CONTENTS

06.00am

Rotunda Hospital, Dublin 1.

BOARD OF DIRECTORS

BOARD OF DIRECTORS

1 BERNARD COLLINS (CHAIRMAN)

Bernard Collins is Chief Executive Officer of Lifemed Consulting Limited. Mr. Collins received a B.A. Honours in Applied Industrial Psychology/Business from University College Cork, Ireland. Mr. Collins maintains positions at board level on many other companies in Ireland and in the USA. He served for 10 years as Vice President of International Operations at Boston Scientific Corporation until 2003. (*)

2 PAT FARRELL, MMII

Chief Executive, Irish Bankers Federation;
Member, Financial Services Consultative Industry Panel, Chairperson, Audit Committee (#)

3 KEVIN MOYNIHAN, FCA

Principal, Kevin G. Moynihan & Company Chartered Accountants; Chairman, Killarney Technology Innovation Centre 2003/2005; Chairman, Chambers of Commerce of Ireland - Taxation Committee 1993-95; Chairman, Southern Region Chambers of Commerce of Ireland 1992/93; President, Killarney Chamber of Commerce 1991-93.

(#) denotes Member of Audit Committee
(*) denotes Member of Remuneration Committee
(**) denotes new appointments to the Board

Mr Phil Flynn stepped down from the Board in February 2005. Mr Flynn was first appointed to the Board in May 1996.

4 JOSEPH O'LEARY, FCCA

Partner – Patrick McNamara & Associates – Auditors, Accountants and Taxation Consultants; Past Member of the National Council for Education Awards (N.C.E.A.); Irish Region President of the Chartered Association of Certified Accountants (A.C.C.A.) 1994/95; Past Member of the Irish Region Executive of the Chartered Association of Certified Accountants.

5 LIAM TWOHIG, B.COMM, FCA

Managing Partner, Baker Tilly O'Hare, Chartered Accountants and Business Advisors; Past President, German-Irish Chamber of Industry and Commerce; Member, Institute of Chartered Accountants in Ireland, Disciplinary Appeals Committee. (#)

6 HUMPHREY MURPHY

Managing Director, Global Stainless Ltd.; Member of Governing Body, University College Cork 1997-2000, 2000-2003, 2004 to date; Chairman UCC Audit Committee 2000-to date; Member, Cork Airport Authority; Member of Cork Chamber of Commerce. (*)

7 BARONESS JULIA NEUBERGER, DBE

Liberal Democrat member, House of Lords; Trustee Booker Prize Foundation; Honorary Fellow, Royal College of Physicians; Former Chief Executive, King's Fund; Former Rabbi, South London Liberal Synagogue; Consultant, Clore Duffield Foundation; Member, Advisory Committee, Trustees of Sainsbury Centre for Mental Health; Member, Central Ethical Compliance Group, Unilever; Former Member, Medical Research Council. (**)

8 JIM KELLY

Director, KBC Asset Management; Chairman, Fold Housing Association Ireland; Fellow, Pensions Management Institute; Former Chief Executive, Mercer Human Resource Consulting; Founder Director, Pension & Investment Consultants Ltd.; Former Chairman, Retirement Planning Council of Ireland. (**)

9 CHRISTY COONEY

Master of Education;
Assistant Director General FÁS;
Director , Páirc an Chrócaigh Teoranta; Member, Broadcasting Complaints Commission; Chairman, GAA Council 2001-2003.

10 GILLIAN BOWLER FMII, FMGT

Chairman, Budget Travel Ltd.; Chairman, Failte Ireland; Chairman, Irish Life & Permanent, Plc.; Non-Executive Director, Grafton Group; Non-Executive Director, Clear Channel Ireland; Board Member, Michael Smurfit Graduate School of Business, UCD; Board Member, Social Innovations Ireland. (*)

11 PATRICIA ENNIS, B.ARCH, FRIAI

Managing Director,
Kildare Architects Ltd. (#)

08.15am

Moscow, Russia.

CHAIRMAN'S REVIEW

07.00am	13.00pm	19.00pm	01.00am
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The Dynamic Healthcare Environment in Ireland

The Healthcare environment in Ireland is currently on the cusp of substantial change. Decisions taken in recent years by the Government to reform and reshape the provision, delivery, regulation and funding of healthcare are now impacting on all organisations involved in the healthcare industry. The Government has signalled clearly that it intends to separate policy from operational issues and in doing so has established the Health Services Executive to manage the operational issues. The Government has also indicated that it wants to see the private sector more involved in the provision of healthcare services and to this end has provided generous tax incentives to developers to build new private hospitals. This policy will result in the creation of significant amounts of new capacity. Thirdly, the Government has also stated that it intends to change the nature of its relationships with the provision of private health insurance and has announced its intention to bring appropriate legislation before the Oireachtas in the autumn to effect a change in Vhi Healthcare's corporate structure. These significant changes in Government policy, together with increased competition in the marketplace and enhanced regulation by the Health Insurance Authority and the Irish Financial Services Regulatory Authority will dictate the direction of the healthcare industry in the immediate future.

Vhi Healthcare is committed to supporting the improvement of healthcare services and to doing so in the most cost-effective manner. Our primary goal is to represent the interests of our members in these twin objectives while running the business effectively.

In my review I intend to focus on three issues which are central to the future viability of this business:

1. The decision of the Board to charge a true community rated price to members at the premium rate review on 1st September 2004.
2. The absolute necessity for the immediate introduction of Risk Equalisation.
3. The future corporate structure of Vhi Healthcare.

These issues are inter-related. In the Operations Review the Chief Executive has set out the details of what has been a successful, highly innovative but challenging year for the business.

Premium Rate Review September 2004

It has been consistent Government policy since 1994 that a Risk Equalisation fund was essential once competition entered this Community Rated market. Competition arrived in 1996 and a Risk Equalisation fund should have been established in 1998 but the decision to do so was deferred by Government. In the intervening years the Board of Vhi Healthcare has passed on to its members higher premium rate increases than should have been necessary in order to maintain the financial viability of the business and the stability of the overall market. The members of Vhi Healthcare were carrying the cost of the community health risk while our competitor was reaping large windfall profits through only carrying the costs associated with a younger membership. Clearly this situation was not only inequitable, it was also untenable over any length of time. Repeated calls for the immediate introduction of Risk Equalisation, both to the Government and the Health Insurance Authority, brought no response.

At the premium rate review of 1st September 2004 the Board made the decision to charge a true community rated premium to members on the basis that members were entitled to such a rate in a community rated market. The Board made this decision in the full knowledge that this would result in a material drop in profits in 2004/05 and mounting losses in subsequent years unless the business had access to transfers from a Risk Equalisation fund. This trading pattern could be financed out of reserves for a limited timespan but in a relatively short period the business would cease to be viable.

This decision was not taken lightly by the Board. Quite apart from the responsibility to be fair to members the Board was satisfied that, in a community rated market, the business could not remain viable in the longer term unless members could enjoy a genuine community rated price. This rationale was clearly outlined to the Minister for Health & Children when approval was sought for implementation of the relatively low price increase of 3% with effect from 1st September 2004.

Risk Equalisation

The decision by the Tánaiste on 27 June 2005 not to approve the recommendation of the Health Insurance Authority to implement Risk Equalisation transfers is both hugely disappointing and potentially disastrous for the future stability of the Irish health insurance market. While Vhi Healthcare respects that it is the Tánaiste's prerogative to have the final say on the introduction of Risk Equalisation, it is nonetheless frustrating that this crucial mechanism is still not in place despite the evidence presented by the HIA to support its implementation. Indeed, the HIA recommendation follows the conclusions of many other expert groups who have also studied this market e.g, the Advisory Group on Risk Equalisation established by the Government in 1998; the Society of Actuaries in 2002; the Competition Authority in 2002; The York Health Insurance Consortium in 2003; and FGS Consulting and DKM Economic Consultants, both in 2005.

All of these independent reports concurred on several key issues, including:

- A health insurance market with open enrolment and community rating, but without Risk Equalisation, cannot be dynamically stable.
- The insurer with the higher age profile (Vhi Healthcare) in such circumstances will face progressively more serious financial difficulties including pressure to raise premiums as its client base ages.
- There will not be meaningful competition since market entrants will have no incentive to compete for most of Vhi Healthcare's older, more vulnerable clients.
- Overall market pricing will be higher than it needs to be.
- Insurers with younger age profiles will instead be incentivised to aggressively target lower risk segments, 'cherry-pick' younger people, enjoy lower claim costs and earn windfall profits.

I want to take this opportunity to urge the Tánaiste to reconsider her decision and accept the recommendation of the HIA and put Risk Equalisation into operation with effect from 1 January 2006 as a matter of basic equity. Failure to do so will undoubtedly result in the long term collapse of community rating in Ireland and with it, the principle of lifelong, affordable health insurance.

The Board has written a detailed letter to the Tánaiste setting out the very serious implications that her decision has, both for the members of Vhi Healthcare and the continued viability of the business itself. This letter can be read on our website at www.vhi.ie. The Directors have decided not to pass the cost of financing community rating on to the members of Vhi Healthcare in the absence of Risk Equalisation but to finance this out of reserves for as long as this remains possible. The Board took time to reflect fully on the very difficult decision which they had to make and consulted with financial and economic advisers, members through the members advisory council, staff at all levels and others on a collective and individual basis. The Board were unanimous in the decision taken.

Corporate Structure

Vhi Healthcare was established by specific legislation as a statutory body in 1957. This legislation (and subsequent amendments) imposes unnecessary constraints on the type of business strategy which an organisation of the current size and vitality of Vhi Healthcare should pursue. The Board of Vhi Healthcare has called on the Government to extend the freedom and powers of Vhi Healthcare to allow it compete more effectively and expand the range of products and services it provides. The Government has responded positively to this approach. These changes can be made without any effective change of ownership of Vhi Healthcare.

There has been some criticism expressed with regard to the derogation afforded to Vhi Healthcare from the normal solvency requirements imposed on insurance undertakings. The Board of Vhi Healthcare is on record as stating that it favours a level playing field in all aspects of the health insurance market. The Minister has indicated that she will bring forward legislation in September 2005 to effectively change the corporate structure of Vhi Healthcare to that of a commercial semi-state. While we welcome this decision, the fact that it is coupled with the decision not to activate Risk Equalisation makes no sense to us. The decision not to activate Risk Equalisation appears to postpone the date on which we will be in a situation to satisfy the solvency requirements imposed by IFSRA for an insurance license. Furthermore, there is no doubt but that, in the absence of Risk Equalisation, Vhi Healthcare could not possibly furnish robust financial projections to IFSRA, another pre-condition for obtaining an insurance license.

