Our strategy for the future

is to make sure there is a future.

We've committed to becoming the first insurer to go carbon neutral worldwide.

Summarised consolidated income statement – IFRS basis
For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
	Income			
21,331	Premiums written net of reinsurance	**14,505**	13,707	27,234
(349)	Net change in provision for unearned premiums	**(237)**	(222)	93
20,982	Net earned premiums	**14,268**	13,485	27,327
1,351	Fee and commission income	**919**	905	1,870
10,068	Net investment income	**6,846**	2,854	15,473
(118)	Share of (loss)/profit after tax of joint ventures and associates	**(80)**	223	485
(7)	(Loss)/profit on the disposal of subsidiaries and associates	**(5)**	147	222
32,276		**21,948**	17,614	45,377
	Expenses			
(19,569)	Claims and benefits paid, net of recoveries from reinsurers	**(13,307)**	(11,037)	(23,444)
(938)	Change in insurance liabilities, net of reinsurance	**(638)**	98	(2,620)
(3,626)	Change in investment contract provisions	**(2,466)**	(1,826)	(6,002)
40	Change in unallocated divisible surplus	**27**	623	(558)
(3,290)	Fee and commission expense	**(2,237)**	(2,188)	(5,043)
(2,444)	Other expenses	**(1,662)**	(1,540)	(3,557)
(656)	Finance costs	**(446)**	(384)	(830)
(30,483)		**(20,729)**	(16,254)	(42,054)
1,793	**Profit before tax**	**1,219**	1,360	3,323
(31)	Tax attributable to policyholders' returns	**(21)**	(112)	(346)
1,762	**Profit before tax attributable to shareholders' profits**	**1,198**	1,248	2,977
	Tax expense			
(168)	United Kingdom tax	**(114)**	(269)	(479)
(316)	Overseas tax	**(215)**	(162)	(455)
(484)		**(329)**	(431)	(934)
31	Less: tax attributable to policyholders' returns	**21**	112	346
(453)	Tax attributable to shareholders' profits	**(308)**	(319)	(588)
1,309	**Profit for the period**	**890**	929	2,389
	Attributable to:			
1,187	– Equity shareholders of Aviva plc	**807**	856	2,215
122	– Minority interests	**83**	73	174
1,309		**890**	929	2,389

All profit is from continuing operations.

6 months 2007		6 months 2007	6 months 2006	Full year 2006
	Earnings per share – IFRS basis			
45.6c	Basic (pence per share)	**31.0p**	35.3p	87.5p
45.1c	Diluted (pence per share)	**30.7p**	35.0p	86.6p

Subsequent to 30 June 2007, the directors proposed an interim dividend for 2007 of 11.90 pence (interim 2006: 10.82 pence) per ordinary share, amounting to £309 million (interim 2006: £275 million) in total. The dividend will be paid on 16 November 2007 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007.

During the six months to 30 June 2007 the directors declared a final dividend for 2006 of 19.18 pence per ordinary share (final 2005: 17.44 pence) totalling £492 million (6 months to 30 June 2006: £418 million).

Pro forma reconciliation of Group operating profit to profit before tax – IFRS basis

For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
	IFRS operating profit before tax attributable to shareholders' profits			
1,590	Long-term business	**1,081**	710	1,896
112	Fund management	**76**	61	155
824	General insurance and health	**560**	866	1,680
	Other:			
(106)	– Other operations	**(72)**	(11)	(80)
(118)	– Corporate centre	**(80)**	(73)	(160)
(280)	– Group debt costs and other interest	**(190)**	(177)	(381)
2,022	**IFRS operating profit before adjusting items and tax attributable to shareholders' profits**	**1,375**	1,376	3,110
	Adjusted for the following:			
(4)	Impairment of goodwill	**(3)**	–	(94)
(168)	Amortisation of acquired value of in-force business	**(114)**	(33)	(100)
(76)	Amortisation and impairment of intangibles	**(52)**	(19)	(70)
–	Financial Services Compensation Scheme and other levies	**–**	6	6
54	Short-term fluctuation in return on investments backing general insurance and health business	**37**	(205)	149
(7)	(Loss)/profit on the disposal of subsidiaries and associates	**(5)**	147	222
(59)	Integration and restructuring costs	**(40)**	(24)	(246)
1,762	**Profit before tax attributable to shareholders' profits**	**1,198**	1,248	2,977
	Tax attributable to shareholders' profits			
(556)	Operating profit	**(378)**	(370)	(725)
103	Other activities	**70**	51	137
(453)		**(308)**	(319)	(588)
1,309	**Profit for the period**	**890**	929	2,389

6 months 2007		6 months 2007	6 months 2006	Full year 2006
	Earnings per share – IFRS operating profit basis			
51.0c	Basic (pence per share)	**34.7p**	38.5p	86.9p
50.6c	Diluted (pence per share)	**34.4p**	38.1p	86.0p

Consolidated statement of recognised income and expense – IFRS basis

For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
509	Fair value gains/(losses) on AFS securities, owner-occupied properties and hedging instruments	**346**	(159)	374
(172)	Fair value gains transferred to profit	**(117)**	(4)	(162)
–	Impairment losses on revalued assets	**–**	–	(2)
12	Share of fair value changes in investments held by joint ventures and associates taken to equity	**8**	–	–
1,097	Actuarial gains/(losses) on pension schemes	**746**	473	(114)
(74)	Foreign exchange rate movements	**(50)**	(10)	(346)
(1)	Aggregate tax effect – policyholder tax	**(1)**	2	–
(337)	Aggregate tax effect – shareholder tax	**(229)**	(106)	(5)
1,034	**Net income recognised directly in equity**	**703**	196	(255)
1,309	Profit for the period	**890**	929	2,389
2,343	**Total recognised income and expense for the period**	**1,593**	1,125	2,134
	Attributable to:			
2,227	Equity shareholders of Aviva plc	**1,514**	1,050	1,978
116	Minority interests	**79**	75	156
2,343		**1,593**	1,125	2,134

Reconciliation of movements in consolidated shareholders' equity – IFRS basis

For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
20,991	**Balance at 1 January**	**14,064**	11,092	11,092
2,378	Total recognised income and expense for the period	**1,593**	1,125	2,134
(748)	Dividends and appropriations (note 15)	**(501)**	(427)	(762)
–	Issue of share capital for the acquisition of AmerUs Group Co. net of transaction costs	**–**	–	892
45	Other issues of share capital, net of transaction costs	**30**	47	43
227	Shares issued in lieu of dividends	**152**	77	203
112	Capital contributions from minority shareholders	**75**	35	397
(94)	Minority share of dividends declared in the period	**(63)**	(57)	(75)
211	Minority interest in acquired/disposed subsidiaries	**142**	223	92
36	Reserves credit for equity compensation plans	**24**	5	48
23,158	**Total equity**	**15,516**	12,120	14,064
(2,882)	**Minority interests**	**(1,931)**	(1,404)	(1,698)
20,276	**Balance at 31 December**	**13,585**	10,716	12,366

Summarised consolidated balance sheet – IFRS basis
As at 30 June 2007

6 months 2007 €m		30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
	Assets			
4,346	Goodwill	**2,912**	2,336	2,910
4,233	Acquired value of in-force business and intangible assets	**2,836**	1,004	2,728
3,816	Investments in joint ventures	**2,557**	2,420	2,795
1,330	Investments in associates	**891**	897	895
1,279	Property and equipment	**857**	883	904
23,406	Investment property	**15,682**	14,111	15,123
40,016	Loans	**26,811**	24,479	26,445
	Financial investments			
163,676	– Debt securities	**109,663**	99,451	113,041
87,946	– Equity securities	**58,924**	54,704	56,762
54,503	– Other investments	**36,517**	30,782	33,050
11,690	Reinsurance assets	**7,832**	7,589	7,825
1,142	Deferred tax assets	**765**	655	1,199
400	Current tax assets	**268**	86	344
16,354	Receivables and other financial assets	**10,957**	8,660	8,098
5,864	Deferred acquisition costs and other assets	**3,929**	3,741	3,476
4,139	Prepayments and accrued income	**2,773**	2,993	2,585
22,575	Cash and cash equivalents	**15,125**	15,268	14,542
1,882	Assets of operations classified as held for sale	**1,261**	1,008	–
448,597	**Total assets**	**300,560**	271,067	292,722
	Equity			
966	Ordinary share capital	**647**	604	641
6,693	Capital reserves	**4,484**	4,480	4,460
1,740	Other reserves	**1,166**	1,003	993
9,101	Retained earnings	**6,098**	3,439	5,082
18,500	**Equity attributable to ordinary shareholders of Aviva plc**	**12,395**	9,526	11,176
1,776	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
2,882	Minority interests	**1,931**	1,404	1,698
23,158	**Total equity**	**15,516**	12,120	14,064
	Liabilities			
215,951	Gross insurance liabilities	**144,687**	133,068	144,230
137,464	Gross liabilities for investment contracts	**92,101**	82,856	88,358
14,163	Unallocated divisible surplus	**9,489**	8,235	9,465
5,955	Net asset value attributable to unitholders	**3,990**	3,080	3,810
2,881	Provisions	**1,930**	2,364	2,850
4,497	Deferred tax liabilities	**3,013**	2,323	3,077
1,727	Current tax liabilities	**1,157**	957	1,262
18,203	Borrowings	**12,196**	11,070	12,137
15,855	Payables and other financial liabilities	**10,623**	9,381	9,235
7,176	Other liabilities	**4,808**	4,785	4,234
1,567	Liabilities of operations classified as held for sale	**1,050**	828	–
425,439	**Total liabilities**	**285,044**	258,947	278,658
448,597	**Total equity and liabilities**	**300,560**	271,067	292,722

Approved by the Board on 8 August 2007

Philip Scott, Director

Summarised consolidated cash flow statement – IFRS basis
For the six months to 30 June 2007

The cash flows presented in this statement cover all the Group's activities and include flows from policyholder and shareholder activities.

	6 months 2007				
	Long-term business operations £m	Non-long-term business operations £m	Group £m	6 months 2006 Group £m	Full year 2006 Group £m
Cash flows from operating activities					
Cash generated from operations	**859**	**680**	**1,539**	2,465	2,455
Tax paid	**(232)**	**(68)**	**(300)**	(363)	(595)
Net cash from operating activities	**627**	**612**	**1,239**	2,102	1,860
Cash flows from investing activities:					
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	**(283)**	**(76)**	**(359)**	(205)	(1,889)
Disposal of subsidiaries, joint ventures and associates, net of cash transferred	**256**	**16**	**272**	480	616
Net loans to joint ventures and associates	**184**	**–**	**184**	–	(104)
Purchases of property and equipment	**(13)**	**(59)**	**(72)**	(106)	(295)
Proceeds on sale of property and equipment	**2**	**37**	**39**	25	156
Purchases of intangible assets	**(3)**	**(26)**	**(29)**	(24)	(58)
Net cash from/(used in) investing activities	**143**	**(108)**	**35**	170	(1,574)
Cash flows from financing activities:					
Proceeds from issue of ordinary shares, net of transaction costs	**–**	**30**	**30**	47	935
Net drawdown of borrowings	**27**	**180**	**207**	66	901
Interest paid on borrowings	**(165)**	**(281)**	**(446)**	(384)	(825)
Preference dividends paid	**–**	**(9)**	**(9)**	(9)	(17)
Ordinary dividends paid	**–**	**(340)**	**(340)**	(341)	(490)
Coupon payments on direct capital instrument	**–**	**–**	**–**	–	(52)
Finance lease payments	**–**	**(1)**	**(1)**	(4)	(22)
Capital contributions from minority shareholders	**75**	**–**	**75**	35	304
Dividends paid to minority interests of subsidiaries	**(53)**	**(10)**	**(63)**	(57)	(75)
Non-trading cash flows between operations	**(412)**	**412**	**–**	–	–
Net cash (used in)/from financing activities	**(528)**	**(19)**	**(547)**	(647)	659
Net increase in cash and cash equivalents	**242**	**485**	**727**	1,625	945
Cash and cash equivalents at 1 January	**10,420**	**3,426**	**13,846**	13,067	13,067
Effect of exchange rate changes on cash and cash equivalents	**(13)**	**12**	**(1)**	7	(166)
Cash and cash equivalents at 30 June/31 December	**10,649**	**3,923**	**14,572**	14,699	13,846
Cash and cash equivalents at 30 June/31 December comprised:					
Cash at bank and in hand	**3,215**	**1,602**	**4,817**	3,853	4,087
Cash equivalents	**7,637**	**2,744**	**10,381**	11,532	10,455
	10,852	**4,346**	**15,198**	15,385	14,542
Bank overdrafts	**(203)**	**(423)**	**(626)**	(686)	(696)
	10,649	**3,923**	**14,572**	14,699	13,846

Notes to the consolidated financial statements

1 – Basis of preparation – IFRS

(a) The results for the six months to 30 June 2007 have been prepared on the basis of the accounting policies set out in Aviva plc's 2006 Annual Report and Accounts. The results for the six months to 30 June 2007 and 2006 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. The interim results do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. These interim results do not include all the information and disclosures required in the annual financial statement and should be read in conjunction with the Group's annual financial statement at 31 December 2006. The results for the full year 2006 have been taken from the Group's 2006 Annual Report and Accounts. The auditor has reported on the 2006 accounts and the report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The Group's 2006 Report and Accounts have been filed with the Registrar of Companies.

(b) Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the functional currency). The consolidated financial statements are stated in sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in the financial statements are in millions of pounds sterling (£m). As supplementary information, consolidated financial information is also presented in euros.

(c) The results for the six months to 30 June 2007 are presented on a regional basis: United Kingdom, Europe, North America and Asia Pacific.

(i) The UK region includes the UK life and general insurance businesses, all of the business of Morley as well as the results of Aviva Re, the Group's captive reinsurance business;

(ii) Europe incorporates all European operations excluding the UK as set out above;

(iii) North America is made up of our life business in the United States and general insurance and fund management businesses in Canada; and

(iv) Asia Pacific includes all our Asian and Australian businesses.

2 – Exchange rates

The Group's principal overseas operations during the year were located within the Eurozone and the United States.

The euro rates employed in this announcement are an average rate of €1 = £0.68 (6 months to 30 June 2006: €1= £0.68; full year 2006: €1 = £0.68) and a closing rate of €1 = £0.67 (30 June 2006: €1 = £0.69; 31 December 2006: €1 = £0.67).

The US dollar rates used for translation are an average of £1 = US$1.97 (6 months to 30 June 2006: £1 = US$1.79; full year 2006: £1 = US$1.84) and a closing rate of £1 = US$1.99 (30 June 2006: £1 = US$1.82; 31 December 2006: £1 = US$1.96).

3 – Acquisitions

(a) Erasmus Group

On 26 March 2007, the Group's Dutch subsidiary, Delta Lloyd, acquired 100% of the shares in Erasmus Groep BV (Erasmus) in the Netherlands. Erasmus writes both general insurance and long-term business, and the acquisition will further strengthen Delta Lloyd's position in the Dutch insurance market.

