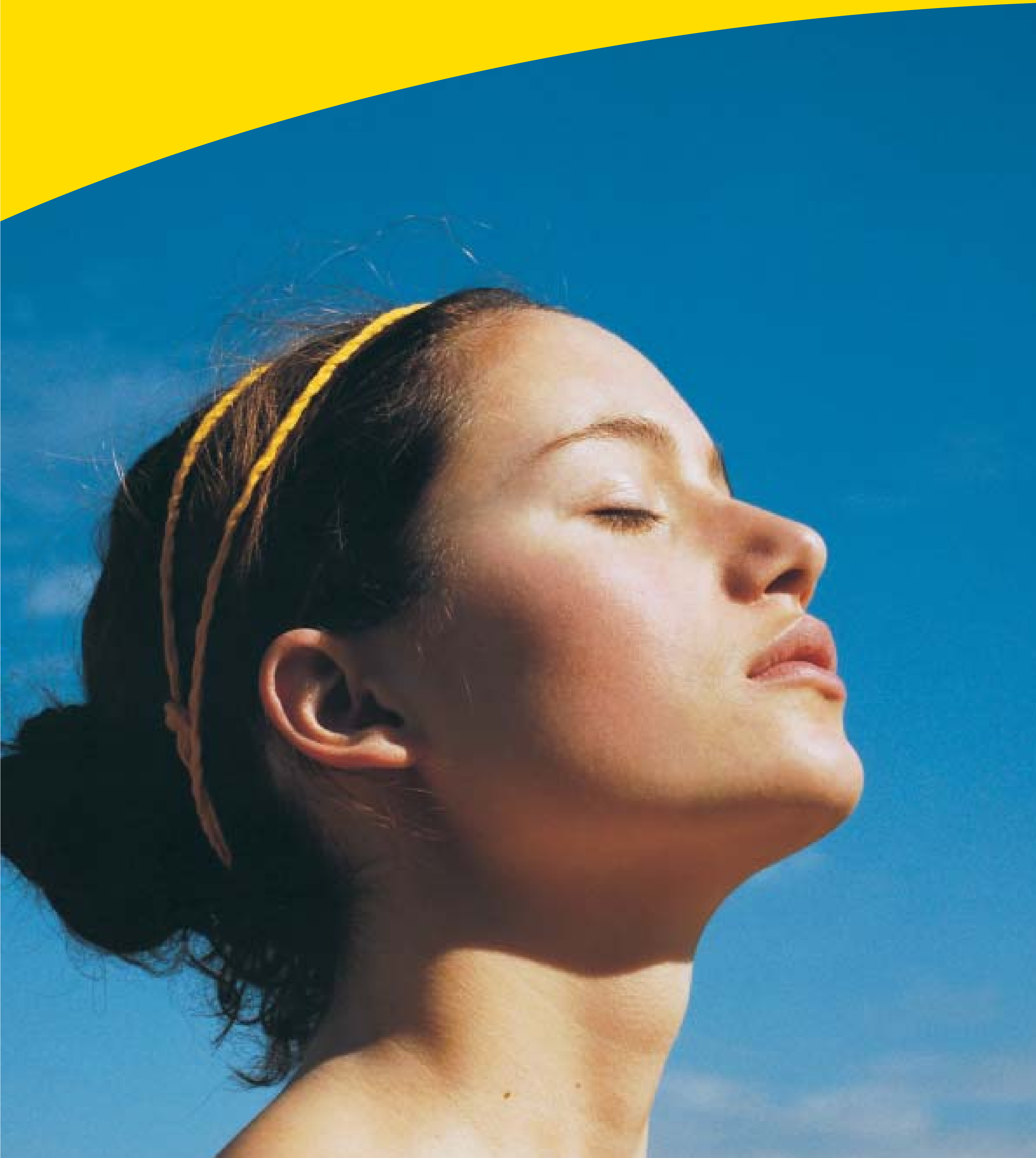
Aviva plc

Interim report 2004



01 Highlights
02 Chairman's statement
04 Group Chief Executive's review
Achieved profit basis
12 Summarised consolidated profit and loss account
13 Consolidated statement of total recognised gains and losses
13 Reconciliation of movement in consolidated shareholders' funds
14 Summarised consolidated balance sheet
15 Information on the achieved profit basis
Modified statutory basis
21 Summarised consolidated profit and loss account
22 Consolidated statement of total recognised gains and losses
22 Reconciliation of movements in consolidated shareholders' funds
23 Summarised consolidated balance sheet
24 Consolidated cash flow statement
25 Notes to the accounts
31 Independent review report
32 Shareholder information

Aviva is the world's **fifth-largest** insurance group* and the biggest in the UK. It is one of the **leading providers** of life and pensions products to Europe and has substantial businesses elsewhere around the world. Its **main activities** are long-term savings, fund management and general insurance. It had premium income and investment sales of over **£15 billion**† in the first half of 2004, and around **£240 billion** of assets under management at 30 June 2004.

Life profits reporting In reporting the Aviva plc headline operating profit, life profits have been included using the achieved profit basis. This is used throughout the Aviva group and by many in the investment community to assess performance. The modified statutory basis, which is used in our accounts, is also identified in the headline figures. We have focused on the achieved profit basis, as we believe life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. Life modified statutory operating profit before tax amounted to £548 million. The basis used for reporting achieved profit is consistent with the guidance circulated by the Association of British Insurers.

"Aviva's profits show the benefit of improved operational efficiency. We continue to build on our strong and diversified mix of established operations in more mature markets. In new markets we are growing fast, but naturally from a low level.

"Recovery in consumer confidence has been slow in most markets but our life and pensions business is well positioned for the upturn. Our general insurance business is world class in its performance for shareholders and customers."

Pehr G Gyllenhammar
Chairman

Operational highlights

- Operational and cost efficiency initiatives continuing to deliver benefits
- Diversity in distribution and geographical base with a leading UK position, strong presence in Europe and growing in Asia
- Successful development of our offshore operations with 3,700 staff working in India by the end of 2004
- Customer service initiatives underway in our life business
- Continuing product and distribution innovation in our general insurance operations
- Ongoing development of our bancassurance partnerships with new distribution to come on line in France and Italy in the second half of 2004 and early 2005 respectively

* Based on gross worldwide premiums for the year ended 31 December 2003
† Including share of associates' premiums
‡ Including life achieved operating profit, before amortisation of goodwill and exceptional items
# On an achieved profit basis
All growth rates in this document are quoted at constant rates of exchange
All operating profit is from continuing operations

Financial highlights unaudited results – six months ended 30 June 2004

£1,130m
operating profit before tax‡

£7.9bn
worldwide long-term savings new business sales†

97%
worldwide general insurance combined operating ratio

9.36p
interim dividend

£11.1bn
total shareholders' funds#

"We are determined to continue improving our efficiency and service"

Chairman's statement

Equity markets were flat for the first six months of the year. Against this somewhat disappointing, if neutral, background, Aviva's profits show the benefit of improved operational efficiency. Our share price has outperformed both the FTSE 100 index and the European life assurance sector since the beginning of the year, although we are far from achieving the market highs that we saw four years ago.

Our operating results are improving steadily and our return on capital is beating our target level. We are cutting costs and improving margins in long-term savings. Our general insurance business is world class in its performance for shareholders and customers and its cash flow makes a healthy contribution to the growth of our overall operations.

Recovery in consumer confidence has been slow in most markets, but our life and pensions business is well positioned for the upturn. There are good new business margins in Spain and Italy and, in the Netherlands we are gaining the benefits from our bancassurance agreement with ABN AMRO. In Poland, economic conditions have been less favourable, but we see a gradual recovery in progress.

Our UK life operations have had to contend with a difficult environment, marked by more regulation and criticism of the industry. We are playing a leading role in the debate over savings and pensions reform, and have the scale and financial strength to develop new products, diversify distribution and give reassurance to customers.

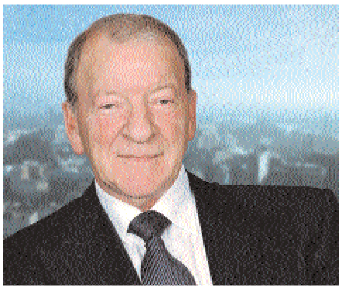
Service levels are good in general insurance across the group, but are still not satisfactory in parts of the long-term savings business. We apologise to customers who have experienced problems, and restate our commitment to steady improvements. We continuously compare ourselves with the best in class, which stimulates us to raise our standards of performance.

We continue to build on our strong and diversified mix of established operations in more mature markets. In new markets we are growing fast, but naturally from a low level as we have only recently started businesses in China and India. Our call centre and claims processing activities in India form part of our commitment to improve service levels. We also expect to see a very positive effect on our costs in the future.

We are proposing an interim dividend of 9.36 pence net per share (2003 interim dividend: 9.0 pence) payable on 17 November 2004 to shareholders on the register on 13 August 2004. This is consistent with our policy of growing the dividend by about 5% a year.

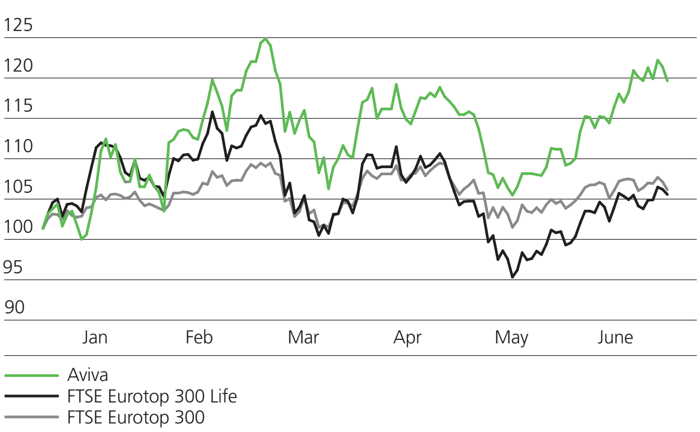
In the areas of corporate governance and corporate social responsibility we strive to be second to none, and I am personally taking a very active part in these developments.

The board has said farewell to Philip Twyman, who retired in March after many years of excellent work, most recently with responsibility for our finance and fund management operations. We have welcomed Andrew Moss, who joined us in May as group finance director.