Board and Advisory Groups

I would very much like to thank my fellow Board members for their enthusiasm and support during what has been a very eventful year. I would like to especially welcome our two new Board members, Baroness Julia Neuberger and Mr Jim Kelly, both of whom commenced office from 1 February 2005. I am sure they will play a significant role in helping us face the challenges ahead.

I would also like to acknowledge the outstanding contribution made by Mr Phil Flynn over the last nine years. Mr Flynn was first appointed in May 1996 and served two terms in office with distinction until his decision to step down in February 2005.

Vhi Healthcare is very fortunate to receive the support and advice provided by two voluntary committees, namely the Members Advisory Council and the Medical Advisory Group. Both of these committees play a major role in providing expert advice and communication on matters that positively impact on our service to members. We greatly appreciate the time and effort, which the members of these committees put in to help with the running of our business.

Our Employees

The year under review presented us with many challenges. The response of management and staff to these challenges has been outstanding. It goes without saying that the quality of our service to customers is hugely dependent on the enthusiasm, skill and commitment of our employees, and is pivotal to the success of the organisation. The fact that Vhi Healthcare retains almost 80% of the market after eight years of competition is testament to this effort.

Tribute

I would like to pay tribute to the contribution made by our friend and colleague Ms Kiran Manekar who passed away during the year. A member of our Software Development team based in Kilkenny, Kiran is deeply missed by her friends and colleagues at Vhi Healthcare. Our sincere sympathy goes to all who knew her, and especially to her family in India. May she rest in peace.

Looking ahead

Vhi Healthcare is budgeting for a loss in its current financial year, which runs from March 2005 to February 2006. This is not due to imprudent management, inefficiency or failure to contain its costs. On the contrary, Vhi Healthcare prides itself on having one of the most efficient operating cost to premium ratios in the insurance industry anywhere in the world and we plan to continuously improve this ratio. The projected loss is purely and simply attributable to the delay in the implementation of Risk Equalisation in this community rated market. As stated earlier the Board took the decision in 2004 to charge a true Community Rated premium to its members, even though Risk Equalisation had not been implemented. We implemented a premium increase of just over 3% at a time when medical inflation was running in excess of 10%. This action was taken by the Board to protect the long term viability of the business and to safeguard the legitimate interest of members. Current projections indicate that claims costs will increase by 15% in the current financial year.

There is no doubt but that the implementation of Risk Equalisation is necessary in order to stabilise our finances and set us back on the road to rebuilding our reserves to a commercially acceptable level. The Tánaiste's decision of 27 June 2005 has very serious implications for our 1.56 million members and Vhi Healthcare. We would urge the Tánaiste to consider the wider implications of the delay in triggering the Risk Equalisation Scheme, which is provided for in the legislation, and the impact this delay will have on community rating and the stability of the private health insurance market.

I have complete faith in the skill, enthusiasm and commitment of the Board, Management and Staff of Vhi Healthcare. I have no doubt that Vhi Healthcare will consolidate its position as leader in the Irish health insurance market and will continue to provide Irish consumers with the most innovative, best value for money products and services for many years to come.

Bernard Collins
Chairman

OPERATIONS REVIEW

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Introduction

The year 2004/05 was one of complete contrast when one compares our business activities against our financial results. In terms of achievement and innovation, the year under review ranks as one of the most successful on record. We introduced a new range of core health insurance products, LifeStage Choices, to complement our well-established Plan A to E range. Multi Trip from Vhi Healthcare, which was introduced in February '04, met with huge success and has revolutionised the travel insurance market. Other innovations included the launch of the new dental insurance plan, Vhi DeCare Dental, and the online Vhi Health Shop. On the administration side, a new policy administration system, which took two years to develop, went live in July '04.

Against this background it is disappointing to record a material reduction in surplus. In the current financial year, the business will incur a loss. In his review, the Chairman has outlined the reason for this serious position and the absolute necessity for the immediate introduction of Risk Equalisation. This situation can come as no surprise to readers of our Annual Report over recent years. We have clearly set out the precarious financial outlook for Vhi Healthcare and our auditors have made specific reference to the inevitability of deficits if the activation of Risk Equalisation is delayed.

Highlights of Year to 28 February 2005

- Total membership now 1.56 million, a record.
- €752 million paid out in claims on behalf of our members or €3 million paid out every working day.
- New products brought to market included: LifeStage Choices, offering a unique blend of hospital and primary care cover; Vhi DeCare Dental, the first and only dental insurance product available in Ireland.
- The launch of Multi Trip from Vhi Healthcare in February '04 revolutionised the annual travel insurance market. Sales in the first year totalled 150,000 members and continue at an average rate of 380 new policies per day.
- Launch of Vhi Health Shop, an online service to members and the general public wishing to buy health related goods and services at competitive prices.
- 493,000 claims and 1.2 million doctor invoices were processed.
- 4.3 million customer contacts.
- Significant service and benefit enhancements including: the approval of brand new facilities for members at both Galway Clinic and Barringtons Hospital, Limerick
- Extension of student rate premiums to all plans; and increased maternity cover for members of all plans from January 2005.

Membership, Sales, and Customer Service

Health Insurance

During the year new core product sales rose by more than 6% on the previous year as over 67,000 new members chose Vhi Healthcare as their insurer, with revenue from new sales contributing almost €39 million to premium income. Overall membership reached its highest ever level with 1.56 million members insured (A-E, Options, B with Excess, LifeStage Choices and Plan P) which generated a total premium income of almost €869 million by the end of February 2005.

Our diversification strategy ensured that in 2004/05 we were the only insurer in Ireland to offer individually tailored products to corporate customers in the form of our unique Total Healthcare Solutions. The ability to mix and match products to suit employee needs and employers' budgets has provided Vhi Healthcare with the means to both retain members and attract new business.

Sales of our new LifeStage Choices plans have been particularly encouraging, with total sales from launch date in October to the end of February some 46% over target. This is not surprising given the fact that these products offer the most features, most flexibility, and best prices in the market. For instance, our Family Plan Plus offering has proven to be particularly popular with the typical premium for a family of two adults and two children being 10%-13% cheaper than equivalent rival products.

Other Products & Services

Revenue from our non-core products and services has added considerably to the company bottom line during 2004/05. Membership of our primary care product HealthSteps went up by 34% and HealthSteps revenue increased by 31% for the period. These impressive results were helped by the decision to both reduce HealthSteps premiums and increase benefit levels for policies renewing from April 2004.

Just one year after the launch of Multi Trip from Vhi Healthcare, sales in excess of €5 million have been reported, with over 150,000 members taking out cover. These figures far exceed original expectations. It is now recognised by independent experts that Vhi's entry into this market cut the cost of travel insurance by up to 50% in some cases. It is estimated that already, Vhi Healthcare has gained a 26% share of the multi-trip travel insurance market.

Meanwhile, new sales of Global, our health insurance product for those embarking on long overseas trips, also exceeded target by 36%.

In the area of Corporate Solutions, revenue increased by over 80% on the previous year with both Occupational Health and Employee Assistance Programme products experiencing significant expansion of their client base. For instance, more than 10,000 people alone are covered under EAP (Employee Assistance Programme).

During the year we launched Vhi DeCare Dental, our unique dental insurance product. This is a joint venture with DeCare International, the largest dental insurance provider in the US. Dental insurance is a new concept for the Irish consumer and the success of the product is dependent on raising the awareness and the level of planning for dental care in Ireland up to international standards.

Late in 2004 Vhi Healthcare launched its unique, online Vhi Health Shop, a new service enabling our members and the general public to purchase health related goods and services online at competitive prices through our website www.vhi.ie. A wide selection of items can be bought ranging from treadmills, pedometers and exercise bikes to mother and baby items and contact lenses. In addition to keen prices, goods purchased online are delivered free to members and this has ensured that business on Vhi Health Shop has been brisk in the first few months of trading. We are confident that this new and innovative service will experience strong growth over the next few years.

Customer Service

Vhi Healthcare is renowned for the excellence of its customer service. We have no shareholders and exist solely to serve the needs of our customers. Contact with our members has always been given top priority. During the year we focused on improving both the frequency and the quality of communications with our members.

Over the twelve month period we had more than 4.3 million contacts with our members through telephone, email, mail, text message or through personal callers to our offices in Dublin, Dun Laoghaire, Cork, Limerick, Galway and Kilkenny.

Vhi Healthcare has made a serious investment in upgrading IT systems to enable improved member contact. The implementation of an email management system has allowed us to manage emails more consistently and productively. This new system allows us to log, monitor, answer and report on our extensive email traffic. Although email traffic has grown by 50% year on year for the last five years, this system has meant that the email handling team size has not had to increase to cope with the greater volumes. All incoming phone calls to our state-of-the-art call centre in Kilkenny are now being recorded to facilitate on-going training of staff and assessment of quality customer service at this facility. This new feature is having a major impact on the quality of information we provide to members and is vital to ensure consistency of service.

This reputation for customer service excellence has led to many accolades in recent years. The year 2004/05 was no exception as the Vhi Healthcare contact centre team received the Industry Champion Award at the European Call Centre Awards 2004 held in the UK. The award was in recognition of excellent customer service delivery and reflects the high standard, which Vhi Healthcare has reached within the call centre industry in Ireland and Europe. In addition, Vhi Healthcare won a National Quality and Business Excellence Award, hosted by the Excellence Ireland Quality Association, in recognition of outstanding achievements and commitment to continuous improvement. More than 90% of telephone calls to our customer service line were answered within ten seconds, and the person who answers the phone can deal with the majority of queries.

Health Services for Members

During 2004/05 Vhi Healthcare paid out more than €752 million in claims benefit on behalf of its members – on average that's €3 million every working day. No other health insurer in Ireland comes near to providing this level of benefit to its members.

Vhi Healthcare aims to provide access to the most modern, affordable, and best practice healthcare available today. In the competitive environment in which we now operate, and faced with ever increasing medical costs and claims volumes, we strive to ensure that the cost of providing for such services is well contained. This could not be achieved without the partnership of a wide range of healthcare providers, principally hospitals and doctors.

The worldwide trend towards providing more services on a daycare basis is the preferred way of ensuring more cost effective care in a medically appropriate and best practice environment. Last year more than 65% of all claims paid by Vhi Healthcare were provided in a daycare setting. This figure compares with just 38% of claims in 1996 and has meant a saving to our members of in excess of €100 million per annum.

We engage in a process of continuous negotiation with a wide variety of providers. Over the past year a total of 107 medical facilities had agreements on fees with Vhi Healthcare, of which 37 were private hospitals. In addition, 99% of all hospital consultants agreed to accept Vhi Healthcare fees in full settlement for services provided to members. Vhi Healthcare also agreed fees with a further 149 nursing homes, 23 MRI centres, 13 laboratory and diagnostic radiology centres, 6 ambulance companies and a PET/CT scanning facility. Achieving these agreements provides for our members certainty and peace of mind from financial worry and enables us to accurately predict our payout for accommodation, technical and professional fees. No other insurer engages in a depth of negotiations with medical providers comparable to Vhi Healthcare.