The Erasmus acquisition has given rise to goodwill on acquisition of £5 million, calculated as follows:

Purchase cost:

	£m
Cash paid	**47**
Attributable costs	**1**
Total consideration	**48**

The assets and liabilities at the date of acquisition were:

	Book value £m	Fair value and accounting policy adjustments £m	Fair value £m
Assets			
Acquired value of in-force business on insurance contracts	**–**	**13**	**13**
Intangible assets	**2**	**(1)**	**1**
Investments	**627**	**23**	**650**
Other assets	**122**	**–**	**122**
Total assets	**751**	**35**	**786**
Liabilities			
Gross insurance liabilities	**(674)**	**(20)**	**(694)**
Other liabilities	**(41)**	**(8)**	**(49)**
Total liabilities	**(715)**	**(28)**	**(743)**
Total net assets acquired	**36**	**7**	**43**
Goodwill arising on acquisition			**5**

The assets and liabilities as at the acquisition date in the table above are stated as provisional values and may be amended in the Group's full year financial statements in accordance with paragraph 62 of IFRS 3, *Business Combinations.*

Notes to the consolidated financial statements continued

3 – Acquisitions continued
As disclosed in the EEV section on page 74, the embedded value of the long-term business acquired was £42 million, representing the net assets adjusted for other intangibles net of tax.

(b) Bancassurance partnership with Cajamurcia
On 6 June 2007, the Group announced that it had entered into a long-term bancassurance agreement with Spanish savings bank Caja de Ahorros de Murcia (Cajamurcia) that will enhance the Group's leading position in the Spanish life market. Cajamurcia will provide exclusive access to its network of branches to Cajamurcia Vida y Pensiones SA (Cajamurcia Vida), the newly-created life insurance company jointly-owned by the Group and Cajamurcia, to sell insurance and pension products. Regulatory approval to write new business is currently awaited for the new company.

On signing the agreement, the Group acquired 5% of the share capital of Cajamurcia Vida and Cajamurcia granted the Group a call option over a further 45% of the shares in this company which may be exercised within five days from 14 March 2008. If it does not exercise this option during this period, the Group has granted a call option over its 5% holding to Cajamurcia.

The Group paid £8 million for the initial 5% holding on completion on 6 June 2007 and has had management control over Cajamurcia Vida since that time. The Group has therefore consolidated its results and balance sheet since that date. Further consideration of £69 million would be payable on exercising the option, with additional amounts of up to £187 million payable, dependent on the performance of the new company.

The acquisition of the initial 5% shareholding has given rise to goodwill on acquisition of £2 million, calculated as follows:

Purchase cost:

	£m
Cash paid	**8**
Attributable costs	**1**
Total consideration	**9**

The book and fair values of the assets and liabilities at the date of acquisition were:

	£m
Assets	
Intangible assets	**201**
Other assets	**6**
Total assets	**207**
Liabilities	
Deferred tax on acquired assets	**(60)**
Total liabilities	**(60)**
Total net assets	**147**
Net assets acquired (initial 5% share)	**7**
Goodwill arising on acquisition of this holding	**2**

In view of the recent completion date, the assets and liabilities as at the acquisition date in the table above are stated as provisional values, and may be amended in the Group's full year financial statements in accordance with paragraph 62 of IFRS 3, *Business Combinations*.

The value of the agreement to distribute through Cajamurcia's branch network has been identified as a separate intangible asset with a value of £201 million, using estimated post-tax cash flows and discount rates.

(c) Non-adjusting post-balance sheet event
On 8 June 2007, the Group announced that it was entering the Malaysian long-term savings market through a joint venture with the CIMB Group, listed on Malaysia's stock exchange as Bumiputra-Commerce Holdings Berhad. Under the agreement, the Group will acquire a 49% interest in two of CIMB Group's subsidiaries, Commerce Life Assurance Berhad (Commerce Life) and Commerce Takaful Berhad (Commerce Takaful), for a total cash consideration of £74 million. The terms of the joint venture agreement have been agreed by Bank Negara, Malaysia's financial services regulator. In addition, Commerce Life and Commerce Takaful will enter into exclusive bancassurance agreements with CIMB Group's subsidiary, CIMB Bank, for the distribution of life and takaful insurance products through the bank's branches. Formal signing of agreements and completion took place on 2 July 2007.

4 – (Loss)/profit on the disposal of subsidiaries and associates
The (loss)/profit on the disposal of subsidiaries, joint ventures and associates comprises:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom (see below)	**(7)**	66	69
Ireland	**–**	87	86
France	**–**	–	79
Other small operations	**2**	(6)	(12)
(Loss)/profit on disposal before tax	**(5)**	147	222
Tax on (loss)/profit on disposal	**3**	(11)	13
(Loss)/profit on disposal after tax	**(2)**	136	235

In June 2007, the Group sold its holdings in its associate, The British Aviation Insurance Company Limited, to Berkshire Hathaway for £15 million, resulting in a loss on disposal of £7 million.

5 – Integration and restructuring costs
£40 million of integration and restructuring costs have been included in the results to 30 June 2007 (30 June 2006: £24 million; 31 December 2006: £246 million). £31 million relates to Norwich Union's restructuring to reduce duplication and improve efficiency. Other costs are attributable to activity to integrate Ark Life in Ireland and AmerUs in the US. Both businesses were acquired in 2006.

6 – Operations classified as held for sale
The assets and liabilities of operations classified as held for sale as at 30 June 2007 were as follows:

	30 June 2007 £m	30 June 2006 £m	Full year 2006 £m
Investments and property and equipment	**52**	354	–
Receivables and other financial assets	**1,062**	506	–
Deferred acquisition costs and other assets	**74**	31	–
Cash and cash equivalents	**73**	117	–
Total assets	**1,261**	1,008	–
Gross insurance liabilities	**(871)**	(682)	–
Payables and financial liabilities	**(68)**	(48)	–
Other liabilities	**(111)**	(98)	–
Total liabilities	**(1,050)**	(828)	–
Net assets	**211**	180	–

The RAC non-core businesses that were held for sale at 30 June 2006 were disposed of during the second half of that year.

(a) Turkish life business
On 8 June 2007, Aviva announced that it had signed an agreement with Aksigorta A.Ş (Aksigorta), the insurance company of the Sabancı Holding Group, to form a new Turkish life and pensions company. Under the terms of the agreement, Aviva's Turkish life and pensions business, Aviva Hayat ve Emeklilik A.Ş (Aviva HE) will merge with Ak Emeklilik A.Ş (Ak E), Aksigorta's life and pensions business. The joint venture will enter into an exclusive long-term bancassurance agreement with Akbank TAŞ Turkey's second-largest privately-owned bank. The transaction is subject to regulatory approval and is expected to complete in the fourth quarter of 2007.

Aviva and Sabancı will jointly control the joint venture through equal shareholdings. As a result, the relevant assets and liabilities of Aviva HE have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2007.

(b) Dutch health insurance business
On 16 July 2007, the Group announced that its Dutch subsidiary, Delta Lloyd Group (DL), had reached an agreement to sell its health insurance business to OWM CZ Groep Zorgverkeraar UA (CZ), a mutual health insurer, and create a long-term alliance for the cross-selling of insurance products. Under the terms of the agreement, CZ will purchase the DL health insurance business and take on its underwriting risk and policy administration. DL will continue to market and distribute health insurance products from CZ to its existing customers, and to provide asset management for the transferred business. DL will also have exclusive rights to market life, general insurance and income protection products to CZ's customers. The transaction is expected to take effect on 1 January 2008, subject to regulatory, competition and other relevant approvals.

The relevant assets and liabilities of the DL health insurance business have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2007.

On an EEV basis, assets held for sale include the value of internally-generated in-force business of £36 million in Turkey. Total assets in the consolidated balance sheet on an EEV basis for the Turkish and Dutch businesses held for sale are therefore £1,297 million.

Notes to the consolidated financial statements continued

7 – Geographical analysis of long-term business IFRS operating profit

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
With-profit	**85**	68	147
Non-profit	**218**	145	536
United Kingdom	**303**	213	683
France	**138**	116	273
Ireland	**40**	31	60
Italy	**41**	28	79
Netherlands (including Belgium and Germany)	**254**	225	458
Poland	**60**	56	108
Spain	**63**	48	126
Other Europe	**(14)**	(7)	(16)
Europe	**582**	497	1,088
North America	**165**	(15)	71
Asia	**5**	(3)	10
Australia	**26**	18	44
Asia Pacific	**31**	15	54
Total	**1,081**	710	1,896

8 – Geographical analysis of fund management operating profit

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
UK business	**33**	23	62
International business	**8**	8	14
Morley	**41**	31	76
The Royal Bank of Scotland Group	**(4)**	(4)	(7)
Norwich Union investment funds	**–**	(1)	1
United Kingdom	**37**	26	70
France	**16**	16	33
Netherlands	**11**	13	37
Other Europe	**2**	1	3
Europe	**29**	30	73
North America	**1**	1	3
Asia Pacific	**9**	4	9
Total	**76**	61	155

9 – Geographical analysis of general insurance and health

(a) Operating result

	Operating profit 6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	Underwriting result 6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom[1]	**284**	566	1,112	**(46)**	222	388
France	**31**	27	63	**–**	(1)	6
Ireland	**80**	88	172	**53**	63	121
Netherlands	**70**	80	139	**29**	34	50
Other	**22**	19	43	**6**	3	12
Europe	**203**	214	417	**88**	99	189
North America	**70**	85	148	**5**	24	27
Asia Pacific	**3**	1	3	**2**	1	3
Total	**560**	866	1,680	**49**	346	607
Analysed by:						
General insurance	**574**	862	1,652	**92**	373	639
Health	**(14)**	4	28	**(43)**	(27)	(32)
Total	**560**	866	1,680	**49**	346	607

1. The United Kingdom includes the operating profit of Aviva Re, previously shown in the "International" segment which no longer exists. Comparatives have been restated accordingly.

(b) Investment return information

	Actual investment return credited to income 6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	Longer-term investment return 6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**302**	294	651	**330**	344	724
France	**17**	17	35	**31**	28	57
Ireland	**23**	22	41	**27**	25	51
Netherlands	**37**	37	72	**41**	46	89
Other	**10**	9	17	**16**	16	31
Europe	**87**	85	165	**115**	115	228
North America	**55**	50	98	**65**	61	121
Asia Pacific	**–**	–	1	**1**	–	–
Total longer-term investment return				**511**	520	1,073
Total actual investment income	**444**	429	915			
Realised gains	**160**	110	281			
Unrealised (losses)/gains	**(56)**	(224)	26			
Total actual investment return	**548**	315	1,222			

The total short-term favourable fluctuation in investment return of £37 million (six months 30 June 2006: £205 million adverse; full year 2006: £149 million favourable) is the difference between the total actual investment return of £548 million (six months 30 June 2006: £315 million; full year 2006: £1,222 million) and the total longer-term investment return of £511 million (six months 30 June 2006: £520 million; full year 2006: £1,073 million).

Actual income and longer-term investment return both contain the amortisation of the discount/premium arising on the acquisition of fixed income securities.

The longer-term investment return is calculated separately for each principal general insurance and health business unit. 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 Group has calculated the longer-term investment return for its general insurance and health business using the same start of year economic assumptions for equities and properties as those used for EEV reporting as shown on page 78 of this report.

Notes to the consolidated financial statements continued

9 – Geographical analysis of general insurance and health continued

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

	Longer-term rates of return Equities		Longer-term rates of return Properties	
	2007 %	2006 %	2007 %	2006 %
United Kingdom	**7.6%**	7.1%	**6.6%**	6.1%
France	**7.0%**	6.3%	**6.0%**	5.3%
Ireland	**7.0%**	6.3%	**6.0%**	5.3%
Netherlands	**7.0%**	6.3%	**6.0%**	5.3%
Canada	**7.1%**	7.0%	**6.1%**	6.0%

The table below shows the sensitivity of the Group's general insurance and health operating profit before tax to changes in the longer-term rates of return:

Movement in investment return for	By	Change in	6 months 2007 £m By	6 months 2006 £m By
Equities	1% higher/lower	Group operating profit	**32**	31
Properties	1% higher/lower	Group operating profit	**3**	3

10 – Analysis of other operations' operating result

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RAC	**6**	20	45
UK Life			
– Norwich Union Life Services	**(20)**	(42)	(50)
– Lifetime and SIPP	**(18)**	(6)	(29)
Other	**(40)**	17	(46)
Total	**(72)**	(11)	(80)

11 – Corporate Centre

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Staff profit share and other incentive schemes	**(12)**	(7)	(17)
Central costs	**(68)**	(66)	(143)
Total	**(80)**	(73)	(160)

12 – Group debt costs and other interest

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
External			
– Subordinated debt	**(88)**	(84)	(169)
– Other	**(41)**	(25)	(61)
Internal	**(93)**	(106)	(228)
Net finance income on pension schemes	**32**	38	77
Total	**(190)**	(177)	(381)

13 – Tax

(a) Tax charged to the income statement

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Current tax:			
– For the period	**329**	417	1,022
– Prior year adjustments	**(77)**	(118)	(287)
Total current tax	**252**	299	735
Deferred tax:			
– Origination and reversal of temporary differences	**145**	132	221
– Changes in tax rates or tax laws	**(99)**	–	(7)
– Write down of deferred tax assets	**31**	–	(15)
Total deferred tax	**77**	132	199
Total tax charged to income statement	**329**	431	934
Analysed between:			
– Tax charge attributable to policyholders' returns	**21**	112	346
– Tax charge on IFRS operating profit before tax attributable to shareholders' profits from continuing operations	**378**	370	725
– Tax credit on profit on other activities	**(70)**	(51)	(137)
	329	431	934

The Group, as a proxy for policyholders in the UK, Ireland and Australia, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK, Irish and Australian life insurance policyholder returns is included in the tax charge.

(b) Tax charged to equity

(i) The total tax charge/(credit) comprises:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Current tax credit	**(1)**	–	(9)
Deferred tax charge	**231**	104	14
Total tax charged to equity	**230**	104	5

(ii) The tax expense attributable to policyholders' returns included in the charge above is £1 million (six months to 30 June 2006: £2 million credit; full year 2006: £nil).

