Aviva plc

Interim report 2005

Financial highlights

£1,318m
Operating profit before tax*

£12.1bn
Worldwide long-term savings new business sales**

9.83p
Interim dividend

£12.6bn
Shareholders' funds†

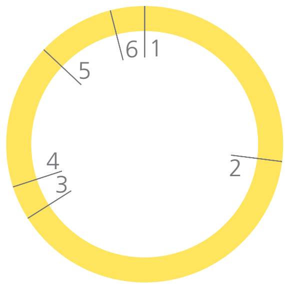
Operational highlights

- Very good results with continuing strong performance across our insurance and fund management businesses
- Increased life result with growth in new business and improved new business margin
- Continued excellent general insurance result with further improvement in the combined operating ratio‡ to 95%
- Strong capital position and increased shareholders' funds

IFRS reporting We have reported our interim results in line with the new International Financial Reporting Standards (IFRS). The results for 2004 shown as comparatives, which were previously reported on a UK GAAP basis, have been restated to an IFRS basis.

Life profits reporting In reporting the Aviva plc headline operating profit, life profits have been included using the European embedded value (EEV) basis. The IFRS basis, which is used in our accounts, is also identified in the headline figures. We have focused on the EEV basis, as we believe life EEV operating return is a more realistic measure of the performance of life businesses than the IFRS basis. Life IFRS operating profit before tax amounted to £510 million. The basis used for reporting EEV profit is consistent with the principles launched in May 2004 by the CFOs Forum, a group of 19 insurers with implementation required by no later than 31 December 2005. This is used throughout the Aviva group to assess performance and as it is adopted by our peers will be used by the investment community to assess performance. The results for 2004 shown as comparatives, which were previously reported on an achieved profits basis, have been restated to an EEV basis.

Geographical breakdown of worldwide business mix



Long-term saving**		General insurance and health≠	
1 UK	27%	4 UK	17%
2 Continental Europe	39%	5 Continental Europe	9%
3 Rest of world	4%	6 Rest of world	4%

Aviva is the world's sixth-largest insurance group# and the largest in the UK. It is one of the leading providers of life and pensions products in Europe and has substantial businesses elsewhere around the world. Its main activities are long-term savings, fund management and general insurance. It had worldwide sales of £17 billion~ in the first half of 2005, and £291 billion of assets under management at 30 June 2005. The group has 60,000 employees serving 30 million customers worldwide.

Life and pensions sales have been stated throughout this document on the basis of the present value of new business premiums (PVNBP). PVNBP is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

* From continuing operations, including Life European Embedded Value (EEV) operating return before impairment of goodwill and exceptional items.

** Based on PVNBP for life and pensions business plus total investment sales.

† On an EEV basis excluding preference shares, direct capital instrument and minority interests.

‡ Combined operating ratio (COR) broadly expresses the total of claims costs, commission and expenses as a percentage of premiums and is one of our key performance measures.

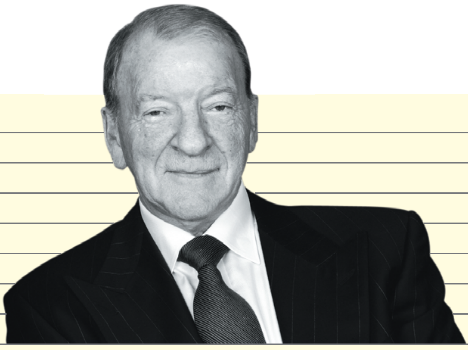
≠ With reference to net premium income from continuing operations.

Based on both gross worldwide premiums and market capitalisation at 31 December 2004.

~ Based on PVNBP for life and pensions, total investment sales and general and health net written premiums, including share of associates' premiums.

All growth rates in this document are quoted at constant rates of exchange.

Chairman's statement



Pehr G Gyllenhammar
Chairman

The first six months have demonstrated that we have made further progress. Our growth is healthy and our profitability is improving steadily. Our capital position is robust and we have a sound positive cash flow. We have therefore declared an interim dividend increase of 5%.

Total group operating profit is up 21%, demonstrating a robust operational performance across all our major businesses. We are increasing the interim dividend to 9.83 pence net per share (2004 interim dividend: 9.36 pence), payable on 17 November 2005 to shareholders on the register on 19 August 2005. This represents an increase of 5%, in line with our dividend policy.

Outside the UK, in continental Europe, we see healthy growth in our life business, particularly from our bancassurance arrangements, which continue to be productive and give good returns. In India and China, our life assurance operations are growing very fast from a small base, and that growth rate is needed to reach the required scale. We have applied for further licences in China and are exploring possible opportunities in Russia.

Growth in the UK life market is slow and we are concentrating on improving our service and efficiency which will benefit our customers and provide our shareholders with better returns in the long term.

Our UK general insurance business continues to show excellent results and generates important cash flow. The acquisition of RAC has been completed and should add considerable strength and breadth in distribution, product offering, customer service and profitability.

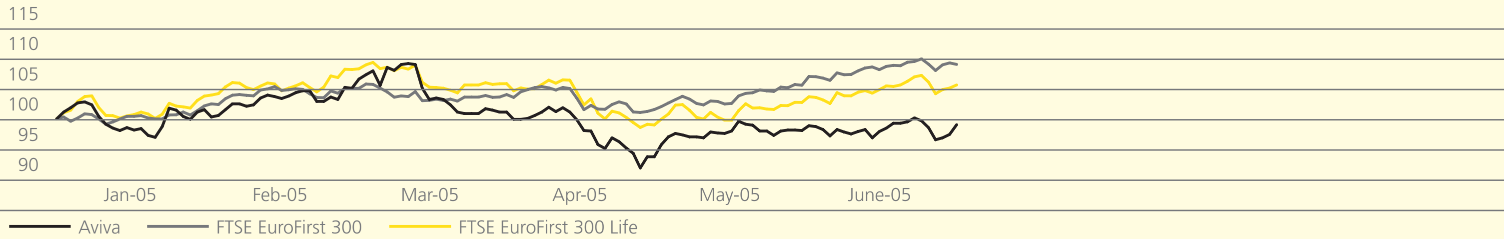
Our general insurance portfolios in France and the Netherlands are performing well. In Ireland and Canada, our general insurance businesses are continuing the excellent results seen last year.

Our asset management operations are increasing in efficiency and profitability, particularly in the UK and France.

We are continuously improving our productivity and we benchmark ourselves against the best in our industry. We will employ 5,000 staff in India by the end of the year and our off-shoring capability is an important contribution in our drive towards efficiency.

We have taken the lead in introducing a new and more transparent way of accounting for Embedded Value, the most important measure of our life portfolio. At the same time our statutory accounts are now prepared on the new International Financial Reporting Standards (IFRS) basis. These two big changes have demanded a lot from our finance teams and they have done an outstanding job.

Aviva vs. FTSE EuroFirst 300 and FTSE EuroFirst 300 Life



Equity markets continue to recover but, after a strong run up to March, our share price has not performed as well as we would like during the last quarter. We measure ourselves against our European peer group with an ambition to outperform.

We aspire to be a world class provider of financial services. By striving to improve the quality of our products and service to customers, we aim to increase returns to our shareholders.

The management team under Richard Harvey is working with great dedication. Precision and progress in our industry can only be achieved with hard and focused work. Our staff are undergoing a continued programme of learning and development and they are doing a very fine job.

The board is fully supportive of our corporate social responsibility (CSR) programme, which covers all our businesses worldwide, and which we believe enhances our business performance, both in the short and long term.

Our commitment to good governance also remains a priority for the board and it has taken great care in managing its succession plan. Our deputy chairman, George Paul, and non-executive director Elizabeth Vallance are due to retire from the board at the end of 2005. I thank them both for their wisdom and sound judgement over many years of service. Mary Francis is to join the board as a non-executive director from 1 October 2005. She has extensive experience of government affairs and business on an international level, most recently as director-general of the Association of British Insurers. We shall benefit greatly from her knowledge and I am delighted to welcome her to our board.

In anticipation of my planned retirement at the end of this year, I am delighted that Lord Sharman, who joined the board in January 2005, will become Aviva's new chairman from 1 January 2006. He brings enormous experience to the Board and the combination of his knowledge and Richard Harvey's proven leadership means that I leave Aviva in the most capable hands.

I am privileged to have been able to make my own contribution to the continued development of this outstanding company and I thank my colleagues and Aviva's stakeholders for their generous support over the years.

Highlights

	Unaudited 6 months to 30 June 2005 £m	Restated≈ unaudited 6 months to 30 June 2004 £m	Growth in constant currency %
Operating profit before tax – EEV basis*	**1,318**	1,076	21%
Operating profit before tax – IFRS basis**	**943**	781	19%
Worldwide new business sales†	**12,078**	10,528	13%
Interim dividend per share	**9.83p**	9.36p	5%
Earnings per share – EEV basis*	**35.6p**	28.6p	
Earnings per share – IFRS basis**	**27.1p**	21.8p	
Total shareholders' funds‡	**12,633**	11,661~	
Net asset value per share	**533p**	511p~	
Assets under management	**£291bn**	£280bn~	

Key financial objectives

	Target	6 months 2005	Restated≈ full year 2004
Return on Capital Employed (ROCE)	10% + inflation^	**14.6%**	13.7%
General insurance COR#	100%≠	**95%**	97%

All operating profit is from continuing operations.

All growth rates are quoted at constant rates of exchange.

* Including life European Embedded Value (EEV) operating return, before impairment of goodwill and exceptional items.

** Before impairment of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.

† Based on PVNBP for life and pensions plus total investment sales.

‡ Measured on an EEV basis, excluding preference shares, direct capital instrument and minority interests.

≠ 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.

~ At 31 December 2004.

≈ Restated to an EEV/IFRS basis.

^ Annualised Inflation was 2.4% in the six months to 30 June 2005 (year ended 31 December 2004: 3.5%). ROCE for six months 2005 is annualised.

Group chief executive's review

Richard Harvey
Group chief executive

Overview

Our results for the first half of 2005 are very good. They build on the strong performance in 2004, 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 manage our business for value. We also continue to see benefits from our actions to improve cost efficiency and deliver service excellence to our customers.

Financial reporting

We have reported our interim results in line with the new International Financial Reporting Standards (IFRS). We believe that this represents a technical accounting change and does not alter the underlying economics of our business. We consider that European embedded value (EEV) continues to be the best measure of added value for long-term insurance business, which is unaffected by IFRS. All 2004 comparatives in this review have been restated on an EEV/IFRS basis.

Group results

Higher pre-tax operating profit on an embedded value basis of £1,318 million (2004: £1,076 million) reflects our focus on profitability in our long-term savings business, the resilience and sustainability of our general insurance performance, and the benefits of our actions to reduce our cost base. Our fund management business benefited from worldwide markets that have steadily improved and our continuing focus on cost control.

We delivered a strong annualised return on capital employed in the first half of the year of 14.6% (full year 2004: 13.7%), which exceeded our target of 10% net real return. This reflects the operational performance of our businesses partly offset by a higher opening capital employed position.

Our worldwide long-term savings businesses reported total new business sales of £12.1 billion* (2004: £10.5 billion), with excellent growth in continental Europe. Life operating return on an EEV basis improved by 5% to £857 million (2004: £799 million), reflecting growth in new business sales volumes and an increase in our margin≠ to 3.6% (2004: 3.5%). Our bancassurance partnerships delivered total sales up 36% to £3.3 billion (2004: £2.3 billion).

Our general insurance and health insurance operations achieved an excellent operating result of £694 million (2004: £583 million), demonstrating the success of our disciplined approach to underwriting and claims management. We beat our general insurance COR target of 100% across the group with an overall COR of 95% (full year 2004: 97%). Our focus on personal lines and small commercial business means we are less exposed to the significant volatility of larger commercial risks.

On an IFRS basis, group operating profit before tax was 19% higher at £943 million (2004: £781 million). Overall group profit before tax≈ was £1,124 million (2004: £449 million), owing to strong operational performance, better investment returns and the profit on the disposal of our Asian general insurance businesses.

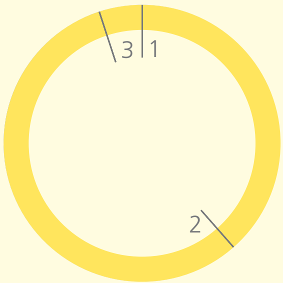
Group capital and financial strength

Equity shareholders' funds~ at 30 June 2005 were £12.6 billion (31 December 2004: £11.7 billion), a reflection of our strong operational performance offset by the impact of the euro depreciation in the period. This represented a net asset value of 533 pence per share (31 December 2004: 511 pence per share).

We had estimated excess capital, as measured according to the Insurance Groups Directive, of approximately £2.6 billion (31 December 2004: £3.6 billion). This exceeds our solvency requirement by 1.6 times (31 December 2004: 1.9 times) which we regard as a very healthy cover.

The solvency position of our main trading operations remains robust, with the orphan estate of our UK life businesses at £4.6 billion (31 December 2004: £4.5 billion), based on a realistic assumption of liabilities.

Geographical analysis of worldwide life and pensions new business sales**



1 UK	£4,244m
2 Continental Europe	£6,218m
3 Rest of world	£554m
Total	£11,016m

£857m

Life operating return†
(2004: £799 million)

Worldwide life and pensions new business sales £bn

2001	13.5#
2002	13.6#
2003	18.8**
2004	20.7**
2005	**11.0‡****

Long-term savings

Our life operations reported an operating profit of £857 million (2004: £799 million) for the first half of the year. On an IFRS basis operating profits were broadly flat at £510 million (2004: £520 million).

Worldwide life and pensions new business sales improved by 12% to £11.0 billion (2004: £9.8 billion), with strong growth across most businesses. Our operations in continental Europe continue to deliver strong results and contributed 56% of total life and pensions new business. Overall margins increased to 3.6% (2004: 3.5%). Retail investment new business sales improved strongly to £1,062 million (2004: £775 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 improving investor demand.

UK

In an increasingly competitive market, Norwich Union Life continued to rebalance its product mix to maximise returns.

We grew our new business margin to 3.2% (full year 2004: 2.9%) through careful management of pricing and commission and a change in business mix towards higher-margin products. At 11.4%, our internal rate of return on new business was the same as reported for the full year 2004 and ahead of the 11.0% result for the first half of 2004. Life and pensions new business sales were broadly flat at £4,244 million (2004: £4,299 million), reflecting our commitment to write business on value-added terms.

Operating profit for the period was £327 million (2004: £345 million), the reduction arising largely from £30 million of reorganisation costs partially offset by better than anticipated mortality experience on annuities and protection business.

We enjoyed a strong performance in the individual annuity and investment markets, with sales of annuities up 39% to £787 million (2004: £568 million) and bonds up 20% to £1,158 million (2004: £964 million). Pension sales of £1,653 million (2004: £2,036 million) were lower as we moved our focus towards more profitable group personal pensions. Protection sales of £646 million (2004: £731 million) reflected the impact of the continued slowdown in the property market and pricing pressures.

Regulations governing depolarisation in the UK came into force on 1 June 2005. We are well placed to compete in a depolarised market and have secured all the distribution agreements needed to maintain a leading market position. Following the successful launch of our Lifetime wrap platform, over 200 financial advisers have already signed up.

We are working hard to improve our service to customers. Customer complaints are at their lowest level since 2002. Our overall brand awareness, trust and consideration outperforms our core life and pensions competitors.

Our outsourcing and offshoring initiatives are progressing well. We remain focused on the underlying efficiency and effectiveness of the business and believe that we are still one of the most efficient in our sector.

We anticipate modest market growth in the second half of the year and will focus on achieving disciplined growth in a competitive market.

* Based on PVNBP for life and pensions business plus total investment sales.
**Life and pensions PVNBP including share of associates' premiums.
† On an EEV basis.
‡ For the six months to 30 June 2005.
≠ Ratio of new business contribution before the effect of required capital over the present value of new business premiums.
\# Life and pensions new business total sales only, including share of associates' premiums.
~ Equity shareholders' funds on an EEV basis, excluding preference shares, direct capital instrument and minority interest.
≈ Attributable to shareholders' profits
All growth rates are quoted at constant rates of exchange.

Group chief executive's review
continued

3.6%
New business margin*

12%
Growth in life and pensions new business**

France
Aviva France reported an excellent first-half operating profit of £158 million (2004: £112 million). This reflected increased new business contribution and a £17 million contribution from our joint venture with Crédit du Nord launched in October 2004.

New business sales were particularly strong at £1,854 million (2004: £1,337 million). Margins were higher at 3.8% (full year 2004: 3.4%), reflecting our improving business mix as unit-linked sales accelerated to 40% of total sales (2004: 29%).

Aviva France has enjoyed continued success with limited-period savings offers and campaigns to promote sales of unit-linked business. Regular premium business has grown strongly, in line with the market.

Our partnership with Crédit du Nord has enjoyed a positive start, with stronger sales growth than the market average for bancassurance operators.

We continue to make our business processes quicker and more efficient, notably through the increased use of electronic data transmission between back offices and sales teams. Gains in productivity have enabled us to absorb existing business and sales generated by the Crédit du Nord partnership with no addition to our cost base.

Ireland
Hibernian, the third-largest life and pensions provider in Ireland, reported an increase in new business sales to £349 million (2004: £267 million). This excellent growth has been driven by high sales of our successful Guaranteed Fund and a significant number of contracts across all categories of pension business. Sales of our term assurance products reduced following rate increases earlier in the year.

Operating profit was higher at £22 million (2004: £16 million) as a result of non-recurrence of adverse lapse assumption changes on unit-linked regular pensions business in 2004.

Italy
Operating profit in Italy was higher at £47 million (2004: £36 million), reflecting further development of our bancassurance model. We extended our agreement with Banche Popolari Unite in January 2005 to include an additional 380 bank branches.

New business sales increased by 61% to £1,333 million (2004: £811 million) in the six months, including one-off direct business of £73 million (2004: £82 million). Some 93% of total sales were derived from our bancassurance partnerships. New business margin was lower at 2.5% (full year 2004: 2.7%) as a result of business mix with a higher proportion of lower margin structured investment bonds and profit sharing business.

We expect the long-term savings market in Italy to be more subdued in the latter part of 2005. However, regulatory reform is expected to lead to a gradual enlargement of the Italian pensions market from 2006.

Netherlands
Delta Lloyd delivered an increase of 24% in total new business life and pension sales to £1,241 million (2004: £981 million), largely driven by high sales of annuity business. New business margins were 3.1% (full year 2004: 3.7%). Sales through our agreement with ABN AMRO also increased, to £347 million (2004: £238 million).

Operating profit was £115 million (2004: £132 million), reflecting in part adverse expense and lapse experience losses.

We are awaiting the outcome of discussions about tax incentives on early retirement and career saving schemes, which could affect retirement product sales from next year.

Strong results from continental Europe

Spain
Operating profit in Spain was higher at £92 million (2004: £81 million), reflecting increased contribution from new business.

The market for protection products is buoyant thanks to a strong housing market, while savings product sales are suffering from the low interest rate environment. This affected the mix of new business, with total sales of £965 million (2004: £1,122 million) reflecting a decrease in savings products sales. Margins were higher at 8.3% (full year 2004: 6.8%), reflecting the growth in more profitable protection business.

We continue to be a leading insurer in Spain where we are ranked third in the bancassurance market. The development of further savings products is planned for later in the year to increase sales momentum, and this should result in a more balanced product mix between protection and savings products.

Other European operations
Operating profit from our other European businesses increased from £49 million to £60 million. Total sales were £476 million (2004: £509 million).

