



Investor Compensation Company DAC

Annual Report

Year ended 31st July 2017



Mission Statement

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

In doing this, we will:

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

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

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

Compensation

Company

DAC

Annual Report

Year Ended

31st July 2017

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DIRECTORS AND OTHER INFORMATION

Directors	Jim Bardon	(Chairperson)
	George Treacy	(Deputy Chairperson)
	Valerie Bowens	
	Brendan Bruen	(Re-appointed on 10 th July 2017)
	Liam Carberry	(Re-appointed on 10 th July 2017)
	Brian Healy	
	Dermott Jewell	
	Siobhán Madden	
	Enda Newton	
	Paul O'Donovan	(Senior Independent Director, re-appointed 10 th July 2017)
Ciaran Phelan		
Amy Walsh	(Appointed on 12 th September 2016)	

Secretary Michael Fagan

Registered Office Central Bank of Ireland,
PO Box 11517,
Spencer Dock,
North Wall Quay,
D01 W920.

Auditor KPMG,
1 Harbourmaster Place,
IFSC,
D01 F6F5.

Bankers Bank of Ireland,
2 College Green,
D02 VR66.

Solicitors William Fry Solicitors,
2 Grand Canal Square,
Grand Canal Dock,
D02 A342.

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 former Secretary of the Credit Institutions Ombudsman of Ireland Limited. Former member of the Member Services Committee of the IDA, Company Law Review Group, Small Business and Services Forum, Consultative Industry Panel of the Financial Regulator and Executive Committee of the European Banking Federation.



George Treacy

(Deputy Chairperson)

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



Valerie Bowens

A Director of ICCL since October 2015, Valerie is Director of Regulatory Compliance at Dillon Eustace Solicitors, Director of NSAI and member of its Governance Committee, and Council Member of the Financial Services Ombudsman. Prior to these roles, at executive level, extensive compliance and regulatory experience over more than 20 years, to include Managing Director and Country Head of Compliance - BNY Mellon, Senior Regulator - Central Bank, Senior Manager - AIB Capital Markets, and also former Director of Association of Compliance Officers in Ireland. Holds honours degrees - Bachelor of Commerce, and Master of Business Studies, as well as a Diploma in Financial Services Law, all from UCD.



Brendan Bruen

Brendan Bruen is the CEO of the Irish Association of Investment Managers, whose members manage assets of over €295bn on behalf of Irish and international clients. He was previously Director of Financial Services Ireland, the Ibec association representing the financial services industry. A graduate of Trinity College Dublin and the King's Inns, he is a qualified barrister (non-practicing).



Liam Carberry

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



Brian Healy

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 of post trade issues for equity and fixed income markets. Previously worked with Arthur Andersen. A fellow of Chartered Accountants Ireland and of the Chartered Institute of Securities and Investment. He is also an Accredited Mediator.



Dermott Jewell

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



Siobhán Madden

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



Enda Newton

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



Paul O'Donovan

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



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.



Amy Walsh

Head of Risk & Regulation, Banking and Payments Federation Ireland. Also a member of the European Banking Federation's and Banking Supervision Committee, Crisis Resolution Committee and Deposit Guarantee Scheme WG. Member of the Finuas Steering Group.

Board Committees

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

Funding Committee

George Treacy (Committee chairperson)
 Brendan Bruen¹
 Liam Carberry
 Brian Healy
 Dermott Jewell
 Ciaran Phelan
 Amy Walsh⁴

Audit and Risk Committee

Brian Healy (Committee chairperson)
 Valerie Bowens²
 Enda Newton
 Amy Walsh³
 Siobhán Madden (*Alternate Member*)

Attendance at Board and Committee Meetings

	Board	Funding Committee	Audit and Risk Committee
<i>Number of meetings held</i>	8	4	4
Jim Bardon (Chairperson)	8 (of 8)	N/a	N/a
George Treacy (Deputy Chairperson)	8 (of 8)	4 (of 4)	N/a
Valerie Bowens	8 (of 8)	N/a	4 (of 4)
Brendan Bruen	7 (of 8)	3 (of 4)	N/a
Liam Carberry	8 (of 8)	4 (of 4)	N/a
Brian Healy	7 (of 8)	2 (of 4)	4 (of 4)
Dermott Jewell	7 (of 8)	3 (of 4)	N/a
Siobhán Madden	7 (of 8)	N/a	N/a
Enda Newton	5 (of 8)	N/a	4 (of 4)
Paul O'Donovan	7 (of 8)	N/a	N/a
Ciaran Phelan	6 (of 8)	3 (of 4)	N/a
Amy Walsh	7 (of 8)	3 (of 4)	1 (of 2)

¹ Appointed to the Funding Committee on 12th September 2016

² Appointed to the Audit Committee on 12th September 2016, subsequently reconstituted as the Audit and Risk Committee on 3 April 2017

³ Appointed to the Audit & Risk Committee on 3rd April 2017

⁴ Appointed to the Board & Funding Committee on 12th September 2016

CHAIRPERSON'S STATEMENT



Jim Bardon
Chairperson

I have the pleasure of presenting the Annual Report of the Investor Compensation Company DAC (the “Company/ICCL”) for its nineteenth year of operation.

Overview

The Company generated a surplus of €4.8 million from operations last year resulting in further consolidation in the ICCL’s financial position with accumulated reserves now amounting to almost €53 million, representing an increase of almost €5 million (10 per cent) on the preceding period. In the aftermath of the largest compensation case to date - **Custom House Capital Limited (“CHC”)** – where the aggregate amount paid out and/or fully provided for is in excess of €20 million, there has been a necessity to replenish financial resources. I am happy to report that the Company is on track to achieve the reserves target of €60 million as outlined in the latest *Funding Arrangements* for the three years to 2019. This has been achieved without the need to impose supplementary funding requirements over and above the annual levy obligations on participating investment firms.

The solid funding position of the ICCL comprises the aforementioned reserves augmented by insurance cover of up to €110 million. As a result, there is capacity at this time to meet compensation liabilities of up to €130 million arising from the failure of a Fund A (large investment) firm and a further €35 million for a Fund B firm (other investment firms contributing to the Scheme). Additional sources of funding, including external borrowing, may be availed of by the Company as required.

At present, the ICCL is involved with two ongoing compensation cases, **CHC**, which commenced in 2011 and **Asset Management Trust (“AMT”)**, which was initiated in early 2016. It is of some comfort that no new cases arose in the latest financial year. Rush Credit Union, to which joint liquidators were appointed in late 2016, was a participant in the ICCL Scheme. However, there were no compensatable losses incurred by its clients/members.

I have previously expressed dissatisfaction at the extremely slow progress, thus far, in the CHC case. Although the firm was put into liquidation more than six years ago, to date only one quarter of the almost two thousand investors affected have had their claims certified by the Administrator, Mr Kieran Wallace and have received compensation from the ICCL. The misfortune of the many investors involved who have suffered losses arising from the substantial misappropriation of their assets has been compounded by delays in claims

certification, which has been attributed to the need for many difficult and complex issues in the liquidation to be resolved. The fact that the ICCL stands ready to process any claims validated by the Administrator and pay the compensation entitlements involved within a matter of days is of little relief to the investors concerned given the lengthy timeframe involved in the progress of the return of their assets by the liquidator and the related certification of claims for compensation for losses experienced.

During the year, a total of 20 claims from eligible clients were certified by the Administrator resulting in aggregate compensation of €387,000 being paid to the investors concerned. The Company has continued to engage with the Liquidator/Administrator seeking to advance the very protracted timetable for claims certifications. In that context, it is hoped the recent High Court Judgement on the Liquidator's application for various directions in respect of the distribution of the remaining client assets and of recovered misappropriated monies will hasten the certification process for the still substantial number of outstanding claims. However, based on the latest information available, it is likely that a further period of at least two years will be required before that process is completed, enabling associated compensation amounts to be paid to the eligible investors involved.

It is accepted that the CHC case is a highly complex case characterised by the deliberate and systematic concealment of substantial misappropriation of investors' funds coupled with false accounting records and incorrect statements to clients. Notwithstanding the unusual circumstances concerned, it is evident that instances involving lengthy delays in the certification of claims could arise in cases of a similar scale in the future, despite recent legislative initiatives including the implementation of the *Investor Compensation Act, 1998 (Return of Investor Funds or Other Client Property) Regulations, 2015*. Accordingly, following a review in late 2016 of the factors inhibiting the prompt payment of compensation in such cases, the ICCL proposed a number of changes which sought to address such delays. These recommendations were conveyed to key stakeholders, the Department of Finance and the Central Bank (the "Bank") for due consideration. It is imperative that some measures are introduced to tackle the impediments to more speedy resolution in such cases.

