31 July 2003

INTERIM RESULTS
6 MONTHS ENDED 30 JUNE 2003

LIFE OPERATIONS: EXCELLENT GROWTH IN CONTINENTAL EUROPE WITH STABILISED UK LIFE PERFORMANCE

- Strong worldwide bancassurance life and pensions sales up 56% to £299 million on an APE basis (2002: £179 million) representing a quarter of our new business with a margin of 35.5%
- Worldwide new business life and pension sales of £1.2 billion on an APE basis (2002: £1.2 billion) with margins maintained at 24.5% (full year 2002: 24.4%)
- UK margins maintained at 22.0% in the second quarter
- Worldwide new business sales at £7.5 billion (2002: £7.3 billion) with majority coming from outside the UK

EXCELLENT GENERAL INSURANCE PERFORMANCE

- Worldwide combined operating ratio† of 101% (2002: 101%) with strong performances in the UK, Ireland and the Netherlands
- Improved expense ratio† of 10.9% (2002: 11.1%)

IMPROVING FINANCIAL STRENGTH AND COST EFFICIENCY

- Operating profit* of £828 million (2002: profit of £955 million) which resulted in an improved profit before tax on an achieved profit basis of £850 million (2002: loss of £462 million). On a modified statutory basis, operating profit** was £638 million (2002: £733 million)
- Improved return on capital of 11.0% over first half of 2003 in comparison to the year end of 9.7%
- Net cost savings of £30 million achieved in first six months after incremental development spend of £10 million
- Equity shareholders' funds of £10.2 billion (31 December 2002: £9.5 billion) with net asset value up at 468 pence per share (31 December 2002: 433 pence per share)
- Orphan estate of £4.5 billion (31 December 2002: £4.3 billion) and improved free asset ratio# of UK life with profit funds 14.0% at 30 June 2003 (31 December 2002: 11.8%)
- Interim dividend increased by 2.9% to 9.0 pence net per share

Richard Harvey, Group Chief Executive, commented:

"These good results show that we are delivering against our targets of maintaining margins, reducing costs and improving return on capital in a challenging environment. In the first half the Group has improved its return on capital to 11.0%, grown bancassurance sales by 56%, maintained margins by seeking cost efficiencies and produced an outstanding general insurance performance. Our business model of geographically spread long-term savings operations and a cash generating general insurance business gives us strength against the current backdrop".

* From continuing operations, including life achieved operating profit and stated before tax, amortisation of goodwill and exceptional items.
** From continuing operations, before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
† From continuing operations.
\# Calculated in accordance with FSA regulations, including implicit items but excluding the impact of the waivers granted by the FSA earlier in the year.
All growth rates quoted are at constant rates of exchange.

FINANCIAL HIGHLIGHTS

	6 months 2003 £m	6 months 2002 £m
Total premiums written (after reinsurance) and investment sales		
Continuing operations, including share of associates' premiums	15,692	14,160
Discontinued operations – Australia and New Zealand general insurance operations	-	335
	15,692	14,495
Worldwide long-term savings new business sales		
Life and pensions	6,931	6,674
Retail investments	520	622
New business contribution (before effect of solvency margin)	297	289
Achieved operating profit before tax		
Life achieved operating profit	705	796
Health	27	32
Fund management	10	3
General insurance	387	456
Non-insurance operations**	(47)	(28)
Corporate costs	(56)	(96)
Unallocated interest charges	(198)	(208)
Achieved operating profit before tax – continuing operations	**828**	**955**
Discontinued operations – Australia and New Zealand general insurance operations	-	24
Achieved operating profit before tax	**828**	**979**
Modified statutory operating profit†	638	733
Modified statutory operating profit after tax, minorities and preference dividends†	404	468
Achieved operating earnings per share†	22.5p	26.7p
Modified statutory operating earnings per share†	17.9p	20.8p
Dividend per ordinary share	9.0p	8.75p
Equity shareholders' funds	10,219	9,469*
Total shareholders' funds	10,419	9,669*
Net asset value per ordinary share#	468p	433p*
Assets under management	£229bn	£208bn*

† From continuing operations.
# After adding back the claims equalisation provision.
* As at 31 December 2002.
** The wealth management result has been included within non-insurance in all periods.

GROUP CHIEF EXECUTIVE'S STATEMENT

As the UK's leading insurer and one of the top five life companies in Europe, the Group has delivered a good set of results which demonstrate the financial and operational resilience of our businesses. The strength of our multi-distribution capability is evident. We have developed one of the leading bancassurance networks in Europe which now accounts for a quarter of our new business life and pension sales. Total operating profit before tax from continuing operations was £828 million (2002: £955 million).

Our robust business model, with geographically spread long-term savings operations and our cash-generating general insurance business, provides strength in a challenging economic environment.

Long-term savings

As one of the leading providers of life and pension products to Europe, we have made good progress and delivered worldwide new business life and pension sales of £6.9 billion (2002: £6.7 billion). Margins were maintained at 24.5% (full year 2002: 24.4%) and, where necessary, actions are being taken to protect margins and size costs to revenue.

In the UK the Group achieved life and pension sales of £531 million (2002: £676 million) on an Annual Premium Equivalent (APE) basis and we expect to regain our position as market leader. New business performance in 2003 has stabilised. Sales of annuities continued to grow strongly but were offset by lower bond and savings sales reflecting the continued lack of investor confidence in the equity markets. We took the decision last year to focus on larger group pensions and have started to see encouraging growth in this sector. Sales in the first half of 2003 reaffirm the strength of the Norwich Union brand, its broad product offerings and its multi-distribution capability. Life achieved operating profit in the UK was lower at £339 million (2002: £424 million) in part reflecting the lower level of investment returns as a result of the lower asset values at the start of the year.

In Continental Europe, life and pension sales increased by 21% to £581 million (2002: £443 million) on an APE basis. Margins were good at 27.4% (full year 2002: 25.7%). We continue to see the strong growth in our Spanish and Italian bancassurance businesses and we are now the number one life business in the Spanish market. Life achieved operating profit from Continental Europe was £336 million (2002: £350 million) which represents 48% of our total life achieved operating result.

Bancassurance is an integral part of our distribution strategy and we continue to focus on the development of the joint ventures we have established with our partners. In the first half of 2003 worldwide sales through this channel increased by 37% to £1.9 billion (2002: £1.3 billion) and account for a quarter of our business. We have grown these businesses significantly over the past three years. In 2000 total sales were approximately £400 million and since then these bancassurance ventures have generated £7 billion in new business sales. In the first half of 2003 we completed our bancassurance arrangement with ABN AMRO in the Netherlands. This has contributed total sales of £134 million to 30 June.

General insurance

Our cash-generative general insurance businesses are an important part of our strategy and we have strong positions in the markets in which we operate. Our businesses experienced a strong start to 2003 benefiting from both a favourable rating environment and better than expected weather-related claims experience across our major European businesses. Our businesses in the UK, Ireland and the Netherlands have all delivered strong underwriting results with combined operating ratios (COR) of 99%, 97% and 98% respectively, demonstrating the success of our clear and focused strategy on personal lines and small commercial businesses. Total operating profit amounted to £387 million (2002: £456 million) reflecting lower investment returns.

Our worldwide COR was 101% (2002: 101%) and includes the impact of reserving for the shortfall of £70 million in claims case reserves relating to prior years identified in our Canadian subsidiary Pilot Insurance Company (Pilot). Excluding this impact, the underlying Group COR was 99%. We have exceeded our COR target and this performance demonstrates our track record of delivering consistent results. We recognise many of our business lines are operating at the top of the cycle and remain confident in our ability to deliver our target of 102% across the cycle.

Fund management

The first half of 2003 saw continued falls in worldwide investment markets. Despite these trading conditions and our continued investment in the business, operating profit from our worldwide businesses was £10 million (2002: £3 million). Worldwide assets under management at 30 June 2003 grew to £229 billion (31 December 2002: £208 billion) reflecting the benefit of new business flows and improved investment markets.

Shareholders' capital employed and financial strength

In a market that increasingly looks for quality and financial strength, our strong and resilient capital position is fundamental to our business. The Group achieved a good performance at the operational level and has been supported by the beneficial impact of a strengthened euro and improved investment market performance. As a result the equity shareholders' funds were £10.2 billion at 30 June 2003 (31 December 2002: £9.5 billion) which is equivalent to 468 pence per share (31 December 2002: 433 pence).

The solvency position of our main trading operations remains strong and at 30 June 2003 the average free asset ratio of our main UK life with-profit trading operations improved to 14.0% (10.0% excluding implicit items), and the orphan estate amounted to £4.5 billion (2002: £4.3 billion). This value is based upon a realistic assessment of liabilities and is calculated after allowing for over £4 billion in respect of the expected cost of guarantees and the glidepath. Furthermore, the solvency capital of our combined general insurance and overseas life operations remains strong with an estimated excess solvency margin of £2.7 billion at 30 June 2003 (31 December 2002: £2.2 billion). Solvency cover for the CGUII group has been estimated at 4.3 times and for the NUI group at a cover of 3.1 times.

Cost savings

We continue to take action to improve our operational efficiency and ensure that costs are appropriately aligned to revenues. Increased hurdle rates on new developments and internal projects, together with a reduction of 700 jobs in the UK in the first half of 2003 resulted in a net benefit of £30 million to the profit and loss account in the period. There was incremental development spend of £10 million in 2003 in respect of our global finance transformation programme (GFTP) and the development of our new call centre and claims processing operation in India.

We estimate that the net benefit to the profit and loss account for the full year 2003 will be approximately £60 million after bearing one-off costs of £30 million associated with the recently announced 900 job reductions in our UK life and general insurance businesses and after incremental development spend of £50 million in the full year.

The full realisation of the actions taken so far in 2003 will deliver an estimated benefit to the profit and loss account of £175 million in 2004 but excludes the impact of inflation, future growth in the business and a further incremental spend of £40 million on GFTP. Improving efficiency will remain a focus of management.

Outlook

Although a degree of stability has returned to investment markets, we anticipate that conditions in long-term savings markets will remain challenging in the second half of 2003 as investor confidence slowly returns. We continue to see the benefits from our bancassurance distribution channel as it develops across Europe, particularly in Italy and Spain and in our new venture in the Netherlands with ABN AMRO. We remain optimistic about the potential for future growth from our bancassurance ventures over the second half of 2003.

Our emphasis remains on developing our distribution power, particularly in bancassurance, while ensuring strict cost and capital management disciplines across our businesses. We believe that these measures combined with our resilient business model will give us the platform to succeed in our chosen markets.

Richard Harvey
Group Chief Executive

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NEWSWIRES: There will be a conference call today for wire services at 8.15am (GMT) on +44 (0)845 146 2003. Quote: Aviva, Richard Harvey.

ANALYSTS: A presentation to investors and analysts will take place at 9.30am (GMT) at St Helen's, 1 Undershaft, London, EC3P 3DQ. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Group's website www.aviva.com or on www.cantos.com. In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0)20 8400 6305. A replay facility will be available for two weeks on +44 (0)20 8797 2499. The pass code is 919248# for the whole presentation including Question & Answer session or 919251# for Question & Answer session only.

The presentation slides will be available on the Group's website, www.aviva.com/investors/presentations.cfm from 9.00am (GMT).

Photographs are available from the media centre on www.aviva.com/media

Notes to editors

- Aviva is one of the leading providers of life and pensions to Europe with substantial positions in other markets around the world, making it the world's seventh-largest insurance group based on gross worldwide premiums.
- Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales from continuing operations of £28 billion and assets under management of more than £200 billion.
- Overseas currency results are translated at average exchange rates.
- All growth rates are quoted in local currency.
- This interim announcement may contain "forward looking statements" with respect to certain of Aviva's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Aviva's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Aviva and its affiliates operate. As a result, Aviva's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Aviva's forward-looking statements.

  Aviva undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements we may make.

Financial calendar 2003/2004

Ex-dividend date for 2003 interim dividend	24 September 2003
Record date for 2003 interim dividend	26 September 2003
Payment of interim 2003 dividend	17 November 2003
Announcement of long-term savings new business for 9 months to 30 September 2003	23 October 2003
Preliminary announcement of 2003 results	26 February 2004

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OPERATING AND FINANCIAL REVIEW

Group operating profit before tax

The Group achieved an operating profit before tax, including life achieved operating profit, from continuing operations of £828 million (2002: £955 million). On a modified statutory basis, the equivalent operating profit was £638 million (2002: £733 million).

In calculating the current year Group operating profit from continuing operations, we have included the results of operations acquired. We have excluded the results of our Australian and New Zealand general insurance businesses, which we sold in December 2002, from the prior year operating profit from continuing operations.

	6 months 2003 £m	6 months 2002 £m
Achieved operating profit before tax – continuing operations	**828**	**955**
Discontinued operations		
– Australia and New Zealand general insurance operations	-	24
	828	**979**
Amortisation of goodwill	(52)	(46)
Change in claims equalisation provision	(28)	(26)
Costs of termination of Belgium general insurance operations	(19)	-
Loss on disposal of subsidiary undertakings	(7)	(16)
Effect of economic assumption changes	(217)	-
Short-term fluctuations in investment return – general insurance and shareholder business	137	(499)
Variation from longer-term investment return – life business	208	(854)
Profit /(loss) on ordinary activities before tax – achieved profit basis	**850**	**(462)**
Profit on ordinary activities before tax – modified statutory basis	742	110

The reduction in the achieved operating profit before tax on continuing operations between periods is attributable to the lower levels of investment return included in these results. This reflects the impact of lower asset values at the beginning of the year, as indicated at the time of the 2002 preliminary announcement. Investment returns in the first half of 2003 were lower than the 2002 equivalent period by £124 million for both the life and general insurance businesses.

The profit before tax on a modified statutory basis amounted to £742 million (2002: £110 million). This includes a positive investment variance of £137 million on the assets of the Group's non-life operations in comparison to the return based on the Group's longer-term investment return assumptions. Although the first quarter of the year saw increased turbulence in worldwide stock markets, there has been an improvement in stock market performance since the end of the Iraq war. At 30 June 2003, most equity markets in which we invest had increased from the end of the year position, in particular the UK where the FTSE All-Share index had increased by 4%. However in the Netherlands the AEX index has fallen by 10% since 31 December 2002.

On an achieved profit basis the profit before tax was £850 million (2002: loss of £462 million) which includes a beneficial variation from the longer-term investment return of £208 million and adverse economic assumption changes of £217 million. The former reflects the impact of improved investment market performance during the period on the Group's life embedded value and the latter the impact of falling interest rates during the period.

The taxation charge for the period was £278 million (2002: credit of £126 million) on an achieved operating profit basis and includes £260 million (2002: £297 million) in respect of the operating profit from continuing operations, which is equivalent to an effective rate of 31.4% (2002: 31.1%). On a modified statutory basis the effective rate on continuing operations was 30.4% (2002: 31.0%).

Long-term savings

Our worldwide long-term new business sales showed steady progress in the first half of 2003 as our European businesses demonstrated strong growth which offset lower volumes from the UK business. Worldwide life and pension sales were up 1% to £6.9 billion (2002: £6.7 billion) underpinned by the strength of our bancassurance partnerships in Spain and Italy. Worldwide sales measured on an APE basis amounted to £1,212 million (2002: £1,202 million). Retail investment sales were lower at £520 million (2002: £622 million), reflecting ongoing investor caution towards equity-backed products.

	6 months 2003			Local currency growth		
	Life and pensions £m	Retail investments £m	Total £m	Life and pensions %	Retail investments %	Total %
Long-term savings sales						
United Kingdom	2,961	319	3,280	(20%)	2%	(18%)
Europe (excluding UK)	3,442	167	3,609	26%	40%	26%
International	528	34	562	21%	(83%)	(12%)
	6,931	**520**	**7,451**	**1%**	**(18%)**	**(1%)**
Navigator	-	291	291	-	(43%)	(43%)

Although a degree of stability is returning to the worldwide stock markets, we anticipate that the second half of 2003 will remain challenging as investor confidence slowly returns to the market. We continue to take action to stimulate demand by offering products which meet the requirements of investors in current markets, including products offering a degree of capital or income protection.

