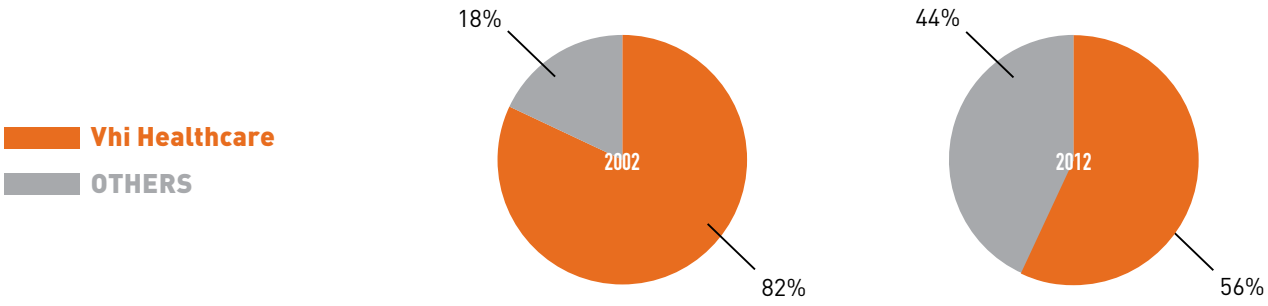
CONTENTS

OPERATIONAL STATISTICS

MARKET SHARE

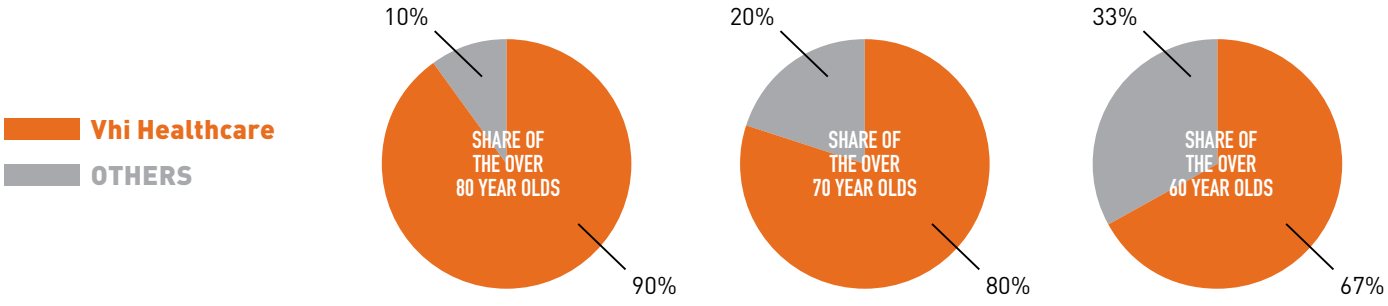
The total number of insured persons continued to shrink in 2012. However, with approximately 2.1 million customers at present, the Irish private health insurance market has performed reasonably well in recent years, particularly given the extremely difficult economic circumstances. Our research indicates that people still value their health insurance highly. Despite the pressures which saw more than 60,000 customers leave the health insurance market during the twelve months to the end of December 2012, Vhi Healthcare still leads the market with over 1.17 million customers and a 56% market share.



MEMBERSHIP BY AGE GROUP

Vhi Healthcare continues to experience competition solely in the younger, healthier segment of the market and almost none for our older customers. Despite having 56% market share, Vhi Healthcare pays approximately 75% of the claims in the market. In addition Vhi Healthcare currently has a 90%+ share of the over 80 year olds, 80% of the over 70's and 67% of the over 60's. In the three year period from 31st December 2009 to 31st December 2012:

- The number of Vhi members over age 80 has increased by 33%.
- The number of Vhi members over age 70 has increased by 25%.
- The number of Vhi members over age 60 has increased by 15%.



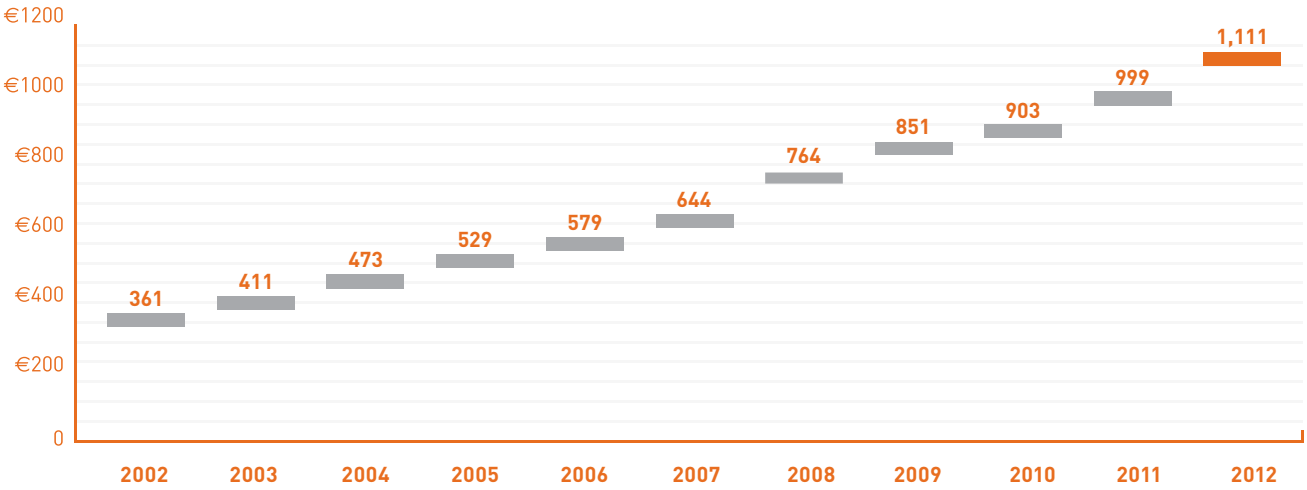
AVERAGE CLAIMS COST PER CUSTOMER

The Board of Vhi Healthcare has been driving a stringent cost containment programme since 2009 which has delivered total savings of over €300 million to date. In addition, we plan to deliver further savings of approximately €100 million a year over the next three years through a number of initiatives including rate reductions, utilisation management, the expansion of clinical audit, provider reviews and the continued transition of procedures to lower cost, medically appropriate settings.

We are totally focused on driving down costs in the organisation so that premiums remain affordable and we have set ourselves ambitious savings targets for the years ahead to continue to drive costs down for our customers. Our cost containment programme has seen consultants fees being reduced to pre-2004 levels, the movement of 80% of procedures to a day-case setting and the reduction of the average length of stay for 154 procedures since 2005 (resulting in a saving of €7 million in 2012).

However, it is worth noting that one of the key drivers of the cost of private health insurance is the increasing volume and cost of claims. The net cost of a 75–79 year old is €2,070 even after the benefit of the 2013 Risk Equalisation Scheme (RES), compared with a net cost of €1,000 for a 35–39 year old. Thus an insurer can make a saving of €1,000 simply by insuring a 35–39 year old rather than a 75–79 year old. This is a far easier and much more significant saving than trying to cut administration costs and illustrates how the current structure of the market does not work in the consumer's interest.

AVERAGE CLAIMS COST PER CUSTOMER*

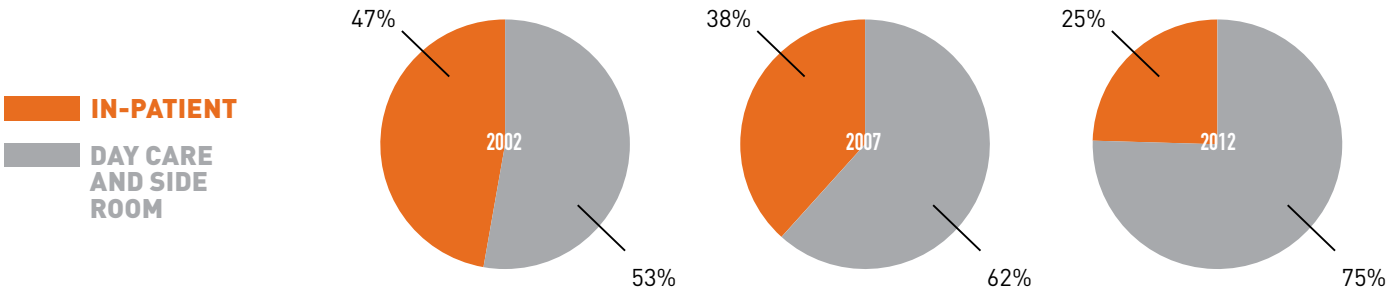


*Based on Forecast Figures

OPERATIONAL STATISTICS (CONTINUED)

CHANGES IN THE DELIVERY OF CARE

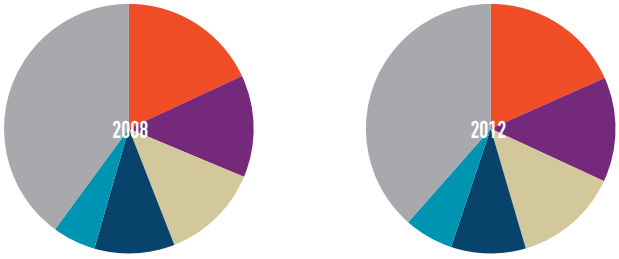
With advances in medicine, the setting in which procedures can be performed is constantly evolving. One of the key components of Vhi Healthcare's cost containment programme is the continued transition of procedures to lower cost, medically appropriate settings. In fact, currently almost 75% of all claims paid are for treatment in a day-case or side-room setting rather than in the more costly in-patient setting. In addition we have reduced the average length of stay for 154 procedures since 2005 and have also launched an innovative service, Vhi Homecare, which has treated almost 2,300 patients in their homes rather than in hospital since launching in 2010, resulting in savings of over €13.5 million to date or nearly 26,500 hospital bed days.



TOP FIVE CONDITIONS TREATED

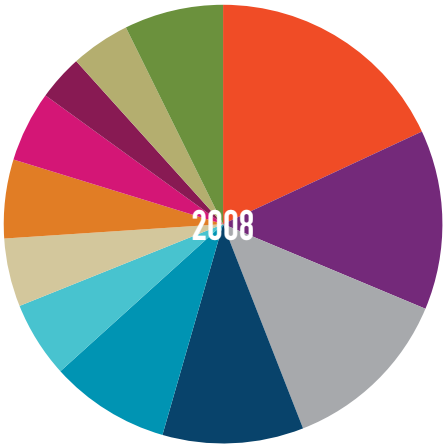
In 2012, Vhi Healthcare spent over €1.36 billion in funding the healthcare needs of our customers. Our most significant healthcare expenditure was for treatment of the five conditions listed below. While there has been no change over the past decade in what constitutes the top five conditions, the two that have grown consistently in recent times are cancer care, where innovative drug treatments have driven costs, and orthopaedic care, which reflects our ageing membership and the increased availability of treatments involving prosthetic replacement of hip and knee joints.

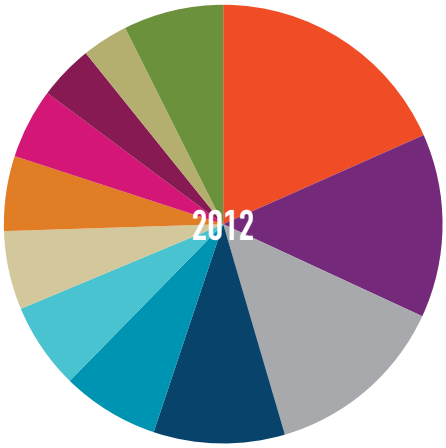
Illness	2008	2012
Cancer & Related Care	18.1%	18.3%
Heart & Circulatory System	13.2%	13.6%
Orthopaedic Care	12.8%	13.6%
Digestive System	10.4%	9.7%
Nervous System & Sense Organs	5.6%	6.4%
Others	39.9%	38.5%



% OF CLAIMS BY ILLNESS CATEGORY 2012

Illness	2008	2012
Cancer & Related Care	18.1%	18.3%
Heart & Circulatory System	13.2%	13.6%
Orthopaedic Care	12.8%	13.6%
Digestive System	10.4%	9.7%
Investigation of Undefined Conditions, Symptoms	8.8%	7.2%
Nervous System & Sense Organs	5.6%	6.4%
Respiratory System	5.0%	5.8%
Genito-Urinary System	5.8%	5.5%
Mental Disorders	5.2%	5.2%
Accidents	3.3%	4.0%
Pregnancy & Childbirth	4.4%	3.4%
Others	7.3%	7.4%





BOARD OF DIRECTORS

Martin Sisk
Chairman

Martin Sisk has over 25 years regulatory and business related experience. A qualified solicitor, he started his career in the Revenue Commissioners, served as Registrar of Friendly Societies 1985–2003, Deputy Registrar of Credit Unions 2003–2006, Deputy Head of Consumer Protection Codes 2007–2008 and as Head of the Anti-Money Laundering, Terrorist Finance and Financial Sanctions Unit 2008–2010. He retired from the Central Bank in July 2010. He currently serves on the Board of the Irish League of Credit Unions and was Elected Vice President in May 2011. (* + / –)

