*	412,916	375,389
Directors' fees & expenses	129,569	102,654
Administration overheads	132,002	103,387
General review costs	-	5,070
Depreciation	12,981	7,036
	691,468	593,536

*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"	
			Total
	€	€	€
Contributions	1,765,926	1,438,014	3,203,940
Top-Up Contribution	(144,948)	-	(144,948)
Interest income	154,542	157,349	311,891
Compensation (costs)/recoveries:			
Claims	33,477	-	33,477
Claims – 3rd party costs	(33,336)	-	(33,336)
Bad Debts written off	(63,754)	(2,140)	(65,894)
Decrease/(increase) in provision			
for bad and doubtful debts	335,802	(34,778)	301,024
Administration expenses	(313,938)	(377,530)	(691,468)
Surplus/(deficit) for year	1,733,771	1,180,915	2,914,686
Surplus at 1 August 2004	384,798	6,992,660	7,377,458
Surplus at 31 July 2005	2,118,569	8,173,575	10,292,144
Represented by:			
Cash at bank	9,512,954	8,388,176	17,901,130
Fixed assets	8,458	8,458	16,916
Debtors	55,492	19,355	74,847
Creditors	(93,372)	(233,270)	(326,642)
Provision for liabilities and charges			
	(7,364,961)	(9,142)	(7,374,103)
Share capital	(2)	(2)	(4)
Total	2,118,569	8,173,575	10,292,144

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.
4. TANGIBLE ASSETS

Computer Software and Equipment

	2005	2004
	€	€
Cost:		
At 1 August	38,996	65,721
Disposals	-	(46,374)
Additions	3,474	19,649
At 31 July	42,470	38,996
Depreciation:		
At 1 August	12,573	47,708
On Disposals	-	(42,171)
Charge for year	12,981	7,036
At 31 July	25,554	12,573
Net book value:		
At 31 July	16,916	26,423
At 31 July	16,916	26,423

5. DEBTORS and ACCRUED INCOME

	2005 €	2004 €
(a) Debtors and Accrued Income:	·	· ·
Debtors (after a provision for bad and doubtful debts) Accrued income & Prepayments	12,413 <u>62,434</u>	324,241 53,900
	74,847	378,141
	€	€
(b) Bad debts written-off during the year:	65,894	64,915
(c) Movement in respect of the provision and write-off for bad and doubtful debts:		
	€	€
Opening provision for bad & doubtful debts	392,123	329,943
Closing provision for bad & doubtful debts	91,099	392,123
(Decrease)/Increase in provision	(301,024)	62,180

6. CREDITORS

	2005	2004
	€	€
Compensation costs	12,792	15,830
Central Bank and Financial Services Authority of Ireland	75,191	94,113
Directors' fees	10,833	8,511
Prepaid contributions	137,275	31,660
Other	90,551	108,091
	326,642	258,205

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 $\in 10.3$ million has been made to 31 July 2005, of which $\in 3.28$ million has already been paid out by 31 July 2005. 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. The estimate of compensation payable has been prepared on the basis of costs, fees and expenses of $\in 5.4$ 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 €471,900 has also been made in respect of the costs of the Administrator for completion of the Administration process, of which €270,400 has already been paid.

CLAIMS ———					
	Fund A	Fund B	Total	3 rd	Total
	€	€	€	Party	€
				Costs	
				(Funds	
				A & B)	
				€	
Opening provision	7,319,874	9,142	7,329,016	327,233	7,701,249
(Decrease)/Increase in					
provision	(33,477)	-	(33,477)	33,336	(141)
Payments during the year	(219,521)	-	(219,521)	(107,484)	(327,005)
Closing Provision	7,066,876	9,142	7,076,018	298,085	7,374,103

8. CONTINGENT LIABILITY

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.

It is estimated that the compensation payable by the ICCL will be in excess of €10 million, of which €3.28 million has already been certified and paid. The balance has been provided for in the ICCL's Financial Statements to 31 July 2005.

9. SHARE CAPITAL

	2005 €	2004 €
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 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 $\notin 6.00$.

On 2 December 2002, by a special resolution of the shareholders, the authorised share capital of the Company was changed to \leq 12.50 and the ordinary shares were renominalised with a par value of \leq 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 2004	4	7,377,458	7,377,462
Surplus for the year	-	2,914,686	2,914,686
At 31 July 2005	4	10,292,144	10,292,148

12. RELATED PARTIES

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

	2005	2004
	€	€
Administration costs chargeable to the Company		
by the Central Bank and Financial Services Authority		
of Ireland for services provided	445,971	409,305

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

	2005 €	2004 €
(i) Reconciliation of surplus on ordinary activities to		
net cash inflow from operating activities		
Surplus on ordinary activities	2,914,686	1,388,444
Depreciation	12,981	7,036
Loss on Disposal of Fixed Assets	-	4,203
Decrease in debtors	303,294	50,146
(Decrease)/Increase in creditors and provisions for		
liabilities and charges	(258,709)	2,794,905
	2,972,252	4,244,734
(ii) Analysis of net funds		
Cash at bank	17,901,130	14,932,352
(iii) Reconciliation of net cash flow to movement in net funds		
Net Funds at 1 August	14,932,352	10,707,267
Increase in cash in the period	2,968,778	4,225,085
Net Funds at 31 July	17,901,130	14,932,352

Appendix 1

hat 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 ("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 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 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 Acts 2003 and 2004.

Under Section 25 of the Investor Compensation Act, 1998, the Financial authorise also Regulator may 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 Central Bank and Financial Services Authority 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 In addition to transposing the services). 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 assets.

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

- 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 Stock Exchange Act, 1995
- Credit Institutions authorised to provide investment services
- 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 is not incidental to their main professional activities

Fund B

- Authorised Advisors authorised under the Investment Intermediaries Act, 1995
- Multi Agency Intermediaries authorised under the Investment Intermediaries Act, 1995
- 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)
- 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
- 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 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 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 Regulator with the agreement of the ICCL, or
- a person appointed by the Financial 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 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 Financial Regulator is the supervisory authority for the purpose of the Act. The Financial 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 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 Regulator.

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

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