

THE INVESTOR COMPENSATION COMPANY LIMITED

Annual Report Year Ended 31 July 2012



Mission Statement

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

In doing this, we will:

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

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

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

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

The

Investor

Compensation

Company

Limited

Annual Report Year Ended

31 July 2012

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DIRECTORS AND OTHER INFORMATION

Directors	Jim Bardon Daniel Coveney Inge Clissmann Terry Hardiman Brian Healy Dermott Jewell Paul O'Donovan Frank O'Dwyer Eimer O'Rourke Ciaran Phelan Gina Quin Mark Redmond	(Chairperson) (Re-appointed on 29 April 2012) (Deputy Chairperson) (Re-appointed on 5 September 2012) (Re-appointed on 1 August 2012) (Senior Independent Director) (Re-appointed on 1 August 2012) (Re-appointed on 1 August 2012)
Secretary	George Treacy Anne Troy	(Appointed on 1 March 2012) (Retired on 29 February 2012)
Registered Office	Central Bank of I PO Box 11517, Spencer Dock, North Wall Quay, Dublin 1.	
Auditors	Pricewaterhouse Chartered Accou One Spencer Do North Wall Quay, Dublin 1.	ntants, ck,
Bankers	Bank of Ireland, 2 College Green, Dublin 2.	,
Solicitors	William Fry Solici Fitzwilton House, Wilton Place, Dublin 2.	
	Re	aistered No 293240

Registered No 293240

The Board of Directors *All members serve as non-executive directors*



Jim Bardon (Chairperson)

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



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



Inge Clissmann

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



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 a past Chairman of the Professional Insurance Brokers Association (PIBA).



Brian Healy

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



Dermott Jewell

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



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



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



Eimer O'Rourke Director of Retail Banking, Irish Banking Federation. Member of the Executive Committee of the European Mortgage Federation (2002 – 2012) and Director of the Dormant Accounts Board.



Ciaran Phelan

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



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



Mark Redmond Former Director with PricewaterhouseCoopers, now Chief Executive of the Irish Taxation Institute. A fellow of the Irish Taxation Institute.

Board Committees

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

Funding Committee

Daniel Coveney (Committee chairperson) Terry Hardiman Brian Healy Frank O'Dwyer Eimer O'Rourke Ciaran Phelan

Audit Committee

Brian Healy (Committee chairperson) Dermott Jewell Mark Redmond Frank O'Dwyer (Alternate member)

Attendance at Board and Committee Meetings

	Board	Funding Committee	Audit Committee
Number of meetings held	8	6	4
Jim Bardon	8	2	N/a
Daniel Coveney	8	6	N/a
Inge Clissmann	5	N/a	N/a
Terry Hardiman	7	6	N/a
Brian Healy	7	4	4
Dermott Jewell	6	N/a	3
Paul O'Donovan	8	N/a	N/a
Frank O'Dwyer	7	4	2
Eimer O'Rourke	6	3	N/a
Ciaran Phelan	7	4	N/a
Gina Quin	6	N/a	N/a
Mark Redmond	7	N/a	3

CHAIRPERSON'S STATEMENT

Jim Bardon

I present the Annual Report for the fourteenth year of operations, which is my seventh Chairperson's report, for the year ended 31 July 2012.

Overview

The year ended 31 July 2012 gave rise to two new failures, both Fund A MiFID investment firms. On 21 October 2011, Custom House Capital Limited was put into liquidation and an Administrator was appointed in accordance with the provisions of the Investor Compensation Act, 1998 ["the Act"] leading to 1,950 claims being delivered to the Company seeking compensation for losses incurred. On 25 June 2012, Bloxham, a stock broking firm, was put into liquidation and an Administrator appointed in accordance with the Act. On the basis of statements made by and discussion held with both the Central Bank of Ireland and the Liquidator & Administrator, the Company does not expect that the Bloxham case will lead to compensation payments being made.

It is welcome, therefore, that we have had much needed time since the previous significant failure of W&R Morrogh in 2001 to build reserves to pay the costs of current and future compensation claims. Our reserve balances at year-end stood at just over ≤ 10 million for Fund A having provided ≤ 15 million net for Custom House Capital Limited (In Liquidation) claims compensation and at ≤ 19 million for Fund B. In addition, we have a standby credit facility of ≤ 50 million in place and have a layer of insurance cover for both funds which was renewed on 1 October 2012 for a further 12 months.

The Board reviewed the achievement of the strategy of the Company during the year noting that a number of goals had been progressed. The Board decided it was timely to revise existing goals. In particular, the Board decided to add the consideration of the risks facing the Company as a standing item on the agenda for each Board meeting.

The Company consulted with the Department of Finance, the Central Bank and other investor compensation schemes throughout the year concerning the proposal from the EU Commission to amend the Investor Compensation Directive. The Commission's proposals seek to improve aspects of the scheme for claimants and to ensure that the funding of schemes throughout the EU is conducted on a comparable and fair basis. The Company is currently making preparations to assist, as appropriate, with negotiations of the revised Directive, in the event the Irish Presidency of the EU in 2013 is required to progress the matter.

The Company's primary purpose is to pay compensation promptly when claims arise. In order to be able to do this, we need to have a compensation fund that is of sufficient size to pay as required. Compensation costs can be high. The failure of Morrogh Stockbrokers, a relatively small firm, cost the Company almost \in 8 million. We now have \in 10 million to compensate eligible investors should an investment firm fail and \in 19 million should a retail intermediary fail. We have sought, however, to ensure that we have other supports to enable to us to pay eligible investors promptly, in case a failure or a number of failures were to require more than the existing funds. I am pleased to say that in October 2010, we arranged Excess of Loss Insurance to provide a further level of cover in such an eventuality. This cover, \in 50 million for Fund A and \in 10 million for Fund B, subject to an annual excess of \in 15 million per Fund, was renewed for the year to September 2013. The failure of Custom House Capital Limited is expected to cost the Company up to \in 15 million net (anticipated claims compensation cost of up to \in 19.7 million less recovery from that Excess of Loss Insurance policy of up to \in 4.7 million) based on latest estimates.

Our information technology infrastructure is subject to regular review and update and has improved the effectiveness and efficiency of the Scheme and provides the Company with a robust technology platform for the future. This year, we focussed on bedding-in improved recoverability of our systems through an off-site recovery location so that we can continue to work with a very short interruption even if unforeseen circumstances prevent access to our offices or systems. This enhancement has delivered savings to our core IT budget during the year with further savings anticipated in the coming year.

Compensation Claims

The Company's aim is to pay claims as speedily as possible. Once claims are made by investors, they are considered by the Administrator for eligibility initially, and where eligible, the amount of compensatable loss is calculated and certified by the Administrator for payment by the Company. This is a technical process which may take a significant time to complete. However, once claims are certified, most are paid within two weeks of certification and well within the statutory three month period.