Dr Ruth Barrington

Dr Ruth Barrington was Chief Executive, Molecular Medicine Ireland from 2007–2012, Chief Executive, Health Research Board, 1998–2007 and Assistant Secretary, Department of Health with responsibility for hospital policy. A graduate of UCD (History and Politics) and the College of Europe, Belgium, she was awarded her doctorate by the London School of Economics. Author of Health, Medicine and Politics in Ireland 1900–1970, Dr Barrington has been both Governor and Chair of the Irish Times Trust and is currently a director of TASC and a Trustee of GENIO. (# + /)

Seamus Creedon

Seamus Creedon is a qualified actuary and holds a number of non-executive director positions at life assurance, general insurance and reassurance companies in Ireland and the UK. He is a member of the insurance and reinsurance stakeholder group of the European Insurance and Occupational Pensions Authority. He was a partner at KPMG, London where he led the actuarial practice and was Deputy Leader of its Global actuarial practice. Prior to this he was Chief Executive of Lifetime, Bank of Ireland's Life Assurance Company and Head of Corporate Development Europe for Bank of Ireland. (^ + /)

John O'Dwyer
Chief Executive

John O'Dwyer joined Vhi Healthcare from Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director responsible for the Life, General and Health businesses in Greek company Interamerican. John has an extensive track record in financial services and in particular the health insurance sector. Previous roles include Managing Director, Friends First Life Assurance; Director of Operations, BUPA Ireland; and Assistant Chief Executive – Claims, Vhi Healthcare. He was also nonexecutive Chairman of the Board of the National Treatment Purchase Fund. (* ^ – + /)

Christy Cooney
(Criostóir Ó Cuana), Master of Education

Christy Cooney is a former President of the Gaelic Athletic Association (GAA 2009–2012). He is currently a board member of Goal and of Páirc An Chróchaigh Teoranta, the GAA subsidiary that runs the organisation's national stadium, Croke Park. He is also a Director of Simplee Flavours Ltd., a Cork based artisan flavoured salt and pepper company. Mr Cooney holds a Masters in Education. He is a former Assistant Director General of Irish National Training and Employment Authority, FÁS. He has also served on the board of the Independent Radio and Television Commission (IRTC). (# –)

Liam Downey

Liam Downey is a former Chief Executive Ireland of Becton Dickinson, a leading global medical technology company. He was Chairperson of the Health Service Executive, President of the Federation of Irish Employers, a trustee and member of the board of the Irish Business and Employers Confederation (IBEC), Chairman of the Medical Devices Association and a member of the Labour Relations Commission. He is a graduate of University College Dublin, a chartered member of the Institute of Personnel Development and a Fellow of the Irish Management Institute. (# *)

Celine Fitzgerald

Celine Fitzgerald is a management consultant specialising in change management and BPO. Her clients include public and private sector organisations. Previously she was CEO of one of Ireland's Best Managed Companies – The Rigney Dolphin Group (BPO) – and held a number of Executive Director roles at Vodafone Ireland and elsewhere in the telecommunications sector. (# * /)

John Melvin

John Melvin, an engineer by background, has extensive consulting experience in the public and private sectors with leading firms like Accenture and Price Waterhouse and since 1995 his own consulting firm, which specialises in organisational Change, Lean and Process Management. His executive experience includes responsibility in a subsidiary of Canon Canada for Change Management and as a senior manager in Beaumont Hospital responsible for allied health and clinical support services and the development of the hospital's management and systems infrastructure. He is chair of the Board's sub committee for Cost Management. (^ + /)

Terry O'Niadh

Terry O'Niadh is Chair of the Monitoring & Evaluation (Quality Assurance) Committee (MEQA) of the Local Authority Services National Training Group (LASNTG) and a part time tutor with Institute of Public Administration. He served as North Tipperary County Manager for 10 years, Kildare Assistant County Manager for six years and as Wicklow County Secretary for a period of eight years. He holds a MA Degree in Public Affairs and Political Communications, a BA Degree in Public Management and was a participant in a Leadership Programme at the Kennedy School of Government, Harvard University. (^ + /)

Cathriona Hallahan

Cathriona Hallahan is Managing Director, Microsoft Ireland responsible for driving Microsoft's commercial and consumer business across Ireland. She represents the company on strategic policy, corporate affairs and communications issues including overseeing a series of community, education and innovation programmes. Cathriona joined Microsoft in 1986 and has held a variety of senior roles in both Finance and Operations. Prior to her current role, Cathriona was Managing Director for Microsoft's Dublin based EMEA Operations Centre (EOC) responsible for a 600 strong team that manages Operations across 120 countries. (# /)

Declan Moran

Director, Marketing and Business Development

Declan Moran has a BSC in Computer Science and is a Fellow of the Institute of Actuaries since 1994. He joined Vhi Healthcare in 1997 from the life and pensions industry and was appointed to the Vhi Healthcare Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi Healthcare. He is responsible for the management of Vhi Healthcare's product portfolio, the development of new products and services and marketing. (^ +)

(*) denotes Member of Remuneration Committee
(#) denotes Member of Audit Committee
(+) denotes Member of Strategy Committee
(^) denotes Member of Risk Management and Compliance Committee
(–) denotes Member of Investment Committee
(/) denotes Member of Cost Management Review Committee

Arising from Board changes through the year there were a number of changes to the composition of the committees of the Board and current committee membership is shown above

Bernard Collins retired as Chairman and Director, 8th September 2012

Dr. Ambrose McLoughlin appointed Director 15th March 2012 and resigned 17th April 2012

CHAIRMAN'S REVIEW

OUR FOCUS FOR THE YEAR AHEAD IS TO ACHIEVE AUTHORISATION BY THE CENTRAL BANK BY DECEMBER 2013 AND TO CONTINUE TO WORK HARD TO DRIVE DOWN COSTS. AS EXPECTED, 2012 WAS A CHALLENGING YEAR FOR VHI HEALTHCARE HOWEVER THE COMPANY DELIVERED A STEADY PERFORMANCE, IMPROVING OUR FINANCES, CONTINUING TO INTRODUCE NEW PRODUCTS AND SERVICES TO THE MARKET AND INTRODUCING FURTHER COST CONTAINMENT INITIATIVES.

The market

The total number of insured persons continued to shrink in 2012. However, with approximately 2.1 million customers at present, the Irish private health insurance market has performed reasonably well in recent years, particularly given the extremely difficult economic circumstances. Our research indicates that people still value their health insurance highly and will make other sacrifices to ensure they can maintain their policy. This has led to a marked increase in customers reducing the benefits on their plans and downgrading to a lower level of cover, with some 325,000 Vhi Healthcare customers reducing their benefits in the 18 months to July 2012.

Permanent risk equalisation scheme

2012 saw a significant change to the Irish health insurance market with the enactment of the Health Insurance (Amendment) Act 2012 which created a long overdue permanent risk equalisation fund. We welcome the introduction of a permanent scheme which puts in place the foundation for a stable market in the future, as well as the fact that, for the first time, there is a provision for health status included in the scheme. This is a very important development and one which should help protect and secure community rating in the private health insurance market.

The critical point now is to ensure that the scheme is effective and that it removes the incentive to cherry pick younger, healthier customers. We estimate that the scheme as it currently stands only equalises for 50% of the healthcare costs of older, less healthy customers. This is clearly illustrated by the fact that Vhi Healthcare has approximately 56% market share yet pays approximately 75% of the claims. In a properly functioning system, our claims payout would be much closer to our market share. Vhi Healthcare continues to experience competition solely in the younger, healthier element of the market and almost none for our older customers. Vhi Healthcare currently has a 90%+ share of the over 80 year olds, 80% of the over 70s and 67% of the over 60s.

When compared with other international health insurance companies, Vhi Healthcare continues to be one of the most efficient, returning an operating expense to premium income ratio of just 6.2% in 2012, and we are committed to achieving further savings in this area. However, it is worth noting that one of the key drivers of the cost of private health insurance is the increasing volume and cost of claims. The net cost of a 75–79 year old is €2,070 even after the benefit of the 2013 Risk Equalisation Scheme (RES), compared with a net cost of €1,000 for a 35–39 year old. Thus an insurer can make a saving of over €1,000 simply by insuring a 35–39 year old rather than a 75–79 year old. This is a far easier and much more significant saving than trying to cut administration costs and illustrates how the current structure of the market does not work in the consumer's interest.

It is critical that this issue is addressed if the market is to function correctly. It is our view that a number of measures could be implemented, which would address this challenge and we will continue to engage with the Department of Health, the HIA and the Health Insurance Forum to ensure this. This is in the interests of the health system as a whole, as well as our customers.

I can assure our customers that the Board and Executive are committed to working with the Department and the Minister for Health to do everything possible to ensure the future of the private health insurance market in Ireland, continue to address the affordability issues, particularly for younger customers, and to ensure that any form of risk equalisation provides a fairer distribution of risk throughout the market.

CHAIRMAN'S REVIEW (CONTINUED)

Authorisation of Vhi Healthcare

Securing authorisation by December 2013 is the single biggest objective of the organisation. This is essential to the implementation of Universal Health Insurance (UHI). There are two critical elements to ensuring authorisation is achieved within the required timeframe: an improvement of the RES and a capital injection to satisfy the Central Bank's solvency requirements.

The permanent RES is an important milestone on the path toward authorisation as we need a business and regulatory environment that gives us certainty – allowing us to plan for the future and make strategic decisions that will benefit our customers for the long-term. However, as it is currently only 50% effective i.e. it only covers half the cost of the claims costs of older people, it is imperative that this scheme is made more effective and that it provides a fairer distribution of risk throughout the market. Again we are working closely with the Minister for Health and his officials to ensure that this is achieved.

Vhi Healthcare currently meets the minimum requirement regarding solvency. However this will have to be improved if we are to achieve authorisation. The amount of the capital required has yet to be determined and will depend on a number of factors such as the strength of the market in 2014 and beyond, the effectiveness of the RES and the extent of reinsurance which can be obtained.

Preparing Vhi Healthcare for a regulatory environment

Vhi Healthcare is preparing for authorisation as a regulated entity. As such we have established a number of controls and functions to ensure that the organisation can meet the operational requirements and demands that are made of an authorised entity:

- A complete strategic business plan has been developed setting out a sustainable business case for the period 2013–2015.
- Significant progress has been made on certain governance functions – compliance, risk management and prudential reporting functions are now all operational.
- Business readiness initiatives such as full staff training and awareness, operational, reporting and self assessment systems are well under way as well as the implementation of a new legal structure.
- The focus is now on business readiness by mid-year to prepare our submission in advance of decision by Central Bank before end of December 2013.

Driving costs down

The Board of Vhi Healthcare has been driving a stringent cost containment programme since 2009 which has delivered total savings of over €300 million to date. In addition, we plan to deliver further savings of approximately €100 million a year over the next three years through a number of initiatives including rate reductions, utilisation management, the expansion of clinical audit, provider reviews and the continued transition of procedures to lower cost, medically appropriate settings.

We are currently working with Milliman consultants regarding a utilisation management programme to evaluate the appropriateness, medical need and efficiency of healthcare services, procedures and facilities. In addition we have expanded our clinical audit programme and have enhanced the clinical indicators required for a number of procedures to ensure best practice is being met and to reduce any incidence of unnecessary medical care. Clinical indicators have been expanded for gastro-intestinal endoscopies and cardiac angiograms.

We are currently piloting a retrospective review of a sample number of claims with a view to evaluating the appropriateness of the admission, treatment, level of care and length of stay for a number of claim types. The results of this review will enable us to assess compliance with our clinical indicators and identify where any further savings or improvements can be made.

One significant area we have identified for cost savings is the reimbursement method for public hospitals and we would hope to move from a daily reimbursement system to a payment by case (package price) approach. This is obviously in keeping with the Minister's stated objective to move to a "money follows the patient" route and we believe it is a much more cost efficient way of ensuring our customers access medical treatment in public hospitals. Our contracts with private hospitals predominantly follow this model and we have seen cost savings in this area over recent years as a result of this approach.

Treatment of private patients in public hospitals

Last year we worked with the Department of Health, the HSE and our competitors to accelerate a payment of €125 million to public hospitals. The unique agreement was a once-off payment in respect of private patients who had been treated in public hospitals but whose claim forms had not been submitted to their insurer and was intended to provide much needed funds for public hospitals in the last months of 2012.

Vhi Healthcare is fully committed to driving costs down, it is therefore worrying to note that the Minister for Health proposes to introduce legislation which will charge private patients for the full cost of a public bed in a public hospital.

We understand the enormous financial pressures on the Minister to address the deficits in the health budget. We believe, however, that such a move will cause further problems in the private health insurance market and will, ultimately, cost the Exchequer more. Vhi Healthcare is seeking to work with the Department and the industry to look at how this could be introduced in a more measured manner. In its current form, such a proposal would drive substantial premium increases and would have a significant impact on affordability.

Our priority will be to continue to provide our customers with access to as wide a range of facilities as possible including both public and private facilities. We will need to consider what combination of measures represents the most cost effective use of our customers' premiums. In particular we need to look at our current relationship with public hospitals to develop a set of measures based on best practice standards for healthcare reimbursement to drive efficiencies and achieve cost-savings in public hospitals.

Universal health insurance

Currently the health system is funded largely through taxation with some €1.9 billion a year also being contributed by private health insurance schemes. This system is scheduled to be replaced by a new system of mandatory universal health insurance (UHI) which will require all citizens to purchase health insurance from 2016 and beyond.

Vhi Healthcare is committed to working with the government to support it in its goals and believe that we can play a significant role in helping to ensure the successful implementation of UHI in Ireland.