Compensation Cases

Under the terms of the Investor Compensation Act, 1998, (the "Act") the Company is required to pay compensation within three months of the certification of the relevant claim by the appointed Administrator of the investment firm concerned and notification to the ICCL. Compensation is always paid within the statutory deadline and we remain committed to this objective. Unfortunately, there can be delays encountered in the certification process such as has occurred in **CHC** which result in eligible investors having to wait for extended periods before receiving their entitlements.

As noted above, during the year, a total of €387,000 in compensation was paid to CHC claimants, bringing the aggregate paid to date to €7.4 million. The ultimate compensation bill for the ICCL in this case has been estimated at €19.7 million, which has been fully provided for in the financial statements.

In the case of **AMT**, a small number of clients were impacted. The claims received are being assessed for eligibility by the Administrator, Mr Des Ritchie. During the year, two claims were certified by the Administrator with no compensation deemed payable. The final estimated

liability for the ICCL has been revised to €77,000 (from €183,000) and is provided for in the accounts.

The Company had compensated investors in relation to two earlier cases, **Money Markets International Stockbrokers Limited** and the **Irish Bank Resolution Corporation**, with the most recent payments being made some years ago. Although the liquidations of both of these firms are continuing, it is not anticipated that any future liability will arise for the ICCL.

Operations

A core objective of the ICCL is the collection of levies from investment firms, which forms a critical element in ensuring that adequate funding is available to meet any compensation due to clients of failed firms. All investment firms authorised by the Central Bank are obligated to contribute annually to the Scheme. It is reassuring that there was another strong performance this year with €6.4 million (or 99.9 per cent of all amounts due to the Company) received and I would like to commend those member firms of the Scheme that paid their contributions. The availability of discounts for those firms that signed up to direct debit and e-invoicing arrangements had a positive bearing and these incentives will continue next year.

The ICCL pursues all outstanding amounts due, including recourse to legal recovery where appropriate, as well as notification of non-compliant firms to the regulatory authority (the Bank). I can assure those participating firms that discharge their statutory requirement to contribute annually, which comprise the vast majority of member firms, that the Company is committed to pursuing debts due from uncooperative Scheme participants.

The coming year will see an increase in the number of firms participating in the Scheme following the inclusion of member firms of Chartered Accountants Ireland (“CAI”) that are authorised to undertake investment business. These firms were previously affiliated to the UK-based Chartered Accountants Compensation Scheme. Arrangements for the inclusion of CAI firms are well advanced.

Under the Act, the Company is required to maintain adequate funds from which compensation due to eligible investors can be paid. To that end, it seeks to invest accumulated reserves in a prudent manner. An investment policy approved by both the Board and the Bank provides an appropriate framework for that purpose. The current year has seen the primary aim of preservation of capital achieved in what continued to be a very challenging market environment.

The Company maintains a close relationship with the Bank in respect of investor compensation-related policy and other regulatory matters with regular contact at senior levels. It also avails of a number of important support services from the Bank, including the provision of accommodation. A new agreement for the supply of these services over a number of years was successfully concluded in the past year. On behalf of the Board, I would like to acknowledge the ongoing assistance of the Bank and its staff over the past twelve months. I also wish to recognise the support of our other stakeholders, especially the Department of Finance.

Corporate Governance

The Board is committed to adopting best practice corporate governance standards. It has a policy of adhering to the principles enshrined in *the Code of Practice for the Governance of State Bodies* (the “Code of Practice”) as well as complying with other statutory requirements including those arising under *the Companies Act, 2014* and the *Ethics in Public Office Act, 1995*. The Company also observes relevant provisions of the UK Corporate Governance Code.

During the year, a wide-ranging review of governance arrangements was conducted vis-à-vis the provisions of the updated Code of Practice introduced in September 2016 and the resulting recommendations are under consideration by the Board. In addition, the recommendations of a Board Working Group convened to comprehensively review all aspects of the Company’s risk management arrangements were implemented. This included the formation of an Audit and Risk Committee, into which the functions of the existing Audit Committee were subsumed together with specific responsibilities for the oversight of risk management. Risk management is a standing item on Board meeting agendas.

In accordance with the provisions of the Companies Act, 2014, the ICCL converted to a Designated Activity Company (“DAC”) in late 2016 and was renamed the Investor Compensation Company DAC, while “ICCL” was registered with the Companies Registration Office as a business name.

Staff and Board

The Board is appreciative of the ICCL’s Executive, led by Michael Fagan, Chief Operations Officer, for their application and dedication during the past year which enabled the Company’s operations to be administered in an efficient and effective manner. As I have outlined above, the performance in respect of the annual levy collection was particularly noteworthy.

Finally, I am very grateful to all Board Members for the expertise, time and commitment which they bring to the business of the Board.

23 October 2017

OPERATING REPORT



Michael Fagan

Chief Operations Officer

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

I am pleased to present my third Operating Report as Chief Operations Officer for the Investor Compensation Company DAC (the "Company/ICCL"), covering the financial year to 31st July 2017.

Overview

Financial Results

A surplus of €4.8 million was recorded for the year, which represents an increase of €72,000 or 1.5 per cent on the previous year. Total Income, comprising annual levies receivable from investment firms, was €6.4 million, unchanged from last year. Total expenditure amounted to €1.7 million, a reduction of 8 per cent. As at 31st July 2017, aggregate reserves stood at €52.8 million, compared with €48.0 million at the corresponding year-end in 2016.

The ICCL's **Strategic Plan** 2016-20 incorporates a number of High Level Goals designed to ensure that the key responsibilities of the Company, as summarised above are discharged effectively. The High Level Goals are:

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

An Annual Work Programme, derived from the Strategic Plan and approved by the Board, was designed by the Executive to prioritise those tasks considered necessary for the furtherance of the above objectives during 2016/17. The Board was apprised on a regular basis throughout the year on progress towards the completion of operational targets. A review of the Strategic Plan was also undertaken by the Board.

The key operating objectives for last year in the areas of **Funding and Investments** were achieved. The ICCL's own resources have grown, aided by the very strong levy collection outturn in what was the initial period of the latest three-year *Funding Arrangements (2016)*. We are well on track to meet the respective targets for both of the existing Compensation Funds. A review of future funding requirements in this area will be concluded in advance of the commencement of the next funding cycle (in mid-2019). The bespoke insurance policy which was successfully renewed during the year serves as a source of substantial alternative finance, providing a significant safeguard against unanticipated future funding needs.

The past year saw a continuation of the very challenging environment for investments with market rates for both deposits and government bond yields at historically low levels. Against that backdrop, the main aim of the preservation of capital was accomplished.

There was a slowdown in the area of **Compensation Claims** during the past twelve months. Despite our best efforts to advance the certification of claims by the Administrator, Mr Kieran Wallace in the primary compensation case, Custom House Capital ("CHC"), minimal headway was made due to the complexities involved in the ongoing liquidation of that firm. The recent High Court judgement in that case may facilitate progress in the return of assets still under the management of the firm to the investors concerned and the certification of the large number of associated claims for compensation that are still outstanding. However, the ICCL is of the view that unless issues that are undoubtedly adding to the lengthy delays in the certification of claims and by extension, in the payment of compensation due to investors, are tackled, the possibility exists of a similar timespan arising in a prospective failure of an investment firm of comparable size and complexity. The Company will continue to pursue the implementation of those measures it believes would improve the position of investors in those circumstances.

Further information on the each of the above segments is outlined below.

Financial Results Summary for y/e 31st July 2017

INCOME and EXPENDITURE	2017 €'000	2016 €'000
Levy Income	6,351	6,353
Other Income	46	60
Compensation costs	55	(160)
Director & Staff Costs	(642)	(594)
Other Administration Costs	(254)	(166)
Funding Costs	(764)	(773)
Total Administration Expenses	(1,660)	(1,533)
Surplus for Year	4,792	4,720

BALANCE SHEET	2017 €'000	2016 €'000
Cash at bank and short term investments	60,749	56,414
Fixed assets	18	30
Debtors	4,862 ⁵	4,862 ⁵
Creditors	(223)	(199)
Provision for liabilities and charges	(12,639)	(13,131)
Fund Reserves	52,767	47,976

The Company's operations generated a surplus of €4.8 million in the financial year-ended 31st July 2017. This represents an increase of €72,000 on the previous period, which is mainly due to a reduction in compensation-related costs. Accumulated reserves stood at €52.8 million at the end of the year, (comprising of €28.6 million in Fund A and €24.2 million in Fund B).