New facilities approved by Vhi Healthcare for use by members included the state-of-the-art Galway Clinic, two new MRI centres in Tullamore and Sligo, and Barringtons Hospital and Medical Centre in Limerick, which has become the first stand-alone daycare facility to provide surgical and diagnostic treatment for Vhi Healthcare members in the Mid-West. Contrary to the claims made by some property developers, Vhi Healthcare does not stand in the way of the development of new hospital capacity. We are not in the business however, of using the subscriptions of our members to provide comfort for developers. We will only extend cover facilities to those that bring competitive prices to the market.

In addition to the new products and services brought to market (as set out previously) and the new facilities approved, we also increased the range of benefits available under existing products and services including:

- Increased Maternity Grants – for members of all plans renewing on or after 1 January 2005;
- Increased benefits towards Pre & Post natal, and Child Home Nursing;
- Student membership rates extended to all plans, from October 2004 renewals;
- MRI benefit increases for in-patient and outpatient scans, together with approval of new scanning facilities at Tullamore General Hospital and Sligo General Hospital.
- PET/CT scan facilities approved for members of plans A-E and Options plans A-E at Blackrock Clinic, Dublin. The PET/CT scanner enables more precision in locating cancer.

We carry out ongoing patient satisfaction research to ensure that high levels of satisfaction are enjoyed by members, particularly in areas such as accommodation, medical and nursing care, levels of general comfort and efficiency in claims handling. Our most recent research data shows that three in four members requiring day surgery in a private hospital were admitted within four weeks of referral.

To further enhance quality service in claims handling, Vhi Healthcare has initiated a programme to implement a new claims system designed to support automated claims processing in a multi-product environment. The new system will deliver benefits in terms of improved flexibility, responsiveness, efficiency and higher quality. This is a major project and work will be completed in several phases over the next 18 months.

Financial Results

Vhi Healthcare operates as a 'not-for-profit' organisation. In effect this means that any surplus generated at the end of the financial year is placed in free reserves, which provide protection for members and allow reinvestment in improved benefits and services.

The key elements of the financial results were:

- Surplus after tax decreased by 94% from €62.3 million to €3.9 million. The reduction in surplus results from the fact that the price increase in September '04 did not match the rate of increase in claim costs and the fact that Risk Equalisation will not be activated in 2005. The low increase in premium rates in 2004 was due to two factors:

    1. The surplus recorded in 2003/04 was exceptional and exceeded the target surplus, which was €40 million (i.e. 5% of premium income). The Board decided and announced on the publication of the results that the excess surplus be returned to members by way of a reduction in premium increase at 1st September 2004. This decision reduced the rate of increase in premiums by approximately 2.5 percentage points.

Tallaght, Dublin 24.

2. The Board further decided that, in a community rated market, the members of Vhi Healthcare had a right to enjoy a true community rated premium. They had been denied this since 1996, when competition entered this market due to the absence of a Risk Equalisation fund. Members of Vhi Healthcare had been asked to pay higher premiums in order to maintain stability within the market. This decision reduced the rate of increase in premiums at September '04 by a once-off 4 percentage points.

The actual increase in premiums was approximately 3% on 1st September 2004, after these adjustments. Vhi Healthcare cannot charge a true community rated premium and remain financially viable in the absence of Risk Equalisation. The material decrease in profits experienced in the year to February 28, 2005, will be followed by financial losses in the year to February 28, 2006, and subsequent years, unless Risk Equalisation is introduced. In their last two reports, the auditors have drawn attention to the likelihood of deficits being incurred in future years with consequent serious impact on the financial position of the business.

- Earned premium of €868.7m was generated during the year, representing an 8% increase over the previous year. This mainly reflected the follow through of premium rate increases from the previous year but also included the increase in membership of approximately 7,000. Total health insurance membership at 28th February 2005 was 1.56 million persons.
- Claims costs increased by 13.4% during 2004/05. The principal reasons for this growth included the cost of new medical technology and new medical facilities coming on-stream; double-digit increases in public hospital pay bed charges; and the rate of general medical inflation running in excess of 10% per annum.
- The Unexpired Risk Reserve has increased by €53.4m from €50.8m to €104.2m. This reserve arises from the decision by the Board to provide for losses anticipated on contracts renewed, or to be renewed, up to September 2006. This decision takes into account the fact that the premium increase of 3% from September 2004 is not sufficient to provide a surplus in 2005/06.
- Operating expenses came in at 8.6% of premium income. This was a slight increase on the ratio of 8.3% recorded in the previous year, which was achieved after three successive years of reduction following a high of 11.8% in 2001. The principal reason for this increase was that the new policy administration system went live in July '04 and thus the first depreciation charge was recorded in this financial year. Vhi Healthcare continues to be one of the most efficient insurance companies in the world with the majority of insurers reporting expense ratios well in excess of 12% of premium income.

Technology Development

A brand new policy administration, renewal and billing system (RAB) was implemented in July 2004. The new system took two years to develop as a joint development between Vhi Healthcare and an international software development company. The system is now available as a health insurance package. Vhi Healthcare will receive royalties from sales. One sale to a UK health insurer has been finalised to date.

Costing €26.4 million, RAB technology allows Vhi Healthcare to:

- Facilitate the speedier introduction of new products and services
- Improve daily customer service to individual and group members
- Reduce costs through automation of manual processes.

The development of RAB has required major investment in terms of people, planning, design, infrastructure and finance. Delivering a system designed to cater for what is now a multi-product market has been a significant challenge, but the decision to do so is one which we feel will prove to be well worthwhile. We will continue to develop and enhance our service to customers by providing web based self-service facilities for our individual and corporate group scheme members.

Work has now commenced on the development of our new claims system and, as part of this development, a new workflow system has been designed which will further automate manual processes and provide improved service response for members enquiring about the status of their claim.

Investment in technology will continue to play a central role in the continuous improvement of efficiency and customer service in Vhi Healthcare. The importance of technology can be appreciated when one considers that we received approximately €900 million from 1.56 million customers almost entirely by monthly instalments, we process €3 million of claims each working day and we service 4.3 million member contacts each year.

Human Resources and Facilities Development

We employ 890 (or 809 whole time equivalent) people in six locations throughout Ireland. Almost 70% of our employees are aged between 18 and 40.

Vhi Healthcare regards the training and development of its employees as key to the continuing success of the organisation. Indeed, one of our principal core values recognises that 'people are our greatest asset'. As such, the investment in our people on training and development is considerable and our retention rate of 96% ensures that we are not unnecessarily training new recruits with all of the associated costs. It is our belief that investing in the training and development of our people is crucial to the long-term success of the business, and plays an essential role in retaining quality employees.

During 2004/05 Vhi Healthcare, in association with the National College of Ireland, provided a customised, accredited course of study for some 28 Group Scheme Account Managers entitled "Consultative Selling". In addition all managers and team leaders completed a leadership development course in the Irish Management Institute in Dublin. Currently we have 16 employees studying for qualifications in Project Management through the Information Systems Examination Board (ISEB). Two senior managers attended the Advanced Management Programme in the INSEAD International Business School in Fontainebleau near Paris, while a further senior manager participated in the Management Development Programme run by the International Federation of Health Plans. Staff at all levels are supported in pursuing third level and professional qualifications.

In-house training focused on the need to provide training for more than 300 frontline staff required to operate the new renewal and billing (RAB) system. Our in-house training team had to design and implement a programme that would enable all 300 end users to perform their role to a precise standard. In practice, the logistics were immense. This training took place in five locations countrywide requiring customised training for each person for five to eights days within a period of eight weeks.

In all some 13,592 hours training was provided during this time, with the training team working six days per week to complete this mammoth task. A very high level of commitment by all involved resulted in the successful implementation of the RAB project.

A major programme to upgrade and modernise facilities at the head office in Dublin was initiated and will continue throughout 2005. The upgrading of facilities will deliver many benefits including more efficient use of workspace, improved communications, greater flexibility through modular design, and a more employee-friendly work environment.

Brand Development

During 2004/05 our brand awareness activities centred on themes promoting wellness and healthy lifestyles to support the proposition 'When you need us, we're there'.

Communications activities included:

- Advertising: A high profile advertising campaign featuring our new LifeStage Choices suite of plans, which focused on how Vhi Healthcare provides support and reassurance to members at each stage in their life. A series of advertisements also featured the new Vhi DeCare Dental insurance plans; the first dental plans of their type in Ireland.
- Direct to Member communications: Over 250,000 pre-renewal circulars were issued to members during the year to highlight product launches and benefit improvements. In addition a quarterly magazine, "It's All About Living", was issued and sent to members at renewal date containing articles on healthy living, special offers for members, and details of improved services.
- New Products and Services: In keeping with its diversification strategy, Vhi Healthcare held high-profile launches to mark the introduction of exciting new products and services to the market including the unique Vhi DeCare Dental, Multi Trip from Vhi Healthcare, LifeStage Choices, and the online Vhi Health Shop.

- Total Healthcare Solutions: During the year Vhi Healthcare unveiled its unique Total Healthcare Solutions tailored package to corporate customers, which allows businesses great flexibility to mix and match products and services to fit with organisation and employee requirements.
- Sponsorships: These included health and fitness activities such as **Vhi Dance Blitz 2004** – an exciting dance convention offering Irish people a fun opportunity to learn dance steps from leading international choreographers; **Galway Bay 10** – Ireland's largest charity road race, with proceeds in aid of Cancer Care West. Business sponsorships included a European Healthcare Conference –'Transforming Healthcare in the new Europe' - hosted in Dublin; and Chamber of Commerce Business Excellence Awards in association with Chambers in Cork, Dundalk, Kilkenny, Mayo and Waterford.
- **'Fit for Fun'**: In association with the Irish Rugby Football Union, Vhi Healthcare continued to build on the success of the previous year by extending this unique programme to include schools in the Connacht area. This six-week programme delivers on improvement to children's movement skills and flexibility through encouraging primary school children to be more active and embrace healthier lifestyles.

During 2004/05 significant enhancements were made to our health portal www.vhi.ie aimed at strengthening our online presence, providing more value to our customers while at the same time promoting awareness and knowledge on health issues.

Adding new features such as 'Ask the Parenting Expert'; a smoking cessation programme; the Vhi Health Shop; and more streamlined access to joining plans online, has also seen our web-based revenues increase threefold over the previous year.