CHAIRMAN'S REVIEW (CONTINUED)

Acknowledgements

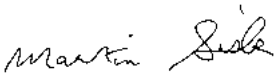
As this is my first report since taking over the role of Board Chairman during 2012, I would like to thank my predecessor Mr Bernard Collins who led the Board over the past nine years. I would also like to welcome Mr John O'Dwyer who joined the organisation as Chief Executive in August 2012 and who has already brought his extensive sector and managerial experience to this role. I would like to acknowledge the contribution of Mr Declan Moran who stood in as Acting CEO prior to John's appointment. Declan continues to contribute hugely to Vhi Healthcare in his capacity as Director of Marketing and Business Development and as a member of the Board of Vhi Healthcare. I would also like to thank my Board colleagues for their valuable contribution since my appointment as Chairman. Finally, I would like to thank all the staff of Vhi Healthcare for their continued hard work and commitment.

Outlook

As mentioned, Vhi Healthcare's single biggest objective for 2013 is to achieve authorisation by the end of the year and all elements of the organisation are working towards making this happen. One of the key steps we have taken in our quest to achieve authorisation is the development of a comprehensive business strategy which will provide us with a clear road-map for the years ahead, both strategically and operationally. We feel confident that this will yield strong results for Vhi Healthcare.

Both the senior management team and the Board are also fully committed to continuing our cost containment programme with a view to driving costs down further and bringing further efficiencies to the market. We recognise the affordability issues facing our customers and will do everything in our power to ensure their premiums are used in the most cost-efficient way to guarantee they have access to the high quality healthcare they need, when they need it.

We look forward to continuing to be Ireland's leading health insurer and in providing our customers with the healthcare solutions they need, supported by a superior customer experience.



Martin Sisk
Chairman

Vhi HomeCare is an innovative new service which allows suitable patients to be treated by doctors and nurses in the comfort of their homes, where previously hospital admission was the only option. 99% of patients using Vhi HomeCare rated the service as good, very good or excellent and 99% would recommend the service.

26,500

26,500 HOSPITAL BED DAYS HAVE BEEN SAVED SINCE THE LAUNCH OF VHI HOMECARE IN FEBRUARY 2010.

2,300

2,300 PATIENTS HAVE BEEN TREATED IN THEIR HOMES RATHER THAN HOSPITAL SINCE VHI HOMECARE LAUNCHED.

€13.5 MILLION

€13.5 MILLION OF SAVINGS HAVE BEEN MADE THROUGH THIS INNOVATIVE SERVICE TO DATE.

EXECUTIVE MANAGEMENT TEAM

John O'Dwyer
Chief Executive
John O'Dwyer joined Vhi Healthcare from Dutch insurance group Achmea where he was the Chief Operating Officer and Executive Director responsible for the life, general and health businesses in Greek company Interamerican. John has an extensive track record in financial services and in particular the health insurance sector. Previous roles include Managing Director, Friends First Life Assurance; Director of Operations, BUPA Ireland; and Assistant Chief Executive – Claims, Vhi Healthcare. He was also non-executive Chairman of the Board of the National Treatment Purchase Fund.

Dr. Bernadette Carr
MD, FRCPI, MPH, LFOM, Dip Pract. Derm.
Director, Medical
Bernadette Carr is a physician and epidemiologist with extensive clinical and research experience. A graduate of UCC, her qualifications include Fellowship in UCLA, Doctorate in Medicine TCD, Licentiate of Faculty of Occupational Medicine, Masters Public Health and Diploma in Practical Dermatology (Cardiff). She was elected to Fellowship of the Royal College of Physicians in Ireland in 1996. Bernadette joined Vhi Healthcare in 1994 as Medical Director.

John Creedon
Director, Claims
John Creedon has a BSc in Computer Applications from Dublin City University. He is responsible for the overall service, administration and payment of claims. John held a number of senior positions within Vhi Healthcare prior to his appointment.

Margaret Molony
Director, Information Technology
Margaret Molony has over 26 years experience in Vhi Healthcare and is responsible for Information Technology Services in the organisation. Margaret held a number of senior positions within Vhi Healthcare prior to her appointment as a Director in 2008.

Declan Moran
Director, Marketing and Business Development
Declan Moran has a BSC in Computer Science and is a Fellow of the Institute of Actuaries since 1994. He joined Vhi Healthcare in 1997 from the life and pensions industry and was appointed to the Vhi Healthcare Board of Directors in 2008. From November 2011 to July 2012, he served as Acting Chief Executive, Vhi Healthcare. He is responsible for the management of Vhi Healthcare's product portfolio, the development of new products and services and marketing.

Michael Owens
Director, Human Resources
Michael Owens is a Chartered Fellow of CIPD. He joined Vhi Healthcare in August 1999 and has over 31 years experience in human resources management in light engineering, paper and print, commercial retailing and insurance.

Tony McSweeney
Director, Individual and Corporate Business
Tony McSweeney, a member of the Marketing Institute of Ireland and a Fellow of the Sales Institute of Ireland, joined Vhi Healthcare from the life and pensions industry in 1996. He is responsible for customer services, customer administration and sales.

Willie Shannon
BBS, FCA
Director, Finance
Willie Shannon is a graduate of TCD, having obtained his BBS in 1974 and qualified as a chartered accountant in 1977. He joined a large firm of insurance brokers in 1987 and was subsequently appointed Group Finance Director. He joined Vhi Healthcare as Director of Finance in 2002. He serves on several committees in the Institute of Chartered Accountants. He is also a past Chairman of the Finance Committee of the Insurance Institute of Ireland and Past President of the Financial Executives Association.

The average length of stay for procedures is reviewed on an annual basis and, where this has been reduced, prices are reduced accordingly. Since 2005 the length of stay for hip replacements has been halved, from 14 days to 7, and the average length of stay for knee replacements has been reduced from 15 days to 9.

€100 MILLION

VHI HEALTHCARE IS COMMITTED TO MAKING SAVINGS OF APPROXIMATELY €100M A YEAR OVER THE NEXT THREE YEARS THROUGH A NUMBER OF COST CONTAINMENT INITIATIVES INCLUDING RATE REDUCTIONS, UTILISATION MANAGEMENT, THE EXPANSION OF CLINICAL AUDIT, PROVIDER REVIEWS AND THE CONTINUED TRANSITION OF PROCEDURES TO LOWER COST, MEDICALLY APPROPRIATE SETTINGS.

75%

75% OF PROCEDURES ARE NOW PERFORMED ON A DAY-CASE BASIS (I.E. HAVE BEEN MOVED TO MEDICALLY APPROPRIATE, LOW-COST SETTING).

154

THE NUMBER OF PROCEDURES WE HAVE REDUCED THE AVERAGE LENGTH OF STAY FOR SINCE 2005.

OPERATIONS REVIEW

IN 2012 VHI HEALTHCARE DEVELOPED A BUSINESS PLAN WHICH SETS OUT A CLEAR DIRECTION FOR THE ORGANISATION FOR THE NEXT 5 YEARS. IT PROVIDES A STRATEGIC FRAMEWORK AND PLAN TO ADDRESS THE CHALLENGES FACING THE BUSINESS. THE MAIN STRATEGIC OBJECTIVE FOR VHI HEALTHCARE IS TO BECOME A COMMERCIALLY VIABLE, REGULATED INSURER. WE WILL CONTINUE TO DEVELOP OUR PLANS SO THAT VHI HEALTHCARE CONTINUES TO BE THE BRAND OF CHOICE FOR CONSUMERS IN THE HEALTH INSURANCE MARKET. WE WILL DO THIS THROUGH COMPETITIVE PRICING, DIFFERENTIATED PRODUCTS AND SERVICES AND BY CONTINUING TO OFFER A SUPERIOR CUSTOMER EXPERIENCE.

OPERATIONS REVIEW (CONTINUED)

Critical to the achievement of this strategic objective is the creation of a sustainable business plan for Vhi Healthcare, regulatory certainty and balance in the PMI market, a robust capital base and diversified income streams.

Vhi Healthcare is driving a transformation agenda which does not compromise on customer service and experience. The aim is that we will be easy to do business with, totally focussed on quality and delivering the best healthcare outcomes for our customers. The intention is to doggedly focus on issues that we have control over e.g. costs of providers, consultants and procedures in private hospitals, delivering benefits of value, diversifying the business, embracing innovation and bringing international experience to bear right through the organisation.

Vhi Healthcare's focus must continue to be on delivering quality affordable healthcare for our customers. We must ensure that our customers are treated in the most appropriate setting, at the lowest possible cost, using correct clinical indicators and guidelines, while continuing to deliver speedy access for those services. We must also carry out clinical audits to determine that the most appropriate care is being delivered to our customers through our provider networks and to make any necessary intervention.

Vhi Healthcare is committed to introducing radical cost cutting measures to rebalance the cost structure in the health system in Ireland. If we are successful in this goal, Vhi Healthcare will have played a major part in reforming the health system in Ireland and supporting the Government objective, to deliver a Universal Health Insurance (UHI) market for Ireland. As the biggest insurer in the market we have a responsibility to do this.

Vhi Healthcare also seeks to influence and support Government policy where we can. In particular, we support the Government policy of community rating and welcome the introduction of a permanent risk equalisation scheme (RES) last year to protect this important social goal. Unfortunately, because the new RES only compensates insurers with older customers for approximately 50% of the real cost of the provision of their healthcare needs, the incentive to cherry pick younger, healthier lives is even greater than ever. In a fully functioning community rated system, which exists for example, in The Netherlands, there is absolutely no incentive to risk select. Such a system promotes fairer competition in the market place and encourages private health insurance companies to compete for all lives not just younger, healthier customers that will deliver profits. A properly functioning community rated market will reward those companies that manage the healthcare of their customers in a more efficient manner and customers will ultimately choose those insurance companies that deliver better healthcare outcomes. Insurers in the market will differentiate themselves through innovation and efficiency rather than focusing on attracting better risks.

Securing authorisation by December 2013 is the single biggest objective of Vhi Healthcare in the year ahead. The permanent RES is an important and welcome milestone on the path toward authorisation as it is vital to have a business and regulatory environment that gives certainty.

While we welcome the introduction of a permanent RES we still require a fairer distribution of risk throughout the market. In the three year period from 31st December 2009 to 31st December 2012:

- The number of Vhi members over age 80 has increased by 33%.
- The number of Vhi members over age 70 has increased by 25%.
- The number of Vhi members over age 60 has increased by 15%.

The cost of providing health insurance increases substantially with age and Vhi Healthcare customers have higher claims costs than competitor customers in the same age cohorts. This is illustrated by the fact that the claims costs of Vhi Healthcare customers over 50 years of age are almost 30% higher than customers of the same age who switched to competitors. You would

need to charge the average 75–79 year old over €1,000 more than the average 35–39 year old for the same benefits. No other insurer is being required to fund an equal share of the costs of older customers.

We will continue to work with the Minister and the officials in the Department of Health to improve this scheme, with a view to safe-guarding the future of community rating in the Irish private health insurance market.

Key financial results

Despite the pressures which saw more than 60,000 customers leave the health insurance market during the twelve months to the end of December 2012, Vhi Healthcare still leads the market with over 1.17 million customers and 56% market share.

For Vhi Healthcare, 2012 was a steady year and strong progress was made in a number of areas. We continued to bring more new products and services to the market and, through a comprehensive cost containment programme, achieved more savings than ever before which have been ploughed straight back into providing more healthcare services for our customers. We are aware however that we have significant improvements to make in other areas to achieve authorisation this year.

The key financial results for 2012 were as follows:

- Vhi Healthcare recorded a surplus after tax of €54.3 million for its consolidated business in the twelve months to the end of December 2012, compared to a surplus of €7.4 million the previous year. However, the magnitude of the surplus was contributed to by a number of factors not least of which was an exceptional one-off item involving the write-back of curtailed retirement benefits to the value of €38.2 million.
- Despite this positive result for our consolidated business it should be noted that the core health insurance business continues to be loss-making with a recorded underwriting loss of €7.2 million (excluding a one-off credit for curtailment of retirement benefits) – owing to an ageing membership base, ineffective risk equalisation scheme and the high cost associated with making the most modern drugs, technologies and treatments available to our customers. The continued loss in this area makes the business unsustainable in the long-term and makes authorisation by year-end a challenge.
- Earned premium for 2012 came to €1.431 billion, up 8.9% on premium income earned of €1.314 billion in 2011.
- Total claims incurred during 2012 amounted to €1.396 billion. This figure is up 13% on the previous year due to a number of factors including a significant increase in the number of medical procedures being provided to our customers, more claims incurred, and the fact that Vhi Healthcare's book is ageing significantly. For instance, between 2004 and 2012 Vhi Healthcare's customers over the age of 60 increased by 12%.
- Our claims ratio of 92.9% (versus 90.8% the previous year) means that of every €100 received in premium income almost €93 is spent on the medical care needs of our customers.
- Vhi Healthcare's operating expense ratio to premium income for its health insurance business in 2012 came to just 6.2% (excluding a one-off credit for curtailment of retirement benefits) which is very efficient by international standards.
- The ratio of free reserves to premium income at the end of December 2012 stood at 21.5% – down 0.8% on the previous year.
- Income from investments showed a positive return of €19.4 million during the year to the end of December 2012 compared to an investment loss of €23.5 million the previous year.