Income

Total Income for the year amounted to €6.4 million, which was unchanged from the previous year, almost all of which was comprised of net levies from authorised investment firms participating in the Scheme.

Compensation Costs

Although legal and other compensation-related costs of €51,000 were incurred, when a reduction of €106,000 in the AMT provision was applied, there was a credit of €55,000 recorded for Compensation costs. This contrasts with an aggregate charge of €160,000 in the previous year.

Administration Expenses

Total administration expenses rose by €127,000 to €1,660,000, the increase being attributable to a return in staff numbers to approved complement level and to higher professional fees and accommodation-related charges. Funding costs for the period were €764,000, marginally lower than last year.

Bad Debts

The consistently strong levy collection performance enabled a further decrease in the level of bad debts written-off of €13,292 (2016: €15,889) and a reduction of €10,716 in the provision for bad debts. It is evident that the policy of intensive follow-up of outstanding levies and continued cooperation with the Bank continues to be effective. Further details are included in the Table below.

Bad Debts – Write-offs and Provisions:

Particulars (€)	Year ended 31 st July 2017			Year ended 31 st July 2016		
	Fund A	Fund B	Total	Fund A	Fund B	Total
Bad debts written-off	-	13,292	13,292	-	15,889	15,889
Increase/(Decrease) in Provision	(2,506)	(8,210)	(10,716)	2,276	(7,769)	(5,493)
Total Bad Debts Costs	(2,506)	(5,082)	2,576	2,276	8,120	10,396

⁵ Includes an amount of €4.7 million (2016: €4.7 million) recoverable under an insurance policy (re CHC).

Strategic Plan

The ICCL's current Strategic Plan, covering the years 2016-20, outlines four high level goals that encompass the strategic priorities and objectives of the Company. These objectives serve to guide the Board and Executive in the formulation of the Annual Work Programme (Operations). The following is a summary of key outputs delivered vis-à-vis against each of the strategic goals during the period under review:

1) To ensure that the Scheme is adequately funded by collecting levies and managing invested reserves prudently

- Completion of a very successful campaign for the collection of annual levies for y/e 31st July 2017 (99.9 per cent of the total amount due was collected)
- Renewal of Excess of Loss Insurance Policy on acceptable terms, providing cover of up to €100 million in respect of compensation payable to investors in the event of the failure of a large investment firm (Fund A) and €10m in respect of smaller firms (Fund B)
- Management of the Company's reserves in line with the approved Investment Policy
- Arrangements implemented for accession to the Scheme of the Chartered Accountants' Ireland member firms (c500) that are authorised to provide investment business services

2) To handle claims for compensation promptly and to expedite the certification of claims

- Payment of all compensation claims certified by the CHC Administrator well within the statutory deadline
- Continued engagement with the CHC and AMT cases including acting as *Legitimus Contradictor* in respect of the CHC Liquidator's application to the High Court for approval of fees, resulting in a significant reduction in the fees payable
- Production of final report of Claims Review Working Group incorporating recommendations for legislative and other changes required to improve outcomes for investors in relation to the claims process
- Communications with clients of Rush Credit Union following the appointment of joint liquidators.

3) To manage the ICCL efficiently and effectively, implementing quality corporate governance and risk management procedures.

- Successful marketing of efficiency-enhancing options for the payment of annual levies, (e.g. e-invoicing, direct debit payments), resulting in a significant increase in the number of participant firms signing-up
- Implementation of recommendations of Risk Review Working Group including the formation of an Audit and Risk Committee tasked with monitoring of the Company's financial control and risk management systems
- Review of compliance with the latest *Code of Practice for the Governance of State Bodies*
- Internal Audit review carried out and schedule of agreed actions completed
- Project initiated to ensure compliance with EU General Data Protection Regulation (due May 2018)
- Competitions to select statutory auditors and insurance brokers concluded

4) To communicate effectively, manage relationships and be an advocate of change with all key stakeholders

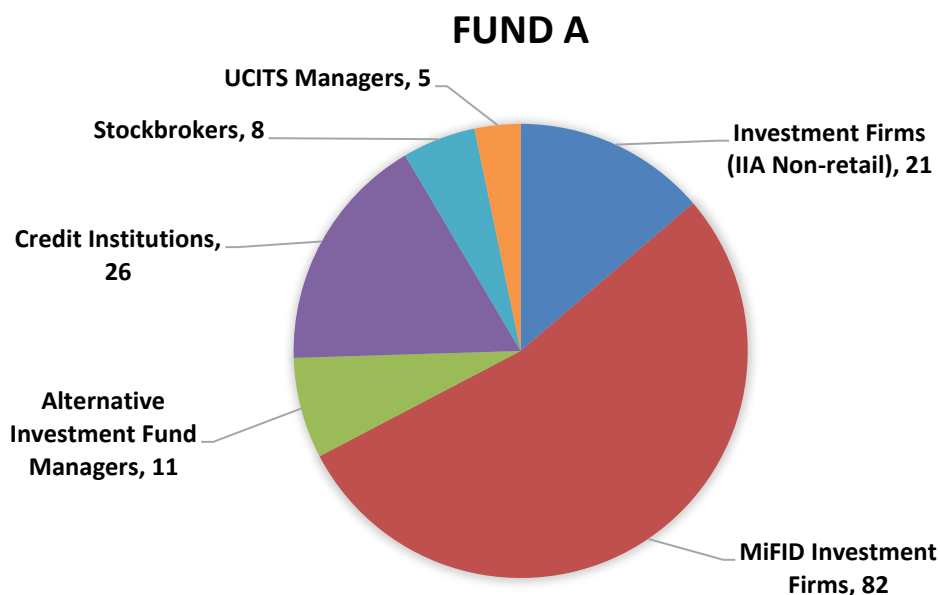
- Regular engagement with key stakeholders - the Department of Finance and the Central Bank - on legislative and policy matters.
- Increased participation in the European Federation of Deposit Insurers, the leading representative organisation for investor compensation schemes in the European Union
- Further development of ICCL website

Funding of the Scheme

Under the provisions of the Investor Compensation Act, 1998, as amended, the ICCL is charged with maintaining a compensation fund or funds out of which compensation payments can be made to eligible clients of failed investment firms. The Funds are financed from levies paid by investment firms, all of which are authorised to conduct investment business. The extent of previous and anticipated future compensation liabilities (estimated at €20 million) that have arisen in the CHC case was such as to require substantial financial provisions to be made some years ago. Accordingly, there has been a subsequent focus on replenishing/augmenting reserves, which was sustained in the past twelve months, as foreseen in the *Funding Arrangements* document, published by the ICCL.

Annual levy rates for investment firms that are participants of the Investor Compensation Scheme are fixed at three-yearly cycles. Contribution levels are set following a comprehensive review of the Company's future funding requirements, incorporating consultation with the financial services industry. The twelve months ended 31st July 2017 was the first year of the latest three year funding cycle covering the period 2017-19.

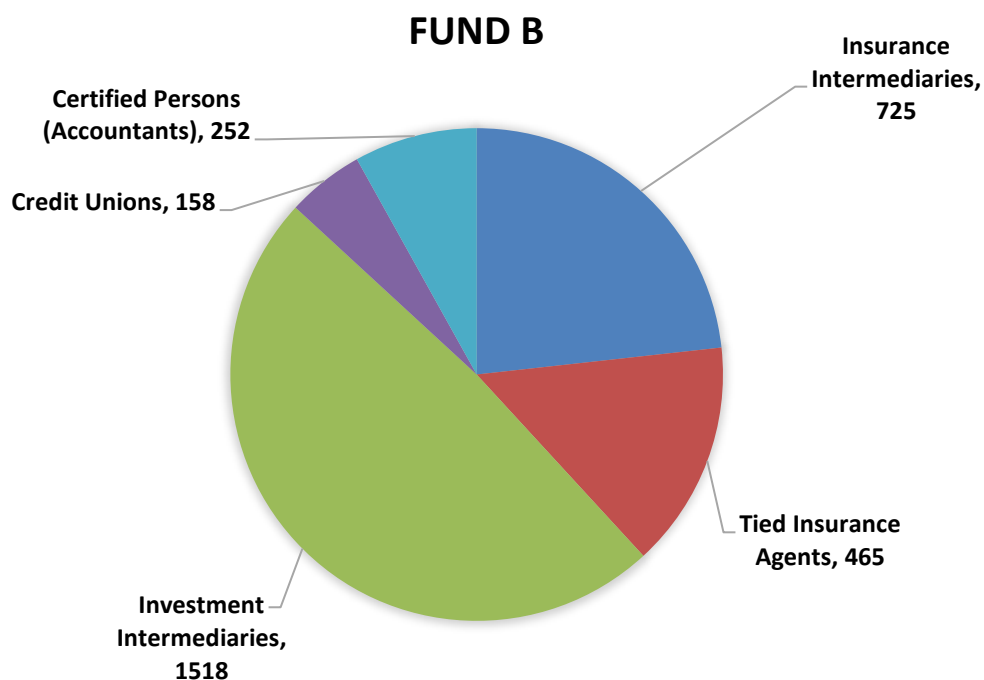
The ICCL maintains two compensation funds, Fund A for investment firms of significant size and Fund B for all other investment firms. At 31 July 2017, there were 3271 investment firms contributing to the Scheme, comprising 153 in Fund A and 3118 in Fund B. Further details of the Scheme participant firms are shown in the following charts.