Sales in Poland were £112 million (2004: £121 million). Pensions sales were down compared with last year because the largest players, including Commercial Union Polska, have been excluded from the state agency market. We continue to work on improving sales force performance and enhancing distribution capabilities. The benefits can be seen in a 6% increase in regular premium life sales on a local currency basis. Further product launches are planned to support the development of the sales force.

Sales in Turkey increased to £75 million (2004: £55 million). We continue to be ranked in the top five in each of the life and pensions markets, based on total premium income.

Sales in Germany were £142 million (2004: £187 million). By comparison, sales in 2004 benefited from tax relief on endowment products, which ceased on 1 January 2005, and from strong investment bond sales.

We are currently evaluating opportunities in the developing Russian long-term savings market following recent regulatory reform.

International
Total new business sales increased to £554 million (2004: £427 million). This strong growth was led by Asia and a recovery in sales in the US. Operating profit was £36 million (2004: £28 million).

In the US, sales were 36% higher at £222 million, reflecting strong sales of deferred annuities through the agency channel. Our wider product offering, including the recent launch of an equity-indexed annuity, is expected to reduce the volatility of new business volumes which have been adversely affected by the low interest rate environment.

In Australia, sales were £9 million higher at £160 million, with growth from single premium corporate pension transfers and regular premium protection products. We have been named risk company of the year for 2005 by *Money Management* magazine in Australia.

In Asia sales were up 44% to £143 million, reflecting the development of our bancassurance relationships in Singapore and Hong Kong and the launch of the IFA channel in Hong Kong towards the end of 2004. In Singapore we have a market ranking of third and are the leader in the developing broker market and in the employee benefits and healthcare business segments.

Our share of sales through our venture in India was £13 million (2004: £7 million). We hold eighth position among private providers and expect further growth from our bancassurance partnerships and the rapid expansion of our direct sales force.

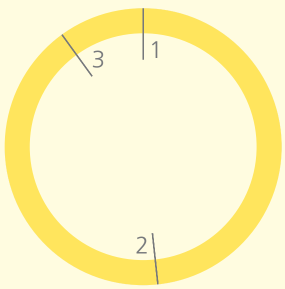
Our share of sales in China was £16 million (2004: £1 million), with strong performances across each of the agency, broker and bank distribution channels. We are currently ranked third among foreign insurers in terms of total premium income.

* Ratio of new business contribution before the effect of required capital over the present value of new business premiums.

**Life and pensions PVNBP, including share of associates' premiums, at constant rates of exchange.

Group chief executive's review continued

Geographical analysis of investment sales



1 UK	£513m
2 Continental Europe	£443m
3 Rest of world	£106m
Total	£1,062m

£33m

Fund management operating profit
(2004: £17 million)

Funds under management by value £bn

2001	209*
2002	208*
2003	240*
2004	280**
2005	**291****

Fund management

Investment markets have continued to improve over the first half of 2005, helping to restore a degree of investor confidence.

Worldwide assets under management at 30 June 2005 were £291 billion (31 December 2004: £280 billion). Our overall operating result grew to £33 million (2004: £17 million) due to fees on higher funds under management and improved performance in some markets. On an EEV basis, fund management operating profit was £18 million (2004: £10 million), which excludes the profit from the management of group internal life funds of £15 million (2004: £7 million).

UK

Morley Fund Management is the third-largest UK-based fund manager, with total funds under management of over £139 billion (31 December 2004: £134 billion).

Our core expertise is in pan-European equities, fixed income, property and asset allocation and specialist areas, including socially responsible investments and alternative investments. Our property team won the property manager of the year award at the UK Pensions Awards 2005, the leading property award in the institutional fund management industry.

During the first half of 2005 we launched a number of specialist property vehicles, including the Airport Property Partnership (a joint venture with BAA with assets of £0.8 billion), and a selection of new funds to enhance our range of European retail products. We also worked with Norwich Union and other strategic partners to launch a number of new UK retail products.

Morley reported significant profit growth through sustained increases in revenues while continuing to control costs. Our UK business operating profit was £11 million (2004: £4 million). Within the Aviva results there are additional profits of £11 million (2004: £4 million), including Morley pooled pension business and overseas operations. This brings the total Morley group profit to £22 million (2004: £8 million).

Other UK

The operating result from our Norwich Union retail business and our joint venture with the Royal Bank of Scotland Group broke even (2004: loss of £1 million).

France

Aviva Gestion d'Actifs reported strong operating profits of £10 million (2004: £8 million). We have continued to earn industry awards for our sustained strong fund performance. For the second year running, Aviva was named best provider across the product range over one, three and five years by La Tribune/Standard & Poor's.

Netherlands

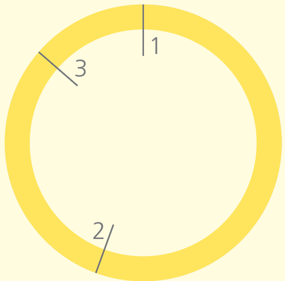
Investment product sales of £180 million (2004: £120 million) reflected improving investment markets and the development of sales through a number of banking partnerships. Delta Lloyd and OHRA Asset Management won two awards at the Standard & Poor's 2005 CASH fund awards. The Delta Lloyd Rente (Debenture) Fund exceeded €2 billion under management (2004: €1.6 billion), establishing it as one of the fastest-growing and profitable funds in the Netherlands.

Australia

Our fund administration operation, Navigator, generated sales of £403 million (2004: £318 million) following sustained service delivery levels and the success of initiatives to increase support from advisers.

The capabilities of Navigator are widely recognised and the platform has been selected by HBOS for fund administration services. We have developed a clear market proposition to independent agents under the banner "Home of the Independent", and have announced a further investment in Professional Investment Holdings, Australia's second-largest financial planning group, taking our stake to 26.1%.

Geographical analysis of general and health insurance net written premiums



1 UK	£2,891m
2 Continental Europe	£1,605m
3 Rest of world	£708m
Total	£5,204m

£694m

General and health insurance operating profit (2004: £583 million)

General and health insurance net written premiums from continuing operations £m

2001	8,691
2002	8,733
2003	9,590
2004	9,809
2005	**5,204†**

General insurance and health

Our general insurance and health operations delivered another excellent half-year result. Total operating profit increased significantly to £694 million (2004: £583 million). Underwriting profit was higher at £182 million (2004: £92 million), reflecting the actions we have taken to improve cost efficiency and lower claims expenses. Investment returns increased as a result of a higher asset base at the start of the year. Worldwide net premiums written were £5.2 billion (2004: £5.1 billion).

The group COR for general insurance of 95% (full year 2004: 97%) beat our target of 100% and reflected strong performances across most businesses, with a reduction in our worldwide claims ratio to 64% (full year 2004: 65%). Our worldwide expense ratio was maintained at 11% (full year 2004: 11%), reflecting the benefit of continuing cost efficiency initiatives across our business operations offset by our continued investment in the business to gain competitive advantage. Our distribution ratio (expense and commission) was 31% (full year 2004: 32%).

We completed the first stage in the sale of our Asian general insurance operations and the second stage is due for completion in the second half of the year.

UK

Our general insurance business, Norwich Union Insurance, is the leading general insurer in the UK. Our aim is to deliver consistently good returns, excellent customer service and efficient claims handling.

Our commitment to sustained profitability is demonstrated by a 19% increase in operating profit to £431 million (2004: £361 million) and a COR of 96% (full year 2004: 97%). Our disciplined approach to underwriting has resulted in favourable claims experience, with the cost of the January storms in Northern England mitigated by benign weather during the rest of the period. We are on target to deliver £240 million annualised savings in claims costs through effective supply chain management. In a competitive personal lines market we achieved a 5% increase in motor rates and a 6% increase, including indexation, for homeowner. Commercial rates have flattened but profitability remains excellent.

Premium growth was 2%, however we are accelerating our strategy to move closer to our customers and grew our direct operation by 22%. This strategy is reinforced by the acquisition of RAC for £1.1 billion in May. The purchase provides access to RAC's 2.2 million direct roadside members and the opportunity to develop fully the RAC brand in insurance and financial services. The deal brings new distribution partners, with an additional 4.5 million corporate roadside customers. In July 2005 we completed the transaction to transfer the ownership of Hyundai Cars (UK) from RAC to Hyundai Motor UK Limited.

Excellent progress has been made integrating the RAC into our business and we are confident of meeting our commitments on integration costs and savings that we announced on 9 March. The pre-tax costs of restructuring are about £100 million, of which £14 million has been included in the results as integration costs. We are on target to deliver pre-tax cost savings of at least £80 million for 2006. As a result of the integration, there will be a reduction in headcount of around 900 jobs through combining the support functions of both companies and a further 800 back office roles will be offshored. The new organisation will be finalised by the end of September 2005.

Multi-channel distribution capability and a balanced portfolio of products and services enable us to take advantage of changing market conditions and customer needs. In March we signed a contract with Barclays to become their sole supplier of household, motor and travel insurance. This deal will strengthen our leadership in this market by providing access to over 15 million potential customers.

We continue to invest in initiatives which create competitive advantage. Our Pay As You Drive™ pilot is expanding and our digital flood map is now being used in England and Wales. The map is an important tool to help us set more accurate premiums according to whether a property will flood, how often and to what depth. As the risk of flooding increases in future, accurate risk assessment will become even more important to setting household premiums.

Our health insurance business produced a breakeven result (2004: £3 million).

* Non-life assets valued on a UK GAAP basis.
**Non-life assets valued on an IFRS basis.
† For the six months to 30 June 2005.

Group chief executive's review continued

31%
General insurance distribution ratio* (full year 2004: 32%)

95%
General insurance combined operating ratio* (full year 2004: 97%)

France

Our business in France focuses on personal and small business insurance. We achieved a COR for general insurance of 100% (full year 2004: 101%). Total general and health insurance operating profit was £17 million (2004: £20 million) and net premiums written were £424 million (2004: £382 million).

The general insurance agent network plays an important role as a distribution channel in France for our life business. The developments in the web portal provided to agents will be focused on the management and promotion of sales activity, particularly cross-selling to existing customers.

Ireland

Hibernian, Ireland's largest general insurer, continued to report excellent results with an operating profit of £83 million (2004: £60 million) and a COR of 80% (full year 2004: 87%). This performance reflects continuing favourable weather claims experience and reduced claims frequency.

Our geocoding development, which will allow us to identify locations which are vulnerable to risks such as flooding, is providing new underwriting and risk selection techniques. We have also launched a new online real-time trading service exclusively for our brokers. We were named best commercial insurer in the Irish Broker Association Service Excellence Awards.

Netherlands

In a market that is becoming increasingly competitive, net premiums written fell slightly to £790 million (2004: £800 million). We reported an excellent general insurance COR of 94% (full year 2004: 95%) and a combined general and health insurance operating result of £55 million (2004: £53 million).

We are currently restructuring our health division in response to changes to the Dutch healthcare system effective from the start of 2006.

Other Europe

Our other European general insurance businesses reported operating profit of £19 million (2004: £12 million).

Canada

Operating profit from Aviva Canada, our second-largest general insurance operation, was £67 million (2004: £52 million). This improved performance reflected the impact of lower claims frequency. We reported a COR of 98% (full year 2004: 97%).

Our strategic alliance with Loblaw Companies Ltd, Canada's leading supermarket, to provide products under its own President's Choice Financial brand, is a first for the Canadian insurance market. The initiative continues to be rolled out successfully, with launches in Quebec in March and in Alberta later this year.

In March, we also launched a pilot for Aviva Autograph, our pay as you drive insurance product, in Ontario.

Continued focus on operational excellence

Non-insurance operations

Profits from our non-insurance operations were higher at £2 million (2004: loss of £35 million) due to increased profits from our banking and other operations in the Netherlands and the inclusion of £11 million contribution from RAC's consumer services, business solutions, Lex Vehicle Leasing and manufacturer support services divisions. Norwich Union Life Services reported an increased loss due to £30 million one-off reorganisation costs.

To reinforce our presence in the Belgian market under a single brand, Delta Lloyd Bank Belgium and Bank Nagelmackers have merged into Delta Lloyd Bank.

On an EEV basis, non-insurance operating profits were £45 million (2004: loss of £12 million). These exclude the NU Life Services results relating to the provision of services to our UK Life business, which are included in the life EEV operating return.

Corporate costs

Corporate costs were lower at £83 million (2004: £99 million) and include £28 million (2004: £45 million) in respect of the global finance transformation programme (GFTP). This decrease is in line with the reduced level of finance-related change activity across the group which peaked in 2004. GFTP successfully completed during the first half of 2005 and consequently there will be no further GFTP costs reported. Other corporate costs amounted to £55 million (2004: £54 million).

Attaining operational excellence

Cost efficiency remains one of our key objectives and we successfully delivered the savings from the initiatives announced in 2002. We continue to make progress on the cost saving initiatives as part of the RAC integration and in the UK life operation. In respect of our UK life operation, we have incurred one-off costs of £30 million during the half year. This brings the total costs incurred on our UK life transformation programme to £95 million to date. By the end of 2007, the programme will have cost £153 million and is on track to deliver annualised savings of £130 million.

As part of our focus on excellent customer service we continue to develop our offshore capability to service our Norwich Union business in the UK. By the end of the year, we will have around 5,000 jobs offshore.

In France, nearly all our staff have now been transferred to the company's new, purpose-built head offices located in Bois-Colombes, a suburb about 10km north-west of Paris. This move will generate big gains in efficiency, cohesion and communications and will facilitate the pooling and sharing of ideas within our businesses in France.

Outlook

Aviva is a thriving business, financially fit and strongly positioned for profitable growth. We are benefiting from our growing position in continental Europe. Our dedicated sales forces, strong relationships with advisers and brokers 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 this year and the next.

Our diverse business mix, geographical spread, distribution capability and strong brand portfolio give Aviva a strong and stable base from which we plan to grow our long-term savings and general insurance business organically and inorganically. We aspire to be the world's most trusted provider of financial services.

* Excluding health business.

Summarised consolidated income statement – EEV basis

For the six months ended 30 June 2005

Page	30 June 2005 €m		6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
		Operating profit			
19	**1,242**	Life EEV operating return	**857**	799	1,611
	26	Fund management[1]	**18**	10	20
40	**1,006**	General insurance and health	**694**	583	1,259
		Other:			
	65	Other operations[2]	**45**	(12)	(41)
42	**(120)**	Corporate costs	**(83)**	(99)	(188)
42	**(309)**	Unallocated interest charges	**(213)**	(205)	(437)
	1,910	**Operating profit before tax**	**1,318**	1,076	2,224
	(14)	Impairment of goodwill	**(10)**	–	(41)
	(12)	Amortisation and impairment of other intangibles	**(8)**	(1)	(3)
	–	Financial Services Compensation Scheme and other levies	**–**	(25)	(49)
	1,216	Variation from longer-term investment return	**839**	(440)	662
	(770)	Effect of economic assumption changes	**(531)**	56	(318)
39	**210**	Profit on the disposal of subsidiaries and associates	**145**	8	34
38	**(20)**	Integration costs	**(14)**	–	–
39	**–**	Exceptional costs for termination of operations	**–**	(40)	(40)
	2,520	**Profit before tax**	**1,739**	634	2,469
	(597)	Tax on operating profit	**(412)**	(350)	(618)
	(171)	Tax on profit/(loss) on other activities	**(118)**	101	(32)
	1,752	**Profit for the period**	**1,209**	385	1,819
		Attributable to:			
	1,623	Equity shareholders of Aviva plc	**1,120**	308	1,641
	129	Minority interests	**89**	77	178
	1,752		**1,209**	385	1,819

* Restated for the effect of implementing European Embedded Value principles.
All profit is from continuing operations.

1 Excludes the proportion of the results of Morley's fund management businesses and of our French asset management operation Aviva Gestion d'Actifs (AGA) that arises from the provision of fund management services to our Life businesses. These results are included within the Life EEV operating return.

2 Excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. The results for the six month period to 30 June 2004 also exclude the results of Norwich Union Equity Release (NUER). These results are included within the Life EEV operating return. Other subsidiaries providing services to our life businesses do not materially impact the Group results.

Earnings per share – EEV basis

For the six months ended 30 June 2005

6 months 2005		6 months 2005	Restated* 6 months 2004	Full year 2004
	Earnings per share			
	Operating profit on an EEV basis after tax, attributable to equity shareholders in respect of Aviva Plc			
51.6c	Continuing operations	**35.6p**	28.6p	63.1p
	Profit after tax for the year on an EEV basis, attributable to equity shareholders of Aviva plc			
70.0c	Basic (pence per share)	**48.3p**	13.3p	72.0p
69.3c	Diluted (pence per share)	**47.8p**	13.1p	71.4p

* Restated for the effect of implementing European Embedded Value principles.

Summarised consolidated statement of recognised income and expense – EEV basis

For the six months ended 30 June 2005

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
Fair value gains/(losses), net of transfers to the income statement	**1**	(38)	151
Actuarial (losses)/gains on pension schemes	**(46)**	18	(145)
Foreign exchange rate movements	**(340)**	(294)	119
Aggregate tax effect - shareholder tax	**18**	41	(15)
Net (expense)/income recognised directly in equity	**(367)**	(273)	110
Profit for the period**	**1,209**	385	1,819
Total recognised income and expense for the period	**842**	112	1,929

* Restated for the effect of implementing European Embedded Value principles.

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

Summarised consolidated statement of changes in equity – EEV basis

For the six months ended 30 June 2005

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
Balance at 1 January	**14,011**	11,534	11,534
Total recognised income and expense for the period	**842**	112	1,929
Dividends and appropriations (note 14)	**(373)**	(351)	(570)
Movement in shares held by employee trusts	**–**	1	1
Issue of share capital for the acquisition of RAC	**530**	–	–
Other issue of share capital	**27**	23	25
Shares issued in lieu of dividends	**12**	–	103
Issue of direct capital instrument, net of transaction costs of £9 million	**–**	–	981
Capital contribution from minority shareholders	**93**	–	4
Minority share of dividends declared in the period	**(36)**	(41)	(41)
Minority interest in acquired subsidiaries	**–**	–	45
Total equity	**15,106**	11,278	14,011
Minority interests	**(1,283)**	(987)	(1,160)
Balance at 30 June/31 December	**13,823**	10,291	12,851

* Restated for the effect of implementing European Embedded Value principles.