(c) Tax reconciliation

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the tax rate of the home country of the Company as follows:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Profit before tax	**1,219**	1,360	3,323
Tax calculated at standard UK corporation tax rate of 30% (2006: 30%)	**366**	408	997
Different basis of tax for UK life insurance	**–**	78	209
Adjustment to tax charge in respect of prior years	**(77)**	(125)	(287)
Non-assessable dividends	**(61)**	(26)	(55)
Non-taxable profit on sale of subsidiaries and associates	**(2)**	(33)	(80)
Disallowable expenses	**17**	24	46
Different local basis of tax on overseas profits	**53**	204	201
Reduction in future UK tax rate (net of movement in unallocated divisible surplus)	**(69)**	–	–
Deferred tax valuation difference	**108**	(91)	(60)
Other	**(6)**	(8)	(37)
Tax charged to the income statement	**329**	431	934

Notes to the consolidated financial statements continued

14 – Earnings per share

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Profit for the period	**890**	929	2,389
Amount attributable to minority interests	**(83)**	(73)	(174)
Cumulative preference dividends for the period	**(9)**	(9)	(17)
Coupon payments on direct capital instrument net of tax	**–**	–	(37)
Profit attributable to ordinary shareholders	**798**	847	2,161

(ii) Basic earnings per share is calculated as follows:

	6 months 2007			6 months 2006			Full year 2006		
	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p
Operating profit attributable to ordinary shareholders	**1,375**	**893**	**34.7**	1,376	924	38.5	3,110	2,146	86.9
Adjusted for the following:									
– Impairment of goodwill	**(3)**	**(3)**	**(0.1)**	–	–	–	(94)	(94)	(3.8)
– Amortisation and net impairment of acquired value of in-force business	**(114)**	**(82)**	**(3.2)**	(33)	(33)	(1.4)	(100)	(83)	(3.4)
– Amortisation and net impairment of intangibles	**(52)**	**(34)**	**(1.3)**	(19)	(16)	(0.7)	(70)	(48)	(1.9)
– Financial Services Compensation Scheme and other levies	**–**	**–**	**–**	6	4	0.2	6	4	0.2
– Short-term fluctuation on return on investments backing general insurance and health business	**37**	**53**	**2.1**	(205)	(147)	(6.1)	149	189	7.7
– (Loss)/profit on the disposal of subsidiaries and associates	**(5)**	**(2)**	**(0.1)**	147	136	5.7	222	235	9.5
– Integration and restructuring costs	**(40)**	**(27)**	**(1.1)**	(24)	(21)	(0.9)	(246)	(188)	(7.7)
Profit attributable to ordinary shareholders	**1,198**	**798**	**31.0**	1,248	847	35.3	2,977	2,161	87.5

Earnings per share has been calculated based on the operating profit before impairment of goodwill and other non-operating items, after tax, attributable to ordinary shareholders, as well as on the profit attributable to ordinary shareholders. The directors believe the former earnings per share figures provide a better indication of operating performance.

The calculation of basic earnings per share uses a weighted average of 2,571 million (six months 30 June 2006: 2,401 million; full year 2006: 2,469 million) ordinary shares in issue, after deducting shares owned by the employee share trusts. The actual number of shares in issue at 30 June 2007 was 2,595 million (30 June 2006: 2,415 million; 31 December 2006: 2,566 million).

14 – Earnings per share continued

(b) Diluted earnings per share

Diluted earnings per share is calculated as follows:

	6 months 2007			6 months 2006			Full year 2006		
	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p
Profit attributable to ordinary shareholders	**798**	**2,571**	**31.0**	847	2,401	35.3	2,161	2,469	87.5
Dilutive effect of share awards and options	**–**	**27**	**(0.3)**	–	22	(0.3)	–	27	(0.9)
Diluted earnings per share	**798**	**2,598**	**30.7**	847	2,423	35.0	2,161	2,496	86.6

Diluted earnings per share on an operating profit attributable to ordinary shareholders is 34.4 pence (six months 30 June 2006: 38.1 pence; full year 2006: 86.0 pence).

15 – Dividends and appropriations

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Ordinary dividends declared and charged to equity in the year			
Final 2005 – 17.44 pence per share, paid on 17 May 2006	**–**	418	418
Interim 2006 – 10.82 pence per share, paid on 17 November 2006	**–**	–	275
Final 2006 – 19.18 pence per share, paid on 18 May 2007	**492**	–	–
	492	418	693
Preference dividends declared and charged to equity in the year	**9**	9	17
Coupon payments on direct capital instrument – gross of tax	**–**	–	52
	501	427	762

Subsequent to 30 June 2007, the directors proposed an interim dividend for 2007 of 11.90 pence per ordinary share (six months 30 June 2006; 10.82 pence), amounting to £309 million (six months 30 June 2006: £275 million) in total. The dividend will be paid on 16 November 2007 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007.

Interest on the direct capital instrument issued in November 2004 is treated as an appropriation of retained profits and, accordingly, it is accounted for when paid. Tax relief will be obtained at a rate of 30%.

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 8 August 2007.

16 – Segmental information

(a) Segmental results – primary reporting format – business segments

The principal activity of the Group is financial services, which is managed using the following reportable segments: long-term business; fund management; general insurance and health.

Long-term business

Our long-term business comprises life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries including managed pension fund business and our share of the other life and related business written in our associates and joint ventures, as well as the Lifetime mortgage business written in the United Kingdom.

Fund management activities

Our fund management business invests policyholders' and shareholders' funds, provides investment management services for institutional pension fund mandates and manages a range of retail investment products, including investment funds, unit trusts, OEICs and ISAs. Clients include Aviva group businesses and third-party financial institutions, pension funds, public sector organisations, investment professionals and private investors.

General insurance and health

Our general insurance and health business provides insurance cover to individuals and to small and medium-sized businesses, for risks associated mainly with motor vehicles, property and liability, such as employers' liability and professional indemnity liability, and medical expenses.

Notes to the consolidated financial statements continued

16 – Segmental information continued

Other

Other activities not related to the core business segments or which are not reportable segments due to their immateriality, such as the RAC non-insurance operations, our banking businesses and service companies are included as "Other" in the following tables. Head office expenses, such as Group treasury and finance functions are also reported as "Other", together with eliminations and any other reconciling items. Certain financing costs and taxes are not allocated among the segments.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are on normal commercial terms and market conditions.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the balance sheet but excluding items such as tax and certain borrowings.

(b) Segmental results of the income statement – primary reporting format – business segments for the six months ended 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
– Net written premiums	**9,007**	**–**	**5,498**	**–**	**14,505**
– Net change in provision for unearned premiums	**–**	**–**	**(237)**	**–**	**(237)**
Net earned premiums	**9,007**	**–**	**5,261**	**–**	**14,268**
Fee and commission income	**382**	**228**	**89**	**220**	**919**
	9,389	**228**	**5,350**	**220**	**15,187**
Net investment income	**6,098**	**11**	**538**	**199**	**6,846**
Inter-segment revenue	**–**	**74**	**–**	**–**	**74**
(Loss)/profit on the disposal of subsidiaries and associates	**–**	**–**	**(7)**	**2**	**(5)**
Segment income	**15,487**	**313**	**5,881**	**421**	**22,102**
Claims and benefits paid, net of recoveries from reinsurers	**(9,690)**	**–**	**(3,617)**	**–**	**(13,307)**
Change in insurance liabilities, net of reinsurance	**(708)**	**–**	**70**	**–**	**(638)**
Change in investment contract provisions	**(2,466)**	**–**	**–**	**–**	**(2,466)**
Change in unallocated divisible surplus	**27**	**–**	**–**	**–**	**27**
Fee and commission expense	**(704)**	**(64)**	**(1,437)**	**(32)**	**(2,237)**
Other operating expenses:					
– Depreciation	**(5)**	**(1)**	**(4)**	**(41)**	**(51)**
– Amortisation of acquired value of in-force business	**(108)**	**–**	**–**	**–**	**(108)**
– Amortisation and net impairment of intangible assets	**(31)**	**(2)**	**(11)**	**(8)**	**(52)**
– Impairment of goodwill	**–**	**(3)**	**–**	**–**	**(3)**
– Other impairment losses recognised in the income statement	**(19)**	**–**	**–**	**(2)**	**(21)**
– Inter-segment expense	**(70)**	**–**	**(4)**	**–**	**(74)**
– Other expenses	**(521)**	**(168)**	**(330)**	**(408)**	**(1,427)**
Finance costs	**(165)**	**–**	**–**	**(152)**	**(317)**
Segment expenses	**(14,460)**	**(238)**	**(5,333)**	**(643)**	**(20,674)**
Segment result before share of profit/(loss) of joint ventures and associates	**1,027**	**75**	**548**	**(222)**	**1,428**
Share of profit/(loss) of joint ventures and associates	**(78)**	**(4)**	**3**	**(1)**	**(80)**
Segmental result before tax	**949**	**71**	**551**	**(223)**	**1,348**
Unallocated costs:					
– Finance costs on central borrowings					**(129)**
– Tax attributable to policyholders' returns					**(21)**
– Tax attributable to shareholders' profits					**(308)**
Total unallocated expenses					**(458)**
Profit for the period					**890**

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**949**	**71**	**551**	**(223)**	**1,348**
Finance costs on central borrowings	**–**	**–**	**(1)**	**(128)**	**(129)**
Adjusted for the following items:					
– Impairment of goodwill	**–**	**3**	**–**	**–**	**3**
– Amortisation and impairment of acquired value of in-force business	**114**	**–**	**–**	**–**	**114**
– Amortisation and impairment of intangible assets	**31**	**2**	**11**	**8**	**52**
– Short-term fluctuation in return on investments backing general insurance and health business	**–**	**–**	**(37)**	**–**	**(37)**
– Loss/(profit) on the disposal of subsidiaries and associates	**–**	**–**	**7**	**(2)**	**5**
– Integration and restructuring costs	**8**	**–**	**26**	**6**	**40**
– Group debt costs, other interest and corporate centre reallocation	**–**	**–**	**3**	**(3)**	**–**
	1,102	**76**	**560**	**(342)**	**1,396**
Less:					
Tax attributable to policyholders' returns	**(21)**	**–**	**–**	**–**	**(21)**
Operating profit before tax attributable to shareholders' profits	**1,081**	**76**	**560**	**(342)**	**1,375**

Notes to the consolidated financial statements continued

16 – Segmental information continued

(c) Segmental results of the income statement – primary reporting format – business segments for the six months ended 30 June 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
– Net written premiums	8,057	–	5,650	–	13,707
– Net change in provision for unearned premiums	–	–	(222)	–	(222)
Net earned premiums	8,057	–	5,428	–	13,485
Fee and commission income	318	170	87	330	905
	8,375	170	5,515	330	14,390
Net investment income	2,383	6	349	116	2,854
Inter-segment revenue	–	85	–	–	85
(Loss)/profit on the disposal of subsidiaries and associates	(3)	–	90	60	147
Segment income	10,755	261	5,954	506	17,476
Claims and benefits paid, net of recoveries from reinsurers	(7,659)	–	(3,378)	–	(11,037)
Change in insurance liabilities, net of reinsurance	197	–	(99)	–	98
Change in investment contract provisions	(1,826)	–	–	–	(1,826)
Change in unallocated divisible surplus	623	–	–	–	623
Fee and commission expense	(788)	(50)	(1,337)	(13)	(2,188)
Other operating expenses:					
– Depreciation	(7)	(2)	(11)	(41)	(61)
– Amortisation of acquired value of in-force business	(16)	–	–	–	(16)
– Net impairment of acquired value of in-force business	(10)	–	–	–	(10)
– Amortisation and net impairment of intangible assets	(9)	–	(6)	(4)	(19)
– Inter-segment expense	(69)	–	(4)	(12)	(85)
– Other expenses	(505)	(144)	(364)	(421)	(1,434)
Finance costs	(126)	–	(3)	(146)	(275)
Segment expenses	(10,195)	(196)	(5,202)	(637)	(16,230)
Segment result before share of profit/(loss) of joint ventures and associates	560	65	752	(131)	1,246
Share of profit/(loss) of joint ventures and associates	213	(4)	–	14	223
Segmental result before tax	773	61	752	(117)	1,469
Unallocated costs:					
– Finance costs on central borrowings					(109)
– Tax attributable to policyholders' returns					(112)
– Tax attributable to shareholders' profits					(319)
Total unallocated costs					(540)
Profit for the period					929

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	773	61	752	(117)	1,469
Finance costs on central borrowings	–	–	–	(109)	(109)
Adjusted for the following items:					
– Amortisation and impairment of acquired value of in-force business	33	–	–	–	33
– Amortisation and impairment of intangible assets	9	–	6	4	19
– Short-term fluctuation in return on investments backing general insurance and health business	–	–	205	–	205
– Loss/(profit) on the disposal of subsidiaries and associates	3	–	(90)	(60)	(147)
– Financial Services Compensation Scheme levy	–	–	(6)	–	(6)
– Integration and restructuring costs	3	–	2	19	24
– Group debt costs, other interest and corporate centre reallocation	1	–	(3)	2	–
	822	61	866	(261)	1,488
Less:					
Tax attributable to policyholders' returns	(112)	–	–	–	(112)
Operating profit before tax attributable to shareholders' profits	710	61	866	(261)	1,376

Notes to the consolidated financial statements continued

16 – Segmental information continued

(d) Segmental results of the income statement – primary reporting format – business segments for the year ended 31 December 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
– Net written premiums	16,532	–	10,702	–	27,234
– Net change in provision for unearned premiums	–	–	93	–	93
Net earned premiums	16,532	–	10,795	–	27,327
Fee and commission income	630	452	172	616	1,870
	17,162	452	10,967	616	29,197
Net investment income	13,928	17	1,299	229	15,473
Inter-segment revenue	–	199	–	–	199
Profit on the disposal of subsidiaries and associates	12	–	88	122	222
Segment income	31,102	668	12,354	967	45,091
Claims and benefits paid, net of recoveries from reinsurers	(16,523)	–	(6,921)	–	(23,444)
Change in insurance liabilities, net of reinsurance	(2,594)	–	(26)	–	(2,620)
Change in investment contract provisions	(6,002)	–	–	–	(6,002)
Change in unallocated divisible surplus	(558)	–	–	–	(558)
Fee and commission expense	(2,125)	(111)	(2,742)	(65)	(5,043)
Other operating expenses:					
– Depreciation	(12)	(3)	(19)	(89)	(123)
– Amortisation of acquired value of in-force business	(58)	–	–	–	(58)
– Net impairment of acquired value of in-force business	(28)	–	–	–	(28)
– Amortisation and net impairment of intangible assets	(32)	(1)	(18)	(19)	(70)
– Impairment of goodwill	–	–	–	(94)	(94)
– Other impairment losses recognised in the income statement	6	–	(5)	(1)	–
– Inter-segment expense	(190)	–	(8)	(1)	(199)
– Other expenses	(990)	(392)	(806)	(996)	(3,184)
Finance costs	(367)	–	(3)	(230)	(600)
Segment expenses	(29,473)	(507)	(10,548)	(1,495)	(42,023)
Segment result before share of profit/(loss) of joint ventures and associates	1,629	161	1,806	(528)	3,068
Share of profit/(loss) of joint ventures and associates	471	(7)	5	16	485
Segmental result before tax	2,100	154	1,811	(512)	3,553
Unallocated costs:					
– Finance costs on central borrowings					(230)
– Tax attributable to policyholders' returns					(346)
– Tax attributable to shareholders' profits					(588)
Total unallocated costs					(1,164)
Profit for the period					2,389