Life achieved operating profit

		6 months 2003 £m	6 months 2002 £m
New business contribution (after the effect of solvency margin)		211	237
Profit from existing business	– expected return	376	414
	– experience variances	(19)	(17)
	– operating assumption changes	(10)	(3)
Expected return on shareholders' net worth		147	165
Life achieved operating profit before tax		**705**	**796**

Life achieved operating profit was lower at £705 million (2002: £796 million). As anticipated, the expected returns on existing business and shareholders' net worth were lower at £523 million (2002: £579 million) reflecting the application of lower investment return assumptions to a lower embedded value at the beginning of the year.

New business margins were stable at 24.5% (full year 2002: 24.4%) with a strong second quarter margin of 25.4% (discrete first quarter margin 2003: 23.6%) largely as a result of higher margins in Spain and margins being maintained in the UK. New business contribution after the effect of the solvency margin was lower at £211 million (2002: £237 million) reflecting changes in mix towards more capital intensive products.

We have incurred some adverse experience variances across a number of our businesses as a result of the impact of uncertain economic conditions on the operating environment. The majority of the operating assumption changes arose in the Netherlands and reflect changes in asset mix.

	Annual premium equivalent(1)		New business contribution(2)		New business margin(3)		
	6 months 2003 £m	6 months 2002 £m	6 months 2003 £m	6 months 2002 £m	6 months 2003 %	6 months 2002 %	Full year %
Life and pensions business							
United Kingdom	531	676	117	164	22.0	24.3	23.6
Europe (excluding UK)	581	443	159	113	27.4	25.5	25.7
International	100	83	21	12	21.1	14.5	22.2
	1,212	**1,202**	**297**	**289**	**24.5**	**24.0**	**24.4**

(1) Annual premium equivalent represents regular premiums plus 10% of single premiums.
(2) Before effect of solvency margin which amounted to £86 million (2002: £52 million).
(3) New business margin represents the ratio of new business contribution to annual premium equivalent, expressed as a percentage.

UK

Our market-leading business, Norwich Union, recorded an achieved operating profit of £339 million (2002: £424 million). The reduction reflects the higher capital charges on new business profits as well as the effect of lower expected returns on the opening embedded value which has contributed to approximately £50 million fall in profit. Adverse experience variances in the period reflect exceptional expenses in relation to one-off project costs associated with regulatory change offset by the better than assumed default experience on corporate bonds. Margins on new business were lower at 22.0% (full year 2002: 23.6%) due to changes in business mix, lower volumes and the impact of change in economic assumptions at the end of 2002.

The recent Government review on pensions reform progressed the debate on seeking to close the 'savings gap' in the UK. We continue to play an active role in the consultation process and contribute towards the Government's thinking. However, we need a workable environment that delivers good value to the consumer and an economic model that provides for the costs of distribution and manufacture. On the issue of the charging structure, we reiterate that we are against price capping in principle as this distorts and restricts competition. If a price cap is to be set, it must be at a realistic level that generates a reasonable return to shareholders. We remain committed to working with the Government to identify an appropriate level and shape for the new pricing structure.

Europe (excluding UK)

Total life achieved operating profit from our Continental European businesses was £336 million (2002: £350 million). New business margins increased to 27.4% (full year 2002: 25.7%) and were driven by strong margins in Spain. The tough operating climate has resulted in £12 million of adverse experience variances and has caused changes to our operating assumptions which have further depressed profits by £10 million. Delta Lloyd accounts for £25 million of this, reflecting ongoing development spend and changes to asset mix. Small positive experience variances arose in a number of our other European businesses. The impact of lower investment assumptions has been partially mitigated by additional expected returns from our growing bancassurance operations and therefore expected returns on the in-force book and our shareholders' funds were largely unchanged.

Our new bancassurance venture with ABN AMRO completed in May. The operating profit from the bancassurance venture, which has been accounted for since 1 January 2003 as an acquisition in view of the management control exercised by the Group, was £7 million.

International
Life achieved operating profit from our International business increased to £30 million (2002: £22 million) benefiting from higher new business contribution in our US and Singaporean operations. New business margins were 21.1% (full year 2002: 22.2%).

Bancassurance margins
Bancassurance new business margins increased to 35.5% (full year 2002: 35.1%). In the UK, new business margins from our life and pensions sales from our partnership with The Royal Bank of Scotland Group (RBSG) decreased to 12.1% (full year 2002: 21.5%). This reflects the significant fall in with-profit bond business as a result of uncertainty in the investment markets and lack of investor confidence. While the returns from our RBSG joint venture have fallen as a result of the realignment from with-profit to non-profit business, we are confident the margin will increase over the second half of 2003. New business bancassurance margins in Italy and Spain were 22.9% and 52.8% (full year 2002: 24.9% and 51.3%) respectively. New business bancassurance margins from our partnership with DBS in Singapore and Hong Kong were 21.2% (full year 2002: 29.4%) and reflect the impact of the start up operations in Hong Kong.

Life operating profit on a modified statutory basis
On a modified statutory basis, our life operating profit amounted to £515 million (2002: £574 million). Following the ongoing reduction in terminal and annual bonus rates, the operating result from UK with-profits business has decreased to £64 million (2002: £122 million). The UK non-profit result of £229 million (2002: £245 million) reflects lower management fees on unit-linked contracts and lower asset yields.

In Continental Europe, life modified statutory profit totalled £199 million (2002: £212 million) which was driven by increased profits in Poland and Spain offset by the lower result in the Netherlands. The Dutch result of £29 million (2002: £70 million) reflects lower investment yields and a provision for unit linked product guarantees of £35 million. In Poland, the result of £41 million (2002: £28 million) benefits from improved investment returns and lower new business strain. In Spain, the result has increased to £24 million (2002: £13 million) reflecting improved investment returns and the impact of higher margins on risk business.

Operating profit from our International businesses improved to £23 million (2002: loss of £5 million) as development costs were lower in our US operations.

Health
Premium income from our health business was £646 million (2002: £536 million), with total operating profit of £27 million (2002: £32 million). Our business in the Netherlands continued to be the main contributor to the results with total operating profit lower at £20 million (2002: £26 million) due to higher claim costs from our intermediated business.

Fund management
The first half of 2003 saw continued volatility in worldwide investment markets. Despite these difficult trading conditions, operating profit from our worldwide businesses was £10 million (2002: £3 million). Assets under management at 30 June 2003 grew to £229 billion (31 December 2002: £208 billion) reflecting the impact of new business flows and improved investment performance.

In the UK our fund management businesses reported a profit of £5 million (2002: loss of £8 million). Our retail investment business in the UK recorded an operating loss of £1 million (2002: loss of £14 million). Our institutional business, Morley Fund Management (Morley) remains a leading UK-based fund manager and posted an operating profit of £6 million (2002: £6 million). This result has been achieved through a disciplined approach of sizing costs to fee revenue set at the lowest point of the market. During the first half of 2003 Morley succeeded in securing around £2 billion of new external mandates (2002: £1 billion). Morley continues to be recognised for its performance and has been nominated for a number of awards including Property Manager of the year by UK Pensions awards and best Corporate Bond fund by Investment Week awards.

Operating profit from Aviva Gestion d'Actifs, our fund management operations in France, was maintained at £6 million (2002: £6 million). Navigator, our investment portfolio service in Australia, is a top five master trust. New business sales continue to be affected by consumer caution and fell to £291 million (2002: £493 million). On an achieved profit basis, Navigator's new business contribution was a loss of £2 million (2002: profit of £3 million) and its embedded value was £41 million (2002: £42 million).

General insurance
Our worldwide general insurance operations had a strong start to 2003 benefiting from both a favourable rating environment and better than expected weather-related claims experience in our major European businesses. As anticipated at the start of 2003, the longer-term investment return on general insurance business assets fell to £458 million (2002: £523 million). This reflects the lower start of year asset values which were depressed by falling investment markets. Total operating profit was £387 million (2002: £456 million) demonstrating the success of our clear and focused strategy on personal lines and small commercial businesses.

Underwriting losses from continuing operations for the period amounted to £71 million (2002: loss of £67 million) and include the impact of the shortfall in claims case reserves relating to prior years identified in our Canadian subsidiary Pilot of £70 million. The exceptional underlying performance benefited from better than expected weather-related claims experience which contributed £40 million to the result and from our disciplined approach to underwriting and cost control. The worldwide expense ratio from continuing operations improved to 10.9% (2002: 11.1%) notwithstanding an allocation to the result of £24 million of group profit share and other incentive plan costs which were previously included within corporate costs. The underlying improvement reflects the ongoing cost efficiency initiatives in our business operations.

	Underwriting result*		Operating profit*	
	6 months 2003 £m	6 months 2002 £m	6 months 2003 £m	6 months 2002 £m
United Kingdom	10	(35)	313	303
Europe (excluding UK)	-	(22)	86	85
International	(81)	(10)	(12)	68
Continuing operations	**(71)**	**(67)**	**387**	**456**
Discontinued operations	**-**	**(11)**	**-**	**24**

* Excludes the change in the equalisation provision of £28 million (2002: £26 million)

UK

Norwich Union continues to be the UK's largest general insurer, maintaining its market leading position through a clear focus on its strategy. We remain committed to our sound underwriting principles of profit over volume and cost efficiency. Using our proven business model we continue to deliver sustainable earnings by balancing our product lines and using our multi-distribution capability.

As a result, we have achieved a COR in the first half year of 2003 of 99% (2002: 101%). Better than expected weather-related claims of £30 million in the first quarter of 2003 have contributed to this achievement. In our personal lines business, the COR remained steady at 100% (2002: 99%). Average annualised rating increases of 2% for motor and 4% for homeowner reflects the tough competition in the market. In the commercial business we continue to see strong progress which has reduced the COR further to 99% (2002: 104%). In commercial property and liability businesses average annualised rating increases of 16% and 31% were achieved.

The expense ratio of 10.5% shows a slight increase on 2002 (10.4%) after absorbing £23 million of group profit share and other incentive plan costs in the first half of 2003, which were previously carried in corporate costs. Rigorous cost control has enabled us to generate headroom with which to invest in innovation and efficiency initiatives to secure our market leading position in the future. Investment in these projects gives us the competitive advantage required to maintain COR levels through the underwriting cycle.

Europe (excluding UK)

In Europe, our general insurance businesses produced total operating profits of £86 million (2002: £85 million) with improvements in performance across many of our larger Northern European businesses, driven in part by the better than expected weather-related claims.

In France, our general insurance business recorded operating profit of £15 million (2002: £25 million) with an underwriting loss of £7 million (2002: loss of £5 million) and a COR of 100%. Better than expected weather-related claims of £3 million were offset by an increase in regulatory provisions on our construction line of business. The longer-term investment return was lower at £22 million (2002: £30 million) reflecting a lower asset base at the start of the year and the sale of the Société Générale shares to effect the early redemption of the debenture bond in July 2002.

Hibernian, our market leading general insurance business in Ireland, reported a substantial improvement in its operating profit to £43 million (2002: £21 million). The strong underwriting profit of £14 million (2002: loss of £7 million) benefited from premium increases across the market, better than planned weather-related claims of £7 million and reduced motor accident frequency. This follows the recent introduction of penalty points for motoring offences which has improved driver behaviour.

In the Netherlands, premium rates increases, lower claims costs and favourable weather have improved the underwriting performance and have contributed to an increase in operating profit to £12 million (2002: £11 million) despite the lower investment returns.

International

Our International businesses recorded an operating loss of £12 million (2002: profit of £68 million) predominantly driven by increased losses in Canada.

Our Canadian business reported an underwriting loss of £85 million (2002: loss of £18 million) including the impact of the shortfall in claims case reserves relating to prior years identified in Pilot. The impact of this shortfall was £70 million, comprising an increase of £32 million in respect of prior year case reserves and conservative additional provisions of £38 million to cover claims yet to be reported. In addition, the underwriting result includes the impact of our share of the increased losses from involuntary automobile pools of £12 million. These pools act as the motor insurer of last resort in

Canada and market losses are allocated according to market share. The impact of these events on the Canadian result has been mitigated by the existence of a stop-loss contract with the Group's reinsurance captive.

The Canadian business continues to achieve strong rating growth with annualised rating increases in the first half of 10% for personal lines and over 25% for commercial lines. The longer-term investment return was lower at £52 million (2002: £57 million) reflecting the lower asset base at the start of the year.

Non-insurance operations
The result of the Group's non-insurance operations fell to a loss of £47 million (2002: loss of £28 million) and includes an increased loss from Norwich Union Life Services of £27 million (2002: loss of £6 million). The loss in the period includes an allocation of £14 million in respect of group profit share and other incentive plan costs, which were previously included within corporate costs.

Corporate costs
Corporate costs were lower at £56 million (2002: £96 million). With effect from 1 January 2003 the Group is now formally allocating costs relating to bonus plans and staff share schemes to business operations. Accordingly £38 million of such costs have been included in the business unit operating results, that in the prior year were included in corporate costs.

Costs from the global finance transformation programme increased to £12 million (2002: £10 million). There is considerable change anticipated over the next three years in corporate governance, capital and financial management, reporting and performance measurement as a result of changing FSA and EU regulation and with the advent of International Accounting Standards in 2005. This will require substantial investment in the Group's underlying financial systems and processes. As a consequence, the Group has examined how best to make these mandatory changes in a way that brings longer term strategic cost benefits. This will be achieved through the implementation of a common platform for finance systems across the Group which will provide opportunities for future savings. Total costs to date of this programme in 2003 amount to £12 million with a further £48 million to be expensed in the second half of the year. Total costs of the programme in 2004 are anticipated to be up to £100 million. We expect costs to be significantly lower in 2005 and 2006.

Unallocated interest charges
Unallocated interest charges comprise internal and external interest on borrowings, subordinated debt and intra-group loans not allocated to local business operations. Total interest costs in the period were £198 million (2002: £208 million). External interest costs were lower at £94 million (2002: £104 million), reflecting a reduction in commercial paper rates and the repayment of Eurobond debt of £100 million in the second half of 2002. Internal interest costs were unchanged at £104 million (2002: £104 million).

Dividend
The Board has declared an interim dividend of 9.0 pence net per share (2002: 8.75 pence) payable on 17 November 2003 to shareholders on the register on 26 September 2003.

Group capital and financial strength

Shareholders' funds
Equity shareholders' funds grew to £10.2 billion (31 December 2002: £9.5 billion), reflecting the benefit of exchange movements and an improvement in investment markets. Net asset value per ordinary share, based on equity shareholders' funds was 468 pence per share (31 December 2002: 433 pence per share) after adding back the equalisation provision of £342 million (31 December 2002: £314 million).

Return on capital employed
The Group's normalised annualised 2003 post-tax return on equity was 11.0% (full year 2002: 9.7%). The normalised return is based on the post-tax operating profit from continuing operations, including life achieved profit, before amortisation of goodwill and exceptional items, expressed as a percentage of opening equity capital.

Financial strength of the Group and its principal insurance operations
In a market that increasingly looks for quality and financial strength, the resilience of the regulatory capital position of the Group and its principal insurance operations is fundamental to our business. The Group had an estimated excess regulatory capital, as measured on the EU Directive, of some £0.7 billion at 30 June 2003 (31 December 2002: £0.7 billion). This measure represents the excess of the aggregate value of the regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators excluding the surplus held in the Group's UK life funds. The estimated excess regulatory capital at 30 June 2003 includes an increase in the regulatory value of the Group's shareholders' net assets, offset by a reduction in the regulatory value of the Group's non-insurance businesses following a recent change in the Financial Services Authority (FSA) rules and by the regulatory goodwill write-off associated with the ABN AMRO transaction.

Our principal UK general insurance regulated subsidiaries are CGU International Insurance plc (CGUII) and Norwich Union Insurance (NUI). CGUII is the parent company of the majority of the Group's overseas life and general insurance subsidiaries. The general insurance businesses of CGUII and NUI have strong solvency positions. On an aggregated basis the estimated excess solvency margin (representing the regulatory value of excess available assets over the required minimum margin) of the combined operations is estimated at £2.7 billion at 30 June 2003 (31 December 2002: £2.2 billion) after covering the required minimum margin of £3.4 billion. Solvency cover for the CGUII group has been estimated at 4.3 times and for the NUI group at a cover of 3.1 times. The solvency margin of the combined regulated group is resilient to equity market movements. We estimate that the solvency can withstand significant market falls before the solvency cover is reduced to 1.0 times.