OPERATIONS REVIEW (CONTINUED)

Preparing for authorisation and the new regulatory environment

As previously stated, our strategic objective is to become a commercially-viable, regulated insurer. To achieve this we have implemented a number of measures. A business strategy for the next five years has been developed which will form the basis of the submission to the Central Bank for authorisation. The development of compliance, prudential reporting and risk management functions are well advanced, and staff training and awareness of what is required to be delivered under the terms of financial regulation completed. Implementation of a new legal structure is one of the final strands to be completed in advance of the actual submission which will need to be ready before the end of the year.

We currently meet the minimum requirement regarding solvency. However, this will have to be improved if we are to achieve authorisation. The amount of the capital required is contingent on a number of other factors including the effectiveness of the RES, the extent of reinsurance obtained and other market factors.

Driving efficiencies in the health system

We are totally focused on driving down costs in the organisation so that premiums remain affordable and we have set ourselves ambitious savings targets for the years ahead to continue to drive costs down for our customers. Our cost containment programme has seen consultant fees being reduced to pre-2004 levels, the movement of 80% of procedures to a day-case setting, the reduction of the average length of stay for 154 procedures (resulting in a saving of €7 million in 2012) and the launch of Vhi HomeCare which has since treated almost 2,300 patients in their homes rather than in hospital since launching in 2010, resulting in savings of over €13.5 million to date or nearly 26,500 hospital bed days.

Some additional key savings made to date include:

Length of stay reductions – the average length of stay for procedures is reviewed on an annual basis and, where this has been reduced, prices are reduced accordingly. As part of this process, the average length of stay (LOS) has been reduced for 154 procedures since 2005. Some examples include:

- Hip replacement – average LOS reduced from 14 in 2005 to 7 in 2012.
- Bilateral hip replacement – reduced from 16 in 2005 to 11 in 2013.
- Knee replacement – average LOS reduced from 15 in 2005 to 9 in 2012.
- Hysterectomy – average LOS reduced from 8 days in 2005 to 4 in 2013.

Price reductions for procedures – We continuously review the prices we pay for procedures and negotiate reductions accordingly. Some examples are:

- Cardiac stent placement – the prosthesis cost for an ordinary stent has been substantially reduced from €1,100 to €220.
- (Wet) Age related macular degeneration injection – to save sight has been reduced from €306 to €200.
- Hip and knee replacements – both high volume procedures; have each reduced in price by over 10% since 2009.

Controlling internal costs – Vhi Healthcare has reduced its internal costs in 2012 despite the significant increase in our business activity and the development of two screening facilities focussed on delivering assurance to customers on Type II Diabetes and cardiovascular risk.

Claims management

I am happy to report that during 2012, a total of €10.5 million was recovered through the actions of both our Special Claims Investigation Unit (SIU) which investigates instances of incorrect or inappropriate billing, and our third party recovery process, which recoups monies owing from negligent third parties as a result of accidents for which a third party may be liable or where

insurance cover may be shared. Further work is well advanced in the area of stricter claims control with the planned installation of a new analytics data-mining system along with other initiatives such as streamlined eClaiming payment processes and methods designed to more closely manage high cost claimants.

We continuously review the prices we pay for procedures and negotiate reductions accordingly. Vhi Healthcare is now the second lowest priced payer for MRI scans in Europe and our tendering process has seen the charge for these scans reduce from €600 in 2002 to €160 (all inclusive) currently.

Funding customers' healthcare needs

During the year under review, Vhi Healthcare processed more customer claims than at any stage during its history and also paid out more benefit on behalf of its customers' healthcare needs than ever before. Over 930,000 claims were processed, yielding a payout of almost €1.4 billion – the highest on record. Throughout 2012, Vhi Healthcare processed almost 750,000 inpatient and day-care claims along with a further 184,000 outpatient and primary care claims.

The most significant expenditure during 2012 was for treatment of the following conditions:

- Cancer & related care – €213.4 million.
- Orthopaedic care including hip replacements etc – €157.8 million.
- Heart & circulatory system – €157.6 million.
- Digestive system – €112.5 million.

(These figures are based on claims relating to discharges in 2012, paid up to mid-March 2013.)

During last year we approved cover for a number of new and innovative drugs, tests and therapies which have been proven to be clinically effective at improving outcomes for patients. These include:

- **Ipilimumab** (Yervoy) which is used in the treatment of metastatic malignant melanoma that has not responded to previous treatment. This is a costly drug, approximately €85,000 per patient. However research has shown it to improve outcomes for melanoma patients.
- We also provided benefit for **Oncotype DX**, a test used to establish the need for chemotherapy in women with breast cancer. Multiple studies have shown that the Oncotype DX test can change physician recommendations by about 30 per cent – sparing many women from unnecessary chemotherapy and identifying others who may require the treatment but traditionally would not have received it.
- We have also added cover for new procedures for the treatment of previously untreatable, devastating conditions such as diabetic macular oedema using an intravitreal injection of **Lucentis**. This costs €1,165 per injection and the average number of treatments generally required is four. There were 6,333 claims in total for this procedure in 2012 at a cost of €10 million.

Product innovation & bringing value to customers

- Wellness
  During 2012 Vhi Healthcare continued to provide customers with access to innovative tests and screening projects which helped our patients to better understand and manage their medical conditions. Many Vhi Healthcare plans contain benefits for screening and customers are benefiting from this pro-active approach to their health.

- One Plan Choice
  During 2012, Vhi Healthcare added to its wide range of One Plans with a new plan 'One Plan Choice' providing customers with a more affordable option on health insurance while at the same time offering a range of benefits and services that reflect what individuals and families want and need.

OPERATIONS REVIEW (CONTINUED)

- DentalCover.ie
  Ireland's first and only stand alone, dental insurance scheme, DentalCover.ie (formerly known as Vhi DeCare Dental) was rebranded and launched in June 2012 through an extensive marketing campaign.

- Vhi International
  Offering expatriate insurance cover for people who move abroad to live, work, study or travel for more than six months. Vhi International (formerly called Global from Vhi Healthcare) was rebranded at the beginning of 2013.

- Backpacker Travel Insurance
  Launched in February 2012, Backpacker is one of the high quality travel suite of products offered by Vhi Healthcare. Benefits include international assistance, medical emergencies up to €3 million, repatriation options, lost luggage and flexibility around coverage for hazardous sports.

- MultiTrip from Vhi Healthcare
  The market leading MultiTrip travel product was launched ten years ago and quickly established itself as market leader. In 2012 some 6,000 customers required emergency medical treatment and 1,448 needed hospitalisation while overseas. In addition 410 people needed repatriation.

- Vhi Corporate Solutions
  Vhi Corporate Solutions is a dedicated team which provides employee assistance programmes to over 500 companies countrywide. The services provided include counselling services, access to legal and financial information and many other employee assistance services including critical incident onsite response – a service which saw a 50% increase in usage in 2012.

- Vhi SwiftCareClinics
  Vhi SwiftCare Clinics are located in Dublin at Dundrum and Swords, and in Cork at CityGate, Mahon. Open 365 days a year, Vhi SwiftCare Clinics are walk-in medical clinics treating minor injuries and illnesses within one hour with no appointment needed.

- Vhi HomeCare
  Vhi HomeCare has treated almost 2,300 patients in their homes rather than in hospital since launching in 2010, resulting in savings of over €13.5 million to date or nearly 26,500 hospital bed days. This consultant-led service is suitable for a wide range of conditions including follow-up for those who have had a knee or hip replacement, cystic fibrosis patients, or those recovering from an infection.

Outlook for 2013

My goal for Vhi Healthcare, as set out in the five year strategic plan we have developed, is to become a commercially-viable, regulated insurer which is the brand of choice for our customers. I am committed to Vhi Healthcare's contribution to driving down costs in the health sector while continuing to provide our customers with access to high quality healthcare.

John O'Dwyer
Chief Executive

Vhi Healthcare's Special Investigation Unit (SIU) investigates instances of incorrect or inappropriate billing. Further work is well advanced in the area of stricter claims control with the planned installation of a new analytics data-mining system along with other initiatives such as streamlined eClaiming payment processes and methods designed to more closely manage high cost claimants.

€6.9 MILLION

€6.9 MILLION WAS RECOVERED THROUGH THE ACTIONS OF OUR SPECIAL INVESTIGATION UNIT IN 2012.

€3.6 MILLION

€3.6 MILLION WAS RECOVERED BY OUR THIRD PARTY RECOVERY PROCESS, WHICH RECOUPS MONIES OWING FROM NEGLIGENT THIRD PARTIES AS A RESULT OF ACCIDENTS FOR WHICH A THIRD PARTY MAY BE LIABLE OR WHERE INSURANCE COVER MAY BE SHARED.

2,000

LAST YEAR VHI HEALTHCARE'S SIU RECEIVED AND MANAGED OVER 2,000 CONTACTS FROM OUR CUSTOMERS IN RELATION TO CLAIMS PAID ON THEIR BEHALF.

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their 56th Annual Report in accordance with Section 20 (1) of the Voluntary Health Insurance Act 1957. The Accounts of the Board and the related notes which form part of the Accounts are included in this report, and have been prepared in accordance with accounting standards generally accepted in Ireland and comply with the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

1. Principal Activities

The Voluntary Health Insurance Board is a statutory corporation established by the Voluntary Health Insurance Act 1957 and has as its objective the provision of a financing system for private healthcare, carried out on a mutual assistance basis.

2. Results

The results for the 12 months to 31 December 2012 are set out in the Income and Expenditure Account. We prepared consolidated accounts for the first time in 2012 as a result of the purchase of the company shares of Vhi HomeCare with effect from 1 January 2012. The company is 100% owned by Voluntary Health Insurance Board in 2012 and was 50% owned in 2011. The 2011 comparative figures are not consolidated.

3. Business Review and Future Developments

A review of business transacted during the year, together with the Board's views of likely future developments is contained in the Chairman's Statement.

4. Directors' Responsibilities

The Directors are required to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the Board and of the surplus or deficit of the Board for that period.

In preparing those financial statements, the Directors are required to:

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

The Directors are responsible for keeping proper books of account, which disclose with reasonable accuracy at any time the financial position of the organisation and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in Ireland and comply with the European Communities (Insurance Undertakings: Accounts) Regulations 1996. They are also responsible for safeguarding the assets of the organisation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. Corporate Governance

The Directors support the principles of Corporate Governance outlined in the FRC Corporate Governance Code. The Financial Reporting Council revised the Code in 2010. While not itself a listed company, the Board has sought to comply with the provisions of the Code that are applicable and hence reports below on compliance throughout the year with the Code.

The Directors consider that the Board has in place the procedures to comply with the provisions laid out in Section 1 of the Code, except in respect of the appointment and terms of office of Directors, which are the responsibility of the Minister for Health. For this reason, the Board does not have a Nomination Committee or a Senior Independent Director.

Board of Directors

The roles of Chairman and Chief Executive are separate. All non-executive Directors are appointed by the Minister for Health.The Board meets at least eleven times annually and has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall strategic plan, annual operating plans, annual report and accounts and major corporate activities. Board papers are sent to each member in sufficient time before meetings. Appropriate training and briefing is available to all Directors on appointment to the Board, with further training available subsequently, as required. The Board has also drawn up procedures for Directors to take independent professional advice. All Directors have access to the advice and services of the Secretary and Director's liability insurance cover is in place. The Board has put in place a process for appraisal of its performance.

Attendance at Board Meetings held during the financial year

	Board		Audit		Remuneration Committee		Risk Management & Compliance		Investment		Strategy		Cost Management Review	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
Bernard Collins	*6	6			5	5					1	1		
Martin Sisk	*10	10	1	1	1	1	5	6						
Seamus Creedon	10	11					*8	8			1	1		
Christy Cooney	11	11	2	4					*2	2				
Celine Fitzgerald	11	11	1	1	6	6							*4	4
Liam Downey	11	11			*6	6								
Cathriona Hallahan	10	11	*4	4			0	2					3	4
John Melvin	10	10	3	3									4	4
Dr Ambrose McLoughlin	1	1												
Terry O'Niadh	6	6	2	2					1	1				
Dr Ruth Barrington	8	9			3	3					1	1		
Declan Moran	11	11					7	8	1	1	*1	1	3	4
John O'Dwyer	5	5			1	1	3	3	0	1			1	2

Column A:
Number of scheduled meetings attended during the period the Director was a member of the Board and/or Committee

Column B:
Number of scheduled meetings held during the period the Director was a member of the Board and/or Committee
* = Chairperson of Committee

REPORT OF THE DIRECTORS (CONTINUED)

Appointments/Resignations during the year:

Bernard Collins retired as Chairman and Director 8th September 2012
Martin Sisk appointed Director 15th March 2012 and appointed Chairman 10th September 2012
John Melvin appointed Director 15th March 2012
Dr. Ruth Barrington appointed Director 28th March 2012
Dr. Ambrose McLoughlin appointed Director 15th March 2012 and resigned 17th April 2012
Terry O'Niadh appointed Director 19th July 2012
John O'Dwyer appointed Chief Executive 1st August 2012 and appointed Director 3rd October 2012
Declan Moran was acting Chief Executive to 31st July 2012

Audit Committee

The Audit Committee established by the Board is comprised of at least three non-Executive Directors. The Audit Committee meets at least four times a year and reviews the annual accounts, internal control matters and the effectiveness of internal and external audit. The Audit Committee also makes recommendations to the Board in relation to the appointment of the external auditors and assesses their objectivity and independence. The external audit plan and findings from the audit of the financial statements are also reviewed. The main roles and responsibilities of the Audit Committee are set out in written terms of reference and are available on request. The Audit Committee has a process in place to ensure the independence of the audit is not compromised, which includes monitoring the nature and extent of services provided by external auditors through its annual review of fees paid to the external auditors for audit and non-audit services.

