



# Forward thinking: What it means to us and our customers

At Aviva, we find new ways to deliver more fulfilling futures to our customers, and all our stakeholders. Forward thinking has been our business for 300 years. Today, it expresses our dedication to thinking beyond the immediate and the everyday, to building better tomorrows.

Forward thinking is at the heart of our business. It guides our daily actions, encourages us to look past what limits us now, and determines the steps that will carry us beyond those limits, tomorrow.

Within this review, you will find examples of forward thinking in action. Around the world, Aviva is a market leader in developing innovative new products and services as we seek to anticipate what people need and provide solutions.

Our vision of the future extends to recognising our responsibilities to society. We know that we must limit our impact on the environment in which we operate, for the benefit of future generations.

**Richard Harvey**  
Group chief executive





**Dee Caffari**  
Record-breaking  
yachtswoman



## A new racing challenge

Dee Caffari, supported by Aviva, is the first woman in history to sail single-handed, non-stop, around the world against the prevailing winds and currents.

Not content with one extraordinary record, she now plans to become the first woman to sail solo, non-stop around the world in both directions by competing in the gruelling 2008-09 Vendée Globe.

The inspiration and willpower that Dee embodied in completing the Aviva Challenge in May 2006 – an epic, 178-day journey the “wrong way” around the world – was a masterclass in skill, guts and determination.

She said: “When I was sailing against the winds deep in the Southern Ocean, when the storms seemed endless and the horrific conditions forced me into survival mode, I moved my goalposts closer and focused on getting to the next step, so I constantly felt I was making progress towards the finish line.

“Aviva’s support helped me to discover and define my own future in life, and helped me do my own forward thinking. Aviva is a company that helps you take control of your own destiny.”

Aviva is proud of its continuing partnership with Dee. She is determined to push back the boundaries of her sport and inspires others to do the same in their own lives. Her sustained focus on the future and looking ahead to fresh challenges epitomises our “Forward thinking” campaign.



You can find out more about Dee Caffari’s challenges at [www.avivaoceanracing.com](http://www.avivaoceanracing.com)

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Aviva is the world's fifth largest insurance group and the largest insurance services provider in the UK. We are one of the leading providers of life and pension products in Europe and are actively growing our long-term savings businesses in Asian markets, Australia and the USA. Our main activities are long-term savings, fund management and general insurance\*.

We have premium income and investment sales of £41.5 billion and £364 billion of assets under management. We have 59,000 employees serving over 40 million customers.

UK	Europe	International and Morley
<b>Total sales</b>	<b>Total sales</b>	<b>Total sales</b>
<b>£19,541m</b> (2005: £16,472m)	<b>£17,018m</b> (2005: £15,581m)	<b>£4,905m</b> (2005: £3,841m)
PVNBP** £11,146m	PVNBP** £12,840m	PVNBP** £1,866m
Investment sales £2,455m	Investment sales £891m	Investment sales £1,564m
Net written premiums £5,940m	Net written premiums £3,287m	Net written premiums £1,475m
<b>£19,541m</b>	<b>£17,018m</b>	<b>£4,905m</b>
<b>Main operations</b>	<b>Main operations</b>	<b>Main operations</b>
		
	<b>Geographic presence</b>	<b>Geographic presence</b>
	France Ireland Italy Netherlands Poland Spain Lithuania Turkey Hungary Czech Republic Romania	Singapore Hong Kong India China Russia Australia USA Canada Sri Lanka
<b>→8-9</b>	<b>→10-11</b>	<b>→12-13</b>
Read more about our performance and future direction on pages 8 to 9 of this report	Read more about our performance and future direction on pages 10 to 11 of this report	Read more about our performance and future direction on pages 12 to 13 of this report

\* Typically includes motor, household, creditor, health, commercial motor, commercial property and commercial liability insurance.

\*\* Present value of new business premium (PVNBP) is equal to total single premium sales received in the year plus the discounted value of annual premiums expected to be received over the term of new contracts, and is expressed at the point of sale.

### Strengths and highlights

We have a balanced portfolio that benefits from diversification of distribution, products and geography

We have achieved strong growth in sales and profits across our worldwide portfolio of businesses

We have completed the purchase of AmerUs in the United States, giving us greater access to the world's largest savings market

We have commenced significant new bancassurance partnerships in Ireland (with Allied Irish Banks) and in India (with Centurion Bank of Punjab)

Our European and International businesses have announced their confidence in achieving average annual sales growth<sup>†</sup> of at least 10% over the next five years, while growing profits<sup>‡</sup> at least as quickly

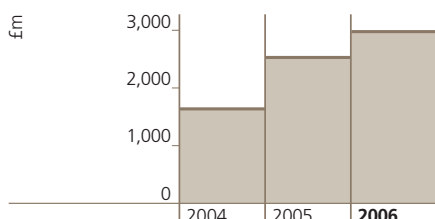
We outlined plans to deliver £250 million of annualised cost savings by the end of 2007 across our UK businesses, at a one-off cost of £250 million

The integration of RAC was completed on time and we met our 2006 cost saving targets

#### IFRS profit before tax attributable to shareholders

**£2,977m**

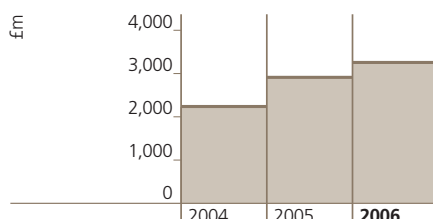
(2005: £2,528m)



#### EEV operating profit<sup>‡</sup>

**£3,245m**

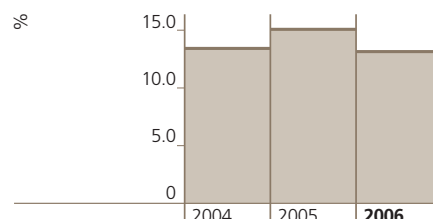
(2005: £2,904m)



#### Return on equity shareholders' funds<sup>#</sup>

**13.1%**

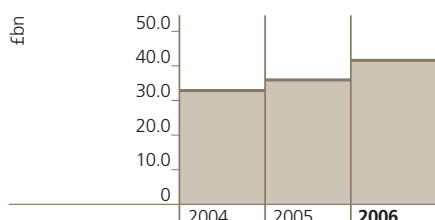
(2005: 15.0%)



#### Worldwide sales<sup>~</sup>

**£41.5bn**

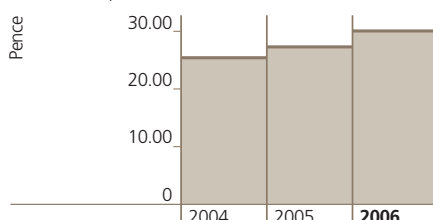
(2005: £35.9bn)



#### Full year dividend

**30.00p**

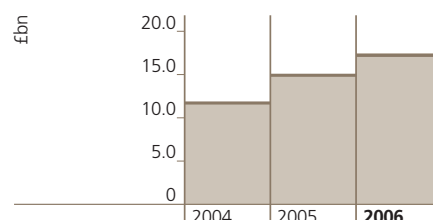
(2005: 27.27p)



#### Equity shareholders' funds<sup>≈</sup>

**£17.5bn**

(2005: £14.9bn)



<sup>†</sup> Our growth ambition is an annual average growth after minority interests and before acquisitions, from 2006 to 2010 inclusive, and assuming no major changes in economic conditions.