Pehr G Gyllenhammar
Chairman

Aviva relative to FTSE Eurotop 300 Life and FTSE Eurotop 300



Highlights

	Unaudited 6 months to 30 June 2004 £m	Unaudited 6 months to 30 June 2003 £m	Growth in constant currency %
Operating profit before tax – achieved profit basis*	**1,130**	828	37%
Operating profit before tax – modified statutory basis†	**878**	638	38%
Worldwide new business sales‡	**7,889**	7,451	7%
Interim dividend per share	**9.36p**	9.0p	4%
Earnings per share – achieved profit basis*	**31.7p**	22.5p	
Earnings per share – modified statutory basis†	**25.4p**	17.9p	
Total shareholders' funds#	**11,054**	11,165ø	
Net asset value per share	**496p**	502pø	
Assets under management	**£242bn**	£240bnø	

Key financial objectives

	Target	6 months 2004	Full year 2003	6 months 2003
Return on Capital Employed (ROCE)	10% + inflation	**13.4%**	12.7%	11.0%
COR^	100%§	**97%**	100%	101%

All operating profit is from continuing operations
All growth rates are quoted at constant rates of exchange
* Including life achieved operating profit, before amortisation of goodwill and exceptional items
† Before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items
‡ Including share of associates' premiums
# Measured on an embedded value basis
§ Across the group for three years from 1 January 2004
^ Combined operating ratio (COR) expresses the extent to which expenses and claims cover insurance premiums. It is the sum of expenses, including commissions, expressed as a percentage of net written premiums, and claims as a percentage of net earned premiums
ø At 31 December 2003

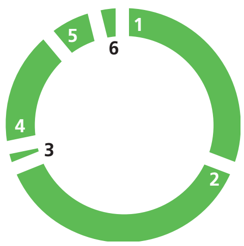
The board also has two new non-executive directors. Richard Goeltz, an American citizen, and Russell Walls of the UK, attended their first board meeting in June. They both bring extensive experience in the field of finance and in general management. I am convinced that they will make a good board even stronger.

We are served by loyal and dedicated employees who have gone through a difficult period of adverse economic conditions. But we have all been encouraged by the group's improved performance in a more encouraging business climate.

We are determined to continue improving our efficiency and service. Moreover, we wish to demonstrate creativity, innovation and dynamism as we develop our business further.

Pehr G Gyllenhammar
Chairman

Geographical breakdown of worldwide business mix~



Long-term savings∞	
1 UK	31%
2 Continental Europe	38%
3 Rest of world	3%

General insurance	
4 UK	17%
5 Continental Europe	7%
6 Rest of world	4%

~ With reference to net premium income
∞ Including health premium income

"The improvement in operating performance reflects the benefits of our business model, combining substantial life and general insurance businesses, and the diversity of our business both geographically and by distribution channel"

Group Chief Executive's review

Overview
Our results for the first half of 2004 build on the excellent performance in 2003, and show a significant improvement compared with the same period last year.

This success reflects the benefits of our business model, which combines substantial life and general insurance operations, and the diversity of our business both geographically and by distribution channel. Our strategy remains to write profitable business ahead of focusing on volume increases. We are also seeing improvements from the actions we have taken to improve cost efficiency.

Our long-term savings business reported an increase in operating result. We achieved an excellent result in our general insurance businesses and beat our combined operating ratio (COR)* target of 100% across the group. The result of our fund management operations also improved.

Richard Harvey
Group Chief Executive

Group results
Higher pre-tax operating profit on an achieved profits basis of £1,130 million (2003: £828 million) reflects our focus on profitability in our long-term savings business, the sustainability of our general insurance performance, and the benefits of our actions to reduce our cost base. Our fund management business is also starting to benefit from markets that have remained steady.

We delivered a higher annualised return on capital employed in the first half of the year of 13.4% (full year 2003: 12.7%) as a result of our strong operational performance.

Our worldwide long-term savings businesses reported total new business sales of £7.9 billion (2003: £7.5 billion) with some return in confidence to unit-linked markets. Life achieved operating profit improved to £800 million (2003: £705 million) reflecting greater margins on our new business sales. Our bancassurance partnerships delivered total sales of £1,902 million (2003: £1,945 million).

Our general insurance operations achieved an excellent operating result of £613 million (2003: £387 million), demonstrating the continuing sustainability of these results. We beat our COR target of 100% across the group with an overall COR of 97% (2003: 101%). Our focus on personal lines and small commercial business means we are less exposed to the significant volatility of larger commercial risks.

On a modified statutory basis, group operating profit before tax was £878 million (2003: £638 million). The overall group profit before tax was £414 million (2003: £742 million), owing to a loss from short-term fluctuations in investment returns.

Group capital and financial strength
Equity shareholders' funds† at 30 June 2004 were £10.9 billion (31 December 2003: £11.0 billion), a reflection of our strong operational performance offset by exchange losses from the weaker euro and the flat equity market performance. This represented a net asset value per share of 496 pence per share (31 December 2003: 502 pence per share) after adding back the equalisation provision of £375 million (31 December 2003: £364 million).

The group is subject to a number of regulatory capital tests and employs a number of tests to allocate capital and manage risk. The group had estimated excess regulatory capital, as measured according to the EU Financial Groups Directive, of approximately £2.2 billion (31 December 2003: £2.4 billion). This measure represents the excess of the aggregate value of regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators.

The solvency position of our main trading operations remains robust, with the average free asset ratio of our UK life business at 14.3% (31 December 2003: 16.2%) and orphan estate of £4.2 billion (31 December 2003: £4.3 billion), based on a realistic assumption of liabilities.

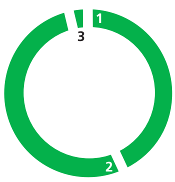
"Our established bancassurance partnerships in Europe and more recent agreements in Asia provide us with significant opportunities for growth"

Long-term savings

£800m

Operating profit before tax from continuing operations, including life achieved profit

Geographical analysis of net premiums

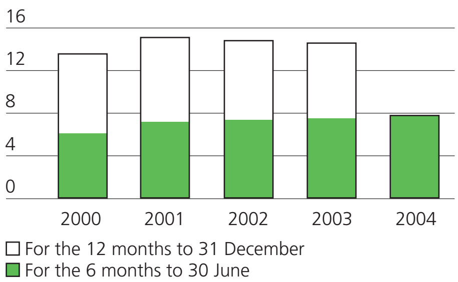


1 UK	£4,300m
2 Continental Europe	£5,642m
3 Rest of world	£357m
Total	£10,299m

Including health premiums of £682 million.

Worldwide long-term savings new business sales (including new business investment sales)

£billion



We are seeing some signs of investor confidence returning, particularly in unit-linked sales as markets have stabilised. However the level of uncertainty surrounding worldwide economic conditions, particularly in respect of savings growth in the UK, continues to dampen an upturn in demand.

Our operations in continental Europe continue to deliver strong results and contributed 54% of our group worldwide life and pensions new business sales in the first half of the year. Sales in the UK showed a small increase.

Worldwide life and pensions new business sales improved by 3% to £7.1 billion (2003: £6.9 billion) with particularly good growth in France and in the Netherlands. Overall margins were 26.5% (full year 2003: 26.1%). Retail investment new business sales improved strongly to £775 million (2003: £520 million), reflecting the gradual return of investors to equity-backed products.

We continue to focus on increasing margins through changes in our business mix and by launching new higher-margin products, including unit-linked savings plans, to meet demand created by improving investor sentiment.

Our established bancassurance partnerships in Europe and more recent agreements in Asia are an important distribution channel. They provide us with significant opportunities for growth in the future as new markets open up, governments introduce reforms to pension and savings markets, and there is an increasing requirement for individuals to make financial provision for themselves in retirement.

UK

Norwich Union Life reported a solid set of results in a market that remained broadly flat. We improved margins to 23.0% (full year 2003: 22.6%) following pricing actions, focus on cost control and a richer mix of higher margin business.

Operating profit was £356 million (2003: £339 million). Total new business volumes were 6% higher at £3.5 billion (2003: £3.3 billion).

New business life and pension sales were £3.0 billion (2003: £3.0 billion), including higher bond sales of £964 million (2003: £862 million). Retail investment new business sales increased sharply by 41% to £451 million (2003: £319 million). This growth reflects investor confidence slowly returning to the UK market.

Pension sales were £1.3 billion (2003: £1.3 billion), with lower group pensions business offset by higher individual pension sales. Sales of annuities were £568 million (2003: £641 million) reflecting increased price competition.

Ahead of the depolarisation changes that come into effect at the end of the year, we have reached agreements with a number of distributors including Bankhall, Sesame and Portman.

We have made good progress in our efficiency and offshoring initiatives. We have already announced that approximately 700 jobs will move to India by the end of 2004. In addition, our UK life business services division is undergoing a restructure and is outsourcing to various locations including the UK, continental Europe, the US and India. This will result in approximately 700 job losses and a reduction of 250 contract worker positions by the end of 2005.

* COR is the total of claims costs, commissions and expenses, expressed as a percentage of premiums

† On an embedded value basis

Group Chief Executive's review
continued

We expect the costs associated with these job losses to be incurred over the remainder of 2004 and, combined with our other ongoing cost initiatives, to be in the order of approximately £30 million. The first full year of savings as a result of these actions will arise from 2006 onwards. We have ongoing initiatives to identify and drive further efficiency gains.

We recognise that there are areas in which customer service levels can be improved and a number of initiatives are underway in these areas. We have set challenging service performance targets, and we expect to see steady improvements.

The period of regulatory uncertainty governing the way in which we conduct our business is coming to an end. We broadly welcomed the government's announcement in June on stakeholder product pricing and the clarity that it provides for the marketplace in the future.

We are well-positioned to benefit from an upturn in demand and, as the UK's largest provider, we are a natural choice for investors as they return to the market. A focus on improving margins and cost efficiency initiatives has resulted in a solid half-year performance and we expect to see continuing benefits from these actions.

In July we sold our Your Move estate agency and e.surv surveying business as these operations were no longer core to our strategy.

"We are well-positioned to benefit from an upturn in the market"

France
Aviva France reported a good first half operating result, higher at £114 million (2003: £90 million).

New business sales outperformed the market, improving 22% to £1,210 million (2003: £989 million), with a significant increase in sales both of unit-linked and fixed interest products. Margins were higher at 30.3% (full year 2003: 29.0%) following the increase in volumes and in customers' appetite for unit-linked products.