The number of registered site members increased during the year by more than 34% to 94,000 with the site continuing to receive almost 200,000 visits per month. As many as 33,000 members log in each month to avail of a wide range of exclusive member only services such as competitions and special discounts. The popularity of internet shopping is expected to grow significantly in Ireland over the next few years and with three in four Vhi members having regular access to the internet we are optimistic that www.vhi.ie will continue to be the most popular health information portal in Ireland.

Social Responsibility

Vhi Healthcare recognises the importance of sharing responsibility for the continued good health and quality of life throughout Ireland. Our commitment to providing support for our members and the wider community in Ireland is in keeping with our corporate values and our vision statement (i.e. 'working together for the wellbeing of customers'). We support our members throughout their life stages in a proactive way to encourage healthy living, prevent illness, and in the event of illness, ensure access to the best quality and most appropriate care available.

In addition to providing lifelong access to quality healthcare, we ensure that our business operations help to impact positively on the wider community.

We recycle all of our paper, glass, drink cans, print cartridges, used batteries and redundant equipment. During the year we sent more than 203,360 kgs of paper to be recycled which was enough to save 2,117 trees.

In 2004/05 Vhi Healthcare employees raised a total of €17,750 through voluntary salary deduction, which was sent directly to 57 different registered charities operating nationally and internationally. In addition, a corporate charitable donation of €20,000 was made to the Paediatric Diabetic Unit, Tallaght Hospital.

In January 2005, Vhi Healthcare raised €138,000 in aid of the families and victims of the Asian Tsunami Disaster. This total was raised through employee cash donations, a donation from the business, and also through a voluntary 'work a day for free' campaign by Vhi Healthcare employees. The proceeds were donated directly to the Irish Red Cross Asian Disaster Fund.

For a number of years now we have provided support to communities through involvement with Junior Achievement / Young Enterprise primary and secondary school programmes. These programmes are designed to help young people develop an awareness of skills, which will be important not just for school but also for their future life. Each year Vhi Healthcare employees volunteer to coach young people on a wide variety of subjects and skills including personal economics, cookery, success skills, and environmental awareness. Students also learned to identify their own skills, participate in mock interviews, improve interview techniques and curriculum vitae preparations. Through association with Junior Achievement we hope to encourage students to appreciate the value and importance of staying in full time education and the concept of lifelong learning.

Outlook

Vhi Healthcare will continue to set the pace as the market leader for health insurance in Ireland. This is due in no small part to the skill and commitment of its staff; the quality and diversity of its products and services; the efficiency of its customer service; the organisation of its distribution channels, and last but not least the loyalty and trust of generations of members.

The decision taken in April 2005 by the Health Insurance Authority to recommend to the Tánaiste and Minister for Health and Children that Risk Equalisation should commence was a very welcome one and good news for the Irish consumer and the continuation of community rated products in Ireland. The subsequent indication by the Tánaiste that she intended to accept this recommendation and activate Risk Equalisation on 1st July was very encouraging. In light of these developments and the on-going struggle over 8 years to achieve a level playing field, the decision by the Tánaiste on 27 June 2005 not to activate Risk Equalisation was a major setback for our business, our members and, we believe, the health insurance market. At no stage during the course of deliberations, after receiving the recommendation of the HIA, did the Tánaiste invite a submission or seek consultation with Vhi Healthcare.

The implications of the decision not to activate Risk Equalisation are set out in the Chairman's Review and in the letter from the Board to the Tánaiste (available on www.vhi.ie).

Vhi Healthcare is committed to ensuring that all monies received from a Risk Equalisation fund will be used for the benefit of our members and the healthcare market in Ireland.

For Vhi Healthcare to really thrive in a competitive market it needs the commercial freedom to operate without the rigid controls inherent in its current structure as a statutory body. We welcome the decision of the Tánaiste to address this issue in September 2005.

We are committed to placing our customers at the forefront of our business strategy. Vhi Healthcare exists solely to service the needs of its members. We will continue to combine excellent customer service with the best products and services available in the market.

Vincent Sheridan
Chief Executive

Drumcondra, Dublin 9.

EXECUTIVE MANAGEMENT TEAM

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EXECUTIVE MANAGEMENT TEAM

1 **VINCENT SHERIDAN, B.COMM, FCA, CHIEF EXECUTIVE**

Vincent Sheridan joined Vhi Healthcare in April 2001, with 28 years experience in the insurance industry. He is a director of FBD Holdings Plc and was formerly a director of the Irish Stock Exchange for nine years to June 2004. He is currently Vice-President of the Institute of Chartered Accountants in Ireland and a council member of the International Federation of Health Plans and the Financial Reporting Council in the UK.

2 **MICHAEL OWENS, DIRECTOR, HUMAN RESOURCES**

Michael Owens has a BA in Industrial Relations and is a Chartered Fellow of CIPD. He joined Vhi Healthcare in August 1999 and has over 26 years experience in human resources management in light engineering, paper and print, commercial retailing and insurance.

3 **WILLIE SHANNON, BBS, FCA, DIRECTOR, FINANCE**

William Shannon is a graduate of TCD, having obtained the BBS in 1974. He qualified as a chartered accountant in 1977 with Arthur Andersen and joined a large firm of insurance brokers in 1987 as Group Financial Controller. He was subsequently appointed Group Finance Director in 1989. 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.

4 **DR BERNADETTE CARR MD, FRCPI, MPH, LFOM, MEDICAL DIRECTOR**

Bernadette Carr is a physician and epidemiologist with extensive clinical and research experience. A graduate of UCC, her qualifications include: Fellowship in UCLA 1989, Doctorate in Medicine TCD 1992, Licentiate of Faculty of Occupational Medicine 1991, and Masters Public Health 1994. She was elected to Fellowship Of the Royal College of Physicians in Ireland 1996. Bernadette joined Vhi in 1994 as Medical Director and her responsibilities include: provider relations, contract negotiations and claims.

5 **JOHN CREEDON, DIRECTOR, INFORMATION TECHNOLOGY**

John Creedon has a BSc in Computer Applications from Dublin City University and a Diploma in Systems Analysis from Trinity College, Dublin. He held a number of senior positions in Vhi Healthcare prior to his current appointment in 1996 and is responsible for all information technology services.

6 **TONY MCSWEENEY, DIRECTOR, INDIVIDUAL AND CORPORATE BUSINESS**

Tony McSweeney, a member of the Marketing Institute of Ireland, joined Vhi Healthcare from the life and pensions industry in 1996. He is responsible for customer services, customer administration, sales and our corporate solutions business.

7 **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 is responsible for the expansion of Vhi Healthcare's product line, development of new markets and the provision of actuarial expertise within the organisation.

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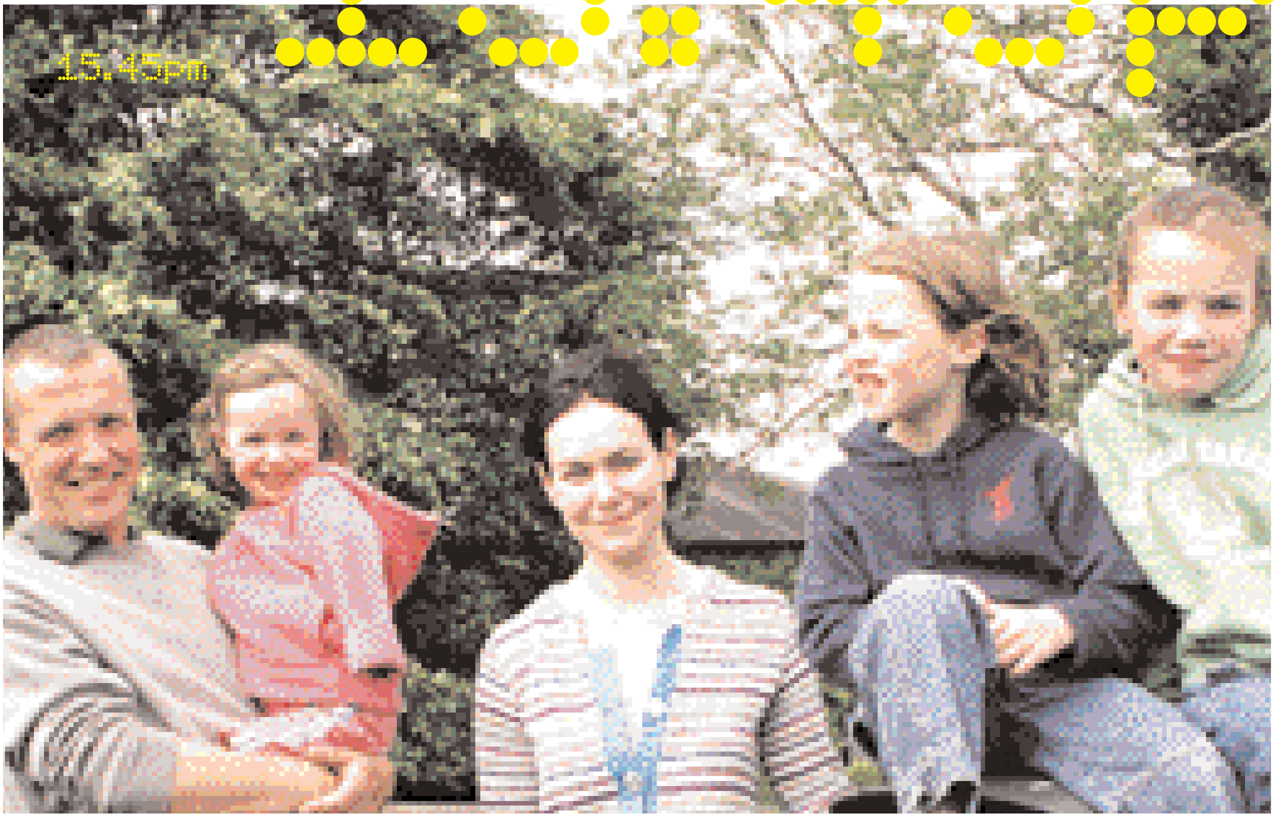

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REPORT OF THE DIRECTORS

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The Directors have pleasure in submitting their 48th 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 health care, carried out on a mutual assistance basis.

2. Results

The results for the year are set out in the Income and Expenditure Account.

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 accounts 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 accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the accounts 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 to enable them to ensure that the accounts 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 Combined Code of Corporate Governance. The Financial Reporting Council revised the Combined Code on Corporate Governance in July 2003. While not itself a listed company, the Board has sought to comply with the provisions of the Code that are applicable, having regard to the Constitution of Voluntary Health Insurance Board, 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 Combined Code: Principles of Good Governance and Code of Best Practice, except in respect of the appointment and terms of office of Directors, which are the responsibility of the Minister for Health and Children. 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 and the Board is entirely comprised of non-Executive Directors. All Directors are appointed by the Minister for Health and Children for 5 year terms of office.