<sup>‡</sup> New business contribution after required capital, tax and minority interest.

<sup>‡</sup> From continuing operations, including long-term savings result on a European Embedded Value (EEV) basis before adjusting items.

<sup>#</sup> Return based on opening equity shareholders' funds on an EEV basis.

<sup>~</sup> From continuing operations, including share of associates' premiums.

<sup>≈</sup> On an EEV basis.

Dear Shareholder,

As I come to the end of my first year as chairman of Aviva, I am delighted to be able to report on a thriving business. We have made progress towards our stated aim of providing prosperity and peace of mind for our customers. Our record financial results are proof that we are in the right markets, at the right time, and are providing the products and services that our customers want.

During the year, we completed the purchase of AmerUs in the US, giving us greater access to the world's largest savings and capital market. Our challenge is now to integrate and grow this business quickly and to demonstrate the value that we believe it brings to our Group. We also completed major new bancassurance partnerships in Ireland (with Allied Irish Banks) and in India (with Centurion Bank of Punjab). Already, we are seeing strong performances from both partnerships. In March, we approached the board of Prudential plc with a proposal to merge our respective companies on an agreed basis. The proposal set out the significant commercial benefits and value-creation potential of the merger. The board of Prudential plc declined to enter into discussions with us and the proposal was consequently withdrawn.

#### External view

Across the world, the need for individuals to provide adequately for their retirement is being recognised as an increasingly important issue. The situation is particularly severe in Western countries where an ageing population is placing a greater strain on national purses and we are shortly to see the retirement of the "baby boomer" generation. Additionally, people in rapidly developing countries such as China and India are starting to pick up the savings habit. These conditions present a sizeable opportunity for us, and we are fully committed to working with customers, governments, the insurance industry and regulatory bodies to provide innovative and practical solutions.

#### Richard Harvey

In January 2007, Richard Harvey announced his intention to retire as our group chief executive and to move on to other charitable and business challenges. Richard is a class act by anyone's standards. He has led the Group through numerous challenges and merger activity with professionalism, skill, and foresight. He has made a lasting impression on Aviva and on the wider international insurance industry. I wish him an enjoyable and relaxing break when he leaves us in July, and great success with whatever he chooses to do next. Furthermore, I am delighted that Andrew Moss, our group finance director has agreed to succeed Richard. Andrew has an extensive knowledge of the insurance industry and a strong track record in international financial services. I am looking forward to working with him as he leads Aviva through its next phase of growth.

#### Legal reforms

I have recently been involved with the development of the Companies Act 2006 and its progress through Parliament in the UK. The Bill is one of the largest ever to be passed and is a significant step towards a far-reaching reform of UK company law. It clarifies the requirements being placed on public companies and pushes them to consider further their internal governance and their social and economic impacts. I strongly support the reforms and am certain that Aviva is in excellent shape to handle the upcoming changes.

#### Dividend

I am pleased to announce that our recommended final ordinary dividend is 19.18 pence per share, bringing the total dividend for the year to 30.00 pence, an increase of 10% against last year (2005: 27.27 pence). This increase reflects our intention to increase the dividend on a basis judged prudent, while retaining capital to support future business growth, using dividend cover on an IFRS operating earnings after tax basis in the 1.5 to 2.0 times range as a guide.

## Board developments

During 2006, we held the first meetings of the newly formed risk and regulatory committee and corporate social responsibility committee. The board remains committed to maintaining the highest levels of governance and compliance particularly in light of the increasing demands in this area. We are also keenly aware of the need to develop our business to be sustainable and responsive to the needs of customers, staff and the wider community. Both committees will provide clear leadership and give the board oversight of the work we are doing in these areas. In September, we met in India, and combined the meeting with visits to some of our key sites there and in Sri Lanka. It is important that, as a board, we speak directly to people in our business, and see first-hand the exciting developments that are going on. This particular visit gave us a valuable insight into one of the fastest-growing insurance markets in the world, and the excellent work being performed by our people.

## Employees

I would like to thank our employees for their hard work and commitment in helping to deliver an excellent set of results. This admirable performance comes against the backdrop of the reduction in the number of UK staff we announced as part of our cost-efficiency programme. During 2006, we made progress in aligning the remuneration of our senior management with the needs of employees and customers. For the first time this year, an element of senior management pay and bonuses will be dependent on employee engagement and customer satisfaction measures, helping to acknowledge that the longer term performance of Aviva depends on motivated staff and satisfied customers.

It was very pleasing to see that Aviva has been recognised as one of the top 50 best places for women to work in the UK, according to *The Times*. Particularly satisfying for me was that we were the only company to be named in each of the assessed categories, emphasising our progressive approach.

## Recognition


We have earned awards in a large number of our businesses across Europe, Asia and North America. The recognition has come in areas such as product innovation, sustainability, fund performance, diversity, customer satisfaction, media campaigns and many more. The sheer breadth of this recognition demonstrates to me that across the group we are performing to a high level and pushing ourselves to be the best.

## Outlook

We are in a great position and our businesses around the world are performing strongly. We have a diverse geographic spread and multiple product types and distribution channels in our core markets. This balance, particularly the split between long-term savings and general insurance, is a significant advantage as it allows us to be flexible and to fund organic growth internally. When allied to the external market environment and the increasing need for higher retirement savings, it is clear that we have a significant opportunity ahead of us.

2006 has been a year of considerable progress and I fully expect these positive trends to continue through 2007.

Lord Sharman of Redlynch OBE  
Chairman



Dear Shareholder,

It has been a good year for Aviva. During 2006 we produced our best ever set of financial results and we ended the year in a strong position to continue our good progress. This success was achieved while completing the integration of RAC in the UK and the purchase of AmerUs in the US.