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	2,100	154	1,811	(512)	3,553
Finance costs on central borrowings	–	–	(2)	(228)	(230)
Adjusted for the following items:					
– Impairment of goodwill	–	–	–	94	94
– Amortisation and impairment of acquired value of in-force business	100	–	–	–	100
– Amortisation and impairment of intangible assets	32	1	18	19	70
– Financial Services Compensation Scheme levy	–	–	(6)	–	(6)
– Short-term fluctuation in return on assets backing general insurance and health business	–	–	(149)	–	(149)
– Profit on the disposal of subsidiaries and associates	(12)	–	(88)	(122)	(222)
– Integration and restructuring costs	21	–	95	130	246
– Group debt costs, other interest and corporate centre reallocation	1	–	1	(2)	–
	2,242	155	1,680	(621)	3,456
Less:					
Tax attributable to policyholders' returns	(346)	–	–	–	(346)
Operating profit before tax attributable to shareholders' profits	1,896	155	1,680	(621)	3,110

(e) Segmental balance sheet – primary reporting format – business segments as at 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	**1,309**	**6**	**398**	**1,199**	**2,912**
Acquired value of in-force business and intangible assets	**2,404**	**16**	**276**	**140**	**2,836**
Investments in joint ventures and associates	**3,304**	**49**	**–**	**95**	**3,448**
Property and equipment	**396**	**6**	**65**	**390**	**857**
Investment property	**15,317**	**–**	**340**	**25**	**15,682**
Loans	**18,929**	**–**	**685**	**7,197**	**26,811**
Financial investments					
– Debt securities	**100,062**	**3**	**7,532**	**2,066**	**109,663**
– Equity securities	**55,151**	**32**	**2,745**	**996**	**58,924**
– Other investments	**35,822**	**8**	**474**	**213**	**36,517**
Other assets	**28,187**	**500**	**11,642**	**1,548**	**41,877**
Segment assets	**260,881**	**620**	**24,157**	**13,869**	**299,527**
Unallocated assets – tax assets					**1,033**
Total assets					**300,560**
Insurance liabilities	**126,943**	**–**	**17,744**	**–**	**144,687**
Liability for investment contracts	**92,101**	**–**	**–**	**–**	**92,101**
Unallocated divisible surplus	**9,489**	**–**	**–**	**–**	**9,489**
Net asset value attributable to unitholders	**3,935**	**5**	**50**	**–**	**3,990**
External borrowings	**3,797**	**–**	**11**	**4,182**	**7,990**
Other liabilities, including inter-segment liabilities	**9,146**	**280**	**351**	**8,634**	**18,411**
Segment liabilities	**245,411**	**285**	**18,156**	**12,816**	**276,668**
Unallocated liabilities					
– Central borrowings					**4,206**
– Tax liabilities					**4,170**
Total liabilities					**285,044**
Total equity					**15,516**
Total equity and liabilities					**300,560**

Central borrowings are borrowings by holding companies within the Group which are not allocated to operating companies.

Notes to the consolidated financial statements continued

16 – Segmental information continued

(f) Segmental balance sheet – primary reporting format – business segments as at 30 June 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	661	8	400	1,267	2,336
Acquired value of in-force business and intangible assets	590	19	286	109	1,004
Investments in joint ventures and associates	3,138	45	39	95	3,317
Property and equipment	386	3	126	368	883
Investment property	13,725	–	348	38	14,111
Loans	17,720	–	637	6,122	24,479
Financial investments					
– Debt securities	89,195	1	7,776	2,479	99,451
– Equity securities	50,852	12	2,810	1,030	54,704
– Other investments	30,262	7	451	62	30,782
Other assets	24,871	445	11,163	2,780	39,259
Segment assets	231,400	540	24,036	14,350	270,326
Unallocated assets – tax assets					741
Total assets					271,067
Insurance liabilities	114,934	–	18,134	–	133,068
Liability for investment contracts	82,856	–	–	–	82,856
Unallocated divisible surplus	8,235	–	–	–	8,235
Net asset value attributable to unitholders	3,080	–	–	–	3,080
External borrowings	3,951	–	(1)	3,494	7,444
Other liabilities, including inter-segment liabilities	6,876	297	(58)	10,243	17,358
Segment liabilities	219,932	297	18,075	13,737	252,041
Unallocated liabilities					
– Central borrowings					3,626
– Tax liabilities					3,280
Total liabilities					258,947
Total equity					12,120
Total equity and liabilities					271,067

Central borrowings are borrowings by holding companies within the Group which are not allocated to operating companies.

16 – Segmental information continued

(g) Segmental balance sheet – primary reporting format – business segments as at 31 December 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	1,316	9	390	1,195	2,910
Acquired value of in-force business and intangible assets	2,301	18	287	122	2,728
Investments in joint ventures and associates	3,526	44	39	81	3,690
Property and equipment	416	4	94	390	904
Investment property	14,714	–	384	25	15,123
Loans	18,805	–	735	6,905	26,445
Financial investments					
– Debt securities	102,815	3	7,933	2,290	113,041
– Equity securities	52,782	19	2,858	1,103	56,762
– Other investments	32,453	8	457	132	33,050
Other assets	24,383	534	9,755	1,854	36,526
Segment assets	253,511	639	22,932	14,097	291,179
Unallocated assets – tax assets					1,543
Total assets					292,722
Insurance liabilities	126,224	–	18,006	–	144,230
Liability for investment contracts	88,358	–	–	–	88,358
Unallocated divisible surplus	9,465	–	–	–	9,465
Net asset value attributable to unitholders	3,786	1	23	–	3,810
External borrowings	3,894	–	11	4,037	7,942
Other liabilities, including inter-segment liabilities	6,999	313	(712)	9,719	16,319
Segment liabilities	238,726	314	17,328	13,756	270,124
Unallocated liabilities					
– Central borrowings					4,195
– Tax liabilities					4,339
Total liabilities					278,658
Total equity					14,064
Total equity and liabilities					292,722

Central borrowings are borrowings by holding companies within the Group which are not allocated to operating companies.

(h) Goodwill allocation and impairment testing

IFRS requires formal impairment testing to be carried out annually. For impairment testing, goodwill and intangibles with indefinite useful lives have been allocated to cash-generating units by geographical reporting unit and business segment. The carrying amount of goodwill and intangible assets with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. A small impairment charge of £3 million (2006: £nil) was booked in the first half of the year.

Notes to the consolidated financial statements continued

16 – Segmental information continued

(i) Long-term business summary analysis by geographical segment

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**2,427**	2,309	5,300	**105**	81	140	**302**	312	970
France	**1,780**	2,015	3,573	**100**	90	179	**131**	109	259
Ireland	**171**	182	397	**34**	26	64	**37**	10	52
Italy	**568**	1,053	1,919	**38**	32	69	**40**	27	76
Netherlands (including Belgium and Germany)	**1,173**	1,153	2,079	**15**	15	21	**249**	223	453
Poland	**224**	205	395	**31**	26	55	**59**	56	108
Spain	**816**	610	1,266	**31**	25	56	**58**	41	113
Other Europe	**99**	74	159	**2**	3	3	**(13)**	(7)	(16)
Europe	**4,831**	5,292	9,788	**251**	217	447	**561**	459	1,045
North America	**1,473**	275	932	**5**	–	4	**52**	(15)	17
Asia Pacific	**276**	181	512	**21**	20	39	**34**	17	68
Total	**9,007**	8,057	16,532	**382**	318	630	**949**	773	2,100

The following analysis shows the net written premiums from associates and joint ventures on insurance and participating investment contracts which are not included in the analysis above.

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RBSG	**124**	133	236
India	**25**	16	31
China	**39**	13	38
	188	162	305

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
United Kingdom	**125,983**	118,278	123,974	**4,737**	4,316	4,809
France	**48,283**	46,303	46,547	**1,414**	1,324	1,355
Ireland	**11,275**	10,524	10,951	**1,061**	1,033	1,040
Italy	**11,854**	11,322	11,828	**607**	563	613
Netherlands (including Belgium and Germany)	**29,452**	28,840	28,340	**3,308**	2,513	2,922
Poland	**2,627**	1,840	2,232	**220**	160	216
Spain	**7,043**	6,458	6,641	**1,087**	826	862
Other Europe	**492**	480	483	**57**	58	65
Europe	**111,026**	105,767	107,022	**7,754**	6,477	7,073
North America	**19,610**	3,816	18,828	**2,495**	295	2,470
Asia Pacific	**4,262**	3,539	3,687	**484**	380	433
Total	**260,881**	231,400	253,511	**15,470**	11,468	14,785

16 – Segmental information continued

(j) General insurance and health business summary analysis by geographical segment

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**2,950**	3,132	6,000	**81**	66	157	**314**	502	1,130
France	**421**	435	735	**–**	–	–	**37**	9	77
Ireland	**245**	251	519	**1**	–	1	**90**	181	297
Netherlands	**1,055**	955	1,755	**–**	15	–	**60**	11	107
Other Europe	**148**	142	278	**2**	2	3	**2**	8	26
Europe	**1,869**	1,783	3,287	**3**	17	4	**189**	209	507
North America	**665**	724	1,389	**4**	4	10	**48**	40	169
Asia Pacific	**14**	11	26	**1**	–	1	**–**	1	5
Total	**5,498**	5,650	10,702	**89**	87	172	**551**	752	1,811

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
United Kingdom	**12,960**	13,043	12,548	**3,568**	3,623	3,216
France	**1,796**	1,774	1,731	**312**	355	376
Ireland	**1,823**	1,863	1,765	**523**	504	444
Netherlands	**3,274**	2,991	2,775	**655**	514	630
Other Europe	**810**	835	803	**265**	275	266
Europe	**7,703**	7,463	7,074	**1,755**	1,648	1,716
North America	**3,446**	3,469	3,250	**649**	668	647
Asia Pacific	**48**	61	60	**29**	22	25
Total	**24,157**	24,036	22,932	**6,001**	5,961	5,604

Notes to the consolidated financial statements continued

17 – Group capital structure

(a) Deployment of equity shareholders' funds

In order to better reflect shareholder risk the presentation of deployment of equity shareholders' funds has been revised at 30 June 2007. The objective of the revised presentation is to provide a better indication of shareholder market risk. In order to do this we have "looked through" unitised investments which are classified as "other" within IFRS balance sheet and made adjustments for minority holdings that are fully consolidated on the balance sheet. In addition, we have explicitly shown the market risks within the staff pension schemes.

						30 June 2007	31 December 2006
	Equities £m	Property £m	Cash, Loans and Debt securities £m	Other Investments £m	Other net assets and Pension liability £m	Total £m	Total £m
Total assets included in the statutory IFRS balance sheet	**58,924**	**16,539**	**151,599**	**36,517**	**36,981**	**300,560**	292,722
Goodwill[1]					**(3,129)**	**(3,129)**	(3,127)
Acquired value of in-force business and intangible assets					**(2,836)**	**(2,836)**	(2,728)
Liabilities of the long-term, general and other businesses excluding pension fund deficit and debt	**(50,962)**	**(13,943)**	**(146,161)**	**(32,361)**	**(37,589)**	**(281,016)**	(272,664)
Minorities and other investments reclassification[2]	**985**	**55**	**(672)**	**(3,100)**	**2,732**	**–**	–
Shareholder assets	**8,947**	**2,651**	**4,766**	**1,056**	**(3,841)**	**13,579**	14,203
Pension fund	**5,883**	**724**	**2,780**	**239**	**(9,684)**	**(58)**	(973)
Adjusted shareholder assets	**14,830**	**3,375**	**7,546**	**1,295**	**(13,525)**	**13,521**	13,230
Goodwill[1]						**3,129**	3,127
Additional and acquired value of in-force long-term business and intangible assets[3]						**10,055**	9,522
Assets backing total capital employed in continuing operations						**26,705**	25,879
External debt						**(1,257)**	(1,258)
Net internal debt[4]						**236**	(826)
Subordinated debt						**(2,949)**	(2,937)
						22,735	20,858
Minority interests						**(2,409)**	(2,137)
Direct capital instrument						**(990)**	(990)
Preference capital						**(200)**	(200)
Equity shareholders' funds – EEV basis						**19,136**	17,531

1. Includes goodwill relating to the joint venture with The Royal Bank of Scotland Group.
2. Minority and other investments reclassification represents the reallocation of unit trusts to their constituent parts net of net asset value attributable to unit holders.
3. Additional and acquired value of in-force business and intangible assets includes £36 million internally-generated AVIF of Turkey Life, which is classified as held for sale at 30 June 2007
4. Net internal debt represents the upstream of internal loans from business opeartions to corporate and holding entities net of tangible assets held by these entities.

(b) Analysis of return of capital employed

	Operating return[1] Before tax £m	Operating return[1] After tax £m	Opening shareholders' funds including minority interests £m	June 30 2007 Annualised return on capital %	31 December 2006 Return on capital %
Life assurance					
United Kingdom	**413**	**290**	**6,729**	**8.8%**	8.0%
France	**225**	**147**	**2,291**	**13.2%**	12.8%
Ireland	**37**	**32**	**1,019**	**6.4%**	(7.3)%
Italy	**72**	**44**	**803**	**11.3%**	9.3%
Netherlands (including Belgium and Germany)	**166**	**122**	**3,837**	**6.5%**	7.7%
Poland	**71**	**58**	**719**	**16.8%**	20.0%
Spain	**107**	**75**	**1,375**	**11.2%**	11.7%
Other Europe	**1**	**1**	**106**	**1.9%**	(10.5)%
Europe	**679**	**479**	**10,150**	**9.7%**	9.6%
North America	**112**	**73**	**2,288**	**6.5%**	6.3%
Asia Pacific	**47**	**35**	**496**	**14.6%**	14.9%
	1,251	**877**	**19,663**	**9.1%**	9.0%
General insurance and health					
United Kingdom	**215**	**150**	**2,887**	**10.7%**	23.0%
France	**31**	**20**	**333**	**12.4%**	11.3%
Ireland	**80**	**70**	**423**	**35.8%**	27.5%
Netherlands	**70**	**51**	**684**	**15.5%**	17.7%
Other Europe	**22**	**15**	**161**	**19.5%**	22.8%
Europe	**203**	**156**	**1,601**	**20.4%**	20.1%
North America	**70**	**45**	**666**	**14.0%**	11.3%
Asia Pacific	**3**	**2**	**22**	**19.0%**	17.6%
	491	**353**	**5,176**	**14.1%**	20.3%
Fund management	**45**	**31**	**305**	**21.4%**	–
Other business	**(45)**	**(31)**	**754**	**(8.1)%**	2.4%
Corporate	**(48)**	**3**	**(19)**	**(29.1)%**	311.1%
External debt	**(41)**	**(29)**	**(1,258)**	**4.7%**	4.3%
Net internal debt[2]	**(24)**	**(17)**	**(826)**	**4.2%**	3.6%
Subordinated debt	**(88)**	**(62)**	**(2,937)**	**4.3%**	4.2%
	1,541	**1,125**	**20,858**	**11.1%**	12.6%
Less:					
Minority interests		**(124)**	**(2,137)**	**11.9%**	14.3%
Direct capital instrument		**–**	**(990)**	**–**	3.7%
Preference capital		**(9)**	**(200)**	**8.5%**	8.5%
Return on equity shareholders' funds		**992**	**17,531**	**11.6%**	13.1%

1. The operating return is based upon Group operating profit, which is stated before impairment of goodwill, amortisation of additional value of in-force business, exceptional items and tax including policyholder tax, adjusted for the short-term fluctuation in investment return.
2. The net internal debt return before tax of £(24) million comprises investment return of £69 million less Group internal debt costs and other interest of £(93) million.

