

1 August 2002

**UNAUDITED RESULTS
6 MONTHS ENDED 30 JUNE 2002**

AVIVA REPORTS OPERATING PROFIT* OF £979 MILLION (2001: £977 MILLION) FOR THE SIX MONTHS TO 30 JUNE 2002. On a modified statutory basis, operating profit was £757 million (2001: £728 million)

DELIVERING PROFITABLE NEW BUSINESS GROWTH

- **Worldwide new business sales of £7.3 billion (2001: £7.1 billion)**
- **Worldwide life and pension sales on an APE basis of £1.2 billion (2001: £1.1 billion), up 11%**
- **New business contribution up 6% to £289 million with margins at 24.0%; margins in the discrete second quarter were 25.2% due to business mix**
- **Bancassurance sales doubled with total sales of £1.3 billion (2001: £0.6 billion)**

EXCELLENT GENERAL INSURANCE RESULT

- **Worldwide general insurance business delivers combined operating ratio of 101% (2001: 103%)**
- **General insurance operating profit up 13% to £480 million (2001: £427 million)**

STRONG CAPITAL POSITION

- **Equity shareholders' funds of £11.3 billion (31 December 2001: £11.6 billion, restated)**
- **Net asset value at 511 pence per share (31 December 2001: 524 pence, restated)**
- **Orphan estate stands at £4.7 billion and the free asset ratio*** of the UK Life funds is 14.1%, at 30 June 2002**
- **Interim dividend of 8.75 pence net per share**

* From continuing operations including life achieved operating profit before amortisation of goodwill and exceptional items.

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

*** Calculated in accordance with FSA guidance existing at 30 June 2002

All growth rates quoted are at constant rates of exchange.

Richard Harvey, Group Chief Executive, commented:

"This is a solid set of results in the current market environment. Although investment markets continue to be turbulent, these results reflect the fact that Aviva is a financially strong company, with resilient and well-diversified businesses.

"The combination of our strong long-term savings operations and robust general insurance business distinguishes us. The current environment presents a challenge to many of our businesses in the short term. However the longer-term dynamics for our business remain unaltered. We have built our long-term savings businesses so that they are well-placed with their multi-distribution channels and broad range of products to meet the needs of our customers."

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- An interview with Richard Harvey, Group Chief Executive, in video, audio and text will be available after the results have been released today on the Group's website, www.aviva.com, and www.cantos.com
- There will be a conference call today for wire services at 8.15 am on +44 (0) 20 8240 8241. Quote: Aviva, Richard Harvey. The transcript will be available for 1 week on the replay facility on the same telephone number. Quote: 436899
- A presentation to investors and analysts will take place at 9.30 am at St Helen's, 1 Undershaft, London, EC3P 3DQ and there will also be a live teleconference on +44(0)20 8515 2341. The presentation slides will be available on the Group's website, www.aviva.com Replay facility will be available for 2 weeks on +44 (0)20 8797 2499. The pass code is 114464# for the whole presentation including Question & Answer session or 114465# for Question & Answer session only.
- The investors and analysts presentation is being filmed for delayed webcast and will be available on the Group's website, www.aviva.com, later this afternoon.
- Photographs are available from www.newscast.co.uk and the media centre on www.aviva.com

FINANCIAL HIGHLIGHTS

	6 months 2002 £m	Restated* 6 months 2001 £m
Total premiums written (after reinsurance) and investment sales – continuing operations, including share of associates' premiums	14,495	13,995
Worldwide long-term savings new business sales		
Life and pensions	6,674	6,290
Retail investments	622	763
New business contribution (before effect of solvency margin)	289	272
Achieved operating profit before tax – continuing operations		
Life achieved operating profit**	796	849
Health	32	32
Fund management	3	24
General insurance	480	427
Non-insurance operations**	(7)	1
Corporate costs	(96)	(81)
Unallocated interest charges	(208)	(215)
Wealth management	(21)	(60)
Achieved operating profit before tax – continuing operations	979	977
Modified statutory operating profit – continuing operations	757	728
Modified statutory operating profit after tax, minorities and preference dividends – continuing operations	484	463
Achieved operating earnings per share – continuing operations	27.4p	27.5p
Modified statutory operating earnings per share – continuing operations	21.5p	20.6p
Dividend per ordinary share	8.75p	14.25p
Equity shareholders' funds	11,259	11,552†
Total shareholders' funds	11,459	11,752†
Net asset value per ordinary share	511p	524p†
Assets under management	£214bn	£209bn†

* Restated for the impact of Financial Reporting Standard 19 "Deferred Tax".

** Reclassification of other life and savings business from "Life" to "Non-insurance operations".

† As at 31 December 2001.

GROUP CHIEF EXECUTIVE'S STATEMENT

I am pleased to report that the Group continues to make progress in line with its stated strategy. In the face of difficult conditions for long-term savings, Aviva has delivered a solid operating profit before tax, including life achieved profit, of £979 million (2001: £977 million) demonstrating the financial and operational strength of our business.

Long-term savings

Our life and pension sales increased to £6.7 billion (2001: £6.3 billion), up by 11% when measured on an APE basis. In the UK, where we have a market share of over 12%, we saw strong life and pension sales growth of 12% to £676 million (2001: £606 million) on an APE basis. This continues to build on our strong performance in 2001 and re-affirms the strength of the Norwich Union brand, broad product offerings and strong distribution capability. Life achieved operating profit was lower at £424 million (2001: £465 million) as the effect of lower equity markets impacted the returns from the in-force business. Favourable business mix in the second quarter lifted new business margins to 24.3% (full year 2001: 25.8%).

Recent reports setting out proposals on the regulatory environment are likely to change the future of long-term savings provision in the UK market place. The reviews are aimed at closing the 'savings gap' in the UK which is estimated at some £27 billion per annum. A combination of increased levels of consumer education, transparency and simplification should provide an added impetus to the growth prospects of the UK long-term savings market. The Sandler Review principles favour providers with scale, multi-distribution expertise and strong product offerings. However we believe it is important to assess how shareholder value may be maximised by operating under these principles.

In Continental Europe, life and pension sales on an APE basis increased to £443 million (2001: £421 million) with total margins improving relative to the first quarter of 2002 to 25.5% (full year 2001: 27.0%). Continental European life achieved operating profit was £350 million (2001: £367 million) and represents 44% of our total life business result. In July we announced that our French business is in discussions with Mederic to establish a partnership, which will offer CGU France's range of life insurance products to Mederic's client base through a new joint venture life insurance company.

Sales from our bancassurance partnerships continue to gain momentum from the distribution agreements we put in place during 2001 and total worldwide sales from this channel were £1.3 billion (2001: £0.6 billion). We continue to seek opportunities to further extend our reach across the important long-term savings markets of Europe and we have recently announced an agreement with Banca Popolare Commercio e Industria in Italy.

Continued investor caution about equity-backed products resulted in lower retail investment sales at £622 million (2001: £763 million).

Fund management

Ongoing instability in worldwide investment markets has continued to impact the results of our fund management business as lower investment markets depressed profits. Operating profit fell to £3 million (2001: £24 million). Worldwide assets under management increased to £214 billion (2001: £209 billion), reflecting the impact of new business flows in the period which more than offset the effects of the fall in global investment markets.

General insurance

Total operating profit from our general insurance business was up 13% to £480 million (2001: £427 million). This is an excellent result and demonstrates the success of our strategy of focusing on personal lines and small commercial businesses. Our worldwide combined operating ratio (COR) of 101% (2001: 103%) reinforces our view that we have built businesses that are capable of sustaining a COR of 102% through the underwriting cycle.

Shareholders' capital employed and financial strength

In a market that increasingly looks for quality and financial strength, our strong capital position is fundamental to our business. The Group achieved a profitable performance at the operating level which when offset by the fall in the equity markets saw shareholders' funds marginally down at £11.3 billion (31 December 2001: £11.6 billion, restated) equivalent to 511 pence per ordinary share. The solvency position of our main trading operations remains strong despite market falls. At 30 June 2002 the average free asset ratio of our main UK life companies is 14.1% (10.1% excluding implicit items) and the orphan estate was £4.7 billion. Furthermore, the solvency capital of our combined general insurance operations is unchanged from the year end levels and is resilient to further falls. Overall, the Group's position remains strong, with sufficient capital to withstand a further deterioration in the market.

Outlook

As we move into the second half of 2002, market conditions for long-term savings sales are becoming increasingly difficult as investors are discouraged by the ongoing uncertainty in worldwide investment markets and changes in the macro-economic environment. Over the short term, this environment presents a challenge to many of our businesses. However, there remains a need for long-term savings provision and we believe that the longer-term dynamics for our business remain unaltered. We have built our businesses so that they are well-placed with their multi-distribution channels and broad range of products to continue to meet the needs of our customers.

Richard Harvey
Group Chief Executive

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OPERATING AND FINANCIAL REVIEW

Group operating profit before tax

The Group's achieved operating profit before tax from continuing operations, including life achieved operating profit, was maintained at £979 million (2001: £977 million). On a modified statutory basis, operating profit from continuing operations was £757 million (2001: £728 million).

In calculating the current year Group operating profit from continuing operations, we have included the results of operations acquired, sold or announced to be sold in the year, as their results are not sufficiently material to merit separate disclosure. For the prior year operating profit from continuing operations, we have excluded the results from our US general insurance business, the sale of which completed in June 2001.

	6 months 2002 £m	6 months 2001 £m
Achieved operating profit – continuing operations before tax, amortisation of goodwill and exceptional items	979	977
Discontinued operations	-	(21)
Amortisation of goodwill	(46)	(30)
Change in claims equalisation provision and Financial Services Compensation Scheme levy	(26)	(36)
(Loss)/profit on sale of subsidiary undertakings	(16)	247
Effect of economic assumption changes	-	143
Short-term fluctuations in investment return - general insurance and shareholder business	(499)	(432)
Variation from longer-term investment return - life business	(854)	(742)
(Loss)/profit on ordinary activities before tax – achieved profit basis	(462)	106
Profit on ordinary activities before tax – modified statutory basis	110	425

Profit before tax on a modified statutory basis of £110 million (2001: £425 million) is stated after a £499 million shortfall in the actual investment return earned in the period compared to the Group's longer-term investment return assumptions. This principally reflects unrealised losses on equities held by the Group's non-life operations, particularly in the UK where the FTSE All-Share index has fallen by over 10% since the beginning of the year to 2,263 at 30 June 2002 (31 December 2001: 2,523).

On an achieved profit basis, the loss before tax was £462 million (2001: profit of £106 million) and includes further adverse investment return variances of £854 million, reflecting the impact of falls in investment markets on the Group's life embedded value. The impact on embedded value is predominantly attributable to the equity market fall in the UK.

In preparing the 2002 interim results we have adopted the requirements of Financial Reporting Standard (FRS) 19 "Deferred Tax". The principal impact of the change in accounting policy has been to provide, on a discounted basis, additional deferred tax on unrealised appreciation or depreciation of investments. On an achieved profit basis, the effect of this new policy has resulted in a tax credit on the ordinary activities of £431 million (2001: £276 million) for the six month period ended 30 June 2002. The tax for the period includes a charge of £305 million (2001: £313 million) in respect of operating profit from continuing operations, equivalent to an effective rate of 31.2% (2001: 32.0%).

Long-term savings

Our worldwide long-term new business sales saw good growth in the first half of 2002. Total life and pension sales of £6.7 billion (2001: £6.3 billion) showed strong growth of 11% when measured on an APE basis, underpinned by the ongoing development of our bancassurance partnerships in the UK with The Royal Bank of Scotland Group and in Spain and Italy with our local partners. However, long-term savings market conditions are becoming increasingly competitive as we move into the second half of 2002. Retail investment sales were down to £622 million (2001: £763 million), reflecting continued investor caution about equity-backed products.

We expect the second half of 2002 to remain challenging until global investment markets stabilise, when investors' sentiment towards equity-backed products may change.