The Board meets seven times annually and has a formal schedule of matters specifically reserved to it for decision which includes approval of the overall strategic plan, annual budgets, 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. The Board has Directors Liability insurance cover in place. The Board has put in place a process for appraisal of its performance.

The Board reviews the arrangements in place that allow employees to raise any concerns about possible wrongdoings in financial reporting or other matters. If required, it will ensure that appropriate investigation and follow-up action is taken.

The Board has appointed an Audit Committee which is comprised of three non-Executive Directors. The Audit Committee meets at least four times a year and reviews the annual accounts, internal control and compliance matters and the effectiveness of internal and external audit. The members of the Audit Committee also address the issue of risk, the purpose of which is to ensure that appropriate risk management procedures and reporting protocols are in place.

The Audit Committee makes recommendations to the Board in relation to the appointment of the external auditors and assess 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.

The Board has also appointed a Remuneration Committee comprising of 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 Combined Code (The Turnbull Guidance) which was published in September 1999.

The Directors are responsible for the Board's system of internal control and for reviewing its effectiveness. They have assigned responsibility for the implementation of this system to Executive Management.

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 using a series of interrelated balanced scorecards. 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.

Going Concern

The accounts have been prepared on the going concern basis and, in accordance with the requirements of the Combined Code, the directors report that they 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 have reviewed the Board's budget for 2005/2006 and the medium term plans as set out in the corporate strategy of the Board. In this regard, attention is directed to Note 9 of the Accounts.

6. Directors' Remuneration

Annual remuneration levels for the Chairman and each Director have been set by Government at €15,237 and €10,158 respectively. The Directors do not receive any other remuneration nor do they have any service agreements or contracts with the Board.

7. Safety, Health & Welfare at Work Act, 1989

The Board has a health and safety policy in existence which is fully in accordance with the specific requirements of the above Act.
The Board recognises the value of consultation with staff on matters of health, safety and welfare.

The Directors are pleased to report that no serious accidents occurred to any members of staff or visitors to its premises during the year.

8. Prompt Payment of Accounts Act, 1997

Voluntary Health Insurance Board is included as a listed purchaser of goods and services in the schedule to the Prompt Payments of Accounts Act, 1997. The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the Act. The Board's payment practice is one of ensuring that properly completed and agreed invoices for goods and services supplied to the Board will be discharged within the prescribed payment period. Procedures have been implemented which provide reasonable assurance against material non-compliance with the Act.

9. 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.

10. Auditors

The auditors Deloitte & Touche, Chartered Accountants, continue in office in accordance with Section 19 (2) of the Voluntary Health Insurance Act 1957.

On behalf of the Board:

Bernard Collins
Chairman

Pat Farrell
Director

4 July 2005

REPORT OF THE AUDITORS

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

We have audited the accounts of Voluntary Health Insurance Board for the year ended 28 February 2005 which comprise of the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement, the statement of accounting policies and the related notes 1 to 18. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the Directors of the Board of Voluntary Health Insurance Board in accordance with Section 19 of the Voluntary Health Insurance Act 1957. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board and the Directors as a body for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Board and Auditors

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

We report to you our opinion as to whether the accounts give a true and fair view.

We review whether the corporate governance statement reflects the Board's compliance with the nine provisions of the 2003 FRC Code specified for our review and we report if it does not. We are not required to form an opinion on the effectiveness of the Board's corporate governance procedures or its internal controls.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the accounts. The other information comprises only the Directors' Report, which includes the corporate governance statement, the Chairman's Review, the Operations Review and the Comparative Results table.

Basis of audit opinion

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

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

Other Technical Provisions – Unexpired Risk Reserve

In forming our opinion, we have examined the amount of €104.2m included in other technical provisions, and the assumptions on which the provision is based. We have also considered the disclosures made in note 9 to the accounts with regard to the provision and with regard to the increased likelihood of deficits being incurred in future years, in the event of risk equalisation not being introduced, with consequent serious implications for the financial viability of the Board. In view of the significance of the uncertainties inherent in both the provision and the likelihood of further significant deficits being incurred in future years should risk equalisation not be introduced, we consider that these matters should be drawn to your attention. Our opinion is not qualified in this respect.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the Board as at 28 February 2005 and of the surplus of the Board for the year then ended.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Dublin

4 July 2005

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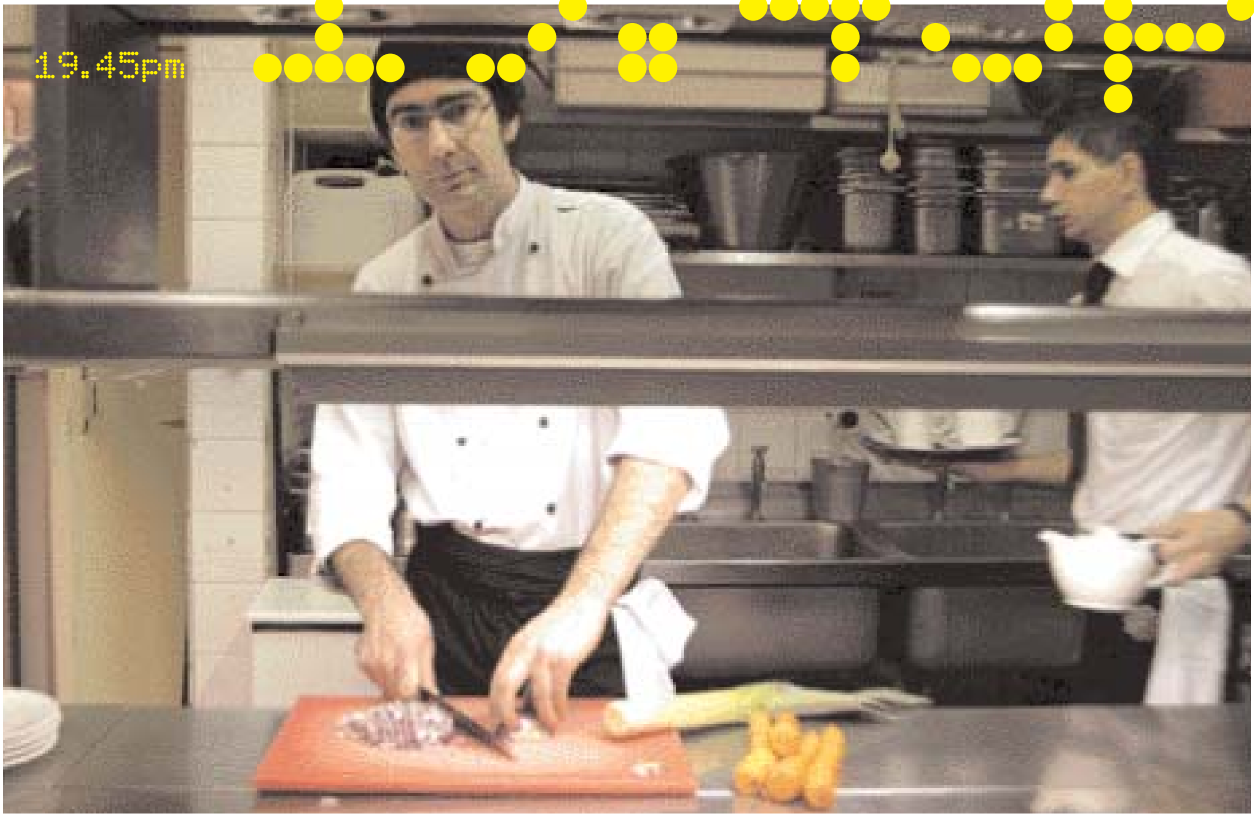

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ACCOUNTS

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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.

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.

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 unexpired 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 in the year and changes in provisions for outstanding claims, including provisions for the estimated cost of claims incurred but not reported and related handling expenses. The provisions for outstanding claims are based on actuarial methods of calculation approved by the Board's consulting actuaries, Watson Wyatt LLP.

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.

Tangible Assets
Tangible fixed 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 and software
4 years
Furniture, fittings 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 four years. In the event of uncertainty regarding its future economic benefit, the expenditure is charged to Income and Expenditure Account.

Investments
Investments in listed securities, including investments in Government and Government guaranteed stocks, are stated at market value. Market value represents the middle market 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.

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.

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

Investment Return
Operating surplus is reported on the basis of longer term investment return. The longer term investment return is calculated based on rates which are reviewed annually and reflect both historical experience and the Directors' current expectations for investment returns. The short term fluctuation in investment return, representing the difference between the longer term return and the actual return, is incorporated in arriving at surplus before taxation.

The allocation of investment return from the non-technical account to the technical account is based on the longer term return on investments attributable to the insurance business.

Pension Costs

The expected cost of providing pensions to employees is charged to the Income and Expenditure Account, at a substantially level percentage of payroll, over the employees expected service lives. Any difference between the amount so charged and the amount contributed to pension funds is included as a provision in the accounts.

The disclosures required under the transitional arrangements of FRS 17: Retirement Benefits, for the year ended 28 February 2005 are shown in note 18.

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 tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Income and Expenditure Account

Year to end of February

Technical Account: Health Insurance

Continuing Activities	Notes	**2005 €'000s**	2004 €'000s
Earned Premium:	1		
Gross premiums written		896,731	840,493
Change in the provision for unearned premiums		(28,052)	(37,501)
		868,679	802,992
Allocated investment return transferred from the non-technical account		**23,910**	24,890
		892,589	827,882
Claims incurred:			
Claims paid		715,282	638,381
Change in the provision for claims		37,167	24,943
		752,449	663,324
Other technical provisions:			
Unexpired risk reserve	9	**53,424**	15,641
Net operating expenses	2	**74,968**	66,322
Balance on the health insurance technical account		**11,748**	82,595

Income and Expenditure Account

Year to end of February

Non-Technical Account: Health Insurance

Continuing Activities	Notes	**2005 €'000s**	2004 €'000s
Balance on the health insurance technical account		**11,748**	82,595
Longer term investment return	3	23,910	24,890
Allocated investment return transferred to the health insurance technical account		(23,910)	(24,890)
Operating surplus		11,748	82,595
Short term fluctuations in investment return	3	(7,351)	(10,910)
Surplus on ordinary activities before taxation		**4,397**	71,685
Taxation on surplus on ordinary activities	4	(510)	(9,379)
Surplus on ordinary activities after taxation carried to reserves	5	**3,887**	62,306

The accounts were approved by the Board on 4th July 2005, and signed on its behalf by:

Bernard Collins
Chairman

Pat Farrell
Director

Balance Sheet

As at 28th February

	Notes	2005 €'000s	2004 €'000s
Assets			
Investments			
Land and buildings	6	36,700	31,850
Other financial investments	7	664,287	604,202
Debtors			
Debtors from members arising out of insurance operations		374,674	332,269
Other debtors		6,573	521
Other Assets			
Tangible assets	8	16,863	18,173
Cash at bank and in hand		7,405	1,596
Prepayments and accrued income			
Accrued interest		6,385	5,651
Total Assets		**1,112,887**	994,262
Liabilities			
Reserves			
General reserve		281,925	278,038
Technical provisions			
Provision for unearned premiums		423,466	395,414
Claims outstanding		285,363	248,196
Other technical provisions	9	104,215	50,791
Deferred taxation	10	881	1,041
Creditors			
Bank overdraft		5,490	4,860
Creditors and accruals	11	11,547	15,922
Total Liabilities		**1,112,887**	994,262

The accounts were approved by the Board on 4th July 2005, and signed on its behalf by:

Bernard Collins
Chairman

Pat Farrell
Director

Cash Flow Statement

Year to end of February

	Notes	**2005 €'000s**	2004 €'000s
Net cash inflow from operating activities	12	85,055	143,289
Taxation paid		(8,241)	(10,513)
Capital expenditure		(10,916)	(8,387)
		65,898	124,389
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings		5,179	(2,466)
Net portfolio investment	13&15	60,719	126,855
Net investment of cash flows	14	**65,898**	124,389

Notes to the Accounts

1 Earned premium

The insurance business of the Board is substantially health insurance and earned premium relates mainly to this class of business. Amounts from ancillary products are minimal. All business written is in the Republic of Ireland.