Summarised consolidated balance sheet – EEV basis

As at 30 June 2005

30 June 2005 €m		30 June 2005 £m	Restated* 30 June 2004 £m	31 December 2004 £m
	Assets			
	Intangible assets			
3,366	Goodwill	**2,289**	1,137	1,184
1,350	Acquired value of in-force business and other intangible assets	**918**	466	516
7,709	Additional value of in-force long-term business	**5,242**	4,493	4,949
1,287	Property and equipment	**875**	895	812
16,284	Investment property	**11,073**	10,267	11,057
2,050	Investments in joint ventures	**1,394**	1,115	1,242
1,313	Investments in associates	**893**	841	886
	Financial investments			
145,204	Debt securities	**98,739**	90,348	98,719
70,449	Equity securities	**47,905**	42,214	47,291
33,432	Other investments	**22,734**	17,603	20,346
32,237	Loans	**21,921**	19,098	22,055
12,912	Reinsurance assets	**8,780**	7,520	8,503
72	Current tax assets	**49**	8	–
1,234	Deferred tax assets	**839**	704	908
14,081	Receivables and other financial assets	**9,575**	6,901	7,509
4,728	Deferred acquisition costs and other assets	**3,215**	3,645	3,189
3,794	Prepayments and accrued income	**2,580**	2,285	2,307
21,184	Cash and cash equivalents	**14,405**	10,002	12,779
163	Assets of operations classified as held for sale	**111**	–	–
372,849	**Total assets**	**253,537**	219,542	244,252
	Equity			
874	Share capital	**594**	566	570
6,487	Capital reserves	**4,411**	3,839	3,878
749	Other reserves	**509**	237	736
3,056	Retained earnings	**2,079**	1,107	1,709
7,412	Additional retained profit on an EEV basis	**5,040**	4,342	4,768
18,578	**Equity attributable to shareholders of Aviva plc**	**12,633**	10,091	11,661
1,750	Preference share capital and direct capital instrument	**1,190**	200	1,190
1,887	Minority interests	**1,283**	987	1,160
22,215	**Total equity**	**15,106**	11,278	14,011
	Liabilities			
188,324	Gross insurance liabilities	**128,060**	113,222	124,122
104,419	Gross liability for investment contracts	**71,005**	58,932	69,555
11,371	Unallocated divisible surplus	**7,732**	9,128	7,549
3,541	Provisions	**2,408**	1,803	2,056
1,584	Current tax liabilities	**1,077**	871	922
2,434	Deferred tax liabilities	**1,655**	979	1,543
15,735	Borrowings	**10,700**	8,817	10,090
10,362	Payables and other financial liabilities	**7,047**	8,639	7,240
9,184	Other liabilities	**6,245**	3,820	4,917
3,631	Net asset value attributable to unitholders	**2,469**	2,053	2,247
49	Liabilities of operations classified as held for sale	**33**	–	–
350,634	**Total liabilities**	**238,431**	208,264	230,241
372,849	**Total equity and liabilities**	**253,537**	219,542	244,252

* Restated for the effect of implementing European Embedded Value principles.

Approved by the Board on 10 August 2005

Segmentation of summarised consolidated balance sheet – EEV basis

As at 30 June 2005

	Life and related businesses 30 June 2005 £m	General business and other 30 June 2005 £m	Group 30 June 2005 £m	Restated* Life and related businesses 30 June 2004 £m	Restated* General business and other 30 June 2004 £m	Restated* Group 30 June 2004 £m	Group 31 December 2004 £m
Total assets before acquired additional value of in-force long-term business	**211,209**	**36,760**	**247,969**	184,337	30,336	214,673	238,939
Acquired additional value of in-force long-term business	**326**	**–**	**326**	376	–	376	364
Total assets included in the statutory IFRS balance sheet	**211,535**	**36,760**	**248,295**	184,713	30,336	215,049	239,303
Liabilities of the long-term business	**(203,113)**	**–**	**(203,113)**	(177,002)	–	(177,002)	(198,483)
Liabilities of the general insurance and other businesses	**–**	**(35,411)**	**(35,411)**	–	(31,331)	(31,331)	(31,827)
Net assets on a statutory IFRS basis	**8,422**	**1,349**	**9,771**	7,711	(995)	6,716	8,993
Pension scheme funding adjustment[1]	**93**	**–**	**93**	69	–	69	69
Additional value of in-force long-term business[2]	**5,242**	**–**	**5,242**	4,493	–	4,493	4,949
Net assets on an EEV basis[3]	**13,757**	**1,349**	**15,106**	12,273	(995)	11,278	14,011
Equity capital, capital reserves, shares held by employee trusts and other reserves			**5,514**			4,642	5,184
IFRS basis retained earnings			**2,079**			1,107	1,709
Additional EEV basis retained profit			**5,040**			4,342	4,768
Equity attributable to shareholders of Aviva plc on an EEV basis			**12,633**			10,091	11,661
Preference share capital and direct capital instrument			**1,190**			200	1,190
Minority interests			**1,283**			987	1,160
EEV basis total equity			**15,106**			11,278	14,011

* Restated for the effect of implementing European Embedded Value principles.

1 The difference in pension scheme funding arises on the embedded value balance sheet as the element of the pension scheme deficit which relates to the UK Life and other related businesses is now incorporated within shareholders' funds at an amount equivalent to the post-tax contributions discounted using UK Life business risk discount rate.

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

	30 June 2005 £m	31 December 2004 £m	Movement the period £m
Group's share included in shareholders' funds	**5,040**	4,768	272
Minority interest share	**295**	250	45
Difference in pension scheme funding	**(93)**	(69)	(24)
Balance at 30 June/31 December	**5,242**	4,949	293

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

	30 June 2005 £m	Restated* 30 June 2004 £m	31 December 2004 £m
Long-term business net assets on an EEV basis	**13,757**	12,273	13,826
Comprises:			
Embedded value	**12,989**	11,473	13,014
RBSG goodwill	**217**	217	217
Goodwill allocated to long-term business	**551**	583	595
Long-term business net assets on an EEV basis	**13,757**	12,273	13,826

* Restated for the effect of implementing European Embedded Value principles.

Information on the EEV basis

Basis of preparation – EEV basis

The consolidated income statement and balance sheet on pages 12 to 15 present the Group's results and financial position for the life and related businesses on the European Embedded Value (EEV) basis and for its non-life businesses on the International Financial Reporting Standards (IFRS) basis. The EEV methodology adopted is in accordance with the EEV Principles introduced by the CFO Forum in May 2004.

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

The Group's revised approach to establishing economic assumptions (specifically investment returns, required capital and discount rates) was reviewed by Tillinghast, a firm of actuarial consultants, as part of the restatement work. The approach is based on the well established capital asset pricing model theory and is in line with the EEV Principles and Guidance.

In addition, the results of our equity release business have been reclassified from non-insurance operations to life insurance operations. This has resulted in assets, liabilities and operating profits being reclassified out of non-insurance segments and into life segments. Comparatives for 30 June 2004 have been restated accordingly and the impact of the reclassification on consolidated shareholders' funds and consolidated profit for the six months to 30 June 2004 is nil.

The results for the six month period to 30 June 2005 and 30 June 2004 are unaudited but have been reviewed by the auditors, Ernst & Young LLP. The interim accounts do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985.

Covered business

The EEV calculations cover the following lines of business: life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business and our share of the other life and related business written in our associated undertakings and joint ventures, as well as the equity release business written in the UK. The adoption of IFRS has resulted in no change to the Group's definition of new business and so includes contracts that meet the definition of "non-participating investment" contracts under IFRS.

Covered business includes the Group's share of our joint venture operations including our arrangement with The Royal Bank of Scotland Group (RBSG) and our operations in India and China. In addition, the results of Group companies providing significant administration, investment management and other services and of Group holding companies have been included to the extent that they relate to covered business. Together these businesses are referred to as "Life and related businesses".

New business premiums

New business premiums include:

- premiums arising from the sales of new contracts during the period;
- non-contractual additional premiums, including future Department of Work and Pensions (DWP) rebate premiums; and
- expected renewals on new contracts and expected future contractual alterations to new contracts.

For products sold to individuals, premiums are generally considered to represent new business in certain circumstances, including where a new contract has been signed, or where underwriting has been performed. Renewal premiums include contractual renewals, non-contractual variations that are reasonably predictable and recurrent single premiums that are predefined and reasonably predictable.

For Group products, new business includes new contracts and increases to aggregate premiums under existing contracts. Renewal premiums are based on the level of premium received during the reporting period and allow for premiums expected to be received beyond the expiry of any guaranteed premium rates.

Foreign exchange adjustments

Embedded value and other balance sheet items denominated in foreign currencies have been translated to sterling using the appropriate closing exchange rate. New business contribution and other income statement items have been translated using an average exchange rate for the relevant period. The exchange rates adopted in this announcement are shown on page 37.

EEV methodology

Overview

Under the EEV methodology, profit is recognised as it is earned over the life of products defined within covered business. The total profit recognised over the lifetime of a policy is the same as under the IFRS basis of reporting, but the timing of recognition is different.

Calculation of the embedded value

The shareholders' interest in the life and related businesses is represented by the embedded value. The embedded value is the total of the net worth of the life and related businesses and the value of in-force covered business. Calculations are performed separately for each business and are based on the cash flows of that business, after allowing for both external and intra-group reinsurance. Where one life business has an interest in another life business, the net worth of that business excludes the interest in the dependent company.

The embedded value is calculated on an after-tax basis applying current legislation and practice together with future known changes. Profits are then grossed up for tax at the full rate of corporation tax for the UK and at an appropriate rate for each of the other countries based on opening year tax rates.

Net worth
The net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets, and consists of the required capital and free surplus. The level of required capital for each business, which ranges between 100% and 200% of the EU minimum solvency requirement for our main European businesses, reflects the level of capital considered by the Directors to be appropriate to manage the business, allowing for our internal assessment of the level of market, insurance and operating risk inherent in the underlying products. The same definition of required capital is used for both existing and new business. The free surplus comprises the market value of shareholder assets in excess of local statutory reserves and required capital.

Value of in-force covered business
The value of in-force covered business is the present value at the appropriate risk discount rate (which incorporates a risk margin) of the distributable profits to shareholders arising from the in-force covered business projected on a best estimate basis, less a deduction for the cost of holding the required level of capital.

In the UK, shareholders' distributable profits arise when they are released following actuarial valuations. These valuations 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, administration costs, as well as management and policyholder actions. Releases to shareholders arising in future years from the in-force covered business and associated required capital can be projected using best estimate assumptions of future experience. In overseas businesses generally, there are similar requirements restricting payments to shareholders from life businesses.

The value of in-force covered business includes an allowance for the impact of financial options and guarantees arising from best estimate assumptions (the intrinsic value) and from additional costs related to the variability of investment returns (the time value). The intrinsic value is included in the underlying value of the in-force covered business using deterministic assumptions. The time value of financial options and guarantees has been determined using stochastic modelling techniques.

Stochastic modelling involves projecting the future cash flows of the business under thousands of economic scenarios that are representative of the possible future outcomes for market variables such as interest rates and equity returns. Allowance is made, where appropriate, for the effect of management and/or policyholder actions in different economic conditions on future assumptions such as asset mix, bonus rates and surrender rates. The time value is determined by deducting the average value of shareholder cash flows under these economic scenarios from the deterministic shareholder value under best estimate assumptions.

The cost of holding required capital is the difference between the required capital and the present value at the appropriate risk discount rate of the projected release of the required capital and investment earnings on the assets deemed to back the required capital. Where the required capital is covered by policyholder assets, for example in the UK with-profit funds, there is no impact of cost of capital on shareholder value. The assets regarded as covering the required capital are those that the operation deems appropriate.

The value of in-force covered business includes the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business. This is referred to as the "look through" into service company expenses. In addition, expenses arising in holding companies that relate directly to acquiring or maintaining covered business have been allowed for. Where external companies provide services to the life and related businesses, their charges have been allowed for in the underlying projected cost base.

Risk discount rates
Under the EEV methodology, a risk discount rate (RDR) is required to express a stream of expected future distributable profits as a single value at a particular date (the present value). It is the interest rate that an investment equal to the present value would have to earn in order to be able to replicate exactly the stream of future profits. The RDR is a combination of a risk free rate to reflect the time value of money plus a risk margin to make prudent allowance for the risk that experience in future years may differ from that assumed. In particular, a risk margin is added to allow for the risk that expected additional returns on certain asset classes (e.g. equities) are not achieved.

Risk discount rates for our life businesses have been calculated using a risk margin based upon a Group Weighted Average Cost of Capital (WACC). The Group WACC is calculated using a gross risk free interest rate, an equity risk margin, a market assessed risk factor (beta), and an allowance for the gearing impact of debt financing (including subordinated debt). The market assessed risk factor captures the market's view of the effect of all types of risk on our business, including operational and other non-economic risk.

The RDR is only one component of the overall allowance for risk in EEV calculations. Risk is also allowed for in the cost of holding statutory reserving margins, additional required capital and in the time value of options and guarantees. Hence to derive an RDR the Group WACC is adjusted to reflect the average level of required capital assumed to be held, and to reflect the explicit valuation of the time value of options and guarantees.

In order to derive risk discount rates for each of our life businesses, the adjusted Group WACC is expressed as a risk margin in excess of the gross risk free interest rate used in the WACC calculation as described above. Business-specific discount rates are then calculated as the sum of this risk margin and the appropriate local gross risk free rate at the valuation date, based on returns on government bonds. A common risk free rate, and hence a common RDR, is used for all of our businesses within the Eurozone. Additional country-specific risk margins are applied to smaller businesses to reflect additional economic, political and business-specific risk. Within each business, a constant RDR has been applied in all future time periods and in each of the economic scenarios underlying the calculation of the time value of options and guarantees.

At each valuation date, the risk margin is reassessed based on current economic factors and is updated only if a significant change has occurred. In particular, changes in risk profile arising from movements in asset mix are allowed for via the updated risk margin calculation.

Information on the EEV basis continued

Participating business
Future regular bonuses on participating business are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.

For with-profit funds in the UK 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 assets in the fund over the future lifetime of the in-force with-profit policies. However, under stochastic modelling there may be some extreme economic scenarios when the total assets in the Group's with-profit funds are not sufficient to pay all policyholder claims. The average additional shareholder cost arising from this shortfall has been included in the time value of options and guarantees.

For profit sharing business in continental Europe, where policy benefits and shareholder value depend on the timing of realising gains, apportionment of unrealised gains between policyholders' benefits and shareholders reflect contractual requirements as well as existing practice. Where under certain economic scenarios additional shareholder injections required to meet policyholder payments, the average additional cost has been included in the time value of options and guarantees.

Consolidation adjustments
The effect of transactions between our life companies such as loans and reinsurance arrangements has been included in results split by territory in a consistent manner. No elimination is required on consolidation.

As the EEV methodology incorporates the impact of profits and losses arising from subsidiary companies providing administration, investment management and other services to the Group's life companies, the equivalent profits and losses have been removed from the relevant segment (non insurance or fund management) and are instead included within the results of life and related businesses. In addition, the underlying basis of calculation for these profits has changed from the IFRS basis to the EEV basis.

The capitalised value of the future profits and losses from such service companies are included in the embedded value and new business contribution calculations for the relevant territory, but the net assets (representing historical profits and other amounts) remain under non insurance or fund management. In order to reconcile the profits arising in the financial period within each segment with the assets on the opening and closing balance sheets, a transfer of IFRS profits from life and related business to the appropriate segment is deemed to occur. An equivalent approach has been adopted for expenses within our holding companies.

Components of life EEV return

The life EEV return comprises the following components:

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

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

Life EEV return

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
New business contribution (after the effect of required capital)	**286**	251	516
Profit from existing business			
– expected return	**434**	417	819
– experience variances	**(31)**	(20)	(15)
– operating assumption changes	**7**	–	(7)
Expected return on shareholders' net worth	**161**	151	298
Life EEV operating return before tax	**857**	799	1,611
Investment return variances	**719**	(202)	501
Effect of economic assumption changes	**(531)**	56	(318)
Life EEV return before tax	**1,045**	653	1,794
Tax on operating profit	**(266)**	(244)	(490)
Tax (charge)/credit on other ordinary activities	**(65)**	36	(58)
Life EEV return after tax	**714**	445	1,246

* Restated for the effect of implementing European Embedded Value principles.

There were no separate development costs reported in these periods.

Information on the EEV basis continued

New business contribution

The following tables set out the premium volumes and contribution from new business written by the life and related businesses, consistent with the definition of new business set out on page 16.

The contribution generated by new business written during the period is the present value of the projected stream of after tax distributable profit from that business. New business contribution before tax is calculated by grossing up the contribution after tax at the full corporation tax rate for UK business and at appropriate rates of tax for other countries. New business contribution has been calculated using the same economic assumptions as those used to determine the embedded value as at the start of the year and operating assumptions used to determine the embedded value as at the end of the year, and is rolled forward to the end of the financial period.

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

New business contribution is shown before and after the effect of required capital, calculated on the same basis as for in-force covered business.

	Annual premium equivalent[1]		Present value of new business premiums		New business contribution before the effect of required capital		New business contribution after the effect of required capital	
	6 months 2005 £m	Restated* 6 months 2004 £m	6 months 2005 £m	6 months 2004 £m	6 months 2005 £m	Restated* 6 months 2004 £m	6 months 2005 £m	Restated* 6 months 2004 £m
Life and pensions business								
United Kingdom	**536**	567	**4,244**	4,299	**135**	127	**105**	106
Continental Europe								
France	**202**	145	**1,854**	1,337	**71**	46	**48**	27
Ireland	**51**	44	**349**	267	**9**	13	**8**	11
Italy	**145**	89	**1,333**	811	**33**	22	**20**	14
Netherlands (including Belgium and Luxembourg)	**138**	119	**1,241**	981	**39**	40	**18**	25
Poland	**17**	18	**112**	121	**5**	5	**5**	4
Spain	**113**	130	**965**	1,122	**80**	68	**70**	55
Other Europe	**55**	58	**364**	388	**3**	1	**2**	(2)
International	**89**	74	**554**	427	**18**	16	**10**	11
Total (before the effect of required capital)	**1,346**	1,244	**11,016**	9,753	**393**	338		
Effect of required capital					**(107)**	(87)		
Total (after the effect of required capital)					**286**	251	**286**	251

1 United Kingdom APE has been restated to include NUER APE volumes of £18 million (six months 30 June 2004: £20 million).

* Restated for the effect of implementing European Embedded Value principles.

New business contribution before the effect of required capital includes minority interests for the six months to 30 June 2005 of £77 million (six months to 30 June 2004: £56 million). This comprises minority interests in France of £11 million (six months to 30 June 2004: £2 million), Italy £20 million (six months to 30 June 2004: £13 million), Netherlands £5 million (six months to 30 June 2004: £5 million), Poland £1 million (six months to 30 June 2004: £1 million) and Spain £40 million (six months to 30 June 2004: £35 million).

New business contribution after the effect of required capital includes minority interests for the six months to 30 June 2005 of £58 million (six months to 30 June 2004: £42 million). This comprises minority interests in France of £6 million (six months to 30 June 2004: nil), Italy £12 million (six months to 30 June 2004: £8 million), Netherlands £4 million (six months to 30 June 2004: £4 million), Poland £1 million (six months to 30 June 2004: £1 million) and Spain £35 million (six months to 30 June 2004: £29 million).

EEV basis – new business contribution before the effect of required capital, tax and minority interest

	Annual premium equivalent[1]		Present value of new business premiums		New business contribution	
	6 months 2005 £m	Restated* 6 months 2004 £m	6 months 2005 £m	6 months 2004 £m	6 months 2005 £m	Restated* 6 months 2004 £m
Analysed between:						
– Bancassurance channels	**369**	275	**3,222**	2,305	**149**	116
– Other distribution channels	**977**	969	**7,794**	7,448	**244**	222
Total	**1,346**	1,244	**11,016**	9,753	**393**	338

1 APE has been restated to include NUER volumes.

* Restated for the effect of implementing European Embedded Value principles.

EEV basis – new business contribution after the effect of required capital, tax and minority interest

	Annual premium equivalent[1]		Present value of new business premiums		New business contribution[2]	
	6 months 2005 £m	Restated* 6 months 2004 £m	6 months 2005 £m	6 months 2004 £m	6 months 2005 £m	Restated* 6 months 2004 £m
Analysed between:						
– Bancassurance channels	**197**	154	**1,678**	1,263	**42**	35
– Other distribution channels	**955**	948	**7,597**	7,288	**116**	111
Total	**1,152**	1,102	**9,275**	8,551	**158**	146

1 APE has been restated to include NUER volumes.

2 Contribution stated after deducting the effect of required capital, tax and minority interests.

* Restated for the effect of implementing European Embedded Value principles.