	6 months 2002			Local currency growth		
	Life and pensions £m	Retail investments £m	Total £m	Life and pensions %	Retail investments %	Total %
Long-term savings sales						
United Kingdom	3,708	313	4,021	4%	(44%)	(2%)
Europe (excluding UK)	2,505	109	2,614	3%	(11%)	2%
International	461	200	661	60%	133%	77%
	6,674	622	7,296	6%	(19%)	3%
Navigator	-	493	493	-	11%	11%

Life achieved operating profit

	6 months 2002	6 months 2001
	£m	£m
New business contribution (after the effect of solvency margin)	237	227
Profit from existing business – expected return	414	417
– experience variances	(17)	(7)
– operating assumption changes	(3)	50
Expected return on shareholders' net worth	165	162
Life achieved operating profit before tax	796	849

Life achieved operating profit was lower at £796 million (2001: £849 million) due to the non-recurrence of £50 million of positive operating assumption changes which arose in 2001. New business contribution was 6% higher at £237 million (2001: £227 million) as a result of the 11% rise in new business volumes measured on an APE basis. Overall new business margins were lower principally due to business mix and, to a lesser extent, competitive pressures. Furthermore, in 2002 we have incurred some adverse experience variances across a number of our businesses as a result of the impact of the ongoing market conditions and investments in developing our business. The effect of applying higher start of year economic assumptions to a lower start of year embedded value resulted in flat expected returns on existing business and shareholders' net worth.

	Annual premium equivalent⁽¹⁾		New business contribution⁽²⁾		New business margin⁽³⁾		
	6 months	6 months	6 months	6 months	6 months	6 months	Full
	2002	2001	2002	2001	2002	2001	year
	£m	£m	£m	£m	%	%	%
Life and pensions business							
United Kingdom	676	606	164	164	24.3%	27.1%	25.8%
Europe (excluding UK)	443	421	113	105	25.5%	24.9%	27.0%
International	83	57	12	3	14.5%	5.3%	12.1%
	1,202	1,084	289	272	24.0%	25.1%	25.5%

(1) Annual premium equivalent represents regular premiums plus 10% of single premiums.

(2) Before effect of solvency margin.

(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 £424 million (2001: £465 million) primarily reflecting the impact of lower equity markets in 2001, which has reduced the expected return by £20 million and a number of minor adverse experience variances. Margins on new business were 24.3% (full year 2001: 25.8%) while the discrete second quarter margin of 25.3% (first quarter 2002: 23.3%) reflects beneficial changes in product mix and good annuity margins.

A number of reviews relating to the UK long-term savings market have reported during the first half of 2002, in particular the FSA's review of with-profit business and the Sandler and Pickering reviews. The recommendations of these reviews will be drawn together by the FSA for consultation with all stakeholders later this year and into 2003. We broadly welcome the overall thrust of the recommendations from the reviews which are aimed at closing the 'savings gap' in the UK, estimated at some £27 billion per annum. A combination of increased levels of consumer education, transparency and simplification should provide an added impetus to the growth prospects of the UK long-term savings market. The Sandler Review principles favour providers with the scale, multi-distribution expertise and strong product offerings. We are well placed to manage change and capitalise on these opportunities. However, we believe it is important to assess how shareholder value may be maximised by operating under these principles.

The Sandler Review specifically proposed that with-profit business should operate on a "charges less expenses", or 100:0 basis. Norwich Union has the experience to operate on this basis but we also believe that there is nothing intrinsically wrong with the 90:10 basis. In the shorter term all relevant Norwich Union products will continue to be marketed on a 90:10 basis. The impact on new business margins is unclear at this stage and the actual effects will be determined by a number of factors, including product mix, distribution costs, efficiency gains, improving volumes and competitive forces. However, Norwich Union estimates that if this change had occurred in 2001 then based on our new business and distribution mix, the average margin achieved on the life and pension business would have been reduced by no more than 5 percentage points.

In addition, the Sandler Review urges a rapid conclusion to the reattribution of inherited estates. We will examine this in the interest of both policyholders and shareholders but would not expect it to complete before the end of 2004.

Europe (excluding UK)

Total life achieved operating profit from our Continental European businesses was £350 million (2001: £367 million). New business margins were 25.5% (full year 2001: 27.0%), driven predominantly by the increase in Spain where we achieved margins of 52.3% (full year 2001: 46.5%) as a result of increasing the proportion of protection business sold. Expected returns on the value of inforce and shareholders' net worth benefited from the impact of acquisitions in 2001 in Spain and Italy. There were minimal operating assumption changes or experience variances in the period.

In July we announced that our French business is in discussions with Mederic to establish a partnership. The aim of the partnership is to offer CGU France's range of life insurance and savings products to Mederic's client base through a new joint venture life insurance company. In addition we announced a further bancassurance arrangement in Italy. Together with UniCredito Italiano, the new bancassurance arrangement with Banca Popolare Commercio e Industria will enhance our distribution capability in this long-term savings market.

International

Life achieved operating profit from our International businesses increased to £22 million (2001: £17 million) benefiting from our bancassurance agreement with DBS in Singapore in the second half of 2001, which contributed an operating profit of £4 million. New business margins were 14.5% (full year 2001: 12.1%). The results were held back by the ongoing IT development spend in our US operations.

Life modified statutory basis

On a modified statutory basis, our operating profit amounted to £574 million (2001: £600 million). As a result of falling bonus rates in the UK, the with-profit result has decreased to £122 million (2001: £146 million). The increase in Italy to £19 million (2001: £5 million) reflects the acquisitions made in the second half of 2001. Other International operations recorded a loss of £5 million (2001: £14 million) which is principally as a result of development expenditure in our US operations.

Health

Premium income from our health business grew by 5% to £536 million (2001: £509 million) and total operating profit was £32 million (2001: £32 million). Our business in the Netherlands continued to be the main driver of the total health result with profits at £26 million (2001: £24 million).

Fund management

2002 continues the trend prevalent in the second half of 2001, with uncertain economic conditions and lower investment markets depressing profits. In addition, there has been reduced demand for retail investment products. Operating profit from our worldwide business was £3 million (2001: £24 million).

Our UK fund management business reported a loss of £8 million (2001: profit of £5 million). This includes the results of our institutional business, Morley Fund Management (Morley) and is after the investment in our UK retail investment business of £16 million (2001: £15 million). Following the trend seen in the second half of 2001, the Morley profit of £6 million (2001: £14 million) reflect a reduction in fees as a result of ongoing lower market values. UK retail investment sales amounted to £313 million (2001: £557 million). Morley was voted UK Fund Manager of the Year at the Pensions Week Awards 2002.

Operating profit from Victoire Asset Management, our operation in France, was maintained at £6 million (2001: £6 million) whilst Delta Lloyd returned an operating profit of £5 million (2001: £4 million). In Australia, Navigator, our award-winning multi-manager funds administration business, has seen strong growth in its sales (which are excluded from the Group's headline new business figures) of 11% to £493 million (2001: £437 million). Continued development expenditure on the infrastructure in Singapore has resulted in a loss for the Navigator fund management result on a statutory basis. On an achieved profits basis, Navigator's new business contribution was £3 million (2001: £6 million) and its embedded value grew to £42 million (2001: £40 million).

Assets under management at 30 June 2002 increased to £214 billion (2001: £209 billion), reflecting the impact of new business flows in the period offset by the falls in worldwide investment markets.

General insurance

Our worldwide continuing general insurance operations contributed an operating profit of £480 million (2001: £427 million), underpinned by our clear and focused strategy on personal lines and small commercial businesses. The worldwide combined operating ratio from continuing operations was 101% (2001: 103%) and has been achieved through our strict adherence to our operational disciplines of focused underwriting and efficient claims handling. Improvements have been made in all countries. The worldwide expense ratio from continuing operations improved to 11.3% from 11.9%. Net written premiums were higher at £4,401 million (2001: £4,352 million).

The application of unchanged investment assumptions on lower asset values at the start of 2002 has resulted in the longer-term investment return falling to £558 million (2001: £579 million).

General insurance (continued)

	Underwriting result*		Operating profit*	
	6 months 2002 £m	6 months 2001 £m	6 months 2002 £m	6 months 2001 £m
United Kingdom	(35)	(69)	303	254
Europe (excluding UK)	(22)	(57)	85	71
International	(21)	(26)	92	102
Continuing operations	(78)	(152)	480	427
Discontinued operations	-	(173)	-	(21)

* Excludes the change in the equalisation provision of £26 million (2001: £22 million) and impact of exceptional items.

UK

Our UK general insurance business recorded a 19% increase in operating profit to £303 million (2001: £254 million), with a combined operating ratio (COR) of 101%. This is a significant achievement and reflects our continued adherence to our underwriting strategy through prudent rating action and placing profit before volume. Our personal lines business achieved an excellent COR of 99%. In both personal motor and homeowners, we achieved annualised rating increases of 7%.

In particular, there has been a significant improvement in commercial lines, reflecting the impact of rating actions and reduced capacity in that market. In commercial motor we remain focused on maintaining profitability and have achieved annualised rating actions of 10%. In the commercial property market, there has been considerable improvement in our underwriting result as we benefit from the lack of capacity in the market and have achieved annualised rating actions of 16%. Our commercial liability COR has improved through recording annualised rating increases of 29% as we change the profitability profile of this business.

The expense ratio improved to 10.4% (2001: 10.6%) and maintains our position as one of the lowest cost providers among the large insurers. We continue to reinvest in the ongoing improvements of infrastructure and the development of our leading edge technology, such as the digital flood programme and Pay As You Drive scheme. This programme of continued investment in the business will consolidate on the foundations we built in 2001 to ensure that we have a business capable of achieving our target COR across the cycle.

We expect the second half of the year to continue to see a slowing in rating increases especially in the personal lines classes. We remain committed to our strict underwriting strategy.

Europe (excluding UK)

In Europe, our general insurance businesses produced total operating profits of £85 million (2001: £71 million) and saw improvements in performance across all our businesses.

In France, our general insurance business improved its underwriting result to a loss of £5 million (2001: loss of £15 million) with a COR of 100% (2001: 103%) as a result of strong rating action and a continued focus on disciplined underwriting. The sale of CGU Courtage, our broker distribution business completed in May 2002, generating a profit on disposal of £6 million. In reporting our results to 30 June, we have excluded the results of CGU Courtage. This reflects the structure of the sale whereby the Group had no economic interest in the operating results after 31 December 2001.

Hibernian, the market leader in Ireland, increased its operating profit to £21 million (2001: £17 million) reflecting an improved underwriting result as it achieved a COR of 100% (2001: 104%). Operating profit from Delta Lloyd and our other European businesses improved by £39 million (2001: £20 million), reflecting the benefits of strong rating actions and disciplined underwriting procedures and the disposal of our loss-making general insurance operations in Belgium in 2001.

International

Our International businesses returned an operating profit of £92 million (2001: £102 million). The reduction in operating profit reflected a lower Canadian result of £39 million (2001: £50 million) with a reduction in the longer term investment return following the repatriation of capital in the second half of 2001.

Our Australian and New Zealand businesses returned an operating profit of £24 million (2001: £26 million) which includes the operating profit of Fortis Australia, which we acquired last year. Our other International businesses returned an operating profit of £29 million (2001: £26 million).

Non-insurance operations

The result of the Group's non-insurance operations fell to a loss of £7 million (2001: profit of £1 million) primarily reflecting investment by our UK life service company in systems capability. The UK life service company was previously included as part of the life result and has been reclassified into non-insurance operations.

Corporate costs

Corporate costs, excluding staff profit share and other incentive plans, were higher at £57 million (2001: £49 million) as a result of increased project spend including the ongoing costs of the global finance improvement programme which commenced in late 2001. Costs of the finance improvement programme amounted to £10 million in the period and will increase as the scale of the programme builds momentum in the second half of 2002. Profit share and other incentive plans increased to £39 million (2001: £32 million) as incentive plans were extended across the Group in the second half of 2001.

Unallocated interest charges

Unallocated interest charges comprise internal and external interest on external borrowings, subordinated debt and intra-group loans which are not allocated to local business operations. Total interest costs were £208 million (2001: £215 million) and include the interest cost on the hybrid debt of £36 million (2001: £nil). The overall reduction in interest costs reflects the lower levels of borrowings and lower interest rates.

Dividend

In line with the Board's announcement in February to rebase the 2002 full year dividend to 23.0 pence net per ordinary share the Board has declared an interim dividend of 8.75 pence net per share (2001: 14.25 pence) payable on 15 November 2002 to shareholders on the register on 27 September 2002.