2 Net operating expenses	2005	2004
	€'000s	€'000s
Administrative expenses	58,519	52,636
Acquisition costs	16,449	13,686
	74,968	66,322

Employee Information	2005	2004
The average number of persons, including part time employees, employed by the Board was:	796	763

Staff costs were:	2005	2004
	€'000s	€'000s
Wages and salaries	36,885	32,086
Social security costs	3,891	3,521
Pension costs	3,620	3,322

The Chief Executive is retained on a consultancy basis. The initial five year period dating from April 2001 has been extended for a further three years to April 2009. Total fees paid to the Chief Executive and included in operating expenses in the year to 28 February 2005, amounted to €378,200. (February 2004: €353,000).

3 Investment return

(a) Longer term investment return

The rates of investment return underlying the calculation of the longer term investment return are set out below.	2005	2004
	%	%
Land and buildings	5.2	6.0
Shares in listed securities	7.2	7.5
Debt securities/fixed interest securities	3.7	4.5
Deposits with credit institutions	3.0	3.0

(b) Comparison of longer term investment return with actual return	2005	2004
	€'000s	€'000s
Actual return:		
Income from land and buildings	154	169
Income from other investments	18,423	18,383
(Losses)/gains on realisation of investments	(2,098)	234
Unrealised gains/(losses) on investments	887	(3,964)
Investment management expenses	(807)	(842)
	16,559	13,980
Longer term investment return	23,910	24,890
Short term fluctuations	(7,351)	(10,910)

A transfer of the full amount of the longer term 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 considered desirable within the health insurance industry and therefore all reserves are deemed to be in support of the technical provisions.

Notes to the Accounts

4 Taxation

	2005	2004
	€'000s	€'000s
The taxation charge in the income and expenditure account comprises:		
Corporation taxation - charge	670	10,041
Deferred taxation - credit	(160)	(662)
	510	9,379

Factors affecting the current taxation charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in Ireland of 12.5% (2004: 12.5%) for the year ended 28 February 2005.

The differences are explained below:	2005	2004
	€'000s	€'000s
Surplus on ordinary activities before tax	4,397	71,685
Surplus on ordinary activities multiplied by standard rate of corporation tax of 12.5% (2004: 12.5%)	549	8,961
Effects of		
Expenses (deductible)/not deductible for tax purposes	(260)	697
Depreciation in excess of capital allowances for period	221	81
Adjustments to tax charge in respect of previous periods	160	302
Current tax charge for period	**670**	10,041

5 Surplus for year

	2005	2004
	€'000s	€'000s
The surplus for the year is stated after charging:		
Depreciation of tangible fixed assets	8,896	5,780
Board remuneration	107	110
Auditors remuneration		
Audit fee	124	120
Audit related fees	17	25
Non audit fees	105	173

6 Investments: land and buildings

	2005	2004
	€'000s	€'000s
Valuation:		
At 1 March	31,850	31,050
Additions	3,329	474
Gain on revaluation	1,521	326
At end of year	**36,700**	31,850

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

Land and buildings were valued at 28 February 2005 at open market value. These valuations were made by Thornton & Partners, Hamilton Osborne King, DTZ Sherry Fitzgerald, Chambers Chartered Surveyors 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:

	2005	2004
	€'000s	€'000s
Opening Cost	16,237	15,763
Closing Cost	**19,565**	16,237

Notes to the Accounts

7 Other financial investments

	2005 Market Value €'000s	**2005** Cost €'000s	2004 Market Value €'000s	2004 Cost €'000s
Shares in listed securities	7,139	6,500	3,277	3,000
Debt securities/fixed interest securities	641,773	642,930	591,078	591,239
Loans secured by mortgages	122	122	165	165
Deposits with credit institutions	15,253	15,253	9,682	9,682
	664,287	**664,805**	604,202	604,086

8 Tangible Assets

	Motor vehicles €'000s	**Fixtures, furnishings and fittings €'000s**	**Computer Equipment & Office Equipment €'000s**	**Total €'000s**
Cost				
At 1 March 2004	2,338	4,786	40,386	47,510
Additions	403	616	6,793	7,812
Disposals	(665)	(15)	(456)	(1,136)
At 28 February 2005	**2,076**	**5,387**	**46,723**	**54,186**
Depreciation				
At 1 March 2004	(1,227)	(3,576)	(24,534)	(29,337)
Charge for the year	(503)	(764)	(7,629)	(8,896)
Eliminated in respect of disposals	523	17	370	910
At 28 February 2005	**(1,207)**	**(4,323)**	**(31,793)**	**(37,323)**
Net book value at 28 February 2005	**869**	**1,064**	**14,930**	**16,863**
Net book value at 29 February 2004	1,111	1,210	15,852	18,173

9 Other technical provisions

The amount of €104,215,000 provided for at 28 February 2005 is in respect of losses anticipated on contracts that the Board will be obliged to incept or renew arising from the commitment of the Board to a certain level of price increase effective from 1 September 2005 and anticipated increases in the cost of providing healthcare benefits. These losses are expected to be incurred in the period between September 2005 and August 2006. The charge of €53,424,000 represents the increase in the provision over the amount of €50,791,000 which was included in the Balance Sheet at 29 February 2004.

The decision with regard to the price increase reflects the current healthcare insurance environment. Projected cost increases arise from certain changes expected in the healthcare environment in Ireland, notably the anticipated opening of a number of significant new facilities.

The Board's consulting actuaries Watson Wyatt LLP have confirmed that the amount of the provision is a reasonable estimate of these expected losses.

The introduction of risk equalisation is a key requirement for the continuing viability of the community rated system of private health insurance which is currently in operation in this country. In April 2005, the Health Insurance Authority (HIA) recommended to the Tánaiste and Minister for Health and Children that risk equalisation be activated. On 27 June 2005, the Tánaiste announced her decision not to implement the recommendation of the HIA at this time. The continuing absence of risk equalisation is reflected in the provision.

A further impact of this decision is to increase the likelihood of Vhi incurring significant losses in future years. In such circumstances, and if the absence of risk equalisation continued to be financed out of the reserves of VHI, then a situation would arise where the business could no longer be considered viable.

Notes to the Accounts

10 Deferred Taxation

Provision has been made in respect of deferred taxation for the following timing differences:

	2005	2004
	€'000s	€'000s
Unrealised loss/(gain) on investment valuation	65	(14)
Other timing differences	(946)	(1,027)
Total provision	**(881)**	**(1,041)**

11 Creditors and accruals

	2005	2004
	€'000s	€'000s
Corporation tax	-	1,836
PAYE and PRSI	885	911
Other creditors	1,175	2,245
Accruals	9,487	10,930
	11,547	15,922

12 Reconciliation of operating surplus to net cash flow from operating activities

	2005	2004
	€'000s	€'000s
Surplus on ordinary activities before taxation	**4,397**	71,685
Depreciation charges	8,896	5,780
Unrealised (gains)/losses on investments	(887)	3,964
Increase in health insurance technical provisions	118,643	78,085
Increase in debtors from members arising out of insurance operations	(42,405)	(23,251)
(Increase)/decrease in debtors and prepayments	(1,050)	4,313
(Decrease)/increase in creditors and accruals	(2,539)	2,713
Net cash inflow from operating activities	**85,055**	143,289

13 Movement in opening and closing portfolio investments

	2005	2004
	€'000s	€'000s
Net cash inflow/(outflow) for the period	**5,179**	(2,466)
Portfolio investments	60,719	126,855
Movement arising from cash flows	65,898	124,389
Changes in market values	(635)	(4,289)
Total movement in portfolio	65,263	120,100
Portfolio investments and cash in hand at 1 March	600,939	480,839
Portfolio investments and cash in hand at 28 February	**666,202**	600,939

Notes to the Accounts

14 Movement in cash and portfolio investments	At 1 March 2004 €'000s	Cash flow €'000s	Changes to market value €'000s	**At 28 February 2005 €'000s**
Cash at bank and in hand	(3,264)	5,179	-	1,915
Shares in listed securities	3,277	3,500	362	7,139
Debt securities and other fixed interest securities	591,078	51,692	(997)	641,773
Loans secured by mortgages	166	(44)	-	122
Deposits with credit institutions	9,682	5,571	-	15,253
	600,939	**65,898**	**(635)**	**666,202**

15 Analysis of cash flows for headings netted in the cash flow statement	**2005 €'000s**	2004 €'000s
Portfolio investments		
Purchase of shares in listed securities	3,500	-
Purchase of fixed interest securities	1,091,452	1,603,530
Purchase of deposits with credit institutions	716,522	822,342
Sale of shares in listed securities	-	-
Sale of fixed interest securities	(1,039,761)	(1,475,837)
Sale of deposits with credit institutions	(710,950)	(823,158)
	60,763	126,877
Repayment of mortgage loans	(44)	(22)
Net cash outflow on portfolio investments	**60,719**	126,855

16 Capital Commitments	**2005 €'000s**	2004 €'000s
Capital expenditure contracted for	-	2,974
Capital expenditure approved but not contracted for	-	3,000

17 Related Party Disclosures

There have been no transactions with related parties which require disclosure under Financial Reporting Standard 8.