AmerUs represents a significant move for us, creating a dynamic and thriving business with greater access to the largest savings market in the world. I'm delighted to welcome Tom Godlasky and his team to Aviva. Our priority is to integrate AmerUs quickly with our existing US business, achieving our projected cost savings and enhancing the profile of Aviva in the US.

## Exceptional growth in the UK

In the UK, we have generated exceptional growth in our long-term savings business. Total sales increased by 31% to over £13 billion, helped by strong pension sales resulting from changes brought about by pension simplification following "A-Day" in April. We have increased our share of a market that is itself growing very strongly.

In October, we communicated our plans for the UK long-term business to analysts and investors. Our focus is on developing the business to exploit new market opportunities, continuing to improve service, rationalising our cost base, simplifying our legacy systems and managing the retention of existing customers. We also announced annual cost savings across both the long-term savings and general insurance businesses of £250 million by 2008, at a cost of £250 million. These cost savings will mean a reduction of 4,000 in our UK headcount, although we will seek to minimise the number of compulsory redundancies through natural staff turnover and voluntary measures.

Our UK general insurance and health businesses produced a strong result, proving again that we are able to produce sustainable returns from this business. During the year, we completed the integration of RAC and the disposal of its non-core subsidiaries.

## Continued international expansion

Our international businesses continue to grow and develop. To recognise the increasingly diverse and complex nature of these businesses, I asked Tidjane Thiam to take responsibility for continental Europe. This allowed Philip Scott to focus on our rapidly developing businesses across North America and the Asia-Pacific region during 2006.

Our confidence in our international businesses was highlighted by our announcement that we expect to achieve double-digit sales growth\* over the next five years, while growing new business contribution at least as quickly.

During 2006, we saw strong sales from our new bancassurance partnership with Allied Irish Banks in Ireland and continuing rapid expansion in Asia. This growth demonstrates our commitment to the continued development of our distribution capacity and our ability to deliver results from new opportunities.

## Forward thinking

We continue to make progress as a "forward thinking" company. It is vital that we don't see this as simply a slogan, it has to be fundamental to the way we operate. It means positioning ourselves for tomorrow's opportunities, anticipating our customer's aspirations and finding ways that lead to exceptional performance and customer service from our people.

"Forward thinking" also means helping our customers to think about and plan for their future.

Two developments that take us a step further down that road are websites devoted to financial planning. We created and are supporting a website called [www.six-steps.org](http://www.six-steps.org), which focuses on retirement planning. In the UK, Norwich Union has launched a "make sense of it" website to help people understand investments and to highlight the benefits of taking professional advice.

If we are to achieve our growth plans, it is important for us to have a strong brand to support us. We've made great progress in building the Aviva brand this year. The "Forward thinking" campaign has been hugely successful in raising our brand profile with our target audience this year and we will continue to invest in it over the next three years.

\* Growth ambitions are annual averages after minority interests, before acquisitions, and assuming no major changes in economic conditions.

\*\* On an EEV basis.



## Financial results

Our pre-tax operating profit\*\* of £3,245 million (2005: £2,904 million) reflects continued strong operational performances from our portfolio of businesses and the success of our proven strategy. Our return on equity shareholders' funds was 13.1% (2005: 15.0%). On an IFRS basis, the group operating profit before tax was £3,110 million (2005: £2,128 million). The group delivered an overall profit before tax attributable to shareholders of £2,977 million (2005: £2,528 million).

## Retirement

In January, I announced my intention to retire in July this year. I'm proud to have had the opportunity to help create a leading company in the global insurance industry. With almost ten years as group chief executive under my belt, there are other dimensions to my life and other things that I want to achieve in both international charity work and the business world. Now is the right time for me to set out on those adventures while I have the energy and desire to make a difference. I wish Andrew Moss and Philip Scott every success as they step into their new roles of group chief executive and group finance director, respectively.

## Our people

In September, we conducted our second global employee survey, and our first to cover all business units in the group. The results of the survey are helping us to identify the differing needs of employees around the world, share examples of good practice and provide a fulfilling and supportive work environment.

We are a diverse organisation, something that I see as an important strength. Diversity not only benefits individuals, it enriches our pool of talent, offers new ways of thinking and improves our understanding of customers.

## Outlook

We are continually working to get the right balance between risk, return and growth, and I think that this set of results shows that we are making excellent progress. Managing risk against return is integral to everything that we do and will remain a consistent theme in 2007. We continue to benefit from our diverse geography, distribution and product range and we actively use this balanced portfolio approach to manage away a significant proportion of risk.

In the stable and mature markets of the UK and continental Europe, I believe that access to distribution will be our key driver of growth. We will seek to expand our bancassurance channel and significantly enhance our direct capability. We see the capital generated by our general insurance and health businesses and our superior understanding of customer needs as key differentiators.

The rapidly developing markets in the Asia-Pacific region represent a substantial longer term area of growth for us. We will be looking to accelerate our growth in India and China, while continuing to explore the potential of other markets. Across the region, we will be working to expand distribution through bancassurance, independent financial advisers and the direct sales force.

In North America, the AmerUs acquisition provides us with a scalable platform for growth in what is the largest single market in the world. Our focus is on successfully integrating AmerUs and achieving our projected costs savings.

I believe that we are in the right markets, at the right time. We have produced an excellent set of results for 2006 and have put ourselves in a strong position to build on these results in 2007.

**Richard Harvey**  
Group chief executive



Dear Shareholder,

Any international insurer must be strong in its home market, and our decision to bring together the Norwich Union life and general insurance businesses, including RAC, at the beginning of 2006, has been a key step in meeting this requirement.

Norwich Union (NU) is a leader in the UK. Every week we collect £360 million customer premiums, pay out £94 million in insurance claims, pay £100 million to pensioners and attend over 50,000 breakdowns.

Our financial performance this year once again shows our strength as a well-managed, disciplined composite insurance business. Now that Norwich Union's business units operate more closely together, we are poised to deliver additional benefits that were not available before.

Our 17 million customers expect us to deal with them in a joined up way, and closer working will enable us to meet this challenge. One example is bringing together our IT functions into one unit. This has removed overlap and enabled us to move forward with a new infrastructure to meet the demands of our customers in the emerging "e" world.

We have already taken action to improve the efficiency of our UK business, following our announcement in September 2006 that we plan to deliver £250 million of annualised cost savings by the end of 2007. This programme will enable us to strengthen our competitive position and take advantage of customer self-service.