Group capital and financial strength

Shareholders' funds

Equity shareholders' funds fell to £11.3 billion (31 December 2001: £11.6 billion, restated) reflecting the benefit of exchange movements and after the cost of the interim dividend declared of £197 million. Net asset value per ordinary share, based on equity shareholders' funds, fell to 511 pence per share (31 December 2001: 524 pence per share, restated) after adding back the equalisation provision of £283 million (31 December 2001: £272 million).

Capital structure

At 30 June 2002 we had £18.1 billion (31 December 2001: £19.5 billion, restated) 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. At 30 June 2002 capital employed in our operations was lower at £18.1 billion (31 December 2001: £19.5 billion, restated) primarily reflecting £293 million reduction in shareholders' funds and the use of £1,188 million of assets employed in the business to reduce internal and external debt.

Standard and Poor's have recently reaffirmed the financial strength rating of AA (very strong security) in respect of the Group's principal operations.

Return on capital employed

Strong operational performance, coupled with efficient financing, has increased the Group's normalised annualised 2002 post-tax return on equity to 11.0% (2001: 9.7%). The normalised return is based on the post-tax operating profit, including life achieved profit, before amortisation of goodwill and exceptional items, expressed as a percentage of the opening equity capital.

Financial strength of the Group and its principal insurance operations

Aviva group had an estimated excess regulatory capital, as measured on the new EU Directive, of some £1.5 billion at 30 June 2002 (31 December 2001: £1.7 billion). This measures 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.

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. 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 combined general insurance businesses of CGUII and NUI have strong solvency positions. The estimated excess solvency margin (representing the regulatory value of excess net assets over the required minimum margin) of the combined operations was £3.1 billion at 30 June 2002 which is unchanged from the year end position. Solvency cover for the CGUII group was 7.3 times and the NUI group had a cover of 2.0 times. The solvency margin of the combined regulated group is resilient to equity market movements. We estimate that the solvency can withstand market falls of approximately 80% from 30 June 2002 levels before the solvency cover is reduced to 1.0 times.

Furthermore, as CGUII also acts as the holding company for 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 requirements is risk-based capital. At 30 June 2002 the risk-based capital requirement of our worldwide general insurance businesses was £3.2 billion in comparison to £4.6 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 £6.0 billion. After deducting the risk-based capital for the general insurance businesses of CGUII and NUI of £3.1 billion and adding back the claims equalisation reserve of £0.3 billion, the remaining available capital of £3.2 billion is sufficient to cover the minimum margins of the overseas life businesses by over 2 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 companies was 14.1% at 30 June 2002 (31 December 2001: 14.7%). This has been calculated in accordance with FSA guidance on resilience tests released on 28 June 2002, using a 17% fall in equities and a 10% fall in property, and includes implicit items. If these implicit items were excluded then the FAR would be 10.1% (31 December 2001: 10.8%).

The strength of our with-profit funds is underpinned by our UK orphan estate, which amounts to an estimated £4.7 billion at 30 June 2002 (31 December 2001: £5.2 billion) and are 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 are calculated on a more prudent statutory solvency basis.

At 30 June 2002, the aggregate value of with-profit funds in our funds in our UK life business invested on behalf of our policy holders amounted to £48 billion. The split of investments as at that date was as follows:

Equity	49%	(31 December 2001: 54%)
Fixed interest	35%	(31 December 2001: 31%)
Property	15%	(31 December 2001: 14%)
Other	1%	(31 December 2001: 1%)

LIFE NEW BUSINESS SALES**Geographical analysis of life, pensions and investment sales and new business contribution**

	Total new business sales		Annual premium equivalent ⁽³⁾		New business contribution ⁽²⁾	
	6 months to 30 June 2002 £m	Local currency growth ⁽¹⁾	6 months to 30 June 2002 £m	Local currency growth ⁽¹⁾	6 months to 30 June 2002 £m	Local currency growth ⁽¹⁾
Life and pensions						
United Kingdom	3,708	4%	676	12%	164	-
France	909	(12%)	110	(10%)	34	(3%)
Ireland	212	(18%)	66	30%	17	21%
Italy	526	36%	69	25%	16	7%
Netherlands (including Belgium and Luxembourg)	310	(4%)	63	(15%)	10	(9%)
Poland	38	16%	27	(10%)	6	20%
Spain	379	29%	63	26%	33	43%
Other Europe	131	17%	45	12%	(3)	(250%)
International	461	60%	83	44%	12	300%
Total life and pensions	6,674	6%	1,202	11%	289	6%
Investment sales						
United Kingdom	313	(44%)	41	(34%)		
Netherlands	56	40%	6	40%		
Other Europe	53	(35%)	5	(35%)		
International	200	133%	20	133%		
Total investment sales	622	(19%)	72	(13%)		
Total long-term savings	7,296	3%	1,274	9%		
Navigator sales (not included above)	493	11%				

(1) Growth rates are calculated based on constant rates of exchange.

(2) Stated before the effect of solvency margin.

(3) Annual premium equivalent (APE) is a UK industry standard for calculating life, pensions and investments new business levels. It is the total of new regular premiums and 10% of single premiums.

United Kingdom:

Norwich Union reported total new business sales of £4 billion (2001: £4.1 billion), demonstrating continuing success with its life and savings product offerings in difficult market conditions. Our share of the UK life market is in excess of 12%. Our target is to grow our business profitably and to increase our share of the total UK life and pensions market to 15% by the end of 2005. Total life and pensions sales grew 12% to £676 million (2001: £606 million) when measured on an Annual Premium Equivalent (APE) basis. Investment sales however, were lower at £313 million (2001: £557 million) as investors continued to adopt a cautious approach to retail investment products.

Our joint venture partnership with The Royal Bank of Scotland Group (RBSG) continues to gain momentum. Total sales through our partnership increased by over 160% to £473 million (2001: £178 million), including £309 million of single premium with-profit bond sales, a product launched in the first quarter of 2002. A new term assurance product was launched through the joint venture in May 2002, with encouraging sales to date. In addition we have reached an agreement, in principle, to extend the range of products offered to include unit trusts and Isas from early 2003. In reporting our results we have included our 50% share of sales written through the joint venture life company amounting to £82 million (2001: £89 million) and 100% of single premium with-profit bond sales which are written through a Norwich Union fund.

Sales of single premium bonds including those sold through the RBSG partnership, amounted to £1,624 million (2001: £1,773 million) and included the benefit of our bond product which was re-launched with enhanced terms in April 2002. To meet current investor preferences a guaranteed product will be launched in the second half of 2002.

Total pension sales continued to grow, increasing 17% to £1,472 million (2001: £1,260 million), including stakeholder sales of £388 million (2001: £43 million). Within the stakeholder market, Norwich Union maintains its overall target market share of 20% and has approximately one-third of the IFA channel. IFAs continue to be one of our key distribution channels and life and pension sales through IFAs increased by 8% to £505 million (2001: £467 million) on an APE basis. Sales of annuities grew strongly by 31% to £460 million (2001: £351 million) and other life sales included sales of level and decreasing term assurance which increased 26% to £34 million (2001: £27 million).

The depressed equity markets coupled with low investor confidence have created a very challenging market place for long-term savings products in the UK. We expect that this environment will persist during the second half of 2002 and we anticipate that the overall UK market will be flat in 2002.

New business contribution was £164 million (2001: £164 million) and represents a new business margin (the ratio of new business contribution to life and pensions sales measured on an annual premium equivalent basis) of 24.3% (full year 2001: 25.8%). The discrete second quarter margin was 25.3% (first quarter 2002: 23.3%), reflecting beneficial changes in product mix and good annuity margins.

France:

Our French life business, the second largest in the Aviva Group, reported a 6% increase in sales of single premium fixed interest AFER products to £501 million (2001: £472 million). This reflects customers' continuing preference for fixed interest investments, and is assisted by the strength of AFER's brand and its position as the largest savings organisation in France.

With continuing investor caution and uncertainty in equity markets, total sales of unit-linked and other savings products were lower at £319 million (2001: £475 million). A new range of unit-linked products was launched in June following the presidential elections, however initial sales of these products were slower than anticipated. Sales of protection business were £89 million (2001: £88 million). New business contribution amounted to £34 million (2001: £35 million) with margins of 31.0% (full year 2001: 33.9%) in spite of the very difficult market conditions.

CGU France announced in July 2002 its intention to establish a partnership with Mederic, a French mutual life company. It is intended to offer CGU France's range of life products to Mederic's customers through a new joint venture life company. The deal is expected to be finalised by the end of 2002.

We expect that the long-term savings marketplace will remain difficult in the second half of 2002 with the current trend of unit-linked sales continuing until investment markets begin to stabilise.

Ireland:

New business sales at Hibernian Life & Pensions, our top-five provider of life and pensions products, increased by 30% to £66 million measured on an APE basis (2001: £51 million) with total sales of £212 million (2001: £257 million).

New regular premium pension sales increased by 16% to £22 million (2001: £19 million), reflecting further success in targeting the executive and group pensions markets. Against a strong second quarter in 2001, single premium pension sales amounted to £53 million (2001: £86 million). This was due to a combination of the limited opportunities for new group scheme mandates in the current difficult investment conditions and the uncertainty which exists in the individual pensions market ahead of the introduction of the Government's new pension initiative, the Personal Retirement Savings Account (PRSA), expected on 1 January 2003. We are well-placed to capitalise on the introduction of the new PRSA, leveraging Norwich Union's experience in the UK stakeholder market.

Sales of regular premium life products increased strongly to £28 million (2001: £9 million), boosted by one-off sales of £23 million from the Government's Special Savings Incentive Account (SSIA) which closed on 30 April 2002. Life single premium sales were £109 million (2001: £143 million), reflecting lower demand for unit-linked products in current markets. New business contribution was higher at £17 million (2001: £14 million) while the margin was lower at 25.7% (full year 2001: 28.5%) reflecting business mix with a higher proportion of the lower margin SSIA sales.

Italy:

In Italy the strength of distribution through our bancassurance partnerships saw sales grow 36% to £526 million (2001: £387 million). Sales through our agreement with UniCredito Italiano's (UCI) subsidiary, Cassa di Risparmio di Torino, were particularly strong, growing by 61% to £363 million (2001: £226 million). UCI recently announced a reorganisation of its branch-banking network to move to a more focused approach, with individual branches targeting either retail or corporate customers. This reorganisation will inevitably create additional challenges to maintaining our sales momentum over the short-term; however, we are confident that the reorganised network will offer us greater opportunities over the longer-term.

As further branches of the Banca Popolare di Lodi network came on-stream, total new business premiums increased significantly to £123 million for the half year (2001: £11 million). Sales through our bancassurance partner, Banca delle Marche were £18 million (2001: £33 million). Total new business contribution was £16 million (2001: £15 million) with a margin of 23.3% (full year 2001: 22.2%).

In July 2002 we announced, together with UCI, a new agreement with Banca Popolare Commercio e Industria to form a new bancassurance partnership for an initial period of five years. This partnership will further enhance our position in the Italian long-term savings market and provide access to approximately 550 additional branches. The transaction is subject to regulatory approval and is expected to complete by the end of 2002.

Netherlands (including Belgium and Luxembourg):

Delta Lloyd, our top-five life and pensions business in the Netherlands, reported total sales of £366 million (2001: £364 million).

Single premium individual pension sales increased 38% to £102 million (2001: £74 million), demonstrating that Delta Lloyd is well-positioned to use its expertise to develop products which can be tailored to the specific needs of individual customers. Sales of group pensions amounted to £78 million (2001: £111 million). In an overall life market which has contracted following changes in tax legislation in 2001, Delta Lloyd increased its market share with single premium sales of £109 million (2001: £107 million).

Investment sales were up 40% at £56 million (2001: £40 million) but remain at relatively low levels due to continuing investor caution. To meet investors' increasing preference for guaranteed investment bonds, Delta Lloyd will launch new products in the second half of 2002.

The integration of Bank Nagelmackers in Belgium, which was acquired at the end of 2001, is progressing and life premiums have started to flow through. We expect sales to continue to grow during the second half of 2002, particularly as the new products are launched through this distribution channel.

New business contribution was £10 million (2001: £11 million) with a new business margin of 15.8% (full year 2001: 22.3%).

Poland:

CU Polska continues to be the market leader in individual life and private pensions in Poland with a 19% share of the life market and a 29% share, measured by assets under management, of the private pensions market. New life and savings premiums rose 15% to £23 million (2001: £20 million) in continuing difficult economic conditions. Pension sales were £15 million (2001: £13 million), reflecting the low numbers of new entrants to the employment market who are eligible to buy private pensions.