In the case of Custom House Capital Limited, the Company received, processed and forwarded 1,950 claims to the Administrator during the financial year. A small number of late claims continue to be received, each of which is subject to consideration for acceptance by the Central Bank of Ireland in accordance with the provisions of the Act. On the basis of advice received from the Administrator in September 2012, it is anticipated that \in 7.22 million will be certified for payment by the Administrator in respect of approximately 550 claimants in October 2012. The Company does not have a definitive timeline on when the remainder of claimants will have their claims certified for compensatable loss. The Company will continue to meet and work with the Administrator at regular intervals throughout the year to facilitate as much progress as possible.

99% of the Morrogh claims have now been certified. The Company remains committed to working with the Administrator throughout the year. In October 2012, the Administrator delivered certifications to the Company is respect of 34 of the remaining 36 claims.

All MMI claims have been certified and the Company now awaits the outcome of its subrogated claim from the liquidation process.

In late September 2012, the Company was advised by the Administrator of Andrew Casey, t/a Andrew Casey Life and Pensions, that the final remaining claim in this case could be rejected. The Company intends to liaise with the Administrator in the coming weeks to finalise this case.

Staffing and Operations

Anne Troy, the Secretary and COO, retired during the course of the year and was replaced by George Treacy. I would like to thank Anne for her contribution to the ICCL during her term as COO and to welcome George to the team.

The Board and I recognise the excellent work of the Chief Operations Officer and his team and appreciate their commitment and dedication. The team have made further progress this year in ensuring that turnover of staff occurs with minimal effect on efficiency. Thanks to the efforts of all the staff, contributors and claimants are dealt with in an efficient and sensitive manner by the Company.

The working relationship with the Central Bank continues to operate in an effective manner. We look forward to the continued support and co-operation of the Central Bank to progress matters of mutual interest and to their commitment to providing the Company with the staff and services which are necessary for the efficient discharge of our functions and statutory duties. During the year, the Company also completed the implementation of recommendations arising from the audit report of the Central Bank's Internal Audit Unit received in February 2011. The audit report did not identify any material issues.

The Board of the Company attaches considerable importance to operating the company in the most efficient and effective manner possible. The Company is operated by a permanent team of seven people who carry out all the functions including collecting in excess of \in 5m per year from over 4,000 contributors and managing the cash reserves of the Company which exceeded \in 43m at year end. We have sought to reduce costs, where possible, whether by negotiating reduced costs or by achieving greater efficiencies.

Financial Results Summary as at 31 July 2012

INCOME and EXPENDITURE SUMMARY	Fund A	Fund B	Total
	€	€	€
Income from annual contributions	3,536,337	1,666,471	5,202,808
Interest Income	309,553	245,288	554,841
Subrogated Income	1,504,500	-	1,504,500
Compensation (costs/provisions) and write-backs	(15,072,131)	-	(15,072,131)
(Administration expenses/bad debts/provisions for bad debts)	(910,617)	(546,290)	(1,456,907)
(Deficit)/Surplus for Year	(10,632,358)	1,365,469	(9,266,889)

BALANCE SHEET SUMMARY	Fund A	Fund B	Total
BALANCE SHEET SUMMART	€	€	€
Cash at bank	24,683,126	19,127,687	43,810,813
Fixed assets	2,570	2,570	5,140
Debtors	6,328,257	72,661	6,400,918
Creditors	(175,616)	(141,530)	(317,146)
Provision for liabilities and charges	(20,443,134)	(9,996)	(20,453,130)
Share capital	(2)	(2)	(4)
Fund Reserves	10,395,201	19,051,390	29,446,591

The Board is conscious of the decreasing number of authorised investment firms within both Fund A and Fund B of the Scheme. The number of Fund A participant firms decreased by approximately 8% in the year, while the number of Fund B participant firms decreased by approximately 15% in the year. The Board is aware of the challenges such decreases pose to the longer term funding of the Scheme and this matter will be considered as part of the forthcoming Funding Review of the Scheme.

Corporate Governance

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

Board Retirements and Appointments

Three directors retired by rotation on 31 July 2012, and were reappointed to the Board. Further details are provided on page 7.

Finally, I would like to 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.

22 October 2012

OPERATING REPORT



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

George Treacy Chief Operations Officer

I present my first and the fourteenth Operating Report for the year ended 31 July 2012.

Overview

On 15 July 2011, the High Court, on application by the Central Bank of Ireland, had appointed inspectors to investigate the affairs of Custom House Capital Limited ['CHC']. The Final Report of the Inspectors culminated in the appointment by the High Court of Mr Kieran Wallace as Official Liquidator and Administrator to CHC on 21 October 2011. As will be seen from our accounts, the Administrator has provided an estimate that the total compensatable losses arising from the failure of CHC will not exceed €19.7 million. Amounts in excess of €15 million are recoverable from the ICCL's Excess of Loss Insurance policy.

The failure of CHC was the first such failure in over ten years and demonstrated the benefit of building up our Fund reserves in that intervening period. In that context and through the collection of contributions during the year, the Company added \in 3.5 million of contribution income to the reserves of Fund A and \in 1.67 million to the reserves of Fund B.

The Company continued to invest the reserves of the Funds with a view to optimising return while maintaining a primary focus on the preservation of capital, minimising risk and maintaining an appropriate level of liquidity. However, the continued reduction in the credit ratings assigned to banks made the achievement of these goals increasingly difficult as the year progressed. The return achieved on our investment activities for the year was 1.314% which was ahead of our operational benchmark.

The Company has been involved in a number of significant activities during the year, the details of which are outlined below. In a challenging environment for the firms contributing to the Scheme, income from contributions remained broadly consistent at \in 5.2 million while cash at bank increased by over \in 4 million to exceed \in 43.8 million.

The Board reviewed and updated the Strategy of the Company during the year. As the Chairman has pointed out in his Statement, the Board actively consider risks facing the Scheme as a standing item of each Board meeting. Our strategy is developed to serve the purpose of operating a financially sound scheme so that the Company can pay compensation to clients of failed investment firms without delay. To ensure realisation of our strategy, we identify specific goals and set them out in a programme of work which we will undertake. The Company, in common with the Central Bank, has adopted the Balanced Score Card as a means of recording the work programme and reviewing progress against targets. Every quarter, the Board formally reviews progress towards meeting our strategic goals. The Board will continue to review our strategy once every year to ensure that it continues to meet our purpose.

During the year under review, we negotiated through our insurance brokers, a renewal of our Excess of Loss Insurance policy to cover the Company in the event of major losses arising that exceeded our reserves. The Company understands that it is the only EU Investor Compensation Scheme to successfully negotiate and maintain such insurance cover. The policy provides cover should claims from one failure or a number of failures exceed €15 million in any one year. Cover is provided for claims up to a maximum of €50 million in the case of Fund A firms and up to a maximum of €10 million for Fund B firms. The difference in the cover available for Fund A and Fund B is warranted given the difference in the business models and associated ICCL exposures of the firms contributing to these Funds. This is reflected in the distribution of costs between the two Funds. As the Chairman has reported, negotiations to renew the Excess of Loss Insurance policy were successfully concluded for the new policy year which commenced on 1 October 2012.