Risk Management and Compliance Committee

The Board has appointed a Risk Management and Compliance Committee. The Committee comprises at least two non-executive Directors with the principal purposes of promoting the overall effectiveness of corporate governance and overseeing, reviewing and monitoring the operation of the compliance and risk management systems.

Remuneration Committee

The Board has also appointed a Remuneration Committee comprising the Chairman and three non-Executive Directors. This Committee is responsible for recommending candidates for senior management appointments and remuneration policies.

Internal Control

The Board has given effect to the recommendations of Internal Control: Guidance for Directors on the Corporate Governance Code (formerly the Combined Code). The Directors are responsible for the Board's system of internal control and for reviewing its effectiveness and meet this responsibility through regular meetings of the Audit Committee. They have delegated responsibility for the implementation of this system to Executive Management on a day-to-day basis.

The system of internal control provides reasonable, but not absolute, assurance of the safeguarding of assets against unauthorised use or disposition and the maintenance of proper accounting records and the reliability of the information they produce, for both internal use and publication.

The key elements of the system are:

- formal policies, procedures and organisational structures are in place which support the maintenance of a strong control environment;
- the business strategy, planning and budgetary process includes analysis of the major business risks which affect the organisation. Risk assessment is a continuous process on which the Board places significant emphasis;
- a comprehensive set of management information and performance indicators is produced promptly on a monthly basis. This enables progress against longer term objectives and annual budgets to be monitored, trends to be evaluated and variances to be acted upon. Detailed budgets are prepared annually in the context of longer term strategic plans and are updated regularly;

- accounting procedures are documented, transaction cycles are defined, accounting timetables are detailed, automated interfaces are controlled, review and reconciliation processes are carried out, duties are segregated and authorisation limits are checked. Experienced and qualified staff have been allocated responsibility for all major business functions;
  the Internal Audit function prepares an Internal Audit plan which is approved by the Audit Committee. Internal Audit reports to the Audit Committee on an ongoing basis.

Solvency & Capitalisation

The accounts of the Board have been prepared on a going concern basis and the Directors have satisfied themselves that the Board is a going concern, having adequate resources to continue in operational existence for the foreseeable future. In forming this view the Directors consider that it is appropriate to do so based on the Board's Operating Plan for 2013 and the medium term plans of the Board and Government policy in relation to authorisation. The Board has a statutory obligation to ensure that Vhi Healthcare generates sufficient funds in the private health insurance market to meet the needs of the business. In the absence of adequate regulatory reform the Board has had and will continue to have no option but to implement alternative strategies that will achieve its statutory obligations.

6. Directors' Remuneration

Annual remuneration levels for the Chairman and each non-executive Director have been set by Government at €20,520 and €11,970 respectively with effect from 1 November 2011. Non-executive Directors do not receive any other remuneration nor do they have any service agreements or contracts with the Board.

7. Principal risks and uncertainties

Irish company law now requires companies to give a description of the principal risks and uncertainties which they face. Notwithstanding that the Board is not subject to company law provisions, the Directors consider it sound corporate governance to provide such a description.

The principal challenge facing the Board is achieving Authorisation by the Central Bank of Ireland by 31 December 2013. This will involve, inter-alia;

a. the need for a more robust risk equalisation system to ensure Vhi Healthcare has a sustainable business case projecting forward three to five years and

b. the need for a capital injection, which may have State Aid implications

In May 2010, the Government announced the development of "a new, robust risk equalisation scheme to support the core policy of community rating" to commence in 2013. Legislation was published in October 2012 and enacted in December 2012, to apply from January 2013.

The legislation creates a Risk Equalisation Fund administered by the Health Insurance Authority. The Fund is designed to support the community rated market by providing age related health credits in respect of those over the age of 60 that help to meet their higher claims costs. The health credits vary by age, gender and by Advanced/non Advanced Level of Cover. Non Advanced Cover is where the insurance cover is up to a maximum of 66% of the full cost for hospital charges in a private hospital. In addition there is a health status measure which provides health credits in respect of each overnight stay in a hospital bed in private/semi-private accommodation. All the credits are funded by a health insurance levy paid by health insurers which vary by Level of Cover i.e. Advanced/Non-advanced (full details of the levies and credits are set out as supplementary information in the Notes of the Accounts).

As has been the case in previous years the risk equalisation scheme in 2012 (see table below) was not effective, compensating for less than 55% of the risk and as a result, Vhi Healthcare has incurred a pre-tax loss of almost €80m in meeting the healthcare needs of our older customers over 60 years of age. We estimate that the new permanent scheme has set rates which will compensate for approximately 50% of the risk differences and this will be insufficient to support the losses incurred in meeting the healthcare needs of our older customers.

In addition, the principal industry risks and uncertainties facing the business are:

I. The sustainability of a community rated private health insurance market given the following very significant cost pressures:
- (i) demographic trends as private health insurance costs increase significantly due to the ageing population;
- (ii) the economic environment, where large numbers of young people can no longer afford private health insurance;
- (iii) increased capacity and treatments, resulting in significant cost increases;
- (iv) public hospital charges, which are determined solely by government;
- (v) continuing medical cost inflation, arising from the development of new technologies, drugs, treatment etc;
- (vi) a significant increase in private bed capacity, because a characteristic of the healthcare market is that demand will expand to match supply.

II. In February 2010 the European Commission took a case against the Irish State centred on the continuing exemption of Vhi Healthcare from the application of EU rules on non-life insurance. On 29 September 2011 the European Court of Justice found that Ireland had failed to fulfil its obligations under relevant EU directives in not applying European Union insurance legislation in its entirety to all insurance undertakings on a non-discriminatory basis.

The State has indicated that a process would be commenced and the aim (of the process) will be to reach the point of authorisation, subject to a final Government decision on capitalisation by the end of 2013.

III. The Voluntary Health Insurance (Amendment) Act 2008 gave additional commercial powers to Vhi Healthcare but these will apply only after it is approved and authorised by the Central Bank of Ireland (see II above).

Vhi Healthcare uses a number of Key Performance Indicators throughout its various activities and the most significant are set out in the Annual Report.

8. Prompt Payment of Accounts

The Board acknowledges its responsibility for ensuring compliance with the provisions of the Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations, 2002). Procedures are in place to identify the dates upon which invoices fall due for payment and for payments to be made on such dates, and accordingly, the Board is satisfied that the Voluntary Health Insurance Board has complied with the requirements of the Regulations.

9. Subsidiary and associated undertakings

The Board's subsidiaries and other undertakings, as at 31 December 2012, are listed in note 24.

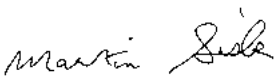
10. Books of Account

The Directors are responsible for ensuring that proper books of account are maintained by the Board and this has been achieved by the employment of appropriately qualified accounting personnel and by maintaining appropriate accounting systems. The books of account are located at the head office of the Board at Vhi House, Lower Abbey Street, Dublin 1.

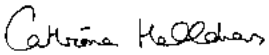
11. Auditors

The auditors Deloitte & Touche, Chartered Accountants, present themselves for re-election in accordance with Section 19 (2) of the Voluntary Health Insurance Act 1957.

On behalf of the Board:



Martin Sisk
Chairman



Cathriona Hallahan
Director

20 March 2013

REPORT OF THE AUDITORS

Independent Auditors' Report to the Directors of the Board of the Voluntary Health Insurance Board

We have audited the financial statements of Voluntary Health Insurance Board for the year ended 31 December 2012 which comprise of the Group Financial Statements: Consolidated Income and Expenditure Account, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the Consolidated Statement of Total Recognised Gains and Losses and the Company Financial Statements: the Balance Sheet, the Cash Flow Statement and the Statement of Total Recognised Gains and Losses and the statement of accounting policies and the related notes 1–28. The financial reporting framework that has been applied in their preparation is Irish law and accounting standards issued by the Financial Reporting Council and promulgated by the Institute of Chartered Accountants in Ireland (Generally Accepted Accounting Practice in Ireland).

Respective responsibilities of directors and auditors

As explained more fully in the statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements giving a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of the significant accounting estimates made by the directors; and the overall presentation in the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report and Consolidated Financial Statements 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the group's and of the Board's affairs as at 31 December 2012 and of the group's profit for the year then ended.
- have been properly prepared in accordance with the Voluntary Health Insurance Act 1957 and the European Communities (Insurance Undertakings: Accounts) Regulations, 1996.

Emphasis of Matter – Solvency and Capitalisation

Without qualifying our opinion, we draw your attention to note 1 regarding the financial viability of the Board and the requirement that the Board needs to be in a position to apply for an insurance licence from the Central Bank of Ireland by 31 December 2013. The absence of regulatory reform leading to an effective Risk Equalisation Scheme considered adequate by the Board requires it to consider and implement alternative strategies and rely on Government policy in relation to authorisation.

Matters on which we are required to report by exception

At the request of the directors, we are required to review the part of the voluntary compliance statement relating to the Board's compliance with the nine provisions of the UK Corporate Governance Code and the two provisions of the Irish Corporate Governance Annex specified for our review. We have no matters to report.

Deloitte & Touche — Chartered Accountants and Statutory Audit Firm
Dublin — 20 March 2013

STATEMENT OF ACCOUNTING POLICIES

Basis of Preparation

The accounts are prepared in accordance with accounting standards generally accepted in Ireland, the European Communities (Insurance Undertakings: Accounts) Regulations, 1996 and the Statement of Recommended Practice on Accounting for Insurance Business (SORP) as adopted by the Association of British Insurers. Consolidated accounts are prepared for the first time in 2012 and the comparative figures are not consolidated.

The following are the principal accounting policies adopted:

Basis of Accounting

The accounts are prepared under the historical cost convention modified by the revaluation of investments. The preparation of accounts in accordance with generally accepted accounting principles requires the exercise of judgement in the process of applying the Board's accounting policies. The areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts, relate primarily to provisions for claims outstanding and unexpired risks, and are documented in the accounting policies below. The provisions for outstanding claims and unexpired risks are based on actuarial methods of calculation reviewed by the Board's consulting actuaries, Towers Watson Limited.

Premiums Written

Gross premiums written consist of the premium income receivable from members in respect of policies commencing in the financial year. Unearned premiums represent the proportion of premiums written in the year that relate to the un-expired term of policies in force at the balance sheet date, calculated on a time apportionment basis.

Claims Incurred

Claims incurred comprise claims and related expenses paid during the year together with changes in provisions for outstanding claims, including provisions for the estimated cost of claims reported but not yet paid, claims incurred but not reported and related handling expenses. The gross provision for claims represents the estimated liability arising from medical claims incurred in current and preceding financial years which have not yet given rise to claims paid. The provision includes an allowance for claims handling and expenses.

The claims provision is estimated based on best information available as well as subsequent information and events. Adjustments to the amount of claims provision for prior years are included in the income and expenditure account in the financial year in which the change is made.

Unexpired Risks

Provision is made, based on information available at the balance sheet date, for any estimated underwriting deficits related to unexpired risks after taking into account relevant investment return. Prudent assumptions are made so that the provision should be sufficient in reasonably foreseeable adverse circumstances.

Deferred Taxation

Deferred taxation is provided on timing differences between the taxable surplus of the Board and its surplus as stated in the accounts. The provisions are made at the taxation rates which are expected to apply in the periods in which the timing differences are expected to reverse. Deferred tax assets are recognised to the extent that it is probable that they will be recovered.

STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

Age related tax relief and Health Insurance Levy

Age related tax relief and Health Insurance Levy written consist of the amounts receivable/ payable to the Revenue Commissioners in respect of policies commencing in the financial year.

Provision for un-earned/un-expensed credits/levy represents the proportion of credits/levy written in the year that relate to the unexpired term of policies in force at the balance sheet date, calculated on a time apportionment basis. The net benefit is recognised on an earned premium basis over the life of the policies and included as other technical income in the income and expenditure account.

Tangible Assets

Tangible assets are stated at cost less accumulated depreciation. Depreciation is calculated so as to write off the cost of the assets over their estimated useful lives on a straight line basis as follows:

Motor vehicles	4 years
Computer equipment	4 years
Software	4–6 years
Furniture, fittings, medical and office equipment	5 years

Expenditure incurred on the development of computer systems which is substantial in amount and is considered to have an economic benefit to the Board lasting more than one year into the future is capitalised and depreciated over the period in which the economic benefits are expected to arise. This period is subject to a maximum of six years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to the Income and Expenditure account.

Investments

Investments held for trading, including listed securities, are stated at market value. Market value represents the bid price less accrued interest at the balance sheet date. Realised gains/losses on investment transactions are determined on an average cost basis and recorded in the Income and Expenditure account.

Investments, where the intention is to hold them to redemption date, including government and government guaranteed stocks, are stated at amortised cost over the period between date of purchase and redemption date.