Notes to the Accounts

18 Retirement benefits

The Board operates a defined benefit pension scheme. The assets of the scheme are held in a separate trustee administered fund. Contributions to the scheme are charged to the income and expenditure account so as to spread the cost of pensions over employees working lives with the Board.

The pension charge for the year was €3,620,000 (2004: €3,322,000). The pension cost is determined by an independent qualified actuary, using the projected unit credit method of funding. The most recent actuarial valuation was at 28 February 2003. The principal assumptions used in the actuarial valuation were that investment returns will exceed salary increases by 1.75% and pensioner increases by 2.75%.

At the date of the latest actuarial valuation, 28 February 2003, the market value of the scheme's assets was €49,600,000 and the actuarial value of these assets represented 81% of the benefits that had accrued to members after allowing for expected future increases in earnings and pensions. The funding rate was increased with effect from 1 May 2003 to reflect changed investment conditions and actuarial advice confirms that the current levels of contributions payable to the scheme, together with existing assets, are adequate to secure members benefits over the expected remaining service lives of the participating employees. The actuarial reports are available for inspection by members of the scheme but not for public inspection. A prepayment of €236,000 (2004: accrual €79,000) is included in the balance sheet at year end.

FRS 17 disclosure

The disclosures required under the transitional arrangements of FRS 17 'Retirement Benefits' have been calculated by qualified independent actuaries. In addition to pension entitlements, the Board also provides certain benefits to retirees in respect of health insurance cover. The disclosures in relation to the pension scheme are based on the most recent full actuarial valuation at 28 February 2003 updated to 28 February 2005.

The major assumptions used in respect of the pension scheme are:	**2005**	2004
	%	%
Rate of increase in salaries	4.0	4.0
Rate of increase in pensions in payment	3.25	3.25
Discount rate	4.90	5.25
Inflation assumption	2.25	2.25

Long-term expected rates of return at 28 February were:	**2005**	2004
	%	%
Equities	7.2	7.5
Fixed interest	3.7	4.5
Property	5.2	6.0
Other	3.0	3.0

The assets in the pension scheme at market value were:	**2005**	2004
	€'000s	€'000s
Equities	59,197	49,400
Fixed interest	11,309	11,600
Property	4,641	4,100
Other	2,847	1,100
Total market value of assets	77,994	66,200
Present value of scheme liabilities	(101,273)	(86,800)
Deficit in the scheme	(23,279)	(20,600)
Unfunded health insurance premium provision	(6,557)	(5,700)
Net retirement benefits deficit	(29,836)	(26,300)
Related deferred tax asset	3,730	3,288
Net retirement benefits liability	**(26,106)**	**(23,012)**

Notes to the Accounts

18 Retirement benefits (continued)	**2005**	2004
Total assets	**€'000s**	€'000s
Total assets excluding retirement benefits liability	1,112,887	994,262
Retirement benefits liability	(26,106)	(23,012)
Total assets including retirement benefits liability	**1,086,781**	971,250
Reserves		
Reserves excluding retirement benefits liability	281,925	278,038
Retirement benefits liability	(26,106)	(23,012)
Reserves including retirement benefits liability	**255,819**	255,026

If FRS 17 had been fully adopted, the following amounts would have been reflected in the financial statements

	2005	2004
Income and Expenditure Account	**€'000s**	€'000s
Charged to net operating expenses		
Current service cost	3,233	2,600
Past service cost	-	-
Death in service cost	130	100
Other retirement benefits	530	400
Total operating charge	3,893	3,100
Credit/(charge) to other income		
Interest in scheme liabilities	(4,969)	(3,800)
Expected return on scheme assets	4,641	3,600
	(328)	(200)
Net reduction in operating surplus	**(4,221)**	(3,300)
Statement of total recognised gains and losses		
Actual return less expected return on scheme assets	3,110	8,800
Experience gains and losses on scheme liabilities	2,119	(6,900)
Changes in demographic and financial assumptions	(8,138)	(10,800)
Actuarial loss	(2,909)	(8,900)
Deferred tax credit	442	1,100
Total actuarial loss	**(2,467)**	(7,800)

18 Retirement benefits (continued)

	2005	2004
Movement in net deficit during the year		
Net defecit in scheme at start of year	(23,012)	(15,312)
Current service cost	(3,233)	(2,600)
Death in service cost	(130)	(100)
Contributions	3,594	3,400
Past service cost	-	-
Interest on scheme liabilities	(4,969)	(3,800)
Expected return on scheme assets	4,641	3,600
Actuarial loss	(2,909)	(8,900)
Deferred tax credit	442	1,100
Other retirement benefits	(530)	(400)
Net deficit at end of year	**(26,106)**	**(23,012)**

	2005	2004	2003
History of experience gains and losses			
Difference between expected and actual return on assets	3,110	8,800	(19,900)
% of scheme assets	4%	13%	(40%)
Experience gains and losses on scheme liabilities	2,119	(6,900)	4,500
% of scheme liabilities	2%	(8%)	7%
Actuarial loss	2,909	(8,900)	(22,000)
% of scheme liabilities	(3%)	(10%)	(35%)

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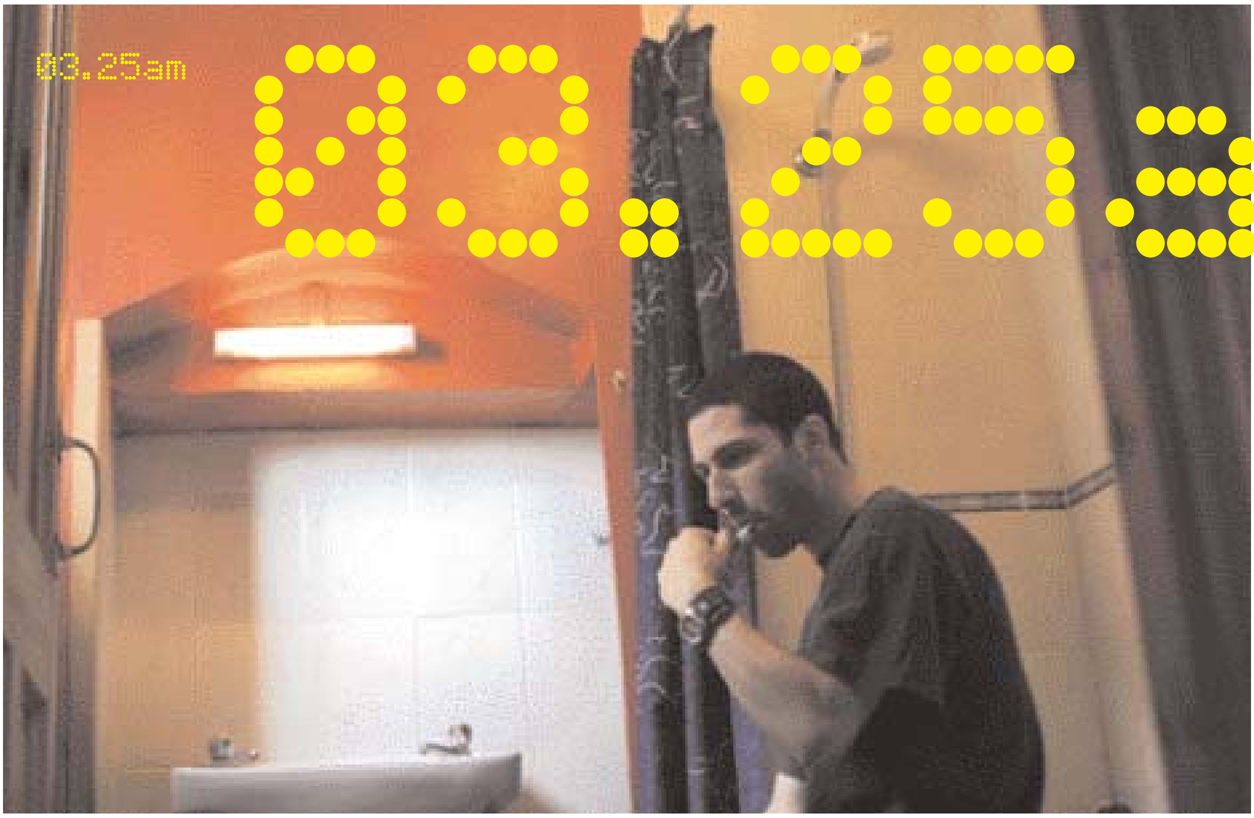


Castledermot, Co.Kildare.

COMPARATIVE RESULTS AND GRAPHS

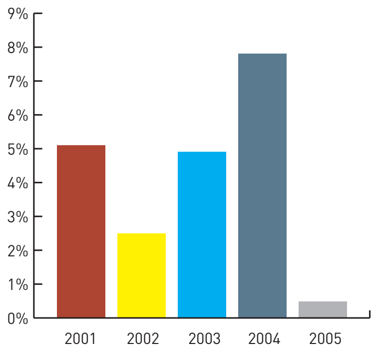
	2001 €'000s	2002 €'000s	2003 €'000s	2004 €'000s	**2005 €'000s**
Earned premium	548,059	596,594	687,583	802,992	**868,679**
Claims incurred	471,370	520,502	595,169	663,324	**752,449**
Unexpired risks reserve	-	15,279	19,871	15,641	**53,424**
Operating expenses	64,904	57,782	58,095	66,322	**74,968**
Investment return	24,931	15,864	24,684	13,980	**16,559**
Taxation charge	8,557	4,189	5,308	9,379	**510**
Surplus for the year	28,159	14,706	33,824	62,306	**3,887**
Surplus / Income Ratio	5.1%	2.5%	4.9%	7.8%	**0.4%**
Reserves	167,200	181,907	215,732	278,038	**281,925**
Minimum solvency	98,901	107,240	120,860	135,053	**152,677**

Financial Ratios	%	%	%	%	%
* Solvency margin level	30.5	30.5	31.4	34.6	**32.5**
Claims (including URR) as a % of earned premium	86.0	89.8	89.4	84.6	**92.8**
Operating expenses as % of earned premium	11.8	9.7	8.4	8.3	**8.6**

* Minimum solvency margin as shown above is calculated in accordance with the provisions of the 1976 EU Non-LifeRegulations, with which Vhi Healthcare is not currently required to comply.

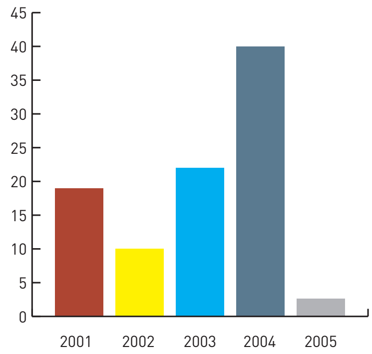
The Board strives to achieve a solvency margin level equivalent to 40% of earned premium, which is considered by the Irish Financial Services Regulatory Authority (IFSRA) to be the recommended minimum level.