Furthermore, as CGUII also indirectly holds the majority of our overseas life and non-life businesses its regulatory solvency strength can benefit these businesses. Another measure that the Group uses to assess its capital adequacy is a risk-based capital measure. At 30 June 2003 the risk-based capital requirement of our worldwide general insurance businesses was £3.3 billion (31 December 2002: £3.1 billion) in comparison to £4.0 billion (31 December 2002: £4.0 billion) of capital employed by these businesses after deducting goodwill and adding back the claims equalisation reserve. The combined general insurance businesses of CGUII and NUI hold total regulated available assets of £6.1 billion (31 December 2002: £5.5 billion). After deducting the risk-based capital for the general insurance businesses of CGUII and NUI of £3.3 billion (31 December 2002: £3.1 billion) and, adding back the claims equalisation reserve of £0.3 billion (31 December 2002: £0.3 billion), the remaining available capital of £3.1 billion (31 December 2002: £2.7 billion) is sufficient to cover the minimum margins of the overseas life businesses by approximately 1.7 times (31 December 2002: 1.7 times).

A common measure of the financial strength in the UK for life insurance business is the free asset ratio (FAR). We estimate that the average free asset ratio of our three large UK life with-profit companies was 14.0% at 30 June 2003 (31 December 2002: 11.8%). This has been calculated in accordance with FSA guidance on resilience tests using a 10% fall in equities and a 10% fall in property, and includes implicit items. If these implicit items were excluded then the FAR would be 10.0% (31 December 2002: 7.7%).

The strength of our with-profit funds is underpinned by our UK orphan estate. At 30 June 2003, the orphan estate of £4.5 billion (31 December 2002: £4.3 billion) is based upon a realistic assessment of liabilities and is calculated after allowing for over £4 billion in respect of expected cost of guarantees and the glidepath. The orphan estate is used to support strong business development for the benefit of policyholders and shareholders alike. The orphan estate is estimated on the basis of realistic assumptions, as distinct from statutory free reserves which uses rules specified by statute.

The granting of waivers by the FSA for our three main with-profit funds is a step towards an assessment of financial strength on a realistic basis. The waivers have the effect of protecting the solvency of the funds from downside movements in equity markets, by giving us the ability to take a more realistic view of liabilities in the with-profit funds. This, in turn, means that we can have greater freedom in our investment strategy.

Standard & Poor’s have recently reaffirmed the financial strength rating of AA (‘very strong’) with a stable outlook in respect of the UK life business.

At 30 June 2003, the aggregate value of with-profit funds in our UK life business invested on behalf of our policyholders amounted to £46 billion. The split of investments as at that date was as follows:

Equity	36%	(31 December 2002: 35%)
Fixed interest	44%	(31 December 2002: 44%)
Property	17%	(31 December 2002: 17%)
Other	3%	(31 December 2002: 4%)

LIFE NEW BUSINESS SALES

Geographical analysis of life, pensions and investment sales and new business contribution

	Total new business sales		Annual premium equivalent sales(2)		New business contribution(3)	
	6 months to 30 June 2003 £m	Local currency growth(1)	6 months to 30 June 2003 £m	Local currency growth(1)	6 months to 30 June 2003 £m	Local currency growth(1)
Life and pensions						
United Kingdom	**2,961**	**(20%)**	**531**	**(21%)**	**117**	**(29%)**
France	989	(1%)	120	-	35	(7%)
Ireland	116	(50%)	39	(47%)	11	(44%)
Italy	841	46%	117	55%	27	54%
Netherlands (including Belgium and Luxembourg)	490	44%	102	47%	22	94%
Poland	33	(7%)	20	(21%)	-	(95%)
Spain	839	102%	139	100%	68	86%
Other Europe	134	(6%)	44	(8%)	(4)	(26%)
Continental Europe	**3,442**	**26%**	**581**	**21%**	**159**	**29%**
International	**528**	**21%**	**100**	**27%**	**21**	**80%**
Total life and pensions	**6,931**	**1%**	**1,212**	**(2%)**	**297**	**(1%)**
Investment sales						
United Kingdom	**319**	**2%**	**37**	**(8%)**		
Netherlands	115	87%	12	87%		
Poland	31	-	4	-		
Other Europe	21	(64%)	2	(64%)		
Continental Europe	**167**	**40%**	**18**	**44%**		
International	**34**	**(83%)**	**3**	**(83%)**		
Total investment sales	**520**	**(18%)**	**58**	**(21%)**		
Total long-term savings	**7,451**	**(1%)**	**1,270**	**(3%)**		
Navigator sales (not included above)	291	(43%)				

(1) Growth rates are calculated based on constant rates of exchange.
(2) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.
(3) Stated before the effect of solvency margin.

United Kingdom:
Norwich Union reported total life and pensions new business sales in the discrete second quarter of £268 million on an APE basis, in line with our expectations. Following the falls in the UK stock market in the second half of 2002, our new business sales performance has stabilised and the second quarter results continue this trend. We are seeing the benefits of our broad product portfolio in these uncertain markets and we expect to regain our position as market leader. Total sales for the first six months of the year were £568 million (2002: £717 million) on an APE basis.

Total sales from our joint venture with The Royal Bank of Scotland Group were £426 million (2002: £473 million) and £70 million (2002: £60 million) on an APE basis. Our share of total life and pension sales from the joint venture was £232 million (2002: £391 million). This comprised sales of with-profit bonds which were lower at £140 million (2002: £309 million) and our 50% share of sales of other life and pensions products which was higher at £92 million (2002: £82 million). Our share of sales of the new collective investment products launched in the first quarter of 2003 are progressing well with our 50% share being £51 million (2002: nil) for the period.

Uncertainty in investment markets and lack of investor confidence in equity markets have seen the UK with-profits bond market fall by some 75% over the past year. However we believe the unit-linked bond market is showing signs of recovery and we have seen encouraging sales of structured bonds, with consumer appetite growing for products that offer an element of capital or income protection. Overall bond and savings sales were £862 million (2002: £1,624 million), reflecting a fall in with-profit bond sales in line with the market partially offset by increased sales of unit-linked and structured bonds.

Having taken the decision last year to focus on larger group pensions, we have started to see encouraging growth in this sector. Total group pension sales increased by 41% to £476 million (2002: £338 million) as Norwich Union enjoyed the benefits of a ‘flight to quality’ and as a number of other pension providers withdrew from this sector. Sales of individual pensions were lower at £833 million (2002: £1,134 million), reflecting our strategic shift away from smaller group personal pension schemes and lower stakeholder sales of £331 million (2002: £388 million). Sales of annuities continued to grow strongly, up 39% to £641 million (2002: £460 million) and we retained our competitive position in this market. In June we began revisions of our annuity pricing to improve further our margins on these products.

We have taken some tough actions over the past year in response to the difficult trading environment, including reducing our cost base, adjusting our product mix, cutting commissions to IFAs on some products and lowering bonus rates when appropriate. These actions are helping to ensure that Norwich Union emerges from these difficult times in a strong position.

New business contribution was £117 million (2002: £164 million) with a new business margin of 22.0% (full year 2002: 23.6%). This reflected the shift in business mix with a lower proportion of bond sales and an increasing proportion of higher margin annuity business and the impact of the change in economic assumptions at the end of 2002.

France:
Aviva France reported total sales of £989 million (2002: £909 million), reflecting an underlying increase in sales of 6% on the prior year. This underlying increase excludes £61 million from the 2002 result relating to our group protection business, which was sold to Médéric with effect from 1 January 2003.

Sales of single premium AFER products were higher at £581 million (2002: £501 million), reflecting the large numbers of customers who continue to prefer fixed interest investments in current market conditions. Unit-linked and other savings products also showed an increase at £376 million (2002: £319 million) despite an overall contraction of 19% in the market for unit-linked products. We continued to benefit from sales of a series of limited offer unit-linked products, launched in the first quarter, which offer a one year guaranteed return after which the client must choose between a number of long term investment strategies. A further series of these products was launched in the second quarter as planned.

New business contribution was £35 million (2002: £34 million), with a margin of 29.3% (full year 2002: 30.9%), lower as a result of a shift in sales away from traditional unit-linked products to unit-linked products offering guarantees.

Good progress has been made by the Government with its proposed reforms to pension legislation. There is an expectation of new legislation before the end of 2003 and Aviva France is well placed to take advantage of these new opportunities.

Ireland:
Hibernian Life & Pensions, our top-five provider of life and pensions products, reported lower total sales of £116 million (2002: £212 million). The fall in sales reflects the difficult market conditions and the non-recurring first half 2002 sales of the Government's Special Savings Incentive Account (SSIA) of £23 million on an APE basis.

We expect an increase in our pensions' market share for the first half of 2003, following continuing success in the executive and group pensions markets. Total pensions sales were £81 million (2002: £75 million). Sales of the Personal Retirement Savings Account (PRSA), the Government's new pension initiative launched in April 2003, have been slow initially, reflecting the experience of providers across the market. We remain well placed to be a significant provider in this sector, given our strong position in the pensions market, our strong brand and robust investment performance.

Life single premium sales were £28 million (2002: £109 million), with continuing low demand for unit-linked and with-profit bond investments in current market conditions. Regular life premium sales were lower at £7 million (2002: £28 million). However, excluding the SSIA sales of £23 million in 2002, there has been an encouraging increase in sales of protection business. We achieved a margin of 28.5% (full year 2002: 28.2%) on a new business contribution of £11 million (2002: £17 million).

Italy:
Total new business sales grew strongly by 46% to £841 million (2002: £526 million), reflecting the strength of distribution through our bancassurance partnerships and including £187 million of one-off single premium sales of direct business.

Sales through UniCredito Italiano (UCI) increased to £464 million (2002: £363 million) and have remained strong during the reorganisation of its branch network which is now complete. We are confident that the increased strength of the reorganised network will provide a platform for enhanced opportunities over the longer term. Total sales from Banca Popolare di Lodi Group rose to £151 million (2002: £123 million) and sales through Banca delle Marche were £25 million (2002: £18 million). Our most recent agreement with Banca Popolare Commercio e Industria began in the first quarter and produced encouraging new sales of £14 million (2002: nil). Sales in the third quarter will benefit from a limited offer on a structured investment bond which closed in mid-July, and the launch of additional new products.

New business contribution was higher at £27 million (2002: £16 million), reflecting the increase in volumes. The new business margin was 23.0% (full year 2002: 24.9%).

Netherlands (including Belgium and Luxembourg):
Delta Lloyd, our top-five life and pensions business in the Netherlands, reported an increase in total sales of 51% to £605 million (2002: £366 million). This includes the benefit of sales from our new bancassurance agreement with ABN AMRO, which completed in May 2003 and is included in Delta Lloyd's reported life new business results for the first time. Under the terms of the agreement, Delta Lloyd's second quarter results include ABN AMRO's new business sales with effect from 1 January 2003, with total premiums amounting to £134 million for the period.

Total pension and annuities sales increased to £280 million (2002: £181 million), with a continuing focus on group pension sales. Group pension business slowed in the second quarter following a strong first quarter which benefited from new group pension scheme mandates and the impact of annual indexation in company schemes. Sales of single premium annuities were lower, reflecting more difficult market conditions in the Netherlands in attracting new customers but partially offset by the successful retention of maturing monies on pension contracts through OHRA, our direct channel.

Single premium life product sales rose to £183 million (2002: £109 million), including sales through Bank Nagelmackers in Belgium where sales are now fully on-stream. Strong demand for investment products continued into the second quarter and was reflected in investment sales which increased to £115 million (2002: £56 million). Total new business contribution amounted to £22 million (2002: £10 million) with margins of 21.5% (full year 2002: 13.3%). The total includes new business contribution from ABN AMRO of £7 million with a margin of 34.0%.

Poland:
CU Polska continues to be the market leader in individual life and private pensions with an 18% share of the life market measured by total premium income in 2002 and a 29% share of the private pensions market measured by total assets under management. Pension sales of £15 million (2002: £15 million) were helped by publicity from the State Agency targeted at workers who do not already have a chosen pensions provider. Total life sales were lower at £18 million (2002: £23 million) in continuing difficult economic conditions. Sales of mutual funds, launched late in the second quarter of 2002, continued to benefit from the low interest rate environment and amounted to £31 million (2002: nil).

Spain:
Aviva is now the number one life business in Spain, based on gross written premiums in the first quarter. New business sales grew strongly by 102% to £839 million (2002: £379 million), reflecting high growth in our developing bancassurance partnerships. One-off sales of £149 million in the first half of the year included £40 million of bulk pension transfers. In addition, a large single transaction of pension and protection business generated one-off sales of £17 million of regular and £92 million of single premiums. New business contribution from this transaction was £19 million with a margin of 72.5%.

Sales of protection products were particularly strong in the second quarter through all our bancassurance partners, helped by the buoyant housing market and low interest rates in Spain. Total sales through Bancaja increased by 57% to £457 million (2002: £266 million), boosted by high demand for limited offer traditional savings products in the first quarter. Discrete second quarter sales were lower, in line with expectations.

Our more recent partnerships contributed strongly to the growth as new products were introduced. New business sales grew to £69 million (2002: £26 million) through Unicaja, £165 million (2002: £11 million) through Caixa Galicia and £127 million (2002: £49 million) through Caja Espana. Sales through our most recent bancassurance partnership with Caja de Granada will begin in the third quarter.

New business contribution amounted to £68 million (2002: £33 million) and the margin was higher at 49.0% (full year 2002: 45.9%). This resulted from an increase in sales of higher margin risk products and the impact of high margin one-off sales.

Other Europe:
Life and pensions sales totalled £134 million (2002: £131 million). In Turkey, total new business premiums were £12 million (2002: £12 million), achieved despite the ongoing difficult economic conditions. Sales through our Dublin-based offshore life and savings business fell to £38 million (2002: £44 million) and sales of Luxembourg UCITS were also lower at £21 million (2002: £53 million). Total sales in Germany were £65 million (2002: £62 million).

International:
In our International business, total sales fell to £562 million (2002: £661 million), although life and pension sales increased 21% to £528 million (2002: £461 million).

United States: Total life and pension sales increased to £374 million (2002: £237 million), although we have seen the rate of growth begin to slow compared to the second half of 2002. We expect this trend to continue through the rest of 2003. Single premium sales were £349 million (2002: £216 million), with regular premium sales of £25 million (2002: £21 million).

Australia: Trading conditions remain difficult in Australia, reflected in total life and pension sales lower at £96 million (2002: £124 million) and sales of unit trusts of £34 million (2002: £200 million). While not included in the new business figures, sales of Navigator, our top five master trust, also suffered due to customers' ongoing reluctance to invest in equity-related savings products and fell to £291 million (2002: £493 million). In June, Navigator launched a series of new investment options to meet the needs of customers across the range of investment profiles.

Singapore and Hong Kong: Our bancassurance partnership with DBS Group Holdings Limited (DBS) in Singapore generated total sales of £55 million (2002: £97 million). Sales of £15 million (2002: £13 million) on an APE basis reflected our strategic shift towards higher margin regular premium business. Our partnership with DBS in Hong Kong reported regular premiums of £1 million (2002: nil) and is in an early stage of development following its launch at the end of 2002.

India: Sales from our bancassurance partnerships including Canara Bank, India's second largest bank, and our direct sales force are progressing encouragingly. A further three branches, making 12 branches in all, were opened in the second quarter in Ahmedabad, Jaipur and Guwahati.

China: We launched our new joint-venture life business, Aviva COFCO, on 1 January 2003 selling traditional non-participating risk and savings products.