Land and buildings are valued annually on an open market value basis. Valuations are made by independent professionally qualified valuers. All properties occupied by the Board are maintained in a continual state of sound repair. As a result, the directors consider that the economic lives and residual values of these properties are such that any depreciation is insignificant and is therefore not provided.

Impairment

Financial assets, other than those at market value, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Investment Income

Interest on fixed interest stocks and bank deposits is taken to include income as earned on a day-to-day basis. All income is accounted for on an accruals basis. Income from equities is included on the basis of dividends received during the financial year.

Investment Return
Operating results are reported on the basis of actual investment return. The allocation of investment return from the non technical account to the technical account is based on the return on investments attributable to the insurance business.

Investments in Joint Ventures, Subsidiaries and Associates
Subsidiaries are accounted for under the cost method.
Associates and joint ventures are accounted for under the net equity method.

Retirement Benefits
The cost of providing benefits and the liabilities of defined benefit plans are determined, using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date.

Current service cost, interest cost and return on scheme assets are recognised in the income and expenditure account. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Past service cost is recognised immediately. The net surplus or deficit on the defined benefit pension scheme is recognised, net of deferred taxation, on the balance sheet.

Other Income
Other income is recognised in the income and expenditure account in the period in which it is earned and represents the invoiced value and work-in-progress value of services provided exclusive of value added tax.

Deferred Acquisition Costs
The costs incurred during the financial year that are directly attributable to the acquisition of new business are expensed in the same accounting period as the premiums to which they relate are earned. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, these costs are deferred commensurate with the unearned premiums provision. In other words, the amount that has been deferred is the proportion of the total acquisition costs which the unearned premiums provision bears to gross written premiums. Amortisation is recorded in the income and expenditure account.

Deferred acquisition costs are reviewed at the end of each reporting period and are written-off where they are no longer considered to be recoverable from expected future margins.

Stock
Stock comprises medical equipment and is stated at the lower of cost and net realisable value on a first in, first out basis. Cost comprises the invoiced price from suppliers. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Provisions for Liabilities
Provisions have been included for known present obligations arising from past events based on management estimates, incorporating review of available information and appropriate external advice where available.

CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT

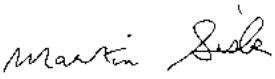
TECHNICAL ACCOUNT

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Continuing Activities			
Earned Premium	2		
Gross premiums written		1,454.9	1,300.1
Change in the gross provision for unearned premiums		(23.6)	14.0
		1,431.3	1,314.1
Allocated investment income transferred from the non-technical account		19.4	(23.5)
		1,450.7	1,290.6
Other technical income			
Age related tax credits/levy	3	65.4	41.1
Claims incurred			
Claims paid		(1,409.9)	(1,263.2)
Change in the provision for claims		14.2	28.9
	4	**(1,395.7)**	(1,234.2)
Net operating expenses	5	(59.0)	(88.4)
Balance on the technical account		**61.4**	9.0

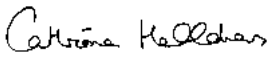
NON-TECHNICAL ACCOUNT

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Continuing Activities			
Balance on the technical account		**61.4**	9.0
Investment income	6	19.4	(23.5)
Allocated investment return transferred to the technical account		(19.4)	23.5
		61.4	9.0
Other Income	25	0.5	-
Other Expenses	26	(5.2)	-
Surplus on ordinary activities before taxation		**56.7**	9.0
Taxation on ordinary activities	7	(2.4)	(1.6)
Surplus on ordinary activities after taxation carried to reserves	8	**54.3**	7.4

The accounts were approved by the Board on 20 March 2013, and signed on its behalf by:



Martin Sisk
Chairman



Cathriona Hallahan
Director

CONSOLIDATED BALANCE SHEET

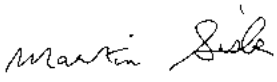
ASSETS

	Notes	At 31 December 2012 €m	2011 €m
Investments			
Land and buildings	9	20.2	22.1
Other financial investments	10	806.2	780.4
Debtors			
Debtors from customers arising out of insurance operations		407.8	383.8
Other debtors	11	175.9	133.9
Other Assets			
Tangible assets	12	14.4	20.3
Cash at bank and in hand		2.2	-
Deferred taxation	13	5.4	7.8
Prepayments and accrued income			
Prepayments		2.0	2.0
Accrued interest		7.1	6.9
Deferred acquisition costs	14	8.2	9.0
Total Assets		**1,449.4**	1,366.3

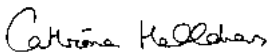
LIABILITIES

	Notes	At 31 December 2012 €m	2011 €m
Reserves			
General reserve		323.9	295.2
Technical provisions			
Provision for unearned premiums		492.6	469.0
Claims outstanding		338.6	349.0
Creditors			
Creditors to customers arising out of insurance operations		36.9	40.7
Other creditors and accruals	15	211.6	159.8
Bank overdraft		9.2	2.7
Retirement Benefits Liability	16	36.6	49.9
Total Liabilities		**1,449.4**	1,366.3

The accounts were approved by the Board on 20 March 2013, and signed on its behalf by:



Martin Sisk
Chairman



Cathriona Hallahan
Director

BOARD BALANCE SHEET

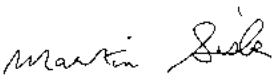
ASSETS

	Notes	At 31 December 2012 €m	2011 €m
Investments			
Land and buildings	9	20.2	22.1
Other financial investments	10	806.9	780.4
Debtors			
Debtors from customers arising out of insurance operations		407.8	383.8
Other debtors	11	176.1	133.9
Other Assets			
Tangible assets	12	14.2	20.3
Cash at bank and in hand		2.1	-
Deferred taxation	13	5.4	7.8
Prepayments and accrued income			
Prepayments		2.0	2.0
Accrued interest		7.1	6.9
Deferred acquisition costs	14	8.2	9.0
Total Assets		**1,450.0**	1,366.3

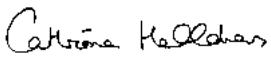
LIABILITIES

	Notes	At 31 December 2012 €m	2011 €m
Reserves			
General reserve		324.3	295.2
Technical provisions			
Provision for unearned premiums		492.6	469.0
Claims outstanding		339.9	349.0
Creditors			
Creditors to customers arising out of insurance operations		36.8	40.7
Other creditors and accruals	15	210.6	159.8
Bank overdraft		9.2	2.7
Retirement Benefits Liability	16	36.6	49.9
Total Liabilities		**1,450.0**	1,366.3

The accounts were approved by the Board on 20 March 2013, and signed on its behalf by:



Martin Sisk
Chairman



Cathriona Hallahan
Director

CONSOLIDATED CASH FLOW STATEMENT

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Net cash inflow from operating activities	17	21.8	3.9
Taxation		(0.1)	-
Capital expenditure		(2.7)	(2.7)
		19.0	1.3
Cash flows were invested as follows:			
(Decrease)/Increase in cash holdings		(4.3)	1.0
Net portfolio investment	18&20	23.3	0.3
Net increase in cash flows	19	**19.0**	1.3

CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Surplus for the financial period		54.3	7.4
Actuarial loss on pension fund	16	(25.0)	(20.4)
Retained earnings of subsidiary		(0.6)	-
Total recognised gains/(losses) relating to the period		**28.7**	(13.0)

BOARD CASH FLOW STATEMENT

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Net cash inflow from operating activities	17	22.0	3.9
Taxation		(0.1)	-
Capital expenditure		(2.4)	(2.7)
		19.5	1.3
Cash flows were invested as follows:			
(Decrease)/Increase in cash holdings		(4.4)	1.0
Net portfolio investment	18&20	23.9	0.3
Net increase in cash flows	19	**19.5**	1.3

BOARD STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

		For the year ended 31 December	
		2012	2011
	Notes	**€m**	€m
Surplus for the financial period		54.0	7.4
Actuarial loss on pension fund	16	(25.0)	(20.4)
Total recognised gains/(losses) relating to the period		**29.0**	(13.0)

NOTES TO THE ACCOUNTS

1. Solvency & Capitalisation

The accounts of the Board have been prepared on a going concern basis and the Directors have satisfied themselves that the Board will have adequate resources to continue in operational existence and to meet solvency margin requirements for the foreseeable future. In forming this view the Directors consider that it is appropriate to do so based on the Board's budget for 2013, the medium term plans of the Board and Government policy in relation to authorisation.

Vhi Healthcare currently has a solvency level of 21.5% (December 2011: 22.3%) or 108% (2011:101%) of the legal minimum solvency margin requirement. The Central Bank of Ireland normally requires a minimum solvency margin of 150% and the EU has imposed a timeline of 31 December 2013 by which Vhi Healthcare must achieve authorisation by the Bank.

In assessing an application, the Central Bank of Ireland applies a number of tests, including, inter alia,
a) the adequacy of the current solvency level
b) the adequacy of the medium term solvency position based on a 5 year pessimistic scenario.

The Board has a statutory obligation to ensure that Vhi Healthcare generates sufficient funds in the private health insurance market to meet the needs of the business. The new Risk Equalisation Scheme, refer Note 3, will compensate for approximately 50% of the additional risk associated with insuring customers over 60 years of age and will be insufficient to support the losses incurred in meeting their needs.

In the absence of adequate regulatory reform leading to an effective Risk Equalisation Scheme, the Board has had and will continue to have no option but to consider and implement alternative strategies that will achieve its statutory obligations.

The State has indicated that a process would be commenced and the aim (of the process) will be to reach the point of authorisation, subject to a final Government decision on capitalisation, by the end of 2013.

2. Earned Premium

The insurance business of the Board is substantially health insurance and earned premium relates mainly to this class of business. Income from ancilliary products is €18.8m. All business written is in the Republic of Ireland.

3. Age-Related Tax Credit and Health Insurance Levy

In 2009 the Health Insurance (Miscellaneous Provisions) Amendment Act was introduced with as one of its stated objects the enhancement of intergenerational solidarity and community rated health insurance.

The Act introduced an interim scheme (three years commencing January 2009) comprising a levy on private health insurance contracts to generate a fund to be used in the form of an Age Related Tax Credit at Source towards the costs of insuring older people. This scheme was extended for a further year to 31 December 2012. A new permanent scheme was introduced with effect from 1 January 2013.

Age Related Tax Credit at Source

Under the terms of the Act, the rates applicable for 2012 in respect of additional tax credit at source were as follows;

Customers aged between;
60–64: €600 (2011: €625)
65–69: €975 (2011: €625)
70–74: €1,400 (2011: €1,275)
75–79: €2,025 (2011: €1,275)
80–84: €2,400 (2011: €1,725)
85+: €2,700 (2011: €1,725)

The age related tax credit is earned over the term of the policy. At 31 December 2012 the value of unearned tax credits was €114.4m.

NOTES TO THE ACCOUNTS (CONTINUED)

3. Age-Related Tax Credit and Health Insurance Levy (continued)

Health Insurance Levy

Under the terms of the Act for 2012, a Levy of €285 per adult and €95 per child by way of stamp duty was payable on renewal or inception of a private health insurance policy. Although the levy is payable in full on renewal or inception of the policy it is expensed over the life of the policy and at 31 December 2012, the unexpired portion of the levy amounted to €91.3m.

The net amount recognised in the income and expenditure account was €65.4m (age tax credit €328m less levy €262.6m).

In May 2010, the Government announced the development of "a new, robust risk equalisation scheme to support the core policy of community rating" to commence in 2013. Legislation was published in October 2012 and enacted in December 2012, to apply from January 2013. This has been formally approved by the EU Commision. Details of this scheme are set out in the Director's Report.

See note 1 which outlines the need for a more robust solution.

4. Claims incurred

Each year the Board assesses whether it will incur losses on the unexpired element of existing contracts or on contracts that it is obliged to incept or renew. The estimate of these losses is based on a model using appropriate actuarial practice standards. The principal uncertainty relates to the cost and volume of future claims. The amount provided at December 2012 was nil (December 2011: nil).

5. Net operating expenses

	Dec–2012	Dec–2011
	€m	€m
Administrative expenses	72.1	63.9
Acquisition costs	24.4	24.9
Post retirement benefit curtailment (Note 16)	(38.2)	-
Deferred acquisition costs	0.7	(0.4)
	59.0	88.4

€8.4m of net operating costs relate to ancilliary products.
A change was made to post retirement benefits which has resulted in a curtailment of benefits.

	Dec–2012	Dec–2011
The average number of persons, including part time employees, employed by the Board was:	990	899

	€m	€m
Staff costs were:		
Wages and salaries	51.9	47.0
Social security costs	5.1	4.9
Retirement benefits	4.6	4.4

The total remuneration, including pension contribution, paid to the outgoing Acting Chief Executive and included in net operating expenses in the year to December 2012 amounted to €236,337. The new Chief Executive was appointed on 1 August 2012 and total remuneration, including pension contribution, paid in that period was €134,886.

6. Investment income

	Dec–2012	Dec–2011
	€m	€m
Income from land and buildings	0.1	0.1
Income from other investments	18.0	18.9
Gains/(Losses) on realisation of investments	1.4	(39.1)
Unrealised losses on land and buildings	(1.9)	(3.1)
Unrealised (losses)/gains on investments held to maturity	(0.2)	0.9
Unrealised gains/(losses) on investments held for trading	2.8	(0.7)
Investment management expenses	(0.8)	(0.6)
	19.4	(23.5)

A transfer of the full amount of investment return has been made from the non-technical account to the technical account on the basis that the reserves of the Board are lower than the solvency margin level required by the regulator and therefore all reserves are deemed to be in support of the technical provisions.