Alternative method of reporting long-term business
Summarised consolidated income statement – EEV basis
For the six months ended 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
	Operating profit before tax attributable to shareholders' profits			
1,840	Life EEV operating return	**1,251**	1,021	2,033
66	Fund management[1]	**45**	33	96
824	General insurance and health	**560**	866	1,680
	Other:			
(67)	– Other operations[2]	**(45)**	29	(23)
(118)	– Corporate centre	**(80)**	(73)	(160)
(279)	– Group debt costs and other interest	**(190)**	(177)	(381)
2,266	**Operating profit before tax attributable to shareholders' profits**	**1,541**	1,699	3,245
	Adjusted for the following:			
(4)	Impairment of goodwill	**(3)**	–	(94)
(60)	Amortisation and impairment of intangibles	**(41)**	(10)	(46)
–	Financial Services Compensation Scheme and other levies	**–**	6	6
408	Variation from longer term investment return	**278**	(944)	468
443	Effect of economic assumption changes	**301**	471	671
(7)	(Loss)/profit on the disposal of subsidiaries and associates	**(5)**	86	161
(59)	Integration and restructuring costs	**(40)**	(24)	(246)
2,987	**Profit before tax**	**2,031**	1,284	4,165
(612)	Tax on operating profit	**(416)**	(573)	(1,028)
(166)	Tax on other activities	**(113)**	49	(258)
2,209	**Profit for the period**	**1,502**	760	2,879
	Attributable to:			
2,029	– Equity shareholders of Aviva plc	**1,380**	674	2,648
180	– Minority interests	**122**	86	231
2,209		**1,502**	760	2,879

All profit is from continuing operations.

1. Excludes the proportion of the results of Morley's fund management businesses, of our French asset management operation Aviva Gestion d'Actifs (AGA) and other fund management operations within the Group that arises from the provision of fund management services to our life businesses. These results are included within the life EEV operating return.
2. Excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the life EEV operating return. Other subsidiaries providing services to our life businesses do not materially impact the Group results.

Earnings per share – EEV basis
For the six months ended 30 June 2007

6 months 2007	Earnings per share	6 months 2007	6 months 2006	Full year 2006
	Operating profit on an EEV basis after tax, attributable to ordinary shareholders of Aviva plc			
56.8c	Basic (pence per share)	**38.6p**	42.1p	79.2p
56.2c	Diluted (pence per share)	**38.2p**	41.7p	78.3p
	Profit after tax for the period on an EEV basis, attributable to ordinary shareholders of Aviva plc			
78.4c	Basic (pence per share)	**53.3p**	27.7p	105.1p
77.6c	Diluted (pence per share)	**52.8p**	27.4p	103.9p

Consolidated statement of recognised income and expense – EEV basis
For the six months ended 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
59	Fair value gains/(losses) on AFS securities, owner-occupied properties and hedging instruments	40	(57)	42
–	Fair value gains transferred to profit	–	(4)	(18)
–	Impairment losses on revalued assets	–	–	(2)
12	Share of fair value changes in investments held by joint ventures and associates taken to equity	8	–	–
1,097	Actuarial gains/(losses) on pension schemes	746	473	(114)
(69)	Foreign exchange rate movements	(47)	(24)	(401)
(340)	Aggregate tax effect – shareholder tax	(231)	(132)	27
759	**Net income/(expense) recognised directly in equity**	**516**	256	(466)
2,209	Profit for the period	1,502	760	2,879
2,968	**Total recognised income and expense for the period**	**2,018**	1,016	2,413
	Attributable to:			
2,794	– Equity shareholders of Aviva plc	1,900	931	2,208
174	– Minority interests	118	85	205
2,968		2,018	1,016	2,413

Reconciliation of movements in consolidated shareholders' equity – EEV basis
For the six months ended 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
31,131	**Balance at 1 January**	**20,858**	17,546	17,546
3,012	Total recognised income and expense for the period	2,018	1,016	2,413
(748)	Dividends and appropriations (IFRS section: note 15)	(501)	(427)	(762)
–	Issue of share capital for the acquisition of AmerUs Group Co, net of transaction costs	–	–	892
45	Other issues of share capital, net of transaction costs	30	47	43
227	Shares issued in lieu of dividends	152	77	203
112	Capital contribution from minority shareholders	75	35	397
(94)	Minority share of dividends declared in the period	(63)	(57)	(75)
212	Minority interest in acquired/disposed subsidiaries	142	223	153
36	Reserves credit for equity compensation plans	24	5	48
33,933	**Total equity**	**22,735**	18,465	20,858
(3,596)	**Minority interests**	**(2,409)**	(1,743)	(2,137)
30,337	**Balance at 30 June/31 December**	**20,326**	16,722	18,721

Alternative method of reporting long-term business continued
Summarised consolidated balance sheet – EEV basis
As at 30 June 2007

6 months 2007 €m		30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
	Assets			
4,346	Goodwill	**2,912**	2,336	2,910
4,233	Acquired value of in-force business and intangible assets	**2,836**	1,004	2,728
10,721	Additional value of in-force long-term business	**7,183**	6,345	6,794
3,816	Investments in joint ventures	**2,557**	2,420	2,795
1,330	Investments in associates	**891**	897	895
1,279	Property and equipment	**857**	883	904
23,406	Investment property	**15,682**	14,111	15,123
40,016	Loans	**26,811**	24,479	26,445
	Financial investments:			
163,676	– Debt securities	**109,663**	99,451	113,041
87,946	– Equity securities	**58,924**	54,704	56,762
54,503	– Other investments	**36,517**	30,782	33,050
11,690	Reinsurance assets	**7,832**	7,589	7,825
1,142	Deferred tax assets	**765**	655	1,199
400	Current tax assets	**268**	86	344
16,354	Receivables and other financial assets	**10,957**	8,660	8,098
5,864	Deferred acquisition costs and other assets	**3,929**	3,741	3,476
4,139	Prepayments and accrued income	**2,773**	2,993	2,585
22,575	Cash and cash equivalents	**15,125**	15,268	14,542
1,936	Assets of operations classified as held for sale	**1,297**	1,008	–
459,372	**Total assets**	**307,779**	277,412	299,516
	Equity			
966	Ordinary share capital	**647**	604	641
6,693	Capital reserves	**4,484**	4,480	4,460
767	Other reserves	**514**	770	531
9,101	Retained earnings	**6,098**	3,439	5,082
11,034	Additional retained profit on an EEV basis	**7,393**	6,239	6,817
28,561	**Equity attributable to ordinary shareholders of Aviva plc**	**19,136**	15,532	17,531
1,776	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
3,596	Minority interests	**2,409**	1,743	2,137
33,933	**Total equity**	**22,735**	18,465	20,858
	Liabilities			
215,951	Gross insurance liabilities	**144,687**	133,068	144,230
137,464	Gross liabilities for investment contracts	**92,101**	82,856	88,358
14,163	Unallocated divisible surplus	**9,489**	8,235	9,465
5,955	Net asset value attributable to unitholders	**3,990**	3,080	3,810
2,881	Provisions	**1,930**	2,364	2,850
4,497	Deferred tax liabilities	**3,013**	2,323	3,077
1,727	Current tax liabilities	**1,157**	957	1,262
18,203	Borrowings	**12,196**	11,070	12,137
15,855	Payables and other financial liabilities	**10,623**	9,381	9,235
7,176	Other liabilities	**4,808**	4,785	4,234
1,567	Liabilities of operations classified as held for sale	**1,050**	828	–
425,439	**Total liabilities**	**285,044**	258,947	278,658
459,372	**Total equity and liabilities**	**307,779**	277,412	299,516

Approved by the Board on 8 August 2007

Philip Scott, Director

Segmentation of summarised consolidated balance sheet – EEV basis
As at 30 June 2007

	30 June 2007 Life and related businesses £m	30 June 2007 General business and other £m	30 June 2007 Group £m	30 June 2006 Life and related businesses £m	30 June 2006 General business and other £m	30 June 2006 Group £m	31 December 2006 Group £m
Total assets before acquired additional value of in-force long-term business	**259,847**	**38,969**	**298,816**	231,790	38,916	270,706	290,916
Acquired additional value of in-force long-term business	**1,744**	**–**	**1,744**	361	–	361	1,806
Total assets included in the statutory IFRS balance sheet	**261,591**	**38,969**	**300,560**	232,151	38,916	271,067	292,722
Liabilities of the long-term business	**(248,293)**	**–**	**(248,293)**	(222,264)	–	(222,264)	(241,892)
Liabilities of the general insurance and other businesses	**–**	**(36,751)**	**(36,751)**	–	(36,683)	(36,683)	(36,766)
Net assets on a statutory IFRS basis	**13,298**	**2,218**	**15,516**	9,887	2,233	12,120	14,064
Additional value of in-force long-term business[1]	**7,219**	**–**	**7,219**	6,345	–	6,345	6,794
Net assets on an EEV basis[2]	**20,517**	**2,218**	**22,735**	16,232	2,233	18,465	20,858
Equity capital, capital reserves, shares held by employee trusts and other reserves			**5,645**			5,854	5,632
IFRS basis retained earnings			**6,098**			3,439	5,082
Additional EEV basis retained profit			**7,393**			6,239	6,817
Equity attributable to ordinary shareholders of Aviva plc on an EEV basis			**19,136**			15,532	17,531
Preference share capital and direct capital instrument			**1,190**			1,190	1,190
Minority interests			**2,409**			1,743	2,137
EEV basis total equity			**22,735**			18,465	20,858

1. The analysis between the Group's and the minority interest's share of the additional value of in-force long-term business is as follows:

	30 June 2007 £m	31 December 2006 £m	Movement in the period £m
Group's share included in shareholders' funds	**7,393**	6,817	576
Minority interest share	**478**	439	39
Movement in AFS securities	**(652)**	(462)	(190)
Per segmentation of summarised consolidated balance sheet	**7,219**	6,794	425
Less: share included in assets of operations held for sale	**(36)**	–	(36)
Per balance at 30 June/31 December	**7,183**	6,794	389

2. Analysis of net assets on an EEV basis is made up as follows:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Embedded value	**18,704**	15,532	18,098
RBSG goodwill	**217**	217	217
Goodwill and intangible assets allocated to long-term business	**1,652**	696	1,527
Notional allocation of IAS 19 pension fund deficit to long-term business[3,4]	**(56)**	(213)	(179)
Long-term business net assets on an EEV basis	**20,517**	16,232	19,663

3. The value of the Aviva Staff Pension Scheme deficit has been notionally allocated between segments, based on current funding and the life proportion has been included within the long-term business net assets on an EEV basis.

4. Effective from 31 December 2006, the pension fund deficit notionally allocated to long-term business is net of the proportion of funding borne by the UK with-profit funds.

Alternative method of reporting long-term business continued

1 – Basis of preparation and EEV methodology

The summarised consolidated income statement and balance sheet on pages 64 to 67 present the Group's results and financial position for life and related businesses on the European Embedded Value (EEV) basis and for its non-life businesses on the International Financial Reporting Standards (IFRS) basis. The EEV methodology that the Group has adopted is in accordance with the EEV principles introduced by the CFO Forum in May 2004 and the Additional Guidance on EEV disclosures, published by the CFO Forum in October 2005, which is applicable for financial years ending on or after 31 December 2006. Detailed information on the basis of preparation and EEV methodology is set out in Aviva plc's 2006 Report and Accounts; any updates are detailed below.

In the directors' opinion, the EEV basis provides a more relevant reflection of the performance of the Group's life and related operations year on year than results presented under the IFRS basis. The directors consider that the EEV methodology represents a more meaningful basis of reporting the underlying value of the Group's life and related businesses and the underlying drivers of performance. This basis allows for the impact of uncertainty in the future investment returns more explicitly and is consistent with the way the business is priced and managed.

At the time the Group adopted EEV principles in 2004, its approach to establishing economic assumptions, including investment returns, required capital and discount rates, was reviewed by Tillinghast, a firm of actuarial consultants. The approach used by the Group is based on the established "capital asset pricing model" theory and remains in line with EEV principles and guidance.

The results for the six month periods to 30 June 2007 and 30 June 2006 are unaudited but have been reviewed by Ernst & Young LLP. Their independent report in respect of 30 June 2007 is included on page 85. The interim accounts for the six months ended 30 June 2007 do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

Risk discount rates (RDR)

Following the review of the risk margin at 31 December 2006, the directors decided to leave the life embedded value risk margin unchanged at 2.7%. The market assessed risk factor (beta) had reduced in recent periods, implying a reduction of the risk in the life business. Following the review at 30 June 2007, the directors have decided to maintain the life embedded value risk margin at 2.7%. Management will keep the risk margin under review and will make adjustments as necessary to reflect past trends and future expected trends in the riskiness of the life business, based on the beta.

The sensitivity disclosures on pages 81 to 84 of this report indicate the potential impact on embedded value that could be caused by a change to the RDR.

2 – Components of life EEV return

The life EEV return comprises the following components:

– new business contribution written during the period including value added between the point of sale and end of the period;

– the profit from existing business equal to:

the expected return on the value of the in-force covered 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 return based on economic assumptions used to calculate the start of year value; and

– the impact of changes in economic assumptions in the period.

2 – Components of life EEV return continued
The life EEV operating return comprises the first three of these components and is calculated using economic assumptions as at the start of the year and operating (demographic, expenses and tax) assumptions as at the end of the period.

Life EEV return	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
New business contribution (after the effect of required capital)	**419**	352	683
Profit from existing business			
– expected return	**600**	503	1,011
– experience variances	**(19)**	(9)	(50)
– operating assumption changes	**11**	3	44
Expected return on shareholders' net worth	**240**	172	345
Life EEV operating return before tax	**1,251**	1,021	2,033
Investment return variances	**241**	(739)	319
Effect of economic assumption changes	**301**	471	671
Life EEV return before tax	**1,793**	753	3,023
Tax on operating profit	**(373)**	(315)	(630)
Tax charge on other ordinary activities	**(146)**	75	(295)
Life EEV return after tax	**1,274**	513	2,098

There were no separate development costs reported in these periods.