Total Contributing Firms: 153

By the financial year end (31 July 2017), **Fund A** reserves stood at €28.6 million following the receipt of levies of €4.9 million (or 100 per cent of amounts due). Under the current *Funding Arrangements*, a target of €35 million has been set for this Fund, to be reached by 31 July 2019 and this should be achievable based on projected levy income over the next two years, assuming no new investment firm failures transpire.

The implementation from 3 January 2018 of the EU (Markets in Financial Instruments) Regulations, 2017, commonly known as MiFID II, may result in an increase in Fund A firms following the introduction of the Third Country Branch regime for firms engaging with retail clients. Furthermore, the outcome of Brexit may bring about changes in the number or type of investment firms joining the Scheme. The impact of such developments on funding requirements will be kept under review and will also be assessed in the context of the succeeding *Funding Arrangements* process.



Total Contributing Firms: 3118

For **Fund B**, contributions (net of invoice discounts) of €1.4 million were received from participant firms resulting in accumulated reserves of €24.2 million at end-year, which was in line with expectations. This represented a collection rate of 99.8 per cent, which constitutes a very strong outturn and the Company is well placed to realise the planned level of reserves of €25 million by mid-2019, notwithstanding the recent trend of reductions in contributing firm numbers. Moreover, the affiliation to the Scheme of a substantial number of new participants, which are member firms of Chartered Accountants Ireland that are authorised as investment firms, as and from the forthcoming funding year, should also ensure that this target is attained.

In summary, an aggregate collection rate for last year of 99.9 per cent was accomplished which represents another very successful campaign. As indicated in the table below, the overall rate of collection continues to improve, which is to be welcomed.

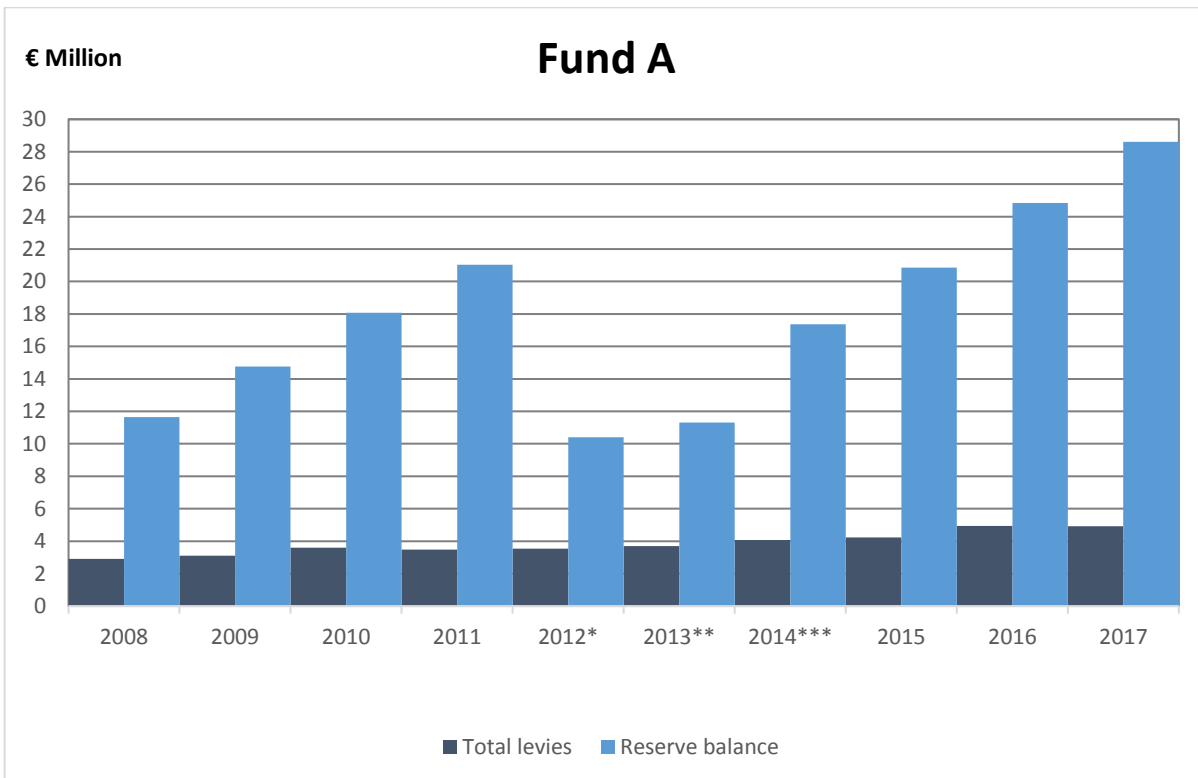
Year ended	Collections: Fund A			Collections: Fund B			Total
	Firms	€m	Rate %	Firms	€m	Rate %	€m
31 st July 2017	153	4.9	100	3,118	1.4	99.8	6.3
31 st July 2016	160	4.9	99.9	3,250	1.4	99.4	6.3
31 st July 2015	165	4.2	99.9	3,429	1.4	99.2	5.6
31 st July 2014	175	3.9	99.9	3,769	1.4	98.9	5.3
31 st July 2013	195	3.6	99.7	4,096	1.6	97.5	5.2
31 st July 2012	205	3.4	98.5	4,487	1.6	95.7	5.0

These excellent results are due to a number of factors including:

- The continued commitment of the vast majority of investment firms to comply with their statutory obligation to pay the annual levy.
- Rigorous follow-up of outstanding amounts due including legal pursuit of firms
- Engagement with and support from the Central Bank, the regulatory authority for investment firms, in respect of the pursuit of levies from non-compliant firms

I am grateful to the vast majority of member firms that pay their annual contributions on a timely basis thereby providing the mainstay of the Scheme's ongoing funding requirements.

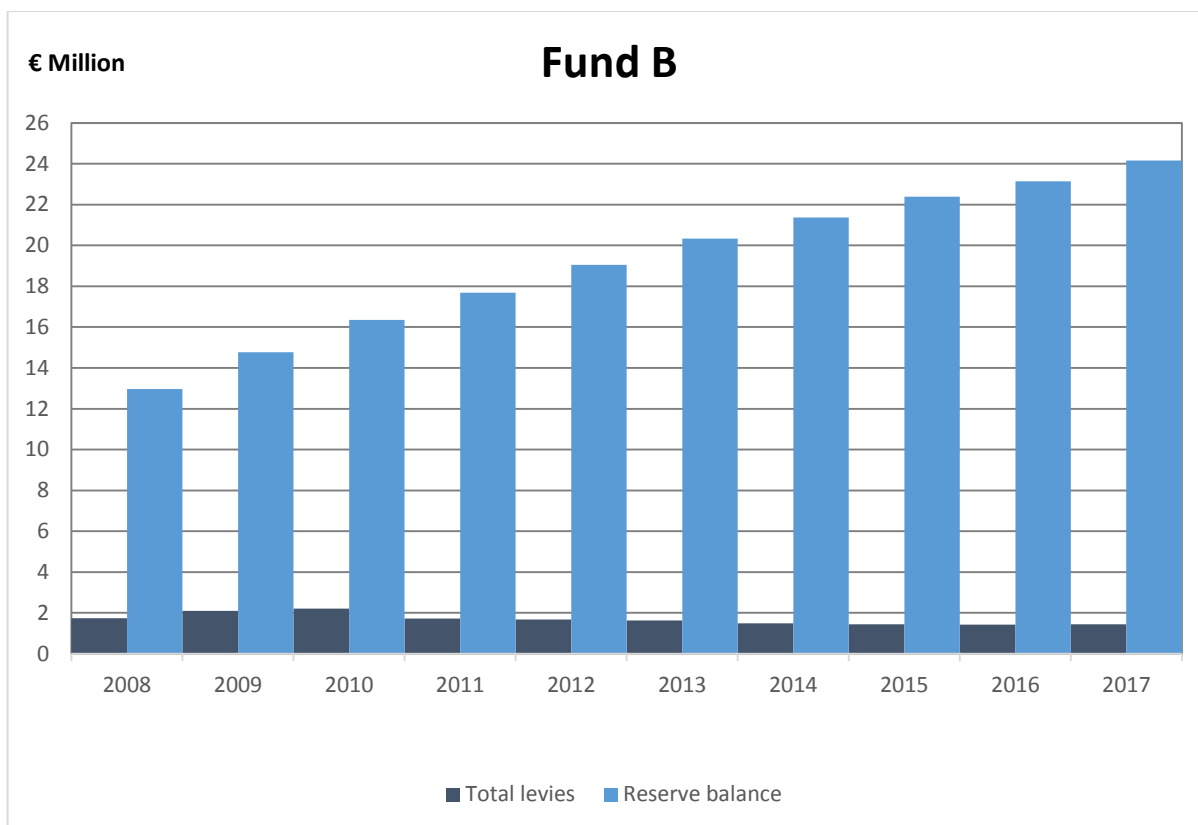
The following tables indicate the development of accumulated reserves for both Fund A and Fund B over the past ten years