Detailed worldwide long-term savings new business analysis

	Single			Regular			Total
	6 months to 30 June 2003 £m	6 months to 30 June 2002 £m	Local currency growth	6 months to 30 June 2003 £m	6 months to 30 June 2002 £m	Local currency growth	Local currency growth
United Kingdom							
Individual pensions	706	929	(24%)	127	205	(38%)	(27%)
Group pensions	421	291	45%	55	47	17%	41%
Mortgage	-	-	-	28	32	(13%)	(13%)
Annuities	641	460	39%	-	-	-	39%
Bonds	862	1,624	(47%)	-	-	-	(47%)
Other life	70	65	8%	51	55	(7%)	1%
Total life and pensions	**2,700**	**3,369**	**(20%)**	**261**	**339**	**(23%)**	**(20%)**
Peps/Isas/Unit Trusts/Oeics	313	302	4%	6	11	(45%)	2%
	3,013	**3,671**	**(18%)**	**267**	**350**	**(24%)**	**(18%)**
France							
AFER (excluding unit-linked)	581	501	6%	-	-	-	6%
Unit-linked & other savings	365	308	8%	11	11	(9%)	7%
Protection business	20	79	(77%)	12	10	15%	(67%)
	966	**888**	**(1%)**	**23**	**21**	**2%**	**(1%)**
Ireland							
Life and savings	28	109	(77%)	7	28	(78%)	(77%)
Pensions	58	53	-	23	22	(4%)	(1%)
	86	**162**	**(52%)**	**30**	**50**	**(45%)**	**(50%)**
Italy							
Life and savings	804	508	44%	37	18	87%	46%
	804	**508**	**44%**	**37**	**18**	**87%**	**46%**
Netherlands (including Belgium & Luxembourg)							
Life	183	109	53%	27	20	23%	48%
Pensions and annuities	248	165	37%	32	16	86%	41%
Total life and pensions	**431**	**274**	**43%**	**59**	**36**	**51%**	**44%**
Unit trusts	115	56	87%	-	-	-	87%
	546	**330**	**51%**	**59**	**36**	**51%**	**51%**
Poland							
Life and savings	10	8	30%	8	15	(41%)	(16%)
Pensions	4	4	18%	11	11	3%	7%
Total life and pensions	**14**	**12**	**26%**	**19**	**26**	**(23%)**	**(7%)**
Mutual funds	30	-	-	1	-	-	-
	44	**12**	**292%**	**20**	**26**	**(21%)**	**79%**
Spain							
Life and savings	620	318	78%	32	16	76%	77%
Pensions	158	33	342%	29	12	126%	285%
	778	**351**	**102%**	**61**	**28**	**97%**	**102%**
Other Europe							
Life and pensions	100	96	(5%)	34	35	(8%)	(6%)
UCITS and other	21	53	(64%)	-	-	-	(64%)
	121	**149**	**(26%)**	**34**	**35**	**(8%)**	**(22%)**
International							
Life and pensions	476	420	20%	52	41	33%	21%
Unit trusts	34	200	(83%)	-	-	-	(83%)
	510	**620**	**(15%)**	**52**	**41**	**33%**	**(12%)**
Total long-term savings	**6,868**	**6,691**	**(1%)**	**583**	**605**	**(6%)**	**(1%)**
Analysed:							
Life and pensions	6,355	6,080	1%	576	594	(5%)	1%
Investment sales	513	611	(18%)	7	11	(35%)	(18%)
Total long-term savings	**6,868**	**6,691**	**(1%)**	**583**	**605**	**(6%)**	**(1%)**
Navigator sales (not included above)	291	493	(43%)	-	-	-	(43%)

Analysis of UK long-term savings by distribution channel

Sales

	Single			Regular			Total
	6 months to 30 June 2003 £m	**6 months to 30 June 2002 £m**	**Local currency growth**	**6 months to 30 June 2003 £m**	**6 months to 30 June 2002 £m**	**Local currency growth**	**Local currency growth**
IFA							
– life & pensions products	2,008	2,350	(15%)	210	270	(22%)	(15%)
– investment products	173	189	(8%)	1	5	(80%)	(10%)
	2,181	**2,539**	**(14%)**	**211**	**275**	**(23%)**	**(15%)**
Bancassurance partnership with RBSG							
– life & pensions products	222	384	(42%)	10	7	43%	(41%)
– investment products	46	-	-	5	-	-	-
	268	**384**	**(30%)**	**15**	**7**	**114%**	**(28%)**
Other partnerships/Direct							
– life & pensions products	470	635	(26%)	41	62	(34%)	(27%)
– investment products	94	113	(17%)	-	6	(100%)	(21%)
	564	**748**	**(25%)**	**41**	**68**	**(40%)**	**(26%)**
Total UK long-term savings	**3,013**	**3,671**	**(18%)**	**267**	**350**	**(24%)**	**(18%)**

Annual premium equivalent (1)

	Life and pensions sales		Investment sales		Total sales	
	6 months to 30 June 2003 £m	**Local currency growth**	**6 months to 30 June 2003 £m**	**Local currency growth**	**6 months to 30 June 2003 £m**	**Local currency growth**
IFA	411	(19%)	18	(25%)	429	(19%)
Bancassurance partnership with RBSG	32	(29%)	10	-	42	(7%)
Other partnerships/Direct	88	(30%)	9	(47%)	97	(32%)
Total UK long-term savings	**531**	**(21%)**	**37**	**(10%)**	**568**	**(21%)**

(1) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.

Analysis of sales via our principal bancassurance channels

	Total new business sales		Annual premium equivalent sales (2)	
	6 months to 30 June 2003 £m	Local currency growth (1)	6 months to 30 June 2003 £m	Local currency growth (1)
Life and pensions				
United Kingdom				
Royal Bank of Scotland Group (3)	232	(41%)	32	(29%)
	232	**(41%)**	**32**	**(29%)**
Italy				
UniCredito	464	17%	62	29%
Banca Popolare di Lodi	151	13%	21	5%
Banca delle Marche	25	25%	15	400%
Banca Popolare Commercio e Industria	14	-	1	-
	654	**18%**	**99**	**39%**
Netherlands				
ABN AMRO (4)	134	-	21	-
	134	**-**	**21**	**-**
Spain				
Bancaja	457	57%	61	42%
Caixa Galicia	165	1,275%	37	825%
Unicaja	69	138%	13	86%
Caja Espana	127	135%	20	150%
	818	**111%**	**131**	**111%**
International				
DBS	56	(36%)	16	33%
	56	**(36%)**	**16**	**33%**
Total life and pensions	**1,894**	**33%**	**299**	**56%**
Investment sales				
United Kingdom				
Royal Bank of Scotland Group (3)	51	-	10	-
	51	-	**10**	-
Total bancassurance sales	**1,945**	**37%**	**309**	**61%**

(1) Growth rates are calculated based on constant rates of exchange.
(2) Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums and 10% of single premiums.
(3) Total sales through our joint venture with the Royal Bank of Scotland Group (RBSG) comprised £324 million of life and pensions sales and £102 million of investment sales. In reporting our life and pensions result for RBSG we have included our 50% share of sales written through the joint venture life company, amounting to £92 million (2002: £82 million), and £140 million (2002: £309 million) representing 100% of single premium with-profit bond sales written through a Norwich Union fund. Investment sales of £51 million (2002: nil) represent our 50% share of the collective investment sales.
(4) Total sales through our new bancassurance agreement with ABN AMRO were £134 million for the first half year, comprising £126 million of single premiums and £8 million of regular premiums which have been reported in accordance with the Aviva Group policy on the classification of single and regular premiums. On this basis the first quarter total sales through ABN AMRO of £83 million comprised £78 million of single premiums and £5 million of regular premiums.

Life profits reporting
In reporting the headline operating profit, life profits have been included using the achieved profit basis. This is used throughout the Aviva Group and by many in the investment community to assess performance. We have focused on the achieved profit basis, as we believe life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. The modified statutory basis is used in our financial statements and, on this basis, the life operating profit before tax on continuing operations amounted to £515 million. The basis used for reporting achieved profit is consistent with the guidance circulated by the Association of British Insurers.

Definitions of Group key performance indicators and other terms

Achieved operating profit	- excludes the operating result of discontinued operations, and is stated before amortisation of goodwill and exceptional items.
Achieved operating earnings per share	- operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders in respect of continuing operations.
Modified statutory operating profit	- excludes the operating result of discontinued operations, and is stated before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
Continuing operations	- total business operations excluding the discontinued Australian and New Zealand general insurance operations.
Net asset value per ordinary share	- is calculated based on equity shareholders' funds, adding back the equalisation provision of £342 million (30 June 2002: £283 million; 31 December 2002: £314 million).
Assets under management	- represents all assets managed by the Group including funds held on behalf of third parties.
Annual premium equivalent (APE)	- is a UK industry standard for calculating life, pensions and investment new business levels. It is the total of new regular premiums and 10% of single premiums.
New business contribution	- is calculated using the same economic assumptions as those used to determine the embedded values at the beginning of each year and is stated before tax and the effect of the solvency margin.
New business margin	- the ratio of new business contribution to sales measured on an annual premium equivalent basis.
Combined operating ratio	- the aggregate of incurred claims expressed as a percentage of earned premiums and written expenses and written commissions expressed as a percentage of written premiums.
Free asset ratio	- the excess of the regulatory value of assets over total liabilities divided by the regulatory value of total liabilities, expressed as a percentage.
Implicit items	- are specific amounts by which prudential margins within life technical provisions may be adjusted to give a more appropriate measure of assets available to meet the Group's solvency requirement. In order to take allowance for implicit items FSA approval must be granted and the FSA must be satisfied that sufficient prudential margins exist to allow this adjustment.
Orphan estate	- the assets of the long-term with-profit funds less the realistic reserves for non-profit policies, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs and guarantees.
Solvency cover	- the excess of the regulatory value of total assets over total liabilities, divided by the regulatory value of the required minimum solvency margin.
CGUII	- a principal UK general insurance company and the parent of the majority of the Group's overseas general insurance and life assurance subsidiaries.
EU solvency	- the excess of assets over liabilities and the world-wide minimum solvency margins, excluding goodwill and the additional value of in-force long-term business, and excluding the surplus held in the Group's life funds. The Group solvency calculation is determined according to the UK Financial Services Authority application of EU Insurance Groups Directive rules.

Summarised consolidated profit and loss account – achieved profit basis
For the six months ended 30 June 2003

Page	6 months 2003 €m		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
		Operating profit			
15	1,036	Life achieved operating profit	705	796	1,524
28	40	Health	27	32	61
33	15	Fund management	10	3	5
29	569	General insurance	387	456	881
35	(69)	Non-insurance operations*	(47)	(28)	(99)
35	(82)	Corporate costs	(56)	(96)	(218)
33	(291)	Unallocated interest charges	(198)	(208)	(434)
	1,218	**Operating profit – continuing operations before tax, amortisation of goodwill and exceptional items**	**828**	**955**	**1,720**
29	-	Discontinued operations – Australia and New Zealand general insurance operations	-	24	78
	1,218	**Operating profit – before tax, amortisation of goodwill and exceptional items**	**828**	**979**	**1,798**
	(77)	Amortisation of goodwill	(52)	(46)	(135)
	1,141	Operating profit before tax	776	933	1,663
	507	Variation from longer-term investment return	345	(1,353)	(3,504)
	(319)	Effect of economic assumption changes	(217)	-	(561)
	(41)	Change in the equalisation provision	(28)	(26)	(57)
26	(10)	Loss on the disposal of subsidiary undertakings	(7)	(16)	(4)
	(28)	Costs for termination of Belgium general insurance operations	(19)	-	-
	1,250	**Profit/(loss) on ordinary activities before tax**	**850**	**(462)**	**(2,463)**
	(382)	Tax on operating profit – continuing operations before amortisation of goodwill and exceptional items	(260)	(297)	(531)
	(27)	Tax on (profit)/loss on other ordinary activities	(18)	423	982
	841	**Profit/(loss) on ordinary activities after tax**	**572**	**(336)**	**(2,012)**
	(59)	Minority interests	(40)	(39)	(33)
	782	**Profit/(loss) for the financial period**	**532**	**(375)**	**(2,045)**
30	(13)	Preference dividends	(9)	(9)	(17)
	769	**Profit/(loss) for the financial period attributable to equity shareholders**	**523**	**(384)**	**(2,062)**
30	(298)	Ordinary dividends	(203)	(197)	(519)
	471	**Retained profit/(loss) for the financial period**	**320**	**(581)**	**(2,581)**
		Earnings per share			
		Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after tax, attributable to equity shareholders in respect of:			
	33.1c	Continuing operations	22.5p	26.7p	48.3p
	33.1c	Continuing and discontinued operations	22.5p	27.4p	51.5p
	34.1c	Profit/(loss) attributable to equity shareholders	23.2p	(17.0)p	(91.5)p
	34.0c	Profit/(loss) attributable to equity shareholders – diluted**	23.1p	(17.0)p	(91.5)p

* The wealth management result has been included within non-insurance in all periods.
** As required by FRS14 "Earnings per share", the impact of the dilutive effect on the 2002 comparatives is not recognised as it would result in a smaller loss.

Basis of preparation – achieved profit basis
The achieved profit statement on page 14 includes the results of the Group's life operations reported under the achieved profit basis combined with the modified statutory basis results of the Group's non-life operations set out on pages 22 to 32. In the directors' opinion, the achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. The achieved profit methodology used is in accordance with the guidance on "Supplementary reporting for long-term insurance business (the achieved profit method)" circulated by the Association of British Insurers in December 2001. Further details on the methodology and assumptions are set out on pages 19 to 21.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual statutory accounts, can be found on pages 22 to 32.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group (RBSG) is incorporated within the achieved operating profit. Goodwill amortised in the year in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 14.

The results for the six month periods to 30 June 2003 and 30 June 2002 are unaudited but have been reviewed by the auditors Ernst & Young LLP. Their report in respect of 30 June 2003 is included in the Interim Report on page 28 of that document. The interim accounts do not constitute statutory accounts as defined by section 240 of the Companies Act 1985.

Components of total life achieved profit
Total life achieved profit, including the Group's share from the alliance with RBSG, comprises the following components, the first three of which in aggregate are referred to as life achieved operating profit:

- new business contribution written during the period including value added between the point of sale and end of the period;
- the profit from existing business equal to:
  - the expected return on the value of the in-force business at the beginning of the period,
  - experience variances caused by the differences between the actual experience during the period and expected experience based on the operating assumptions used to calculate the start of year value,
  - the impact of changes in operating assumptions including risk margins;
- the expected investment return on the shareholders' net worth, based upon assumptions applying at the start of the year;
- investment return variances caused by differences between the actual return in the period and the expected experience based on economic assumptions used to calculate the start of year value; and
- the impact of changes in economic assumptions in the period.

		6 months 2003 £m	**6 months 2002 £m**	**Full year 2002 £m**
New business contribution (after the effect of solvency margin)		211	237	452
Profit from existing business	– expected return	376	414	849
	– experience variances	(19)	(17)	(110)
	– operating assumption changes*	(10)	(3)	9
Expected return on shareholders' net worth		147	165	324
Life achieved operating profit before tax		**705**	**796**	**1,524**
Investment return variances		208	(854)	(2,320)
Effect of economic assumption changes		(217)	-	(561)
Total life achieved profit/(loss) before tax		696	(58)	(1,357)
Tax on operating profit		(213)	(241)	(460)
Tax on other ordinary activities		9	253	857
Total life achieved profit/(loss) after tax		**492**	**(46)**	**(960)**

* In 2002, operating assumption changes included the impact of reducing risk margins in the US in line with the directors' views of the risks associated with this in-force portfolio. The impact of this change was nil for the six months to 30 June 2002 and £13 million in the full year.

New business contribution

The following table sets out the contribution from new business written by the long-term business operations. The contribution generated by new business written during the period is the present value of the projected stream of after tax distributable profit from that business. Contribution before tax is calculated by grossing up the contribution after tax at the full corporation tax rate for UK business and at appropriate rates of tax for other countries.