3 – New business contribution
The table overleaf sets out the premium volumes, the contribution from and the resulting margin achieved on new business written by the life and related businesses.

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. New 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. New business contribution has been calculated using the same economic assumptions as those used to determine the embedded value as at the start of the year and operating assumptions used to determine the embedded value as at the end of the year, and is rolled forward to the end of the financial period. New business contribution is shown before and after the effect of required capital, calculated on the same basis as for in-force covered business.

New business sales are expressed on two bases: annual premium equivalent (APE) and the present value of new business premiums (PVNBP). The PVNBP calculation is equal to total single premium sales received in the year plus the discounted value of regular premiums expected to be received over the term of the new contracts, and is expressed at the point of sale. The premium volumes and projection assumptions used to calculate the present value of regular premiums for each product are the same as those used to calculate new business contribution, so the components of the new business margin are on a consistent basis.

Alternative method of reporting long-term business continued

3 – New business contribution continued

(a) Geographical analysis of new business

	Present value of new business premiums		Before the effect of required capital: New business contribution		Before the effect of required capital: New business margin[1]		After the effect of required capital: New business contribution		After the effect of required capital: New business margin[1]	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Life and pensions										
United Kingdom	**5,820**	5,816	**178**	167	**3.1%**	2.9%	**143**	135	**2.5%**	2.3%
France	**1,832**	2,028	**80**	87	**4.4%**	4.3%	**54**	64	**2.9%**	3.2%
Ireland	**889**	558	**14**	11	**1.6%**	2.0%	**12**	8	**1.3%**	1.4%
Italy	**1,818**	1,583	**49**	38	**2.7%**	2.4%	**37**	26	**2.0%**	1.6%
Netherlands (including Belgium and Germany)	**1,146**	1,170	**37**	34	**3.2%**	2.9%	**24**	17	**2.1%**	1.5%
Poland	**379**	264	**17**	14	**4.5%**	5.3%	**15**	12	**4.0%**	4.5%
Spain	**1,114**	916	**88**	88	**7.9%**	9.6%	**79**	80	**7.1%**	8.7%
Other Europe	**175**	126	**(2)**	(4)	**(1.1)%**	(3.2)%	**(3)**	(5)	**(1.7)%**	(4.0)%
Europe	**7,353**	6,645	**283**	268	**3.8%**	4.0%	**218**	202	**3.0%**	3.0%
North America	**1,716**	289	**57**	5	**3.3%**	1.7%	**35**	2	**2.0%**	0.7%
Asia	**414**	252	**20**	12	**4.8%**	4.8%	**16**	10	**3.9%**	4.0%
Australia	**240**	145	**12**	7	**5.0%**	4.8%	**7**	3	**2.9%**	2.1%
Asia Pacific	**654**	397	**32**	19	**4.9%**	4.8%	**23**	13	**3.5%**	3.3%
Total life and pensions	**15,543**	13,147	**550**	459	**3.5%**	3.5%	**419**	352	**2.7%**	2.7%
Investment sales	**3,751**	2,484								
Total long-term savings (including share of associates and joint ventures)[2]	**19,294**	15,631								

1. New business margin represents the ratio of new business contribution to PVNBP, expressed as a percentage.
2. Total long-term savings includes investment sales. Investment sales are calculated as new single premiums plus annualised value of new regular premiums.

(b) Analysis of new business by distribution channel

(i) Before the effect of required capital, tax and minority interest

	Present value of new business premiums		New business contribution		New business margin	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Analysed between:						
– Bancassurance channels	**4,541**	3,958	**205**	187	**4.5%**	4.7%
– Other distribution channels	**11,002**	9,189	**345**	272	**3.1%**	3.0%
Total	**15,543**	13,147	**550**	459	**3.5%**	3.5%

3 – New business contribution continued

(ii) After the effect of required capital, tax and minority interest

	Annual premium equivalent		Present value of new business premiums		New business contribution		New business margin	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Analysed between:								
– Bancassurance channels	**320**	267	**2,586**	2,218	**71**	59	**2.7%**	2.7%
– Other distribution channels	**1,367**	1,133	**10,716**	8,932	**169**	135	**1.6%**	1.5%
Total	**1,687**	1,400	**13,302**	11,150	**240**	194	**1.8%**	1.7%

Alternative method of reporting long-term business continued

4 – Geographical analysis of the components of life EEV operating return

Six months 2007	UK £m	France £m	Ireland £m	Italy £m	Nether-lands £m	Poland £m	Spain £m	Other Europe £m	Europe £m	North America £m	Asia £m	Australia £m	Asia Pacific £m	Total £m
New business contribution (after the effect of required capital)	**143**	**54**	**12**	**37**	**24**	**15**	**79**	**(3)**	**218**	**35**	**16**	**7**	**23**	**419**
Profit from existing business														
– expected return	**261**	**81**	**21**	**18**	**85**	**29**	**33**	**5**	**272**	**50**	**7**	**10**	**17**	**600**
– experience variances:														
Maintenance expenses[1]	**4**	**2**	**1**	**(1)**	**(10)**	**1**	**(1)**	**(2)**	**(10)**	**2**	**–**	**(1)**	**(1)**	**(5)**
Project and other related expenses[2]	**(56)**	**(1)**	**(1)**	**–**	**(6)**	**–**	**–**	**(3)**	**(11)**	**–**	**–**	**–**	**–**	**(67)**
Mortality/Morbidity[3]	**3**	**11**	**–**	**–**	**2**	**6**	**(2)**	**2**	**19**	**(2)**	**2**	**2**	**4**	**24**
Lapses[4]	**(6)**	**5**	**(2)**	**(2)**	**(5)**	**11**	**(7)**	**(2)**	**(2)**	**–**	**(4)**	**2**	**(2)**	**(10)**
Other[5]	**18**	**19**	**(2)**	**4**	**(3)**	**4**	**(2)**	**3**	**23**	**(3)**	**–**	**1**	**1**	**39**
	(37)	**36**	**(4)**	**1**	**(22)**	**22**	**(12)**	**(2)**	**19**	**(3)**	**(2)**	**4**	**2**	**(19)**
– operating assumption changes:														
Maintenance expenses[6]	**–**	**13**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**–**	**–**	**(2)**	**(2)**	**11**
Project and other related expenses –	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	
Mortality/Morbidity	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Lapses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Other	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
	–	**13**	**–**	**–**	**–**	**–**	**–**	**–**	**13**	**–**	**–**	**(2)**	**(2)**	**11**
Expected return on shareholders' net worth	**46**	**41**	**8**	**16**	**79**	**5**	**7**	**1**	**157**	**30**	**3**	**4**	**7**	**240**
Life EEV operating return before tax	**413**	**225**	**37**	**72**	**166**	**71**	**107**	**1**	**679**	**112**	**24**	**23**	**47**	**1,251**

1. Maintenance expenses in Delta Lloyd reflect the impact of expense overruns in Belgium and ABN AMRO.
2. Project and other related expenses in the UK reflect project costs associated with strategic initiatives, including developments designed to offer simpler products to customers and the simplification of systems and processes. In the Netherlands, exceptional expenses reflect higher project costs compared to allowances.
3. Mortality experience continues to be better than the assumptions set across a number of our businesses.
4. Lapse experience in Poland continues to be better than the assumptions set for both life and pension products. This has been offset by small negative experience variances across a number of our other businesses.
5. In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages. In France, positive experience includes the benefit of higher than assumed tax-free dividend income.
6. In France, the maintenance expenses assumption change relates to lower "look through" expenses in the holding company.

Six months 2006	UK £m	France £m	Ireland £m	Italy £m	Nether-lands £m	Poland £m	Spain £m	Other Europe £m	Europe £m	North America £m	Asia £m	Australia £m	Asia Pacific £m	Total £m
New business contribution (after the effect of required capital)	135	64	8	26	17	12	80	(5)	202	2	10	3	13	352
Profit from existing business														
– expected return	236	69	19	14	84	26	27	6	245	8	5	9	14	503
– experience variances:														
Maintenance expenses[1]	(1)	4	–	(1)	(12)	4	(1)	–	(6)	–	–	–	–	(7)
Project and other related expenses[2]	(75)	–	(1)	–	(6)	–	–	(1)	(8)	–	–	–	–	(83)
Mortality/Morbidity[3]	20	14	(2)	–	20	8	–	2	42	–	3	3	6	68
Lapses[4]	(35)	5	(5)	(2)	4	6	–	(3)	5	–	(1)	1	–	(30)
Other[5]	24	6	(1)	2	9	5	–	(2)	19	–	–	–	–	43
	(67)	29	(9)	(1)	15	23	(1)	(4)	52	–	2	4	6	(9)
– operating assumption changes:														
Maintenance expenses[6]	–	–	(10)	–	–	–	–	–	(10)	–	–	–	–	(10)
Project and other related expenses –	–	–	–	–	–	–	–	–	–	–	–	–	–	
Mortality/Morbidity	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Lapses[7]	–	–	(7)	–	–	–	–	–	(7)	–	–	–	–	(7)
Other[8]	–	–	–	–	20	–	–	–	20	–	–	–	–	20
	–	–	(17)	–	20	–	–	–	3	–	–	–	–	3
Expected return on shareholders' net worth	46	34	7	14	49	5	6	–	115	6	2	3	5	172
Life EEV operating return before tax	350	196	8	53	185	66	112	(3)	617	16	19	19	38	1,021

1. Maintenance expenses in the Netherlands reflect the impact of expense overruns in Belgium.
2. Project and other related expenses in the UK reflect £18 million relating to the ongoing transformation of the life business and £57 million of other exceptional, project and related costs associated with strategic initiatives, regulatory change and developments designed to increase future new business volumes such as those relating to pensions simplification.
3. Mortality experience continues to be better than the assumptions set across many of our businesses, notably for term and protection business in the UK and AFER in France. In addition there is a one-off reserve release associated with the review of a large group pension scheme in the Netherlands.
4. Lapse experience in the UK has been worse than assumed and primarily relates to bonds and pensions.
5. In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages.
6. Maintenance expenses in Ireland relate to a change in assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.
7. In Ireland, the lapse assumption change relates to the Celebration Bond and life linked bonds.
8. In the Netherlands, the assumption changes relate to reduced asset management fees and a change in the asset mix in Belgium.

4 – Geographical analysis of the components of life EEV operating return continued

Year ended 31 December 2006	**UK £m**	France £m	Ireland £m	Italy £m	Nether-lands £m	Poland £m	Spain £m	Other Europe £m	**Europe £m**	**North America £m**	Asia £m	Australia £m	**Asia Pacific £m**	**Total £m**
New business contribution (after the effect of required capital)	263	110	9	50	25	25	168	(6)	381	8	22	9	31	683
Profit from existing business														
– expected return	474	142	41	26	158	52	53	9	481	29	10	17	27	1,011
– experience variances:														
Maintenance expenses	13	9	4	(1)	(11)	5	(2)	(2)	2	–	–	(2)	(2)	13
Project and other related expenses[1]	(149)	1	(4)	–	(23)	–	(1)	(2)	(29)	–	–	–	–	(178)
Mortality/Morbidity[2]	(13)	33	(2)	4	3	16	1	2	57	–	8	7	15	59
Lapses[3]	(66)	8	(9)	(8)	2	21	(1)	(2)	11	(9)	(6)	3	(3)	(67)
Other[4]	75	20	(9)	6	20	3	11	(1)	50	(2)	(2)	2	–	123
	(140)	71	(20)	1	(9)	45	8	(5)	91	(11)	–	10	10	(50)
– operating assumption changes:														
Maintenance expenses[5]	58	–	(3)	–	60	(3)	–	(11)	43	(12)	(1)	(5)	(6)	83
Project and other related expenses[6]	(46)	(2)	(22)	–	(9)	–	–	(3)	(36)	–	–	–	–	(82)
Mortality/Morbidity[7]	57	45	(13)	–	–	17	–	(1)	48	3	4	7	11	119
Lapses[8]	(224)	(41)	(47)	–	(14)	17	(21)	(1)	(107)	–	–	2	2	(329)
Other[9]	215	9	–	2	19	1	2	3	36	–	(1)	3	2	253
	60	11	(85)	2	56	32	(19)	(13)	(16)	(9)	2	7	9	44
Expected return on shareholders' net worth	87	68	15	31	99	8	11	2	234	15	3	6	9	345
Life EEV operating return before tax	744	402	(40)	110	329	162	221	(13)	1,171	32	37	49	86	2,033

1. Project and other related expenses in the UK reflect £32 million relating to the ongoing transformation of the life business and £117 million of other exceptional and project costs associated with strategic initiatives, including developments designed to improve the future new business volumes, and regulatory changes. In the Netherlands, exceptional expenses reflect higher project costs compared to allowances as well as the payment to ABN AMRO in respect of the joint venture operations.
2. Mortality experience continues to be better than the assumptions set across many of our businesses.
3. Lapse experience in the UK has been worse than assumed and primarily relates to bonds and pensions. In Poland, lapses for both life and pension products have been lower than assumed resulting in the favourable experience variance.
4. In the UK, other experience profits include better than assumed default experience on corporate bonds and mortgages, and the benefit of higher than expected performance fees in Morley.
5. Maintenance expenses in the UK relate to Morley's change in profit margin. The change in Delta Lloyd is also driven by improved asset management profitability. The adverse movement in North America is due to a reassessment of expenses in our Boston-based operations.
6. In the UK, project and other related expenses relate to short-term project costs and capitalisation of reorganisation costs. Ireland reflects changes in expense assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.
7. The change in mortality assumptions in the UK includes an alignment in the basis for internal business. Mortality assumptions in France were changed following improvements in mortality experience over the last few years.
8. In the UK, the lapse assumption change relates to bonds and pension business while the change in Ireland relates to the Celebration Bond and unit-linked bonds. In France, lapse assumptions have been changed for non-AFER business in Aviva Vie. In Spain, lapse assumptions have been changed for risk business and some savings products.
9. In the UK, the assumption changes reflect the beneficial impact of the with-profit funds sharing the pension scheme deficit funding (£126 million) and the impact of PS06/14, primarily in reducing the non-profit reserves (£50 million). In Delta Lloyd the impact is due to changes to management fee rebates.

Alternative method of reporting long-term business continued

5 – Analysis of movement in life and related businesses embedded value

The following tables provide an analysis of the movement in embedded value for the life and related businesses for the six months to 30 June 2007 and the six months to 30 June 2006. The analysis is shown separately for net worth and the value of in-force covered business, and includes amounts transferred between these categories. The transfer to life and related businesses from other segments consists of service company profits and losses during the reported period that have emerged from the value of in-force. Since the "look through" into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value. All figures are shown net of tax.