* Creation of CHC Claims Compensation Provision

** Creation of IBRC Claims Compensation Provision

*** Release of IBRC Claims Compensation Provision



Investments

The ICCL's reserves comprise accumulated levies received from Scheme participants on an annual basis. When investing these resources, the Company is obliged to have regard to the requirements outlined in the relevant legislation (the Investor Compensation Act 1998), which stipulate that funds may only be placed on deposit or invested in securities in which trustees are authorised by law to invest trust funds. The investment policy, which was approved by the Board in 2016 and sanctioned by the Central Bank, incorporates these prerequisites and reflects the risk appetite of the Company. The policy also specifies those asset classes deemed appropriate for investment purposes, having regard to the mandate of the ICCL.

In recent years, the proportion of the Company's total revenue that is attributable to Investment income has fallen, which is indicative of the pronounced decline in interest rates. The past twelve months witnessed a continuation of these challenging market conditions that have endured for some time, with interest rates and Irish sovereign bond yields remaining at historically low levels. This environment has arisen in the aftermath of the range of monetary policy-related measures deployed by the European Central Bank, including the very extensive programme of quantitative easing which is expected to continue at least until the end of 2017. It is probable that the current scenario will persist until there is a change in the stance of the authorities.

Against that backdrop, a strategy has been adopted to seek the preservation of capital as far as possible, with funds being placed on fixed deposit for terms of up to one year, subject to provision for the availability of adequate liquidity to meet operational needs. An average rate of return of 0.05 per cent was achieved over the year. This represented a reduction from the previous year (0.13 per cent) but was in excess of the average return for the period on the benchmark one-month euro deposit of – 0.47 per cent. This result was attained despite the prevalence of most approved counterparties offering negative deposits interest rates.

Compensation Cases

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

Custom House Capital Limited (in liquidation) ['CHC']:

CHC is the single largest compensation case handled by the ICCL to date. The case dates back to the failure of this investment firm and subsequent High Court appointment on 21 October 2011 of Mr Kieran Wallace as Liquidator and Administrator for the purposes of the Act. In his role as Administrator, Mr Wallace is required to certify claims received from clients of CHC in relation to compensatable losses suffered. In the past year, Mr Wallace certified 20 claims, resulting in compensation of €387,000 being paid out to investors by the ICCL. This brought the total compensation paid to date to €7.4 million in respect to 567 claims certified. However, there are still 1,414 claims to be dealt with by the Administrator which when validated, will give rise to additional aggregate compensation payable estimated at €12.3 million.

Previous reports have highlighted our concerns over the lengthy delays that have arisen in the certification of claims in this case. The resolution of a number of complex issues encountered by the Liquidator in the course of his work has proven to be difficult with a consequential impact on the compensation process. These issues include the reconciliation and transfer of client assets still under the management of CHC and the recovery and distribution of monies that had been misappropriated. In its engagement with the Administrator and other stakeholders, the ICCL has endeavoured to accelerate the certification of outstanding claims. It is anticipated that the most recent judgement from the High Court (in July 2017) will facilitate a sustained improvement in that context although a timetable for the completion of the return of client assets and the conclusion of the compensation process remains to be determined.

The ICCL considers that the extended wait for compensation endured by CHC clients is most unsatisfactory. Following a Board-led review in late 2016 of the factors which cause delays in the certification of claims in cases such as CHC, we have made a number of recommendations to the relevant authorities – the Department of Finance and the Central Bank. It is to be hoped that the measures proposed will address these issues in potential future failures of investment firms and thereby alleviate the impact on those investors who have the misfortune to be involved.

Asset Management Trust Limited ('AMT'):

This case involves a relatively small number of claimants (11) who were clients of this former investment firm, which was the subject of a determination under the Act by the Central Bank in early 2016. To date, the Administrator Mr Des Ritchie has certified 2 claims. As each was deemed to have no compensatable loss, no amounts were payable by the Company. Certification of the outstanding claims is continuing and it is envisaged that the process will be completed by end-2017.

Based on the latest information available, the prior provision of €183,000 in respect of estimated compensation payable in relation to AMT has been adjusted downwards to €77,000.

Irish Bank Resolution Corporation ['IBRC']:

On 17 May 2013, Mr Kieran Wallace and Mr Eamonn Richardson, the joint Special Liquidators to IBRC, were appointed as joint Administrators to that credit institution. A total of 54 claims for compensation were submitted by clients of the firm to the ICCL. Aggregate compensation of €12,368 was paid in respect of 12 claims deemed eligible, the most recent payment being made in 2015. (In many instances, no compensatable losses arose as the claims fell within the scope of either the Deposit Guarantee Scheme or the Government Eligible Liabilities Guarantee Scheme rather than the

Investor Compensation Scheme.) Although the liquidation is continuing, the Administrators have confirmed that no further compensatable claims are likely to arise. The financial statements incorporate an amount receivable of €3,092 in respect of a subrogated claim in the liquidation.

Money Markets International Stockbrokers Limited ['MMI']:

The liquidation of this authorised investment firm, which commenced in March 1999, remains ongoing. The ICCL had previously paid compensation of almost €775,000 to clients of the firm following certification of claims by the Liquidator/Administrator, Mr Tom Kavanagh, the most recent payments being made in 2008. No further compensation liabilities are expected.

In accordance with the requirements of the Act, the Company has maintained a subrogated claim pending the final outcome of the liquidation of MMI. However, no dividend is expected.

Rush Credit Union Limited ('RCUL')

In November 2016 on the application of the Central Bank of Ireland, the High Court appointed joint liquidators to RCUL, an authorised investment firm which participated in the ICCL Scheme. The ICCL contacted RCUL members known to have transacted investment business through the Credit Union, seeking confirmation of whether any losses were incurred in respect of that business. A general notice was also published in the national press requesting RCUL clients that considered that they may have incurred losses to advise the ICCL accordingly. There have been no claims for compensation submitted by members/clients (Separately, the Deposit Guarantee Scheme had been invoked by the Central Bank to cover members' deposits maintained with RCUL).

Organisation

The ICCL's executive staff are seconded from the Central Bank. Section 20 of the Act provides that the Central Bank may provide administrative support services to the Company. The cost of such services, including staff remuneration, is discharged from the resources of the Company.

For the year-ending 31 July 2017, staff numbers averaged 7 FTE. A significant programme of work was undertaken during the year and I am grateful to my colleagues for their ongoing commitment to ensuring that the ICCL's mandate is fulfilled effectively.

I also wish to express my appreciation to the Board of Directors, especially the Chairman, Jim Bardon and Deputy Chairman, George Treacy, for their guidance and support over the past twelve months.

23 October 2017

DIRECTORS' REPORT

The Directors present their report and the audited financial statements for the year ended 31st July 2017.

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 24.

Results for the year

The results are disclosed on page 36 of the financial statements. As noted in the Statement of Income and Expenditure, a surplus of €4.8 million (2016 €4.7 million) was recorded for the year.

In accordance with the Constitution of the Company, 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) of investment firms.

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, funding 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 and related procedures by restricting acceptable counterparties to those with appropriate credit ratings and placing limits on its exposure to any single counterparty. Counterparties are selected based on set minimum credit ratings which are continuously monitored.