	Annual premium equivalent*			New business contribution	
	6 months 2003 £m	6 months 2002 £m	Local currency growth %	6 months 2003 £m	6 months 2002 £m
United Kingdom	531	676	(21%)	117	164
Europe (excluding UK)					
France	120	110	-	35	34
Ireland	39	66	(47%)	11	17
Italy	117	69	55%	27	16
Netherlands (including Belgium and Luxembourg)	102	63	47%	22	10
Poland	20	27	(21%)	-	6
Spain	139	63	100%	68	33
Other	44	45	(8%)	(4)	(3)
International	100	83	27%	21	12
Total annualised premiums	**1,212**	**1,202**	**(2%)**		
Total new business contribution before effect of solvency margin**				**297**	**289**
Effect of solvency margin				(86)	(52)
Total new business contribution including effect of solvency margin				**211**	**237**

* Annual premium equivalent represents regular premiums plus 10% of single premiums.

** New business contribution before effect of solvency margin includes minority interests in 2003 of £54 million (six months to 30 June 2002: £28 million). This comprises minority interests in France of £2 million (six months to 30 June 2002: £2 million), Italy £14 million (six months to 30 June 2002: £8 million), Netherlands £3 million (six months to 30 June 2002: nil), Poland nil (six months to 30 June 2002: £1 million) and Spain £35 million (six months to 30 June 2002: £17 million).

New business contributions have been calculated using the same economic assumptions as those used to determine the embedded values as at the beginning of each year and operating assumptions used to determine the embedded values as at the end of the period. The effect of solvency margin represents the impact of holding the minimum European Union (EU) solvency margin (or equivalent for non-EU operations) and discounting to present value the projected future releases from the solvency margin to shareholders.

Analysis of life achieved operating profit

Life achieved operating profit is calculated on an after-tax basis and then grossed up at the full rate of corporation tax for UK business and at appropriate rates of tax for other countries.

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom	339	424	699
Europe (excluding UK)			
France	90	111	228
Ireland	31	37	75
Italy	33	30	52
Netherlands (including Belgium and Luxembourg)	69	87	200
Poland	40	47	111
Spain	71	38	83
Other	2	-	(2)
International	30	22	78
Total life achieved operating profit before tax*	**705**	**796**	**1,524**

* Life achieved operating profit includes minority interests in the six months to 30 June 2003 of £65 million (six months to 30 June 2002: £43 million; full year 2002: £90 million). This comprises minority interests in France of £4 million (six months to 30 June 2002: £4 million; full year 2002: £7 million), Italy £17 million (six months to 30 June 2002: £14 million; full year 2002: £26 million), Netherlands £3 million (six months to 30 June 2002: nil; full year 2002: nil), Poland £6 million (six months to 30 June 2002: £7 million; full year 2002: £18 million) and Spain £35 million (six months to 30 June 2002: £18 million; full year 2002: £39 million).

Embedded value of life business

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Embedded value at the beginning of the year	**10,148**	**11,063**	**11,063**
Total life achieved profit/(loss) after tax	492	(46)	(960)
Exchange rate movements	307	209	220
Embedded value of businesses acquired*	64	13	13
Amounts injected into life operations	88	15	419
Amounts released from life operations	(38)	(467)	(607)
Embedded value at the end of the period**	**11,061**	**10,787**	**10,148**

* Embedded value of businesses acquired in 2003 represents the embedded value of Delta Lloyd ABN AMRO Verzekeringen Holding BV, the insurance company acquired as part of the bancassurance agreement entered into with ABN AMRO NV in the Netherlands of £64 million. Embedded value from businesses acquired in 2002 represents the life subsidiary of DBS Hong Kong of £13 million.

** Embedded value at the end of the period includes minority interests in 2003 of £504 million (30 June 2002: £366 million; 31 December 2002: £410 million). This comprises minority interests in France of £49 million (30 June 2002: £40 million; 31 December 2002: £42 million), Italy £204 million (30 June 2002: £150 million; 31 December 2002: £180 million), Netherlands £37 million (30 June 2002: nil; 31 December 2002: nil), Poland £50 million (30 June 2002: £57 million; 31 December 2002: £51 million), Spain £161 million (30 June 2002: £117 million; 31 December 2002: £134 million) and Other Europe £3 million (30 June 2002: £2 million; 31 December 2002: £3 million).

Segmental analysis of embedded value of life business

	Net worth at 30 June*		Value of in-force at 30 June**		Embedded value at 30 June	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**	**2003 £m**	**2002 £m**
United Kingdom	1,913	1,600	3,443	3,931	5,356	5,531
Europe (excluding UK)						
France	961	891	408	417	1,369	1,308
Ireland	247	208	284	269	531	477
Italy	291	181	102	120	393	301
Netherlands (including Belgium and Luxembourg)	967	969	1,021	955	1,988	1,924
Poland	120	125	216	257	336	382
Spain	182	115	226	218	408	333
Other	138	60	47	58	185	118
International	369	311	126	102	495	413
	5,188	**4,460**	**5,873**	**6,327**	**11,061**	**10,787**

* The shareholders' net worth comprises the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds determined on a statutory solvency basis and adjusted to add back any non-admissible assets.

** The value of in-force includes the effect of holding shareholders' capital to support the minimum statutory solvency margin requirements and allowing for projected future releases. This impact reduces the value of in-force by £840 million (30 June 2002: £740 million). The minimum statutory solvency margin requirements supported by shareholders' capital of £3,000 million (30 June 2002: £2,400 million) is included within the net worth.

Minority interest in life achieved profit

	6 months 2003			6 months 2002	Full year 2002
	Shareholders' interest £m	**Minority interest £m**	**Group £m**	**Group £m**	**Group £m**
New business contribution before effect of solvency margin	243	54	297	289	578
Effect of solvency margin	(72)	(14)	(86)	(52)	(126)
New business contribution including effect of solvency margin	**171**	**40**	**211**	**237**	**452**
Life achieved operating profit before tax and exceptional items	**640**	**65**	**705**	**796**	**1,524**
Total life achieved profit/(loss) before tax	651	45	696	(58)	(1,357)
Attributed tax	(188)	(16)	(204)	12	397
Total life achieved profit/(loss) after tax	**463**	**29**	**492**	**(46)**	**(960)**
Closing life embedded value	**10,557**	**504**	**11,061**	**10,787**	**10,148**

Methodology

(a) Life achieved profit
The achieved profit method of financial reporting is designed to recognise profit as it is earned over the life of an insurance policy. The total profit recognised over the lifetime of a policy is the same as under the modified statutory basis of reporting, but the timing of recognition is different.

Distributable profits from long-term businesses arise when they are released to shareholders following actuarial valuations. These are carried out in accordance with statutory requirements designed to ensure and demonstrate solvency in long-term business funds.

Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality and administration costs. Using realistic assumptions of future experience, we can project releases to shareholders arising in future years from the business in-force and associated minimum statutory solvency margin.

The life achieved profit reflects current performance by measuring the movement, from the beginning to the end of the period, in the present value of projected releases to shareholders from the business in-force and associated minimum statutory margin, together with the movement in the net assets of the long-term operations, adjusted for any amounts released from or invested in life operations.

The present value of the projected releases to shareholders is calculated by discounting back to the current time using a risk discount rate. The risk discount rate is a combination of a discount rate to reflect the time value of money and a risk margin to make prudent allowance for the risk that experience in future years may differ from the assumptions referred to above.

Achieved profit reporting takes account of the cost of maintaining local provisions. In addition, a significant allowance for the expected cost of guarantees is implicitly allowed for in the risk margin inherent in the risk discount rate consistent with the principles of the achieved profit guidance.

The calculations are carried out on an after-tax basis and the profits are then grossed up for tax at the full rate of corporation tax for the United Kingdom and at an appropriate rate for each of the other countries.

(b) Embedded value
The shareholders' interest in the long-term business operations is represented by the embedded value. The embedded value is the total of the net assets of the long-term operations and the present value at risk discount rates (which incorporate a risk margin) of the projected releases to shareholders arising from the business in-force, less a deduction for the effect of holding the minimum statutory solvency margin. This effect of solvency margin is the difference between the nominal value of the solvency margin and the present value at risk discount rates of the projected release of the solvency margin and investment earnings on the assets deemed to back the solvency margin.

For with-profit funds in the United Kingdom and Ireland, for the purpose of recognising the value of the estate, it is assumed that terminal bonuses are increased to exhaust all of the free assets over the future lifetime of the in-force with-profit policies.

Principal economic assumptions

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at each period end. Margins are applied on a consistent basis to risk-free yields to obtain investment return assumptions for ordinary shares and property and risk discount rates. The reduction in assumptions in the six months to 30 June 2003 reflects the fall in actual risk free yields in each respective territory. Risk margins remain unchanged in all of our key businesses.

The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2003	31 December 2002	30 June 2002	31 December 2001	30 June 2003	31 December 2002	30 June 2002	31 December 2001
Risk discount rate	7.3%	7.3%	7.7%	7.7%	7.8%	8.1%	8.6%	8.6%
Pre-tax investment returns:								
Base government fixed interest	4.5%	4.5%	5.0%	5.0%	3.9%	4.3%	5.1%	5.1%
Ordinary shares	7.0%	7.0%	7.5%	7.5%	5.9%	6.3%	7.1%	7.1%
Property	6.0%	6.0%	6.5%	6.5%	5.4%	5.8%	6.6%	6.6%
Future expense inflation	3.6%	3.6%	3.7%	3.7%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	30.0%	35.4%	35.4%	36.4%	36.4%

	Ireland				Italy			
	30 June 2003	31 December 2002	30 June 2002	31 December 2001	30 June 2003	31 December 2002	30 June 2002	31 December 2001
Risk discount rate	8.3%	8.7%	9.3%	9.3%	7.0%	7.3%	7.6%	7.6%
Pre-tax investment returns:								
Base government fixed interest	4.1%	4.6%	5.3%	5.3%	3.9%	4.4%	5.3%	5.3%
Ordinary shares	7.1%	7.6%	8.3%	8.3%	6.9%	7.4%	8.3%	8.3%
Property	5.6%	6.1%	6.8%	6.8%	5.4%	5.9%	6.8%	6.8%
Future expense inflation	4.0%	4.0%	4.0%	4.0%	3.3%	3.3%	3.3%	3.3%
Tax rate	12.5%	12.5%	14.0%	16.0%	39.3%	39.8%	41.0%	41.0%

	Netherlands				Poland*			
	30 June 2003	31 December 2002	30 June 2002	31 December 2001	30 June 2003	31 December 2002	30 June 2002	31 December 2001
Risk discount rate	7.1%	7.4%	8.0%	8.0%	15.4%	15.4%	18.5%	18.5%
Pre-tax investment returns:								
Base government fixed interest	3.9%	4.2%	5.1%	5.1%	8.0%	8.0%	12.5%	12.5%
Ordinary shares	6.8%	7.2%	8.1%	8.1%	8.0%	8.0%	12.5%	12.5%
Property	5.3%	5.7%	6.6%	6.6%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	5.4%	5.4%	9.2%	9.2%
Tax rate	25.0%	25.0%	25.0%	25.0%	27.0%	27.0%	28.0%	28.0%

	Spain			
	30 June 2003	31 December 2002	30 June 2002	31 December 2001
Risk discount rate	7.4%	7.7%	8.3%	8.3%
Pre-tax investment returns:				
Base government fixed interest	4.2%	4.6%	5.3%	5.3%
Ordinary shares	7.2%	7.6%	8.3%	8.3%
Property	5.7%	6.1%	6.8%	6.8%
Future expense inflation	3.0%	3.0%	3.2%	3.2%
Tax rate	35.0%	35.0%	35.0%	35.0%

* The economic assumptions shown above are those in the calculations for the life business. The economic assumptions for the pension business are identical with the exception of the risk discount rate which is 13.8% (30 June 2002: 16.9%; full year 2002: 13.8%; full year 2001: 16.9%).

Other assumptions

- Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.
- Assumed future mortality, morbidity and lapse rates have been derived from an analysis of Aviva's recent operating experience.
- The management expenses of Aviva attributable to long-term business operations have been split between expenses relating to the acquisition of new business and to the maintenance of business in-force. Certain expenses of an exceptional nature have been identified separately and the discounted value of projected exceptional costs has been deducted from the value of in-force business. A realistic estimate of future fund management expenses that will be charged to long-term businesses by Group companies not included in the long-term business covered by the achieved profits method has been included within the value of in-force business.
- It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values.
- The value of in-force business allows for future premiums under recurring single premium business where collection of future single premiums is expected and where the receipt of further single premiums is not regarded as new business at the point of receipt. It does not allow for future premiums under non-contractual increments, or for future Department of Social Security (DSS) rebate premiums, and the value arising therefrom is included in the value of new business when the premiums are received.
- The value of the in-force business has been determined after allowing for the effect of holding solvency margins equal to the minimum EU solvency requirement (or equivalent for non-EU operations). Solvency margins relating to with-profit business are assumed to be covered by the surplus within the with-profit funds and no effect has been attributed to shareholders.
- Bonus rates on with-profit business have been set at levels consistent with the economic assumptions and Aviva's medium-term bonus plans. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the United Kingdom and Ireland continues at the current rate of one-ninth of the cost of bonus.

Alternative assumptions
Economic assumptions

The table below shows the sensitivity to a one percentage point increase in interest rates and in the discount rate for new business contribution for the half year and embedded value.

	New business contribution		**Embedded value**	
	Interest rates £m	**Discount rates £m**	**Interest rates £m**	**Discount rates £m**
United Kingdom	5	(25)	(225)	(250)
Europe (excluding UK)				
France	5	(4)	(50)	(75)
Ireland	-	-	(10)	(15)
Italy	-	(1)	-	(10)
Netherlands (including Belgium and Luxembourg)	3	(4)	(20)	(115)
Poland	-	-	-	(15)
Spain	1	(5)	(15)	(15)
Other	-	-	-	-
International	-	(4)	(5)	(15)
	14	**(43)**	**(325)**	**(510)**

Profits are affected by a change in underlying interest rates. When interest rates change, expected future investment returns will also change and this in turn will affect projected cash flows. A change in interest rates will also result in a change in the discount rate used to calculate the present value of the projected cash flows. The impact of an increase of one percentage point in interest rates incorporates all such changes. In addition, the impact on embedded value includes the impact of the reduction that would occur in the market value of fixed interest investments if interest rates increased by one percentage point. Market values of other asset classes are assumed to reduce in proportion to movements in the market value of fixed interest investments of an appropriate term.

The impact of an increase of one percentage point in the discount rate is calculated with all other assumptions remaining unchanged.

Non-economic assumptions

Sensitivity calculations have been performed to identify the non-economic assumptions to which new business contribution and the value of in-force business within embedded value are particularly sensitive. The calculations have been based on similar percentage movements in each assumption from the base assumption used to calculate the published new business contribution and value of in-force business. Based on this, the Group's new business contribution is most, and broadly equally, sensitive to changes in future maintenance expenses and discontinuance rates, whereas the value of in-force business is most sensitive to changes in levels of future maintenance expenses.