Funding of the Scheme

The Company continued to focus on improving our collection processes and working with the Central Bank to remove firms, which had ceased to act as investment firms, from the relevant registers.

The Company relies on contributions from authorised investment firms and registered insurance intermediaries in order to fund the Scheme. There were 205 Fund A contributors (2011: 222) and 4,487 Fund B contributors (2011: 5,233).

	Fund A	Fund B	Total
	€	€	€
Year ended 31 July 2012	3,536,337	1,666,471	5,202,808
Year ended 31 July 2011	3,484,780	1,722,631	5,207,411

Annual contributions received were as follows:

The increase in Fund A contributions arises primarily due to the year-on-year contribution rate increase as agreed in the Funding Arrangements which cover the period August 2010 to July 2013. This occurred despite a reduced number of firms contributing to the fund. The decrease in the level of Fund B contributions arises due to a number of factors, primarily the significant decrease in the population of authorised firms particularly Insurance Intermediaries. Furthermore, there was a continuing increase in the number of firms paying at lower rates due to decreased investment and insurance income as a consequence of the challenging environment facing contributor firms.

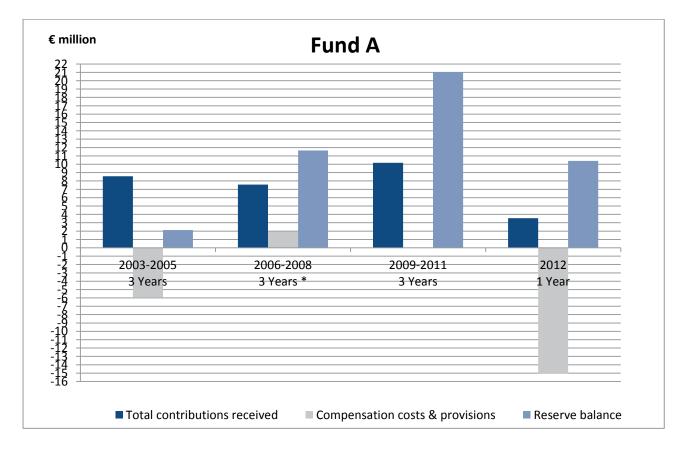
At 31 July 2012, the collection rate for Fund A contributors was 99.5% (2011: 99.6%). The collection rate for Fund B contributors was 96.1% (2011: 94.3%).

In the process of collecting contributions the ICCL gathers information on firms, in particular identifying those that are no longer contactable or have ceased trading (including those which are listed as dissolved, liquidated or struck off on the CRO website). This information, together with details of other authorised firms who have not paid their contributions, is regularly sent to the Central Bank. In this way, the ICCL and the Central Bank have co-operated closely to ensure that the relevant registers are as up to date and accurate as

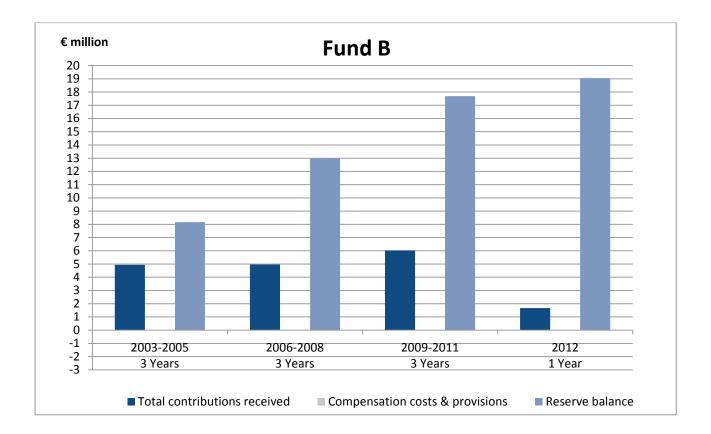
possible. I would like to acknowledge the significant cooperation and assistance provided by the Consumer Directorate of the Central Bank in that endeavour. This has helped to improve collection rates within the ICCL and to remove unnecessary invoicing of firms which are no longer in business.

As a failure by one contributor to meet its legal obligations impacts directly on the ability of the ICCL to build its fund reserves and indirectly on the size of the contributions of others, the Company's policy is to pursue those firms who fail to pay their contribution. At the end of the year, the Company had requested its solicitors to pursue legal recovery of outstanding debts in respect of 7 firms. Section 21(4) and (5) of the Investor Compensation Act, 1998, as amended, ['the Act'] provides that an outstanding contribution can be recovered as a simple contract debt in Court and that an interest rate of 1.25% per month applies to any outstanding balance.

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



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



Investments

The Company has to date restricted its investments to the placement of deposits with a maturity of 1-year or less with highly rated credit institutions authorised by the Central Bank, including branches of credit institutions located in the State. The Company's investment policy is a risk adverse one with an emphasis on capital preservation and liquidity.

The ongoing crisis in the Eurozone and its impact on the banking industry has impacted significantly on the ability of the Company to effectively invest the accumulated reserves of the two Funds. The specific operational difficulties faced by the ICCL related to the reduction in the pool of acceptable deposit takers, as credit ratings agencies continued to cut the long term ratings for many banks, and the low rates of interest paid by those institutions which retained a high credit rating. In some cases, such institutions indicated that they no longer wished to accept the renewal of deposits.

In order to cope with these difficulties, the Board approved, subject to certain quantitative limits, the continued placement of deposits with certain institutions whose ratings had fallen below the previously set limits provided the deposits carried a specific sovereign guarantee.

Notwithstanding the difficulties outlined above, the Company achieved a rate of return on its investments of 1.314%. The following table compares the Company's investment return with the average 1-month Euribid rate over the equivalent time period.

YEAR	Actual Rate of Return ['RoR']	Average EURIBID rate	Difference
2011/12	1.314	0.946	+ 0.368
2010/11	1.250	1.009	+ 0.241
2009/10	1.395	1.162	+ 0.233
2008/09	1.318	1.041	+ 0.277

Following consideration and approval by the Board, a number of proposed changes to the Company's investment policies have been submitted to the Central Bank for its review.

Outstanding Cases of Compensation

Custom House Capital Limited (In Liquidation) ['CHC'] – date of determination 21 October 2011

The single most significant event for the Company during the year was the failure of CHC and we have liaised closely with Administrator Kieran Wallace, and his team in KPMG, since his appointment as Official Liquidator and Administrator to the firm on 21 October 2011. We wrote to all clients of CHC in November 2011 and placed advertisements in the national press inviting investors to submit their claims to the Company. A statutory deadline of 25 March 2012 was set for the submission of claims. Investors submitting claims after that date must provide a satisfactory explanation to the Central Bank before their claim can be processed. In total 1,950 claims were submitted and passed to the Administrator for certification.