Experience variances

Experience variances include the impact of the difference between expense, demographic and persistency assumptions, and actual experience incurred in the year. Also included are variances arising from tax, where such variances are due to management action.

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
United Kingdom	**(30)**	(19)	(81)
France	**18**	2	22
Netherlands (including Belgium and Luxembourg)	**(13)**	(1)	12
Europe	**(7)**	5	23
International	**1**	(7)	9
	(31)	(20)	(15)

* Restated for the effect of implementing European Embedded Value principles.

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.

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
United Kingdom	**–**	7	(58)
France	**–**	(1)	35
Netherlands (including Belgium and Luxembourg)	**6**	3	21
Europe	**1**	(10)	(4)
International	**–**	1	(1)
	7	–	(7)

* Restated for the effect of implementing European Embedded Value principles.

Information on the EEV basis continued

Geographical analysis of life EEV operating return

	6 months 2005 £m	Restated* 6 months 2004 £m	Full year 2004 £m
United Kingdom	**327**	345	551
Continental Europe			
France	**158**	112	286
Ireland	**22**	16	40
Italy	**47**	36	79
Netherlands (including Belgium and Luxembourg)	**115**	132	277
Poland	**46**	35	93
Spain	**92**	81	180
Other Europe	**14**	14	22
International	**36**	28	83
	857	799	1,611

* Restated for the effect of implementing European Embedded Value principles.

Life EEV operating return includes minority interests in the six months to 30 June 2005 of £98 million (six months to 30 June 2004: £83 million). This comprises minority interests in France of £13 million (six months to 30 June 2004: £4 million), Italy £26 million (six months to 30 June 2004: £20 million), Netherlands £7 million (six months to 30 June 2004: £14 million), Poland £6 million (six months to 30 June 2004: £5 million), Spain £45 million (six months to 30 June 2004: £39 million) and Other Europe £1 million (six months to 30 June 2004: £1 million).

Analysis of life EEV operating return

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Life businesses	**844**	792	1,569
Equity release	**21**	21	51
Non-insurance service and holding companies	**(23)**	(26)	(34)
Fund management service companies	**15**	12	25
	857	799	1,611

Analysis of movement in life and related businesses embedded value

The following tables provide an analysis of the movement in embedded value for the life and related businesses for the six months to 30 June 2005 and for the six months to 30 June 2004. The analysis is shown separately for net worth and the value of in-force covered business, and includes amounts transferred between these categories. The transfer from life and related businesses to other segments consists of service company profits and losses during the reported period that have emerged from the value of in-force. Since the "look through" into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value.

All figures are shown net of tax.

	6 months 2005		
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period			
– Free surplus	**1,894**		
– Required capital[1]	**4,362**		
Total	**6,256**	**6,758**	**13,014**
New business contribution (after the effect of required capital)	**(210)**	**405**	**195**
Expected return on existing business – return on VIF	**–**	**303**	**303**
Expected return on existing business – transfer to net worth	**455**	**(455)**	**–**
Experience variances and operating assumption changes	**81**	**(98)**	**(17)**
Expected return on shareholders' net worth	**110**	**–**	**110**
Investment return variances and economic assumption changes	**288**	**(165)**	**123**
Life EEV return after tax	**724**	**(10)**	**714**
Exchange rate movements	**(165)**	**(129)**	**(294)**
Amounts injected into life and related businesses	**192**	**–**	**192**
Amounts released from life and related businesses	**(647)**	**–**	**(647)**
Transfer from life and related businesses to other segments	**10**	**–**	**10**
Embedded value at the end of the period			
– Free surplus	**2,122**		
– Required capital[1]	**4,248**		
Total	**6,370**	**6,619**	**12,989**

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

Required capital has reduced in the period by £114 million. The movement comprises an increase of £265 million in relation to new business written, a reduction of £267 million in relation to in-force business and a reduction of £112 million in relation to movements in foreign exchange rates. The reduction in the in-force required capital includes a release of £245 million arising from the restructure of the UK non-profit funds.

	6 months 2004		
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period			
– Free surplus	1,721		
– Required capital[1]	4,114		
Total	5,835	5,916	11,751
New business contribution (after the effect of required capital)	(280)	454	174
Expected return on existing business – return on VIF	–	294	294
Expected return on existing business – transfer to net worth	341	(341)	–
Experience variances and operating assumption changes	47	(64)	(17)
Expected return on shareholders' net worth	105	–	105
Investment return variances and economic assumption changes	(9)	(102)	(111)
Life EEV return after tax	204	241	445
Exchange rate movements	(256)	(63)	(319)
Amounts injected into life and related businesses	39	–	39
Amounts released from life and related businesses	(458)	–	(458)
Transfer from life and related businesses to other segments	15	–	15
Embedded value at the end of the period			
– Free surplus	1,399		
– Required capital[1]	3,980		
Total	5,379	6,094	11,473

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

Information on the EEV basis continued

Segmental analysis of life and related businesses embedded value

30 June 2005	Net worth: Required capital[1] £m	Net worth: Free surplus £m	Value of in-force covered business: Present value of in-force £m	Value of in-force covered business: Cost of required capital £m	Total: Embedded value £m
United Kingdom	**1,239**	**475**	**4,182**	**(427)**	**5,469**
Continental Europe					
France	**1,072**	**84**	**909**	**(193)**	**1,872**
Ireland	**87**	**190**	**336**	**(18)**	**595**
Italy	**246**	**325**	**164**	**(53)**	**682**
Netherlands (including Belgium and Luxembourg)	**930**	**694**	**1,074**	**(304)**	**2,394**
Poland	**95**	**59**	**381**	**(29)**	**506**
Spain	**213**	**23**	**451**	**(54)**	**633**
Other	**70**	**80**	**101**	**(26)**	**225**
International	**296**	**192**	**199**	**(74)**	**613**
	4,248	**2,122**	**7,797**	**(1,178)**	**12,989**

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

	Net worth: 30 June 2005 £m	Net worth: Restated* 30 June 2004 £m	Value of in-force covered business: 30 June 2005 £m	Value of in-force covered business: Restated* 30 June 2004 £m	Embedded value: 30 June 2005 £m	Embedded value: Restated* 30 June 2004 £m
United Kingdom	**1,714**	1,622	**3,755**	3,414	**5,469**	5,036
Continental Europe						
France	**1,156**	1,049	**716**	571	**1,872**	1,620
Ireland	**277**	262	**318**	293	**595**	555
Italy	**571**	319	**111**	108	**682**	427
Netherlands (including Belgium and Luxembourg)	**1,624**	1,222	**770**	1,012	**2,394**	2,234
Poland	**154**	121	**352**	281	**506**	402
Spain	**236**	194	**397**	278	**633**	472
Other	**150**	137	**75**	52	**225**	189
International	**488**	453	**125**	85	**613**	538
	6,370	5,379	**6,619**	6,094	**12,989**	11,473

* Restated for the effect of implementing European Embedded Value principles.

The shareholders' net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets. Required capital, net of implicit items, of £4,248 million at 30 June 2005 (30 June 2004: £3,980 million) is included within the net worth.

The value of in-force covered business includes the effect of holding shareholders' capital to support the level of required capital and allowing for projected future releases. This impact reduces the value of in-force covered business at 30 June 2005 by £1,178 million (30 June 2004: £1,120 million).

The embedded value at the end of the six month period 30 June 2005 includes minority interests of £903 million (30 June 2004: £589 million). This comprises minority interests in France of £135 million (30 June 2004: £55 million), Italy £347 million (30 June 2004: £224 million), Netherlands £62 million (30 June 2004: £52 million), Poland £83 million (30 June 2004: £65 million), Spain £267 million (30 June 2004: £191 million) and Other Europe £9 million (30 June 2004: £2 million).

Time value of options and guarantees
The following table sets out the time value of options and guarantees relating to covered business by territory at 30 June 2005, 30 June 2004 and 31 December 2004.

	30 June 2005 £m	30 June 2004 £m	31 December 2004 £m
United Kingdom	**44**	35	44
Continental Europe			
France	**81**	66	79
Ireland	**2**	6	4
Italy	**12**	11	14
Netherlands (including Belgium and Luxembourg)	**97**	72	92
Poland	**4**	4	5
Spain	**8**	10	9
Other Europe	**16**	10	18
International	**12**	8	9
	276	222	274

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

The TVOG has largely remained unchanged over the period. The total movement in the period from 31 December 2004 includes an increase of £12 million due to the 50 basis points fall in bond yields in continental Europe during 2005 together with the allowance included in new business contribution of £12 million which have largely been offset by the favourable impacts of investment returns and exchange rates.

Minority interest in life and related businesses EEV results

	6 months to 30 June 2005			Full year 2004
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m
New business contribution before effect of required capital	**316**	**77**	**393**	706
Effect of required capital	**(88)**	**(19)**	**(107)**	(190)
New business contribution including effect of required capital	**228**	**58**	**286**	516
Life EEV operating return before tax	**759**	**98**	**857**	1,611
Life EEV return before tax	**939**	**106**	**1,045**	1,794
Attributed tax	**(295)**	**(36)**	**(331)**	(548)
Life EEV return after tax	**644**	**70**	**714**	1,246
Closing life and related businesses embedded value	**12,086**	**903**	**12,989**	13,014

Principal economic assumptions – deterministic calculations
Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each reporting period. The same margins are applied on a consistent basis across the Group to gross risk-free yields to obtain investment return assumptions for ordinary shares and property and to produce risk discount rates. Expense inflation is derived as a fixed margin above a local measure of long-term price inflation. Risk free rates and price inflation have been harmonised across territories within the euro currency zone, except for expense inflation in Ireland where significant differences remain. Required capital is shown as a multiple of the EU statutory minimum solvency margin.

Information on the EEV basis
continued

Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Assumptions about future investment mix are consistent with long-term plans. In most cases, the investment mix is assumed to continue unchanged throughout the projection period. The changes in assumptions between reporting dates reflect the actual movements in risk free yields in the United Kingdom, the Eurozone and other territories. The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2005	31 December 2004	30 June 2004	31 December 2003	30 June 2005	31 December 2004	30 June 2004	31 December 2003
Risk discount rate	**6.9%**	7.3%	7.8%	7.5%	**5.9%**	6.4%	7.0%	7.0%
Pre-tax investment returns:								
Base government fixed interest	**4.2%**	4.6%	5.1%	4.8%	**3.2%**	3.7%	4.3%	4.3%
Ordinary shares	**7.2%**	7.6%	8.1%	7.8%	**6.2%**	6.7%	7.3%	7.3%
Property	**6.2%**	6.6%	7.1%	6.8%	**5.2%**	5.7%	6.3%	6.3%
Future expense inflation	**3.1%**	3.3%	3.5%	3.4%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**30.0%**	30.0%	30.0%	30.0%	**34.9%**	34.9%	35.4%	35.4%
Required capital (% EU minimum)	**200%/100%**	200%/100%	200%/100%	200%/100%	**115%**	115%	115%	115%

	Ireland				Italy			
	30 June 2005	31 December 2004	30 June 2004	31 December 2003	30 June 2005	31 December 2004	30 June 2004	31 December 2003
Risk discount rate	**5.9%**	6.4%	7.0%	7.0%	**5.9%**	6.4%	7.0%	7.0%
Pre-tax investment returns:								
Base government fixed interest	**3.2%**	3.7%	4.3%	4.3%	**3.2%**	3.7%	4.3%	4.3%
Ordinary shares	**6.2%**	6.7%	7.3%	7.3%	**6.2%**	6.7%	7.3%	7.3%
Property	**5.2%**	5.7%	6.3%	6.3%	**5.2%**	5.7%	6.3%	6.3%
Future expense inflation	**4.0%**	4.0%	4.0%	4.0%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**12.5%**	12.5%	12.5%	12.5%	**38.3%**	38.3%	38.3%	39.8%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**115%**	115%	115%	115%

	Netherlands				Poland			
	30 June 2005	31 December 2004	30 June 2004	31 December 2003	30 June 2005	31 December 2004	30 June 2004	31 December 2003
Risk discount rate	**5.9%**	6.4%	7.0%	7.0%	**8.7%**	9.7%	11.2%	9.7%
Pre-tax investment returns:								
Base government fixed interest	**3.2%**	3.7%	4.3%	4.3%	**5.0%**	6.0%	7.5%	6.0%
Ordinary shares	**6.2%**	6.7%	7.3%	7.3%	**8.0%**	9.0%	10.5%	9.0%
Property	**5.2%**	5.7%	6.3%	6.3%	**7.0%**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**2.4%**	3.4%	4.9%	3.4%
Tax rate	**31.5%**	31.5%	25.0%	25.0%	**19.0%**	19.0%	19.0%	19.0%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**150%**	150%	150%	150%

	Spain			
	30 June 2005	31 December 2004	30 June 2004	31 December 2003
Risk discount rate	**5.9%**	6.4%	7.0%	7.0%
Pre-tax investment returns:				
Base government fixed interest	**3.2%**	3.7%	4.3%	4.3%
Ordinary shares	**6.2%**	6.7%	7.3%	7.3%
Property	**5.2%**	5.7%	6.3%	6.3%
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**35.0%**	35.0%	35.0%	35.0%
Required capital (% EU minimum)	**125%/110%**	125%/110%	125%/110%	125%/110%

Where there are service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company. Future returns on corporate fixed interest investments are calculated from prospective yields less an adjustment for credit risk. Required capital in the United Kingdom is 200% EU minimum for Norwich Union Annuities Ltd and 100% for other companies. Required capital in Spain is 125% EU minimum for Aviva Vida y Pensiones and 110% for bancassurance companies.

Other economic assumptions

Required capital relating to with-profit business is assumed to be covered by the surplus within the with-profit funds and no effect has been attributed to shareholders.

Bonus rates on participating 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.

Principal economic assumptions – stochastic calculations

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

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

United Kingdom

Model

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

Asset classes

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

Summary statistics

The following table sets out the means and standard deviations (StDev) of future returns at 30 June 2005 for the three most significant asset classes. Interest rates are assumed to have a lognormal distribution with an annualised standard deviation of 12% p.a. for the natural logarithm of the interest rate.

	Mean[1]	StDev[2]
Equities	7.2%	20%
Property	6.2%	15%
Government bonds	4.2%	2.5%

1 Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).

2 Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

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

Europe and International

Model (excluding UK)

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

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

Asset classes

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

Information on the EEV basis continued

Summary statistics

The following table sets out the means and standard deviations of future euro returns at 30 June 2005 for the three most significant asset classes: equities, short-term bonds (defined to be of one year duration) and long-term bonds (defined to be 10 year zero coupon bonds). In the accumulation of 10 year bonds, it is assumed that these are held for one year, sold as nine year bonds then the proceeds are reinvested in 10 year bonds, although in practice businesses follow more complex asset strategies or tend to adopt a buy and hold strategy. Correlations between asset classes have been set using the same approach as described for the United Kingdom.

	5-year return		10-year return		20-year return	
	Mean[1]	StDev[2]	Mean[1]	StDev[2]	Mean[1]	StDev[2]
Short Government bonds	2.7%	1.5%	3.1%	3.1%	3.7%	6.0%
Long Government bonds	3.2%	4.3%	3.7%	3.3%	4.1%	3.7%
Equities	6.0%	19.8%	6.2%	19.5%	6.7%	19.1%

1 Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).

2 Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

Other assumptions

Taxation

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

Demographic assumptions

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

Expense assumptions

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

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

Other

It has been assumed that there will be no changes to the methods and bases used to calculate the statutory technical provisions and current surrender values, except where driven by varying future investment conditions under stochastic economic scenarios.

Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2005 and the new business contribution before the effect of required capital for the six months to 30 June 2005 to:

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

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns.

Embedded value (net of tax) 30 June 2005	As reported on page 24 £m	1% increase in discount rates £m	1% decrease in interest rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	**5,469**	**(375)**	**400**	**(215)**	**225**
Continental Europe					
France	**1,872**	**(125)**	**140**	**(75)**	**65**
Ireland	**595**	**(25)**	**25**	**(30)**	**30**
Italy	**682**	**(20)**	**20**	**25**	**(40)**
Netherlands (including Belgium and Luxembourg)	**2,394**	**(110)**	**130**	**215**	**(600)**
Poland	**506**	**(30)**	**30**	**(5)**	**5**
Spain	**633**	**(35)**	**40**	**(25)**	**20**
Other	**225**	**(5)**	**5**	**–**	**(5)**
International	**613**	**(25)**	**30**	**(20)**	**–**
	12,989	**(750)**	**820**	**(130)**	**(300)**

Embedded value (net of tax) 30 June 2005	As reported on page 24 £m	1% increase in equity/property returns £m	1% decrease in equity/property returns £m	10% rise in equity/property market values £m	10% fall in equity/property market values £m	EU minimum capital (or equivalent) £m
United Kingdom	**5,469**	**200**	**(215)**	**360**	**(360)**	**160**
Continental Europe						
France	**1,872**	**80**	**(75)**	**105**	**(110)**	**30**
Ireland	**595**	**15**	**(15)**	**10**	**(10)**	**5**
Italy	**682**	**10**	**(10)**	**10**	**(10)**	**10**
Netherlands (including Belgium and Luxembourg)	**2,394**	**270**	**(305)**	**310**	**(330)**	**85**
Poland	**506**	**5**	**(5)**	**5**	**(5)**	**10**
Spain	**633**	**–**	**–**	**5**	**(5)**	**5**
Other	**225**	**5**	**(5)**	**10**	**(10)**	**5**
International	**613**	**5**	**(5)**	**10**	**(10)**	**20**
	12,989	**590**	**(635)**	**825**	**(850)**	**330**

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

Sensitivities will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios. This can be seen in the sensitivity of a 1% movement in the interest rate for the Netherlands, where there is a significant amount of business with investment return guarantees. The reduction of 50 basis points to the assumed pre-tax investment returns at 30 June 2005 has significantly increased this sensitivity, reflecting the level of the guarantees relative to the interest rate assumption.

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

Information on the EEV basis
continued

New business contribution before required capital (gross of tax) 6 months to 30 June 2005	As reported on page 20 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	**135**	**(28)**	**28**	**(11)**	**10**
Continental Europe					
France	**71**	**(7)**	**9**	**(1)**	**1**
Ireland	**9**	**(1)**	**2**	**–**	**–**
Italy	**33**	**(1)**	**1**	**1**	**(2)**
Netherlands (including Belgium and Luxembourg)	**39**	**(8)**	**10**	**12**	**(25)**
Poland	**5**	**(1)**	**1**	**–**	**–**
Spain	**80**	**(7)**	**8**	**(3)**	**3**
Other	**3**	**(1)**	**1**	**1**	**1**
International	**18**	**(3)**	**3**	**3**	**(5)**
	393	**(57)**	**63**	**2**	**(17)**

New business contribution before required capital (gross of tax) 6 months to 30 June 2005	As reported on page 20 £m	1% increase in equity/property returns £m	1% decrease in equity/property returns £m
United Kingdom	**135**	**12**	**(13)**
Continental Europe			
France	**71**	**2**	**(2)**
Ireland	**9**	**1**	**(1)**
Italy	**33**	**–**	**–**
Netherlands (including Belgium and Luxembourg)	**39**	**7**	**(10)**
Poland	**5**	**–**	**–**
Spain	**80**	**–**	**–**
Other	**3**	**1**	**–**
International	**18**	**–**	**–**
	393	**23**	**(26)**

One of the key assumptions underpinning the new business contribution is the appropriate level of required capital supporting different types of products. The effect of the assumptions relating to levels of required capital is most significant in relation to annuity business written in the UK. Aviva believes that, based on its current assessment of the risks associated with annuities, particularly in relation to longevity risk, the appropriate level of capital required to support the risks for this business is equivalent to 200% of the required minimum margins (RMM), notwithstanding the prudent margins incorporated in the technical provisions. Changing the assumption of the required capital backing annuities to 100%, increases the reported value of new business contribution reported after the effect of required capital for the six months to 30 June 2005 by £11 million and increases the embedded value by £160 million as shown on page 29.