Spain:

Spain, our top-five life business, achieved a 29% increase in total new business premiums to £379 million (2001: £294 million) driven by new product launches through our new bancassurance partnerships which have come on-line since the second half of 2001.

Total new business premiums from Bancaja were £266 million (2001: £269 million) against a backdrop of a competitive market for savings products. Sales through our agreements with Unicaja, Caixa Galicia and Caja Espana amounted to £86 million (2001: £nil), and this distribution capability will continue to be developed over the coming months. Further product launches are planned for the second half of 2002, based on those successfully sold through the Bancaja network. New business contribution was £33 million (2001: £23 million) with an increased new business margin of 52.3% (2001: 46.5%) driven by increased sales of high margin protection business.

Other Europe:

Total life and pension sales from our other European businesses grew by 17% to £131 million (2001: £111 million).

In Germany, total new business premiums increased by 48% to £62 million (2001: £42 million), including an increase of 79% in single premiums to £43 million (2001: £24 million). Sales benefited from a new broker relationship and a successful marketing campaign.

In Turkey total new business premiums were £12 million (2001: £12 million) and in the emerging markets of Central and Eastern Europe we continue to develop our businesses in the Czech Republic, Hungary and Romania. Single premium sales from our Dublin-based offshore life and savings business were £44 million (2001: £48 million) while investment sales of our Luxembourg UCITS were £53 million (2001: £82 million), reflecting the challenging equity market conditions.

International:

Our International life and pension business continued to grow with sales increasing 60% to £461 million (2001: £286 million). Our United States business contributed total life and pensions sales of £237 million (2001: £159 million), up 50%, reflecting ongoing investor preference for fixed annuity products.

In Australia, total life and pension sales were higher at £124 million (2001: £118 million) and unit trust sales increased to £200 million (2001: £84 million). Whilst not included in the new business figures, sales of Navigator, our market-leading master trust, increased 11% to £493 million (2001: £437 million). Navigator is Australia's second fastest growing discretionary master trust, with £3.2 billion of funds under administration at 30 June 2002.

In Singapore, our bancassurance partnership with DBS Group Holdings Limited (DBS) generated total sales of £97 million (2001: £nil). New products, including a limited offer single premium savings product, were launched as planned in the second quarter of 2002. Sales from our recently announced bancassurance partnership with DBS in Hong Kong are expected to begin to flow through in the second half of 2002.

In India, our new joint venture with Dabur Group was launched in June 2002. Aviva owns 26% of the joint venture, the maximum currently permitted under Indian regulations. In China, an agreement was also signed in April 2002 with COFCO, a state-owned Chinese export and import business, to set up a life insurance joint venture. This venture is subject to final regulatory approval, and we expect it to become operational in early 2003. Both of these operations offer us access to markets with excellent long-term potential.

Detailed worldwide long-term savings new business analysis

	Single			Regular			Total
	6 months to 30 June 2002 £m	6 months to 30 June 2001 £m	Local currency growth	6 months to 30 June 2002 £m	6 months to 30 June 2001 £m	Local currency growth	Local currency growth
United Kingdom							
Individual pensions	829	768	8%	65	64	2%	7%
Group pensions	391	280	40%	187	148	26%	35%
Mortgage	-	-	-	32	23	39%	39%
Annuities	460	351	31%	-	-	-	31%
Bonds	1,624	1,773	(8%)	-	1	(100%)	(8%)
Other life	65	114	(43%)	55	41	34%	(23%)
Total life and pensions	3,369	3,286	3%	339	277	22%	4%
Peps/Isas/unit trusts/Oeics	302	550	(45%)	11	7	57%	(44%)
	3,671	3,836	(4%)	350	284	23%	(2%)
France							
AFER (excluding unit-linked)	501	472	6%	-	-	-	6%
Unit-linked & other savings	308	467	(34%)	11	8	38%	(33%)
Protection business	79	76	4%	10	12	(17%)	1%
	888	1,015	(13%)	21	20	5%	(12%)
Ireland							
Life & savings	109	143	(24%)	28	9	211%	(10%)
Pensions	53	86	(38%)	22	19	16%	(29%)
	162	229	(29%)	50	28	79%	(18%)
Italy							
Life & savings	508	369	38%	18	18	-	36%
	508	369	38%	18	18	-	36%
Netherlands (including Belgium and Luxembourg)							
Individual pensions	102	74	38%	1	-	-	39%
Group pensions	63	96	(34%)	15	15	-	(30%)
Life	109	107	2%	20	32	(38%)	(7%)
Total life and pensions	274	277	(1%)	36	47	(23%)	(4%)
Unit trusts	56	40	40%	-	-	-	40%
	330	317	4%	36	47	(23%)	1%
Poland							
Life & savings	8	3	144%	15	17	(10%)	15%
Pensions	4	-	-	11	13	(15%)	16%
Total life and pensions	12	3	267%	26	30	(12%)	16%
Spain							
Life & savings	318	253	26%	16	17	(6%)	24%
Pensions	33	18	83%	12	6	100%	88%
	351	271	30%	28	23	22%	29%
Other Europe							
Life & pensions	96	80	20%	35	31	13%	17%
UCITS and other	53	82	(35%)	-	-	-	(35%)
	149	162	(9%)	35	31	13%	(5%)
International							
Life & pensions	420	254	64%	41	32	29%	60%
Unit trusts	200	84	133%	-	-	-	133%
	620	338	81%	41	32	29%	77%
Total long-term savings	6,691	6,540	2%	605	513	18%	3%
<i>Analysed:</i>							
Life & pensions	6,080	5,784	5%	594	506	17%	6%
Investment sales	611	756	(19%)	11	7	57%	(19%)
Total long-term savings	6,691	6,540	2%	605	513	18%	3%
Navigator sales (not included above)	493	437	11%	-	-	-	11%

Analysis of UK long-term savings sales by distribution channel

	Single			Regular			Total
	6 months to 30 June 2002 £m	6 months to 30 June 2001 £m	Local currency growth	6 months to 30 June 2002 £m	6 months to 30 June 2001 £m	Local currency growth	Local currency growth
IFA							
- life and pensions products	2,350	2,423	(3%)	270	225	20%	(1%)
- investment products	189	350	(46%)	5	4	25%	(45%)
	2,539	2,773	(8%)	275	229	20%	(6%)
Bancassurance partnership with RBSG							
- life and pensions products	384	83	363%	7	6	17%	339%
Other partnerships/Direct							
- life and pensions products	635	780	(19%)	62	46	35%	(16%)
- investment products	113	200	(44%)	6	3	100%	(41%)
	748	980	(24%)	68	49	39%	(21%)
Total UK long-term savings	3,671	3,836	(4%)	350	284	23%	(2%)

Annual premium equivalent

	Life and pensions sales		Investment sales		Total sales	
	£m	Local currency growth	£m	Local currency growth	£m	Local currency growth
IFA	505	8%	24	(39%)	529	4%
Bancassurance partnership with RBSG	45	215%	-	-	45	215%
Other partnerships/Direct	126	2%	17	(25%)	143	(3%)
Total UK long-term savings	676	12%	41	(34%)	717	7%

Notes to editors

- CGU plc and Norwich Union plc merged to create CGNU plc. On 1 July 2002 CGNU changed its name to Aviva plc ("Aviva"). Aviva is the UK's largest insurer and one of the top-five life companies in 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 more than £28 billion for the year ended 31 December 2001 and assets under management of more than £200 billion as at 31 December 2001.
- Overseas currency results are translated at average exchange rates.
- All growth rates are quoted in local currency.
- Aviva's corporate press releases and results presentations are available on the internet: www.aviva.com
- The cautionary statements identify important factors that could cause our actual results to differ materially from those projected in forward looking statements made in this press release. Forward looking statements are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed.
- Photographs are available from www.newscast.co.uk and the media centre on www.aviva.com

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 £574 million. The basis used for reporting achieved profit is consistent with the guidance set out 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 US general insurance operations.
Net asset value per ordinary share	- is calculated based on equity shareholders' funds, adding back the equalisation provision of £283 million (30 June 2001: £237 million; 31 December 2001: £272 million).
Assets under management	- represents all assets managed by the Group including funds held on behalf of third parties.
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.
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.
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.
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 2002

Page	6 months 2002 €m		6 months 2002 £m	Restated* 6 months 2001 £m	Restated* Full year 2001 £m
		Operating profit			
14	1,283	Life achieved operating profit	796	849	1,665
28	52	Health	32	32	70
33	5	Fund management	3	24	29
29	774	General insurance	480	427	945
34	(11)	Non-insurance operations	(7)	1	7
34	(155)	Corporate costs	(96)	(81)	(187)
33	(335)	Unallocated interest charges	(208)	(215)	(426)
34	(34)	Wealth management	(21)	(60)	(99)
	1,579	Operating profit – continuing operations before tax, amortisation of goodwill and exceptional items	979	977	2,004
29	-	Discontinued operations	-	(21)	(21)
	1,579		979	956	1,983
	(74)	Amortisation of goodwill	(46)	(30)	(87)
	-	Financial Services Compensation Scheme levy	-	(14)	(31)
	-	Integration costs	-	-	(59)
	1,505	Operating profit before tax	933	912	1,806
	(2,182)	Variation from longer-term investment return	(1,353)	(1,174)	(2,584)
	-	Effect of economic assumption changes	-	143	1
	(42)	Change in the equalisation provision	(26)	(22)	(56)
26	(26)	(Loss)/profit on the disposal of subsidiary undertakings	(16)	247	287
	(745)	(Loss)/profit on ordinary activities before tax	(462)	106	(546)
	(492)	Tax on operating profit – continuing operations before amortisation of goodwill and exceptional items	(305)	(313)	(631)
	695	Tax on profit on other ordinary activities	431	276	755
	(542)	(Loss)/profit on ordinary activities after tax	(336)	69	(422)
	(63)	Minority interests	(39)	(30)	(80)
	(605)	(Loss)/profit for the financial period	(375)	39	(502)
30	(14)	Preference dividends	(9)	(9)	(17)
	(619)	(Loss)/profit for the financial period attributable to equity shareholders	(384)	30	(519)
30	(318)	Ordinary dividends	(197)	(321)	(857)
	(937)	Retained loss for the financial period	(581)	(291)	(1,376)

* Restated for the effect of Financial Reporting Standard 19.

Earnings per share

44.2 c	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after tax, attributable to equity shareholders in respect of continuing operations	27.4 p	27.5 p	56.1 p
(27.4)c	(Loss)/profit attributable to equity shareholders	(17.0)p	1.3 p	(23.1)p
(27.4)c	(Loss)/ profit attributable to equity shareholders – diluted	(17.0)p	1.3 p	(23.0)p

Basis of preparation

The achieved profit statement on page 13 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 21 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 profits method)" circulated by the Association of British Insurers in December 2001. Further details on the methodology and assumptions are set out on pages 18 to 20.

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 21 to 32.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group plc (RBSG) is incorporated within the achieved operating profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 13.

The results for the six-month periods to 30 June 2002 and 30 June 2001 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. Their review report in respect of 30 June 2002 is included in the Interim Report. The interim accounts do not constitute statutory accounts as defined in 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 year including value added between the point of sale and end of year;
- 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 2002 £m	6 months 2001* £m	Full year 2001* £m
New business contribution (after the effect of solvency margin)	237	227	479
Profit from existing business – expected return	414	417	848
– experience variances	(17)	(7)	(18)
– operating assumption changes	(3)	50	17
Expected return on shareholders' net worth	165	162	339
Life achieved operating profit before tax and exceptional items	796	849	1,665
Exceptional items**	-	-	(12)
Investment return variances	(854)	(742)	(1,632)
Effect of economic assumption changes	-	143	1
Total life achieved (loss)/profit before tax	(58)	250	22
Tax on operating profit	(241)	(261)	(511)
Tax on other ordinary activities	253	183	499
Total life achieved (loss)/profit after tax	(46)	172	10

* The other life and savings result has been reclassified to non-insurance (page 34).