### 2006 performance

Our UK life business has taken advantage of both improving market sentiment and pensions "A-Day" in the UK. Our focus has been on capturing our share of market growth, thanks to our unique combination of product range and broad distribution. Our combined businesses delivered an exceptional performance, with operating profits of £1,813 million (2005: £1,571 million), and our general insurance business produced a combined operating ratio of 95% (2005: 96%).

### Forward thinking

2007 will see us continue to place our customers at the very centre of everything we do, in particular by making Norwich Union easy to do business with.

This is already occurring following the launch of our "make sense of it" website in NU life, which gives customers sound and simple financial advice. Our newly launched web-enabled fund centre offers comprehensive information for IFAs. Our simplified life cover product, also launched in 2006 and sold over the web, makes it easier to take out life cover and so helps tackle underprovision in the UK.

Within our general insurance business, we launched our Pay As You Drive™ proposition in October, partly in response to growing concerns about how, when and where people drive. Our aim is to bring down the cost of motoring and encourage safer driving, especially by young people at night time.

We believe Pay As You Drive™ will also encourage motorists to cut the number of miles they drive and help reduce carbon emissions. In fact, Norwich Union is playing a leading role helping to mitigate the effects of global warming. We are involved in a number of activities, from high profile (lobbying the Government to further invest in flood defences), to customer marketing (via our portfolio of ethical investments), to keeping our own house in order (giving our employees assistance in buying bicycles).

### Conclusion

The actions we have taken in 2006 to extract value from the combined UK business will help us meet the challenge of intense competition in our markets, change and improve the ways we distribute our products to customers, and meet head on the threats and opportunities offered by new technology.

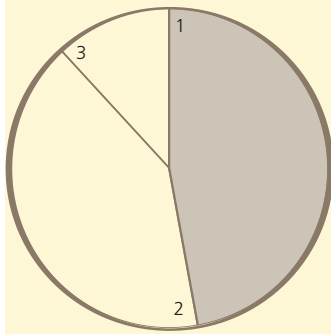
We still have plenty to do to reach our customer objectives, but through process improvement, investment in technology and sharing our expertise across the UK businesses, we will deliver further substantial improvements during 2007.

Our aim is to keep the promises we make to our customers and our shareholders, and to live up to our market leadership position in the UK.

**Patrick Snowball**  
Group executive director




### Contribution to group sales



1 UK  
2 Europe  
3 International and Morley

### Developments in 2006

We completed the integration of RAC, meeting our 2006 cost saving commitments

We announced annualised cost savings of £250 million across our UK life and general businesses by the end of 2007

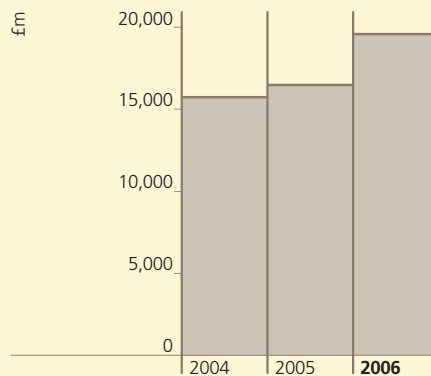
We successfully implemented our pension simplification strategy, increasing long-term sales by 31% while maintaining margins



### Total sales\*

**£19,541m**

(2005: £16,472m)

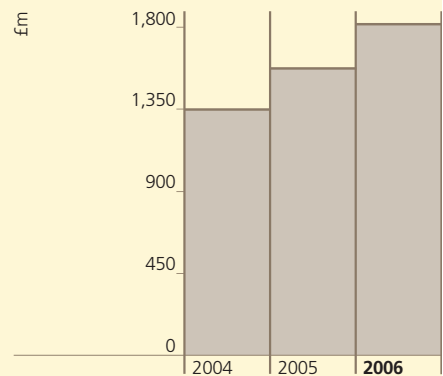


Total UK sales increased to £19,541 million (2005: £16,472 million). Long-term saving sales increased by 31% to over £13 billion, benefiting from strong pension and bond sales, and exceptional growth in investment sales. Pension sales were boosted by pension simplification (A-Day). General insurance and health sales were £5,940 million (2005: £6,127 million), reflecting our continued commitment to create value by writing profitable business and a degree of softening in commercial premium rates.

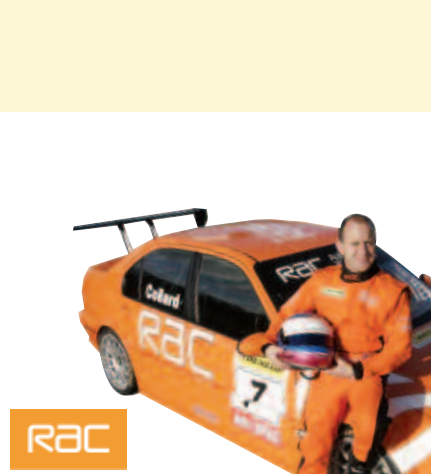
### EEV operating profit\*\*

**£1,813m**

(2005: £1,571m)



EEV operating profit was £1,813 million (2005: £1,571 million). Life operating profit was £744 million (2005: £589 million), benefiting from increased new business contribution from our higher long-term sales and higher expected return from the opening embedded value. These improvements were offset by adverse experience variances. Our general insurance operating profit increased to £1,075 million (2005: £974 million), reflecting our continued focus on writing profitable business and lower than average weather-related claims.



## ↑ Norwich Union links up with eBay to launch online insurance hub

Norwich Union joined eBay.co.uk to launch a unique online insurance centre exclusive to eBay users.

eBay's 15 million customers can use the central "insurance hub" to access information on Norwich Union's motor, home and travel insurance offerings, obtain quotes and buy insurance via a click-through to Norwich Union Direct. Plus, they can benefit from Driveaway's seven days' free car insurance available on eBay Motors.

This unique partnership, which brings together the UK's largest insurer with the nation's leading online marketplace, reflects our forward thinking strategy.

For more examples of "Forward thinking" in our UK businesses visit [www.aviva.com/forwardthinking](http://www.aviva.com/forwardthinking)

## ↑ Team RAC goes green

Team RAC created history while taking part in the 2006 British Touring Car Championship by becoming the first motor sport team to achieve a podium finish using bio-fuels. The UK's premier motor sport series accepts the use of the road fuel E85 (85% renewable fuel bio-ethanol with 15% petrol), but no bio-ethanol cars had previously won a podium finish in the championship. We recognise that alternative fuel issues are high on the social and corporate agenda both in terms of environmental protection and fossil fuel sustainability. By demonstrating its use on the track we hope that other teams will recognise that the use of renewable fuel is viable in competition. Our wish is to see more teams and other motor sport championships switching to bio-fuels soon.