Summarised consolidated profit and loss account – modified statutory basis
For the six months ended 30 June 2003

Page	6 months 2003 €m		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
		Premium income (after reinsurance) and investment sales			
		Continuing operations			
27	15,070	Life premiums, including share of associates' premiums	10,248	8,936	18,172
27	765	Investment sales	520	622	1,028
28	950	Health premiums	646	536	928
	16,785		11,414	10,094	20,128
29	6,291	General insurance premiums	4,278	4,066	7,805
	23,076	**Total continuing operations**	**15,692**	**14,160**	**27,933**
29	-	Discontinued operations – Australia and New Zealand general insurance operations	-	335	692
	23,076	**Total**	**15,692**	**14,495**	**28,625**
		Operating profit			
28	756	Modified statutory life profit	515	574	1,022
28	40	Health	27	32	61
33	15	Fund management	10	3	5
29	569	General insurance	387	456	881
35	(69)	Non-insurance operations*	(47)	(28)	(99)
35	(82)	Corporate costs	(56)	(96)	(218)
33	(291)	Unallocated interest charges	(198)	(208)	(434)
	938	**Operating profit – continuing operations before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**638**	**733**	**1,218**
29	-	Discontinued operations – Australia and New Zealand general insurance operations	-	24	78
	938	**Operating profit – before tax, amortisation of goodwill and exceptional items**	**638**	**757**	**1,296**
	(77)	Amortisation of goodwill	(52)	(46)	(135)
	(58)	Amortisation of acquired additional value of in-force long-term business	(40)	(34)	(139)
	803	Operating profit before tax	546	677	1,022
	367	Short-term fluctuation in investment return	250	(525)	(1,243)
	(41)	Change in the equalisation provision	(28)	(26)	(57)
26	(10)	Loss on the disposal of subsidiary undertakings	(7)	(16)	(4)
	(28)	Costs for termination of Belgium general insurance operations	(19)	-	-
	1,091	**Profit/(loss) on ordinary activities before tax**	**742**	**110**	**(282)**
30	(310)	Tax on (profit)/loss on ordinary activities	(211)	(42)	(206)
	781	**Profit/(loss) on ordinary activities after tax**	**531**	**68**	**(488)**
	(44)	Minority interests	(30)	(30)	(46)
	737	**Profit/(loss) for the financial period**	**501**	**38**	**(534)**
30	(13)	Preference dividends	(9)	(9)	(17)
	724	**Profit/(loss) for the financial period attributable to equity shareholders**	**492**	**29**	**(551)**
30	(298)	Ordinary dividends	(203)	(197)	(519)
	426	**Retained profit/(loss) transferred to/(from) reserves**	**289**	**(168)**	**(1,070)**

* The wealth management result has been included within non-insurance in all periods.

Earnings per share – modified statutory basis
For the six months ended 30 June 2003

Page		6 months 2003	6 months 2002	Full year 2002
31	Operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders in respect of:			
	Continuing operations	17.9p	20.8p	34.8p
	Continuing and discontinued operations	17.9p	21.5p	38.0p
31	Profit/(loss) attributable to equity shareholders	21.8p	1.3p	(24.4)p
31	Profit/(loss) attributable to equity shareholders – diluted*	21.8p	1.3p	(24.4)p
30	Dividend per share	9.0p	8.75p	23.0p

* As required by FRS14 "Earnings per share", the impact of the dilutive effect on the full year 2002 comparative is not recognised as it would result in a smaller loss.

Consolidated statement of total recognised gains and losses
For the six months ended 30 June 2003

Page		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
22	Profit/(loss) for the financial period	501	38	(534)
	Movement in internally-generated additional value of in-force long-term business*	31	(413)	(1,511)
	Foreign exchange gains	429	270	179
	Total recognised gains/(losses) arising in the period	**961**	**(105)**	**(1,866)**

* Stated before the effect of foreign exchange movements, which are reported within the foreign exchange gains line.

Reconciliation of movements in consolidated shareholders' funds
For the six months ended 30 June 2003

Page		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
	Shareholders' funds at the beginning of the period	**9,669**	**11,752**	**11,752**
	Total recognised gains/(losses) arising in the period	961	(105)	(1,866)
30	Dividends	(212)	(206)	(536)
	Increase in share capital	1	11	11
	Goodwill written back and other movements	-	7	308
	Shareholders' funds at the end of the period	**10,419**	**11,459**	**9,669**

Summarised consolidated balance sheet
As at 30 June 2003

	30 June 2003 £m	30 June 2002 £m	31 December 2002 £m
Assets			
Goodwill	1,139	1,135	1,040
Investments			
Land and buildings	684	836	668
Investments in associated undertakings and participating interests	289	304	287
Variable yield securities	2,700	3,835	2,603
Fixed interest securities	9,037	8,302	7,737
Mortgages and loans, net of non-recourse funding	1,129	1,159	1,149
Deposits	551	910	550
Other investments	55	49	52
Additional value of in-force long-term business	4,565	5,603	4,422
	19,010	20,998	17,468
Reinsurers’ share of technical provisions	2,822	3,304	2,882
Reinsurers’ share of provision for linked liabilities	651	562	337
Assets of the long-term business	132,562	125,047	123,012
Assets held to cover linked liabilities	35,640	29,932	29,538
Other assets	10,165	10,298	10,646
Total assets	**201,989**	**191,276**	**184,923**
Liabilities			
Shareholders' funds			
Equity	10,219	11,259	9,469
Non-equity	200	200	200
Minority interests	879	681	743
	11,298	12,140	10,412
Subordinated debt	1,225	1,185	1,190
Total capital, reserves and subordinated debt	**12,523**	**13,325**	**11,602**
Liabilities of the long-term business	120,323	114,392	113,310
Fund for future appropriations	5,519	5,234	3,745
Technical provision for linked liabilities	36,291	30,494	29,875
General insurance liabilities	17,203	17,783	16,031
Borrowings	2,337	2,254	2,064
Other creditors and provisions	7,793	7,794	8,296
Total liabilities	**201,989**	**191,276**	**184,923**

Consolidated cash flow statement
For the six months ended 30 June 2003

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Net cash inflow from operating activities, excluding exceptional items and merger transaction costs*	386	586	1,005
Exceptional items and merger transaction costs paid*	(503)	(523)	(523)
Net cash outflow from servicing of finance	(84)	(91)	(265)
Corporation tax (paid)/received	(90)	48	175
Net purchases of tangible fixed assets	(36)	(32)	(102)
Acquisitions and disposals of subsidiary and associated undertakings**	510	114	241
Equity dividends paid	(321)	(535)	(732)
Net cash inflow/(outflow) from other financing activities:			
Issue of share capital	1	10	11
Net drawdown/(repayment) of loans	221	(151)	(68)
Net cash flows	**84**	**(574)**	**(258)**

Cash flows were invested as follows:			
(Decrease)/increase in cash holdings	(155)	135	719
Net purchases/(sales) of investments	437	(564)	(747)
Non-trading cash outflow to long-term business operations	(198)	(145)	(230)
Net investment of cash flows	**84**	**(574)**	**(258)**

The cash flows presented in this statement relate to non-long-term business transactions only. Long-term business profits are included as net cash inflows/(outflows) from operating activities only to the extent that they have been remitted to shareholders by way of dividends from life operations.

* Included within the exceptional items are payments to the Berkshire Hathaway Group for reinsurance purchased in December 2000 to secure protection against any adverse impact of the run-off of London Market claims reserves. The final instalment was paid on 2 January 2003.

** The six months to 30 June 2003 includes £651 million of consideration received in relation to the disposal of the Australia and New Zealand general insurance businesses.

1. Basis of preparation – modified statutory solvency basis

(a) The results for the six months to 30 June 2003 have been prepared on the basis of the accounting policies set out in Aviva plc's 2002 Annual Report and Accounts. The results for the six months to 30 June 2003 and 2002 are unaudited but have been reviewed by the auditor. The interim accounts do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2002 have been taken from the Group's 2002 Annual Report and Accounts. The auditor has reported on the 2002 accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The Group's 2002 Annual Report and Accounts have been filed with the Registrar of Companies.

(b) 'Discontinued operations' disclosures in 2002 relate to the disposal of the general insurance businesses in Australia and New Zealand. The results of all other operations are entitled 'Continuing operations'.

(c) The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group (RBSG) is incorporated within the modified statutory life profit. Goodwill amortised in the year in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within 'Amortisation of goodwill' on page 22.

(d) In November 2000, the Accounting Standards Board issued Financial Reporting Standard ("FRS") 17 Retirement Benefits, the accounting provisions, which are not required to be adopted by the Group until 2005. FRS17 requires certain transitional disclosures to be made in the statutory accounts and the table shown in the supplementary analyses on page 35 shows the balance sheet effect of these memorandum disclosures. The Group has continued to account for pension costs in accordance with SSAP24.

2. Exchange rates

The euro rates employed in this announcement are an average rate of 1 euro = £0.68 (six months to 30 June 2002: 1 euro = £0.62; full year 2002: 1 euro = £0.63) and a closing rate of 1 euro = £0.70 (30 June 2002: 1 euro = £0.65; 31 December 2002: 1 euro = £0.65).

3. Acquisitions

On 8 May 2003 the Group's Dutch subsidiary, Delta Lloyd Group ("Delta Lloyd") entered into a bancassurance agreement with ABN AMRO Bank NV (ABN AMRO) for life and general insurance. As part of this agreement, the Group purchased 51% of the issued share capital of Delta Lloyd ABN AMRO Verzekeringen Holding BV (DL ABN AMRO), the company established by ABN AMRO on 30 December 2002, into which the insurance businesses were transferred. Total cash consideration, before completion adjustments, was £158 million, including transaction costs, with a further maximum amount payable over the next five years of £16 million if DL ABN AMRO meets certain performance criteria. The Group's share of DL ABN AMRO embedded value and net assets was £57 million, giving rise to goodwill of £117 million after taking into account the estimated value of the deferred consideration. The goodwill arising on consolidation has been calculated on a provisional basis and is subject to agreeing a final completion balance sheet. The results of DL ABN AMRO have been consolidated in the Group accounts with effect from 1 January 2003.

4. Disposals

The net loss on the disposal of subsidiary undertakings comprises:

	6 months 2003 £m	**6 months 2002 £m**	**Full year 2002 £m**
General insurance businesses			
United Kingdom	-	(20)	(20)
France	-	6	6
Australia and New Zealand	-	-	(66)
Spain	-	-	94
Other businesses			
France	-	1	1
Other small operations	(7)	(3)	(19)
	(7)	**(16)**	**(4)**

No disposals were sufficiently material to warrant separate disclosure.

5. Geographical analysis of life and pensions and investment sales – new business and total income

	New business sales				Premium income (after reinsurance) and investment sales		
	New single premiums		New regular premiums				
	6 months 2003 £m	6 months 2002 £m	6 months 2003 £m	6 months 2002 £m	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Life and pensions sales							
United Kingdom – group*	2,618	3,294	251	332	4,828	4,525	8,800
– associates	82	75	10	7	141	139	299
	2,700	3,369	261	339	4,969	4,664	9,099
Europe (excluding UK)							
France	966	888	23	21	1,141	1,027	2,081
Ireland	86	162	30	50	217	292	469
Italy	804	508	37	18	913	630	1,382
Netherlands (including Belgium and Luxembourg)	431	274	59	36	970	651	1,300
Poland – Life	10	8	8	15	132	147	284
– Pensions	4	4	11	11	212	242	446
Spain	778	351	61	28	834	453	1,489
Other	100	96	34	35	258	266	548
International	476	420	52	41	602	564	1,074
Total life and pension sales (including share of associates)	**6,355**	**6,080**	**576**	**594**	**10,248**	**8,936**	**18,172**
Investment sales							
United Kingdom	313	302	6	11	319	313	556
Netherlands	115	56	-	-	115	56	119
Poland	30	-	1	-	31	-	16
Other Europe	21	53	-	-	21	53	70
International	34	200	-	-	34	200	267
Total investment sales	**513**	**611**	**7**	**11**	**520**	**622**	**1,028**
Total long-term savings (including share of associates)	**6,868**	**6,691**	**583**	**605**	**10,768**	**9,558**	**19,200**

Single premiums are those relating to products issued by the Group, which provide for the payment of one premium only. Regular premiums are those where there is a contractual obligation to pay on an ongoing basis.

* Included within premium income (after reinsurance) and investment sales of £4,828 million (six months to 30 June 2002: £4,525 million; full year 2002: £8,800 million) are transfers of institutional business into Morley Pooled Pensions of £1,247 million (six months to 30 June 2002: nil; full year 2002: £34 million) which, since they are institutional in nature, are excluded from new business sales.

6. Geographical analysis of modified statutory life operating profit

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom			
With-profit	64	122	190
Non-profit	229	245	436
Europe (excluding UK)			
France	80	71	142
Ireland	18	17	36
Italy	14	19	24
Netherlands (including Belgium and Luxembourg)	29	70	111
Poland	41	28	66
Spain	24	13	27
Other	(7)	(6)	(19)
International	23	(5)	9
Total modified statutory life operating profit	**515**	**574**	**1,022**

7. Geographical analysis of health premiums after reinsurance and operating result

(a) Premiums after reinsurance:

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom	136	142	264
France	71	55	107
Netherlands	439	339	557
	646	**536**	**928**

(b) Operating result:

	Operating profit			Underwriting result		
	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom	4	2	9	2	-	5
France	3	4	10	(2)	(1)	(2)
Netherlands	20	26	42	(9)	(6)	(27)
	27	**32**	**61**	**(9)**	**(7)**	**(24)**

8. Geographical analysis of general insurance premiums after reinsurance and operating result

(a) General insurance premiums after reinsurance:

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom	2,496	2,376	4,740
Europe (excluding UK)			
France	305	275	478
Ireland	319	255	377
Netherlands	295	241	412
Other	116	244	408
International			
Canada	565	509	1,009
Other	182	166	381
Continuing operations	**4,278**	**4,066**	**7,805**
Discontinued operations – Australia and New Zealand	-	335	692
	4,278	**4,401**	**8,497**

(b) Operating result:

	Operating profit*			Underwriting result*		
	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
United Kingdom	313	303	611	10	(35)	(52)
Europe (excluding UK)						
France	15	25	47	(7)	(5)	(14)
Ireland	43	21	44	14	(7)	(15)
Netherlands	12	11	13	(3)	(7)	(21)
Other	16	28	49	(4)	(3)	(10)
International						
Canada	(33)	39	80	(85)	(18)	(28)
Other	21	29	37	4	8	(5)
Continuing operations	**387**	**456**	**881**	**(71)**	**(67)**	**(145)**
Discontinued operations – Australia and New Zealand	-	24	78	-	(11)	7
	387	**480**	**959**	**(71)**	**(78)**	**(138)**

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £28 million (six months to 30 June 2002: £26 million; full year to 31 December 2002: £57 million).

9. Tax

The tax charge in the profit and loss account comprises:

(a) Tax on profit/(loss) on ordinary activities:

		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Current tax				
UK corporation tax	– current year	1	63	1
	– prior year	(9)	23	(4)
Overseas tax	– current year	(18)	(32)	(66)
	– prior year	3	(1)	6
Tax attributable to balance on technical account		(147)	(171)	(299)
		(170)	**(118)**	**(362)**
Deferred tax				
Origination and reversal of timing differences		(6)	69	177
Changes in tax rates or law		-	1	5
(Decrease)/increase in discount		(6)	6	(26)
Prior year adjustments		(29)	-	-
		(41)	**76**	**156**
Total tax charged in the profit and loss account		**(211)**	**(42)**	**(206)**

(b) Tax charge analysed between:

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items			
Continuing operations	(194)	(227)	(370)
Discontinued operations	-	(8)	(6)
Profit/(loss) on other ordinary activities	(17)	193	170
	(211)	**(42)**	**(206)**

10. Dividends

(a) The preference dividends in the profit and loss account comprise:

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Preference dividends	**9**	**9**	**17**

The preference dividends are in respect of the cumulative irredeemable preference shares of £1 each in issue.

(b) The ordinary dividends in the profit and loss account comprise:

		6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Ordinary dividends				
Interim	– 9 pence (2002: 8.75 pence)	203	197	197
Final	– (2002: 14.25 pence)	-	-	322
Total ordinary dividends		**203**	**197**	**519**

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 30 July 2003.

11. Earnings per share

(a) Basic earnings per share

	6 months 2003			6 months 2002		Full year 2002	
	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p
Operating profit							
– continuing operations	638	404	17.9	468	20.8	784	34.8
– discontinued operations	-	-	-	16	0.7	72	3.2
	638	404	17.9	484	21.5	856	38.0
Adjusted for the following items:							
– Amortisation of goodwill	(52)	(52)	(2.3)	(46)	(2.0)	(135)	(6.0)
– Amortisation of acquired additional value of in-force long-term business	(40)	(30)	(1.3)	(27)	(1.2)	(100)	(4.4)
– Cost for termination of Belgium general insurance operations	(19)	(16)	(0.7)	-	-	-	-
– Short-term fluctuation in investment return	250	207	9.1	(349)	(15.6)	(1,071)	(47.5)
– Change in the equalisation provision	(28)	(20)	(0.9)	(19)	(0.8)	(40)	(1.8)
– Net loss arising on disposal of subsidiary undertakings	(7)	(1)	-	(14)	(0.6)	(61)	(2.7)
Profit/(loss) attributable to equity shareholders	**742**	**492**	**21.8**	**29**	**1.3**	**(551)**	**(24.4)**

Earnings per share has been calculated based on the operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders, for continuing and for total operations, as well as on the profit attributable to equity shareholders. The directors believe the former two earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,252 million (six months to 30 June 2002: 2,253 million; full year 2002: 2,254 million) ordinary shares in issue, after deducting shares owned by the employee share trusts as required by FRS14 'Earnings per share'.