As may be seen from the High Court Inspector's publicly available report, the job of reconciling the positions of all of the individual investors and securing all of the remaining assets, of CHC will be complex and may take a long time to complete. It is expected that the Administrator will certify the names, net and compensatable losses of individual claimants to the Company in batches as the reconciliation proceeds. Good progress was made on the reconciliation and the Administrator expects to deliver the first certification batch in October 2012. This being the case, the Company will make the first compensatable losses of compensatable losses are compensated by a set of the company to claimants in October 2012. As at the end of July 2012, identified compensatable losses

amounted to €7.22 million and Mr Wallace estimated that the final bill for compensation will not exceed €19.7 million. The Company has an Excess of Loss Insurance policy in place and compensatable losses in excess of €15 million, in any one year, may be claimed against that policy.

Our website, www.investorcompensation.ie, is updated regularly with the latest news on CHC.

Bloxham (In Liquidation) ['Bloxham'] – date of determination 25 June 2012

As mentioned by the Chairman in his report, Bloxham, a stock broking firm, was put into liquidation on 25 June 2012 and an Administrator appointed in accordance with the Act. After the year end, the Company wrote to all clients of the firm as recorded at 25 June 2012 and identified by the Administrator. The Company also placed a notice in the national press inviting claims from potential claimants in accordance with the provisions of the Act.

The Company has been advised by the Central Bank that the vast majority of known client positions were transferred intact to other authorised investment firms. The Central Bank of Ireland and the Administrator of Bloxham, Mr Kieran Wallace of KPMG, have not identified any case to date which would lead them to conclude that the winding down of Bloxham will result in compensatable losses for eligible clients of the firm.

Andrew Casey trading as Andrew Casey Life & Pensions – date of determination 15 October 1999

Total compensation payments in this case involved a relatively modest amount of money ($\in 20,000$) which has been paid under the Scheme. The Company understand no further claims are outstanding and it is expected that this case will be closed in the near future.

Money Markets International Stockbrokers Limited (MMI) – date of determination 19 February 1999

Since 1999, a total of 313 claims have been received as a result of the liquidation of MMI. All claims have been dealt with and compensation payments amounting to €774,422 have been made. The Company has submitted its subrogated claim to the Liquidator of MMI in respect of compensation paid to claimants and awaits the final outcome of the liquidation process.

W&R Morrogh Stockbrokers (Morrogh) – date of determination 18 June 2001

<u>Claims</u>

Due to the complex nature of the remaining claims, the Administrator did not certify any claims during the year under review. As at 31 July 2012, 99% of claims have been dealt with, in part or in full, and compensation payments amounting to €7.55 million have been made. In October 2012, the Administrator certified 34 of the remaining 36 claims and the Company issued compensation payments totalling €202,636.

Compensation payable

With the passage of time, the total estimate of compensation payable by the Company in this case has become more certain. The amount was further reduced by \leq 150,000 in the year to 31 July 2012 and now stands at \leq 7.90 million. This has been fully provided for in the accounts. All provisions are estimates which are prepared with assistance from the Administrator.

Administrator Costs

A provision of \in 732,000 was made in prior year accounts for the Administrator's costs arising from the Morrogh case. During the year, a further \in 171,250 was paid in respect of the costs of the Administrator. Approximately \in 562,000 of the Administrator's costs has now been paid. Based on estimates received from the Administrator, \in 158,000 of an over-provision in respect of Administrator costs was released during the year.

Subrogated Income

Under the Act, where the Company has paid compensation to a claimant, the Company becomes subrogated to the rights of that claimant in the liquidation proceedings for the amount of the compensation paid. This means that the Company steps into the shoes of the claimant in the liquidation proceedings and, in such cases, is entitled to the payment of related distribution, if any, from the liquidation. Based on advice received from the Receiver of W&R Morrogh in June 2012, the Company has recognised a subrogated income asset of €1.5 million during the year. This amount was received in October 2012.

The Company 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 Company is very mindful of its duty to provide value for money to its stakeholders and there is a high focus on achieving value and on containing costs. As shown in the summary tables on this page and page 26, the overall administration expenses / bad debts and provisions have increased from $\in 1,321,639$ in 2011 to $\in 1,456,907$ in 2012, i.e. an increase of $\in 135,268$ or 10%. The most significant changes year on year related to the first full year charge for the placement of the Excess of Loss Insurance policy resulting in an increase of $\in 74,624$ (the policy was in place for 10 months in the year ended 31 July 2011) and the need to employ two temporary staff members to assist with claims handling activities arising from the failure of Custom House Capital Limited. More details are provided on administration expenses in Note 2 on page 45.

Bad debts written off decreased significantly, by \in 44,537 or 21% from \in 207,774 to \in 163,237. This decrease arises despite a charge of \in 80,250 relating to 148 Fund B contributors where the contributions remained outstanding for in excess of six months. The majority of those 148 firms have either ceased trading or are uncontactable but, to date have not been removed from the Central Bank of Ireland's register. In each of these cases, where the debt was outstanding for in excess of twelve months, the debt had been provided for in prior years and that provision has now been released to the Income and Expenditure account. Hence the decrease in the bad debt provision of \in 57,941 year on year.

	Fund A	Fund B	Total
Year ended 31 July 2012	€	€	€
Bad debts written-off	36,240	126,997	163,237
Increase/(decrease) in provision	1,555	(59,496)	(57,941)
Excess of Loss Insurance costs	329,606	49,460	379,066
Other administration expenses	543,216	429,329	972,545
	910,617	546,290	1,456,907

Administration costs / bad debts and provisions:

	Fund A	Fund B	Total
Year ended 31 July 2011	€	€	€
Bad debts written-off	14,410	193,364	207,774
Increase/(decrease) in provision	4,474	(110,410)	(105,936)
Excess of Loss Insurance costs	264,713	39,729	304,442
Other administration expenses	451,695	463,664	915,359
	735,292	586,347	1,321,639

Administration costs / bad debts and provisions:

Despite the greater number of contributors in Fund B, a proportionately higher amount of administrative time relates to Fund A member firms due to the costs of claims handling activities undertaken within the year. The time which each staff member spends on tasks associated with each of the Funds is tracked, on a weekly basis. The Audit Committee reviewed the bases used for the allocation of costs between the Funds and concluded that the bases¹ used for cost allocation were rigorous and fair.

Strategic Plan

During the year, the Company formally reviewed and updated its strategic plan for the five years ending 31 July 2016.

Our plan, which we review regularly and update annually, sets out the Company's objectives, specifies the strategies and policies for achieving these objectives and outlines the programme of work which we will undertake to ensure that we are meeting our strategic goals. Progress in achieving our strategic goals is closely monitored by the Board on a quarterly basis using the Company's Balanced Score Card.