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

Interest Rate Risk

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

The Company manages this risk through its Investment Policy and procedures by firstly selecting approved counterparties with appropriate credit ratings, 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. An extensive Excess of Loss Insurance policy in place further mitigates this risk. The EU Investor Compensation 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.

Funding Risk

Funding risk is the risk that the Company does not maintain sufficient funds to discharge its primary responsibility of paying compensation to eligible investors of failed investment firms. The Board carries out regular reviews (at least every three years) of the arrangements which are in place to fund the Scheme. The review includes setting targets for reserve fund balances and seeking support for funding arrangements from all stakeholders, including the participating investment firms, the Central Bank (the "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 current three year funding cycle, incorporating agreed annual contribution rates for the period 2016-19, commenced on 1 August 2016. A dedicated sub-committee of the Board (the Funding Committee) has responsibility for monitoring and advising upon the Company's ongoing funding requirements.

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.

Operational Risk

In its operations, the ICCL faces a number of risks including risks relating to Information and Communications Technology, Human Resources, Data, Business Continuity, and Compliance. The Board has a policy of low risk tolerance and has implemented a comprehensive risk management framework.

A detailed Register of all risks confronting the Company and related controls is maintained. The Audit and Risk Committee reviews this Register on a regular basis, while also identifying any new risks which emerge due to changing internal activities or external factors. In addition, the Directors review critical risks and any changes to the Risk Register at each Board meeting.

Compensation Uncertainty

Compensation uncertainty is the uncertainty associated with estimating the final value of compensation payable in advance of the Administrator(s) appointed to an investment firm certifying all outstanding claims.

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

Corporate Governance

Under the Investor Compensation Act, 1998 (the “Act”), the Chairperson and Deputy Chairperson of the Company are appointed on a non-executive basis by the Governor of the 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 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.

The Bank is the supervisory authority for the ICCL while also providing a range of administrative and support services to the Company for which it is reimbursed. An annual review of the Company’s operations and its relationship with the Bank is undertaken between the Governor and the ICCL Chairperson.

Compliance with the Code of Practice for the Governance of State Bodies

The Board is committed to maintaining the highest standards and supports the principles of corporate governance outlined in the *Code of Practice for the Governance of State Bodies* (the “Code of Practice”), as issued in 2016 by the Department of Public Expenditure and Reform. The Company also had regard to relevant provisions of the Financial Reporting Council’s *UK Corporate Governance Code*. During the year, a review of compliance with the terms of the updated Code of Practice was carried out and the resulting recommendations are being considered by the Board.

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

The Board has also delegated some of its responsibilities to Committees of the Board (see below). 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 an extensive induction and briefing on the Company and its operations, led by the Chairman and the Chief Operations Officer.

Details of remuneration paid to the Directors are set out in Note 1 to the Financial Statements. There were 8 meetings of the Board during the year. Details of Directors' attendance at those meetings are set out in the table on page 10. The Chairperson sets the agenda for each meeting in consultation with the Chief Operations Officer. Directors are provided with detailed briefing material in advance of meetings.

The Board undertakes an annual evaluation of its own performance, in accordance with guidance provided in the Code of Practice. Formal evaluation of the performance of individual Directors during the year is conducted jointly by the Chairperson and Deputy Chairperson. Led by the Senior Independent Director, (or in his absence, the Chairperson of the Audit and Risk Committee), evaluation of the performance of the Chairperson and Deputy Chairperson is conducted by all Board Members without the Chairperson and Deputy Chairperson being present. The objective of these evaluations is to identify any scope for improvement and, in the case of individual evaluations, to determine whether each Director continues to contribute effectively and demonstrate commitment to the role. The Directors' performance evaluation process is based on latest best practice and the findings are reported to the Board as part of the Board evaluation procedure 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, in order to ensure an appropriate control environment, 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 associated controls in place for mitigating them;
- Clear authorisation limits;
- Regular monitoring of performance against plans and targets.

The Audit and Risk 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. The Board and Executive of the ICCL place a high emphasis on the maintenance of appropriate systems of internal control, ensuring that all key processes are documented in a structured manner and commission periodic external reviews as necessary.

Committees

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

Each of these committees has bespoke 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 respective Committees. The current membership of each Committee is set out on page 10 as is the attendance at Committee meetings held during the year.

Audit and Risk Committee

The Audit and Risk Committee was established in March 2017 following a recommendation from the Board Risk Working Group and in line with guidance contained in the Code of Practice. The Committee assumed the role of the pre-existing Audit Committee together with additional responsibilities in respect of the monitoring of the Company's risk management framework. The Committee (and the former Audit Committee) met on four occasions during the year.

The main functions of the Audit and Risk Committee are set out in written terms of reference and include:

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

Because of its size, the Company does not maintain an internal audit unit. In that context, formal arrangements are in place between the Company and the Bank for the provision of internal audit services. After each audit, the Committee reviews the relevant reports, meets with the internal auditors and oversees the implementation of agreed actions by the Executive. This well-established process was carried out following an internal audit performed during the year. In addition, the Committee considered the frequency at which audit reviews are performed, (currently every three years).

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

Funding Committee

The Funding Committee is required to assist the Board of the ICCL in fulfilling its role in overseeing the adequacy of funds maintained to meet the compensation liabilities of the Company. The Committee's responsibilities include:

- Assisting the Board with the development of a comprehensive funding strategy and related policies with a view to the maintenance of a fund or funds out of which payments shall be made in accordance with the Act,
- Evaluating the adequacy of funding plans and overseeing their implementation
- Monitoring the collection of annual levies, including the proposed write-off of bad debts,
- Reviewing the estimates of compensation payable as provided by Administrators appointed to investment firms,

- Assisting the Board with the formulation of policies which affect the funding and operations of the Company.

During the year, four meetings of the Committee were held.

The Board establishes Working Groups to deal with specific policies and other matters, as considered appropriate. During the year ended 31st July 2017, two Working Groups – the Claims Review Working Group and the Risk Working Group completed their work in line with their respective mandates and furnished reports, with recommendations, to the Board.

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.

The Company Secretary holding office at the end of the reporting period, had no beneficial interest in the share capital of the Company during or at the end of the financial year.

Directors and Transactions Involving Directors

The Directors of the Company are listed on page 7. All Directors serve in a non-executive capacity.

The Directors holding office at the end of the reporting period, had no beneficial interest in the share capital of the Company during or at the end of the financial year.

There were no contracts in relation to the business of the Company in which the Directors had any beneficial interest during or at the end of the financial year (2016: Nil).

Subsequent Events

There were no material events since the year end.

Political and charitable contributions

The Company made no political or charitable donations or incurred any related expenditure during the year (2016: Nil).

Accounting Records

The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act, 2014 with regard to the keeping of accounting records, by employing accounting personnel with appropriate expertise and by providing adequate resources to the financial function. The Company's accounting records are maintained at its registered office at Spencer Dock, North Wall Quay, D01W920.

Statement of relevant audit information

The Directors believe that they have complied with section 330 of the Companies Act, 2014 whereby they have taken all the steps necessary to make themselves aware of any relevant audit information and have established that the Company's statutory auditors are aware of that information. In so far as

each director is aware, there is no relevant audit information of which the Company's statutory auditors are unaware.

Auditors

As their term of office has expired in 2017, the auditors, KPMG, will cease to act in that capacity. In accordance with Section 383 (1) of the Companies Act, 2014, the Board, following a tender process, intends to appoint Mazars, Chartered Accountants, as auditors of the Company for the year ending 31 July 2018 at the forthcoming Annual General Meeting.

Signed on behalf of the Board:

J. Bardon)	DIRECTORS
B. Healy)	

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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

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

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

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

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

- correctly record and explain the transactions of the Company;
- enable at any time the assets, liabilities, financial position and profit or loss of the Company to be determined with reasonable accuracy;
- enable them to ensure that the financial statements comply with the Companies Act 2014 and enable those Financial Statements to be audited.

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

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

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

On behalf of the board

J. Bardon)	DIRECTORS
B. Healy)	

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

1 Report on the audit of the financial statements

Opinion

We have audited the financial statements of The Investor Compensation Company DAC ('the Company') for the year ended 31 July 2017 set out on pages 36 to 38, which comprise the Income and Expenditure account, the balance sheet and the cash flow statement and related notes, including the summary of significant accounting policies set out in pages 39-40. The financial reporting framework that has been applied in their preparation is Irish Law and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In our opinion, the accompanying financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 July 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

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

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

Going concern

We have nothing to report in respect of the following matters in relation to which ISA 570 (Ireland) 'Going concern' requires us to report to you where:

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

Other information

The directors are responsible for preparation of other information accompanying the financial statements. The other information comprises the information included in the directors' report and other sections of the annual report other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion on that information.