Sensitivity analysis – non-economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2005 and the new business contribution before the effect of required capital for the six months to 30 June 2005 to the following changes in non-economic assumptions:

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

In each sensitivity calculation, all other assumptions remain unchanged.

Embedded value (net of tax) 30 June 2005	As reported on page 24 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	10% decrease in mortality/ morbidity rates £m
United Kingdom	**5,469**	**140**	**45**	**(110)**
Continental Europe				
France	**1,872**	**30**	**25**	**30**
Ireland	**595**	**10**	**5**	**5**
Italy	**682**	**5**	**5**	**–**
Netherlands (including Belgium and Luxembourg)	**2,394**	**75**	**5**	**(60)**
Poland	**506**	**15**	**25**	**15**
Spain	**633**	**10**	**20**	**10**
Other	**225**	**5**	**5**	**–**
International	**613**	**10**	**10**	**10**
	12,989	**300**	**145**	**(100)**

New business contribution before required capital (gross of tax) 6 months to 30 June 2005	As reported on page 20 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	10% decrease in mortality/ morbidity rates £m
United Kingdom	**135**	**7**	**8**	**8**
Continental Europe				
France	**71**	**2**	**3**	**3**
Ireland	**9**	**–**	**1**	**–**
Italy	**33**	**1**	**–**	**–**
Netherlands (including Belgium and Luxembourg)	**39**	**4**	**4**	**(1)**
Poland	**5**	**–**	**1**	**1**
Spain	**80**	**3**	**8**	**5**
Other	**3**	**–**	**1**	**–**
International	**18**	**1**	**1**	**2**
	393	**18**	**27**	**18**

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

Summarised consolidated income statement – IFRS basis

For the six months ended 30 June 2005

Page	6 months 2005 €m		6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
		Income			
49,51	**18,365**	Premiums written net of reinsurance	**12,672**	11,677	23,351
	17,909	Net premiums earned	**12,357**	11,380	23,175
	777	Fee and commission income	**536**	379	872
	14,607	Net investment income	**10,079**	2,934	16,050
	36	Share of profit after tax of joint ventures and associates	**25**	36	99
	772	Other operating income	**533**	258	357
	34,101		**23,530**	14,987	40,553
		Expenses			
	(7,939)	Change in insurance liabilities, net of reinsurance	**(5,478)**	(1,508)	(6,104)
	(13,566)	Claims and benefits paid, net of recoveries from reinsurers	**(9,360)**	(8,811)	(17,625)
	(4,351)	Expenses attributed to investment contracts	**(3,002)**	(1,715)	(5,635)
	(514)	Change in unallocated divisible surplus	**(355)**	890	(1,330)
	(2,926)	Fee and commission expense	**(2,019)**	(1,868)	(4,734)
	(2,358)	Other operating expenses	**(1,627)**	(1,338)	(2,655)
	(401)	Finance costs	**(277)**	(209)	(445)
	2,046	**Profit before tax**	**1,412**	428	2,025
	(417)	Tax attributable to policyholders' returns	**(288)**	21	(383)
	1,629	**Profit before tax attributable to shareholders' profits**	**1,124**	449	1,642
		Tax expense			
	(642)	United Kingdom tax	**(443)**	(44)	(280)
	(220)	Overseas tax	**(152)**	(115)	(374)
	(862)		**(595)**	(159)	(654)
	417	Less: tax attributable to policyholders' returns	**288**	(21)	383
	(445)	Tax attributable to shareholders' profits	**(307)**	(180)	(271)
	1,184	**Profit for the period**	**817**	269	1,371
		Attributable to:			
	1,096	Equity shareholders of Aviva plc	**756**	234	1,275
	88	Minority interests	**61**	35	96
	1,184		**817**	269	1,371

All profit is from continuing operations.

6 months 2005		6 months 2005	6 months 2004	Full year 2004
	Earnings per share – IFRS basis			
47.1c	Basic (pence per share)	**32.5p**	10.0p	55.8p
46.5c	Diluted (pence per share)	**32.1p**	9.9p	55.3p

Subsequent to 30 June 2005, the directors proposed an interim dividend for 2005 of 9.83p (interim 2004: 9.36p) per ordinary share, £233 million (interim 2004: £211 million) in total. This will be accounted for as an appropriation of retained earnings in the full year ending 31 December 2005.

Reconciliation of Group operating profit to retained profit for the period – IFRS basis

For the six months ended 30 June 2005

Page	6 months 2005 €m		6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
		IFRS operating profit before tax attributable to shareholders' profits			
40	**739**	Long-term business	**510**	520	1,116
40	**48**	Fund management	**33**	17	40
40	**1,006**	General insurance and health	**694**	583	1,259
		Other:			
41	**3**	Other operations	**2**	(35)	(121)
42	**(120)**	Corporate costs	**(83)**	(99)	(188)
42	**(309)**	Unallocated interest charges	**(213)**	(205)	(437)
	1,367	**IFRS operating profit before tax attributable to shareholders' profits**	**943**	781	1,669
	(14)	Impairment of goodwill	**(10)**	–	(41)
	(65)	Amortisation and impairment of acquired value of in-force business	**(44)**	(35)	(85)
	(23)	Amortisation and impairment of other intangibles	**(16)**	(2)	(7)
	–	Financial Services Compensation Scheme and other levies	**–**	(25)	(49)
41	**174**	Short-term fluctuation in return on investments backing general insurance and health business	**120**	(238)	161
39	**210**	Profit on the disposal of subsidiaries and associates	**145**	8	34
38	**(20)**	Integration costs	**(14)**	–	–
39	**–**	Exceptional costs for termination of operations	**–**	(40)	(40)
	1,629	**Profit before tax attributable to shareholders' profits**	**1,124**	449	1,642
		Tax attributable to shareholders' profits			
42	**(371)**	Operating profit	**(256)**	(245)	(319)
42	**(74)**	Other activities	**(51)**	65	48
	1,184	**Profit after tax attributable to shareholders**	**817**	269	1,371

6 months 2005		6 months 2005	6 months 2004	Full year 2004
	Earnings per share – IFRS operating profit basis			
39.3c	Basic (pence per share)	**27.1p**	21.8p	54.1p

Summarised consolidated balance sheet – IFRS basis

As at 30 June 2005

30 June 2005 €m		30 June 2005 £m	30 June* 2004 £m	31 December 2004 £m
	Assets			
	Intangible assets			
3,366	Goodwill	**2,289**	1,137	1,184
1,350	Acquired value of in-force business and other intangible assets	**918**	466	516
1,287	Property and equipment	**875**	895	812
16,284	Investment property	**11,073**	10,267	11,057
2,050	Investments in joint ventures	**1,394**	1,115	1,242
1,313	Investments in associates	**893**	841	886
	Financial investments			
145,204	Debt securities	**98,739**	90,348	98,719
70,449	Equity securities	**47,905**	42,214	47,291
33,432	Other investments	**22,734**	17,603	20,346
32,237	Loans	**21,921**	19,098	22,055
12,912	Reinsurance assets	**8,780**	7,520	8,503
72	Current tax assets	**49**	8	–
1,234	Deferred tax assets	**839**	704	908
14,081	Receivables and other financial assets	**9,575**	6,901	7,509
4,728	Deferred acquisition costs and other assets	**3,215**	3,645	3,189
3,794	Prepayments and accrued income	**2,580**	2,285	2,307
21,184	Cash and cash equivalents	**14,405**	10,002	12,779
163	Assets of operations classified as held for sale	**111**	–	–
365,140	**Total assets**	**248,295**	215,049	239,303
	Equity			
874	Share capital	**594**	566	570
6,487	Capital reserves	**4,411**	3,839	3,878
749	Other reserves	**509**	237	736
3,056	Retained earnings	**2,079**	1,107	1,709
11,166	**Equity attributable to shareholders of Aviva plc**	**7,593**	5,749	6,893
1,750	Preference share capital and direct capital instrument	**1,190**	200	1,190
1,453	Minority interests	**988**	767	910
14,369	**Total equity**	**9,771**	6,716	8,993
	Liabilities			
188,324	Gross insurance liabilities	**128,060**	113,222	124,122
104,419	Gross liability for investment contracts	**71,005**	58,932	69,555
11,371	Unallocated divisible surplus	**7,732**	9,128	7,549
3,678	Provisions	**2,501**	1,872	2,125
1,584	Current tax liabilities	**1,077**	871	922
2,434	Deferred tax liabilities	**1,655**	979	1,543
15,735	Borrowings	**10,700**	8,817	10,090
10,362	Payables and other financial liabilities	**7,047**	8,639	7,240
9,184	Other liabilities	**6,245**	3,820	4,917
3,631	Net asset value attributable to unitholders	**2,469**	2,053	2,247
49	Liabilities of operations classified as held for sale	**33**	–	–
350,771	**Total liabilities**	**238,524**	208,333	230,310
365,140	**Total equity and liabilities**	**248,295**	215,049	239,303

* Balance sheet at 30 June 2004 has not been restated for FRS27 *Life Assurance* as the Group considers this is impracticable, as a consequence of the need for hindsight.

Approved by the Board on 10 August 2005

Summarised consolidated statement of recognised income and expense – IFRS basis

For the six months ended 30 June 2005

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Fair value gains/(losses), net of transfers to the income statement	**1**	(38)	151
Actuarial (losses)/gains on pension schemes	**(46)**	18	(145)
Foreign exchange rate movements	**(265)**	(230)	59
Aggregate tax effect – shareholder tax	**18**	41	(15)
Net (expense)/income recognised directly in equity	**(292)**	(209)	50
Profit for the period*	**817**	269	1,371
Total recognised income and expense for the period	**525**	60	1,421

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

Summarised consolidated statement of changes in equity – IFRS basis

For the six months ended 30 June 2005

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Balance at 1 January	**8,993**	7,024	7,024
Total recognised income and expense for the period	**525**	60	1,421
Dividends and appropriations (note 14)	**(373)**	(351)	(570)
Movement in shares held by employee trusts	**–**	1	1
Issue of share capital for the acquisition of RAC	**530**	–	–
Other issue of share capital	**27**	23	25
Shares issued in lieu of dividends	**12**	–	103
Issue of direct capital instrument, net of transaction costs of £9 million	**–**	–	981
Capital contributions from minority shareholders	**93**	–	4
Minority share of dividends declared in the period	**(36)**	(41)	(41)
Minority interest in acquired subsidiaries	**–**	–	45
Total equity	**9,771**	6,716	8,993
Minority interests	**(988)**	(767)	(910)
Balance at 30 June/31 December	**8,783**	5,949	8,083

Summarised consolidated cash flow statement – IFRS basis

For the six months ended 30 June 2005

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

	6 months 2005				
	Long-term business operations £m	Non-long-term business operations £m	Total 6 months 2005 £m	Total 6 months 2004 £m	Total Full year 2004 £m
Cash flows from operating activities					
Cash generated from operations	**3,586**	**1,630**	**5,216**	4,670	14,568
Tax (paid)/received	**(155)**	**138**	**(17)**	(48)	(290)
Net cash from operating activities	**3,431**	**1,768**	**5,199**	4,622	14,278
Cash flow from investing activities:					
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	**(77)**	**(623)**	**(700)**	–	(294)
Disposal of subsidiaries, joint ventures and associates, net of cash transferred	**–**	**192**	**192**	174	308
Net purchases of property and equipment	**(10)**	**(34)**	**(44)**	(99)	(61)
Net purchase of other financial investments	**(1,814)**	**(544)**	**(2,358)**	(4,474)	(12,806)
Net loans granted to joint ventures and associates	**–**	**–**	**–**	–	(129)
Dividends received from associates and joint ventures	**16**	**–**	**16**	41	52
Net cash from investing activities	**(1,885)**	**(1,009)**	**(2,894)**	(4,358)	(12,930)
Cash flow from financing activities:					
Proceeds from issue of shares, net of transaction costs	**–**	**27**	**27**	3	3
Proceeds from issue of Direct Capital Instrument, net of transaction costs	**–**	**–**	**–**	–	981
Dividends and appropriations paid to Group equity capital holders	**–**	**(373)**	**(373)**	(351)	(467)
Dividends paid to minority interests of subsidiaries	**(20)**	**(16)**	**(36)**	(41)	(41)
Movement in shares held be employee trusts	**–**	**–**	**–**	1	1
Interest paid on borrowings	**(118)**	**(159)**	**(277)**	(209)	(445)
Net drawdown/(repayment) of borrowings	**(365)**	**420**	**55**	714	1,713
Finance lease payments	**–**	**(5)**	**(5)**	(6)	(26)
Non-trading cash flows between operations	**(58)**	**58**	**–**	–	–
Capital contributions from minority shareholders	**93**	**–**	**93**	–	4
Net cash from financing activities	**(468)**	**(48)**	**(516)**	111	1,723
Total cash flow	**1,078**	**711**	**1,789**	375	3,071
Net increase in cash and cash equivalents	**1,078**	**711**	**1,789**	375	3,071
Cash and cash equivalents at 1 January	**9,086**	**3,040**	**12,126**	9,023	9,023
Effect of exchange rate changes on cash and cash equivalents	**(214)**	**(118)**	**(332)**	(87)	32
Cash and cash equivalents at 30 June/31 December	**9,950**	**3,633**	**13,583**	9,311	12,126
Cash and cash equivalents at 30 June/31 December comprised:					
Cash at bank and in hand	**2,709**	**1,388**	**4,097**	1,626	1,631
Cash equivalents	**7,623**	**2,685**	**10,308**	8,376	11,148
	10,332	**4,073**	**14,405**	10,002	12,779
Bank overdrafts	**(382)**	**(440)**	**(822)**	(691)	(653)
	9,950	**3,633**	**13,583**	9,311	12,126

Notes to the accounts

1 – Basis of preparation – IFRS basis

(a) From 2005, all European Union listed companies are required to prepare consolidated financial statements using International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB). The FSA listing rules in the UK require that the 2005 interim results must also be presented on a basis consistent with IFRS. Accordingly, the results for the six months to 30 June 2005 have been prepared using the Group's accounting policies under IFRS published in the market release on 5 July 2005, "Impact of International Financial Reporting Standards on the results for 31 December 2004". This is the Group's first set of financial results prepared in accordance with IFRS accounting policies and its previously reported 2004 consolidated financial statements have accordingly been restated to comply with IFRS, with the date of transition to IFRSs being 1 January 2004.

The Group's accounting policies are in accordance with IFRS issued by the IASB. The European Union has endorsed all relevant IFRS with the exception of the amendment to IAS19 *Employee Benefits (2004),* and the amendments to IAS39 *The Fair Value Option* published by the IASB in June 2005 and Interpretation 4 of the International Financial Reporting Interpretations Committee *Determining whether an Arrangement contains a Lease* (IFRIC4). These amendments and IFRIC 4 are expected to be endorsed by the European Commission during 2005 and, although they are not mandatory until 2006, the Group has decided to adopt them early and reflect their impact within this interim announcement. The Group's full year financial statements at 31 December 2005 will be prepared in accordance with these endorsed IFRSs and this announcement reflects the accounting policies expected to apply at the year end.

The IFRSs themselves are subject to possible amendment by interpretative guidance from the IASB or external bodies and are therefore subject to change prior to publication of the Group's full year financial statements for the year ended 31 December 2005.

(b) In line with the requirements of International Financial Reporting Standard 1, *First-Time Adoption of International Financial Reporting Standards* (IFRS1), Aviva has applied the Group's accounting policies under IFRS retrospectively at the date of transition being 1 January 2004, with exception of a number of permitted exemptions. These are detailed in the market release of 5 July 2005, "Impact of International Financial Reporting Standards on the results for 31 December 2004".

(c) Aviva has chosen to revisit its longer term investment return ("LTIR") methodology from 2005 as part of a discretionary change not required by IFRS. This change in accounting policy was adopted and detailed in the market release of 5 July "Impact of International Financial Reporting Standards on the results for 31 December 2004".

(d) The requirements of International Financial Reporting Standard 5, *Non-current Assets Held for Sale and Discontinued Operations* have been applied prospectively from 1 January 2005.

(e) Financial Reporting Standard 27, *Life Assurance* (FRS27) was issued by the UK's Accounting Standards Board (ASB) on 13 December 2004, following the Penrose inquiry. Aviva, along with other major insurance companies and the Association of British Insurers (ABI), has signed a Memorandum of Understanding (MoU) with the ASB relating to FRS27. Under this MoU, Aviva has agreed to adopt voluntarily in full the standard from 2005 within the Group's IFRS financial statements.

Within FRS27, the ASB acknowledged the difficulty of applying the requirements retrospectively and indeed it is the Group's view that it would be impractical to do so. Hence, in accordance with IAS8 and FRS27, only the balance sheet at 31 December 2004 has been restated for the impact of FRS27. No adjustments have been made, nor are any required, to the 2004 income statement, the opening balance sheet at 1 January 2004 or the balance sheet at 30 June 2004.

(f) In accordance with Phase 1 of International Financial Reporting Standard 4 *Insurance Contracts* (IFRS4), the Group has applied existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

(g) Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are stated in sterling, which is the Company's functional and presentation currency. As supplementary information, consolidated financial information is also presented in euros.

(h) The results for the six months to 30 June 2005 and the results for the six months to 30 June 2004 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. The interim accounts do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The results on an IFRS basis for the full year 2004 have been audited by Ernst & Young LLP. The Group's 2004 Annual Report and Accounts have been filed with the Registrar of Companies. The auditors have reported on the 2004 accounts and their report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985.

2 – Exchange rates

The euro rates employed in this announcement are an average rate of 1 euro = £0.69 (6 months to 30 June 2004: 1 euro = £0.68; full year 2004: 1 euro = £0.68) and a closing rate of 1 euro = £0.68 (30 June 2004: 1 euro = £0.67; 31 December 2004: 1 euro = £0.71).

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3 – Acquisitions
(a) RAC plc
On 4 May 2005, the Group acquired 100% of the share capital of RAC plc. The results of RAC plc's operations have been included in the consolidated financial statements of the Group with effect from 4 May 2005, and contributed £17 million to the consolidated profit before tax.

	£m
Purchase cost	
Cash paid	566
Fair value of 88 million shares issued, based on their published price at date of exchange (average of £6.03 per share)	530
Costs attributable	17
Total	**1,113**

The assets and liabilities at the date of acquisition were:

	Book value £m	Goodwill reversal and intangible revaluation £m	Pension scheme valuation £m	Fair value and accounting policy adjustments £m	Fair value £m
Assets					
Goodwill	510	(510)	–	–	–
Intangible assets	59	333	–	–	392
Tax assets	58	–	–	(58)	–
Other assets	608	–	–	52	660
Total assets	1,235	(177)	–	(6)	1,052
Liabilities					
Provisions					
Pension deficit	(257)	–	(56)	–	(313)
Other	(8)	–	–	(4)	(12)
Tax liabilities	–	(118)	17	47	(54)
Other liabilities	(708)	–	–	(5)	(713)
Total liabilities	(973)	(118)	(39)	38	(1,092)
Shareholders' funds acquired	262	(295)	(39)	32	(40)
Goodwill (including £118 million arising from the creation of the deferred tax liability on intangibles)					1,153
Intangible assets					392
Total goodwill and intangible assets					1,545
Less: deferred tax liability					(118)
Total value of goodwill and intangible assets net of associated tax included on balance sheet					1,427

Separable intangible assets have been identified and valued by an independent third party at £392 million, using estimated post-tax cash flows and post-tax discount rates. These comprise the RAC, BSM and Lex brands and contractual customer relationships. Of this £260 million has been assessed as having an indefinite life with the remaining £132 million being amortised over 9 to 22 years.