** Exceptional items comprise integration costs.

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 2002 £m	6 months 2001 £m	Local currency growth %	6 months 2002 £m	6 months 2001 £m
United Kingdom	676	606	12%	164	164
Europe (excluding UK)					
France	110	121	(10%)	34	35
Ireland	66	51	30%	17	14
Italy	69	55	25%	16	15
Netherlands (including Belgium and Luxembourg)	63	75	(15%)	10	11
Poland – Life	16	17	(6%)	6	4
– Pensions	11	13	(15%)	-	1
Spain	63	50	26%	33	23
Other	45	39	12%	(3)	2
International	83	57	44%	12	3
Total annualised premiums	1,202	1,084	11%		
Total new business contribution before effect of solvency margin**				289	272
Effect of solvency margin				(52)	(45)
Total new business contribution including effect of solvency margin				237	227

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

** New business contribution before effect of solvency margin includes minority interests in 2002 of £28 million (six months to 30 June 2001: £21 million). This comprises minority interests in France of £2 million (six months to 30 June 2001: £2 million), Italy £8 million (six months to 30 June 2001: £6 million), Poland £1 million (six months to 30 June 2001: £1 million) and Spain £17 million (six months to 30 June 2001: £12 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 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom	424	465	850
Europe (excluding UK)			
France	111	110	227
Ireland	37	37	79
Italy	30	24	55
Netherlands (including Belgium and Luxembourg)	87	93	221
Poland – Life	32	23	65
– Pensions	15	21	34
Spain	38	31	80
Other	-	28	18
International	22	17	36
Total life achieved operating profit before tax and exceptional items*	796	849	1,665

* Life achieved operating profit includes minority interests in six months to 30 June 2002 of £43 million (six months to 30 June 2001: £35 million; full year 2001: £84 million). This comprises minority interests in France of £4 million (six months to 30 June 2001: £4 million; full year 2001: £8 million), Italy £14 million (six months to 30 June 2001: £10 million; full year 2001: £27 million), Poland £7 million (six months to 30 June 2001: £8 million; full year 2001: £15 million), Spain £18 million (six months to 30 June 2001: £13 million; full year 2001: £34 million).

Embedded value of life business

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
Embedded value at the beginning of the period	11,063	11,234	11,234
Total life achieved (loss)/profit after tax	(46)	172	18
Exchange rate movements	209	(46)	(97)
Embedded value of businesses acquired/(disposed)*	13	(109)	84
Amounts injected into life operations	15	106	175
Amounts released from life operations	(467)	(220)	(351)
Embedded value at the end of the period**	10,787	11,137	11,063

* Embedded value from businesses acquired in 2002 represents the life subsidiary of DBS Hong Kong of £13 million. Embedded value from businesses acquired in 2001 comprises Risparmio and Eurovita in Italy (£120 million), the life operations of Unicaja, Caixa Galicia and Caja España in Spain (£64 million), Hungary (£11 million) and The Insurance Corporation of Singapore (£25 million). Embedded value from business disposed of in 2001 comprises NU Vita (Italy) (£16 million), Greece (£3 million) and Canada (£117 million).

** Embedded value at the end of the period includes minority interests in 2002 of £366 million (30 June 2001: £224 million; 31 December 2001: £347 million). This comprises minority interests in France of £40 million (30 June 2001: £35 million; 31 December 2001: £34 million), Italy £150 million (30 June 2001: £71 million; 31 December 2001: £149 million), Poland £57 million (30 June 2001: £52 million; 31 December 2001: £55 million), Spain £117 million (30 June 2001: £62 million; 31 December 2001: £107 million) and Other Europe £2 million (30 June 2001: £4 million; 31 December 2001: £2 million).

Segmental analysis of embedded value of life business

	Net worth at 30 June*		Valuation of in-force at 30 June**		Embedded value at 30 June	
	2002 £m	2001 £m	2002 £m	2001 £m	2002 £m	2001 £m
United Kingdom	1,600	1,754	3,931	4,275	5,531	6,029
Europe (excluding UK)						
France	891	875	417	409	1,308	1,284
Ireland	208	202	269	277	477	479
Italy	181	98	120	76	301	174
Netherlands (including Belgium and Luxembourg)	969	1,371	955	748	1,924	2,119
Poland	125	109	257	241	382	350
Spain	115	65	218	151	333	216
Other	60	57	58	67	118	124
International	311	293	102	69	413	362
	4,460	4,824	6,327	6,313	10,787	11,137

* 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 net worth includes £2,400 million (30 June 2001: £2,100 million) in respect of minimum statutory solvency margin requirements that are supported by shareholders' capital. The effect of holding the minimum statutory solvency margin and allowing for projected future releases was £740 million (30 June 2001: £660 million).

Minority interest in life achieved profit

	6 months 2002			6 months 2001	Full year 2001
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m	Group £m
New business contribution before effect of solvency margin	261	28	289	272	591
Effect of solvency margin	(46)	(6)	(52)	(45)	(112)
New business contribution including effect of solvency margin	215	22	237	227	479
Life achieved operating profit before tax and exceptional items	753	43	796	849	1,665
Total life achieved (loss)/profit before tax	(87)	29	(58)	250	22
Attributed tax	22	(10)	12	(78)	(12)
Total life achieved (loss)/profit after tax	(65)	19	(46)	172	10
Closing life embedded value	10,421	366	10,787	11,137	11,063

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 year, 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.

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

The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2002	31 December 2001	30 June 2001	31 December 2000	30 June 2002	31 December 2001	30 June 2001	31 December 2000
Risk discount rate	7.7%	7.7%	7.9%	7.4%	8.6%	8.6%	8.5%	8.5%
Pre-tax investment returns:								
Base government fixed interest	5.0%	5.0%	5.3%	4.7%	5.1%	5.1%	5.0%	5.0%
Ordinary shares	7.5%	7.5%	7.8%	7.2%	7.1%	7.1%	7.0%	7.0%
Property	6.5%	6.5%	6.8%	6.2%	6.6%	6.6%	6.5%	6.5%
Future expense inflation	3.7%	3.7%	3.7%	3.7%	2.5%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	30.0%	36.4%	36.4%	37.8%	37.8%
	Ireland				Italy			
	30 June 2002	31 December 2001	30 June 2001	31 December 2000	30 June 2002	31 December 2001	30 June 2001	31 December 2000
Risk discount rate	9.3%	9.3%	9.4%	9.1%	7.6%	7.6%	7.5%	7.5%
Pre-tax investment returns:								
Base government fixed interest	5.3%	5.3%	5.6%	5.3%	5.3%	5.3%	5.3%	5.3%
Ordinary shares	8.3%	8.3%	8.6%	8.3%	8.3%	8.3%	8.3%	8.3%
Property	6.8%	6.8%	7.1%	6.8%	6.8%	6.8%	6.8%	6.8%
Future expense inflation	4.0%	4.0%	5.0%	5.0%	3.3%	3.3%	3.3%	3.3%
Tax rate	14.0%	16.0%	18.0%	20.0%	41.0%	41.0%	43.0%	43.0%
	Netherlands				Poland – Life			
	30 June 2002	31 December 2001	30 June 2001	31 December 2000	30 June 2002	31 December 2001	30 June 2001	31 December 2000
Risk discount rate	8.0%	8.0%	8.0%	8.0%	18.5%	18.5%	20.0%	20.0%
Pre-tax investment returns:								
Base government fixed interest	5.1%	5.1%	5.0%	5.0%	12.5%	12.5%	12.5%	12.5%
Ordinary shares	8.1%	8.1%	7.9%	7.9%	12.5%	12.5%	12.5%	12.5%
Property	6.6%	6.6%	6.5%	6.5%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	9.2%	9.2%	9.2%	9.2%
Tax rate	25.0%	25.0%	25.0%	25.0%	28.0%	28.0%	28.0%	28.0%
	Poland – Pensions				Spain			
	30 June 2002	31 December 2001	30 June 2001	31 December 2000	30 June 2002	31 December 2001	30 June 2001	31 December 2000
Risk discount rate	16.9%	16.9%	17.3%	17.3%	8.3%	8.3%	8.4%	8.4%
Pre-tax investment returns:								
Base government fixed interest	12.5%	12.5%	12.5%	12.5%	5.3%	5.3%	5.4%	5.4%
Ordinary shares	12.5%	12.5%	12.5%	12.5%	8.3%	8.3%	8.4%	8.4%
Property	n/a	n/a	n/a	n/a	6.8%	6.8%	6.9%	6.9%
Future expense inflation	9.2%	9.2%	9.2%	9.2%	3.2%	3.2%	4.0%	4.0%
Tax rate	28.0%	28.0%	28.0%	28.0%	35.0%	35.0%	35.0%	35.0%

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 and embedded value.

	New business contribution		Embedded value	
	Interest rates £m	Discount rates £m	Interest rates £m	Discount rates £m
United Kingdom	13	(25)	(250)	(300)
Europe (excluding UK)				
France	4	(4)	(60)	(70)
Ireland	2	(2)	(5)	(15)
Italy	1	(1)	-	(5)
Netherlands (including Belgium and Luxembourg)	3	(4)	(110)	(110)
Poland – Life	-	(1)	-	(10)
– Pensions	-	-	-	(10)
Spain	1	(2)	(10)	(15)
Other	-	-	-	-
International	(1)	(2)	(10)	(10)
	23	(41)	(445)	(545)

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. Based on this, the Group's new business contribution is most sensitive to a change in discontinuance rates, whereas the value of in-force is broadly equally sensitive to changes in discontinuance rates, mortality rates and future maintenance expense levels.

Summarised consolidated profit and loss account – modified statutory basis

For the six months ended 30 June 2002

	6 months 2002		6 months 2002	Restated* 6 months 2001	Restated* Full year 2001
Page	€m		£m	£m	£m
		Premium income (after reinsurance) and investment sales - continuing operations			
27	14,413	Life premiums, including share of associates' premiums	8,936	8,371	17,590
27	1,003	Investment sales	622	763	1,475
28	865	Health premiums	536	509	841
	16,281		10,094	9,643	19,906
29	7,098	General insurance premiums	4,401	4,352	8,433
	23,379	Total continuing operations	14,495	13,995	28,339
29	-	Discontinued operations – general insurance premiums	-	1,103	1,103
	23,379	Total	14,495	15,098	29,442
		Operating profit			
28	925	Modified statutory life profit	574	600	1,194
28	52	Health	32	32	70
33	5	Fund management	3	24	29
29	774	General insurance	480	427	945
34	(11)	Non-insurance operations	(7)	1	7
34	(155)	Corporate costs	(96)	(81)	(187)
33	(335)	Unallocated interest charges	(208)	(215)	(426)
34	(34)	Wealth management	(21)	(60)	(99)
	1,221	Operating profit – continuing operations before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	757	728	1,533
29	-	Discontinued operations	-	(21)	(21)
	1,221		757	707	1,512
	(74)	Amortisation of goodwill	(46)	(30)	(87)
	(55)	Amortisation of acquired additional value of in-force long-term business	(34)	(17)	(64)
	-	- Financial Services Compensation Scheme levy	-	(14)	(31)
	-	- Integration costs	-	-	(59)
	1,092	Operating profit before tax	677	646	1,271
	(847)	Short-term fluctuation in investment return	(525)	(446)	(988)
	(42)	Change in the equalisation provision	(26)	(22)	(56)
26	(26)	(Loss)/profit on the disposal of subsidiary undertakings	(16)	247	287
	177	Profit on ordinary activities before tax	110	425	514
30	(67)	Tax on profit on ordinary activities	(42)	(133)	(198)
	110	Profit on ordinary activities after tax	68	292	316
	(49)	Minority interests	(30)	(25)	(57)
	61	Profit for the financial period	38	267	259
30	(14)	Preference dividends	(9)	(9)	(17)
	47	Profit for the financial period attributable to equity shareholders	29	258	242
30	(318)	Ordinary dividends	(197)	(321)	(857)
	(271)	Retained loss transferred to reserves	(168)	(63)	(615)

* Restated for the effect of Financial Reporting Standard 19.

Earnings per share – modified statutory basis

For the six months ended 30 June 2002

Page		6 months 2002	Restated* 6 months 2001	Restated* Full year 2001
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	21.5p	20.6p	43.2p
31	Profit attributable to equity shareholders	1.3p	11.5p	10.8p
32	Profit attributable to equity shareholders - diluted	1.3p	11.5p	10.7p
30	Dividend per share	8.75p	14.25p	38.0p

Consolidated statement of total recognised gains and losses

For the six months ended 30 June 2002

Page		6 months 2002 £m	Restated* 6 months 2001 £m	Restated* Full year 2001 £m
21	Profit for the financial period	38	267	259
	Movement in internally-generated additional value of in-force long-term business**	(413)	(228)	(761)
	Foreign exchange gains/(losses)	270	35	(191)
Total recognised (losses)/gains arising in the period		(105)	74	(693)

* Restated for the effect of Financial Reporting Standard 19.