Independent Auditors' Report to the members of the Investor Compensation Company DAC (continued)

2 Respective responsibilities and restrictions on use

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement set on page 32, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

A fuller description of our responsibilities is provided on IAASA's website at https://www.iaasa.ie/getmedia/b2389013-1cf6-458b-9b8f-a98202dc9c3a/Description_of_auditors_responsibilities_for_audit.pdf

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

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

Killian Croke
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Harbourmaster Place
IFSC
Dublin 1

Date

Independent Auditors' Report to the members of the Investor Compensation Company DAC (*continued*)

In connection with our audit of the financial statements, ISAs (Ireland) and the Companies Act 2014 require that we read the other information and, in doing so, consider whether that information is materially inconsistent with the financial statements or our knowledge obtained from our audit work, or otherwise appears to be materially misstated.

Based solely on that work, we report that

- we have not identified material misstatements in the directors' report or other accompanying information;
- in our opinion, the information given in the directors' report is consistent with the financial statements;
- in our opinion, the directors' report has been prepared in accordance with the Companies Act 2014.

Opinions on other matters prescribed by the Companies Act 2014

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

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of directors' remuneration and transactions required by sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

F inancial Statements

Income and expenditure account for the year ended 31st July 2017

		2017 €	2016 €
INCOME	<i>Notes</i>		
Levy Income		6,350,740	6,353,775
Interest Income		42,698	59,832
Subrogation Income		3,092	-
		6,396,530	6,413,607
EXPENDITURE			
Compensation costs and provisions			
Claims provision decrease/(increase)	8	105,721	(182,623)
3 rd party costs provision decrease/(increase)		(615)	35,055
ICCL claims legal costs		(50,095)	(13,045)
		55,011	(160,613)
Administration expenses	2	(1,659,690)	(1,533,016)
TOTAL EXPENDITURE		1,604,679	1,693,629
SURPLUS ON ORDINARY ACTIVITIES	1	4,791,851	4,719,978
Surplus at beginning of year		47,975,455	43,255,477
Surplus at 31 July		52,767,306	47,975,455
ALLOCATED BETWEEN FUNDS AS FOLLOWS:			
FUND A	3	28,607,697	24,833,140
FUND B	3	24,159,609	23,142,315
		52,767,306	47,975,455

The financial statements were approved by the Board of Directors on 23 October 2017 and were signed on its behalf by:

Mr Jim Bardon)	DIRECTORS
)	
Mr Brian Healy)	

Balance sheet as at 31st July 2017

	Notes	2017 €	2016 €
FIXED ASSETS			
Equipment	6	18,468	30,125
		<u>18,468</u>	<u>30,125</u>
CURRENT ASSETS			
Trade and other receivables	4(a)	162,487	161,960
Other assets	5	4,700,000	4,700,000
Cash and Cash Equivalents	3	41,131,954	18,000,016
Short-term investments	3	19,617,186	38,414,013
		<u>65,611,627</u>	<u>61,275,989</u>
CREDITORS: amounts falling due within one year	7	3,142,785	930,655
NET CURRENT ASSETS		62,468,842	60,345,334
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,487,310</u>	<u>60,375,459</u>
CREDITORS: Amounts falling due after more than one year			
Provisions for Compensation Claims & Associated Costs	8	9,720,000	12,400,000
NET ASSETS		<u>52,767,310</u>	<u>47,975,459</u>
FINANCED BY:			
Called-up share capital	10	4	4
Funds	3	52,767,306	47,975,455
	12	<u>52,767,310</u>	<u>47,975,459</u>

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

The financial statements were approved by the Board of Directors on 23 October 2017 and were signed on its behalf by:

Mr Jim Bardon)	DIRECTORS
)	
Mr Brian Healy)	

Cash flow statement for the year ended 31st July 2017

	<i>Notes</i>	2017 €	2016 €
CASH FLOWS FROM OPERATING ACTIVITIES			
Surplus on ordinary activities		4,791,851	4,719,978
Adjustments for:			
Depreciation		16,943	17,288
(Decrease)/Increase in debtors		(527)	2,628
(Decrease) in creditors and provisions for liabilities and charges		(467,870)	(100,319)
Loss on disposal		26	632
		4,340,423	4,640,207
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets	6	(5,312)	(19,737)
Decrease/(Increase) in short-term investments		18,796,827	(11,195,234)
		18,791,515	(11,214,971)
Net Increase/(Decrease) In Cash and Cash Equivalents		23,131,938	(6,574,764)
Cash and Cash Equivalents at 1 st August		18,000,016	24,574,780
Cash and Cash Equivalents at 31st July		41,131,954	18,000,016

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, 2014 and in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in September 2015, however the amendments arising from the implementation of the EU Accounting Directive in the UK have been dis-applied.

Accounting Convention

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

Levy Income

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

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

Compensation Costs

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

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

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

The Company is subrogated to the rights of each eligible investor in liquidation proceedings against the investment firm in respect of the amount the Company has paid to each eligible investor. This is in accordance with section 35(5) of the Act. Recoveries from subrogation are recognised when receipt is virtually certain.

Where recoveries from subrogation are probable but not virtually certain, the Company will not recognise the subrogated income but will make the necessary disclosures in the Contingent Assets note.

Administration Expenses

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

Equipment

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

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

Computer software and equipment	:	3 years
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Cash and Cash Equivalents

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

Short term investments

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

Trade and other payables

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

Funds

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

Notes to the financial statements for the year ended 31st July 2017

1. SURPLUS ON ORDINARY ACTIVITIES

The surplus on ordinary activities is stated after charging:

	2017 €	2016 €
Directors' fees	131,568	126,350
Depreciation	16,943	17,288
Auditors' remuneration (ex-VAT)	7,500	7,500

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

The Chairperson and Deputy Chairperson were remunerated €31,500 (2016: €31,500) and €15,750 (2016: €14,186) respectively on a pro-rata basis during the year. The other Directors were remunerated at the rate of €8,550 per annum (2016: €8,550), also on a pro-rata basis.

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

2. ADMINISTRATION EXPENSES ANALYSIS

	2017 €	2016 €
Staff costs*	499,912	458,858
Directors' fees and expenses	135,028	129,980
Other administration expenses including funding costs	1,005,231	914,494
Bad debts written off	13,292	15,889
Decrease in provision for bad and doubtful debts	(10,716)	(5,493)
Depreciation	16,943	17,288
	<u>1,659,690</u>	<u>1,533,016</u>

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

3. FUNDS

	Fund A	Fund B	2017 Total	Fund A	Fund B	2016 Total
	€	€	€	€	€	€
Levy income	4,919,435	1,431,305	6,350,740	4,937,712	1,416,063	6,353,775
Interest income	19,942	22,756	42,698	35,815	24,017	59,832
Subrogated income	3,092	-	3,092	-	-	-
Compensation (costs)/recoveries:						
Claims provision	-	105,721	105,721	-	(182,623)	(182,623)
3 rd party costs provision	(615)	-	(615)	48,893	(13,838)	35,055
ICCL legal costs	(50,884)	789	(50,095)	(11,045)	(2,000)	(13,045)
Administration expenses:						
Bad Debts (written off)	-	(13,292)	(13,292)	-	(15,889)	(15,889)
(Increase)/decrease in provision for bad and doubtful debts	2,506	8,210	10,716	(2,276)	7,769	5,493
Other administration expenses	(1,118,919)	(538,195)	(1,657,114)	(1,041,918)	(480,702)	(1,522,620)
Surplus for the year	3,774,557	1,017,294	4,791,851	3,967,181	752,797	4,719,978
Surplus at 1 st August 2016/2015	24,833,140	23,142,315	47,975,455	20,865,959	22,389,518	43,255,477
Surplus at 31 st July 2017/2016	28,607,697	24,159,609	52,767,306	24,833,140	23,142,315	47,975,455
Represented by:						
Cash and Cash Equivalents	25,819,330	15,312,624	41,131,954	12,867,299	5,132,717	18,000,016
Short-term investments	10,632,569	8,984,617	19,617,186	20,189,647	18,224,366	38,414,013
Fixed assets	9,234	9,234	18,468	15,062	15,063	30,125
Debtors	4,840,933	21,554	4,862,487	4,830,935	31,025	4,861,960
Creditors	(145,655)	(77,678)	(223,333)	(135,184)	(64,393)	(199,577)
Provision for liabilities and charges	(12,548,712)	(90,740)	(12,639,452)	(12,934,617)	(196,461)	(13,131,078)
Share capital	(2)	(2)	(4)	(2)	(2)	(4)
Total	28,607,697	24,159,609	52,767,306	24,833,140	23,142,315	47,975,455