A deferred tax liability of £118 million has been provided against these intangible assets, resulting in an increase in residual goodwill by this amount. Although this liability has been recognised in accordance with IAS12, and a proportion will be amortised to the income statement as the related intangible asset is amortised, this liability is only payable if the intangible asset is sold separately and this is not expected to happen.

The pension scheme valuation adjustment and associated deferred taxation represents the effect of aligning the assumptions of the RAC plc schemes to those of Aviva. The fair value of the RAC pension deficit at the date of acquisition amounted to £313 million (£219 million after deferred tax).

The residual goodwill of £1,153 million essentially represents synergies, both in increased revenues and in reduced costs, expected to arise in RAC plc and our UK general insurance business as a result of the acquisition.

£14 million of integration costs for the restructuring of the combined Norwich Union Insurance and RAC businesses has been included in the results to 30 June 2005.

In July the Group completed the transfer of ownership of Hyundai Cars (UK) to motor manufacturer Hyundai Motor UK Limited. Accordingly, the assets and liabilities of this business have been presented as held for sale on the balance sheet.

3 – Acquisitions continued

(b) Gresham Insurance Company Limited

On 31 March 2005, the Group acquired 100% of the share capital of Gresham Insurance Company Limited. The cash consideration including purchase costs was £75 million. The fair value of the net assets acquired, including intangibles of £14 million, was £75 million, giving rise to no goodwill on acquisition.

(c) Solus Automotive Limited

On 11 May 2005, the Group acquired 100% of the share capital of Solus Automotive Limited. The cash consideration including purchase costs was £20 million, including £12 million of cash and £8 million of deferred consideration. The fair value of the net assets acquired was nil, giving rise to £20 million of goodwill on acquisition.

(d) Unaudited pro forma combined revenues and profit

Shown below are unaudited pro forma figures for combined revenues and profit as though the acquisition date for all business combinations effected during the period had been 1 January 2005, after giving effect to purchase accounting adjustments and the elimination of intercompany transactions. The pro forma financial information is not necessarily indicative of the combined results that would have been attained had the acquisitions taken place at 1 January 2005, nor is it necessarily indicative of future results.

	6 months 2005 £m
Revenues (premiums and fee income)	**13,636**
IFRS profit before tax attributable to shareholders	**1,138**

4 – Exceptional costs for termination of operations

In February 2004, the Group announced the closure of its UK national broker subsidiary, Hill House Hammond (HHH) together with the sale of its commercial business. The associated pre-tax costs of the closure of HHH were £40 million and relate to termination activities, including redundancy costs and closure provisions.

5 – Profit on the disposal of subsidiaries and associates

The net profit on the disposal of subsidiary and associated undertakings comprises:

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
General insurance businesses			
United Kingdom	**–**	–	28
France	**1**	7	6
Asia (a)	**145**	–	–
Other small operations	**(1)**	1	–
	145	8	34

(a) Sale of Asian general insurance businesses

On 7 September 2004, the Group announced the disposal of its Asian general insurance businesses to Mitsui Sumitomo Insurance (MSI) for a total of US$450 million in cash. The sale was subject to obtaining regulatory clearance and approval from other shareholders in the Asian businesses.

Under the terms of the agreement, MSI will acquire all of Aviva's general insurance businesses in Asia. These comprise the general insurance business of Aviva Limited and the general insurance assets of Aviva Asia Pte Limited in Singapore; Aviva Insurance Berhad in Malaysia (including its branch in Brunei); Aviva Insurance (Thai) Company Limited in Thailand; PT Aviva Insurance in Indonesia; Dah Sing General Insurance Co Limited in Hong Kong; and Aviva's branch operations in Hong Kong, the Philippines, Marianas, Macau and Taiwan. The transaction will be achieved through share purchase of Aviva's interests in joint venture operations, business purchase and asset purchase in Singapore, and transfer of Aviva's general insurance branch operations in Hong Kong, the Philippines, Marianas, Macau and Taiwan.

The transaction is expected to complete in phases. Phase I completed on 28 February 2005 and included all businesses above except for Malaysia, Indonesia, Macau, Marianas, Taiwan, Dah Sing and the Philippines. The businesses in Macau and Dah Sing were then sold prior to 30 June 2005. The sale of Indonesia completed in July 2005 and the remaining businesses will be included as part of the completion of Phase II, expected in the second half of 2005. The assets and liabilities of these businesses are included in the totals held for sale on the balance sheet.

Subject to the receipt of regulatory approval, the total proceeds for the sale of these businesses were fixed by reference to the net assets of the businesses as at 31 December 2003 and are not adjusted to reflect the results in the period from 1 January 2004 to completion. The Group does not bear any continuing operating risk from 31 December 2003.

The results of the Asian general insurance business have been consolidated with those of the Group's ongoing operations until the completion of each transaction. Although the Group has retained no economic interest in the operations of this business beyond 31 December 2003, the post-tax operating profits are incorporated in the Group's consolidated income statement from 1 January 2004 to the date of completion. This will be offset by a corresponding change to the final profit on sale. Total profit on sale on the first tranche of the disposal was £145 million and £102 million after tax.

Notes to the accounts
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6 – Geographical analysis of life IFRS operating profit

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
United Kingdom			
With-profit	**33**	49	97
Non-profit	**178**	179	256
Europe (excluding UK)			
France	**131**	89	213
Ireland	**14**	14	31
Italy	**24**	19	49
Netherlands (including Belgium and Luxembourg)	**58**	54	214
Poland	**48**	39	80
Spain	**39**	24	72
Other	**1**	(4)	5
International	**(16)**	57	99
Total	**510**	520	1,116

7 – Geographical analysis of fund management IFRS operating profit

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Morley			
– UK business	**11**	4	10
– European and International business	**7**	3	8
Other fund management operations			
UK			
– Royal Bank of Scotland	**(3)**	(6)	(6)
– Norwich Union investment funds	**3**	5	4
France	**10**	8	15
Other Europe	**1**	–	2
International	**4**	3	7
Total	**33**	17	40

8 – Geographical analysis of general insurance and health
(a) Operating result

	Operating profit			Underwriting result		
	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
United Kingdom	**431**	364	797	**104**	52	146
Europe (excluding UK)						
France	**17**	20	33	**(12)**	(9)	(16)
Ireland	**83**	60	135	**53**	38	82
Netherlands	**55**	53	88	**14**	2	10
Other	**19**	12	32	**2**	(4)	6
International						
Canada	**67**	52	133	**14**	5	37
Other	**22**	22	41	**7**	8	6
Total	**694**	583	1,259	**182**	92	271

8 – Geographical analysis of general insurance and health continued
(b) Investment return information

	Actual investment return credited to income			Longer-term investment return		
	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
United Kingdom	**280**	301	569	**327**	312	651
Europe (excluding UK)						
France	**23**	24	48	**29**	29	49
Ireland	**24**	18	39	**30**	22	53
Netherlands	**53**	19	83	**41**	51	78
Other	**14**	12	20	**17**	16	26
International						
Canada	**44**	39	83	**53**	47	96
Other	**15**	15	33	**15**	14	35
Total longer-term investment return				**512**	491	988
Total actual investment income	**453**	428	875			
Realised gains/(losses)	**55**	(6)	47			
Unrealised gains/(losses)	**124**	(169)	227			
Total actual investment return	**632**	253	1,149			

The total short-term fluctuation in investment return of £120 million (six months 30 June 2004: £(238) million; full year 2004: £161 million) is the difference between the total actual investment return of £632 million (six months 30 June 2004: £253 million; full year 2004: £1,149 million) and the total longer-term investment return of £512 million (six months 30 June 2004: £491 million; full year 2004: £988 million).

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

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

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

	Longer-term rates of return			
	Equities		Properties	
	2005 %	2004 %	2005 %	2004 %
United Kingdom	7.6%	7.8%	6.6%	6.8%
France	6.7%	7.3%	5.7%	6.3%
Ireland	6.7%	7.3%	5.7%	6.3%
Netherlands	6.7%	7.3%	5.7%	6.3%
Canada	7.4%	7.7%	6.4%	6.7%

The table below shows the sensitivity of Group operating profit before tax to changes in the longer-term rates of return:

Movement in investment return for	By	Change in	6 months 2005 £m By	6 months 2004 £m By
Equities	1% higher/lower	Group operating profit	**27**	25
Properties	1% higher/lower	Group operating profit	**4**	3

9 – Other operations

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
RAC	**11**	–	–
Hill House Hammond	**–**	(9)	(8)
Personal finance subsidiaries	**1**	–	(1)
Your Move	**–**	8	9
Norwich Union Life Services	**(38)**	(15)	(80)
Other	**28**	(19)	(41)
	2	(35)	(121)

Notes to the accounts
continued

10 – Corporate costs

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Global finance transformation programme	**(28)**	(45)	(85)
Central costs and sharesave schemes	**(55)**	(54)	(103)
	(83)	(99)	(188)

11 – Unallocated interest charges

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
External			
subordinated debt	**(85)**	(84)	(169)
other	**(45)**	(40)	(77)
Internal	**(101)**	(100)	(219)
Net finance income on pension schemes	**18**	19	28
	(213)	(205)	(437)

12 – Tax

(a) Tax charged to the income statement

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Current tax:			
For the year	**492**	214	475
Prior year adjustments	**21**	(48)	(92)
Total current tax	**513**	166	383
Deferred tax:			
Origination and reversal of timing differences	**66**	(6)	272
Changes in tax rates or tax laws	**–**	(1)	(1)
Write down of deferred tax assets	**16**	–	–
Total deferred tax	**82**	(7)	271
Total tax charged to income statement	**595**	159	654

The tax expense attributable to policyholders' returns in the UK, Ireland and Australia included in the tax charge is as follows:

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Current tax	**198**	49	195
Deferred tax	**90**	(70)	188
Total tax attributable to policyholders' returns charged to income statement	**288**	(21)	383

Tax charge analysed between

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Tax charge/(credit) attributable to policyholders' returns	**288**	(21)	383
Tax charge on IFRS operating profit before tax attributable to shareholders' profits from continuing operations	**256**	245	319
Tax charge/(credit) on profit on other activities	**51**	(65)	(48)
Total tax charged to income statement	**595**	159	654

(b) Tax charged to equity

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Deferred tax	**(18)**	(41)	15
Total tax charged to equity	**(18)**	(41)	15

12 – Tax continued

(c) Tax reconciliation

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

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Net profit before tax	**1,412**	428	2,025
Tax calculated at standard UK corporation tax rate of 30% (2004: 30%)	**424**	128	608
Different basis of tax for UK life insurance	**164**	29	217
Adjustment to tax charge in respect of prior years	**20**	(34)	(88)
Non-assessable dividends	**(59)**	(41)	(30)
Non-taxable profit on sale of subsidiaries and associates	**–**	20	12
Disallowable expenses	**21**	26	65
Different local basis of tax on overseas profits/(losses)	**34**	5	(13)
Deferred tax assets not recognised	**7**	15	(120)
Other	**(16)**	11	3
Tax charge for the period	**595**	159	654

13 – Earnings per share

(a) Basic earnings per share

	6 months 2005			6 months 2004			Full year 2004		
	Before tax £m	Net of tax, minorities and preference dividends £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends £m	Per share p
Operating profit attributable to ordinary shareholders from continuing operations	**943**	**623**	**27.1**	781	492	21.8	1,669	1,221	54.1
Adjusted for the following items:									
– Impairment of goodwill	**(10)**	**(10)**	**(0.4)**	–	–	–	(41)	(41)	(1.8)
– Amortisation and net impairment of acquired value of in-force business	**(44)**	**(44)**	**(1.9)**	(35)	(35)	(1.6)	(85)	(85)	(3.8)
– Amortisation and net impairment of other intangibles	**(16)**	**(14)**	**(0.6)**	(2)	(2)	(0.1)	(7)	(7)	(0.3)
– Financial Services Compensation Scheme and other levies	**–**	**–**	**–**	(25)	(18)	(0.8)	(49)	(29)	(1.3)
– Short-term fluctuation on return on investments backing general insurance and health business	**120**	**100**	**4.3**	(238)	(190)	(8.4)	161	195	8.7
– Profit on the disposal of subsidiaries and associates	**145**	**102**	**4.4**	8	8	0.4	34	34	1.5
– Integration costs	**(14)**	**(10)**	**(0.4)**	–	–	–	–	–	–
– Exceptional costs for termination of operations	**–**	**–**	**–**	(40)	(30)	(1.3)	(40)	(30)	(1.3)
Profit attributable to ordinary shareholders	**1,124**	**747**	**32.5**	449	225	10.0	1,642	1,258	55.8

Earnings per share has been calculated based on the operating profit before impairment of goodwill, amortisation and impairment of acquired additional value of in-force long-term business and other intangibles and exceptional items, after tax, attributable to ordinary shareholders, for continuing operations, as well as on the profit attributable to ordinary shareholders. The directors believe the former earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,300 million (six months 30 June 2004: 2,252 million; full year 2004: 2,256 million) ordinary shares in issue, after deducting shares owned by the employee share trusts.

The actual number of shares in issue at 30 June 2005 was 2,371 million (30 June 2004: 2,262 million; full year 2004: 2,282 million).

Notes to the accounts
continued

13 – Earnings per share continued
(b) Diluted earnings per share

	6 months 2005			6 months 2004			Full year 2004		
	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	**747**	**2,300**	**32.5**	225	2,252	10.0	1,258	2,256	55.8
Dilutive effect of share awards and options	**–**	**26**	**(0.4)**	–	22	(0.1)	–	18	(0.5)
Diluted earnings per share	**747**	**2,326**	**32.1**	225	2,274	9.9	1,258	2,274	55.3

14 – Dividends and appropriations

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Ordinary dividends declared and charged to equity in the period			
Final 2003 – 15.15 pence per share, paid on 17 May 2004	**–**	342	342
Interim 2004 – 9.36 pence per share, paid on 17 November 2004	**–**	–	211
Final 2004 – 16.00 pence per share, paid on 17 May 2005	**364**	–	–
	364	342	553
Preference dividends declared and charged to equity in the period	**9**	9	17
	373	351	570

Subsequent to 30 June 2005, the directors proposed an interim dividend for 2005 of 9.83 pence per ordinary share, £233 million in total. This will be accounted for as an appropriation of retained earnings in the full year ending 31 December 2005.

Interest payable on the deferred capital instrument issued in November 2004 is treated as an appropriation of retained profits and, accordingly, it is accounted for when paid. No interest has been paid since the deferred capital instrument was issued last year, and the first and subsequent payments will be made in the second half of each accounting period. The pre-tax accumulated interest payable at 30 June 2005 amounted to £31 million (31 December 2004: £6 million). Tax relief will be obtained at a rate of 30%.

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 11 August 2005.

15 – Segmental information
(a) Segmental results – primary reporting format – business segments
The principal activity of the Group is financial services, which is managed using the following reportable segments: long-term business, fund management, general insurance and health.

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

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

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

Other
Head office expenses, such as Group treasury and finance functions, and other activities not related to the core business segments are included as "Other" in the following tables. Any segments that are not reportable segments due to their immateriality are also included in this category, together with eliminations and any other reconciling items. Certain financing costs and taxes are not allocated among the segments.

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

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

15 – Segmental information continued

(a) Segmental results of the income statement – primary reporting format – business segments for the six months ended 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment revenue from external customers:					
Net earned premiums	**7,468**	**–**	**4,889**	**–**	**12,357**
Fee and commission income	**286**	**114**	**15**	**121**	**536**
	7,754	**114**	**4,904**	**121**	**12,893**
Net Investment income	**9,311**	**4**	**688**	**76**	**10,079**
Other income	**25**	**1**	**73**	**434**	**533**
Inter segment revenue	**16**	**73**	**(3)**	**(86)**	**–**
Total income	**17,106**	**192**	**5,662**	**545**	**23,505**
Claims and benefits paid, net of recoveries from reinsurers	**(6,490)**	**–**	**(2,870)**	**–**	**(9,360)**
Change in insurance liabilities, net of reinsurance	**(5,147)**	**–**	**(331)**	**–**	**(5,478)**
Change in unallocated divisible surplus	**(355)**	**–**	**–**	**–**	**(355)**
Expenses attributed to investment contracts	**(3,002)**	**–**	**–**	**–**	**(3,002)**
Fee and commission expense	**(683)**	**(33)**	**(1,286)**	**(17)**	**(2,019)**
Other operating expenses					
Depreciation	**(7)**	**(2)**	**(5)**	**(28)**	**(42)**
Amortisation of acquired value of business in-force	**(36)**	**–**	**–**	**–**	**(36)**
Net impairment of acquired value of business in-force	**(7)**	**–**	**–**	**–**	**(7)**
Net impairment of other intangible assets	**(8)**	**–**	**(5)**	**(3)**	**(16)**
Impairment of goodwill	**(10)**	**–**	**–**	**–**	**(10)**
Other impairment losses recognised in the income statement	**(4)**	**–**	**–**	**–**	**(4)**
Other expenses	**(528)**	**(123)**	**(295)**	**(566)**	**(1,512)**
Finance costs	**(118)**	**–**	**(22)**	**(137)**	**(277)**
Total expenses	**(16,395)**	**(158)**	**(4,814)**	**(751)**	**(22,118)**
Segment result before share of profit/(loss) of joint ventures and associates	**711**	**34**	**848**	**(206)**	**1,357**
Share of profit/(loss) of joint ventures and associates	**23**	**(3)**	**–**	**5**	**25**
Segmental result before tax	**734**	**31**	**848**	**(201)**	**1,412**
Unallocated costs:					
Tax attributable to policyholders' returns					**(288)**
Tax attributable to shareholders' profits					**(307)**
Total tax expense					**(595)**
Profit for the period					**817**

(b) Reconciliation to operating profit before tax attributable to shareholders' profits for the six months ended 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**734**	**31**	**848**	**(201)**	**1,412**
Add:					
Impairment of goodwill	**10**	**–**	**–**	**–**	**10**
Amortisation of acquired value of in-force business	**44**	**–**	**–**	**–**	**44**
Impairment of other intangible assets	**8**	**–**	**5**	**3**	**16**
Net profit on the disposal of subsidiaries and associates	**–**	**–**	**(41)**	**(104)**	**(145)**
Integration costs	**–**	**–**	**–**	**14**	**14**
Short-term fluctuation on investment return	**–**	**–**	**(120)**	**–**	**(120)**
Corporate costs reallocation	**2**	**2**	**2**	**(6)**	**–**
	798	**33**	**694**	**(294)**	**1,231**
Less:					
Tax attributable to policyholders' returns	**(288)**	**–**	**–**	**–**	**(288)**
Operating profit before tax attributable to shareholders' profits	**510**	**33**	**694**	**(294)**	**943**

Notes to the accounts
continued

15 – Segmental information continued

(c) Segmental results of the income statement – primary reporting format – business segments for the year ended 31 December 2004