Following the recent government pension reforms, we launched our Plan d'Epargne Retraite (PERP) product during the second quarter. Sales volumes remain low but are growing encouragingly. The reaffirmation of our distribution agreement with the savings association AFER has strengthened our relationship and we continue to benefit from sales through this channel. Our distribution reach will be enhanced by our new bancassurance joint venture with Crédit du Nord which commences in the fourth quarter of 2004.

Ireland
Hibernian, the third-largest life and pensions provider in Ireland, reported an increase in new business sales to £120 million (2003: £116 million).

We achieved good sales growth in term assurance and pensions. Sales of savings products reflected the market conditions which remain difficult owing to continuing investor caution.

Operating profit was lower at £18 million (2003: £31 million) as a result of an increase in the rate of lapses on certain product classes.

"We continue to develop our product range in all our partnerships"

Italy
Operating profit in Italy was £34 million (2003: £33 million). Total new business sales were lower at £714 million (2003: £841 million), a reflection of an overall contraction in the market and the higher level of one-off direct business sales in the first half of 2003.

Margins improved to 23.5% (full year 2003: 23.2%) and sales through our bancassurance partnerships were £624 million (2003: £654 million).

The Italian life and pensions market offers significant long-term growth potential. We expect the finalisation of the government's pension reforms shortly and are well placed for the significant sales opportunities expected from 2006 as the retirement savings market develops.

We have increased our distribution network through an extension of our agreement with Banche Popolari Unite (BPU) to include an additional 380 branches which will come on stream in early 2005.

Netherlands
Our Dutch business, Delta Lloyd, delivered an increase of 24% in total new business life and pension sales to £607 million (2003: £490 million), with improved sales of bonds, savings products and large group pension contracts. Sales through our agreement with ABN AMRO also increased to £35 million (2003: £21 million) on an annual premium equivalent (APE)* basis.

Operating profit increased to £129 million (2003: £69 million) and new business margins were 31.9% (full year 2003: 27.7%) which includes ABN AMRO, with a new business margin of 31.4%. The increase is also attributable to higher investment returns and to improvements in the profitability of existing business, including management actions on costs.

Spain
In Spain we grew our market share in the first quarter of 2004. We achieved total new business sales which were 9% higher at £917 million (2003: £839 million), including a large one-off group pension scheme. Margins remained strong at 51.0% (full year 2003: 54.4%) reflecting the high proportion of protection products in our sales mix. Operating profit was higher at £78 million (2003: £71 million).

We continue to develop our product range in all our bancassurance partnerships. Our distribution capability means we are well positioned to benefit from the significant long-term growth potential in the Spanish life and pensions market, and we expect to see steady underlying growth in 2004.

Other Europe
Total new business sales in our other European operations improved to £396 million (2003: £219 million). Operating profit was £40 million (2003: £42 million).

In Poland, new business life and pensions sales increased to £48 million (2003: £33 million). There was also strong demand for mutual funds, with new business sales higher at £49 million (2003: £31 million). In Turkey, sales of individual pensions were encouraging. The launch of a group pension product is planned for later in 2004 offering further opportunities for growth.

New business sales in Germany were higher at £117 million (2003: £65 million) following a change in income tax laws and the launch of a new limited offer bond.

International
Total new business sales fell to £340 million (2003: £562 million) owing to a fall in sales in the US. Operating profit was £31 million (2003: £30 million).

Total new business sales in Australia were higher at £171 million (2003: £130 million) as investors were encouraged by signs of recovery in the markets.

Sales in our US business were lower at £135 million (2003: £374 million) in a low interest rate environment. We are, however, confident of our long-term growth prospects in this market.

Sales through our bancassurance partnerships in Singapore and Hong Kong continue to grow, with further new products planned for launch in 2004.

Our businesses in India and China are now established and we have seen encouraging growth in sales and market presence, albeit from a low starting point.

We rank in the top 10 in the Indian long-term savings market where the government has recently agreed to increase the limit of foreign investment in life companies from 26% to 49%. We intend to increase our share in the Indian joint venture company when the new limit is approved.

In China we received formal approval in May to establish a new operation in Chengdu, the provincial capital of Sichuan. New products are being developed for launch both in Chengdu and Beijing, to add to our existing presence in Guangzhou.

* APE is the total of new annual premiums plus 10% of single premiums.

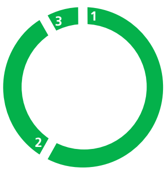
Group Chief Executive's review
continued

Fund management

£17m

Operating profit before tax

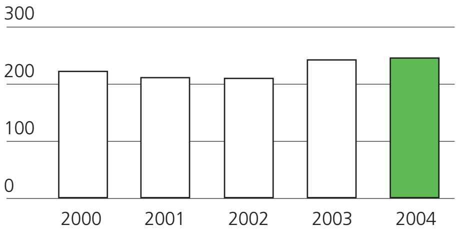
Geographical analysis of investment sales



1 UK	£451m
2 Continental Europe	£260m
3 Rest of world	£64m
Total	£775m

Worldwide assets under management

£billion



☐ As at 31 December
■ As at 30 June

While we have not seen significant increases in world equity markets in the first half of 2004, markets have remained steady and this has helped to restore some investor confidence.

Worldwide assets under management at 30 June 2004 were £242 billion (31 December 2003: £240 billion). Our overall operating result grew to £17 million (2003: £10 million) due to fees on higher funds under management and improved performance in some markets.

UK
Morley Fund Management has a global presence with offices in London, Melbourne, Dublin, Singapore, Warsaw, Boston, Milan and Madrid. Morley's core expertise is in UK and European equities, fixed income and property, with other specialisms including socially responsible investments and alternative investments.

Our UK fund management business comprises the retail and institutional business of Morley Fund Management, a retail investment business operating as Norwich Union, and our collective investment business with The Royal Bank of Scotland Group (RBSG).

Our combined UK operations reported a profit of £3 million (2003: £5 million) in aggregate. This comprises a profit of £6 million (2003: £6 million) from Morley's UK operations, a profit of £3 million (2003: loss of £1 million) reported by our retail business, and a loss of £6 million (2003: nil) reported by our collective investment business with RBSG, which reflects new business strain from increasing sales of regular premium investment products.

Within the group result are additional profits of £4 million (2003: £1 million) relating to Morley's overseas and pooled pensions businesses.

France
Aviva Gestion d'Actifs reported operating profit of £8 million (2003: £6 million). Our successful fund performance earned three gold awards from La Tribune/Standard & Poor's for best provider across the product range over one, three and five years.

Netherlands
Increased investment product sales of £120 million (2003: £115 million) reflected higher sales of mutual funds and a number of large group contracts.

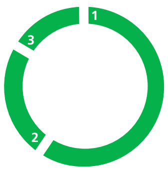
Australia
Sales through our top-five-ranking investment portfolio service, Navigator, were £323 million (2003: £294 million) including £5 million (2003: £3 million) of sales in Singapore through Navigator Asia. This reflected increasing optimism among investors as the equity market has started to show signs of recovery.

General insurance

£613m

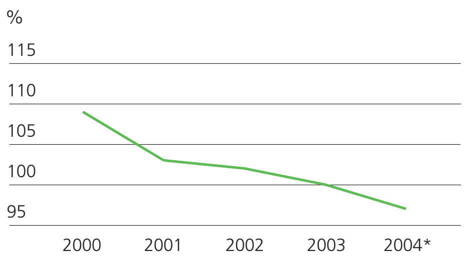
Operating profit before tax

Geographical analysis of net written premiums



1 UK	£2,674m
2 Continental Europe	£1,061m
3 Rest of world	£719m
Total	£4,454m

Combined operating ratio – for the 12 months to 31 December



* For the 6 months to 30 June

Our general insurance operations reported an excellent result, beating our COR target of 100% across the group.

Total operating profit increased significantly to £613 million (2003: £387 million). The underwriting result was higher at £105 million (2003: loss of £71 million) reflecting the actions we have taken to improve cost efficiency and lower claims expenses. We also benefited by £30 million in respect of better-than-expected weather claims experience in Europe, including the UK, and Canada. Investment returns were higher as a result of the investment income earned on the proceeds from our hybrid debt issue in September 2003 and a higher asset base.

The group COR of 97% (2003: 101%) reflected strong performances across all territories, particularly the UK, Ireland, the Netherlands and Canada. Our worldwide claims ratio† improved to 66.4% (2003: 69.9%) and our worldwide expense ratio was 10.8% (2003: 10.9%), with an improvement in the UK to 10.0% (2003: 10.5%). Worldwide net written premiums were £4.5 billion (2003: £4.3 billion).

The actions we have taken to improve efficiency and lower our cost base mean we remain confident that our results will be sustainable into the future.

UK

Norwich Union is the leading general insurer in the UK. Our aim is to achieve consistent and sustainable performance by focusing on high quality customer service, disciplined underwriting and cost control, along with the provision of innovative solutions to meet changing customer needs.

Our success is demonstrated by a 30% increase in operating profit to £408 million (2003: £313 million), with 7% growth in net premiums written to £2.7 billion (2003: £2.5 billion). Better-than-expected weather benefited the result by £20 million (2003: £30 million). We achieved an improved COR of 98%.

In personal lines we continue to achieve small rate increases, and these, allied with over £200 million of annual savings in claims costs through our supply chain management, have enabled us to sustain profitability. Although the level of competition in commercial lines has grown, our focus on the small business sector, together with rigorous underwriting, enable us to increase rates and retain our target business.

We have a multi-distribution strategy, with leading positions in the broker, corporate partner and direct markets. We have secured a five-year contract to provide household insurance products to HSBC customers. In February, we announced the closure of our Hill House Hammond (HHH) high street broking operation. The project is on track to convert over 550,000 customers to our direct operation, at a cost of £50 million. We have sold the HHH commercial business and we will complete the closure of HHH by the end of September 2004.

† Claims ratio is total claims incurred after reinsurance, expressed as a percentage of net premiums earned.

Group Chief Executive's review
continued

We deliver market-leading standards of service, with customer satisfaction scores well above industry benchmarks and continuing to improve. We have successfully developed our offshore operations, with over 2,200 jobs relocated to date. Service levels in our Indian centres have matched the improvements seen in the UK. Our scale and focus on cost reduction enables us to provide value for money to our customers and maintain levels of investment that will strengthen our market-leading position.