For more information on RAC visit [www.teamrac.co.uk](http://www.teamrac.co.uk)

## ↑ Aviva launches six-steps website

Aviva's online financial education initiative, six-steps, was launched in November 2006. The website, at [www.six-steps.org](http://www.six-steps.org), is based around six simple steps that people can follow to help them take control of their finances and prepare for their retirement:

1. Take control
2. Know yourself
3. Save little and often
4. Invest for the future
5. Protect yourself, and
6. Get advice

The site features a retirement planner to help people understand their financial position better. Users can fill it in and save it online, or they can print it out and take it to a financial adviser.

Find more examples of "Forward thinking" in our UK businesses visit [www.aviva.com/forwardthinking](http://www.aviva.com/forwardthinking)

\* Total sales represents the present value of new business premiums of our long-term business plus investment sales and net written premiums of our general insurance and health businesses.

\*\* EEV operating profit is calculated using long-term savings operating profit on an EEV basis. General insurance and health operating profit is included on an IFRS basis. All operating profit figures are stated before adjusting items.

Dear Shareholder,

Europe is, and will continue to be, one of the world's main savings markets. We have secured a unique operating platform on the continent and are in a prime position to capture the opportunities that changing demographics, increasing private wealth and stretched public finances will create to provide customers with our products and services.

Continental Europe now contributes 41% of the group's total sales and is a key source of growth and profits for Aviva. We continued to grow at a healthy pace in 2006, increasing our total long-term sales by 8% to £14 billion.

Bancassurance is at the heart of our European strategy. In 2006, we completed a new distribution agreement with AIB in Ireland and significantly expanded our distribution in Italy with UniCredit Group. Elsewhere we have continued to work hard on increasing our penetration of the bank's customer base and have made good progress in France and Spain. Our Dutch operations have had a difficult year, largely as a result of increased competition in a number of markets and changing economic conditions. Local management continue to seek out new sales opportunities and have taken action to improve efficiency and competitiveness through cost control.

In the emerging markets of Central and Eastern Europe, we have made good progress. In Poland our long-term sales increased by 74% and profits by 19%. We are leveraging our multi-channel distribution skills acquired in the more mature markets of Western Europe to accelerate the development of strong long-term businesses in Hungary, the Czech Republic, Romania and Turkey.

### Financial performance

Benefiting from our highly diversified geography and distribution network, we achieved growth of profits and sales in 2006 reflecting good operational performances across our long-term, fund management and general insurance businesses. Total operating profit was up to £1,634 million (2005: £1,558 million). Our general insurance and health operations across Europe have once again delivered a strong performance, achieving a general insurance only COR of 89% (2005: 92%), therefore beating the group target of 98%.

### Strategic developments

Although the markets of continental Europe are highly competitive, we believe that they offer excellent growth opportunities to players who have the right skills and the right geographic spread. We invest significant resources in research and development to stay ahead of our competition, and to understand our customers and our distribution partners better.

Access to our customers – distribution – is crucial to unlocking Europe's growth potential. Our primary focus is to sell more to our existing 18 million customers; therefore, penetration rates, cross-selling and up-selling have become part of the day-to-day vocabulary of all our European staff. In Spain, for instance, working ever more closely with our banking partners, we have been able to more than double the proportion of the banks' customers using our products and services over the past five years. Organic growth is central to our strategy and critical to our success, yet we are also keen to capture value-creating opportunities to increase our distribution reach.

Finally, we will continue to invest in Central and Eastern Europe, which after Asia, is one of the fastest growing economic areas in the world. These economies are expected to grow at double the rate of Western European economies.

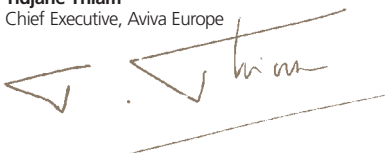
As income and private wealth increase in these countries, we know that consumers will invest a significant proportion of their growing disposable income in the kind of products and services that we provide. Our 2006 achievements in Poland and Hungary, to name just two countries, illustrate the kind of potential available in that region.

### Outlook

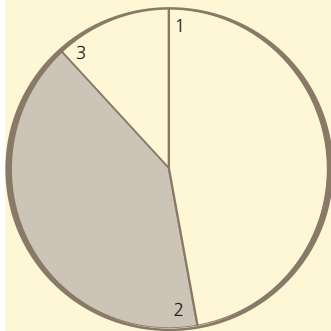
Our priority is to achieve strong, sustainable and profitable growth. We will continue to work hard to increase the penetration rate of our existing customer base, to increase our distribution reach through new partnerships and to grow our presence in the emerging markets of Central and Eastern Europe.

I strongly believe that Europe will continue to make a major contribution to the success of Aviva, and that we will build further on our current strong position to become the leading insurance company in Europe.

**Tidjane Thiam**  
Chief Executive, Aviva Europe




**Contribution to group sales**



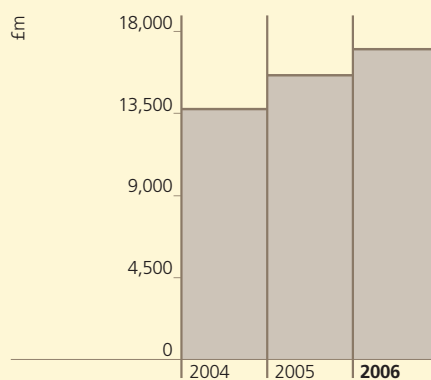
1 UK  
2 Europe  
3 International and Morley

**Developments in 2006**

We commenced a major bancassurance partnership in Ireland with Allied Irish Banks. Our sales through bancassurance grew strongly, up 24%.  
We gained access to additional UniCredit branches in Italy, generating a significant increase in sales volumes.  
We balanced profitability against sales volumes in a challenging Dutch market.  
We focused on fund transfers in France that benefit ongoing profitability.

**Total sales\***

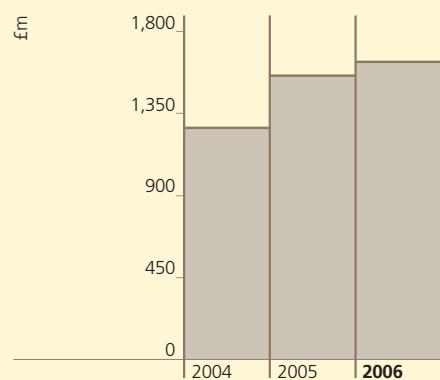
**£17,018m**  
(2005: £15,581m)



Total European sales increased to £17,018 million (2005: £15,581 million). Long-term savings sales increased by 8% to £13,731 million (2005: £12,827 million), primarily reflecting increased sales in Ireland through Ark Life and in Italy, driven by greater access to bank branches through our partnership with UniCredit Group. General insurance and health sales increased to £3,287 million (2005: £2,754 million), benefiting from strong growth in the Netherlands following the merging of public and private healthcare provision.