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

Reconciliation of movements in consolidated shareholders' funds

For the six months ended 30 June 2002

Page		6 months 2002 £m	Restated* 6 months 2001 £m	Restated* Full year 2001 £m
	Shareholders' funds at the beginning of the period, as originally reported	11,872	13,633	13,633
	Prior year adjustment**	(120)	(346)	(346)
	Shareholders' funds at the beginning of the period, as restated	11,752	13,287	13,287
	Total recognised (losses)/gains arising in the period	(105)	74	(693)
30	Dividends	(206)	(330)	(874)
	Increase in share capital	11	16	29
	Other movements	7	5	3
Shareholders' funds at the end of the period		11,459	13,052	11,752

* Restated for the effect of Financial Reporting Standard 19.

** The prior year adjustment reflects the implementation of Financial Reporting Standard 19 (page 25).

Summarised consolidated balance sheet

As at 30 June 2002

	30 June 2002 £m	Restated* 30 June 2001 £m	Restated* 31 December 2001 £m
Assets			
Goodwill	1,135	750	1,141
Investments			
Land and buildings	836	768	857
Investments in Group undertakings and participating interests	304	284	282
Variable yield securities	3,835	5,016	4,168
Fixed interest securities	8,302	8,300	9,288
Mortgages and loans, net of non-recourse funding	1,208	1,139	1,236
Deposits	910	1,839	1,346
Additional value of in-force long-term business	5,603	6,411	5,948
	20,998	23,757	23,125
Reinsurers' share of technical provisions	3,304	2,924	3,543
Assets of the long-term business	155,541	144,999	151,003
Other assets	10,298	8,641	9,512
Total assets	191,276	181,071	188,324
Liabilities			
Shareholders' funds			
Equity	11,259	12,852	11,552
Non-equity	200	200	200
Minority interests	681	560	651
	12,140	13,612	12,403
Subordinated debt	1,185	-	1,157
Total capital, reserves and subordinated debt	13,325	13,612	13,560
Liabilities of the long-term business	150,120	140,023	145,644
General insurance liabilities	17,783	18,014	17,825
Borrowings	2,254	2,686	2,662
Other creditors and provisions	7,794	6,736	8,633
Total liabilities	191,276	181,071	188,324

* Restated for the effect of Financial Reporting Standard 19.

Consolidated cash flow statement

For the six months ended 30 June 2002

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
Net cash inflow from operating activities, excluding exceptional items and merger transaction costs*	586	266	701
Net cash outflow from servicing of finance	(91)	(82)	(246)
Corporation tax received/(paid) (including advance corporation tax)	48	(77)	(39)
Net purchases of tangible fixed assets	(32)	(76)	(114)
	511	31	302
Exceptional items and merger transaction costs paid*	(523)	(380)	(491)
Acquisitions and disposals of subsidiary and associated undertakings	114	1,261	853
Equity dividends paid	(535)	(535)	(856)
Proceeds from issue of subordinated debt	-	-	1,157
Net cash (outflow)/inflow from other financing activities:			
Issue of share capital	10	11	29
Net (repayment)/drawdown of loans	(151)	73	94
Net cash flows	(574)	461	1,088

Cash flows were invested as follows:

Increase/(decrease) in cash holdings	135	(114)	(69)
Net (sales)/purchases of investments	(564)	481	1,223
Non-trading cash (inflow from)/outflow to long-term business operations	(145)	94	(66)
Net investment of cash flows	(574)	461	1,088

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.

*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 are now shown within exceptional items.

1. Basis of preparation

- (a) The results for the six months to 30 June 2002 have been prepared on the basis of the accounting policies set out in CGNU plc's 2001 Annual Report and Accounts, except for deferred tax set out in paragraph (e) below. The results for the six months to 30 June 2002 and 2001 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 2001 have been taken from the Group's 2001 Annual Report and Accounts. The auditor has reported on the 2001 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 2001 Annual Report and Accounts have been filed with the Registrar of Companies.
- (b) 'Discontinued operations' disclosures relate to the disposal of the general insurance business in the United States, which completed on 1 June 2001. 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 plc (RBSG) is incorporated within the modified statutory life profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within 'Amortisation of goodwill' on page 21.
- (d) Financial Reporting Standard (FRS) 17 'Retirement Benefits' is not mandatory for the Group until the year ended 31 December 2003. The Group has continued to account for pension costs in accordance with SSAP24.
- (e) FRS19 is effective for the year ended 31 December 2002. The principal impact of the change from the accounting policy applied under SSAP15 is to provide additional deferred tax on unrealised appreciation of investments. The additional deferred tax provision results in a reduction in the fund for future appropriations for with-profit life business and a reduction in profit and loss account reserve for general insurance business. In the case of non-profit business the establishment of an additional deferred tax provision has a neutral effect on shareholders' funds. This is because the reduction in the profit and loss account reserve is compensated by a corresponding increase in the revaluation reserve representing additional value of in-force long-term business. The Group has chosen to adopt the discounting option for deferred tax purposes.

The effects of implementing FRS19 are as follows:

- (i) The provision for deferred tax at 30 June 2002 has increased by £829 million (30 June 2001: £1,273 million; 31 December 2001: £945 million). The increase in provision has resulted in the following:

	30 June 2002 £m	30 June 2001 £m	31 December 2001 £m
With-profit business			
Reduction in fund for future appropriations	665	974	735
Non-profit business			
Increase in additional value of in-force business	90	90	90
General insurance business and other			
Reduction in shareholders' funds	74	209	120
Increase in deferred tax provision	829	1,273	945

- (ii) The tax charge in the profit and loss account has decreased by £46 million in the six months to 30 June 2002 (six months to 30 June 2001: decrease of £137 million; full year 2001: decrease of £226 million).

2. Exchange rates

The euro rates employed in this announcement are an average rate of 1 euro = £0.62 (six months to 30 June 2001: 1 euro = £0.62; full year 2001: 1 euro = £0.62) and a closing rate of 1 euro = £0.65 (30 June 2001: 1 euro = £0.60; 31 December 2001: 1 euro = £0.61).

3. Acquisitions

On 31 May 2002, the Group extended its bancassurance partnership with DBS Group Holdings Limited (DBS) and acquired 100% of the issued equity share capital of Dao Heng Assurance and DBS Kwong On Insurance (together DBS Hong Kong), DBS's life and general insurance subsidiary in Hong Kong. Total cash consideration was £31 million and net assets on acquisition of DBS Hong Kong were £16 million, giving rise to goodwill of £15 million. Further amounts may be payable depending on the achievement of performance targets by DBS Hong Kong.

4. Disposals

The net (loss)/profit on the disposal of subsidiary undertakings comprises:

		6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
Long-term savings businesses				
Canada		-	(5)	(5)
General insurance businesses				
UK	(a)	(20)	-	-
France	(b)	6	-	-
New Zealand		-	52	52
United States		-	125	125
Belgium		-	-	46
Other businesses				
UK		-	70	70
France	(c)	1	-	-
Other small operations				
		(3)	5	(1)
		(16)	247	287

(a) In January 2002, the Group completed the disposal of its wholly-owned subsidiary, Sabre Insurance Company Limited, for a total consideration of £14 million. The net assets disposed of amounted to £24 million and the loss on disposal, after transaction costs and the goodwill write-back of £10 million, was £20 million.

(b) In May 2002, the Group completed the disposal of its wholly-owned subsidiary, CGU Courtague, for a total consideration of £189 million. The net assets disposed of amounted to £137 million and the profit on disposal, after transaction costs, warranties and indemnities, was £6 million.

(c) In May 2002, the Group completed the disposal of its wholly-owned subsidiary, Royal Saint Georges Banque for a total consideration of £16 million. The net assets disposed of amounted to £15 million and the profit on disposal, after transaction costs, was £1 million.

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 2002 £m	6 months 2001 £m	Full year 2001 £m
	6 months 2002 £m	6 months 2001 £m	6 months 2002 £m	6 months 2001 £m			
Life and pensions sales							
United Kingdom – group	3,294	3,203	332	271	4,525	4,370	8,913
– associates	75	83	7	6	139	153	361
	3,369	3,286	339	277	4,664	4,523	9,274
Europe (excluding UK)							
France	888	1,015	21	20	1,027	1,127	2,185
Ireland	162	229	50	28	292	321	658
Italy	508	369	18	18	630	440	1,116
Netherlands (including Belgium and Luxembourg)	274	277	36	47	651	670	1,290
Poland	8	3	15	17	147	145	295
– Life	4	-	11	13	242	231	433
– Pensions	351	271	28	23	453	351	1,034
Spain	96	80	35	31	266	218	492
Other							
International	420	254	41	32	564	345	813
Total life and pension sales (including share of associates)	6,080	5,784	594	506	8,936	8,371	17,590
Investment sales							
United Kingdom	302	550	11	7	313	557	816
Netherlands	56	40	-	-	56	40	85
Other Europe	53	82	-	-	53	82	227
International	200	84	-	-	200	84	347
Total long-term savings (including share of associates)	6,691	6,540	605	513	9,558	9,134	19,065

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.

6. Geographical analysis of modified statutory life operating profit

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom*			
With-profit	122	146	275
Non-profit	245	248	414
Europe (excluding UK)			
France	71	75	160
Ireland	17	15	49
Italy	19	5	26
Netherlands (including Belgium and Luxembourg)	70	68	214
Poland – Life	25	19	39
– Pensions	3	7	7
Spain	13	12	36
Other	(6)	(9)	(21)
International	(5)	14	(5)
Total modified statutory life operating profit	574	600	1,194

* The other life and savings result has been reclassified to non-insurance (page 34).

7. Geographical analysis of health premiums after reinsurance and operating result**(a) Premiums after reinsurance:**

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom	142	128	242
France	55	53	100
Netherlands	339	328	499
	536	509	841

(b) Operating result:

	Operating profit			Underwriting result		
	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom	2	4	8	-	2	4
France	4	4	9	(1)	(1)	(2)
Netherlands	26	24	53	(6)	(11)	(15)
	32	32	70	(7)	(10)	(13)

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

(a) General insurance premiums after reinsurance:

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom	2,376	2,454	4,777
Europe (excluding UK)			
France	275	389	700
Ireland	255	236	456
Netherlands	241	227	387
Other	244	301	499
International			
Australia and New Zealand	335	256	583
Canada	509	436	878
Other	166	53	153
Continuing operations	4,401	4,352	8,433
Discontinued operations	-	1,103	1,103
	4,401	5,455	9,536

(b) Operating result:

	Operating profit*			Underwriting result*		
	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom	303	254	590	(35)	(69)	(81)
Europe (excluding UK)						
France	25	34	58	(5)	(15)	(33)
Ireland	21	17	48	(7)	(10)	(7)
Netherlands	11	5	19	(7)	(12)	(14)
Other	28	15	41	(3)	(20)	(25)
International						
Australia and New Zealand	24	26	69	(11)	(8)	(1)
Canada	39	50	72	(18)	(16)	(56)
Other	29	26	48	8	(2)	(7)
Continuing operations	480	427	945	(78)	(152)	(224)
Discontinued operations	-	(21)	(21)	-	(173)	(173)
	480	406	924	(78)	(325)	(397)

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £26 million (six months to 30 June 2001: £22 million; full year to 31 December 2001: £56 million) and the Financial Services Compensation Scheme levy of £nil (six months to 30 June 2001: £14 million; full year to 31 December 2001: £31 million).

9. Tax

The tax charge/(credit) in the profit and loss account comprises:

	6 months 2002 £m	Restated* 6 months 2001 £m	Restated* Full year 2001 £m
UK corporation tax	(63)	(15)	16
Overseas tax	32	90	80
Other	(98)	(121)	(264)
Total tax credit for the period	(129)	(46)	(168)
Tax attributable to the long-term business technical result	171	179	366
Charge to profit and loss account	42	133	198
Tax charge analysed between:			
Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items			
– continuing operations	235	231	486
– discontinued operations	-	(7)	(7)
Profit on other ordinary activities	(193)	(91)	(281)
	42	133	198

* Restated for the effect of Financial Reporting Standard 19.