In March we launched our digital flood maps which will enable us to provide household cover to 230,000 customers who were previously uninsurable. We are piloting Pay As You Drive™ motor insurance. In April we acquired OneSwoop, an online and telephone-based car sales business, which will offer a one-stop shop for motorists.

France
Our business in France focuses on personal and small business insurance. We achieved a COR of 100% and operating profit was £13 million (2003: £15 million). Net written premiums were £304 million (2003: £305 million).

We are developing an electronically-enabled portal which will allow our tied-agents to transact more easily and improve efficiency. Around half of our agents have been connected so far and we expect the remainder to be connected by the end of September.

Ireland
Hibernian reported an increase in operating profit to £68 million (2003: £43 million) and a COR of 88% (2003: 97%). This performance was due to the positive rating environment in the previous year, better-than-expected weather claims experience which benefited the result by £3 million (2003: £7 million) and reduced claims frequency and costs.

In November we will extend our Penalty Points initiative to give a 10% premium discount to drivers with two or fewer penalty points on their licence and a 17.5% discount to those with no penalty points.

Netherlands
We continue to benefit from our focus on cost efficiency and our shared service centre.

In a market that is becoming increasingly competitive, net written premiums increased strongly to £341 million (2003: £295 million). Total premiums were boosted by increased sales from ABN AMRO as a result of converting the previously brokered business to our account. We achieved an excellent COR of 94% (2003: 98%) and a higher operating result of £23 million (2003: £12 million).

Other Europe
Our other European general insurance businesses reported operating profit of £18 million (2003: £16 million).

"Cost efficiency remains one of our key focuses"

Canada
Operating profit from Aviva Canada, our second-largest general insurance operation, was £59 million (2003: loss of £33 million), with a COR of 99% (2003: 115%). This improved performance reflected the impact of rating increases in 2003, a lower 2004 claims frequency and better-than-expected weather claims experience, benefiting the result by £5 million. In addition, the result for the first half of 2003 included a non-recurring claims reserve strengthening in our Pilot business of £70 million.

Our new corporate partnership with Loblaws, Canada's leading grocer, continues to be rolled out. The agreement, to provide products under the supermarket's own President's Choice brand, is a first for the Canadian insurance market.

"The actions we have taken to improve efficiency and lower our cost base mean we are confident that our results are sustainable into the future"

Corporate costs
Corporate costs were higher at £94 million (2003: £56 million) in line with a planned increase in costs associated with our global finance transformation programme (GFTP). Our considerable investment in this project is in response to the significant changes we face arising from Financial Services Authority and European Union regulation, and the introduction of International Financial Reporting Standards in 2005.

Total GFTP costs in 2004 are expected to be around £100 million as previously indicated, with costs expected to be significantly lower in 2005.

Cost savings
Cost efficiency remains one of our key objectives. The actions we took in 2003 are delivering significant annualised cost savings. Additional cost efficiency initiatives are being introduced, including the recently announced restructuring in part of our Norwich Union Life business.

As indicated at the time of our full year 2003 announcement, we anticipated achieving £250 million of gross annualised cost savings based on the actions announced up to the end of 2003. This would deliver a net benefit to the profit and loss account of £85 million in 2004, after the impact of one-off costs of £140 million.

"We have strong prospects for future growth and improving profitability"

As at 30 June 2004, the net pre-tax benefit to the profit and loss account (relative to the first half of 2002) was £30 million, after bearing one-off costs of £75 million. We are on-track to achieve gross cost savings in-line with our estimate of £250 million per annum.

Outlook
UK regulatory changes surrounding business conduct will be finalised within the next 12 months. This will end a period of uncertainty for customers and providers alike, and will allow the industry to look forward with greater confidence.

We are undertaking new initiatives to improve cost efficiency. The impact of our actions to date has not yet been fully realised and we expect to see more benefit coming through to the profit line in 2005.

We continue to place profitable business ahead of volume growth. Our dedicated sales force, strong relationships with independent advisers and our bancassurance partnerships give us excellent prospects for both long-term growth and improved profitability. The focus of our general insurance business on personal and small commercial lines means we are less exposed to volatility in the market. We are confident of achieving our COR target of 100% across the group for each of the next three years to 2006.

Our business mix, geographical diversity and distribution capability make Aviva the European life assurer best placed to capture an upturn in sales as confidence returns to consumer savings markets.

Richard Harvey

Richard Harvey
Group Chief Executive

Summarised consolidated profit and loss account
Achieved profit basis
For the six months ended 30 June 2004

Page	6 months 2004 €m		6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
		Operating profit			
15	**1,176**	Life achieved operating profit	**800**	705	1,555
27	**49**	Health	**33**	27	61
	25	Fund management	**17**	10	10
27	**901**	General insurance	**613**	387	911
	(22)	Non-insurance operations	**(15)**	(47)	(64)
28	**(138)**	Corporate costs	**(94)**	(56)	(160)
	(329)	Unallocated interest charges	**(224)**	(198)	(406)
	1,662	**Operating profit before tax, amortisation of goodwill and exceptional items***	**1,130**	828	1,907
	(72)	Amortisation of goodwill	**(49)**	(52)	(103)
	(37)	Financial Services Compensation Scheme levy	**(25)**	–	–
	1,553	Operating profit before tax	**1,056**	776	1,804
	(733)	Variation from longer-term investment return	**(499)**	345	766
	301	Effect of economic assumption changes	**205**	(217)	11
	(16)	Change in the equalisation provision	**(11)**	(28)	(49)
25	**9**	Profit/(loss) on the disposal of subsidiary and associated undertakings	**6**	(7)	(6)
25	**(74)**	Exceptional costs for termination of operations	**(50)**	(19)	(19)
	1,040	**Profit on ordinary activities before tax**	**707**	850	2,507
	(497)	Tax on operating profit before amortisation of goodwill and exceptional items	**(338)**	(260)	(561)
	133	Tax on (loss)/profit on other ordinary activities	**91**	(18)	(192)
	676	**Profit on ordinary activities after tax**	**460**	572	1,754
	(105)	Minority interests	**(72)**	(40)	(112)
	571	**Profit for the financial period**	**388**	532	1,642
29	**(13)**	Preference dividends	**(9)**	(9)	(17)
	558	**Profit for the financial period attributable to equity shareholders**	**379**	523	1,625
29	**(310)**	Ordinary dividends	**(211)**	(203)	(545)
	248	**Retained profit for the financial period**	**168**	320	1,080
		Earnings per share			
	46.6c	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after tax, attributable to equity shareholders*	**31.7p**	22.5p	53.2p
	24.7c	Profit attributable to equity shareholders	**16.8p**	23.2p	72.2p
	24.6c	Profit attributable to equity shareholders – diluted	**16.7p**	23.1p	71.9p

* All operating profit is from continuing operations.

Consolidated statement of total recognised gains and losses
Achieved profit basis
For the six months ended 30 June 2004

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Profit for the financial period*	**388**	532	1,642
Foreign exchange (losses)/gains	**(306)**	429	415
Total recognised gains arising in the period	**82**	961	2,057

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

Reconciliation of movements in consolidated shareholders' funds
Achieved profit basis
For the six months ended 30 June 2004

	6 months 2004 £m	Restated* 6 months 2003 £m	Full year 2003 £m
Shareholders' funds at the beginning of the period, as originally reported	**11,165**	9,669	9,668
Prior period adjustment	**–**	(1)	–
Shareholders' funds at the beginning of the period, as restated	**11,165**	9,668	9,668
Total recognised gains arising in the period	**82**	961	2,057
Dividends	**(220)**	(212)	(562)
Other movements	**27**	1	2
Shareholders' funds at the end of the period	**11,054**	10,418	11,165

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital. Further details are set out on page 25.

Summarised consolidated balance sheet
Achieved profit basis
As at 30 June 2004

	Long-term business 30 June 2004 £m	General business and other 30 June 2004 £m	Group 30 June 2004 £m	Long-term business 30 June 2003 £m	Restated* General business and other 30 June 2003 £m	Restated* Group 30 June 2003 £m	Group 31 December 2003 £m
Total assets before acquired additional value of in-force long-term business	**179,990**	**29,712**	**209,702**	168,853	28,570	197,423	208,192
Acquired additional value of in-force long-term business	**458**	**–**	**458**	522	–	522	488
Total assets included in the modified statutory balance sheet	**180,448**	**29,712**	**210,160**	169,375	28,570	197,945	208,680
Liabilities of the long-term business	**(173,147)**	**–**	**(173,147)**	(162,133)	–	(162,133)	(170,765)
Liabilities of the general insurance business	**–**	**(27,110)**	**(27,110)**	–	(27,333)	(27,333)	(27,736)
Net assets on a modified statutory basis	**7,301**	**2,602**	**9,903**	7,242	1,237	8,479	10,179
Additional value of in-force long-term business[1]	**4,851**	**–**	**4,851**	4,043	–	4,043	4,744
Net assets on an achieved profit basis[2]	**12,152**	**2,602**	**14,754**	11,285	1,237	12,522	14,923
Shareholders' capital, share premium, shares held by employee trusts and merger reserves			**4,604**			4,666	4,622
Modified statutory basis retained profit			**1,773**			1,810	1,932
Additional achieved profit basis retained profit			**4,677**			3,942	4,611
Shareholders' funds on an achieved profit basis			**11,054**			10,418	11,165
Minority interests			**949**			879	944
			12,003			11,297	12,109
Subordinated debt			**2,751**			1,225	2,814
Achieved profit basis total capital, reserves and subordinated debt			**14,754**			12,522	14,923

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital. Further details are set out on page 25.

Approved by the Board on 3 August 2004

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

	30 June 2004 £m	Movement in the period £m	31 December 2003 £m
Group's share included in shareholders' funds	**4,677**	66	4,611
Minority interest share	**174**	41	133
Balance	**4,851**	107	4,744

2 Analysis of net assets on an achieved profit basis is made up as follows:

	30 June 2004 £m	30 June 2003 £m	31 December 2003 £m
Long-term business net assets on an achieved profit basis	**12,152**	11,285	12,373
Comprises:			
Embedded value	**11,941**	11,061	12,155
RBSG goodwill	**211**	224	218

Information on the achieved profit basis

Basis of preparation – achieved profit basis
The achieved profit statement on page 12 includes the results of the Group's life operations reported under the achieved profit basis combined with the modified statutory basis results of the Group's non-life operations. In the directors' opinion, the achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. The achieved profit methodology used is in accordance with the guidance on "Supplementary reporting for long-term insurance business (the achieved profit method)" circulated by the Association of British Insurers in December 2001. Further details on the methodology and assumptions are set out on pages 18 to 20.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual statutory accounts, can be found on pages 21 to 30.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland (RBSG) is incorporated within the achieved operating profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the "Amortisation of goodwill" on page 12.