**EEV operating profit\*\***

**£1,634m**  
(2005: £1,558m)



EEV operating profit was £1,634 million (2005: £1,558 million) in our European operations. Life operating profit was £1,171 million (2005: £1,126 million). The benefit of strong sales of unit-linked products in France and increased new business contribution in Italy and Poland was offset by adverse operating assumption changes in Ireland and a lower contribution from new business sales in the Netherlands. General insurance and health operating profit was £417 million (2005: £390 million), reflecting growing sales, a favourable claims experience and the beneficial effect of prior year releases.



**↑ France: Aviva Gestion d'Actifs wins top investment awards**

In France, we won the prestigious Corbeille Long Terme de Mieux Vivre Award for our leading investment position over five years. The Corbeilles, awarded annually by the newspaper *Mieux Vivre Votre Argent*, are a leading benchmark in French asset management. This accolade, repeating our success of 2003, along with the La Tribune/S&P Golden Trophy award that we won in 2004 and 2005, has reinforced Aviva's reputation. This was in addition to the five gold investment awards our investment team had already won during 2006.

For more information on Aviva Gestion d'actifs please visit [www.vam.cgu.fr](http://www.vam.cgu.fr)



**↑ Hibernian Direct launches partnership with Vivas Health**

Hibernian Direct has linked up with health insurance provider Vivas Health to provide private medical cover under the brand name Hibernian Health Insurance Plan. The plan, launched in November 2006 on a pilot basis for six months, offers customers hospital cover, maternity benefits, out-patient benefits, accident and emergency cover abroad and comprehensive cover for scans. The partnership enhances the range of products that we can offer our customers in Ireland.

For more information on Hibernian's healthcare products please visit [www.hibernian.ie](http://www.hibernian.ie)



**↑ Romania: Aviva staff build better tomorrows**

We volunteered to partner international aid agency Habitat for Humanity to raise funds and build four new homes for families in Romania in one week. A hundred volunteers from across Aviva – Romania, UK, Turkey, Hong Kong and USA – travelled to Cluj to erect the new homes. Our contribution exceeded any previously achieved by Habitat for Humanity in Romania, both in terms of the number of volunteers from one company, and in the total size of the project. We are very proud of the employees involved and what they achieved.

For more information on Aviva's CSR programmes visit [www.aviva.com/csr](http://www.aviva.com/csr)

\* Total sales represents the present value of new business premiums of our long-term business plus investment sales and net written premiums of our general insurance and health businesses.

\*\* EEV operating profit is calculated using long-term savings operating profit on an EEV basis. General insurance and health operating profit is included on an IFRS basis. All operating profit figures are stated before adjusting items.

Dear Shareholder,

We have made great progress during the past year with our rapidly expanding businesses across the Asia-Pacific region and in North America. The strong growth of profits and sales across the majority of our businesses demonstrates the effectiveness of our highly diversified distribution network and our ability to deliver results from new opportunities.

The purchase of AmerUs in the US has transformed our business in that country, giving us greater access to the world's largest savings market. AmerUs is a leader in the indexed market, ranking number one in sales of indexed life insurance and third in sales of indexed annuities. The combined Aviva USA business is now the fourth-largest long-term savings operation in the Aviva group.

During 2006 we completed a major new bancassurance agreement in India with Centurion Bank of Punjab, and are already seeing a strong performance from this partnership. Aviva India greatly strengthened its market presence, with nearly 200 branches across the country and over 30 bancassurance partnerships.

In February we acquired a 51% stake in Eagle Insurance, the third-largest insurer in Sri Lanka. Through Eagle, we have entered into bancassurance agreements with National Development Bank and Standard Chartered Bank.

Our business in China is now licensed in 15 cities across six provinces. We are on course to achieve our vision of 10% new business market share across ten cities by 2010. We are ranked fifth among foreign joint venture insurance companies in China.

We received a licence to operate in Russia from March 2006, and plan to build a leadership position, with a 10% market share and a top-five position, within the next five years.

Our general insurance business in Canada has broadened its distribution and has introduced innovative products during 2006.

Our confidence in our International long-term savings businesses is highlighted by our expectation that, combined with our European businesses, we shall achieve double-digit organic sales growth over the next five years, while growing new business contribution at least as quickly. We are also committed to meeting or beating the group COR target of 98%.

### Strategic developments

Customers in our key markets show an increasing appetite to save for the future. They also want a choice of how to do business with us. These market conditions present a sizeable opportunity, and we are fully committed to working with governments and business partners to satisfy our customers' expectations.

We plan to grow our existing channels. This includes the successful integration of AmerUs into Aviva USA, acceleration of our bancassurance and direct sales success in India and China, deepening our relationship with DBS in Singapore and Hong Kong, and delivery of additional corporate partnerships in Canada.

During 2006, Morley, our largest fund management business, agreed to establish a single investment sales team with our UK long-term savings business, Norwich Union. This agreement will strengthen our presence in the retail and wholesale UK distribution channels. Additionally, Morley acquired ORN Capital, a hedge fund manager, accelerating the development of our alternative investment business. It is vital to the overall strength of the group that we have the capacity to offer customers investment products that meet their individual needs.

We intend to diversify our distribution network. For example, we are exploring the development of our bancassurance business in the US by taking advantage of expertise gained elsewhere in the Aviva group and we are looking to develop the broker channel in China.

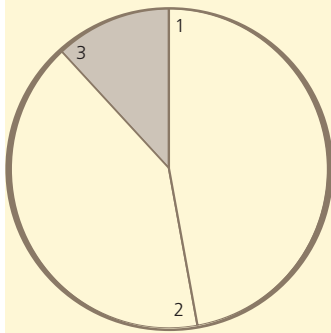
### Outlook

Through the acquisition of AmerUs we have created a dynamic and thriving business in the US. The developing markets of the Asia-Pacific region and Russia represent a substantial long-term area of opportunity for us. We shall be looking to accelerate growth through our strong market positions and key capabilities, notably diversified distribution and product innovation, while continuing to explore the potential of other markets.