The actual number of shares in issue at 30 June 2003 was 2,257 million (30 June 2002: 2,257 million; 31 December 2002: 2,257 million).

(b) Diluted earnings per share:

	6 months 2003			6 months 2002			Full year 2002		
	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p
Profit/(loss) attributable to equity shareholders	492	2,252	21.8	29	2,253	1.3	(551)	2,254	(24.4)
Dilutive effect of share awards and options	-	8	-	-	6	-	-	4	-
Diluted earnings per share	**492**	**2,260**	**21.8**	**29**	**2,259**	**1.3**	**(551)**	**2,258**	**(24.4)**

12. Longer-term investment return

The longer-term investment return is calculated separately for each principal general insurance business and certain long-term business operations. In respect of equities and properties, the return is calculated by multiplying the opening market value of the investments, adjusted for sales and purchases during the year, by the longer-term rate of investment return. The longer-term rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return. The allocated longer-term return for other investments is the actual income receivable for the year.

The principal assumptions underlying the calculation of the longer-term investment return are:

	Longer-term rates of return			
	Equities		Properties	
	2003 %	2002 %	2003 %	2002 %
United Kingdom	8.1%	8.1%	6.6%	6.6%
France	7.5%	7.5%	6.5%	6.5%
Ireland	8.7%	8.7%	6.7%	6.7%
Netherlands	8.4%	8.4%	6.5%	6.5%
Canada	9.3%	9.3%	7.3%	7.3%

The table below shows the sensitivity of the half year 2003 operating profit to changes in the longer-term rates of return:

Movement in investment return	By	Change in	By
Equities	1% higher/lower	Group operating profit before tax	£19m
Properties	1% higher/lower	Group operating profit before tax	£5m

Statistical supplement

Segmental analysis of Group operating profit* at constant currency – achieved profit basis

Continuing operations		6 months 2003 £m	6 months 2002 at 2003 exchange rates £m	6 months 2002 £m
Life achieved operating profit				
United Kingdom		339	424	424
France		90	122	111
Ireland		31	40	37
Italy		33	33	30
Netherlands (including Belgium and Luxembourg)		69	96	87
Poland life and pensions		40	44	47
Spain		71	42	38
Other Europe		2	2	-
International		30	21	22
		705	**824**	**796**
Health				
United Kingdom		4	2	2
France		3	4	4
Netherlands		20	29	26
		27	**35**	**32**
Fund Management				
United Kingdom		5	(8)	(8)
France		6	6	6
Netherlands		-	6	5
Other Europe		-	1	1
Australia and New Zealand		(1)	(1)	(1)
		10	**4**	**3**
General insurance				
United Kingdom		313	303	303
France		15	28	25
Ireland		43	24	21
Netherlands		12	12	11
Other Europe		16	30	28
Canada		(33)	37	39
Other		21	27	29
		387	**461**	**456**
Non-insurance operations**		(47)	(28)	(28)
Corporate costs		(56)	(95)	(96)
Unallocated interest charges	– external	(94)	(104)	(104)
	– intra-group	(104)	(105)	(104)
Group operating profit before tax* – continuing operations		**828**	**992**	**955**
Discontinued operations – Australia and New Zealand general insurance operations		-	25	24
Group operating profit before tax* – continuing and discontinued operations		**828**	**1,017**	**979**

* Group operating profit before tax, before amortisation of goodwill and exceptional items.
** The wealth management result has been included within non-insurance in all periods.

Restating 2002 modified statutory life profits to account for the impact of exchange rate movements in 2003 would result in modified statutory life profits being restated from £574 million to £595 million for the six months to 30 June 2002.

Supplementary analyses

(a) New business contribution – after the effect of solvency margin

	6 months 2003 £m	6 months 2002 £m
United Kingdom	102	157
Europe (excluding UK)		
France	14	17
Ireland	9	17
Italy	15	13
Netherlands (including Belgium and Luxembourg)	3	1
Poland	(1)	4
Spain	58	28
Other	(4)	(7)
International	15	7
	211	**237**

(b) Experience variances – 30 June 2003

Experience variances include the impact of the difference between expense, demographic and persistency assumptions, and actual experience incurred in the period. Also included are variances arising from tax, where such variances are due to management action. The source of profit is included in the table below.

	Exceptional expenses(1) £m	Mortality/ morbidity £m	Lapses(2) £m	Other(3) £m	Total £m
United Kingdom	(15)	3	(9)	23	2
France	-	4	(2)	(3)	(1)
Netherlands (including Belgium and Luxembourg)	(7)	-	-	(11)	(18)
Europe	-	5	(11)	13	7
International	(9)	-	-	-	(9)
	(31)	**12**	**(22)**	**22**	**(19)**

(1) Exceptional expenses in the UK reflect one-off project costs including those associated with the pace of regulatory change. In the Netherlands, they relate to development costs in Belgium. In International they primarily relate to the ongoing costs of developing the US life operations.
(2) Actual lapse losses in the UK and Europe relate to worse experience than anticipated by our start of year assumptions.
(3) In the UK, other experience profits include exceptional profits arising from better than assumed default experience on corporate bonds.

(c) Operating assumption changes – 30 June 2003

The impact of operating assumption changes in the period was a loss of £10 million (30 June 2002: loss of £3 million) and arose primarily in the Netherlands in relation to asset mix changes.

Supplementary analyses (continued)

(d) Non-insurance operations – operating result

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Hill House Hammond	6	5	4
Norwich Union Equity Release and other personal finance subsidiaries	(9)	-	(6)
Your Move	(6)	(5)	(9)
Norwich Union Life Services	(27)	(6)	(54)
Wealth management	-	(21)	(30)
Other	(11)	(1)	(4)
	(47)	**(28)**	**(99)**

The operating result from our equity release business in the UK is included within the non-insurance results on a statutory basis. On an achieved profit methodology new business contribution was £12 million before tax (30 June 2002: £7 million; 31 December 2002: £27 million) and operating profit before tax, including the benefits of the securitisation of our book, was £22 million (30 June 2002: £11 million; 31 December 2002: £47 million) which is excluded from our results.

(e) Corporate costs

	6 months 2003 £m	6 months 2002 £m	Full year 2002 £m
Global finance transformation programme	(12)	(10)	(26)
Central costs and sharesave schemes	(82)	(86)	(192)
	(94)	(96)	(218)
Allocation of staff profit share and other incentive plans to business unit operating results	38	-	-
	(56)	**(96)**	**(218)**

(f) Pension schemes

The Group continues to account for its pension costs in accordance with SSAP24. The effect on the Group's net assets of substituting FRS17 figures for the corresponding SSAP24 figures is shown below:

	Full year 2002 Net assets £m
Total included on the balance sheet	10,412
Less: pension asset on SSAP24 basis	(175)
Total excluding pension asset	10,237
Less: pension liability on FRS17 basis*	(456)
Total net assets including pension liability on FRS17 basis	**9,781**

* The estimated valuation of the pension liability on a FRS17 basis as at 30 June 2003, is not materially changed.

Supplementary analyses (continued)

(g) Investments in joint ventures

	30 June 2003 £m	30 June 2002 £m	31 December 2002 £m
Share of gross assets	1,401	999	1,242
Share of gross liabilities	(1,306)	(955)	(1,126)
	95	**44**	**116**
Loans to joint ventures	669	536	665
	764	**580**	**781**

As part of their investment strategy, the UK long-term business policyholder funds have invested in a number of property limited partnerships ("PLPs") through a mix of capital and loans. The PLPs are managed by general partners ("GPs") in which the UK long-term business shareholder companies hold equity stakes, and which themselves hold nominal stakes in the PLPs. Most of the PLPs have raised external debt, secured on their respective property portfolios. The lenders are only entitled to obtain payment, of both interest and principal, to the extent that there are sufficient resources in the respective PLPs. The lenders have no recourse whatsoever to the policyholder or shareholders' funds of any company of the Aviva Group. Accounting for the PLPs depends on the shareholdings in the GPs and the terms in each partnership agreement. Where the partnership is managed by a contractual agreement such that no one party exerts control, the PLPs have been accounted for as joint ventures.

In addition, the Group has invested in a joint venture life assurance company in China, which commenced operations on 1 January 2003.

Supplementary analyses (continued)

(h) General business – investment return information

	Actual investment return			Longer-term investment return		
	6 months 2003 £m	**6 months 2002 £m**	**Full year 2002 £m**	**6 months 2003 £m**	**6 months 2002 £m**	**Full year 2002 £m**
United Kingdom	295	281	534	303	338	663
Europe (excluding UK)						
France	19	23	56	22	30	61
Ireland	28	25	53	29	28	59
Netherlands	28	17	30	15	18	34
Other	12	25	34	20	31	59
International						
Canada	44	47	91	52	57	108
Other	16	17	35	17	21	42
Total longer-term investment return – continuing operations				**458**	**523**	**1,026**
Total actual investment income	**442**	**435**	**833**			
Realised gains	26	110	99			
Unrealised gains/(losses)	151	(454)	(992)			
Total actual investment return – continuing operations	**619**	**91**	**(60)**			
Discontinued operations – Australia and New Zealand	-	3	32	-	35	71
	619	**94**	**(28)**	**458**	**558**	**1,097**

Reconciliation between general business investment return information and short-term fluctuation in investment return incorporated in the summarised consolidated profit and loss account – modified statutory basis

For the six months to 30 June 2003

	Actual investment return £m	**Longer-term investment return £m**	**Short-term fluctuation in investment return £m**
General business	619	458	161
Health business	12	36	(24)
	631	**494**	**137**
Life business			113
Total short-term fluctuation in investment return			**250**

General insurance – geographical ratio analysis

	Claims ratio		Expense ratio		Combined operating ratio	
	6 months 2003 %	6 months 2002 %	6 months 2003 %	6 months 2002 %	6 months 2003 %	6 months 2002 %
United Kingdom	66.0%	71.0%	10.5%	10.4%	99%	101%
France	71.7%	69.9%	11.9%	12.6%	100%	100%
Ireland	79.6%	81.0%	8.5%	9.5%	97%	100%
Netherlands	61.3%	64.3%	13.7%	17.2%	98%	102%
Canada	85.4%	74.1%	12.3%	12.0%	115%	103%
Continuing operations	**69.9%**	**71.2%**	**10.9%**	**11.1%**	**101%**	**101%**
Discontinued operations – Australia and New Zealand	-	73.2%	-	13.2%	-	102%
	69.9 %	**71.4%**	**10.9%**	**11.3%**	**101%**	**101%**

Ratios are measured in local currency.
The total Group ratios are based on average exchange rates applying to the respective periods.

Definitions:

Claims ratio – Incurred claims expressed as a percentage of net earned premiums.
Expense ratio – Written expenses excluding commissions expressed as a percentage of net written premiums.
Commission ratio – Written commissions expressed as a percentage of net written premiums.
Combined operating ratio – Aggregate of claims ratio, expense ratio and commission ratio.

General insurance – class of business analyses

(a) United Kingdom

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2003 £m	**6 months 2002 £m**	**6 months 2003 £m**	**6 months 2002 £m**	**6 months 2003 %**	**6 months 2002 %**
Personal						
Motor	657	645	(5)	(22)	102%	103%
Homeowner	467	495	21	22	96%	95%
Creditor	289	227	(1)	6	102%	100%
Other	41	42	1	1	97%	100%
	1,454	1,409	16	7	100%	99%
Commercial						
Motor	391	365	(2)	(10)	100%	103%
Property	410	341	5	(10)	95%	103%
Liability	177	132	(17)	(26)	109%	121%
Other	64	129	8	4	82%	91%
	1,042	967	(6)	(42)	99%	104%
£m	**2,496**	**2,376**	**10**	**(35)**	**99%**	**101%**

During the six months to 30 June 2003, annualised rating increases were as follows: commercial liability: 31%; commercial property: 16%; commercial motor: 4%; homeowners: 4%; and personal motor: 2%.

(b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2003 €m	**6 months 2002 €m**	**6 months 2003 €m**	**6 months 2002 €m**	**6 months 2003 %**	**6 months 2002 %**
Motor	205	196	3	(5)	97%	100%
Property and other	243	248	(13)	(3)	103%	100%
€m	**448**	**444**	**(10)**	**(8)**	**100%**	**100%**
£m	**305**	**275**	**(7)**	**(5)**	**100%**	**100%**

General insurance – class of business analyses (continued)

(c) Netherlands

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2003 €m	**6 months 2002 €m**	**6 months 2003 €m**	**6 months 2002 €m**	**6 months 2003 %**	**6 months 2002 %**
Property	229	163	5	9	93%	91%
Motor	130	133	6	(19)	95%	114%
Liability	27	32	5	(5)	75%	118%
Other	48	61	(20)	3	142%	92%
€m	**434**	**389**	**(4)**	**(12)**	**98%**	**102%**
£m	**295**	**241**	**(3)**	**(7)**	**98%**	**102%**

(d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months 2003 C$m	**6 months 2002 C$m**	**6 months 2003 C$m**	**6 months 2002 C$m**	**6 months 2003 %**	**6 months 2002 %**
Automobile	844	736	(202)	(22)	125%	103%
Property	356	339	1	(14)	100%	104%
Liability	110	90	(3)	(10)	103%	111%
Other	19	15	4	4	73%	73%
C$m	**1,329**	**1,180**	**(200)**	**(42)**	**115%**	**103%**
£m	**565**	**509**	**(85)**	**(18)**	**115%**	**103%**

Assets under management

	Long-term business 30 June 2003 £m	General business and other 30 June 2003 £m	Group 30 June 2003 £m	Group 31 December 2002 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	22,666	2,363	25,029	22,945
Strategic investments	1,267	337	1,604	1,923
Debt and fixed income securities at market value	37,405	9,037	46,442	30,821
Debt and fixed income securities at amortised cost	33,363	-	33,363	42,721
Loans secured by mortgages and other loans, net of non-recourse funding	10,900	1,129	12,029	11,803
Deposits	2,685	551	3,236	2,820
Other investments	1,690	55	1,745	1,105
Total financial investments	**109,976**	**13,472**	**123,448**	**114,138**
Investments in joint ventures	764	-	764	781
Investments in associated undertakings and participating interests	751	289	1,040	1,050
Land and buildings	8,858	684	9,542	9,416
Total investments	**120,349**	**14,445**	**134,794**	**125,385**
Assets held to cover linked liabilities	35,640	-	35,640	29,538
Other assets included in the balance sheet	12,864	18,691	31,555	30,000
Total assets included in the balance sheet	**168,853**	**33,136**	**201,989**	**184,923**
Third party funds under management:				
Securitised mortgages (gross of non-recourse funding)			3,224	2,099
Unit trusts, Oeics, Peps and Isas			3,763	3,636
Segregated funds			19,616	16,955
Total assets under management			**228,592**	**207,613**

Strategic investments include the market value of the Group's shareholding in Société Générale, Münchener Rückversicherungs-Gesellschaft and The Royal Bank of Scotland Group.

General insurance and other investments mix

	United Kingdom £m	Continental Europe £m	International £m	Total 30 June 2003 £m
Shares, other variable yield securities and units in unit trusts and strategic investments	1,413	991	296	2,700
Debt and fixed income securities at market value	4,030	3,259	1,748	9,037
Land and buildings	301	345	38	684
Other	1,116	651	257	2,024
Total investments	**6,860**	**5,246**	**2,339**	**14,445**

Group capital structure

The Group maintains an efficient structure from a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business.

The Group's capital, from all funding sources, has been allocated such that the capital employed by trading operations is greater than the capital provided by its shareholders and its subordinated debtholders. As a result, the Group is able to enhance the returns earned on its equity capital.