			6 months 2007
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period – Free surplus	**3,569**		
– Required capital[1]	**5,314**		
Total	**8,883**	**9,215**	**18,098**
New business contribution (after the effect of required capital)	**(318)**	**611**	**293**
Expected return on existing business – return on VIF	**–**	**425**	**425**
Expected return on existing business – transfer to net worth	**644**	**(644)**	**–**
Experience variances and operating assumption changes	**325**	**(332)**	**(7)**
Expected return on shareholders' net worth	**167**	**–**	**167**
Investment return variances and economic assumption changes	**602**	**(206)**	**396**
Life EEV return after tax	**1,420**	**(146)**	**1,274**
Exchange rate movements	**(16)**	**(12)**	**(28)**
Embedded value from business acquired	**33**	**9**	**42**
Net amounts released from life and related businesses	**(666)**	**–**	**(666)**
Transfer from life and related businesses to other segments	**(16)**	**–**	**(16)**
Embedded value at the end of the period – Free surplus	**4,033**		
– Required capital[1]	**5,605**		
Total	**9,638**	**9,066**	**18,704**

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.

The embedded value of business acquired in the six months to 30 June 2007 of £42 million represents the embedded value of Erasmus Groep BV.

Required capital has increased in the period by £291 million. The movement comprises an increase of £384 million in relation to new business written, a reduction of £114 million regarding in-force business, £30 million additional in-force required capital relating to the acquisition during the period and a £9 million decrease due to foreign exchange rate movements. The decrease in the in-force required capital includes the effect of a maturing portfolio of business, an increase in long-term interest rates which has decreased statutory reserves and, hence, capital requirements and the impact of the higher solvency margin required for certain unit-linked business, following clarification by the French regulator.

			6 months 2006
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period – Free surplus	2,772		
– Required capital[1]	4,448		
Total	7,220	7,893	15,113
New business contribution (after the effect of required capital)	(344)	586	242
Expected return on existing business – return on VIF	–	353	353
Expected return on existing business – transfer to net worth	488	(488)	–
Experience variances and operating assumption changes	179	(188)	(9)
Expected return on shareholders' net worth	119	–	119
Investment return variances and economic assumption changes	(114)	(78)	(192)
Life EEV return after tax	328	185	513
Exchange rate movements	(9)	(20)	(29)
Embedded value from business acquired	170	176	346
Net amounts released from life and related businesses	(451)	–	(451)
Transfer to life and related businesses from other segments	40	–	40
Embedded value at the end of the period – Free surplus	2,682		
– Required capital[1]	4,616		
Total	7,298	8,234	15,532

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.

6 – Segmental analysis of life and related businesses embedded value

30 June 2007	Net worth: Required capital[1] £m	Net worth: Free surplus £m	Value of in-force covered business: Present value of in-force £m	Value of in-force covered business: Cost of required capital £m	Total: Embedded value £m
United Kingdom	**1,317**	**917**	**4,809**	**(443)**	**6,600**
France	**1,353**	**145**	**1,210**	**(322)**	**2,386**
Ireland	**247**	**174**	**539**	**(38)**	**922**
Italy	**286**	**386**	**229**	**(68)**	**833**
Netherlands (including Belgium and Germany)	**1,095**	**2,005**	**1,477**	**(381)**	**4,196**
Poland	**111**	**65**	**583**	**(35)**	**724**
Spain	**293**	**41**	**631**	**(60)**	**905**
Other Europe	**21**	**20**	**86**	**(11)**	**116**
Europe	**3,406**	**2,836**	**4,755**	**(915)**	**10,082**
North America[2]	**682**	**135**	**827**	**(140)**	**1,504**
Asia Pacific	**200**	**145**	**231**	**(58)**	**518**
Total	**5,605**	**4,033**	**10,622**	**(1,556)**	**18,704**

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.
2. AmerUs holding company debt amounting to £349 million at 30 June 2007 (30 June 2006: £nil) has been included within other operations.

30 June 2006	Net worth: Required capital[1] £m	Net worth: Free surplus £m	Value of in-force covered business: Present value of in-force £m	Value of in-force covered business: Cost of required capital £m	Total: Embedded value £m
United Kingdom	1,170	491	4,906	(436)	6,131
France	1,130	183	1,099	(231)	2,181
Ireland	266	193	543	(46)	956
Italy	314	309	205	(63)	765
Netherlands (including Belgium and Germany)	1,074	1,213	1,377	(321)	3,343
Poland	98	69	461	(29)	599
Spain	268	7	533	(59)	749
Other Europe	19	23	68	(12)	98
Europe	3,169	1,997	4,286	(761)	8,691
North America	119	108	117	(28)	316
Asia Pacific	158	86	196	(46)	394
Total	4,616	2,682	9,505	(1,271)	15,532

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.

The shareholders' net worth is 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. Required capital, net of implicit items is included within the net worth.

The value of in-force covered business includes "cost of required capital" – the effect of holding shareholders' capital to support the level of required capital and allowing for projected future releases.

Alternative method of reporting long-term business continued

7 – Time value of options and guarantees

The following table sets out the time value of options and guarantees relating to covered business by territory.

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
United Kingdom	**46**	46	50
France	**79**	56	77
Ireland	**2**	5	2
Italy	**18**	17	17
Netherlands (including Belgium and Germany)	**105**	117	146
Poland	**5**	5	4
Spain	**4**	4	4
Other Europe	**1**	–	–
Europe	**214**	204	250
North America	**55**	10	68
Asia Pacific	**6**	5	4
Total	**321**	265	372

The time value of options and guarantees (TVOG) is most significant in the United Kingdom, France, the Netherlands and the United States. In the United Kingdom, this relates mainly to non-market value adjustment (MVA) guarantees on unitised with-profit business and guaranteed annuity rates. In France, this relates mainly to guaranteed crediting rates and surrender values on traditional business including the AFER fund. In the Netherlands, this relates mainly to maturity guarantees on unit-linked products and interest rate guarantees on traditional individual and group profit sharing business. In the United States, this relates to crediting rate, death benefit and surrender guarantees on life business.

The TVOG has reduced by £51 million to £321 million, reflecting the impact of the increase in interest rates.

8 – Geographical analysis of fund management operating profit

The summarised consolidated income statement – EEV basis, includes profit from the Group's fund management operations as analysed below. This excludes the proportion of the results of Morley's fund management businesses, of our French asset management operation Aviva Gestion d'Actifs (AGA) and other fund management operations within the Group that arises from the provision of fund management services to our Life businesses. These results are included within the Life EEV operating return.

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
UK business	**18**	11	35
International business	**5**	6	9
Morley	**23**	17	44
The Royal Bank of Scotland	**(4)**	(4)	(7)
Norwich Union investment funds	**–**	(1)	1
United Kingdom	**19**	12	38
France	**5**	5	10
Netherlands	**9**	10	33
Other Europe	**2**	1	3
Europe	**16**	16	46
North America	**1**	1	3
Asia Pacific	**9**	4	9
Total	**45**	33	96

9 – Analysis of other operations' operating result

The summarised consolidated income statement – EEV basis, includes the results of the Group's other operations as analysed below. This excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the Life EEV operating return. Other subsidiaries providing services to our life businesses do not materially impact the Group results.

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RAC	**6**	20	45
UK Life			
– Norwich Union Life Services	**3**	2	5
– Lifetime and SIPP	**(18)**	(6)	(29)
Other	**(36)**	13	(44)
Total	**(45)**	29	(23)

10 – Summary of minority interest in life and related businesses' EEV results

Six months 2007	France £m	Ireland £m	Italy £m	Nether-lands £m	Poland £m	Spain £m	Europe £m	Asia Pacific £m	Total £m	Share-holder interest £m	Group £m
Minority interest											
New business contribution before effect of required capital	**13**	**3**	**28**	**3**	**2**	**45**	**94**	**1**	**95**	**455**	**550**
Effect of required capital	**(6)**	**(1)**	**(7)**	**(1)**	**–**	**(4)**	**(19)**	**–**	**(19)**	**(112)**	**(131)**
New business contribution after effect of required capital	**7**	**2**	**21**	**2**	**2**	**41**	**75**	**1**	**76**	**343**	**419**
Life EEV operating return before tax	**19**	**8**	**40**	**8**	**9**	**55**	**139**	**1**	**140**	**1,111**	**1,251**
Life EEV return after tax	**6**	**9**	**31**	**4**	**10**	**33**	**93**	**1**	**94**	**1,180**	**1,274**
Closing life and related businesses' embedded value	**165**	**224**	**438**	**105**	**92**	**391**	**1,415**	**10**	**1,425**	**17,279**	**18,704**

Six months 2006	France £m	Ireland £m	Italy £m	Nether-lands £m	Poland £m	Spain £m	Europe £m	Asia Pacific £m	Total £m	Share-holder interest £m	Group £m
Minority interest											
New business contribution before effect of required capital	14	3	22	6	2	45	92	–	92	367	459
Effect of required capital	(5)	(1)	(7)	(1)	–	(5)	(19)	–	(19)	(88)	(107)
New business contribution after effect of required capital	9	2	15	5	2	40	73	–	73	279	352
Life EEV operating return before tax	19	2	29	9	10	56	125	1	126	895	1,021
Life EEV return after tax	5	(4)	29	2	8	20	60	3	63	450	513
Closing life and related businesses' embedded value	151	232	396	73	98	322	1,272	11	1,283	14,249	15,532

Note: There are no minority interests in the UK or North America.

Alternative method of reporting long-term business continued

11 – Principal economic assumptions

(a) Deterministic calculations

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each reporting period. The same margins are applied on a consistent basis across the Group to gross risk-free yields to obtain investment return assumptions for ordinary shares and property and to produce risk discount rates. Additional country-specific risk margins are applied to smaller businesses to reflect additional economic, political and business-specific risk, which result in the application of risk margins ranging from 3.7% to 8.7% in our eastern European and Asian business operations. Expense inflation is derived as a fixed margin above a local measure of long-term price inflation. Risk free rates and price inflation have been harmonised across territories within the euro currency zone, except for expense inflation in Ireland where significant differences remain. Required capital is shown as a multiple of the EU statutory minimum solvency margin or equivalent.

Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Future assumed reinvestment rates are consistent with implied market returns at 30 June 2007. Rates have been derived using rates from the current yield curve at a duration based on the term of the liabilities, or directly from forward yield curves where considered appropriate. Assumptions about future investment mix are consistent with long-term plans. In most cases, the investment mix is assumed to continue unchanged throughout the projection period. The changes in assumptions between reporting dates reflect the actual movements in risk free yields in the United Kingdom, the Eurozone and other territories. The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2007	31 December 2006	30 June 2006	31 December 2005	30 June 2007	31 December 2006	30 June 2006	31 December 2005
Risk discount rate	**8.0%**	7.3%	7.4%	6.8%	**7.3%**	6.7%	6.8%	6.0%
Pre-tax investment returns:								
Base Government fixed interest	**5.3%**	4.6%	4.7%	4.1%	**4.6%**	4.0%	4.1%	3.3%
Ordinary shares	**8.3%**	7.6%	7.7%	7.1%	**7.6%**	7.0%	7.1%	6.3%
Property	**7.3%**	6.6%	6.7%	6.1%	**6.6%**	6.0%	6.1%	5.3%
Future expense inflation	**3.5%**	3.4%	3.3%	3.2%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**28.0%**	30.0%	30.0%	30.0%	**34.4%**	34.4%	34.4%	34.4%
Required capital (% EU minimum)	**150%/ 100%**	150%/ 100%	150%/ 100%	150%/ 100%	**115%**	115%	115%	115%

	Ireland				Italy			
	30 June 2007	31 December 2006	30 June 2006	31 December 2005	30 June 2007	31 December 2006	30 June 2006	31 December 2005
Risk discount rate	**7.3%**	6.7%	6.8%	6.0%	**7.3%**	6.7%	6.8%	6.0%
Pre-tax investment returns:								
Base Government fixed interest	**4.6%**	4.0%	4.1%	3.3%	**4.6%**	4.0%	4.1%	3.3%
Ordinary shares	**7.6%**	7.0%	7.1%	6.3%	**7.6%**	7.0%	7.1%	6.3%
Property	**6.6%**	6.0%	6.1%	5.3%	**6.6%**	6.0%	6.1%	5.3%
Future expense inflation	**4.0%**	4.0%	4.0%	4.0%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**12.5%**	12.5%	12.5%	12.5%	**38.3%**	38.3%	38.3%	38.3%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**115%**	115%	115%	115%

	Netherlands				Poland			
	30 June 2007	31 December 2006	30 June 2006	31 December 2005	30 June 2007	31 December 2006	30 June 2006	31 December 2005
Risk discount rate	**7.3%**	6.7%	6.8%	6.0%	**9.2%**	8.7%	8.8%	8.6%
Pre-tax investment returns:								
Base Government fixed interest	**4.6%**	4.0%	4.1%	3.3%	**5.5%**	5.0%	5.1%	4.9%
Ordinary shares	**7.6%**	7.0%	7.1%	6.3%	**8.5%**	8.0%	8.1%	7.9%
Property	**6.6%**	6.0%	6.1%	5.3%	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**3.9%**	3.4%	3.5%	3.3%
Tax rate	**25.5%**	25.5%	29.1%	29.1%	**19.0%**	19.0%	19.0%	19.0%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**150%**	150%	150%	150%

11 – Principal economic assumptions continued

	Spain				United States			
	30 June 2007	31 December 2006	30 June 2006	31 December 2005	30 June 2007	31 December 2006*	30 June 2006	31 December 2005
Risk discount rate	**7.3%**	6.7%	6.8%	6.0%	**7.7%**	7.4%	7.8%	7.2%
Pre-tax investment returns:								
Base Government fixed interest	**4.6%**	4.0%	4.1%	3.3%	**5.0%**	4.7%	5.1%	4.5%
Ordinary shares	**7.6%**	7.0%	7.1%	6.3%	**8.0%**	7.7%	n/a	n/a
Property	**6.6%**	6.0%	6.1%	5.3%	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**3.0%**	3.0%	3.0%	3.0%
Tax rate	**30.0%**	30.0%	35.0%	35.0%	**35.0%**	35.0%	35.0%	35.0%
Required capital (% EU minimum, or equivalent)	**125%/ 110%**	125%/ 110%	125%/ 110%	125%/ 110%	**250%**	250%	200%	200%

* The principal economic assumptions used for AmerUs Group Co. at the date of acquisition were as follows: risk discount rate of 7.2%, pre-tax investment returns of 4.6% for base government fixed interest and required capital of 250%.

For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company. Future returns on corporate fixed interest investments are calculated from prospective yields less an adjustment for credit risk. Required capital in the United Kingdom is 150% EU minimum for Norwich Union Annuity Limited and 100% for other companies. Required capital in Spain is 125% EU minimum for Aviva Vida y Pensiones and 110% for bancassurance companies. The level of required capital for the US business is 250% of the risk based capital, at the company action level, set by the National Association of Insurance Commissioners. The required capital is equivalent to 5% of the insurance liabilities on a local regulatory basis which is broadly equivalent to the required capital we hold for our main European businesses.