10. Dividends

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

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £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 2002 £m	6 months 2001 £m	Full year 2001 £m
Ordinary dividends			
Interim – 8.75 pence (2001: 14.25 pence)	197	321	321
Final – (2001: 23.75 pence)	-	-	536
Total ordinary dividends	197	321	857

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 31 July 2002.

11. Earnings per share

(a) Basic earnings per share

	6 months 2002			Restated* 6 months 2001		Restated* Full year 2001	
	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 before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	757	484	21.5	463	20.6	973	43.2
Adjusted for the following items:							
– Operating loss on discontinued operations	-	-	-	(14)	(0.6)	(14)	(0.6)
– Amortisation of goodwill	(46)	(46)	(2.0)	(30)	(1.3)	(87)	(3.9)
– Amortisation of acquired additional value of in-force long-term business	(34)	(27)	(1.2)	(12)	(0.5)	(49)	(2.2)
– Financial Services Compensation Scheme levy	-	-	-	(10)	(0.5)	(22)	(1.0)
– Integration costs	-	-	-	-	-	(51)	(2.3)
– Short-term fluctuation in investment return	(525)	(349)	(15.6)	(370)	(16.5)	(754)	(33.4)
– Change in the equalisation provision	(26)	(19)	(0.8)	(16)	(0.7)	(39)	(1.7)
– Net (loss)/ profit arising on the disposal of subsidiary undertakings	(16)	(14)	(0.6)	247	11.0	285	12.7
Profit attributable to equity shareholders	110	29	1.3	258	11.5	242	10.8

* Restated for the effect of Financial Reporting Standard 19.

Earnings per share has been calculated based on the operating profit from continuing operations before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business, exceptional items, after tax, attributable to equity shareholders, as well as on the profit attributable to equity shareholders, as the directors believe the former earnings per share figure provides a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,253 million (six months to 30 June 2001: 2,250 million; full year 2001: 2,250 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 2002 was 2,257 million (30 June 2001: 2,253 million; 31 December 2001: 2,255 million).

Earnings per share (continued)**(b) Diluted earnings per share**

	6 months 2002			Restated* 6 months 2001		Restated* Full year 2001	
	Total £m	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p	Weighted average number of shares m	Per share p
Profit attributable to equity shareholders	29	2,253	1.3	2,250	11.5	2,250	10.8
Dilutive effect of options	-	6	-	2	-	4	(0.1)
Diluted earnings	29	2,259	1.3	2,252	11.5	2,254	10.7

* Restated for the effect of Financial Reporting Standard 19.

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 period, 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 period.

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

	Longer-term rates of return			
	Equities		Properties	
	2002 %	2001 %	2002 %	2001 %
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%
Australia and New Zealand	10.0%	10.0%	8.0%	8.0%
Canada	9.3%	9.3%	7.3%	7.3%
United States	9.3%	9.3%	7.3%	7.3%

Statistical supplement

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

	6 months 2002 £m	6 months 2001 at 2002 exchange rates £m	6 months 2001 £m
Continuing operations			
Life achieved operating profit**			
United Kingdom	424	465	465
France	111	110	110
Ireland	37	37	37
Italy	30	24	24
Netherlands (including Belgium and Luxembourg)	87	93	93
Poland life and pensions	47	43	44
Spain	38	31	31
Other Europe	-	28	28
International	22	17	17
	796	848	849
Health			
United Kingdom	2	4	4
France	4	4	4
Netherlands	26	24	24
	32	32	32
Fund management			
United Kingdom	(8)	5	5
France	6	6	6
Netherlands	5	4	4
Other Europe	1	1	1
Australia and New Zealand	(1)	5	5
International	-	3	3
	3	24	24
General insurance			
United Kingdom	303	254	254
France	25	34	34
Ireland	21	17	17
Netherlands	11	5	5
Other Europe	28	13	15
Australia and New Zealand	24	27	26
Canada	39	49	50
Other	29	26	26
	480	425	427
Non-insurance operations**	(7)	1	1
Corporate costs	(96)	(81)	(81)
Unallocated interest charges	(104)	(90)	(90)
	– external	(90)	(90)
	– intra-group	(125)	(125)
Wealth management	(21)	(60)	(60)
Group operating profit before tax* - continuing operations	979	974	977

* Group operating profit before tax from continuing operations, before amortisation of goodwill and exceptional items.

** Reclassification of other life and savings business from "Life" to "Non-insurance operations".

Restating 2001 modified statutory life profits to account for the impact of exchange rate movements in 2002 would result in modified statutory life profits decreasing from £600 million to £599 million for the 6 months to 30 June 2001.

Supplementary analyses**(a) New business contribution – including effect of solvency margin**

	6 months 2002 £m	6 months 2001 £m
United Kingdom	157	158
Europe (excluding UK)		
France	17	20
Ireland	17	14
Italy	13	11
Netherlands (including Belgium and Luxembourg)	1	1
Poland – Life	4	2
– Pensions	-	1
Spain	28	19
Other	(7)	2
International	7	(1)
	237	227

(b) Non-insurance operations – operating result

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom			
Hill House Hammond	5	5	4
Norwich Union Equity Release and other personal finance subsidiaries	-	(5)	(3)
Your Move	(5)	(10)	(17)
Norwich Union Life Services	(6)	8	9
Other	-	2	3
Europe (excluding UK)	(1)	1	11
	(7)	1	7

The operating result of the equity release business sold in the UK is included within the non-insurance results on a statutory basis. On an achieved profit methodology new business contribution was £7 million before tax (31 December 2001: £12 million) and operating profit before tax was £11 million (31 December 2001: £15 million), which is excluded from our results.

(c) Corporate costs

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
Groupwide staff profit share and other incentive plans	(39)	(32)	(78)
Other corporate costs	(57)	(49)	(109)
	(96)	(81)	(187)

(d) Wealth management – operating result

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom			
assertahome	(4)	(10)	(18)
Other wealth management	(17)	(50)	(81)
	(21)	(60)	(99)

Supplementary analyses (continued)**(e) General business – investment return information**

	Actual investment return			Longer-term investment return		
	6 months 2002	6 months 2001	Full year 2001	6 months 2002	6 months 2001	Full year 2001
	£m	£m	£m	£m	£m	£m
United Kingdom	281	255	512	338	323	671
Europe (excluding UK)						
France	23	35	62	30	49	91
Ireland	25	24	49	28	27	55
Netherlands	17	16	34	18	17	33
Other	25	32	50	31	35	66
International						
Australia and New Zealand	26	30	55	35	34	70
Canada	47	54	105	57	66	128
Other	17	23	48	21	28	55
Total longer-term investment return – continuing operations				558	579	1,169
Total actual investment income	461	469	915			
Realised gains	106	43	300			
Unrealised (losses)	(473)	(345)	(904)			
Total actual investment return – continuing operations	94	167	311			
Discontinued operations	-	165	165	-	152	152
	94	332	476	558	731	1,321

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 2002

	Actual investment return £m	Longer-term investment return £m	Short-term fluctuation in investment return £m
General business	94	558	(464)
Health business	4	39	(35)
	98	597	(499)
Life business			(26)
Total short-term fluctuation in investment return			(525)

Supplementary analyses (continued)**(f) General business information on continuing operations – adverse weather/catastrophe claims costs**

	6 months 2002 £m	6 months 2001 £m	Full year 2001 £m
United Kingdom*	-	-	-
Europe (excluding UK)			
France	-	4	4
Ireland	-	-	-
International			
Australia and New Zealand	4	3	7
Canada	6	5	6
Other	-	-	-
	10	12	17

*Adverse weather/catastrophe claims costs are the costs above the 10-year average weather pattern.

(g) Pension schemes

FRS17 "Retirement benefits" was issued in November 2000 but will not be mandatory for the Group and the Company until the year ended 31 December 2003. Prior to this, phased transitional disclosures are introduced and the table below is an extract from these disclosures. FRS17 differs from the existing accounting standard for pension costs (SSAP24) in a number of ways, principally the choice of assumptions, and that the difference between the market value of assets and the liabilities is immediately recognised in the balance sheet under FRS17, whereas changes in assets and liabilities are recognised on a smoothed basis under SSAP24. The effect on the Group net assets and retained profit of substituting the FRS17 figures for the corresponding SSAP24 balance sheet would be as follows:

	30 June 2002 Net assets £m	Restated* 31 December 2001 Net assets £m
Total included in the Group accounts	12,140	12,403
Less: pension asset on a SSAP24 basis	(143)	(143)
Total excluding pension asset/liability	11,997	12,260
Add: pension (liability)/asset on FRS17 basis	(330)	233
Total including pension asset/liability	11,667	12,493

* Restated for the effect of Financial Reporting Standard 19.

General insurance – geographical ratio analysis

	Claims ratio		Expense ratio		Combined operating ratio	
	6 months	6 months	6 months	6 months	6 months	6 months
	2002	2001	2002	2001	2002	2001
	%	%	%	%	%	%
United Kingdom	71.0%	71.5%	10.4%	10.6%	101%	103%
France	69.9%	72.1%	12.6%	11.8%	100%	103%
Ireland	81.0%	85.0%	9.5%	8.3%	100%	104%
Netherlands	64.3%	64.6%	17.2%	18.4%	102%	104%
Australia and New Zealand	73.2%	73.9%	13.2%	13.9%	102%	103%
Canada	74.1%	74.7%	12.0%	13.3%	103%	104%
Group – continuing operations	71.4%	71.8%	11.3%	11.9%	101%	103%

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 – continuing operations**

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months	6 months	6 months	6 months	6 months	6 months
	2002	2001	2002	2001	2002	2001
	£m	£m	£m	£m	%	%
Personal						
Motor	645	750	(22)	(29)	103%	104%
Homeowner	495	531	22	29	95%	95%
Creditor	227	288	6	14	100%	98%
Other	42	49	1	-	100%	95%
	1,409	1,618	7	14	99%	100%
Commercial						
Motor	365	354	(10)	(34)	103%	107%
Property	341	297	(10)	(19)	103%	106%
Liability	132	117	(26)	(33)	121%	128%
Other	129	68	4	3	91%	96%
	967	836	(42)	(83)	104%	109%
£m	2,376	2,454	(35)	(69)	101%	103%

During the six months to 30 June 2002, annualised rating increases for commercial motor have been 10%, with 7% for personal motor and 29% for commercial liability, while homeowners and commercial property have seen increases of 7% and 16% respectively.

(b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months	6 months	6 months	6 months	6 months	6 months
	2002	2001	2002	2001	2002	2001
	€m	€m	€m	€m	%	%
Motor	196	232	(5)	(31)	100%	114%
Property and other	248	395	(3)	7	100%	95%
€m	444	627	(8)	(24)	100%	103%
£m	275	389	(5)	(15)	100%	103%

The figures for 2001 include the results for CGU Courtage which was disposed in May 2002. In 2002, the figures exclude CGU Courtage reflecting the structure of the sale whereby the Group had no economic interest in the operating result after 31 December 2001.

General insurance – class of business analyses (continued)**(c) Netherlands**

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months	6 months	6 months	6 months	6 months	6 months
	2002	2001	2002	2001	2002	2001
	€m	€m	€m	€m	%	%
Property	163	145	9	5	91%	93%
Motor	133	139	(19)	(21)	114%	115%
Liability	32	35	(5)	(6)	118%	123%
Other	61	47	3	3	92%	90%
€m	389	366	(12)	(19)	102%	104%
£m	241	227	(7)	(12)	102%	104%

(d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	6 months	6 months	6 months	6 months	6 months	6 months
	2002	2001	2002	2001	2002	2001
	C\$m	C\$m	C\$m	C\$m	%	%
Automobile	736	594	(22)	(1)	103%	99%
Property	339	282	(14)	(31)	104%	113%
Liability	90	70	(10)	(13)	111%	118%
Other	15	14	4	10	73%	66%
C\$m	1,180	960	(42)	(35)	103%	104%
£m	509	436	(18)	(16)	103%	104%

Assets under management

	Long-term business 30 June 2002 £m	General business and other 30 June 2002 £m	Group 30 June 2002 £m	Restated* Group 31 December 2001 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	31,154	2,764	33,918	37,738
Strategic investments	2,651	1,071	3,722	3,849
Debt and fixed income securities at market value	20,620	8,302	28,922	29,641
Debt and fixed income securities at amortised cost	37,248	-	37,248	34,129
Loans secured by mortgages and other loans, net of non-recourse funding	11,727	1,208	12,935	12,527
Deposits with credit institutions	1,565	910	2,475	2,149
Total financial investments	104,965	14,255	119,220	120,033
Investments in Group undertakings and participating interests	798	304	1,102	1,077
Land and buildings	8,446	836	9,282	9,041
Total investments	114,209	15,395	129,604	130,151
Assets held to cover linked liabilities	29,932	-	29,932	28,704
Other assets included in the balance sheet	11,400	20,340	31,740	29,469
Total assets included in the balance sheet	155,541	35,735	191,276	188,324
Third party funds under management:				
Securitized mortgages (gross of non-recourse funding)			1,892	1,149
Unit trusts, Oeics, Peps and Isas			5,372	4,677
Segregated funds			15,106	14,849
Total assets under management			213,646	208,999

* Restated for the effect of Financial Reporting Standard 19.