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

Organisation

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

The main areas of work were:

- progressing the Company's strategic goals, including:
 - implementing revised Funding Arrangements effective 1 August 2010,
 - in conjunction with our stakeholders, submitting draft legislative amendments to implement pre-determined rules for the distribution of clients' assets,
 - responding to the EU Commission's request for information on issues affecting the Investor Compensation Directive, and,
 - reviewing our investment management objectives to ensure that we are appropriately managing the Scheme's reserves and achieving acceptable returns for the Scheme,
- continued upgrading of our Information Technology Systems, including more robust Business Recovery arrangements,
- implementation of the Company's investment policy,
- servicing the meetings of the Board and its Committees,
- implementation of the recommendations arising from the Internal Audit of the Company's operations, and,
- the programme of work associated with the suite of policies and procedures developed by the Company to ensure compliance with the highest standards of corporate governance.

I consider that our resources, systems and procedures have dealt effectively with issues as they have arisen and the executive team continue to recommend ways of improving the efficiency and sustainability of the Company's operations.

Finally, I wish to express my thanks to the Board of Directors for their guidance and support and also to the other members of the executive team for their professionalism and for their continued hard work and co-operation in ensuring the smooth and efficient functioning of the Scheme's operations.

22 October 2012

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 July 2012.

Principal Activity and Review of the Business

The principal activities are:

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

Details of the operation of the Company and the likely future developments are contained within the Chairperson's Statement and the Operating Report on pages 11 to 27.

This was a challenging year for the Company with the failure of two MiFID Investment Firms, one of which, Custom House Capital Limited (In Liquidation) (CHC), has led to significant liabilities for the ICCL:

- On 21 October 2011, a liquidator was appointed by order of the High Court to CHC. The Court, as required under Section 33A of the Investor Compensation Act, 1998 (the Act), also appointed the Liquidator as Administrator for the purposes of that Act. The Liquidator and the Administrator appointed is Kieran Wallace, KPMG.
- On 25 June 2012, a liquidator was appointed by order of the High Court to Bloxham (In Liquidation). The Court, as required under Section 33A of the Act, also appointed the Liquidator as Administrator for the purposes of that Act. The Liquidator and the Administrator appointed is Kieran Wallace, KPMG.

The ICCL was informed by the Central Bank of Ireland that each of these rulings constituted a 'Court Ruling' for the purposes of Section 32(1) of the Act. Once informed of such a 'Ruling', the Act requires the ICCL to write to clients and/or publish a notice in national newspapers giving notice of the Court Ruling and inviting applications for compensation from clients.

These failures, CHC and Bloxham, occurred following a period of ten years free from failure. Throughout those ten years, the Company had consistently built reserves and put in place alternative funding arrangements to meet the liabilities that arise from the payment of compensation to eligible investors. As disclosed in Note 8 to the Financial Statements, the cost of claims compensation for eligible investors of CHC is not expected to exceed €19.7 million, with a net claims compensation payable by the Company limited at €15 million due to an Excess of Loss Insurance Policy put in place by the ICCL.

In the case of Bloxham (In Liquidation), it is noteworthy that neither the Central Bank of Ireland nor the Administrator have to date identified any case which would lead them to conclude that the winding down of Bloxham will result in compensatable losses for eligible investors of the firm. The Board does not at this point believe that the failure of Bloxham (In Liquidation) will result in the payment of claims compensation. Further detail is provided in Note 9 to the Financial Statements.

The Board are aware of the difficulties and challenges which the ongoing turbulence in the financial markets pose for investment firms and consider the matter at each Board meeting.

Fund A reserves now stand at $\in 10,395,201$. No claims for compensation were certified during the year by the Administrators of active cases. The growth in the Fund B reserve was in line with expectations and reserves now stand at $\in 19,051,390$.

Results

The Company recorded a deficit of $\notin 9,266,889$ (2011: Surplus of $\notin 4,285,907$). The main reason for the change year on year, as noted above, is the net cost of compensation claims for CHC at $\notin 15,000,000$. Contribution income remained relatively unchanged year on year while interest income increased by $\notin 123,661$. The Company recorded its first recovery of subrogated income from W&R Morrogh (In Liquidation) during the year of $\notin 1,504,500$. The accounts also include a decrease of $\notin 57,941$ in the provision for bad and doubtful debts, a decrease of $\notin 44,537$ in bad debts, and an increase in administration expenses of $\notin 131,810$. This latter amount relates to two items; the full year cost of placing an Excess of Loss Insurance policy (which was only in place for ten months in the year ended 31 July 2011) and costs associated with employing temporary staff to assist with handling claims applications for CHC.

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

Principal Risks and Uncertainties

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

Financial Risk

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

Credit Risk

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

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

This is an area of heightened risk for the Company given the on-going turbulence in global financial markets and the Board and Executive have taken a series of measures to mitigate this risk to the greatest extent possible.

Interest Rate Risk

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

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

Liquidity Risk

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

The Board carries out regular reviews (at least every three years) of the arrangements which are in place to fund the Scheme. This review includes setting targets for reserve fund balances and seeking support for funding arrangements from all stakeholders, including investment firms, the Central Bank and the Department of Finance, to ensure that the Scheme can meet its future funding requirements. The Company monitors the achievement of these targets using various reporting procedures. The next Funding Consultation process has commenced and a formal consultation document is scheduled to be circulated to relevant stakeholders in October 2012.

Currency Risk

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

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

Compensation Uncertainty

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

The Company addresses this uncertainty through detailed review of calculations underlying estimates and through the receipt of regular updates from an Administrator regarding

progress on the certification of claims and any issues affecting the certification of outstanding claims.

Statement of Directors' Responsibilities

Financial Statements

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

Irish company law requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the surplus or deficit of the Company for the year. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

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

The Directors have appointed appropriate accounting personnel in order to ensure that those requirements are met. The Directors consider that, in preparing the financial statements on pages

40 to 55, 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 accounting records are kept in accordance with Section 202 of the Companies Act, 1990, by employing appropriately qualified personnel and by maintaining appropriate computerised accounting systems. The books of account are located at the Company's registered office at Spencer Dock, North Wall Quay, Dublin 1.

Going Concern

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

Corporate Governance

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

Compliance with the Corporate Governance Code

The Board remains committed to maintaining the highest standards and support the principles of corporate governance outlined in the Corporate Governance Code adopted by the Irish and London Stock Exchanges and effective for reporting years beginning on or after 29 June 2010. While the Company is not obliged to comply with the Corporate Governance Code, it has reviewed the principles and provisions of that Code and the Directors confirm that the Company has complied throughout the accounting period with the main aspects that are appropriate to the Company.