(b) Stochastic calculations

The time value of options and guarantees calculation allows for expected management and policyholder actions in response to varying future investment conditions. The management actions modelled include changes to asset mix and bonus rates. Modelled policyholder actions are described under "Other assumptions".

This section describes the models used to generate future investment simulations, and gives some sample statistics for the simulations used. Two separate models have been used, for the UK businesses and for International businesses, as each of these models better reflect the characteristics of the businesses.

United Kingdom

Model

Overall asset returns have been generated assuming that the portfolio total return has a lognormal distribution. The mean and standard deviation of the overall asset return have been calculated using the evolving asset mix of the fund and assumptions over the mean and standard deviation of each asset class, together with correlations between them.

Asset classes

The significant asset classes for UK participating business are equities, property and long-term fixed rate bonds. The most significant assumption is the distribution of future long-term interest rates, since this is the most important factor in the cost of guaranteed annuity options.

Summary statistics

The following table sets out the mean and standard deviations (StDev) of future returns at 30 June 2007 for the three most significant asset classes. Interest rates are assumed to have a lognormal distribution with an annualised standard deviation of 12.5% pa for the natural logarithm of the interest rate.

	Mean[1]	StDev[2]
Equities	**8.3%**	**20%**
Property	**7.3%**	**15%**
Government bonds	**5.3%**	**3.25% – 4.5%**[3]

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).
2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.
3. Depending on the duration of the portfolio.

For the UK, the statistics are the same over all projection horizons. Assumptions are also required for correlations between asset classes. These have been set based on an assessment of historical data. Returns for corporate fixed interest investments in each scenario are equal to the return on Government bonds plus a fixed additional amount, based on current spreads less a margin for credit risk.

Alternative method of reporting long-term business continued

11 – Principal economic assumptions continued

International

Model

Government nominal interest rates are generated by a model that projects a full yield curve at annual intervals. The model assumes that the logarithm of the short rate follows a mean reverting process subject to two normally distributed random shocks. This ensures that nominal interest rates are always positive, the distribution of future interest rates remains credible, and the model can be calibrated to give a good fit to the initial yield curve.

The total annual return on equities is calculated as the return on one year bonds plus an excess return. The excess return is assumed to have a lognormal distribution. The model also generates property total returns and real yield curves, although these are not significant asset classes for Aviva outside the UK.

Asset classes

The most important assets are fixed rate bonds of various durations. In some businesses equities are also an important asset class.

Summary statistics

The following table sets out the means and standard deviations of future euro and US dollar returns at 30 June 2007 for the three most significant asset classes: equities (in the case of euro), short-term bonds (defined to be of one year duration) and long-term bonds (defined to be 10 year zero coupon bonds). In the accumulation of 10 year bonds, it is assumed that these are held for one year, sold as nine year bonds then the proceeds are reinvested in 10 year bonds, although in practice businesses follow more complex asset strategies or tend to adopt a buy and hold strategy. Correlations between asset classes have been set using the same approach as described for the United Kingdom.

	5 year return		10 year return		20 year return	
	Mean[1]	StDev[2]	Mean[1]	StDev[2]	Mean[1]	StDev[2]
Euro						
Short Government bonds	**4.4%**	**2.0%**	**4.4%**	**3.5%**	**4.5%**	**6.1%**
Long Government bonds	**5.0%**	**4.4%**	**4.6%**	**3.3%**	**4.8%**	**3.7%**
Equities	**7.7%**	**19.7%**	**7.6%**	**19.3%**	**7.5%**	**19.1%**
US dollar						
Short Government bonds	**4.7%**	**2.1%**	**4.7%**	**3.7%**	**5.0%**	**7.2%**
Long Government bonds	**5.2%**	**4.9%**	**5.0%**	**4.0%**	**5.3%**	**4.7%**

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).
2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

(c) Other assumptions

Taxation

Current tax legislation and rates have been assumed to continue unaltered, except where changes in future tax rates have been announced.

Demographic assumptions

Assumed future mortality, morbidity and lapse rates have been derived from an analysis of Aviva's recent operating experience. Where appropriate, surrender and option take up rate assumptions that vary according to the investment scenario under consideration have been used in the calculation of the time value of options and guarantees, based on our assessment of likely policyholder behaviour in different investment scenarios.

Expense assumptions

Management expenses and operating expenses of holding companies attributed to life and related businesses have been included in the EEV calculations and split between expenses relating to the acquisition of new business, the maintenance of business in-force and project expenses. Future expense assumptions include an allowance for maintenance expenses and a proportion of recurring project expenses. Certain expenses of an exceptional nature, when they occur, are identified separately and are generally charged as incurred. No future productivity gains have been anticipated.

Where subsidiary companies provide administration, investment management or other services to businesses included in the European Embedded Value calculations, the value of profits or losses arising from these services have been included in the embedded value and new business contribution.

Valuation of debt

Borrowings in the EEV consolidated balance sheet are valued on an IFRS basis, consistent with the primary financial statements. At 30 June 2007 the market value of the Group's external debt, subordinated debt, preference shares including General Accident plc preference shares of £250 million (classified as minority interests) and direct capital instrument was £5,696 million (31 December 2006: £5,991 million).

11 – Principal economic assumptions continued

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Borrowings per summarised consolidated balance sheet – EEV basis	**12,196**	11,070	12,137
Add: Amount included within held for sale	**11**	–	–
Less: Securitised mortgage funding	**(6,825)**	(6,689)	(7,068)
Borrowings excluding non-recourse funding – EEV basis	**5,382**	4,381	5,069
Less: Operational financing by businesses	**(1,176)**	(762)	(874)
External debt and subordinated debt – EEV basis	**4,206**	3,619	4,195
Add: Preference shares (including General Accident plc) and direct capital instrument	**1,440**	1,440	1,440
External debt, subordinated debt, preference shares and direct capital instrument – EEV basis	**5,646**	5,059	5,635
Effect of marking these instruments to market	**50**	354	356
Market value of external debt, subordinated debt, preference shares and direct capital instrument	**5,696**	5,413	5,991

Other
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, except where driven by varying future investment conditions under stochastic economic scenarios.

12 – Sensitivity analysis
(a) Economic assumptions
The following tables show the sensitivity of the embedded value as at 30 June 2007 and the new business contribution before the effect of required capital for the six months to 30 June 2007 to:

- one percentage point increase and decrease in the discount rates;
- one percentage point increase and decrease in interest rates, including all consequential changes (including assumed investment returns for all asset classes, market values of fixed interest assets, risk discount rates);
- one percentage point increase and decrease in the assumed investment returns for equity and property investments, excluding any consequential changes to the risk discount rate;
- 10% rise and fall in market value of equity and property assets (not applicable for new business contribution); and
- decrease in the level of required capital to 100% EU minimum (or equivalent) (not applicable for new business contribution).

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns. Some of the sensitivity scenarios may have consequential effects on valuation bases, where the basis for certain blocks of business is actively updated to reflect current economic circumstances. Consequential valuation impacts on the sensitivities are allowed for where an active valuation basis is used. Where businesses have a target asset mix, the portfolio is re-balanced after a significant market movement otherwise no re-balancing is assumed.

Embedded value (net of tax) 30 June 2007	As reported on page 75 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	**6,600**	**(480)**	**560**	**(350)**	**395**
France	**2,386**	**(140)**	**160**	**(95)**	**90**
Ireland	**922**	**(40)**	**40**	**(35)**	**35**
Italy	**833**	**(25)**	**25**	**5**	**(30)**
Netherlands (including Belgium and Germany)	**4,196**	**(170)**	**200**	**–**	**(160)**
Poland	**724**	**(40)**	**45**	**(5)**	**5**
Spain	**905**	**(45)**	**55**	**(25)**	**25**
Other Europe	**116**	**(5)**	**5**	**–**	**–**
Europe	**10,082**	**(465)**	**530**	**(155)**	**(35)**
North America	**1,504**	**(95)**	**105**	**(130)**	**125**
Asia Pacific	**518**	**(15)**	**20**	**–**	**–**
Total	**18,704**	**(1,055)**	**1,215**	**(635)**	**485**

Alternative method of reporting long-term business continued

12 – Sensitivity analysis continued

Embedded value (net of tax) 30 June 2007	As reported on page 75 £m	1% increase in equity/property returns £m	1% decrease in equity/property returns £m	10% rise in equity/property market values £m	10% fall in equity/property market values £m	EU minimum capital (or equivalent) £m
United Kingdom	**6,600**	**230**	**(235)**	**450**	**(445)**	**95**
France	**2,386**	**75**	**(75)**	**120**	**(140)**	**50**
Ireland	**922**	**20**	**(20)**	**30**	**(30)**	**15**
Italy	**833**	**10**	**(10)**	**10**	**(10)**	**10**
Netherlands (including Belgium and Germany)	**4,196**	**215**	**(220)**	**425**	**(430)**	**100**
Poland	**724**	**10**	**(10)**	**10**	**(10)**	**10**
Spain	**905**	**10**	**(10)**	**15**	**(15)**	**5**
Other Europe	**116**	**–**	**–**	**–**	**–**	**5**
Europe	**10,082**	**340**	**(345)**	**610**	**(635)**	**195**
North America	**1,504**	**10**	**(15)**	**–**	**–**	**95**
Asia Pacific	**518**	**5**	**(5)**	**10**	**(10)**	**10**
Total	**18,704**	**585**	**(600)**	**1,070**	**(1,090)**	**395**

In general, the magnitude of the sensitivities will reflect the size of the embedded values, though this will vary as the sensitivities have different impacts on the different components of the embedded value. In addition, other factors can have a material impact, such as the nature of the options and guarantees, as well as the types of investments held. The interest rate sensitivity will vary significantly by territory, depending on the type of business written: for example, where non-profit business is well matched by backing assets, the favourable impact of reducing the risk discount rate is the dominant factor.

Sensitivities will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios. This can be seen in the sensitivity of a 1% movement in the interest rate for the Netherlands, where there is a significant amount of business with investment return guarantees. The increase of 60 basis points to the assumed pre-tax investment returns at 30 June 2007 has significantly decreased this sensitivity, reflecting the level of the guarantees relative to the interest rate assumption.

Sensitivities to a 1% movement in the equity/property return will only impact the value of the in-force covered business, whereas a 10% movement in equity/property values may impact both the net worth and the value of in-force, depending on the allocation of assets.

New business contribution before required capital (gross of tax) 6 months 2007	As reported on page 70 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	**178**	**(29)**	**34**	**(12)**	**15**
France	**80**	**(7)**	**7**	**(1)**	**–**
Ireland	**14**	**(2)**	**3**	**(1)**	**2**
Italy	**49**	**(2)**	**2**	**–**	**(1)**
Netherlands (including Belgium and Germany)	**37**	**(7)**	**8**	**5**	**(12)**
Poland	**17**	**(1)**	**2**	**–**	**–**
Spain	**88**	**(6)**	**7**	**(2)**	**2**
Other Europe	**(2)**	**(2)**	**1**	**(1)**	**1**
Europe	**283**	**(27)**	**30**	**–**	**(8)**
North America	**57**	**(14)**	**18**	**–**	**(8)**
Asia Pacific	**32**	**(3)**	**3**	**3**	**(4)**
Total	**550**	**(73)**	**85**	**(9)**	**(5)**

12 – Sensitivity analysis continued

New business contribution before required capital (gross of tax) 6 months 2007	As reported on page 70 £m	1% increase in equity/property returns £m	1% decrease in equity/property returns £m
United Kingdom	**178**	**15**	**(14)**
France	**80**	**3**	**(3)**
Ireland	**14**	**2**	**(2)**
Italy	**49**	**1**	**(1)**
Netherlands (including Belgium and Germany)	**37**	**6**	**(6)**
Poland	**17**	**1**	**(1)**
Spain	**88**	**1**	**(1)**
Other Europe	**(2)**	**–**	**1**
Europe	**283**	**14**	**(13)**
North America	**57**	**2**	**(2)**
Asia Pacific	**32**	**1**	**(1)**
Total	**550**	**32**	**(30)**

(b) Non-economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2007 and the new business contribution before the effect of required capital for 2007 to the following changes in non-economic assumptions:

- 10% decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 pa would represent an expense assumption of £9 pa). Where there is a "look through" into service company expenses, the fee charged by the service company is unchanged while the underlying expense decreases;
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 5% pa would represent a lapse rate of 4.5% pa);
- 5% decrease in both mortality and morbidity rates disclosed separately for life assurance and annuity business.

No future management actions are modelled in reaction to the changing non-economic assumptions. In each sensitivity calculation, all other assumptions remain unchanged. No changes to valuation bases have been included.

		10% decrease in		5% decrease in mortality/ morbidity rates	
Embedded value (net of tax) 30 June 2007	As reported on page 75 £m	maintenance expenses £m	lapse rates £m	life assurance £m	annuity business £m
United Kingdom	**6,600**	**170**	**95**	**50**	**(120)**
France	**2,386**	**35**	**35**	**25**	**(5)**
Ireland	**922**	**20**	**20**	**5**	**(5)**
Italy	**833**	**5**	**–**	**–**	**–**
Netherlands (including Belgium and Germany)	**4,196**	**80**	**20**	**15**	**(40)**
Poland	**724**	**20**	**40**	**10**	**–**
Spain	**905**	**10**	**45**	**15**	**(5)**
Other Europe	**116**	**5**	**5**	**–**	**–**
Europe	**10,082**	**175**	**165**	**70**	**(55)**
North America	**1,504**	**25**	**15**	**15**	**(5)**
Asia Pacific	**518**	**10**	**10**	**10**	**–**
Total	**18,704**	**380**	**285**	**145**	**(180)**

Alternative method of reporting long-term business continued

12 – Sensitivity analysis continued

New business contribution before required capital (gross of tax) 6 months 2007	As reported on page 70 £m	10% decrease in maintenance expenses £m	10% decrease in decrease in lapse rates £m	5% decrease in mortality/ morbidity rates life assurance £m	5% decrease in mortality/ morbidity rates annuity business £m
United Kingdom	**178**	**10**	**10**	**11**	**(5)**
France	**80**	**3**	**4**	**2**	**–**
Ireland	**14**	**1**	**3**	**–**	**–**
Italy	**49**	**1**	**1**	**1**	**–**
Netherlands (including Belgium and Germany)	**37**	**4**	**3**	**1**	**(1)**
Poland	**17**	**1**	**2**	**1**	**–**
Spain	**88**	**2**	**10**	**2**	**–**
Other Europe	**(2)**	**1**	**–**	**–**	**–**
Europe	**283**	**13**	**23**	**7**	**(1)**
North America	**57**	**2**	**3**	**2**	**–**
Asia Pacific	**32**	**3**	**2**	**1**	**–**
Total	**550**	**28**	**38**	**21**	**(6)**

The demographic sensitivities shown above represent a standard change to the assumptions for all products. Different products will be more or less sensitive to the change, and impacts may partially offset.