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment revenue from external customers					
Net earned premiums	13,533	–	9,642	–	23,175
Fee and commission income	443	144	25	260	872
	13,976	144	9,667	260	24,047
Net investment income	14,557	17	1,216	260	16,050
Inter-segment revenue	8	126	7	(141)	–
Other income	133	58	4	162	357
Total income	28,674	345	10,894	541	40,454
Claims and benefits paid, net of recoveries from reinsurers	(11,967)	–	(5,658)	–	(17,625)
Change in insurance liabilities, net of reinsurance	(5,393)	–	(711)	–	(6,104)
Change in unallocated divisible surplus	(1,330)	–	–	–	(1,330)
Expenses attributed to investment contracts	(5,635)	–	–	–	(5,635)
Fee and commission expense	(2,068)	(77)	(2,482)	(107)	(4,734)
Other operating expenses					
Depreciation	(14)	(4)	(19)	(60)	(97)
Amortisation of acquired value of business in force	(72)	–	–	–	(72)
Net impairment of acquired value of business in force	(12)	–	–	–	(12)
Net impairment of other intangible assets	(7)	–	–	–	(7)
Impairment of goodwill	(18)	–	(2)	(21)	(41)
Other impairment losses recognised in the income statement	(1)	–	–	(24)	(25)
Other reversal of impairment losses recognised in the income statement	–	–	–	–	–
Other expenses	(721)	(230)	(685)	(765)	(2,401)
Finance costs	(126)	–	(43)	(276)	(445)
Total expenses	(27,364)	(311)	(9,600)	(1,253)	(38,528)
Segmental result before share of profit/(loss) of joint ventures and associates	1,310	34	1,294	(712)	1,926
Share of profit/(loss) of joint ventures and associates	71	(6)	–	34	99
Segmental results before tax	1,381	28	1,294	(678)	2,025
Unallocated costs:					
Tax attributable to policyholders' returns					(383)
Tax attributable to shareholders' profits					(271)
Total tax expense					(654)
Profit for the period					1,371

15 – Segmental information continued

(d) Segmental results of the income statement – primary reporting format – business segments

Reconciliation to operating profit before tax attributable to shareholders' profits for the year ended 31 December 2004

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax from continuing operations	1,381	28	1,294	(678)	2,025
Add:					
Impairment of goodwill	18	–	2	21	41
Amortisation of acquired value of in-force business	85	–	–	–	85
Impairment of other intangible assets	7	–	–	–	7
Financial Services Compensation Scheme and other levies	–	9	40	–	49
Short-term fluctuation on investment return	–	–	(161)	–	(161)
Net profit on the disposal of subsidiaries and associates	4	–	62	(100)	(34)
Exceptional costs for termination of operations	–	–	–	40	40
Corporate costs reallocation	4	3	22	(29)	–
	1,499	40	1,259	(746)	2,052
Less:					
Tax attributable to policyholders' returns	(383)	–	–	–	(383)
Operating profit before tax attributable to shareholders' profits	1,116	40	1,259	(746)	1,669

(e) Segmental balance sheet – primary reporting format – business segments

As at 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	**551**	**–**	**359**	**1,379**	**2,289**
Acquired value of in-force business and other intangible assets	**425**	**–**	**379**	**114**	**918**
Investment property	**10,662**	**–**	**357**	**54**	**11,073**
Investments in joint ventures and associates	**2,069**	**40**	**8**	**170**	**2,287**
Financial investments					
Debt securities	**86,818**	**–**	**9,320**	**2,601**	**98,739**
Equity securities	**44,843**	**1**	**2,460**	**601**	**47,905**
Other investments	**22,455**	**5**	**231**	**43**	**22,734**
Loans	**16,763**	**–**	**2,710**	**2,448**	**21,921**
Other assets	**26,949**	**429**	**10,137**	**2,026**	**39,541**
Segment assets	**211,535**	**475**	**25,961**	**9,436**	**247,407**
Unallocated assets – tax assets					**888**
Total assets					**248,295**
Insurance liabilities	**109,933**	**–**	**18,127**	**–**	**128,060**
Liability for investment contracts	**71,005**	**–**	**–**	**–**	**71,005**
Unallocated divisible surplus	**7,732**	**–**	**–**	**–**	**7,732**
Borrowings					
External	**3,601**	**–**	**2,014**	**746**	**6,361**
Other liabilities; including intersegment liabilities	**6,963**	**169**	**(525)**	**9,214**	**15,826**
Net asset value attributable to unitholders	**2,469**	**–**	**–**	**–**	**2,469**
Segment liabilities	**201,708**	**169**	**19,616**	**9,960**	**231,453**
Unallocated liabilities					
Central borrowings					**4,339**
Tax liabilities					**2,732**
Total liabilities					**238,524**

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

Notes to the accounts
continued

15 – Segmental information continued
(f) Segmental balance sheet – primary reporting format – business segments
As at 31 December 2004

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	595	–	308	281	1,184
Acquired value of in-force business and other intangible assets	451	–	19	46	516
Property and equipment	404	7	133	268	812
Investment property	10,639	–	362	56	11,057
Investments in joint ventures and associates	1,995	40	13	80	2,128
Financial investments					
Debt securities	86,897	2	9,255	2,565	98,719
Equity securities	44,269	1	2,449	572	47,291
Other investments	20,067	6	224	49	20,346
Loans	17,090	–	2,635	2,330	22,055
Other assets	23,455	311	9,786	735	34,287
Segment assets	205,862	367	25,184	6,982	238,395
Tax					908
Total assets					239,303
Insurance liabilities	106,329	–	17,793	–	124,122
Liability for investment contracts	69,555	–	–	–	69,555
Unallocated divisible surplus	7,549	–	–	–	7,549
Borrowings					
External	4,082	–	1,439	270	5,791
Other liabilities; including intersegment liabilities	6,250	191	474	7,367	14,282
Net asset value attributable to unitholders	2,247	–	–	–	2,247
Segment liabilities	196,012	191	19,706	7,637	223,546
Unallocated liabilities					
Central borrowings					4,299
Tax liabilities					2,465
Total liabilities					230,310

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

(g) Goodwill allocation and impairment testing
IFRS requires formal impairment testing to be carried out annually. The Group's policy is to perform formally this testing at year end. For impairment testing, goodwill has been allocated to cash-generating units by geographical reporting unit and business segment. In line with the Group's policy, the last formal impairment test was carried out at 31 December 2004. The tests led to an impairment charge of £41 million which comprised £21 million on one non-insurance Dutch operation, £17 million on other small European businesses and £3 million on other operations. In the first six months of 2005, an impairment charge of £10 million was made in respect of smaller European acquisitions.

Other long lived assets such as acquired additional value of in-force, and other intangibles are not subject to formal impairment testing but are amortised on an annual basis. There have been no indications of impairment and hence no charge has been made in any period.

15 – Segmental information continued

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

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
United Kingdom	**2,228**	2,228	4,768	**96**	95	145	**471**	175	650
France	**1,803**	1,345	2,892	**78**	63	140	**114**	89	196
Ireland	**95**	106	195	**10**	9	15	**18**	19	52
Italy	**696**	548	1,084	**31**	17	44	**14**	16	28
Netherlands	**1,227**	966	1,859	**18**	3	15	**56**	55	220
Poland	**148**	129	267	**10**	6	11	**48**	39	80
Spain	**664**	707	1,206	**16**	14	29	**33**	21	61
Other Europe	**260**	261	565	**16**	2	24	**(4)**	(7)	(8)
Europe (excluding UK)	**4,893**	4,062	8,068	**179**	114	278	**279**	232	629
International	**347**	252	697	**11**	11	20	**(16)**	55	102
Total	**7,468**	6,542	13,533	**286**	220	443	**734**	462	1,381

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

	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
RBS	**102**	125	319
India	**6**	2	6
China	**13**	1	3
	121	128	328

(ii) Balance sheet

	Segmental total assets		Net assets	
	30 June 2005 £m	31 December 2004 £m	30 June 2005 £m	31 December 2004 £m
United Kingdom	**112,071**	107,495	**2,868**	3,162
France	**41,642**	41,827	**1,149**	1,175
Ireland	**5,102**	5,108	**376**	403
Italy	**9,686**	9,492	**606**	478
Netherlands (including Belgium and Luxembourg)	**27,485**	27,357	**1,761**	1,758
Poland	**1,546**	1,564	**142**	176
Spain	**5,809**	5,638	**717**	761
Other Europe	**1,283**	1,104	**161**	160
Europe (excluding UK)	**92,553**	92,090	**4,912**	4,911
International	**6,911**	6,277	**642**	735
Total	**211,535**	205,862	**8,422**	8,808

Notes to the accounts
continued

15 – Segmental information continued

(i) Geographical analysis of life and pensions and investment sales – new business and total income

For the purpose of recording life and pensions new business premiums, the Group's policy is to include life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business and our share of the other life and related business written in our associates and joint ventures as well as the equity release business written in the UK. This includes both insurance and investment contracts as defined under IFRS4 "Insurance Contracts" and is consistent with the definition of covered business used for our supplementary embedded value reporting.

	New single premiums		New regular premiums		Total income		
	6 months 2005 £m	6 months 2004 £m	6 months 2005 £m	6 months 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
Life and pensions:							
United Kingdom	**3,056**	2,938	**230**	273	**2,228**	2,228	4,768
France	**1,607**	1,183	**41**	27	**1,803**	1,345	2,892
Ireland	**191**	85	**32**	35	**95**	106	195
Italy	**1,146**	694	**30**	20	**696**	548	1,084
Netherlands (including Belgium and Luxembourg)	**653**	542	**73**	65	**1,227**	966	1,859
Poland	**35**	33	**14**	15	**148**	129	267
Spain	**638**	875	**49**	42	**664**	707	1,206
Other Europe	**177**	167	**38**	41	**260**	261	565
Europe (excluding UK)	**4,447**	3,579	**277**	245	**4,893**	4,062	8,068
International	**326**	225	**56**	51	**347**	252	697
Total life and pensions (including share of associates)	**7,829**	6,742	**563**	569	**7,468**	6,542	13,533
Retail sales of mutual fund type products:							
United Kingdom	**504**	437	**9**	14	**513**	451	859
Netherlands	**180**	120	**–**	–	**180**	120	196
Poland	**24**	48	**2**	1	**26**	49	77
Other Europe	**237**	91	**–**	–	**237**	91	254
International	**106**	64	**–**	–	**106**	64	243
Total investment sales	**1,051**	760	**11**	15	**1,062**	775	1,629
Total long-term savings (including share of associates)	**8,880**	7,502	**574**	584	**8,530**	7,317	15,162

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 new business sales is £2,104 million single premiums and £194 million regular premiums (six months 30 June 2004: £2,060 million single premiums and £203 million regular premiums; full year 2004: £4,338 million single premiums and £410 million regular premiums), in respect of contracts that meet the definition of "non-participating investment" contracts under IFRS4 "Insurance Contracts". Under IFRS, the premiums on these contracts are not included in the Group income statement under earned premiums, but are included on the balance sheet as a deposit.

15 – Segmental information continued

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

(i) Income statement

	New written premiums			Fee and commission income			Profit before tax		
	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m	6 months 2005 £m	6 months 2004 £m	Full year 2004 £m
United Kingdom	**2,891**	2,819	5,715	**–**	–	–	**430**	85	702
France	**424**	382	670	**–**	1	4	**30**	27	71
Ireland	**262**	292	545	**–**	1	1	**93**	60	144
Netherlands	**790**	800	1,286	**14**	10	18	**123**	53	145
Other Europe	**129**	124	230	**1**	1	2	**17**	8	44
Europe (excluding UK)	**1,605**	1,598	2,731	**15**	13	25	**263**	148	404
Canada	**627**	601	1,202	**–**	–	–	**94**	35	153
Other	**81**	117	170	**–**	–	–	**61**	12	35
International	**708**	718	1,372	**–**	–	–	**155**	47	188
Total	**5,204**	5,135	9,818	**15**	13	25	**848**	280	1,294

(ii) Balance sheet

	Segmental total assets		Net assets	
	30 June 2005 £m	31 December 2004 £m	30 June 2005 £m	31 December 2004 £m
United Kingdom	**13,073**	12,927	**3,006**	2,504
France	**1,767**	1,741	**351**	416
Ireland	**1,865**	1,989	**453**	498
Netherlands	**4,542**	3,677	**510**	461
Other Europe	**879**	914	**137**	162
Europe (excluding UK)	**9,053**	8,321	**1,451**	1,537
Canada	**3,291**	3,111	**704**	687
Other	**544**	825	**324**	277
International	**3,835**	3,936	**1,028**	964
Total	**25,961**	25,184	**5,485**	5,005

(iii) General insurance, fund management and other investments mix at 30 June 2005

	United Kingdom £m	Continental Europe £m	International £m	Total £m
Equity securities-fair value	**1,669**	**948**	**445**	**3,062**
Debt and fixed income securities at market value	**5,198**	**4,973**	**1,750**	**11,921**
Loans secured by mortgages and other loans	**623**	**4,518**	**17**	**5,158**
Other investments	**23**	**256**	**–**	**279**
Investments in joint ventures and associates	**181**	**37**	**–**	**218**
Investment property	**237**	**171**	**3**	**411**
Total investments	**7,931**	**10,903**	**2,215**	**21,049**

Notes to the accounts continued

16 – Group capital structure

Deployment of equity shareholders' funds

	Equities £m	Fixed income securities £m	Other investments £m	Other net assets £m	30 June 2005 Total £m	31 December 2004 Total £m
Assets						
Long-term savings	**686**	**3,522**	**1,157**	**1,923**	**7,288**	7,572
General insurance, health, and other business	**3,062**	**1,160**	**1,687**	**(1,272)**	**4,637**	4,859
	3,748	**4,682**	**2,844**	**651**	**11,925**	12,431
Goodwill					**2,506**	1,401
Additional and acquired value of in-force long-term business and other intangible assets					**6,160**	5,465
Assets backing total capital employed in continuing operations					**20,591**	19,297
External debt					**(1,550)**	(1,452)
Net Internal debt					**(1,146)**	(987)
Subordinated debt					**(2,789)**	(2,847)
					15,106	14,011
Minority interests					**(1,283)**	(1,160)
Direct Capital Instrument					**(990)**	(990)
Preference capital					**(200)**	(200)
Equity shareholders' funds					**12,633**	11,661

Our exposure to equities has decreased from £3.9 billion at 31 December 2004 to £3.7 billion, which represents 18% of our capital employed.

Return on capital employed

	Normalised after-tax return £m	Opening equity capital £m	30 June 2005 Return on capital %	31 December 2004 Return on capital %
Long-term savings	**591**	**13,826**	**8.7**	8.9
General insurance and health	**447**	**5,005**	**18.7**	17.1
Other business	**45**	**838**	**11.1**	(2.0)
Corporate	**(56)**	**(372)**	**32.4**	40.9
	1,027	**19,297**	**10.9**	10.4
Borrowings	**(120)**	**(5,286)**	**4.6**	3.9
	907	**14,011**	**13.4**	13.9
Minority interests	**(77)**	**(1,160)**	**13.7**	17.5
Direct capital instrument	**–**	**(990)**	**–**	–
Preference capital	**(9)**	**(200)**	**8.5**	8.5
Equity shareholders' funds	**821**	**11,661**	**14.6**	13.7

The return on capital is calculated as the after-tax return on opening equity capital, based on Group operating profit, including Life EEV operating return, on continuing operations.

First time adoption of International Financial Reporting Standards

The Group has adopted International Financial Reporting Standards (IFRS) for the first time in preparing these financial statements for the six months ended 30 June 2005.

The date of transition to IFRS is 1 January 2004. During 2005, the Group has already published the following restated UK GAAP financial information onto an IFRS basis:

- Restated preliminary opening balance sheet as at 1 January 2004 under International Financial Reporting Standards, published in Appendix B to Aviva plc preliminary announcement 2004 on 9 March 2005 and also on pages 114 to 126 of Aviva plc Annual report and accounts for 2004, including auditors' opinion on page 127.
- Release to the market on 5 July 2005, "Impact of international financial reporting standards on the results for 31 December 2004", including the auditors' opinion on pages 33 and 34, containing restated 31 December 2004 financial information as follows:

– summarised consolidated pro forma operating profit statement and notes to the analysis of adjustments as a result of the transition to IFRS;
– summarised consolidated statement of recognised income and expense;
– summarised consolidated statement of changes in equity;
– summarised consolidated balance sheet and notes to the analysis of adjustments as a result of the transition to IFRS;
– summarised consolidated income statement – EEV basis;
– summarised consolidated balance sheet – EEV; and
– the Group's IFRS accounting policies.

In addition, a further update was given on the opening summarised consolidated balance sheet as at 1 January 2004, to take in to account changes in IFRS since the publication of the Aviva plc preliminary announcement 2004 on 9 March 2005.

In order to show comparative balances, a reconciliation of equity reported under UK GAAP to equity reported under IFRS as at 30 June 2004 and a reconciliation of profit and loss reported under UK GAAP to profit and loss reported under IFRS for the six months ended 2004 are shown below.

Reconciliation of equity reported under UK GAAP to equity reported under IFRS:

	As at 30 June 2004 £m
Equity as reported under UK GAAP (MSSB)	7,152
Adjusted for:	
Investment valuation (note 1)	46
Insurance changes (note 2)	302
Employee benefits (note 3)	(806)
Goodwill and other intangibles (note 4)	100
Dividend recognition (note 5)	220
Deferred tax (note 6)	(348)
Borrowings and cash (note 7)	(26)
Other items (note 8)	76
Equity as reported under IFRS	6,716

Notes to the analysis of adjustments to equity as at 30 June 2004 as a result of the transition to IFRS

Note 1: Investment valuation
The adjustments in respect of investment valuation arise from the following:

	£m
Increase in valuation of debt securities	1,367
Change in valuation of certain mortgages	123
Other sundry adjustments	5
	1,495

(a) Debt securities
Under UK GAAP, equity securities and unit trusts are carried at current value. Debt and other fixed income securities are also carried at current value, with the exception of many non-linked long-term business debt securities and fixed income securities, which are carried at amortised cost.

As a result of applying IAS39, the Group now carries all investments in debt and equity securities at fair value. The change in valuation of debt securities from amortised cost to fair value increases the valuation of investments by £1,367 million at 30 June 2004. This change in the valuation of debt securities is largely offset by corresponding movements in the unallocated divisible surplus and technical liabilities. The net impact on shareholders' funds at 30 June 2004 is £46 million.

First time adoption of International Financial Reporting Standards continued

(b) Commercial mortgages backing certain annuity business

Under IFRS, the Group has chosen to move certain of its commercial mortgage portfolio to an active fair valuation basis in accordance with IAS 39, which has increased the value of investments by £123 million. The annuity liabilities which are backed by these assets have been correspondingly revalued, reflecting the use of current interest rates. Consequently, there is an increase in shareholders' funds at 30 June 2004 of £33 million.

Revaluation reserve

Under IFRS, certain investment gains are recorded as a separate component of shareholders' equity, whereas under UK GAAP they would be included in retained earnings.

Separate revaluation reserves are created for:

- Changes in the fair value of securities classified as available for sale;
- Changes in the value of owner-occupied property;
- Exchange differences arising from the translation of the net investment in foreign subsidiaries, associates and joint ventures and from borrowings designated as hedges of such items; and
- Changes in the fair value of derivatives that are designated and qualify as cash flow hedges.

The amounts included in the above reserves are, where appropriate, net of deferred tax and impairment losses.

The above requirements have resulted in a transfer from retained earnings of £237 million into separate revaluation reserves at 30 June 2004.