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 2002 £m
Shares, other variable yield securities and units in unit trusts and strategic investments	1,996	1,194	645	3,835
Debt and fixed income securities at market value	3,789	2,442	2,071	8,302
Land and buildings	299	494	43	836
Other	1,495	496	431	2,422
Total investments	7,579	4,626	3,190	15,395

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 2002 £m	Restated* Full year 2001 £m
Long-term savings	11,024	11,307
General insurance and health	4,613	4,780
Other business	316	324
Corporate	2,119	2,947
	18,072	19,358
Disposed business – CGU Courtage	-	137
Total capital employed	18,072	19,495
Financed by		
Internal debt	2,504	3,284
External debt	2,243	2,651
Subordinated debt	1,185	1,157
Shareholders' funds and minority interests	12,140	12,403
	18,072	19,495

* Restated for the effect of Financial Reporting Standard 19.

At 30 June 2002 capital employed in our operations was lower at £18.1 billion (31 December 2001: £19.5 billion, restated), primarily reflecting £293 million reduction in shareholders' funds and the use of £1,188 million of assets employed in the business to reduce internal and external debt.

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 capital 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.

The ratio of the Group's external debt to shareholders' funds was 17% (2001 restated: 20%). Interest cover, which measures the extent to which external interest costs are covered by achieved operating profit, was 14 times (2001: 12 times).

Standard and Poor's have recently reaffirmed the financial strength rating of AA (very strong security) in respect of the Group's principal operations.

Group capital structure (continued)**Deployment of equity shareholders' funds**

	6 months 2002				Restated* Full year 2001	
	Equities £m	Fixed income securities £m	Other investments £m	Other net assets £m	Total £m	Total £m
Assets						
Long-term savings	891	2,372	1,135	786	5,184	5,115
General insurance, health, corporate and other business	3,835	2,113	745	(780)	5,913	6,910
	4,726	4,485	1,880	6	11,097	12,025
Goodwill					1,372	1,385
Additional value of in-force long-term business					5,603	5,948
Assets backing continuing operations					18,072	19,358
External debt					(2,243)	(2,651)
Internal debt					(2,504)	(3,284)
Subordinated debt					(1,185)	(1,157)
					12,140	12,266
Minority interests					(681)	(651)
Preference capital					(200)	(200)
Total continuing operations					11,259	11,415
Disposed business – CGU Courtage					-	137
Equity shareholders' funds					11,259	11,552

* Restated for the effect of Financial Reporting Standard 19.

Return on capital employed

	6 months 2002			Full year 2001
	Normalised after-tax return £m	Opening equity capital restated* £m	Return on capital (annualised) %	Return on capital restated* %
Long-term savings	555	11,307	10.1%	10.0%
General insurance and health	295	4,780	12.7%	11.9%
Other business	(18)	324	(11.4%)	(27.0%)
Corporate	(13)	2,947	(0.9%)	(3.2%)
	819	19,358	8.6%	8.8%
Borrowings	(145)	(7,092)	4.1%	4.4%
	674	12,266	11.3%	11.2%
Minority interests	(48)	(651)	15.3%	15.9%
Preference capital	(9)	(200)	8.5%	8.5%
	617	11,415	11.1%	11.0%
Disposed business – CGU Courtage	-	137	-	15.3%
Discontinued operations	-	-	-	-
Equity shareholders' funds	617	11,552	11.0%	9.7%

* Restated for the effect of Financial Reporting Standard 19.

The return on capital is calculated as the after-tax return on opening equity capital, based on operating profit from continuing operations, 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. Reinsurance is actively used to limit risk and capital requirements in the inherently volatile general insurance business. Through reinsurance, exposure to loss is limited to £100 million for any extra aggregation of events. 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 5 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. Following the disposal of our US, London Market and Courtage businesses, 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 £4.6 billion at 30 June 2002 and required capital on a risk basis was £3.3 billion, giving a surplus capital position of £1.3 billion.

Sensitivity analysis

The sensitivity of the Group's shareholders' funds at 30 June 2002 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2001 £bn		30 June 2002 £bn	Equities down 10% £bn	Interest rates up 1% £bn
5.9	Additional value of in-force ¹	5.6	5.3	5.8
13.6	Other net assets	12.4	12.0	12.0
(7.1)	Borrowings ²	(5.9)	(5.9)	(5.9)
12.4 Shareholders' funds		12.1	11.4	11.9

¹ Assumes achieved profit assumptions adjusted to reflect revised bond yields

² Comprising internal, external and subordinated debt

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 16% (31 December 2001: 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 2001: £800 million). This includes £100 million (31 December 2001: £200 million) of solvency requirements.

Group capital structure (continued)**Shareholders' funds, including minority interests**

6 months 2002	Note	Closing shareholders' funds			Normalised return (note 1)	
		MSSB net assets (note 2) £m	Internally generated AVIF £m	Embedded value £m	Before tax £m	After tax £m
Life assurance						
United Kingdom		2,372	3,159	5,531	424	297
France		947	361	1,308	111	71
Ireland		279	198	477	37	32
Italy		236	65	301	30	18
Netherlands (including Belgium and Luxembourg)		1,108	816	1,924	87	65
Poland		125	257	382	47	34
Spain		232	101	333	38	25
Other Europe		101	17	118	-	-
International		372	41	413	22	13
		5,772	5,015	10,787	796	555
Participating interests	3	237	-	237	-	-
		6,009	5,015	11,024	796	555
General insurance and health						
United Kingdom	4 5	2,032		2,032	227	155
France		496		496	29	18
Ireland		206		206	21	17
Netherlands		418		418	37	27
Other Europe		191		191	28	19
Australia and New Zealand		370		370	24	16
Canada		585		585	39	24
Other		315		315	29	19
		4,613		4,613	434	295
Other business		316		316	(25)	(18)
Corporate	5, 6	2,119		2,119	(18)	(13)
External debt	7	(2,243)		(2,243)	(68)	(48)
Internal debt		(2,504)		(2,504)	(104)	(72)
Subordinated debt		(1,185)		(1,185)	(36)	(25)
Shareholders' funds, including minority interests		7,125	5,015	12,140	979	674
Comprising						
Equities		4,726		4,726		
Debt and fixed income securities		4,485		4,485		
Property		800		800		
Deposits and other investments		1,080		1,080		
Intangible assets	8	1,960	5,015	6,975		
Other net assets		6		6		
Borrowings		(5,932)		(5,932)		
		7,125	5,015	12,140		

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 £588 million.
3. The net assets represent the £237 million of goodwill on the RBSG joint venture.
4. The capital employed in the Group's general insurance operations includes £314 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 £78 million (post-tax £55 million) have been reclassified as Corporate.
6. The return before tax of £(18) million comprises investment return £78 million and corporate costs £(96) million.
7. The external borrowings reported in the summary consolidated balance sheet of £2,254 million comprises £11 million of general insurance borrowings (reported within the general insurance and health net assets) and £2,243 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 (£588 million), goodwill arising on acquisitions (£1,135 million) and goodwill on the RBSG joint venture (£237 million).

Group capital structure (continued)**Shareholders' funds, including minority interests (continued)**

31 December 2001	Note	Restated closing shareholders' funds*		
		MSSB net assets (note 1) £m	Internally generated AVIF £m	Embedded value £m
Life assurance				
United Kingdom		2,586	3,444	6,030
France		889	354	1,243
Ireland		256	211	467
Italy		218	60	278
Netherlands (including Belgium and Luxembourg)		983	883	1,866
Poland		117	254	371
Spain		179	130	309
Other Europe		101	6	107
International		385	7	392
		5,714	5,349	11,063
Participating interests	2	244	-	244
		5,958	5,349	11,307
General insurance and health				
United Kingdom	3 4	2,043		2,043
France		482		482
Ireland		200		200
Netherlands		430		430
Other Europe		276		276
Australia and New Zealand		357		357
Canada		590		590
Other		402		402
		4,780	-	4,780
Other business		324		324
Corporate	4, 5	2,947		2,947
External debt	6	(2,651)		(2,651)
Internal debt		(3,284)		(3,284)
Subordinated debt		(1,157)		(1,157)
		(3,821)	-	(3,821)
		6,917	5,349	12,266
Disposed business – CGU Courtage		137	-	137
Shareholders' funds, including minority interests				
		7,054	5,349	12,403
Comprising				
Equities		4,947		4,947
Debt and fixed income securities		5,063		5,063
Property		825		825
Deposits and other investments		1,417		1,417
Intangible assets	7	1,984	5,349	7,333
Other net assets		(90)		(90)
Borrowings		(7,092)		(7,092)
		7,054	5,349	12,403

Group capital structure (continued)

Shareholders' funds, including minority interests (continued)

Notes

1. Includes acquired additional value of in-force long-term business of £599 million.
2. The net assets represent the £244 million of goodwill on the RBSG joint venture.
3. The capital employed in the Group's general insurance operations includes £316 million of goodwill.
4. 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 £107 million (post-tax £72 million) have been reclassified as Corporate.
5. The return before tax of £80 million comprises investment return (£107 million) and corporate costs (£187 million).
6. The external borrowings reported in the summary consolidated balance sheet of £2,662 million comprises £11 million of general insurance borrowings (reported within the general insurance and health net assets) and £2,651 million of borrowings by holding companies of the Group not allocated to operating companies (shown as external debt).
7. Comprises acquired additional value of in-force long-term business (£599 million), goodwill arising on acquisitions (£1,141 million) and goodwill on the RBSG joint venture (£244 million).

Shareholder information

Financial calendar 2002/2003

Ex-dividend date for 2002 interim dividend	25 September 2002
Record date for 2002 interim dividend	27 September 2002
Payment of interim 2002 dividend	15 November 2002
Announcement of long-term savings new business for 9 months to 30 September	24 October 2002
Preliminary announcement of 2002 results	26 February 2003

Dividend reinvestment plan

Shareholders are offered the opportunity to participate in the Company's Dividend Reinvestment Plan (the "Plan") which enables dividends to be reinvested in the Company's shares at reduced dealing costs.

Shareholders who have previously elected to join the Plan need take no further action as their cash dividend will automatically be used to purchase Aviva's shares, on or around the dividend payment date, in accordance with the terms of the Plan.

Shareholders who have not already joined the Plan and wish to do so should contact the Company's Registrar, at the address below, in order to obtain full details and a mandate form. Completed mandate forms must be returned to the Registrar by no later than 25 October 2002 in order to participate in the Plan for the 2002 interim dividend.

The Plan is available to ordinary shareholders, members of the Aviva Share Account and members of the Group's employee profit sharing schemes.

Interim report

In an effort to minimise waste and eliminate unnecessary cost, the Company has decided not to mail interim reports automatically to all shareholders each year. However, shareholders who would like a copy of the report, now and in future years, should contact the Company's Registrar at the address below.

Shareholder enquiries

Shareholders who have any administrative enquiries about their shareholding in Aviva plc should contact the Company's Registrar:

Lloyds TSB Registrars
The Causeway
Worthing
West Sussex
BN99 6DA

0870 600 3952

Internet addresses

There are various internet sites within the Group, most of which inter-link to enable quick reference direct to specific sites. Principal UK internet sites are as follows:

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

Aviva plc
Registered in England no: 2468686
Registered Office: St Helen's, 1 Undershaft, London EC3P 3DQ