The results for the six month periods to 30 June 2004 and 30 June 2003 are unaudited but have been reviewed by the auditors, Ernst & Young LLP. Their report in respect of 30 June 2004 is included on page 31. The interim accounts do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The results for the full year 2003 have been taken from the Group's 2003 annual Report and Accounts.

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

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

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
New business contribution (after the effect of solvency margin)	**246**	211	472
Profit from existing business – expected return	**406**	376	757
– experience variances	**(13)**	(19)	(12)
– operating assumption changes*	**(4)**	(10)	38
Expected return on shareholders' net worth	**165**	147	300
Life achieved operating profit before tax	**800**	705	1,555
Investment return variances	**(214)**	208	683
Effect of economic assumption changes	**205**	(217)	11
Total life achieved profit before tax	**791**	696	2,249
Tax on operating profit	**(243)**	(213)	(473)
Tax on other ordinary activities	**–**	9	(191)
Total life achieved profit after tax	**548**	492	1,585

* In 2003, operating assumption changes included the impact of reducing risk margins in Poland, the US and Australia in line with the directors' views of the risks associated with this in-force portfolio. The impact of this change was nil for the six months to 30 June 2003 and £24 million in the full year 2003.

Information on the achieved profit basis
continued

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

	Annual premium equivalent*			New business contribution before solvency margin†		New business contribution after solvency margin‡	
	6 months 2004 £m	6 months 2003 £m	Local currency growth %	6 months 2004 £m	6 months 2003 £m	6 months 2004 £m	6 months 2003 £m
United Kingdom	**547**	531	3	**126**	117	**112**	102
Europe (excluding UK)							
France	**145**	120	21	**44**	35	**22**	14
Ireland	**44**	39	13	**10**	11	**8**	9
Italy	**89**	117	(24)	**21**	27	**13**	15
Netherlands (including Belgium and Luxembourg)	**119**	102	17	**38**	22	**26**	3
Poland	**18**	20	4	**3**	–	**2**	(1)
Spain	**130**	139	(7)	**66**	68	**53**	58
Other	**58**	44	38	**(1)**	(4)	**(3)**	(4)
International	**74**	100	(21)	**17**	21	**13**	15
Total annualised premiums	**1,224**	1,212	2				
Total new business contribution before effect of solvency margin†				**324**	297		
Effect of solvency margin				**(78)**	(86)		
Total new business contribution including effect of solvency margin				**246**	211	**246**	211

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

† New business contribution before effect of solvency margin includes minority interests in 2004 of £54 million (six months to 30 June 2003: £54 million). This comprises minority interests in France of £3 million (six months to 30 June 2003: £2 million), Italy £12 million (six months to 30 June 2003: £14 million), Netherlands £5 million (six months to 30 June 2003: £3 million), Poland £1 million (six months to 30 June 2003: nil) and Spain £33 million (six months to 30 June 2003: £35 million).

‡ New business contribution after the effect of solvency margin includes minority interests of £40 million (six months to 30 June 2003: £40 million). This comprises minority interests in France nil (six months to 30 June 2003: nil), Italy £8 million (six months to 30 June 2003: £8 million), Netherlands £4 million (six months to 30 June 2003: £2 million), Poland £1 million (six months to 30 June 2003: nil) and Spain £27 million (six months to 30 June 2003: £30 million).

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

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

30 June 2004	Exceptional expenses* £m	Mortality/ morbidity† £m	Lapses‡ £m	Other# £m	Total £m
United Kingdom	(35)	20	(14)	11	(18)
France	(1)	8	1	1	9
Netherlands (including Belgium and Luxembourg)	(9)	3	–	3	(3)
Europe	–	4	(5)	7	6
International	(3)	1	1	(6)	(7)
	(48)	**36**	**(17)**	**16**	**(13)**

* Exceptional expenses reflect project spend, including costs associated with the pace of regulatory change in the UK.

† Mortality experience has typically been better than anticipated in many of the Group businesses in particular in the UK on annuity and PHI contracts.

‡ Lapse experience has been adverse in a number of businesses including on savings businesses in the UK, and on some classes of business in Ireland.

In the UK, other experience profits include exceptional profits arising from better than assumed default experience on corporate bonds and commercial mortgages.

Operating assumption changes

Changes in operating assumptions are made when the assumed future levels of expenses, mortality or other operating assumptions are expected to change permanently. The impact of operating assumption changes in the period was a loss of £4 million (2003: loss of £10 million) and arose primarily in Ireland where the persistency assumptions with respect to certain classes of business were lowered reflecting the recent actual experience. This has been partially offset by the beneficial impact of changes in asset mix in the Netherlands.

Analysis of life achieved operating profit

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

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom	**356**	339	659
Europe (excluding UK)			
France	**114**	90	220
Ireland	**18**	31	65
Italy	**34**	33	70
Netherlands (including Belgium and Luxembourg)	**129**	69	189
Poland	**33**	40	104
Spain	**78**	71	158
Other	**7**	2	9
International	**31**	30	81
Total life achieved operating profit before tax*	**800**	705	1,555

* Life achieved operating profit includes minority interests in the six months to 30 June 2004 of £79 million (six months to 30 June 2003: £65 million; full year 2003: £154 million). This comprises minority interests in France of £5 million (six months to 30 June 2003: £4 million; full year 2003: £6 million), Italy £18 million (six months to 30 June 2003: £17 million; full year 2003: £37 million), Netherlands £13 million (six months to 30 June 2003: £3 million; full year 2003: £14 million), Poland £5 million (six months to 30 June 2003: £6 million; full year 2003: £20 million), Spain £37 million (six months to 30 June 2003: £35 million; full year 2003: £76 million) and Other Europe £1 million (six months to 30 June 2003: nil; full year 2003: £1 million).

Embedded value of life business

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Embedded value at the beginning of the period	**12,155**	10,148	10,148
Total life achieved profit after tax	**548**	492	1,585
Exchange rate movements	**(317)**	307	342
Embedded value of businesses acquired*	**–**	64	64
Amounts injected into life operations	**13**	88	221
Amounts released from life operations	**(458)**	(38)	(205)
Embedded value at the end of the period†	**11,941**	11,061	12,155

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

† Embedded value at the end of the period includes minority interests in 2004 of £575 million (30 June 2003: £504 million; 31 December 2003: £559 million). This comprises minority interests in France of £52 million (30 June 2003: £49 million; 31 December 2003: £46 million), Italy £223 million (30 June 2003: £204 million; 31 December 2003: £230 million), Netherlands £53 million (30 June 2003: £37 million; 31 December 2003: £43 million), Poland £56 million (30 June 2003: £50 million; 31 December 2003: £63 million), Spain £187 million (30 June 2003: £161 million; 31 December 2003: £174 million) and Other Europe £4 million (30 June 2003: £3 million; 31 December 2003: £3 million).

Segmental analysis of embedded value of life business

	Net worth at 30 June*		Value of in-force at 30 June†		Embedded value at 30 June	
	2004 £m	2003 £m	2004 £m	2003 £m	2004 £m	2003 £m
United Kingdom	**1,769**	1,913	**3,744**	3,443	**5,513**	5,356
Europe (excluding UK)						
France	**1,049**	961	**451**	408	**1,500**	1,369
Ireland	**262**	247	**274**	284	**536**	531
Italy	**319**	291	**109**	102	**428**	393
Netherlands (including Belgium and Luxembourg)	**1,222**	967	**1,131**	1,021	**2,353**	1,988
Poland	**121**	120	**226**	216	**347**	336
Spain	**194**	182	**284**	226	**478**	408
Other	**137**	138	**67**	47	**204**	185
International	**453**	369	**129**	126	**582**	495
	5,526	5,188	**6,415**	5,873	**11,941**	11,061

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

† The value of in-force includes the effect of holding shareholders' capital to support the minimum statutory solvency margin requirements and allowing for projected future releases. This impact reduces the value of in-force by £920 million (30 June 2003: £840 million). The minimum statutory solvency margin requirements supported by shareholders' capital of £3,200 million (30 June 2003: £3,000 million) is included within the net worth.

Information on the achieved profit basis
continued

Minority interest in life achieved profit

			6 months 2004	6 months 2003	Full year 2003
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m	Group £m
New business contribution before effect of solvency margin	**270**	**54**	**324**	297	621
Effect of solvency margin	**(64)**	**(14)**	**(78)**	(86)	(149)
New business contribution including effect of solvency margin	**206**	**40**	**246**	211	472
Life achieved operating profit before tax and exceptional items	**721**	**79**	**800**	705	1,555
Total life achieved profit before tax	**707**	**84**	**791**	696	2,249
Attributed tax	**(213)**	**(30)**	**(243)**	(204)	(664)
Total life achieved profit after tax	**494**	**54**	**548**	492	1,585
Closing life embedded value	**11,366**	**575**	**11,941**	11,061	12,155

Methodology

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

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

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

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

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

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

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

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

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

Principal economic assumptions

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at each period end. Margins are applied on a consistent basis to risk-free yields to obtain investment return assumptions for ordinary shares and property and risk discount rates. The change in assumptions in 2004 reflects the actual movements in risk-free yields in each territory.