The Board is responsible for the leadership and control of the Company. There is a formal schedule of matters specifically reserved to the Board for consideration and decision. This includes approval of strategic plans for the Company, matters relating to the maintenance of the Scheme's funds, approval of the financial statements, the annual budget and acquisitions and disposals of assets. The roles of Chairperson and Chief Operations Officer are not combined. The Chief Operations Officer is accountable to the Board for all authority delegated to executive management.

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

Under the Act:

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

The Company Chairperson and Deputy Chairperson meet at least annually with the Governor of the Central Bank and Deputy Governor (Financial Regulation) at the Central Bank to review the operations of the Company and its progress. In addition, the Board undertakes an annual evaluation of its own performance, using the 'Performance Evaluation Guidance' set out in the *Higgs Report*, as a formal agenda item at a scheduled Board Meeting. Formal evaluation of the performance of individual Directors during the year is conducted jointly by the Chairperson and Deputy Chairperson. Evaluation of the performance of the Deputy Chairperson is conducted jointly by the Chairperson and the Chairman of the Audit Committee. Led by the Chairman of the Audit Committee, evaluation of the performance of the Deputy Chairperson is conducted by all Board Members without the Chairperson present. The objective of these evaluations is to identify any scope for

improvement and, in the case of individual evaluations, to determine whether each director continues to contribute effectively and demonstrate commitment to the role. The individual Director performance evaluation process is based on the principles outlined in the Higgs Report and the findings are reported to the Board as part of the Board evaluation process for consideration and action as required.

Internal Control

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

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

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

The Audit Committee regularly reviews the effectiveness of the system of internal control and confirms that necessary actions are taken to remedy any significant failings or weaknesses identified.

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 guidance². The process has been in place throughout the accounting period and up to the date of approval of the Annual Report and financial statements and is regularly reviewed by the Board.

² Internal Control: Revised Guidance for Directors on the Combined Code, published in October 2005.

Committees

The Board has established two permanent committees to assist in the execution of its responsibilities. These are the Funding Committee and the Audit Committee. Ad hoc committees are formed from time to time to deal with specific matters. During the year ended 31 July 2012, no such ad hoc committees were established.

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

Audit Committee

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

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

Funding Committee

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

- Assisting the Board with establishing and maintaining a fund or funds out of which payments shall be made in accordance with the Act,
- Reviewing the collection of 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 2012.

Subsequent Events

On 8 October 2012, the Company received a distribution from the Receiver of W&R Morrogh of \in 1.5 million which has been credited to the reserves of Fund A.

There were no other material events since the year end.

Auditors

The auditors, PricewaterhouseCoopers, will not continue in office in accordance with Section 160(2) of the Companies Act, 1963. The Board intends to appoint KPMG, Chartered Accountants, as auditors of the Company for the year ending 31 July 2013.

Signed on behalf of the Board:



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

We have audited the financial statements of the Investor Compensation Company Limited for the year ended 31 July 2012 which comprise the income and expenditure account, the balance sheet, the accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 issued by the Accounting Standards Board and published by the Institute of Chartered Accountants in Ireland (generally accepted accounting practice in Ireland) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and 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, in accordance with generally accepted accounting practice in Ireland, and are properly prepared in accordance with Irish statute comprising the Companies Acts, 1963 to 2012. 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 balance sheet, are not more than half of its called-up share capital.

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

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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 also 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, in accordance with generally accepted accounting practice in Ireland, of the company's state of affairs as at 31 July 2012 and of the deficit for the year then ended; and
- have been properly prepared in accordance with the requirements of the Companies Acts, 1963 to 2012.

We have obtained all the information and explanations we consider 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 is consistent with the financial statements.

The net assets of the company as stated in the balance sheet on page 41 are more than half of the amount of its called-up share capital and, in our opinion, on that basis there did not exist at 31 July 2012 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.

John Bligh for and on behalf of PricewaterhouseCoopers Chartered Accountants and Statutory Audit Firm Dublin 23 October 2012 inancial Statements

Income and expenditure account for the year ended 31 July 2012

			2012	-	2011
			2012		2011
INCOME	Notes	3	_		-
Contributions			5,202,808		5,207,411
Interest Income	~		554,841		431,180
Subrogated Income	5		1,504,500 7,262,149	_	
EXPENDITURE			7,202,145		3,030,331
Companyation costs and					
Compensation costs and provisions/release					
Claims provision	8	(14,850,000)		-	
3 rd party costs provision		(181,508)		(31,045)	
ICCL claims legal costs		(40,623)		-	
			(15,072,131)		(31,045)
Administration expenses	2		(1,456,907)		(1,321,639)
TOTAL EXPENDITURE			(16,529,038)		(1,352,684)
(DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES	1		(9,266,889)		4,285,907
Opening Surplus			38,713,480		34,427,573
Surplus at 31 July			29,446,591		38,713,480
ALLOCATED BETWEEN FUNDS AS FOLLOWS:					
FUND A	3		10,395,201		21,027,559
FUND B	3		19,051,390		17,685,921
			29,446,591		38,713,480

The Company had no recognised gains and losses in the year to 31 July 2012 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 deficit for the year. The accompanying notes form an integral part of the financial statements. All activities arise from continuing operations.

The financial statements were approved by the Board of Directors on 22 October 2012 and were signed on its behalf by:

J. Bardon / ______) B. Healy Brian Akaly)

DIRECTORS

Balance sheet as at 31 July 2012

	Notes	2012 €	2011 €
CURRENT ASSETS			
Trade and other receivables	4(a)	196,418	198,208
Other assets Cash at bank and on deposit	5 14(ii)	6,204,500 43,810,813 50,211,731	- 39,684,228 39,882,436
NON-CURRENT ASSETS			
Equipment	6	<u> </u>	<u>36,564</u> 36,564
TOTAL ASSETS		50,216,871	39,919,000
CURRENT LIABILITIES Trade and other payables	7	317,146	312,644
Provisions for Compensation Claims & Associated Costs	8	20,453,130	<u>892,872</u> 1,205,516
NON-CURRENT LIABILITIES	0		
Provisions for Compensation Claims & Associated Costs	8	-	-
TOTAL LIABILITIES		20,770,276	1,205,516
NET ASSETS		29,446,595	38,713,484
FINANCED BY:			
Called-up share capital Funds	10 3	4 29,446,591	4 38,713,480
	12	29,446,595	38,713,484

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

The financial statements were approved by the Board of Directors on 22 October 2012 and were signed on its behalf by:

J. Bardon / () B. Healy (From Charley)

DIRECTORS

Cash flow statement for the year ended 31 July 2012

NET CASH INFLOW FROM	Notes	2012 €	2011 €
OPERATING ACTIVITIES	14(i)	4,126,585	4,004,750
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Payments to acquire tangible fixed assets	6	-	(1,077)
INCREASE IN CASH	14(iii)	4,126,585	4,003,673

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 2012 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. The Company will normally become aware of a default on being informed by the Central Bank of Ireland (the Bank) that:

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

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

Administration Expenses

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

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 :

 $33^{1}/_{3}$ % straight line

Funds

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

Notes to the financial statements for the year ended 31 July 2012

1. (DEFICIT)/SURPLUS ON ORDINARY ACTIVITIES

The (deficit)/surplus on ordinary activities is stated after charging:

	2012 €	2011 €
Directors' fees Depreciation	132,750 31,424	132,750 50,865
Auditors' remuneration (ex-VAT)	12,500	8,500

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

The Chairperson and Deputy Chairperson were remunerated €31,500 (2011: €31,500) and €15,750 (2011: €15,750) respectively on a pro-rata basis during the year. The other directors were remunerated at the rate of €8,550 per annum (2011: €8,550), also on a pro-rata basis.