7. Taxation on ordinary activities

	Dec–2012	Dec–2011
	€m	€m
The taxation charge in the income and expenditure account comprises:		
Current taxation for year	-	-
Deferred taxation – charge	(2.4)	(1.6)
	(2.4)	(1.6)

Factors affecting the current taxation charge for the financial period
The current taxation for the financial period is calculated at a rate different to the standard rate of corporation tax in Ireland of 12.5% (December 2011: 12.5%).

The differences are explained below:

	Dec–2012	Dec–2011
	€m	€m
Surplus on ordinary activities before taxation	56.7	9.0
Surplus on ordinary activities multiplied by standard rate of corporation taxation of 12.5% (December 2011: 12.5%)	(7.1)	(1.1)
Effects of:		
Expenses not allowed for taxation purposes	4.9	(0.4)
Losses carried forward	1.9	1.3
Capital allowances in excess of depreciation for period	0.3	0.3
Current taxation for financial period	**-**	**-**

NOTES TO THE ACCOUNTS (CONTINUED)

8. Surplus on ordinary activities after taxation carried to reserves

The surplus on ordinary activities after taxation carried to reserves was €54.0m for Board and €54.3m for consolidated.
The consolidated surplus for the financial period is stated after charging:

	Dec–2012	Dec–2011
	€m	€m
Depreciation of tangible fixed assets	8.8	9.7
Board remuneration (inclusive of €12,764 expenses (2011: €13,534))	0.6	1.0

Auditors remuneration

Consolidated	**€m**	€m
Audit fee	0.1	0.1
Other statutory return fees	0.1	0.1
Non audit fees	2.4	1.4

Board	**€m**	€m
Audit fee	0.1	0.1
Other statutory return fees	0.1	0.1
Non audit fees	2.4	1.4

9. Land and buildings (Consolidated and Board)

	Dec–2012	Dec–2011
	€m	€m
Valuation:		
At 1 January	22.1	25.2
Loss on revaluation	(1.9)	(3.1)
At end of year	**20.2**	22.1

Land and buildings included above are occupied by the Board for its own activities and are mainly freehold.

Land and buildings were valued at 31 December 2012 at open market value in accordance with Royal Institute of Chartered Surveyors (RICS) appraisal and valuation standards. These valuations were made by external valuers Thorntons Chartered Surveyors, Hamilton Osborne King, DTZ Sherry Fitzgerald and O'Keeffe Auctioneers.

If the land and buildings had not been revalued they would have been included at the following amounts which represent the lower of cost or net realisable value.

	Dec–2012	Dec–2011
	€m	€m
Opening cost	17.0	19.8
Revaluation loss	(1.1)	(2.8)
Closing cost	**15.9**	17.0

10. Other financial investments

Consolidated	Dec–2012 €m Market Value	Dec–2012 €m Cost	Dec–2011 €m Market Value	Dec–2011 €m Cost
Held for Trading				
Shares and other variable yield securities	15.6	18.2	12.3	15.2
Debt securities/fixed interest securities	352.3	352.6	300.3	302.4
Other investments	1.0	2.6	1.3	3.5
Deposits with credit institutions	43.9	43.9	40.6	40.6
	412.8	417.3	354.5	361.8
	Amortised Cost	**Cost**	Amortised Cost	Cost
Held to maturity				
Debt securities/fixed interest securities	393.4	390.1	426.0	422.4
	806.2	**807.4**	780.4	784.2

The market value of investments held to maturity at 31 December 2012 was €397.1m (2011: €397.1m)

Board	€m Market Value	€m Cost	€m Market Value	€m Cost
Held for Trading				
Shares and other variable yield securities	15.6	18.2	12.3	15.2
Debt securities/fixed interest securities	352.3	352.6	300.2	302.5
Other investments	1.7	3.3	1.3	3.5
Deposits with credit institutions	43.9	43.9	40.6	40.6
	413.5	418.0	354.4	361.8
	Amortised cost	**Cost**	Amortised cost	Cost
Held to maturity				
Debt securities/fixed interest securities	393.4	390.1	426.0	422.4
	806.9	**808.1**	780.4	784.2

The market value of investments held to maturity at 31 December 2012 was €397.1m (2011: €397.1m)

NOTES TO THE ACCOUNTS (CONTINUED)

11. Other debtors

	Dec–2012	Dec–2011
	€m	€m
Consolidated		
Age related tax relief/Levy	175.1	132.4
Other debtors	0.8	1.5
	175.9	133.9
Board		
Age related tax relief/Levy	175.1	132.4
Loans to Vhi HomeCare Limited	0.3	0.6
Other debtors	0.7	0.9
	176.1	133.9

12. Tangible Assets

	Motor vehicles	Fixtures, furnishings and fittings	Computer/office equipment & software	Medical equipment	Total
Consolidated					
Cost	**€m**	**€m**	**€m**	**€m**	**€m**
At 1 January 2012	1.9	9.7	90.7	-	102.3
At 1 January 2012 HomeCare	0.2	-	0.1	0.1	0.4
Additions	0.7	0.3	1.7	-	2.7
Disposals	(0.6)	-	(0.1)	-	(0.7)
At 31 December 2012	**2.2**	**10.0**	**92.4**	**0.1**	**104.7**
Depreciation					
At 1 January 2012	(1.4)	(8.5)	(72.1)	-	(82.0)
At 1 January 2012 HomeCare	(0.2)	-	-	-	(0.2)
Charge for the financial period	(0.4)	(0.5)	(7.8)	-	(8.7)
Eliminated in respect of disposals	0.6	-	-	-	0.6
At 31 December 2012	**(1.4)**	**(9.0)**	**(79.9)**	**-**	**(90.3)**
Net book value at 31 December 2012	**0.8**	**1.0**	**12.5**	**0.1**	**14.4**
Net book value at 31 December 2011	0.5	1.1	18.6	-	20.3

12. Tangible Asset (continued)

Board	Motor vehicles €m	Fixtures, furnishings and fittings €m	Computer/office equipment and software €m	Total €m
Cost				
At 1 January 2012	1.9	9.7	90.7	102.3
Additions	0.6	0.2	1.7	2.5
Disposals	(0.6)	-	(0.1)	(0.7)
At 31 December 2012	**1.9**	**9.9**	**92.3**	**104.1**
Depreciation				
At 1 January 2012	(1.4)	(8.5)	(72.1)	(82.0)
Charge for the financial period	(0.4)	(0.4)	(7.8)	(8.6)
Eliminated in respect of disposals	0.6	-	0.1	0.7
At 31 December 2012	**(1.2)**	**(8.9)**	**(79.8)**	**(89.9)**
Net book value at 31 December 2012	**0.7**	**1.0**	**12.5**	**14.2**
Net book value at 31 December 2011	0.5	1.1	18.6	20.3

13. Deferred taxation asset (Consolidated & Board)

An asset has been recognised in respect of deferred taxation for the following timing differences:

	Notes	Dec–2012 €m	Dec–2011 €m
Unrealised loss on investment valuation		0.1	0.5
Trading losses carried forward		3.6	5.4
Other timing differences		1.7	2.0
Total deferred taxation asset		**5.4**	7.8

14. Deferred acquisition costs (Consolidated & Board)

Acquisition costs are expensed as the premiums to which they relate are earned.

The amount of €8.2m provided for at 31 December 2012 (December 2011: €9.0m) is in respect of costs incurred during the financial year which are directly attributable to the acquisition of new business. All other acquisition costs are recognised as an expense when incurred.

15. Other creditors and accruals

	Dec–2012	Dec–2011
Consolidated	**€m**	€m
Age related tax relief/Levy	198.3	147.5
PAYE and PRSI	1.3	-
Other creditors	1.6	3.1
Accruals	10.4	9.2
	211.6	159.8

Board	€m	€m
Age related tax relief/Levy	198.3	147.5
PAYE and PRSI	1.3	-
Other creditors	0.7	3.1
Accruals	10.3	9.2
	210.6	159.8

16. Retirement benefits (Consolidated and Board)

The Board operates a defined benefit pension scheme. The assets of the scheme are held in a separate trustee administered fund. In addition to pension entitlements, the Board also provides benefits to certain retirees in respect of health insurance cover. Retirement benefit costs and liabilities are determined by an independent qualified actuary, using the projected unit credit method of funding. The pension scheme is internally financed. The contributions to the scheme for the 12 months to December 2012 amounted to €7.8m (December 2011: €7.7m) and are based on 16.5% of pensionable pay.

The values used in this disclosure are based on the most recent actuarial valuations, carried out at 31 December 2012. The amounts have been fully implemented in the accounts in accordance with the requirements of FRS 17: 'Retirement Benefits.' In prior years the definition of high quality bonds in the Eurozone consisted of bonds rated AA or higher by at least two rating agencies. For the year under review and future periods the definition has been amended to define high quality bonds in the Eurozone as those rated AA or higher by at least one rating agency. This has the effect of including additional bonds with higher yields in the calculation of the discount rate. Furthermore there has been a change in the method for extrapolating for longer durations the effect of which is to give higher yields at longer duration than would be the case if there was no change. Both these changes lead to a higher discount rate therefore a lower defined benefit pension obligation. Had these changes not been made, the Eurozone rate would have been in the range of 3.2% to 3.7% and greater liabilities would have been reported in respect of our pension obligations. This effect is expected to give a higher discount rate for future periods but it is not practicable to calculate the precise effect for the future.

The actuarial reports are available for inspection by members of the scheme but not for public inspection.

The major assumptions used in respect of the pension scheme are:	**Dec–2012**	Dec–2011
	%	%
Rate of increase in salaries	2.75*	3.25
Rate of increase in pensions in payment	2.00	2.00
Discount rate	4.00	5.25
Inflation assumption	2.00	2.00

Long-term expected rates of return at financial period end are:	**Dec–2012**	Dec–2011
	%	%
Equities	7.0	7.3
Fixed interest	3.0	4.4
Property	6.0	6.3
Other	5.3	5.5

*0% increase for 2013 & 2014, 1.75% for 2015 and 2.75% thereafter

16. Retirement benefits (Continued)

Weighted average life expectancy for mortality tables used to determine benefit obligations at

	Dec–2012	Dec–2011
Member age 65 (current life expectancy)	23.2	22.8
Member age 40 (life expectancy at age 65)	26.3	26.1

The assets in the pension scheme at market value were:	**Dec–2012**	Dec–2011
	€m	€m
Equities	79.7	55.2
Fixed interest	38.0	28.8
Property	2.0	2.8
Other	31.2	40.1
Total market value of assets	150.9	126.9
Present value of scheme liabilities	(192.8)	(155.7)
Deficit in the scheme	(41.9)	(28.8)
Unfunded health insurance premium provision	-	(28.2)
Net retirement benefits deficit	(41.9)	(57.0)
Related deferred tax asset	5.3	7.1
Net retirement benefit liability	**(36.6)**	(49.9)

Income and Expenditure account	**Dec–2012**	Dec–2011
	€m	€m
Charged to net operating expenses		
Retirement benefits		
Current service cost	(3.2)	(3.1)
Death in service cost	(0.2)	(0.2)
Other retirement benefits	(1.2)	(1.1)
Charge to income and expenditure account	**(4.6)**	(4.4)
Curtailment gain	38.2	-
Interest in scheme liabilities	(10.0)	(9.4)
Expected return on scheme assets	6.8	7.9
Past service credit	0.1	-
Total financing credit/(charge)	35.1	(1.5)
Net change in operating result	**30.5**	(5.9)

16. Retirement benefits (Continued)

Statement of total recognised gains and losses

	Dec–2012	Dec–2011
Actual return less expected return on scheme assets	8.9	(12.6)
Experience gains and losses on scheme liabilities	(4.4)	(2.3)
Changes in demographic and financial assumptions	(27.7)	(8.2)
Actuarial loss	**(23.2)**	(23.0)
Deferred tax	(1.8)	2.7
Total actuarial loss	**(25.0)**	(20.4)

Movement in net deficit during the financial period

	Dec–2012	Dec–2011
Net deficit in scheme at start of year	(49.9)	(31.3)
Current service cost	(3.2)	(3.1)
Death in service cost	(0.2)	(0.2)
Past Service credit	0.1	-
Contributions	7.8	7.7
Interest on scheme liabilities	(10.0)	(9.4)
Expected return on scheme assets	6.8	7.9
Curtailment gain	38.2	-
Actuarial loss	(23.2)	(23.0)
Other retirement benefits	(1.2)	(1.1)
Deferred tax	(1.8)	2.7
Net deficit at end of financial period	**(36.6)**	(49.9)

History of experience gains and losses

	Year ended Dec–2012	Year ended Dec–2011	Year ended Dec–2010	Year ended Dec–2009	10 months to Dec–2008
Difference between expected and actual return on assets	**8.9**	(12.6)	5.2	9.6	(47.3)
% of scheme assets	**6%**	(10%)	4%	9%	(60%)
Experience (losses) and gains on scheme liabilities	**(4.4)**	(2.3)	5.6	5.6	(8.9)
% of scheme liabilities	**(2%)**	(1%)	4%	4%	(7%)
Total actuarial (loss)/gain	**(25.0)**	(20.4)	4.9	10.3	(19.6)
% of scheme liabilities	**(13%)**	(13%)	4%	8%	(16%)