The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %
Risk discount rate	**7.7**	7.5	7.3	7.3	**8.1**	8.1	7.8	8.1
Pre-tax investment returns:								
Base government fixed interest	**5.1**	4.8	4.5	4.5	**4.3**	4.3	3.9	4.3
Ordinary shares	**7.6**	7.3	7.0	7.0	**6.3**	6.3	5.9	6.3
Property	**6.6**	6.3	6.0	6.0	**5.8**	5.8	5.4	5.8
Future expense inflation	**4.2**	4.1	3.6	3.6	**2.5**	2.5	2.5	2.5
Tax rate	**30.0**	30.0	30.0	30.0	**35.4**	35.4	35.4	35.4

	Ireland				Italy			
	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %
Risk discount rate	**8.6**	8.6	8.3	8.7	**7.4**	7.4	7.0	7.3
Pre-tax investment returns:								
Base government fixed interest	**4.5**	4.5	4.1	4.6	**4.4**	4.4	3.9	4.4
Ordinary shares	**7.5**	7.5	7.1	7.6	**7.4**	7.4	6.9	7.4
Property	**6.0**	6.0	5.6	6.1	**5.9**	5.9	5.4	5.9
Future expense inflation	**4.0**	4.0	4.0	4.0	**3.3**	3.3	3.3	3.3
Tax rate	**12.5**	12.5	12.5	12.5	**38.3**	38.3	39.3	39.8

	Netherlands				Poland*			
	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %
Risk discount rate	**7.5**	7.4	7.1	7.4	**14.8**	13.5	15.4	15.4
Pre-tax investment returns:								
Base government fixed interest	**4.4**	4.2	3.9	4.2	**7.5**	6.0	8.0	8.0
Ordinary shares	**7.4**	7.2	6.8	7.2	**7.5**	6.0	8.0	8.0
Property	**5.9**	5.7	5.3	5.7	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5**	2.5	2.5	2.5	**4.9**	3.4	5.4	5.4
Tax rate	**25.0**	25.0	25.0	25.0	**19.0**	19.0	27.0	27.0

	Spain			
	30 June 2004 %	31 December 2003 %	30 June 2003 %	31 December 2002 %
Risk discount rate	**7.7**	7.7	7.4	7.7
Pre-tax investment returns:				
Base government fixed interest	**4.6**	4.6	4.2	4.6
Ordinary shares	**7.6**	7.6	7.2	7.6
Property	**6.1**	6.1	5.7	6.1
Future expense inflation	**3.0**	3.0	3.0	3.0
Tax rate	**35.0**	35.0	35.0	35.0

* The economic assumptions shown above are those in the calculations for the life business. The economic assumptions for the pension business are identical with the exception of the risk discount rate which is 14.0% (30 June 2003: 13.8%; full year 2003: 12.7%; full year 2002: 13.8%).

Information on the achieved profit basis
continued

Other assumptions

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

Alternative assumptions

Economic assumptions
The table below shows the sensitivity to a one percentage point increase in the assumed investment returns for equity and property investments and in the discount rate for new business contribution for the half year and embedded value.

	New business contribution*		Embedded value†	
	Equity/property returns £m	Discount rates £m	Equity/property returns £m	Discount rates £m
United Kingdom	8	(21)	150	(275)
Europe (excluding UK)				
France	2	(4)	40	(80)
Ireland	1	(2)	10	(15)
Italy	–	(1)	10	(10)
Netherlands (including Belgium and Luxembourg)	6	(7)	200	(150)
Poland	–	–	10	(15)
Spain	–	(5)	5	(20)
Other	–	(1)	5	(5)
International	–	(3)	–	(20)
	17	**(44)**	**430**	**(590)**

* Calculated before effect of solvency margin, tax and minority interest.

† Calculated after effect of solvency margin and tax but before minority interest.

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

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

Summarised consolidated profit and loss account
Modified statutory basis
For the six months ended 30 June 2004

Page	6 months 2004 €m		6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
		Premium income (after reinsurance) and investment sales			
		Continuing operations			
26	**14,142**	Life premiums, including share of associates' premiums	**9,617**	10,248	19,035
26	**1,140**	Investment sales	**775**	520	1,141
27	**1,003**	Health premiums	**682**	646	1,066
	16,285		**11,074**	11,414	21,242
27	**6,550**	General insurance premiums	**4,454**	4,278	8,524
	22,835	**Total**	**15,528**	15,692	29,766
		Operating profit			
26	**805**	Modified statutory life profit	**548**	515	1,138
27	**49**	Health	**33**	27	61
	25	Fund management	**17**	10	10
27	**901**	General insurance	**613**	387	911
	(22)	Non-insurance operations	**(15)**	(47)	(64)
28	**(138)**	Corporate costs	**(94)**	(56)	(160)
	(329)	Unallocated interest charges	**(224)**	(198)	(406)
	1,291	**Operating profit – before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items***	**878**	638	1,490
	(72)	Amortisation of goodwill	**(49)**	(52)	(103)
	(72)	Amortisation of acquired additional value of in-force long-term business	**(49)**	(40)	(135)
	(37)	Financial Services Compensation Scheme levy	**(25)**	–	–
	1,110	Operating profit before tax	**755**	546	1,252
	(420)	Short-term fluctuation in investment return	**(286)**	250	212
	(16)	Change in the equalisation provision	**(11)**	(28)	(49)
25	**9**	Profit/(loss) on the disposal of subsidiary and associated undertakings	**6**	(7)	(6)
	(74)	Exceptional costs for termination of operations	**(50)**	(19)	(19)
	609	**Profit on ordinary activities before tax**	**414**	742	1,390
28	**(222)**	Tax on profit on ordinary activities	**(151)**	(211)	(367)
	387	**Profit on ordinary activities after tax**	**263**	531	1,023
	(58)	Minority interests	**(39)**	(30)	(74)
	329	**Profit for the financial period**	**224**	501	949
29	**(13)**	Preference dividends	**(9)**	(9)	(17)
	316	**Profit for the financial period attributable to equity shareholders**	**215**	492	932
29	**(310)**	Ordinary dividends	**(211)**	(203)	(545)
	6	**Retained profit transferred to reserves**	**4**	289	387
		Earnings per share – modified statutory basis			
29		Operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders	**25.4p**	17.9p	44.0p
29		Profit attributable to equity shareholders	**9.5p**	21.8p	41.4p
29		Profit attributable to equity shareholders – diluted	**9.5p**	21.8p	41.3p
29		**Dividend per share**	**9.36p**	9.0p	24.15p

* All operating profit is from continuing operations.

Consolidated statement of total recognised gains and losses
For the six months ended 30 June 2004

Page		6 months 2004 £m	Restated* 6 months 2003 £m	Full year 2003 £m
21	Profit for the financial period	**224**	501	949
	Foreign exchange (losses)/gains	**(208)**	350	329
	Total recognised gains arising in the period	**16**	851	1,278

* Restated for the effect of a change in accounting policy in respect of internally-generated additional value of in-force long-term business no longer recognised. Further details are set out on page 25.

Reconciliation of movements in consolidated shareholders' funds
For the six months ended 30 June 2004

Page		6 months 2004 £m	Restated* 6 months 2003 £m	Full year 2003 £m
	Shareholders' funds at the beginning of the period			
	As originally reported	**6,554**	9,669	5,836
	Prior year adjustment	**–**	(3,833)	–
		6,554	5,836	5,836
	Total recognised gains arising in the period	**16**	851	1,278
29	Dividends	**(220)**	(212)	(562)
	Increase in share capital	**23**	1	2
	Movement in treasury shares	**1**	–	–
	Goodwill written back and other movements	**3**	–	–
	Shareholders' funds at the end of the period	**6,377**	6,476	6,554

* Restated for the effect of changes in accounting policies in respect of internally-generated additional value of in-force long-term business no longer recognised and the treatment of shares held by employee trusts as a deduction from shareholders' funds. Further details are set out on page 25.

Summarised consolidated balance sheet
As at 30 June 2004

	30 June 2004 £m	Restated* 30 June 2003 £m	31 December 2003 £m
Assets			
Goodwill	**1,052**	1,139	1,105
Investments			
Land and buildings	**607**	684	637
Investments in associated undertakings and participating interests	**149**	289	279
Variable yield securities	**2,799**	2,700	2,967
Fixed interest securities	**9,734**	9,037	10,098
Mortgages and loans, net of non-recourse funding	**2,041**	1,129	1,448
Deposits	**744**	551	435
Other investments	**57**	55	65
	16,131	14,445	15,929
Reinsurers' share of technical provisions	**2,699**	2,822	2,926
Reinsurers' share of provision for linked liabilities	**636**	651	579
Assets of the long-term business	**136,433**	132,562	136,662
Assets held to cover linked liabilities	**42,921**	35,640	40,665
Other assets	**9,830**	10,164	10,326
Acquired value of in-force long-term business	**458**	522	488
Total assets	**210,160**	197,945	208,680
Liabilities			
Shareholders' funds			
Equity	**6,177**	6,276	6,354
Non-equity	**200**	200	200
Minority interests	**775**	778	811
	7,152	7,254	7,365
Subordinated debt	**2,751**	1,225	2,814
Total capital, reserves and subordinated debt	**9,903**	8,479	10,179
Liabilities of the long-term business	**121,774**	120,323	121,078
Fund for future appropriations	**7,816**	5,519	8,443
Technical provision for linked liabilities	**43,557**	36,291	41,244
General insurance liabilities	**17,553**	17,203	17,515
Borrowings	**1,769**	2,337	1,760
Other creditors and provisions	**7,788**	7,793	8,461
Total liabilities	**210,160**	197,945	208,680

* Restated for the effect of changes in accounting policies in respect of internally-generated additional value of in-force long-term business no longer recognised and the treatment of shares held by employee trusts as a deduction from shareholders' funds. Further details are set out on page 25.

Approved by the Board on 3 August 2004

Consolidated cash flow statement
For the six months ended 30 June 2004

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Net cash inflow from operating activities, excluding exceptional items*	**1,104**	386	1,208
Exceptional items*	**–**	(503)	(522)
Net cash outflow from servicing of finance	**(99)**	(84)	(256)
Corporation tax paid	**(28)**	(90)	(174)
Net purchases of tangible fixed assets	**(48)**	(36)	(101)
Acquisitions and disposals of subsidiary and associated undertakings†	**174**	510	600
Equity dividends paid	**(341)**	(321)	(523)
Proceeds from issue of subordinated debt	**–**	–	1,567
Net cash inflow from other financing activities:			
Issue of share capital	**23**	1	2
Net drawdown of loans	**69**	221	80
Net cash flows	**854**	84	1,881
Cash flows were invested as follows:			
Increase/(decrease) in cash holdings	**304**	(155)	(164)
Net purchases of investments	**544**	437	2,262
Non-trading cash inflow/(outflow) to long-term business operations	**6**	(198)	(217)
Net investment of cash flows	**854**	84	1,881

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

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

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

Notes to the accounts

1 – Basis of preparation – modified statutory solvency basis

(a) The results for the six months to 30 June 2004 have been prepared on the basis of the accounting policies set out in Aviva plc's 2003 Annual Report and Accounts. The results for the six months to 30 June 2004 and 2003 are unaudited but have been reviewed by the auditor. The interim accounts do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The results for the full year 2003 have been taken from the Group's 2003 Annual Report and Accounts. The auditors have reported on the 2003 accounts and their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The Group's 2003 Annual Report and Accounts have been filed with the Registrar of Companies.