Note 2: Insurance changes

The impact on shareholders' funds of insurance changes is as follows:

	£m
Derecognition of claims equalisation provision	375
Change in valuation of reinsurance treaties	(42)
Application of an active liability valuation basis in the Netherlands	20
Change in value of non-participating investment contracts and other sundry items	(51)
	302

The principal changes to the Group's insurance accounting upon transition to IFRS are discussed further below.

(a) Product classification

International Financial Reporting Standard 4, Insurance Contracts (IFRS4) requires all products issued to be classified for accounting purposes into either insurance or investment contracts, depending on whether significant insurance risk exists. In the case of a life contract, insurance risk exists if the amount payable on death differs from the amount payable if the policyholder survives. The Group has deemed insurance risk to be significant if the difference exceeds 5% of the policy value, though the classification would be similar if a 10% test had been used.

Following a detailed review, 61% of life policy reserves on an MSSB basis at 30 June 2004 have been classified as insurance and 24% have been classified as participating investment contracts (being those investment contracts containing a discretionary participating feature as defined within IFRS4) and both classes will continue to be accounted for under the Group's existing accounting policies. The remaining 17% have been classified as non-participating investment contracts and therefore are required to be accounted for under IAS39 and International Accounting Standard 18 – Revenue (IAS18). Virtually all our general insurance products are classified as insurance.

The product classification change results in technical provisions being allocated between insurance and investment contracts and £58,932 million of liabilities classified as investment contracts.

(b) Equalisation provision

An equalisation provision is recorded in the balance sheet of individual general insurance companies in the UK and in a limited number of other countries, to eliminate, or reduce, the volatility in incurred claims arising from exceptional levels of claims in certain classes of business. The provision is required by law even though no actual liability exists at the balance sheet date and is included in the UK GAAP consolidated balance sheet. The annual change in the equalisation provision is recorded in the UK GAAP profit and loss account. Under IFRS, no equalisation provision is recorded, as no actual liability exists at the balance sheet date. There is an increase of £375 million in shareholders' funds as a result of the removal of the equalisation provision.

(c) Reinsurance treaties

Following a full review of all our reinsurance contracts, a small number of the Group's reinsurance treaties have been revalued under IFRS, leading to a reduction in the value of reinsurance assets of £42 million. The majority of these changes relate to participating contracts and so these value changes affect principally the unallocated divisible surplus rather than shareholders' funds.

(d) Application of an active liability valuation basis in the Netherlands

The conversion to IFRS has been a particular issue in the Dutch industry where traditionally both bond investments and associated insurance liabilities have been held at amortised cost. IAS39 requires bonds to be held at fair value and hence to prevent an equity mismatch, the Group has chosen to move to a more active liability valuation basis for its insurance liabilities within the Netherlands. Gross liabilities increased by £23 million as a result of this change at 30 June 2004.

Having applied an active basis for valuing liabilities on traditional gross and individual savings business, the amount representing undistributed gains on investments backing these products, which were previously booked to the fund for future appropriations under UK GAAP, of £43 million has been released to equity.

(e) Non-participating investment contracts and other sundry items
The liability for those contracts classified as non-participating investment contracts is valued in accordance with IAS 39. The majority of the Group's contracts classified as non-participating investment contracts are unit-linked contracts and have been valued at fair value. For unit-linked contracts the fair value liability is deemed to equal the current unit fund value, plus positive non-unit reserves if required on a fair value basis. This replaces the reserve held under UK GAAP which equals the unit fund value plus any positive or negative non-unit reserves determined on the local valuation basis, which differs from that required on a fair value basis.

In addition to the change in liability valuation, the accounting for deferred acquisition costs has been revised in accordance with IAS18. This restricts the types of acquisition costs that can be deferred leading to a reduction in deferred acquisition costs as compared to UK GAAP.

The net impact on shareholders' funds of the above changes and of other sundry items is £51 million.

Note 3: Employee benefits
Under the Group's UK GAAP pension policy, as set out in Statement of Standard Accounting Practice, Accounting for Pensions Cost (SSAP24), the cost of providing pension benefits is expensed using actuarial valuation methods which gives a substantially even charge over the expected service lives of employees and results in either a prepayment or an accrual to the extent that this charge does not equate to the cash contributions made into the schemes. Under International Accounting Standard 19, Employee Benefits (IAS 19), the projected benefit obligation is matched against the fair value of the underlying assets and other unrecognised actuarial gains and losses in determining the pension expense for the year. Any pension asset or obligation must be recorded in the balance sheet. Aviva has not applied the "corridor approach" to valuing pension deficits.

This change in accounting has resulted in the removal of the Group's SSAP 24 balances, a net debtor of £276 million, after allowing for deferred tax, at 30 June 2004 and the recognition of a deficit of £530 million, net of deferred tax, valued in accordance with IAS 19. This gives an overall impact on shareholders' funds of £806 million at 30 June 2004.

The Group has assumed that substantially all of the pension deficit will fall to be borne by the shareholders. This is particularly relevant to the UK pension scheme deficit, which forms the majority of the deficit recognised by the Group. Costs, including pension costs, are charged to the UK Life companies and with-profits funds on the basis of a pre-determined Management Services Agreement (MSA). As reported at the time of the conversion to EEV, where similar assumptions have been made in connection with deficit funding, under the MSA, NU Life Services Ltd can renegotiate the terms relating to the recharging of the costs to the UK with profits funds in 2008, subject to regulatory approval. In evaluating the impact on IFRS, Aviva has not sought to pre-empt the outcome of this renegotiation. Any changes to the recharges in respect of the pension deficit will be credited to equity in the period agreement is obtained.

In some countries, the pension schemes have invested in the Group's Life funds. IAS 19 requires the liquidity of the scheme's assets to be considered and if these are non-transferable, the presentation of the total obligation to the scheme must include these amounts.

The Group has chosen to review its presentation of these investments. Non-transferable obligations to staff pension schemes included within technical provisions under UK GAAP are deducted from Insurance liabilities and included within Provisions under IFRS.

Note 4: Goodwill / Other intangibles
Under IAS 36, Impairment of Assets, goodwill is no longer amortised but is tested for impairment, at least annually. Any goodwill amortised prior to the date of transition (1 January 2004) or, for goodwill arising before 1 January 1998, eliminated against shareholders' funds has not been reinstated. Amortisation charged in 2004 under UK GAAP is not charged to profit under IFRS to the extent that it does not relate to an impairment and hence shareholders' funds upon conversion to IFRS increase. In addition, negative goodwill of £37 million at 30 June 2004 previously recognised under UK GAAP is included directly in retained earnings.

IFRS 3 Business combinations requires that intangible assets such as customers lists, which can be separately identified and valued, must be recognised separately in the balance sheet. The Group has applied IFRS 3 to acquisitions since 1 January 2004, which has resulted in £8 million of goodwill being reclassified as other intangibles upon conversion to IFRS.

Note 5: Dividend recognition
Under UK GAAP, dividends are accrued in the period to which they relate regardless of when they are declared and approved. Under IAS 10, Events after the Balance Sheet Date, shareholders' dividends are accrued only when declared and appropriately approved. This has increased shareholders' funds by £220 million.

Note 6: Deferred taxes
Under UK GAAP, provision is made for deferred tax assets and liabilities, using the liability method, arising from timing differences between the recognition of gains and losses in the financial statements and their recognition in a tax computation. No provision is made for tax that might arise on undistributed earnings of subsidiaries unless a binding agreement for distribution exists. Deferred tax is recognised as a liability or asset if the transactions or events that give the entity an obligation to pay more tax in future or a right to pay less tax in future have occurred by the balance sheet date. The Group policy is to discount its deferred tax balances.

Under International Accounting Standard 12, Income taxes (IAS 12), deferred taxes are provided under the liability method for all relevant temporary differences, being the difference between the carrying amount of an asset or liability in the balance sheet and its value for tax purposes. IAS 12 does not require all temporary differences to be provided for, in particular the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that future taxable profit will be utilised against the unused tax losses and credits. Discounting is prohibited under IAS 12.

First time adoption of International Financial Reporting Standards continued

Note 6: Deferred taxes continued
The changes to deferred tax arise from the removal of discounting, changes to the valuation of the Group's assets and liabilities under IFRS and presentational changes to disclosure of tax assets and liabilities. The main net increases in deferred tax at 30 June 2004 that reduce shareholders' funds are:

	£m
Reversal of discounting (the total discounting applied to UK GAAP deferred tax liabilities was £210 million, of which £166 million relates to non-life and shareholders' interests)	166
Deferred tax impact of the removal of the equalisation provision	119
Deferred tax impact of other changes to technical provisions, valuation of investments and other sundry adjustments	63
Net decrease to shareholders' funds	348

Note 7: Borrowings and cash
IFRS requires a number of presentational changes to borrowings and cash. The most significant change is that the linked presentation can no longer be adopted for the Group's borrowing securitised on certain of its mortgage portfolios. This increases borrowings and investments by £3,774 million. The equity impact of £26 million relates to the use of the fair value option to mortgages of the UK equity release business, the loan notes which are securitised upon them and backing derivatives. This has increased borrowings by £97 million. Additionally, £6,906 million of the Group's investments meet the definition of cash equivalents and so have been reclassified to "cash and cash equivalents".

Note 8: Other items
The other changes that arise as a result of the transition to IFRS are principally reclassifications and presentational changes. The total effect of the other changes to shareholders' funds is £76 million.

The other significant reclassification and presentational changes which have no impact on shareholders' funds are:

- Assets held to cover linked liabilities of £42,921 million are no longer disclosed in a single line but have been reported in the various asset classifications. Of this amount assets of £3,675 million have been netted off technical liabilities, reducing the gross assets and investment contract liabilities of the Group. There is no impact on profit or shareholders' funds as a result of this change.
- Technical provisions are disclosed as either insurance contracts or investment contracts, reflecting the product classification included in Note 2(a). The Group held investment contracts of £58,932 million at 30 June 2004.
- The assets and liabilities of the banking business are no longer disclosed entirely in "other debtors" and "other creditors" but have been reported in the appropriate balance sheet classifications.
- Owner occupied properties have been reclassified from "investment property" to property and equipment. We continue to hold these properties at fair value.
- Mutual funds have been consolidated as these vehicles meet the definition of a subsidiary. This has resulted in an increase in gross assets of £2,053 million, representing the part of the funds owned by third parties. This third party interest is recorded in the line "net assets attributable to unitholders" within liabilities. The consolidation of mutual funds has no impact on shareholders' funds or profit after tax.

Reconciliation of profit and loss reported under UK GAAP to profit and loss reported under IFRS:

	For the six months ended 30 June 2004 £m
Profit as reported under UK GAAP (MSSB)	263
Adjusted for:	
Investment and insurance liabilities	(14)
Employee benefits (note 3)	(18)
Goodwill (note 4)	51
Other items	(14)
Deferred tax	1
Profit/(loss) as reported under IFRS	269

Notes to the analysis of adjustments to the reconciliation of profit and loss reported under UK GAAP to profit and loss reported under IFRS for the six months ended 30 June 2004

Note 1: Investment valuation
The main investment valuation change upon conversion to IFRS is that assets, which are not classified as being held to maturity, are required to be held at fair value. Under UK GAAP certain of the Group's bonds were held at amortised cost. This change in valuation of debt securities resulted in a £1,367 million increase in the valuation of securities at 30 June 2004. Most of this change was offset by corresponding movements in the unallocated divisible surplus and technical liabilities. However, there was a residual uplift which resulted in a positive increase in the Group's shareholders' funds and the year on year movement in respect of those investments classified as "at fair value through profit or loss" is reported as increased profits in the income statement.

In addition changes to investment accounting have resulted in £1 million of investment gains being reclassified from short-term fluctuations to the life operating profit.

Note 2: Insurance liabilities
Insurance changes consist of:

- The removal of the claims equalisation provision, improving profit before tax by £11 million but with no impact on operating profit;
- The revaluation of liabilities and deferred acquisition costs on those contracts classified as non-participating investment contracts reducing operating profit by £43 million;
- The revaluation of certain life reinsurance treaties, increasing operating profit by £6 million;
- Other sundry changes to our general insurance business reserves increasing operating profit in 2004 by £3 million.

Note 3: Employee benefits
The overall impact of adopting IAS 19 Employee benefits and IFRS 2 Share based compensation has been to increase costs by £18 million in 2004. The increase in costs partly reflects the fact that IAS 19 has used a more current actuarial valuation to measure the ongoing pension service cost. The charge under UK GAAP was based on the SSAP 24 valuation which for the main UK scheme, as disclosed in the 2004 Report and Accounts, was last updated for financial reporting purposes in April 2002.

Note 4: Goodwill
Goodwill is no longer amortised under IFRS but is subject to annual impairment review. The UK GAAP amortisation charge was £49 million for the six months ended 30 June 2004. No additional impairment arose as a result of the transition to IFRS.

A further £2 million credit arises to profit before tax, as goodwill previously charged directly to reserves was deducted from profit upon disposal of subsidiaries under UK GAAP. Under IFRS no such deduction is required. This change has no impact on operating profit or shareholders' funds.

Consolidated cash flow statement
The principal differences between the cash flow statement under UK GAAP and IFRS are the different definitions of cash and cash equivalents and the inclusion of the cash generated and consumed by the long-term businesses.

Independent review report to Aviva plc

Introduction
We have been instructed by the Company to review the financial information on pages 12 to 57 for the six months ended 30 June 2005 which comprises the Summarised Consolidated Income Statement – EEV basis, the Summarised Consolidated Statement of Recognised Income and Expense – EEV basis, the Summarised Consolidated Statement of Changes in Equity – EEV basis, the Summarised Consolidated Balance Sheet – EEV basis, the Segmentation of the Summarised Consolidated Balance Sheet – EEV basis, the Information on the EEV basis, the Summarised Consolidated Income Statement – IFRS basis, the Reconciliation of Group Operating Profit to Retained Profit for the Period – IFRS basis, the Summarised Consolidated Balance Sheet – IFRS basis, the Summarised Consolidated Statement of Recognised Income and Expense – IFRS basis, the Summarised Consolidated Statement of Changes in Equity – IFRS basis, the Summarised Consolidated Cash Flow Statement – IFRS basis, the related notes 1 to 16, and First Time Adoption of International Financial Reporting Standards. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

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.

As disclosed in the basis of preparation – IFRS basis note, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union.

The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRSs adopted for use by the European Union. This is because, as disclosed in the basis of preparation – IFRS basis note, the directors have anticipated that revised IAS 19, revised IAS 39 and IFRIC 4, which have yet to be formally adopted for use by the European Union, will be so adopted in time to be applicable to the next annual financial statements.

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 financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. 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 2005.

Ernst & Young LLP

London

10 August 2005

Shareholder services

Scrip dividend
The Aviva Scrip Dividend Scheme (the "Scheme") provides shareholders with the option of receiving new ordinary shares instead of cash dividends. Shareholders who have not already joined the Scheme but wish to do so should contact Lloyds TSB Registrars at the address on page 60 and request a mandate form. The mandate form will need to be received by Lloyds TSB Registrars no later than 20 October 2005 in order to be effective for the 2005 interim dividend.

Dividend payments direct to your bank account
As an alternative to having dividends paid by cheque, shareholders can, if they wish, have them credited directly into their bank or building society account on the dividend payment date. For overseas shareholders, Transcontinental Account Payment Service (TAPS) is available, which allows shareholders in many countries to have dividends credited direct to their bank accounts in local currencies. To obtain further details and a mandate form please contact the Company's registrar at the address on page 60.

For those private shareholders who currently receive dividends paid directly into their bank or building society account, it is now the Company's practice to issue one consolidated tax voucher each year instead of a voucher with each dividend payment. Shareholders who do not wish to receive this service and wish to continue to receive tax vouchers with each dividend may elect to do so by contacting the Company's registrar at the address on page 60.

E-Communications
Shareholders can receive communications electronically by logging onto www.aviva.com/shareholders and registering for shareholder e-communications. Shareholders will be able to access details of their Aviva shareholding online, elect to receive the Report and Accounts and other shareholder documentation electronically, update their address details online and elect to have their dividends paid directly into their bank or building society account.

Share price
Shareholders can access the current share price of Aviva ordinary shares at www.aviva.com or alternatively 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, if shareholders hold a share certificate they can also use any bank, building society or stockbroker offering share dealing facilities. If shareholders are in any doubt about buying or selling their shares they should seek professional financial advice.

Share dealing facilities for UK shareholders/share account members
To buy and sell shares over the telephone or internet shareholders can contact Shareview Dealing, arranged through Lloyds TSB Registrars. For telephone purchases or sales call 0870 850 0852** between 8.00am and 4.30pm, Monday to Friday and for internet purchases or sales log on to www.shareview.co.uk/dealing

To buy or sell shares over the telephone, shareholders can contact Barclays Stockbrokers on 0870 549 3002** (if they hold a share certificate) or 0870 549 3001** (if they hold a share account statement).

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.

NatWest Stockbrokers Limited is operated by a joint venture between The Royal Bank of Scotland Group plc and The Toronto-Dominion Bank. Registered Number: 1959479 England. Registered Office: Waterhouse Square, 138-142 Holborn, London EC1N 2TH. Member of the London Stock Exchange and OFEX. Authorised and regulated by the Financial Services Authority.

Share dealing facilities for overseas shareholders
To sell Aviva shares over the telephone, shareholders can contact Barclays Stockbrokers on +44 (0)141 352 3959. Non UK residents will need to provide various documentation in order to use this service and details will be provided on registration. Please note that regulations prevent this service being offered to US residents. Settlement proceeds will be sent to either a UK sterling bank account or by sterling cheque.

Amalgamating your shares
If shareholders receive more than one copy of any shareholder communication, it may be because Aviva has more than one record of shareholdings in their name. To ensure that shareholders do not receive duplicate mailings in future, they can have all their shares amalgamated into one account by contacting Lloyds TSB Registrars at the address on page 60.

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 can be obtained from the Company's registrar.

Shareholders with disabilities
Alternative versions of this publication (including braille, large print and audio-tape) are available on request from the Company's registrar.

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

**All 0870 numbers are charged at national rates, and are only available if you are calling from the UK.

For your protection and ours, to check instructions and maintain high quality service standards, we may record and monitor calls made to or from Barclay's Stockbrokers.
New Business Development hours are 8.00am – 6pm Monday – Friday, excluding Bank Holidays.

Shareholder services
continued

Group financial calendar for 2005

Announcement of unaudited six months' interim results	11 August
Announcement of third quarter long-term savings new business figures	27 October
Ordinary Shares	
Ex-dividend date	17 August
Record date	19 August
Scrip dividend price available	24 August
Last date for scrip dividend mandate forms to be received in order to be effective for 2005 interim dividend	20 October
Dividend payment date	17 November
Preference Shares	
Second dividend payment for 8⅜% cumulative irredeemable preference shares	30 September
Second dividend payment for 8¾% cumulative irredeemable preference shares	31 December

Useful contact details
Detailed below are various addresses that shareholders may find useful if they have a query in respect of their shareholding.

Please quote Aviva plc, as well as the name and address in which your shares are held, in all correspondence.

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

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

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/websites

Corporate social responsibility (CSR)
Aviva's CSR policy and programme continues to take firmer roots within the business and to generate support with staff, shareholders and customers. For Aviva, CSR is defined as embracing corporate performance in respect of standards of business conduct, human rights, the environment and health and safety, as well as the promotion of good and fair relations with employees, customers, suppliers and the community. Trust and integrity are integral to the wellbeing of a financial services company and therefore the Group sees CSR as presenting a vital business opportunity. Aviva's CSR performance is also highly ranked by growing numbers of research agencies and investment houses. More details can be found on our website at www.aviva.com/csr

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