**Philip Scott**  
Group executive director




**Contribution to group sales**



1 UK  
2 Europe  
3 International and Morley

**Developments in 2006**

We completed the purchase of AmerUs in the US  
We commenced a major new bancassurance partnership in India with Centurion Bank of Punjab  
We increased our presence in China and are now licensed in six provinces with sales offices in a further seven cities  
We purchased Eagle Insurance in Sri Lanka and commenced two bancassurance partnerships



**↑ Canada: 10% discount for environmentally friendly drivers**

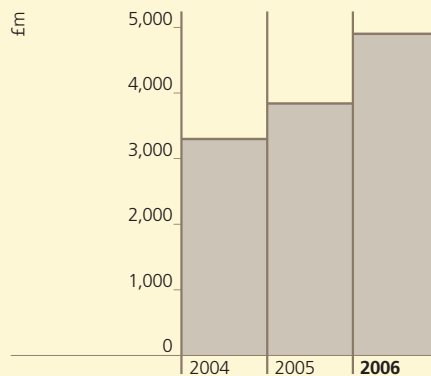
In Canada, we reward policyholders in Quebec who drive hybrid vehicles with an automatic 10% discount on their Aviva auto policy premium.  
The discount supports our commitment to environmental management, and fits with our aim to make a leading contribution to the health of the communities in which we operate. It also rewards those of our policyholders who make a conscious choice to protect the environment.

For more information on Aviva Canada visit [www.avivacanada.com](http://www.avivacanada.com)

**Total sales\***

**£4,905m**

(2005: £3,841m)



Total International sales increased to £4,905 million (2005: £3,841 million). Long-term saving sales increased by 44% to £3,430 million (2005: £2,411 million). This growth reflects strong performances in Singapore, Hong Kong and India, with sales across our Asian operations increasing by 91%. In Australia, we have seen strong inflows into Navigator, our fund administration business. Additionally, the total includes six weeks of sales of £324 million from AmerUs, which we acquired in November 2006. General insurance and health sales were £1,475 million (2005: £1,430 million), reflecting broadly stable market conditions in Canada.



**↑ Morley – Awards:**

Morley has enjoyed a year of award-winning progress, with expansion into Europe, innovative product launches and strong performance for our investors.

Our property team continues to be recognised by the industry, winning property fund manager of the year at Property Week Awards 2006 and Property Investment Manager of the Year at Pensions Management 2006, and winning two European awards – Outstanding Company of the Year and Investor of the Year at the Central and Eastern European Real Estate Quality Awards. Our sustainable and responsible investment (SRI) team continues to be highly regarded in the market and was the only UK-based team to be awarded a UK equities mandate by France's state pension reserve fund. We were recognised as SRI provider of the year by Global Pensions 2006, and we retained our top ranking for our understanding of SRI and extra-financial issues in the Thomson Extel Survey for the fourth successive year.

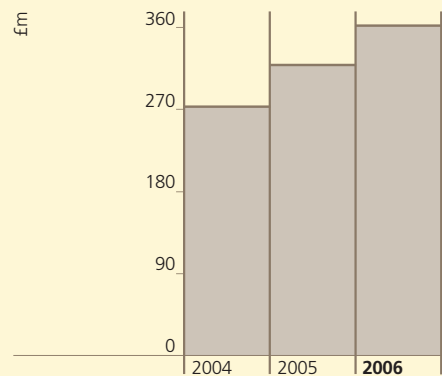
We are delighted that our hard work, forward thinking approach to asset management and focus on SRI issues continues to be recognised by our peers, clients and industry associates.

For more information on Morley visit [www.morleyfm.co.uk](http://www.morleyfm.co.uk)

**EEV operating profit\*\***

**£362m**

(2005: £319m)



EEV operating profit was £362 million (2005: £319 million). Life operating profit was £118 million (2005: £99 million), reflecting strong new business contribution and expected returns from AmerUs and the benefit of favourable experience variances in Australia. In Asia, substantial sales growth drove an increase in new business contribution. General insurance and health operating profit was stable at £188 million (2005: £187 million). The benefit of lower than average weather-related claims was offset by lower premium rates on commercial lines business. Morley's IRFS operating profit increased to £76 million (2005: £49 million), reflecting increased fund management fee revenue and higher performance fees.



**↑ Australia: Navigator helps UK pensions move down under**

Navigator, our online fund administration system, has improved the process involved in UK pension transfers. Now, Australian residents with money in UK pension schemes can transfer their funds quicker and more easily.

Navigator is one of the first providers internationally to register with UK regulators as a qualifying regulated overseas pension scheme, which allows UK pension plan members to transfer benefits overseas.

As a leading Australian retirement solutions provider and the UK's top insurer, we have many customers who will benefit from this new development, including many of the Australians who have worked in the UK, either before migrating or when visiting.

We are one of the first businesses in the world to offer this flexibility to our customers.

For more information on Navigator visit [www.navigator.com.au](http://www.navigator.com.au)

\* Total sales represents the present value of new business premiums of our long-term business plus investment sales and net written premiums of our general insurance and health businesses.

\*\* EEV operating profit is calculated using long-term savings operating profit on an EEV basis. General insurance and health operating profit is included on an IFRS basis. All operating profit figures are stated before adjusting items.

Dear Shareholder,

To achieve leading financial management and control, we are required to have an increasingly forward-looking view. We are actively involved in the many debates that will affect reporting developments in our industry such as IFRS phase II on insurance contracts and the EU's Solvency II directive. These are some time from being implemented, yet the debates that will influence their final positions are happening now.

### Capital management

Capital strength is important to us since it gives us flexibility to take advantage of opportunities to create value for our shareholders and customers. We have further strengthened our capital position during the year. Equity shareholders' funds have increased by 18% to £17.5 billion and our excess solvency margin, as measured under the insurance group's directive, was £3.6 billion (2005: £3.6 billion), reflecting the acquisition of AmerUs having reduced the margin by £0.7 billion and the impact of funding the pension scheme deficit. The underlying strong operational performance demonstrates the capital generative nature of our businesses. The ability to generate capital is a key strength of the group and enables us to fund both organic growth and bolt-on acquisitions from our internal capital resources.

Additionally, rating agencies have recognised this strength by reaffirming the ratings of our main operating subsidiaries, AA/AA- (very strong) from Standard & Poor's and Aa3 (excellent) from Moody's, both with a stable outlook.

During 2006, we have continued to develop a capital management framework that utilises individual capital assessment (ICA) principles. Using an ICA model provides a close link between capital and risk management. It is important that we increasingly match the amount of capital that we hold to the relative risks that we face. Our ICA model clearly demonstrates that our diversified business, in terms of geography, products and distribution dramatically reduces the amount of economic capital required to protect against the risk of insolvency. Such risk-based capital models are increasingly being used to inform our decision-making processes and will, in time, allow us to improve capital efficiency.