(b) The contribution from the Group's share of the alliance with RBSG is incorporated within the modified statutory life profit. Goodwill amortised in the period in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within "Amortisation of goodwill" on page 21.

(c) In November 2000, the Accounting Standards Board issued Financial Reporting Standard 17 (FRS17) "Retirement Benefits", the accounting provisions, which are not required to be adopted by the Group until 2005. FRS17 requires certain transitional disclosures to be made in the statutory accounts. The Group has continued to account for pension costs in accordance with SSAP24.

(d) Changes in accounting policy

(i) Additional value of internally-generated in-force business

In November 2003, the Association of British Insurers revised its Statement of Recommended Practice on accounting for insurance business (ABI SORP). One of the amendments is that insurance companies are no longer allowed to recognise the internally-generated additional value of in-force business (AVIF) on their balance sheets, either as an asset or as part of shareholders' funds.

The effect of implementing this change are that shareholders' funds at 30 June 2004 have been reduced by £4,677 million (30 June 2003: reduced by £3,942 million; 31 December 2003: reduced by £4,611 million) and minority interests have been reduced by £174 million (30 June 2003: reduced by £101 million; 31 December 2003: reduced by £133 million).

(ii) Presentation changes

In December 2003, the Urgent Issues Task Force issued UITF Abstract 38 which requires shares held in employee share trusts to be deducted from capital in arriving at shareholders' funds rather than being held as assets.

The effects of implementing this change on shareholders' funds at 30 June 2004 is nil (30 June 2003: reduced by £1 million; 31 December 2003: reduced by £1 million).

2 – Exchange rates

The euro rates employed in this announcement are an average rate of €1 = £0.68 (six months to 30 June 2003: €1 = £0.68; full year 2003: €1 = £0.69) and a closing rate of €1 = £0.67 (30 June 2003: €1 = £0.70; 31 December 2003: €1 = £0.70).

3 – Exceptional costs for termination of operations

In February 2004, the Group announced the closure of its UK national broker subsidiary, Hill House Hammond (HHH) by the end of 2004 together with the sale of its commercial business. The associated pre-tax costs of the closure of HHH are £50 million and these exceptional costs relate to the redundancy costs and closure provisions. The Group expects to complete the branch closures by the end of September 2004.

During 2003, the Group incurred costs on the closure of its general insurance operations in Belgium. These exceptional costs relate to termination activities, including redundancy costs and closure provision.

4 – Disposals

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

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Other small operations	**6**	(7)	(6)
	6	(7)	(6)

No disposal of subsidiary undertakings was sufficiently material to warrant separate disclosure.

In June 2004, our French operations, Aviva France, sold its 31.4% holding in Société Foncière Lyonnaise (SFL) a French listed property company for €427 million (£285 million) and recorded a gain of £27 million. These shares were owned by both our French life and non-life operations. In accordance with local French provisions, the gain on sale in the life company of £22 million has been transferred to a statutory provision forming part of the fund for future appropriations and will be attributed to policyholders and shareholders as bonuses are declared to policyholders within the next eight years.

Notes to the accounts
continued

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

	New business sales				Premium income (after reinsurance) and investment sales		
	New single premiums		New regular premiums				
	6 months 2004 £m	6 months 2003 £m	6 months 2004 £m	6 months 2003 £m	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Life and pensions sales							
United Kingdom – group*	**2,668**	2,618	**265**	251	**4,030**	4,828	8,688
– associates	**73**	82	**8**	10	**125**	141	254
	2,741	2,700	**273**	261	**4,155**	4,969	8,942
Europe (excluding UK)							
France	**1,183**	966	**27**	23	**1,345**	1,141	2,300
Ireland	**85**	86	**35**	30	**219**	217	442
Italy	**694**	804	**20**	37	**794**	913	1,662
Netherlands (including Belgium and Luxembourg)	**542**	431	**65**	59	**1,123**	970	1,722
Poland – Life	**20**	10	**7**	8	**126**	132	263
– Pensions	**13**	4	**8**	11	**217**	212	440
Spain	**875**	778	**42**	61	**965**	834	1,641
Other	**167**	100	**41**	34	**316**	258	616
International	**225**	476	**51**	52	**357**	602	1,007
Total life and pension sales (including share of associates)	**6,545**	6,355	**569**	576	**9,617**	10,248	19,035
Investment sales							
United Kingdom	**437**	313	**14**	6	**451**	319	680
Netherlands	**120**	115	**–**	–	**120**	115	204
Poland	**48**	30	**1**	1	**49**	31	110
Other Europe	**91**	21	**–**	–	**91**	21	49
International	**64**	34	**–**	–	**64**	34	98
Total investment sales	**760**	513	**15**	7	**775**	520	1,141
Total long-term savings (including share of associates)	**7,305**	6,868	**584**	583	**10,392**	10,768	20,176

Single premiums are those relating to products issued by the Group, which provide for the payment of one premium only.

Regular premiums are those where there is a contractual obligation to pay on an ongoing basis.

* Included within the prior year premium income (after reinsurance) and investment sales are transfers of institutional business into Morley Pooled Pensions (six months to 30 June 2003: £1,247 million; full year 2003: £1,247 million) which, since they are institutional in nature, are excluded from new business sales.

6 – Geographical analysis of modified statutory life operating profit

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom			
With-profit	**54**	64	145
Non-profit	**235**	229	449
Europe (excluding UK)			
France	**84**	80	179
Ireland	**12**	18	41
Italy	**19**	14	30
Netherlands (including Belgium and Luxembourg)	**54**	29	107
Poland	**38**	41	103
Spain	**28**	24	50
Other	**3**	(7)	(4)
International	**21**	23	38
Total modified statutory life operating profit	**548**	515	1,138

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

(a) Premiums after reinsurance:

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom	**145**	136	270
France	**78**	71	134
Netherlands	**459**	439	662
	682	646	1,066

(b) Operating result:

	Operating profit			Underwriting result		
	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom	**3**	4	13	**1**	2	9
France	**2**	3	9	**(3)**	(2)	(2)
Netherlands	**28**	20	39	**4**	(9)	(20)
	33	27	61	**2**	(9)	(13)

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

(a) General insurance premiums after reinsurance:

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom	**2,674**	2,496	5,135
Europe (excluding UK)			
France	**304**	305	515
Ireland	**292**	319	611
Netherlands	**341**	295	563
Other	**124**	116	226
International			
Canada	**601**	565	1,208
Other	**118**	182	266
	4,454	4,278	8,524

(b) Operating result:

	Operating profit*			Underwriting result*		
	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
United Kingdom	**408**	313	676	**67**	10	50
Europe (excluding UK)						
France	**13**	15	35	**(6)**	(7)	(9)
Ireland	**68**	43	91	**36**	14	26
Netherlands	**23**	12	35	**(1)**	(3)	(5)
Other	**18**	16	32	**(2)**	(4)	(6)
International						
Canada	**59**	(33)	12	**4**	(85)	(98)
Other	**24**	21	30	**7**	4	(12)
	613	387	911	**105**	(71)	(54)

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £11 million (six months to 30 June 2003: £28 million; full year to 31 December 2003: £49 million) and the Financial Services Compensation Scheme levy of £25 million (six months to 30 June 2003: nil; full year to 31 December 2003: nil).

Notes to the accounts
continued

9 – Corporate costs

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Global finance transformation programme	**(45)**	(12)	(60)
Central costs and sharesave schemes	**(49)**	(44)	(100)
	(94)	(56)	(160)

10 – Tax

The tax charge in the profit and loss account comprises:

(a) Tax on profit on ordinary activities:

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Current tax			
UK corporation tax – current year	**22**	1	(55)
– prior year	**(11)**	(9)	17
Overseas tax – current year	**(44)**	(18)	(1)
– prior year	**2**	3	3
Tax attributable to balance on technical account	**(160)**	(147)	(315)
	(191)	(170)	(351)
Deferred tax			
Origination and reversal of timing differences	**47**	(6)	(19)
Changes in tax rates or law	**(6)**	–	(11)
(Decrease)/increase in discount	**(1)**	(6)	14
Prior year adjustments	**–**	(29)	–
	40	(41)	(16)
Total tax charged in the profit and loss account	**(151)**	(211)	(367)

(b) Tax charge analysed between:

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Tax charge on operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items	**(255)**	(194)	(403)
Tax credit/(charge) on (loss)/profit on other ordinary activities	**104**	(17)	36
	(151)	(211)	(367)

(c) Factors affecting current tax charge for the year:

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Profit on ordinary activities before tax	**414**	742	1,390
Current tax charge at standard UK corporation tax rate of 30% (*2003: 30%*)	**(124)**	(223)	(417)
Adjustment to tax charge in respect of prior years	**(8)**	(6)	20
Non-assessable dividends	**23**	6	5
Non-taxable profit/(loss) on the sale of investments	**8**	(1)	(10)
Non-taxable amortisation of goodwill	**(9)**	(7)	(5)
Other disallowable expenses	**(35)**	(16)	(33)
Utilisation/non-utilisation of tax losses	**30**	–	(10)
Different local basis of tax on overseas profits	**(29)**	48	53
Deferred tax charge arising from movement in unrealised gains and losses	**–**	4	20
Other deferred tax movements	**(41)**	2	10
Deferred tax assets not recognised	**–**	9	38
Other items	**(6)**	14	(22)
Current tax charge for the year	**(191)**	(170)	(351)

11 – Dividends

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

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Preference dividends	**9**	9	17

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

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

	6 months 2004 £m	6 months 2003 £m	Full year 2003 £m
Ordinary dividends			
Interim 9.36 pence *(2003: 9.0 pence)*	**211**	203	203
Final *(2003: 15.15 pence)*	**–**	–	342
Total ordinary dividends	**211**	203	545

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 3 August 2004.