2. ADMINISTRATION EXPENSES ANALYSIS

	2012 €	2011 €
Personnel costs* Directors' fees & expenses Excess of Loss Insurance costs Other administration overheads Bad debts written off Decrease in provision for bad and doubtful debts Depreciation	576,474 135,109 379,066 229,538 163,237 (57,941) 31,424 1,456,907	515,637 134,656 304,442 214,201 207,774 (105,936) 50,865 1,321,639

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

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	€ 3,536,337 309,553 1 £04 £00
666,471 5,202,808 245 288 554 841	1
- 1,504,500	
- (14,850,000) - (181,508) - (40,623)	
(163,237)	(126,997)
57,941 (1,351,611)	59,496 (478,789)
(9,266,889)	1,365,469
38,713,480	17,685,921
29,446,591	19,051,390
43,810,813 5 140	19,127,687 2 570
6,400,918	72,661
(317,146)	(141,530)
(20,453,130) (4)	(9,996) (2)
29,446,591	19,051,390

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

4. TRADE AND OTHER RECEIVABLES

	2012	2011
(a) Debtors and Accrued Income:	€	€
Debtors (after provision for bad and doubtful debts) Accrued income & Prepayments	4,148 192,270	6,552 191,656
	196,418	198,208
	€	€
(b) Bad debts written-off during the year:	163,237	207,774
(c) Movement in respect of the provision for bad and doubtful debts:	€	€
Opening provision for bad & doubtful debts	154,346	260,282
Closing provision for bad & doubtful debts	96,405	154,346
Decrease in provision	(57,941)	(105,936)

5. OTHER ASSETS

	2012	2011
	€	€
Subrogated Income – W&R Morrogh (in Liquidation) Claims compensation amounts recoverable under Excess	1,504,500	-
of Loss Insurance contract	4,700,000	-
	6,204,500	

Subrogated Income

The Company is subrogated to the rights of each eligible investor in liquidation proceedings against the investment firm in respect of the amount the Company has paid to each eligible investor. This is in accordance with section 35(5) of the Act. Recoveries from subrogation are recognised when receipt is virtually certain. The Receiver of W&R Morrogh (In Liquidation), notified the Company of his intention to pay in October 2012, an interim dividend to claimants with an admissible claim against the balance on the client bank accounts of W&R Morrogh (In Liquidation). The ICCL has exercised its subrogated claim in accordance with the requirements of the Act, and on the advice of the Receiver, the Company expect that the payment of the interim dividend will lead to a subrogated income receipt of \in 1,504,500 which is calculated based on an interim dividend rate of \in 0.30.

Excess of Loss Insurance Policy

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

The Company is required by the Insurance Underwriters to settle each claim up to and in excess of \leq 15 million directly with the eligible investors. The Insurance Underwriters have confirmed to the Company that they will reimburse the Company for the amount of claims compensation paid in excess of \leq 15 million subject to the policy limit of \leq 50 million.

6. EQUIPMENT

Computer Software and Equipment		
Cost:	2012 €	2011 €
At 1 August Additions Disposals	156,804 - -	155,727 1,077
At 31 July	156,804	156,804
Depreciation:		
At 1 August On Disposals Charge for year	120,240 - 31,424	69,375 - 50,865
	151,664	120,240
At 31 July Net book value:	131,004	120,240
At 31 July	5,140	36,564

7. CREDITORS

	2012 €	2011 €
Compensation costs Central Bank of Ireland Directors' fees and expenses Prepaid contributions Other	14,593 227,089 11,862 7,194 56,408	14,593 223,614 11,862 7,104 55,471
	317,146	312,644

8. PROVISIONS FOR COMPENSATION CLAIMS & ASSOCIATED COSTS

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

Claims for compensation have been made by clients of Money Markets International Stockbrokers Limited (MMI) and all compensation claims were certified and have been paid by 31 July 2012. Provision has been made in respect of estimated third party costs, which represent the costs of the Administrator and directly attributable legal costs of the Company and the Administrator based upon an estimate of these costs to the completion of the Administration process. At 31 July 2012, the provision for costs in respect of MMI is approximately €48,000.

(b) Andrew Casey trading as Andrew Casey Life & Pensions (Fund B)

Claims for compensation have been made by clients of Andrew Casey trading as Andrew Casey Life & Pensions (Andrew Casey) and certain compensation payments have been made. Provision has been made in respect of estimated compensation where the claims have been received by the Administrator but have yet to be certified. At 31 July 2012, the provision for claims yet to be certified is approximately \in 9,000. 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. At 31 July 2012, the provision for costs in respect of Andrew Casey is approximately \in 1,000.

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

Claims for compensation have been made by clients of W&R Morrogh Stockbrokers. The total value of claims compensation paid to clients of W&R Morrogh Stockbrokers up to 31 July 2012 is \in 7,550,000. On the basis of estimates received from the Administrator, the Board has made a provision of \in 350,000 at 31 July 2012, in respect of claims compensation payments that have yet to be certified by the Administrator.

At 31 July 2011, the provision for claims compensation payments that had yet to be certified by the Administrator was €500,000. No claims compensation payments were certified by the Administrator in the year to 31 July 2012.

The Board has made a provision at 31 July 2012 of €5,000 for costs of the Administrator and legal advisors for the completion of the Administration process. At 31 July 2011, the provision for those costs was €334,000. During the year, a payment of €171,000 was made in respect of those costs and €158,000 of the provision for costs was released.

(d) Custom House Capital Limited (Fund A)

On 28 November 2011, when the Board approved the financial statements for the year ended 31 July 2011, the Company was unable to make a reliable estimate of the amount of compensation payable in respect of the failure of Custom House Capital Limited as an estimate would depend, amongst other factors, on the following uncertainties:

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

Since his appointment as Liquidator of CHC and as Administrator for the purposes of the Act, Kieran Wallace has made good progress with the reconciliation of client positions in respect of certain asset categories. However, significant reconciliation progress has not yet been achieved in more complex areas e.g. Pooled client bank accounts and syndicated property funds.