Capital employed by segment

	6 months 2003 £m	Full year 2002 £m
Long-term savings	11,285	10,379
General insurance and health	4,014	3,917
Other business	661	554
Corporate	2,547	2,476
Total capital employed	**18,507**	**17,326**
Financed by		
Internal debt	3,658	3,671
External debt	2,326	2,053
Subordinated debt	1,225	1,190
Shareholders' funds and minority interests	11,298	10,412
	18,507	**17,326**

At 30 June 2003 we had £18.5 billion (31 December 2002: £17.3 billion) of total capital employed in our trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, subordinated debt and internal and external borrowings.

In the first half of 2003, the total capital employed in our long-term savings operations increased due to retained profits for the half-year, the beneficial impact of the Euro foreign exchange movement and capital injections. The total capital employed in our general insurance businesses was similarly affected by both retained profits and foreign exchange gains.

The increase in external debt of £273 million is as a result of an increase in commercial paper issuance.

In addition to its external funding sources, the Group has a number of internal debt arrangements in place. These have allowed the assets supporting technical liabilities to be invested into the pool of central assets for use across the Group. They have also enabled the shareholders to deploy cash from some parts of the business to others in order to fund growth. Although intra-group loans in nature, they are counted as part of the capital base for the purpose of capital management. All internal loans have been negotiated at market rates and are appropriately serviced.

In the early part of 2003 corporate assets were used to pay the final instalment of the Berkshire Hathaway reinsurance premium, which reduced internal debt. This has been offset by an increase in internal loan arrangements, resulting overall in a small decrease in internal debt.

The ratio of the Group's external debt to shareholders' funds was 19% (31 December 2002: 18%). Interest cover, which measures the extent to which external interest costs are covered by achieved operating profit, was 16 times (31 December 2002: 14 times).

Group capital structure (continued)

Deployment of equity shareholders' funds

	6 months 2003					Full year 2002
	Equities £m	**Fixed income securities £m**	**Other investments £m**	**Other net assets £m**	**Total £m**	**Total £m**
Assets						
Long-term savings	543	3,846	924	1,183	6,496	5,726
General insurance, health, corporate and other business	2,700	2,322	1,049	12	6,083	5,907
	3,243	6,168	1,973	1,195	12,579	11,633
Goodwill					1,363	1,271
Additional value of in-force long-term business					4,565	4,422
Assets backing total capital employed in continuing operations					**18,507**	**17,326**
External debt					(2,326)	(2,053)
Internal debt					(3,658)	(3,671)
Subordinated debt					(1,225)	(1,190)
					11,298	**10,412**
Minority interests					(879)	(743)
Preference capital					(200)	(200)
Equity shareholders' funds					**10,219**	**9,469**

Our exposure to equities has increased from £3.1 billion at 31 December 2002 to £3.2 billion, which represents 18% of our capital employed. During the course of the period, as part of the ongoing portfolio management process, the Group reduced its strategic stakes in Société Générale, Munich Re and The Royal Bank of Scotland Group. The market values of these holdings at 30 June 2003 were £459 million, £303 million and £842 million respectively (31 December 2002: £595 million, £372 million and £956 million respectively) and represented 2.7%, 2.8% and 1.7% (31 December 2002: 3.8%, 2.8% and 2.2%) of the respective issued share capital of these companies.

Return on capital employed

	6 months 2003			Full year 2002
	Normalised after-tax return £m	**Opening equity capital £m**	**Return on capital (annualised) %**	**Return on capital %**
Long-term savings	492	10,379	9.7%	9.4%
General insurance and health	272	3,917	14.4%	12.5%
Other business	(33)	554	(11.6%)	(20.7%)
Corporate	(20)	2,476	(1.6%)	(2.1%)
	711	**17,326**	**8.4%**	**7.9%**
Borrowings	(143)	(6,914)	4.2%	4.4%
	568	**10,412**	**11.2%**	**9.9%**
Minority interests	(52)	(743)	14.5%	12.7%
Preference capital	(9)	(200)	8.5%	8.5%
	507	**9,469**	**11.0%**	**9.7%**
Discontinued operations – Australia and New Zealand	-	-	-	20.2%
Equity shareholders' funds	**507**	**9,469**	**11.0%**	**10.1%**

The return on capital is calculated as the after-tax return on opening equity capital, based on operating profit, including life achieved profit, before amortisation of goodwill and exceptional items.

Group capital structure (continued)

Capital management
In managing its capital, the Group aims to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in each business. In the case of the Group's life operations, which have long-term liabilities, the majority of capital is held in fixed income securities. A significant proportion of the capital supporting the Group's general insurance and health operations is held in equities, reflecting the relatively low risk profile of these businesses;
(ii) maintain financial strength to support new business growth and satisfy the requirements of its policyholders, regulators and rating agencies;
(iii) retain financial flexibility by maintaining strong liquidity, including significant unutilised committed credit lines, and access to a range of capital markets; and
(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate.

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rates of return for individual business units, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

Risk based capital
The Group uses risk based capital as one of several measures to assess its capital requirements for its general insurance businesses. Financial modelling techniques enhance our practice of active capital management, ensuring sufficient capital is available to protect against unforeseen events and adverse scenarios, and risk management. Our aim continues to be the optimal usage of capital through appropriate allocation to our businesses.

Our risk based capital model is part of a longer-term development programme for more complex risk monitoring techniques in part to meet future industry standards. Within a few years we expect to agree capital requirements with the regulator on the basis of our risk based capital models. This represents the level of capital necessary to enable the general insurance business to meet the statutory minimum solvency margin over a five year period with 99% probability of not requiring further capital.

Our current risk based capital methodology for general insurance business assesses insurance, market and credit risks and makes prudent allowance for diversification benefits. We consider risks over a five year period allowing for planned levels of business growth. Based on our model, our risk based capital requirement may be expressed as 36% of net written premiums.

Capital employed in our general insurance business after goodwill and adding back the claims equalisation reserve was £4.0 billion at 30 June 2003 and required capital on a risk basis was £3.3 billion, giving a surplus capital position of £0.7 billion.

Sensitivity analysis
The sensitivity of the Group’s shareholders’ funds at 30 June 2003 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2002 £bn		30 June 2003 £bn	Equities down 10% £bn	Interest rates up 1% £bn
4.4	Additional value of in-force(1)	4.6	4.3	5.0
12.9	Other net assets	13.9	13.6	13.6
(6.9)	Borrowings(2)	(7.2)	(7.2)	(7.2)
10.4	**Shareholders’ funds**	**11.3**	**10.7**	**11.4**

(1) Assumes achieved profit assumptions adjusted to reflect revised bond yields.
(2) Comprising internal, external and subordinated debt.
(3) These sensitivities assume a full tax charge/credit on market value appreciation/falls.

Post-tax internal rate of return on life and pensions new business
The total internal rate of return on life and pensions new business for the Group was 15% (31 December 2002: 16%). The return is the discount rate at which the present value of the post-tax cash flows expected to be earned over the life time of the business written is equal to the initial capital required to support the writing of the business. The capital includes the statutory minimum solvency margin and amounts to £400 million (31 December 2002: £1,000 million). This includes £170 million (31 December 2002: £300 million) of solvency requirements.

Group capital structure (continued)

Shareholders' funds, including minority interests

6 months 2003	Note	Closing shareholders' funds: MSSB net assets (note 2) £m	Internally generated AVIF £m	Embedded value £m	Normalised return (note 1): Before tax £m	After tax £m
Life assurance						
United Kingdom		2,933	2,423	5,356	339	238
France		1,023	346	1,369	90	58
Ireland		329	202	531	31	27
Italy		327	66	393	33	20
Netherlands (including Belgium and Luxembourg)		1,379	609	1,988	69	52
Poland		121	215	336	40	29
Spain		262	146	408	71	46
Other Europe		159	26	185	2	1
International		485	10	495	30	21
		7,018	**4,043**	**11,061**	**705**	**492**
Participating interests	3	224		224	-	-
		7,242	**4,043**	**11,285**	**705**	**492**
General insurance and health	4					
United Kingdom	5	2,097		2,097	284	194
France		406		406	18	13
Ireland		304		304	43	37
Netherlands		218		218	32	23
Other Europe		109		109	16	11
Canada		599		599	(33)	(24)
Other		281		281	21	18
		4,014	-	**4,014**	**381**	**272**
Other business		661		661	(37)	(33)
Corporate	5,6	2,547		2,547	(23)	(20)
External debt	7	(2,326)		(2,326)	(57)	(42)
Internal debt		(3,658)		(3,658)	(104)	(73)
Subordinated debt		(1,225)		(1,225)	(37)	(28)
		(4,001)	-	(4,001)	(258)	(196)
Shareholders' funds, including minority interests		**7,255**	**4,043**	**11,298**	**828**	**568**

	Note	MSSB net assets (note 2) £m	Internally generated AVIF £m	Embedded value £m
Comprising				
Equities		3,243		3,243
Debt and fixed income securities		6,168		6,168
Property		655		655
Deposits and other investments		1,318		1,318
Intangible assets	8	1,885	4,043	5,928
Other net assets		1,195		1,195
Borrowings		(7,209)		(7,209)
		7,255	**4,043**	**11,298**

Group capital structure (continued)

Shareholders’ funds, including minority interests (continued)

Notes

1. The normalised return is based upon operating profit from continuing operations, including life achieved profit, before amortisation of goodwill and exceptional items.
2. Includes acquired additional value of in-force long-term business of £522 million.
3. The net assets represent the £224 million of goodwill on the RBSG joint venture.
4. The capital employed in the Group's general insurance operations includes £401 million of goodwill.
5. Assets available to shareholders are held by the Group's UK general insurance operations and are available to finance future growth of the Group. Accordingly, for the purposes of preparing this note, these assets together with their associated pre-tax investment return of £33 million (post-tax £24 million) have been reclassified as Corporate.
6. The return before tax of £(23) million comprises investment return £33 million and corporate costs £(56) million.
7. The external borrowings reported in the summary consolidated balance sheet of £2,337 million comprise £11 million of general insurance borrowings (reported within the general insurance and health net assets) and £2,326 million of borrowings by holding companies of the Group not allocated to operating companies (shown as external debt).
8. Comprises acquired additional value of in-force long-term business (£522 million), goodwill arising on acquisitions (£1,139 million) and goodwill on the RBSG joint venture (£224 million).

Group capital structure (continued)

Shareholders' funds, including minority interests (continued)

31 December 2002	Note	Closing shareholders' funds: MSSB net assets (note 2) £m	Internally generated AVIF £m	Embedded value £m	Normalised return (note 1): Before tax £m	After tax £m
Life assurance						
United Kingdom		2,514	2,498	5,012	699	488
France		924	297	1,221	228	145
Ireland		296	176	472	75	66
Italy		295	54	349	52	31
Netherlands (including Belgium and Luxembourg)		1,270	536	1,806	200	147
Poland		130	222	352	111	80
Spain		239	111	350	83	54
Other Europe		157	19	176	(2)	(1)
International		406	4	410	78	54
		6,231	**3,917**	**10,148**	**1,524**	**1,064**
Participating interests	3	231	-	231	-	-
		6,462	**3,917**	**10,379**	**1,524**	**1,064**
General insurance and health	4					
United Kingdom	5	2,052		2,052	491	330
France		481		481	57	41
Ireland		236		236	44	37
Netherlands		275		275	55	41
Other Europe		63		63	49	36
Canada		535		535	80	54
Other		275		275	37	30
		3,917	-	**3,917**	**813**	**569**
Other business		554		554	(94)	(67)
Corporate	5,6	2,476		2,476	(89)	(63)
External debt	7	(2,053)		(2,053)	(133)	(102)
Internal debt		(3,671)		(3,671)	(228)	(161)
Subordinated debt		(1,190)		(1,190)	(73)	(51)
		(3,884)	-	(3,884)	(617)	(444)
		6,495	**3,917**	**10,412**	**1,720**	**1,189**
Australia and New Zealand		-	-	-	78	72
Shareholders' funds, including minority interests		**6,495**	**3,917**	**10,412**	**1,798**	**1,261**

	Note	MSSB net assets (note 2) £m	Internally generated AVIF £m	Embedded value £m
Comprising				
Equities		3,126		3,126
Debt and fixed income securities		6,033		6,033
Property		496		496
Deposits and other investments		1,293		1,293
Intangible assets	8	1,776	3,917	5,693
Other net assets		685		685
Borrowings		(6,914)		(6,914)
		6,495	**3,917**	**10,412**

Group capital structure (continued)

Shareholders’ funds, including minority interests (continued)

Notes
1. The normalised return is based upon operating profit from continuing operations, including life achieved profit, before amortisation of goodwill and exceptional items.
2. Includes acquired additional value of in-force long-term business of £505 million.
3. The net assets represent the £231 million of goodwill on the RBSG joint venture.
4. The capital employed in the Group's general insurance operations includes £282 million of goodwill.
5. Assets available to shareholders are held by the Group's UK general insurance operations and are available to finance future growth of the Group. Accordingly, for the purposes of preparing this note, these assets together with their associated pre-tax investment return of £129 million (post-tax £90 million) have been reclassified as Corporate.
6. The return before tax of £(89) million comprises investment return £129 million and corporate costs £(218) million.
7. The external borrowings reported in the summary consolidated balance sheet of £2,064 million comprise £11 million of general insurance borrowings (reported within the general insurance and health net assets) and £2,053 million of borrowings by holding companies of the Group not allocated to operating companies (shown as external debt).
8. Comprises acquired additional value of in-force long-term business (£505 million), goodwill arising on acquisitions (£1,040 million) and goodwill on the RBSG joint venture (£231 million).

Shareholder information

Financial calendar 2003/2004

Ex-dividend date for 2003 interim dividend	24 September 2003
Record date for 2003 interim dividend	26 September 2003
Payment of 2003 interim dividend	17 November 2003
Announcement of long-term savings new business for 9 months to 30 September	23 October 2003
Preliminary announcement of 2003 results	26 February 2004

Dividend reinvestment plan

Aviva's Dividend Reinvestment Plan (the 'Plan') enables cash dividends to be reinvested in the Company's shares at reduced dealing costs. Shareholders who have not already joined the Plan and wish to do so should contact the Company's Registrar (at the address below) to obtain full details and a mandate form. Completed mandate forms must be returned to the Registrar by no later than 27 October 2003 in order to participate in the Plan for the 2003 interim dividend. Shareholders who have previously elected to join the Plan need take no further action.

Dividend payments direct to your bank account

If you wish, you can have your dividend payments credited to your bank or building society account on the dividend payment date – a tax voucher will still be posted to your home address to confirm the payment. The Company has also introduced a service – the Transcontinental Accounts Payment Service ("TAPS") – which allows shareholders in many countries to have dividends credited direct to bank accounts in local currencies. To obtain further details and a mandate form for either service please contact the Company's Registrars (at the address below).

Shareview

Shareview is the internet based service that allows you to view your shareholding online and, if you wish, to receive shareholder communications (e.g. Notice of Meeting, Report and Accounts, etc) via e-mail rather than by post.

To register, please go to www.shareview.co.uk where you will find more details of the service, practical help and extensive information on other share registration matters.

Useful contact details

Detailed below are various addresses that may prove useful in the event that you have a query in respect of your shareholding. Please quote Aviva plc, as well as the name and address in which your shares are held, in all correspondence.

General shareholding administration queries and Aviva share account queries	Lloyds TSB Registrars	The Causeway Worthing West Sussex BN99 6DA	0870 600 3952
Corporate and single company PEPS	Barclays Stockbrokers Limited	Tay House 300 Bath Street Glasgow G2 4LH	0870 514 3263
Individual Savings Accounts ("Isas")	Lloyds TSB Registrars (Isa Manager)	The Causeway Worthing West Sussex BN99 6DA	0870 242 4244

Internet sites

Aviva owns various internet sites, most of which interlink with each other. For a list of all our websites, please go to: http://www.aviva.com/customers/global.cfm

Aviva group	www.aviva.com
UK long-term savings and general insurance	www.norwichunion.com
Fund management	www.morleyfm.com
Buying a home	www.your-move.co.uk

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