The income and expenditure is allocated between Funds as follows:

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

4. TRADE AND OTHER RECEIVABLES

	2017	2016
	€	€
(a) Debtors and Accrued Income:		
Debtors (after provision for bad and doubtful debts)	520	867
Accrued income & prepayments	161,967	161,093
	<u>162,487</u>	<u>161,960</u>
	€	€
(b) Bad debts written-off during the year:	<u>13,292</u>	<u>15,889</u>
	€	€
(c) Movement in respect of the provision for bad and doubtful debts:		
Opening provision for bad & doubtful debts	18,526	24,019
Closing provision for bad & doubtful debts	7,810	18,526
	<u>(10,716)</u>	<u>(5,493)</u>

5. OTHER ASSETS

	2017	2016
	€	€
Claims compensation amounts recoverable under Excess of Loss Insurance contract	4,700,000	4,700,000
	<u>4,700,000</u>	<u>4,700,000</u>

Excess of Loss Insurance Policy

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

The Company has two contracts of insurance to provide cover where claims for compensation in a policy year exceed the policy excesses. The first policy provides cover for claims of up to €50 million for Fund A and €10 million for Fund B above an excess of €15 million. The second policy provides cover for claims of up to €50 million for Fund A above an excess of €65 million. As outlined in note 8, a provision of €19.7 million was made for the claims compensation costs associated with the failure of Custom House Capital Limited (In Liquidation), a Fund A firm.

The Company is required by the Insurance Underwriters to settle each claim up to and in excess of €15 million directly with the eligible investors. The Insurance Underwriters have confirmed to the Company that they will reimburse the Company for the amount of claims compensation paid to clients of Custom House Capital

Limited (In Liquidation) ['CHC'] in excess of €15 million subject to the 2010/2011 policy limit of €50 million. At the balance sheet date, the Company had paid €7.4m in respect of claims compensation to clients of CHC.

6. EQUIPMENT

Computer Software and Equipment

	2017 €	2016 €
Cost:		
At 1 August	209,413	191,573
Additions	5,312	19,737
Disposals	(9,686)	(1,897)
At 31 st July	205,039	209,413
Depreciation:		
At 1 August	179,288	163,265
On Disposals	(9,660)	(1,265)
Charge for year	16,943	17,288
At 31 st July	186,571	179,288
Net book value:		
At 31 st July	18,468	30,125

The historic cost of fully depreciated assets at 31st July 2017 was €178,516 (2016: €142,520)

7. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2017 €	2016 €
Compensation costs	54,457	54,591
Central Bank of Ireland (Administration charges)	96,212	48,078
Directors' fees and expenses	25,282	11,362
Prepaid levies	1,092	1,342
Other	46,290	84,204
Provision for compensation claims and associated costs (note 8)	2,919,452	731,078
	3,142,785	930,655

8. PROVISIONS FOR COMPENSATION CLAIMS & ASSOCIATED COSTS

	Fund A Claims €	Fund B Claims €	Total Claims €	3 rd Party Costs (Fund A & B) €	Total €
Opening provision at 1 st August 2015	12,873,695	-	12,873,695	302,077	13,175,772
(Decrease) / increase in provision		182,623	182,623	(35,055)	147,568
Payments during the year	(186,616)	-	(186,616)	(5,646)	(192,262)
Provision at 31 st July 2016 and at 1 st August 2016	12,687,079	182,623	12,869,702	261,376	13,131,078
(Decrease)/Increase in provision	-	(105,721)	(105,721)	615	(105,106)
Payments during the year	(386,520)	-	(386,520)	-	(386,520)
Closing Provision at 31 st July 2017	12,300,559	76,902	12,377,461	261,991	12,639,452
Represented by:					
Amounts falling due within one year	2,580,559	76,902	2,657,461	261,991	2,919,452
Amounts falling due after one year	9,720,000	-	9,720,000	-	9,720,000

(a) Custom House Capital Limited (Fund A)

At the financial year ended 31st July 2017, the provision in respect of compensation payable to eligible clients of Custom House Capital Limited stood at €12,300,559. The provision was initially made in the year ended 31 July 2012 on the basis of the range of estimates received from the Administrator⁶. Currently, the provision takes account of claims compensation already paid as at 31st July 2017. The provision is subject to a number of variables, including:

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

- the number of clients that meet the definition of an “eligible investor” for the purposes of the Investor Compensation Act, 1998,
- the extent to which the losses suffered by “eligible investors” are deemed compensatable,
- the extent of losses suffered by eligible investors (which in many instances will depend on the performance of an underlying investment product),
- the nature, and extent of discretion, of the mandates which investors had given to CHC,
- whether the losses are derived from regulated or unregulated investment products,
- whether the liquidator⁷ has access to records enabling him to reconcile records and establish clients’ positions,
- reliable information about the distribution of compensatable losses amongst eligible investors. (i.e. a small number of large losses may give rise to lower compensation than a large number of small losses), and
- the financial position of CHC itself.

During the year under review, the Administrator submitted 20 interim certifications of compensatable losses to the ICCL to the value of €386,520, which was subsequently paid by the ICCL.

At 31st July 2017, the Company had received, recorded and forwarded 1,981 claims to the Administrator, of these claims the Administrator has certified 467 resulting in payment of cumulative claims compensation of €7,399,441

During the year the Administrator revised his initial range of total compensatable loss to at least €9.98 million (previously €7.3 million) but not more than €19.7 million. On the basis that the ICCL had previously provided for the maximum amount of compensatable loss estimated by the Administrator and the level of compensation that was certified for payment during the year, the Company has decreased the provision for claims by €386,520. The provision for claims at 31st July 2017 is €12,300,559, of which €2,580,559 is classified as falling due within one year.

The Company made a provision at 31st July 2017 of €248,514 towards the costs of the Administrator and his legal advisors for the completion of the Administration process which are payable by the Company in accordance with the provisions of the Act. During the year ended 31st July 2017 the Company paid no Administrator fees and no Administrator legal costs. At 31st July 2017, the Company increased this provision by €615 to €248,514 to reflect the receipt of four additional late claims during the year.

⁷ A Liquidator is appointed by the High Court and is principally charged with inquiring into a Company’s affairs; realising the assets; paying the debts, and, distributing any surplus to the members.

(b) Asset Management Trust (AMT)

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

The statutory deadline for clients of AMT to apply for compensation has passed. To date the company has received 11 claims. During the year two claims have been certified by the Administrator as having suffered no compensatable loss. On foot of these certifications and based on the information contained within the claim forms, preliminary discussions with the Administrator and additional information provided by the claimants the company has adjusted the provision from €182,623 at 31st July 2016 to €76,902 at 31st July 2017. The company has also created a provision for Administrator costs and legal costs of €13,838.

9. CONTINGENT ASSETS AND LIABILITIES

Contingent Assets

There were no Contingent Assets at 31st July 2017.

Contingent Liabilities

Custom House Capital Limited (In Liquidation)

The Company does not have a definitive timeline on when the remainder of claimants will have their claims certified for compensatable loss. The Administrator has estimated that the total compensation payable by the Company will not exceed €19,700,000, of which €4,700,000 is recoverable from Insurers under an Excess of Loss Insurance Contract. Notwithstanding the progress to date, in estimating the total cost of claims, the final determination of costs is subject to significant uncertainty, as identified in note 8 above.

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

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

10. SHARE CAPITAL

	2017 €	2016 €
Authorised:		
10 Ordinary shares of €1.25 each	13	13
Issued and fully paid:		
3 Ordinary shares of €1.25 each	4	4

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

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

11. TAXATION

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

12. MOVEMENTS IN TOTAL FUNDS

	Share Capital attributable to Shareholders €	Attributable to Funds €	Total €
At 1 st August 2016	4	47,975,455	47,975,459
Surplus for the year	-	4,791,851	4,791,851
At 31 st July 2017	4	52,767,306	52,767,310

13. RELATED PARTIES

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

	2017 €	2016 €
Administration costs chargeable to the Company by the Central Bank of Ireland for services provided	519,640	498,740

At 31st July 2017 a balance of €96,212 (2016:€48,078) was due to the Central Bank of Ireland. This was paid in full on 10 August 2017 (2016: Balance paid on 18 October 2016) Details of Directors' fees and expenses are disclosed in Note 1.

14. EVENTS AFTER THE END OF THE REPORTING PERIOD.

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

15. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were authorised for issue by the Board of Directors on 23 October 2017.

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