At 31 July 2012, the Company had received, recorded and forwarded 1,950 claim application forms to the Administrator. In relation to the claim application forms submitted, the number of claimants who meet the definition of "eligible investor" remains to be quantified by the Administrator. On the basis of estimates received from the Administrator, the Board has created a provision for claims at 31 July 2012 of \in 19,700,000.

The Company has an Excess of Loss Insurance policy to provide cover where claims for compensation in a policy year exceed the policy excess of $\leq 15,000,000$. While a provision of $\leq 19,700,000$ has been made for the claims compensation costs associated with the failure of Custom House Capital Limited (In Liquidation), a Fund A firm, $\leq 4,700,000$ of the compensation costs are recoverable where claims compensation paid exceeds $\leq 15,000,000$. The Company has recognised a recoverable asset of $\leq 4,700,000$ (Note 5 contains more detail).

At 31 July 2012, the Board has also created a provision of \in 340,000 for the costs of the Administrator and his associated legal advisors which are payable by the Company in accordance with the provisions of the Act.

	Fund A Claims	Fund B Claims	Total Claims	3 rd Party Costs (Funds A & B)	Total
	€	€	€	€	€
Opening provision at 1 August 2010	500,000	9,142	509,142	389,800	898,942
(Decrease) / increase in provision	-	-	-	31,045	31,045
Payments during the year	-	-	-	(37,115)	(37,115)
Provision at 31 July 2011 and at 1 August 2011	500,000	9,142	509,142	383,730	892,872
Increase in provision	19,550,000	-	19,550,000	181,508	19,731,508
Payments during the year	-	-	-	(171,250)	(171,250)
Closing Provision at 31 July 2012	20,050,000	9,142	20,059,142	393,988	20,453,130

9. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

There were no Contingent Assets at 31 July 2012.

Contingent Liabilities

Bloxham (In Liquidation)

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

Custom House Capital Limited (In Liquidation)

On the basis of advice received from the Administrator in September 2012, it is anticipated that \in 7,220,000 will be certified for payment by the Administrator in respect of approximately 550 claimants in October 2012. The Company does not have a definitive timeline on when the remainder of claimants will have their claims certified for compensatable loss. The Company will continue to meet and work with the Administrator at regular intervals to facilitate as much progress as possible. The Administrator has estimated that the total compensation payable by the Company will not exceed \leq 19,700,000, of which \leq 4,700,000 is recoverable from Insurers under an Excess of Loss Insurance Contract. Notwithstanding the significant progress to date, in estimating the total cost of claims, the final determination of costs is subject to significant uncertainty, as identified in note 8 above.

W&R Morrogh (In Receivership)

Certification and payment of €202,636 of compensatable losses to 34 of the remaining 36 claimants was made in October 2012. It is anticipated that certification and payment of compensatable losses to the remaining claimants will occur in the coming year.

Total compensation payable by the Company is estimated at \in 7,900,000 at 31 July 2012, of which \notin 7,550,000 has already been certified and paid. The balance has been provided for in the Company's Financial Statements to 31 July 2012.

10. SHARE CAPITAL

	2012 €	2011 €
Authorised:	C	
10 Ordinary shares of €1.25 each	13	13
Issued and fully paid:		
3 Ordinary shares of €1.25 each	4	4

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

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

11. TAXATION

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

12. MOVEMENTS IN TOTAL FUNDS

	Share Capital attributable to Shareholders	Attributable to Funds	Total
	€	€	€
At 1 August 2011	4	38,713,480	38,713,484
Deficit for the year	-	(9,266,889)	(9,266,889)
At 31 July 2012	4	29,446,591	29,446,595

13. RELATED PARTIES

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

	2012 €	2011 €
Administration costs chargeable to the Company		
by the Central Bank of Ireland for services provided	616,358	581,061

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 2012 between the Company and its directors.

14. CASH FLOW NOTES

(i) Reconciliation of surplus on ordinary activities to net cash inflow from operating activities	2012 €	2011 €
(Deficit)/Surplus on ordinary activities	(9,266,889)	4,285,907
Depreciation	31,424	50,865
Loss on disposal of fixed assets	-	-
(Increase)/Decrease in debtors	(6,202,710)	(117,883)
(Decrease)/Increase in creditors and provisions for liabilities and charges	19,564,760	(214,139)
	4,126,585	4,004,750
(ii) Analysis of net funds		
Cash at bank	43,810,813	39,684,228
(iii) Reconciliation of net cash flow to movement in net funds		
Net Funds at 1 August	39,684,228	35,680,555
Increase in cash in the year	4,126,585	4,003,673
Net Funds at 31 July	43,810,813	39,684,228

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 (the Company).

Background

In March 1997, the European Council adopted a Directive in relation to the establishment of investor compensation schemes in Member States. The purpose of the Investor Compensation Directive is to provide a minimum level of protection for investors in circumstances where fraud or insolvency results in the inability of an investment firm to return investment instruments or money to investors. The Investor Compensation Directive lays down certain basic requirements for investor compensation schemes in order to provide a harmonised minimum level of investor protection across the Community. It is left to each individual Member State to implement an appropriate scheme and to determine the most appropriate way of organising and financing such schemes.

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

The Investor Compensation Act, 1998 (the Act)

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

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

Shareholders

The Company's three shareholders are:

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

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

The Board of Directors

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

Scope of the Scheme

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

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

Fund A

- Investment Firms authorised under the European Communities (Markets in Financial Instruments) Regulations 2007
- Investment Firms authorised under Section 10 of the Investment Intermediaries Act, 1995 that are not exempt under Section 2(5) of the Investor Compensation Act, 1998
- Stockbrokers authorised under the European Communities (Markets in Financial Instruments) Regulations 2007
- Credit Institutions authorised to provide investment business services
- Certain certified persons who provide investment business services, which are similar to services provided by Fund A firms, in a manner which is incidental to their main professional activities

 UCITS management companies, authorised to undertake Individual Portfolio Management Services³

Fund B

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

How is the Company Funded?

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

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 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 pav compensation where a loss arises as a result of poor advice or where the value of a client's investment declines because of market or other economic forces.

Process for Paying

Compensation

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

³ Individual Portfolio Management Services refers to the management of portfolios of investments and discretionary portfolio management services as well as non-core services such as investment advice, safekeeping and administration services.

- a) been the subject of a court ruling which prevents the firm returning money or investment instruments to clients, or
- b) been the subject of a determination by the Central Bank of Ireland that the firm is unable to meet its obligations arising from claims by clients.

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

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

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

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

Compensation Limits

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

Relationship with Claimants

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

Relationship with the

Central Bank of Ireland

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

These include:

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

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

The Investor Compensation Company Limited C/o Central Bank of Ireland P.O. Box 11517 Spencer Dock North Wall Quay Dublin 1

Telephone: (01) 224 4955 Fax: (01) 894 4614 Email: <u>info@investorcompensation.ie</u> Website: <u>www.investorcompensation.ie</u>