17. Reconciliation of operating surplus to net cash flow from operating activities

	Dec–2012	Dec–2011
Consolidated	**€m**	€m
Surplus on ordinary activities before taxation	**56.7**	9.0
Retained Earnings of Subsidiary	(0.6)	-
Depreciation charges	8.7	9.7
Retirement benefits	(38.2)	(1.8)
Unrealised (gains)/losses on investments	(0.6)	2.8
Increase/(decrease) in technical provisions	13.3	(39.7)
(Increase)/decrease in debtors from members	(24.0)	20.4
(Increase)/decrease in debtors and prepayments	(41.5)	10.5
Increase/(decrease) in creditors and accruals	48.0	(7.0)
Net cash inflow from operating activities	**21.8**	3.9

Board	**€m**	€m
Surplus on ordinary activities before taxation	**56.4**	9.0
Depreciation charges	8.6	9.7
Retirement benefits	(38.2)	(1.8)
Unrealised (gains)/losses on investments	(0.9)	2.8
Increase/(decrease) in technical provisions	14.6	(39.7)
(Increase)/decrease in debtors from members	(24.0)	20.4
(Increase)/decrease in debtors and prepayments	(41.4)	10.5
Increase/(decrease) in creditors and accruals	46.9	(7.0)
Net cash inflow from operating activities	**22.0**	3.9

18. Movement in opening and closing portfolio investments

	Dec–2012	Dec–2011
Consolidated	**€m**	€m
Net cash (outflow)/inflow for the period	**(4.3)**	1.0
Portfolio investments	23.3	0.3
Movement arising from cash flows	19.0	1.3
Changes in market values	2.5	0.3
Total movement in portfolio	21.5	1.6
Portfolio investments and cash in hand at start of period	777.8	776.2
Portfolio investments and cash in hand at the end of the period	**799.3**	777.8

NOTES TO THE ACCOUNTS (CONTINUED)

18. Movement in opening and closing portfolio investments (continued)

	Dec–2012	Dec–2011
Board	**€m**	€m
Net cash (outflow)/inflow for the period	**(4.4)**	1.0
Portfolio investments	23.9	0.3
Movement arising from cash flows	19.5	1.3
Changes in market values	2.6	0.3
Total movement in portfolio	22.1	1.6
Portfolio investments and cash in hand at start of period	777.8	776.2
Portfolio investments and cash in hand at the end of the period	**799.9**	777.8

19. Movement in cash and portfolio investments

	At 1 January 2012	Cash flow	Changes to market value value	**At 31 December 2012**
Consolidated	€m	€m	€m	**€m**
Cash at bank and in hand	(2.7)	(4.3)	-	(7.0)
Shares and other variable yield securities	12.3	2.9	0.4	15.6
Debt securities and other fixed interest securities held for trading	300.3	50.3	1.7	352.3
Debt securities and other fixed interest securities held to maturity	426.0	(32.3)	(0.2)	393.5
Other investments	1.3	(0.9)	0.6	1.0
Deposits with credit institutions	40.6	3.3	-	43.9
	777.8	**19.0**	**2.5**	**799.3**

Board	€m	€m	€m	**€m**
Cash at bank and in hand	(2.7)	(4.4)	-	(7.1)
Shares and other variable yield securities	12.3	2.9	0.4	15.6
Debt securities and other fixed interest securities held for trading	300.3	50.0	1.9	352.2
Debt securities and other fixed interest securities held to maturity	426.0	(32.1)	(0.3)	393.6
Other investments	1.3	(0.2)	0.6	1.7
Deposits with credit institutions	40.6	3.3	-	43.9
	777.8	**19.5**	**2.6**	**799.9**

20. Analysis of cash flows for headings netted in the cash flow statement

	Dec–2012	Dec–2011
Consolidated	**€m**	€m
Portfolio investments		
Purchase of shares and other variable yield securities	9.4	9.9
Purchase of debt securities/fixed interest securities	3,678.9	2,465.5
Purchase of deposits with credit institutions	1,519.1	1,269.1
Sale other investments	(0.9)	(0.9)
Sale of shares and other variable yield securities	(6.4)	(0.8)
Sale of debt securities/fixed interest securities	(3,660.9)	(2,487.3)
Sale of deposits with credit institutions	(1,515.9)	(1,255.1)
Net cash inflow on portfolio investments	**23.3**	0.3

Board	**€m**	€m
Portfolio investments		
Purchase of shares and other variable yield securities	9.4	9.9
Purchase of debt securities/fixed interest securities	3,678.8	2,465.5
Purchase of deposits with credit institutions	1,519.1	1,269.1
Sale other investments	(0.2)	(0.9)
Sale of shares and other variable yield securities	(6.4)	(0.8)
Sale of debt securities/fixed interest securities	(3,660.9)	(2,487.3)
Sale of deposits with credit institutions	(1,515.9)	(1,255.1)
Net cash inflow on portfolio investments	**23.9**	0.3

21. Capital Commitments

There were no significant capital commitments at the financial year end.

22. Related Party Transactions

In common with many other entities, the Voluntary Health Insurance Board deals in the normal course of business with other Government sponsored agencies, including the Health Service Executive through the public hospitals, and with Government owned financial institutions. The Minister for Health also appoints the Board Members. Transactions with other Government related parties therefore include claims and other expense payments, and banking and investment transactions. Details of such transactions are not disclosed separately as it is the view of the Board that it would not constitute information useful to readers of the financial statements.

Interests of Board Members and Secretary

The Board Members had no beneficial interest in the Voluntary Health Insurance Board or its subsidiaries at any time during the year.

Please see Note 24 for interests in Joint Ventures, Subsidiaries and Associated undertakings.

NOTES TO THE ACCOUNTS (CONTINUED)

23. Prompt Payment of Accounts

Prompt Payment of Accounts Act 1997 (as amended by the European Communities (late payment in commercial transactions) Regulations, 2002).

Payments made during 2012 were governed by the above Act to combat late payments in commercial transactions. This Act applies to goods and services supplied to the Voluntary Health Insurance Board by EU based suppliers.

Statement of payment practices including standard payment periods

The Voluntary Health Insurance Board operates a policy of paying all undisputed supplier invoices within the agreed terms of payment. The standard terms specified in the standard purchase order are 30 days. Other payment terms may apply in cases where a separate contract is agreed with the supplier.

Compliance with the Directive

The Voluntary Health Insurance Board complies with the requirements of the legislation in respect of all supplier payments. Procedures and systems, including computerised systems have been modified to comply with the Directive. The procedures operated well during the year.

These procedures ensure reasonable but not absolute assurance against non-compliance.

24. Subsidiaries and associated Undertakings

Voluntary Health Insurance Board is the ultimate controlling entity and operates as Vhi Healthcare.

Vhi Healthcare set up a subsidiary company, Vhi Occupational Health Ltd, with effect from October 2008. This Irish registered company is located at Vhi House, Lower Abbey Street, Dublin 1. The company is 100% owned by Voluntary Health Insurance Board. The nature of operations in this company is the provision of Occupational Health Services.

Vhi Healthcare also set up an associated company, Vhi HomeCare Ltd, with effect from December 2009. This Irish registered company is located at 8, Orchard Business Centre, Citywest Business Campus, Dublin 24. The company was 50% owned by Voluntary Health Insurance Board in 2011. The company shares were purchased by Voluntary Health Insurance Board and the company is now 100% controlled by Voluntary Health Insurance Board with effect from 1 January 2012. The nature of operations in this company is the provision of Home Infusion and related Services. It commenced trading in February 2010.

Vhi Healthcare has a venture with Centric Health to operate three minor injury clinics under the name of Vhi Swiftcare.

This entity is reflected in Other Financial Investments on the Balance Sheet.

25. Other Income

This is income generated by Vhi HomeCare Limited (other than from Vhi Healthcare).

26. Other Expenses

This relates to expenses associated with the provision of services to clients.

27. Legal cases disclosure

The Board is satisfied that there are no material legal cases pending.

28. Subsequent Events

There are no material subsequent events.

COMPARATIVE RESULTS

	10 months to Dec–2008	Year ended Dec–2009	Year ended Dec–2010	Year ended Dec–2011	**Consolidated Year ended Dec–2012**
	€m	€m	€m	€m	**€m**
Earned premium	1,025.4	1,313.6	1,334.9	1,314.1	**1,431.3**
Claims incurred	(972.0)	(1,325.9)	(1,307.3)	(1,234.2)	**(1,395.7)**
Age tax credit less Levy		29.8	37.2	41.1	**65.4**
Operating expenses	(77.5)	(84.7)	(82.7)	(81.4)	**(50.6)**
Operating expenses ancilliary products	(7.2)	(7.7)	(7.6)	(7.0)	**(8.4)**
Other Income					**0.5**
Other Expenses					**(5.2)**
Investment return	(42.5)	26.7	22.5	(23.5)	**19.4**
Taxation (charge)/credit	8.8	6.5	(0.1)	(1.6)	**(2.4)**
Surplus/(deficit) for the period	(65.0)	(41.7)	(3.1)	7.4	**54.3**
Surplus/(deficit)/Income Ratio	(6.3%)	(3.2%)	(0.2%)	0.6%	**3.8%**
Reserves	337.9	306.5	308.3	295.2	**323.9**
Minimum statutory solvency	224.6	255.3	283.2	294.1	**299.7**

Financial Ratios

	%	%	%	%	%
Solvency margin level	27.7	22.3	22.8	22.3	**21.5**
Claims (net age tax credit) as a % of earned premium	94.8	98.7	95.1	90.8	**92.9**
Operating expenses as % of earned premium – health insurance	7.6	6.4	6.3	6.3	**6.2**

Minimum solvency as shown above is calculated in accordance with the provisions of the 1976 EU Non-Life regulations, (as amended), with which Vhi Healthcare is not currently required to comply.

New solvency requirements for Insurance Undertakings will apply following the introduction of the new EU Solvency Directive, referred to as 'Solvency II.' This Directive is still being developed and it is not expected to be finalised and to become effective until 2014 at the earliest.

RISK EQUALISATION SUPPLEMENTARY INFORMATION

Risk Equalisation Scheme 1 January 2013 (rate change from 31 March 2013)

Contract Type	Non-Advanced		Advanced	
Community Rating Levy	**Adult**	**Child**	**Adult**	**Child**
	€290	€100	€350	€120
Health Credits	Male	Female	Male	Female
60–64	€375	€250	€425	€275
65–69	€900	€650	€1,050	€775
70–74	€1,450	€975	€1,700	€1,150
75–79	€2,050	€1,550	€2,425	€1,800
80+	€2,850	€1,925	€3,375	€2,275

Note: A hospital bed utilisation payment of €75 is paid in respect of each night spent in private or semi-private accommodation by an insured person.

Interim System credits and community rating levy amounts for renewals in 2009–2012

Age Tax Credits	**2009**	**2010**	**2011**	**2012**
50–59	€200	€200	Nil	Nil
60–64	€500	€525	€625	€600
65–69	€500	€525	€625	€975
70–74	€950	€975	€1,275	€1,400
75–79	€950	€975	€1,275	€2,025
80–84	€1,175	€1,250	€1,725	€2,400
85+	€1,175	€1,250	€1,725	€2,700
Levy	**2009**	**2010**	**2011**	**2012**
Per child (under 18)	€53	€55	€66	€95
Per Adult	€160	€185	€205	€285

Note: The health credits and the community rating health insurance levy for renewals occurring up to 30 March 2013 are the same as applied for renewals under the interim system in 2012.

ENERGY MANAGEMENT AND SUSTAINABILITY

In 2012 Vhi Healthcare consumed 5,354,856 kWh of energy, consisting of:

- 4,418,320 kWh of electricity. The main energy users of electricity include: lighting (21%), office power/data centres (41%), general services /air conditioning (32%), kitchen (6%).

- 936,536 kWh of fossil fuel (natural gas). The main energy users of natural gas include space heating and hot water services (95%), kitchen (5%).

Actions Undertaken in 2012

- Lighting: Replaced T8 fluorescent lighting with T5 fluorescent smart lighting on two floors in Vhi House, Abbey Street.

- Building Energy Management Systems: Improved time scheduling and zone control for heating, ventilation and air conditioning in Vhi House, Abbey Street and Vhi Healthcare Kilkenny.

- Energy Monitoring and Reporting: Provided energy analysis and energy performance reporting for all Vhi Healthcare buildings.

Actions undertaken in 2012 provided estimated total annual energy savings of 220,000kWh.

Actions Planned for 2013

- Energy Management Programme: Develop and review the Vhi Healthcare energy management programme in accordance with the Sustainable Energy Authority of Ireland's EnergyMAP Programme.

- Lighting: Install T5 fluorescent smart lighting in Vhi House, Abbey Street and Vhi Healthcare Kilkenny.

- ICT/Data Centre: Complete data centre design study in Vhi House, Abbey Street and implement actions to improve data centre infrastructure efficiency.

- Energy Monitoring and Reporting: Provide on going energy monitoring and reporting for all Vhi Healthcare sites.

Actions planned for 2013 are estimated to provide total annual energy savings of 310,000kWh.

COMPANY DETAILS

Main Bankers
AIB Bank plc

Auditors
Deloitte & Touche

Solicitors
McCann Fitzgerald

Consulting Actuaries
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