SURPLUS AS % OF EARNED PREMIUM



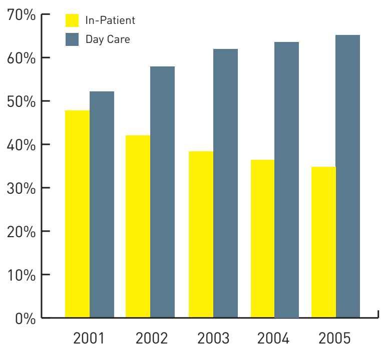
Vhi Healthcare's target is to achieve a 5% margin of surplus to revenue in order to allow us achieve a 40% solvency margin (over a period of time), the minimum recommended by IFSRA.

NET SURPLUS PER MEMBER = €2



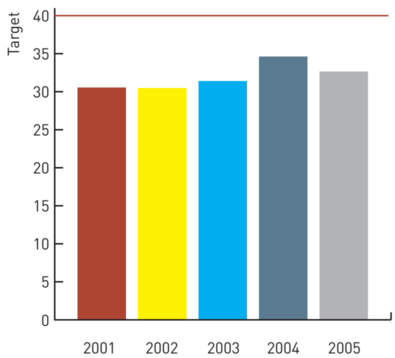
Vhi Healthcare is a not for profit organisation with a surplus being generated only to achieve the IFSRA solvency margins and allow reinvestment in improved benefits and services for our members.

CLAIMS MIX



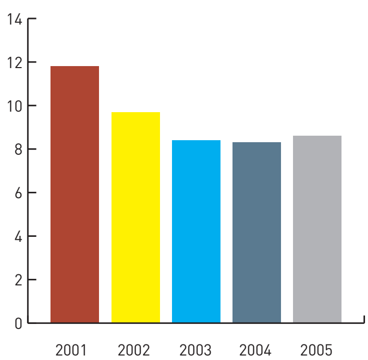
The average cost of treatment in a day care setting can be between 10% and 20% of the cost of an inpatient setting. Thus the drive to day care settings ensures better value for members premiums.

SOLVENCY MARGIN LEVEL



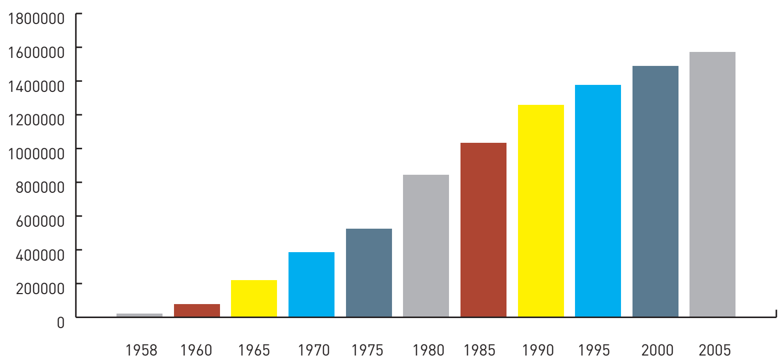
IFSRA have indicated that they would normally require a 40% solvency ratio i.e. the ratio of reserves to premium income. Currently Vhi Healthcare is at 32.5%, below the minimum recommended by IFSRA.

OPERATING EXPENSES AS % OF EARNED INCOME



Vhi Healthcare prides itself on having one of the lowest administration costs to revenue ratios of any health insurer in the world. Currently the ratio stands at 8.6% compared to a worldwide norm of 12% and over 13% for some of our competitors.

MEMBERSHIP GROWTH: 48 YEAR HISTORY



Despite increasing competition more Irish people choose Vhi Healthcare as their health insurer. Membership stands at over 1.56 million people and is still growing.

Despite increasing competition more Irish people choose Vhi Healthcare as their health insurer. Membership stands at over 1.56 million people and is still growing.

GALLERY OF EVENTS

07.00am	13.00pm	19.00pm	01.00am
07.15am	13.15pm	19.15pm	01.15am
07.30am	13.30pm	19.30pm	01.30am
07.45am	13.45pm	19.45pm	01.45am
08.00am	14.00pm	20.00pm	02.00am
08.15am	14.15pm	20.15pm	02.15am
08.30am	14.30pm	20.30pm	02.30am
08.45am	14.45pm	20.45pm	02.45am
09.00am	15.00pm	21.00pm	03.00am
09.15am	15.15pm	21.15pm	03.15am
09.30am	15.30pm	21.30pm	03.30am
09.45am	15.45pm	21.45pm	03.45am
10.00am	16.00pm	22.00pm	04.00am
10.15am	16.15pm	22.15pm	04.15am
10.30am	16.30pm	22.30pm	04.30am
10.45am	16.45pm	22.45pm	04.45am
11.00am	17.00pm	23.00pm	05.00am
11.15am	17.15pm	23.15pm	05.15am
11.30am	17.30pm	23.30pm	05.30am
11.45am	17.45pm	23.45pm	05.45am
12.00pm	18.00pm	24.00am	06.00am
12.15pm	18.15pm	00.15am	06.15am
12.30pm	18.30pm	00.30am	06.30am
12.45pm	18.45pm	00.45am	06.45am

GALLERY OF EVENTS

1 IRFU and Vhi Healthcare tackle kids' health with **'Fit for Fun'** Programme. The IRFU/Vhi Healthcare "Fit for Fun" programme aims to assist primary schools by encouraging children to be more active and to embrace healthier lifestyles. The IRFU/Vhi Healthcare "Fit for Fun" programme has been running since September, 2003, and has visited over 100 primary schools throughout the country, involving over 4,000 school children in total. Pictured with Irish rugby star, Brian O'Driscoll, are Dr Bernadette Carr, Medical Director, Vhi Healthcare and Vincent Sheridan, Chief Executive, Vhi Healthcare.

2 Vhi gets you dancing on the streets! Get funky.. get fit....burn fat.... **Vhi Dance Blitz 2004** saw renowned dance choreographer and fitness instructor Jane Shortall bringing her frenzied feast of dance to the streets of Dublin.

3 **Canadian guru reveals how to maximise organisational performance:** Canadian guru Danielle Pratt, pioneer of a new approach to help companies maximise employee performance was the keynote speaker at a Vhi Corporate Solutions Conference in conjunction with Michael Smurfit School of Business in UCD. Ms Pratt explained how her "Healthy Scorecard" has assisted leading multinationals worldwide to engage employees and drive organisational performance.

4 **Galway Bay Corporate Challenge:** Fair City's Ross and Lorcan helped launch the Vhi Healthcare sponsored charity challenge in aid of Cancer Care West. Vhi Healthcare sponsored the Galway Bay 10, Ireland's largest charity road race. All monies raised from the event went to Cancer Care West, a charity organisation that is helping to support the costs of building and servicing the Inis Aoibheann Lodge and ARC (Aftercare, Research and Councilling) at University Hospital Galway.

5 **Vhi Charitable Donation 2004:** Vhi Healthcare made a €20,000 donation to the Paediatric Diabetes Unit in Tallaght Hospital. The donation went towards organising information evenings on diabetes in children for parents. Pictured at the launch of a parenting evening are Professor Hoey and Dr. Bernadette Carr, Medical Director, Vhi Healthcare, in Tallaght Hospital.

6 **Launch of Vhi Health Shop:** The Vhi Health Shop was launched in November, 2004, and offers our members and the general public exceptional value on a wide range of health and lifestyle products. Pictured at the launch is Declan Moran, Director of Marketing and Business Development, Vhi Healthcare.

7 Vhi Healthcare are proud sponsors of the **Dundalk Chamber Business Excellence Awards** which aim to recognise individuals and companies who excel in providing high-quality customer service that benefits customers and makes Dundalk a better place to do business. The Awards also encourage companies large and small to continually improve and grow their business. Pictured at the Awards is Margaret Byrne, Account Manager, Vhi Healthcare.

8 Each year **Cork Chamber of Commerce** organise a fun family day at Fota House which sees parents, children and teenagers treated to a host of entertainment including magic shows, stilt walkers, a puppet show, balloon modelling, bouncy castle, face painting all to the sounds of samba and jazz music. The event is supported by Vhi Healthcare and Barry's Tea.

9 Vhi Healthcare sponsor the annual **Mayo Chamber of Commerce Business Excellence Awards** which encourage local companies to strive for business excellence and continuously improve their operations.

10 **Walk This Way:** Andrew Varley, Vice-President, HESC and Aisling Nolan, Vhi Corporate solutions are pictured at the launch of Slí 2 in conjunction with the Irish Heart Foundation. Slí 2 is a workplace-based scheme that is based around a series of motivational signs designed to promote physical activity, particularly walking.

11 Vhi DeCare Dental launched a major oral health campaign called **'A Smile a Day'** in September, 2004. The campaign was designed to raise oral health awareness and instil good oral health habits.

12 Vhi Healthcare launched an innovative new health insurance offering, **LifeStage Choices** in October 2004. LifeStage Choices consists of three different health insurance options from which customers can choose a plan most relevant to their life-stage. Pictured at the launch are Declan Moran, Director of Marketing and Business Development, and Vincent Sheridan, Chief Executive, Vhi Healthcare.

13 Vhi Healthcare's on-going commitment to business excellence was recognised at the **National Quality & Excellence Awards 2004**, where we won the Recognition of Excellence Award. Pictured receiving the Award is Tom Bailey, Senior Quality Analyst, Vhi Healthcare.

14 2004 saw further innovation with the launch of **Vhi DeCare Dental**, Ireland's first dental insurance plans. According to US health statistics people with dental insurance are twice as likely to visit the dentist than those without dental insurance. Vhi DeCare Dental provides individuals and families with access to affordable, regular dental care.

15 **Multi trip from Vhi Healthcare** has captured 26% of the multi trip travel insurance market in its first year of business. Since the launch of Multi trip from Vhi Healthcare, the dynamics of the travel insurance market have changed significantly, with demand for multi trip policies increasing from 25% in 2003 to 40% today at the expense of the traditional single trip insurance policy.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COMPANY DETAILS

Main bankers
AIB Bank plc
Bank of Ireland

Auditors
Deloitte & Touche

Solicitors
McCann FitzGerald

Consulting Actuaries
Watson Wyatt LLP

Voluntary Health Insurance Board
An Bord Árachais Sláinte Shaorálaigh

Kilkenny
IDA Business Park, Purcellsinch,
Dublin Road

Dublin
Vhi House, Lower Abbey Street, Dublin 1

Cork
Vhi House, 70 South Mall

Dun Laoghaire
35/36 Lower George's Street

Galway
Vhi House, 10 Eyre Square

Limerick
Gardner House, Charlotte Quay

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