12 – Earnings per share

(a) Basic earnings per share:

	6 months 2004			6 months 2003		Full year 2003	
	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p	Net of tax, minorities and preference dividend £m	Per share p
Operating profit*	**878**	**571**	**25.4**	404	17.9	991	44.0
Adjusted for the following items:							
– Amortisation of goodwill	**(49)**	**(49)**	**(2.2)**	(52)	(2.3)	(103)	(4.6)
– Amortisation of acquired additional value of in-force long-term business	**(49)**	**(36)**	**(1.6)**	(30)	(1.3)	(98)	(4.4)
– Financial Services Compensation Scheme levy	**(25)**	**(18)**	**(0.8)**	–	–	–	–
– Exceptional costs for termination of operations	**(50)**	**(42)**	**(1.9)**	(16)	(0.7)	(16)	(0.7)
– Short-term fluctuation in investment return	**(286)**	**(209)**	**(9.3)**	207	9.1	198	8.9
– Change in the equalisation provision	**(11)**	**(8)**	**(0.4)**	(20)	(0.9)	(34)	(1.5)
– Net profit/(loss) on disposal of subsidiary undertakings	**6**	**6**	**0.3**	(1)	–	(6)	(0.3)
Profit attributable to equity shareholders	**414**	**215**	**9.5**	492	21.8	932	41.4

* All operating profit is from continuing operations.

Earnings per share has been calculated based on the operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders, as well as on the profit attributable to equity shareholders. The directors believe the former earnings per share figure provides a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,252 million (six months to 30 June 2003: 2,252 million; full year 2003: 2,251 million) ordinary shares in issue, after deducting shares owned by the employee share trusts as required by FRS14 "Earnings per share".

The actual number of shares in issue at 30 June 2004 was 2,262 million (30 June 2003: 2,257 million; 31 December 2003: 2,257 million).

(b) Diluted earnings per share:

	6 months 2004			6 months 2003			Full year 2003		
	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 equity shareholders	**215**	**2,252**	**9.5**	492	2,252	21.8	932	2,251	41.4
Dilutive effect of share awards and options	**–**	**18**	**–**	–	8	–	–	8	(0.1)
Diluted earnings per share	**215**	**2,270**	**9.5**	492	2,260	21.8	932	2,259	41.3

13 – Longer-term investment return

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

Notes to the accounts
continued

13 – Longer-term investment return continued

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

	Longer-term rates of return			
	Equities		Properties	
	2004 %	2003 %	2004 %	2003 %
United Kingdom	**8.1**	8.1	**6.6**	6.6
France	**7.5**	7.5	**6.5**	6.5
Ireland	**8.7**	8.7	**6.7**	6.7
Netherlands	**8.4**	8.4	**6.5**	6.5
Canada	**9.3**	9.3	**7.3**	7.3

The table below shows the sensitivity in the changes in the longer-term rates of return on the annual operating profit:

Movement in investment return	By	Change in	By
Equities	1% higher/lower	Group operating profit before tax	**£31m**
Properties	1% higher/lower	Group operating profit before tax	**£8m**

14 – Group capital structure

The Group maintains an efficient structure from a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business. The achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. Accordingly, the Group's capital structure is analysed on an embedded value basis.

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

Capital employed by segment

	30 June 2004 £m	31 December 2003 £m
Long-term savings	**12,152**	12,373
General insurance and health	**4,505**	4,481
Other business	**581**	725
Corporate	**3,176**	2,934
Total capital employed	**20,414**	20,513
Financed by		
Internal debt	**3,902**	3,841
External debt	**1,758**	1,749
Subordinated debt	**2,751**	2,814
Shareholders' funds and minority interests	**12,003**	12,109
	20,414	20,513

Deployment of equity shareholders' funds

					30 June 2004	31 December 2003
	Equities £m	Fixed income securities £m	Other investments £m	Other net assets £m	Total £m	Total £m
Assets						
Long-term savings	**586**	**3,813**	**799**	**1,434**	**6,632**	6,923
General insurance, health, corporate and other business	**2,799**	**3,281**	**1,130**	**–**	**7,210**	7,035
	3,385	**7,094**	**1,929**	**1,434**	**13,842**	13,958
Goodwill					**1,263**	1,323
Additional value of in-force long-term business					**5,309**	5,232
Assets backing total capital employed in continuing operations					**20,414**	20,513
External debt					**(1,758)**	(1,749)
Internal debt					**(3,902)**	(3,841)
Subordinated debt					**(2,751)**	(2,814)
					12,003	12,109
Minority interests					**(949)**	(944)
Preference capital					**(200)**	(200)
Equity shareholders' funds					**10,854**	10,965

Independent review report to Aviva plc

We have been instructed by the Company to review the financial information for the six months ended 30 June 2004 set out on pages 12 to 30 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the above financial information. The financial information on pages 12 to 20 and note 14 have been prepared in accordance with the achieved profit basis as set out under the methodology and principal economic assumptions sections on pages 18 to 20. The financial information on pages 21 to 30 has been prepared on the modified statutory solvency basis, which is the basis of accounting adopted in the annual audited accounts.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the above financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2004.

Ernst & Young LLP
London
3 August 2004

Shareholder information

Aviva Scrip Dividend Scheme

The Aviva Scrip Dividend Scheme (the "Scheme") provides shareholders with an opportunity, if they wish, to receive new ordinary shares instead of cash dividends.

The Scheme therefore allows shareholders to increase their shareholdings in Aviva without incurring dealing costs or stamp duty whilst at the same time the cash, which would otherwise have been paid out in dividends, is retained by the Company for reinvestment in the business. The Scheme replaces the former Dividend Reinvestment Plan.

Shareholders who wish to join the Scheme need to authorise the Company to issue shares instead of cash for all future dividends although, shareholders can at any time cancel their instructions and revert to receiving their dividends in the form of cash. Shareholders who wish to elect to take new ordinary shares in the Company instead of cash for the 2004 interim dividend must contact Lloyds TSB Registrars at the address opposite and request a mandate form. This must be completed and returned so that it is received by Lloyds TSB Registrars no later than 5pm on 20 October 2004.

Dividend payments direct to your bank account

Shareholders who wish to continue to receive their dividends in cash, can have dividend payments credited directly into their bank or building society account on the dividend payment date rather than receiving a cheque. For overseas shareholders, the Company operates the Transcontinental Account Payment Service which allows shareholders in many countries to have dividends credited direct to bank accounts in local currencies. To obtain further details and a mandate form please contact the Company's registrar at the address shown.

Shareview

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

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

Aviva website

Aviva continues to develop its website as an important shareholder communication channel because it is cost efficient, timely and effective. At present via the Aviva website shareholders can view shareholdings, dividend history, share purchases and sales and download relevant shareholder forms. To access this facility, shareholders should visit www.aviva.com/shareholders where full registration details are provided. Those shareholders who have already registered with the Lloyds TSB Registrars Shareview site can use existing log in details.

Share price

The current share price of Aviva ordinary shares can be found at www.aviva.com or alternatively, you can call 0906 843 2197*.

Share dealing facilities

The Company has arranged the following services that can be used to buy or sell Aviva shares. Alternatively, for shareholders holding a share certificate, any bank, building society or stockbroker offering share dealing facilities may be used. Shareholders in any doubt about buying or selling shares should seek professional financial advice.

Share dealing facilities for UK shareholders and UK Share Account members

- Shareview Dealing is a telephone and internet service arranged through Lloyds TSB Registrars and provides a simple and convenient way of selling Aviva shares. For telephone sales call 0870 850 0852 between 8.30am and 4.30pm, Monday to Friday and for internet sales log on to www.shareview.co.uk/dealing
- To buy or sell shares over the telephone, you can contact Barclays Stockbrokers on 0870 549 3001 if you hold a share account statement, or 0870 549 3002 if you hold a share certificate. Barclays Stockbrokers Limited is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority.
- NatWest Stockbrokers provide a share dealing service at certain branches for Aviva Share Account holders only. For more information contact NatWest Stockbrokers on 0845 122 0689.

Share dealing facilities for overseas shareholders

To sell shares over the telephone, shareholders can contact Barclays Stockbrokers on + 44 (0)141 352 3959. They will be able to sell shares and send a sterling cheque for the proceeds.

ShareGift

The Orr Mackintosh Foundation operates a purely voluntary charity share donation scheme for shareholders who wish to dispose of small numbers of shares whose value makes it uneconomical to sell them. Details of the scheme are available from ShareGift at www.sharegift.org or by telephoning +44 (0)20 7337 0501 or can be obtained from the Company's registrar.

Amalgamating your shares

Any shareholders receiving duplicate mailings, i.e. more than one copy of the report and accounts, should contact the Company's registrar. It may be that they have more than one record of shareholdings which can be amalgamated to prevent this happening in future.

* Calls are currently charged at 60 pence per minute at all times.
The average time to access the share price is approximately one minute.

Useful contact details

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

Internet sites

Aviva owns various internet sites, most of which interlink with each other.

Aviva group	www.aviva.com
UK long-term savings and general insurance	www.norwichunion.com
Fund management	www.morleyfm.com
Aviva worldwide internet sites	www.aviva.com/customers/global.cfm

Group financial calendar for 2004

Interim dividend announcement	4 August 2004
Ordinary shares quoted "ex dividend"	11 August 2004
Record date for the interim dividend	13 August 2004
Last date for scrip dividend mandate forms to be received in order to be effective for 2004 interim dividend	20 October 2004
Announcement of long-term savings new business for 9 months to 30 September 2004	29 October 2004
Interim dividend payment date	17 November 2004

Corporate social responsibility

Aviva's CSR policy and programme continues to take firmer roots within the business and to generate support with staff, shareholders and customers. Aviva's CSR performance is also highly ranked by growing numbers of research agencies and investment houses. It provides one of the pathways by which the Company seeks to achieve its corporate resolve to be the financial services provider of choice. More details can be found on our website at www.aviva.com/csr

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

Designed and produced by Radley Yeldar using RingMaster®. Cover photography by Nick David, Executive photography by Keith Waldegrave. Printed by CTD Printers Limited. All registered trademarks acknowledged. This document is printed on Mega Matt, using a chlorine free process, produced from 50% pre and post consumer waste. Nordic Swan certified.

Aviva plc
St Helen's, 1 Undershaft
London EC3P 3DQ
Telephone +44 (0)20 7283 2000
www.aviva.com
Registered in England
Number 2468686