Our return on equity shareholders' funds of 13.1% (2005: 15.0%), exceeds our stated target return of 12.5%, notwithstanding our opening shareholders' funds being £3.2 billion higher than a year earlier.

### Reporting Changes

2006 has been a year of considerable change and development in the financial reporting arena. In March, we published our first financial statements under IFRS, requiring changes to accounting systems and extra disclosures. Additionally, we are now seeing the introduction of enhanced requirements for the narrative elements of our reporting. These changes are challenging our finance teams to understand, produce and explain a much greater volume of information. I was therefore delighted that our hard work in these areas was recognised at the prestigious 2006 *IR Magazine* UK awards where we won the prize for "best disclosure by a FTSE-100 company", an excellent achievement.

### Solvency II

Solvency II represents a great opportunity for us to establish a fairer deal while promoting Europe as a truly single market. The current system of insurance supervision and regulation is a blunt instrument that has not succeeded in creating a level playing field for insurers, is capital inefficient and can ultimately lead to higher prices for consumers. The industry already suffers from a myriad of different measures against which it is assessed. It will be important to align regulatory and accounting measures more closely with the underlying economics of the business. This is a unique opportunity to shape 21st century supervision to the benefit of all and we are fully committed to the project.

### Outlook

We have built a reputation for professionalism and prudence, but we also have a forward thinking outlook. We remain committed to efficiently managing risk and capital, while continuing to seek out innovative ways to improve our processes, controls and risk and capital management.

**Andrew Moss**  
Group finance director

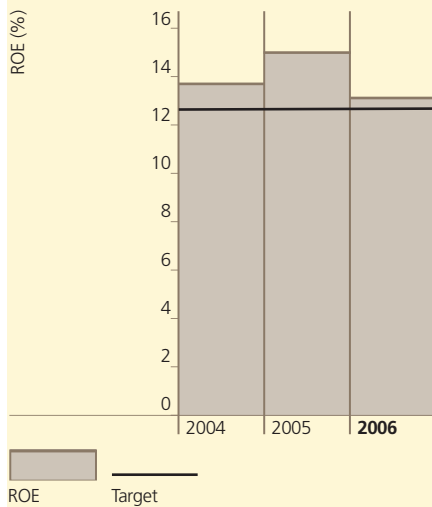




**Key performance indicators**

In 2006, the group's strategy was underpinned by focusing on a number of key financial performance measures. The key measures that are used to assess performance at a group level are set out below:

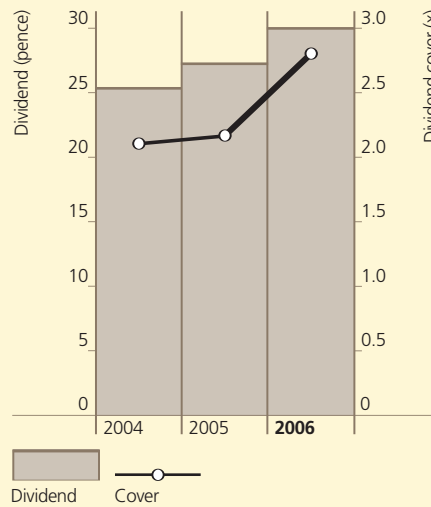
**Return on equity shareholders' funds\***



We aim to deliver an after-tax operating return on opening equity shareholders' funds, including life profits on a European Embedded Value (EEV basis), equivalent to 12.5%. This is a change to our previously stated aim of a 10% net real return.

Our post-tax operating return on equity shareholders' funds was 13.1% (2005: 15.0%), ahead of our 12.5% target, notwithstanding opening shareholders' funds being £3.2 billion higher and so impacting the return.

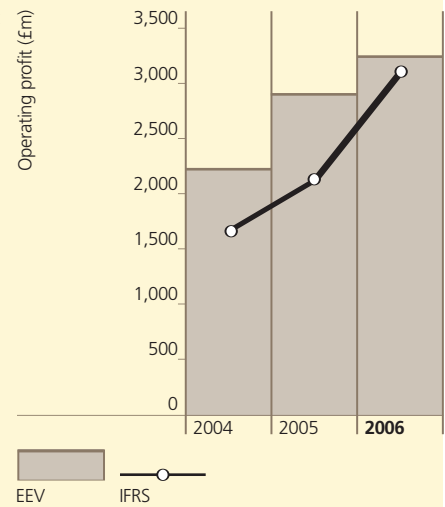
**Proposed ordinary dividend per share and dividend cover\*\***



Our intention is to increase the total dividend on a basis judged prudent using a dividend cover in the 1.5 to 2.0 times range as a guide, while retaining capital to support future business growth.

Our board has recommended a final dividend of 19.18 pence (2005: 17.44 pence), bringing the total dividend for the year to 30.00 pence (2005: 27.27 pence). This is a 10% (2005: 7.5%) increase. Dividend cover is 2.80 times (2005: 2.17 times). Excluding the beneficial impacts of one-offs in 2006 and applying a normalised tax rate, the dividend cover was 2.0 times.

**Group operating profit before tax†**



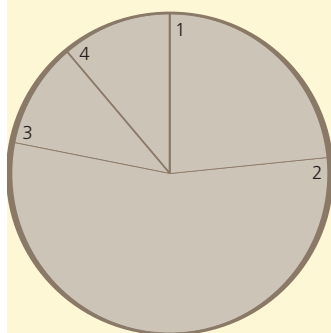
We aim to achieve steady sustainable growth in our operating profit, both on an EEV and IFRS basis. In seeking to achieve this growth, we continue to adopt strict financial management disciplines underpinned by strong corporate governance.

Our EEV operating profit grew by 12% to £3,245 million (2005: £2,904 million). On an IFRS basis, operating profit before tax amounted to £3,110 million (2005: £2,128 million). Both results reflect strong operational performance, expanding and strengthening distribution channels and the benefit of rising investment markets.

**Risk and capital management**

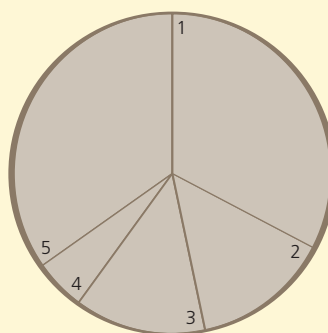
We believe that the measurement of economic capital provides a clear and consistent way to monitor and compare the risks in our business.

**Shareholders' equity by currency**



- 1 Sterling
- 2 Euro
- 3 US dollar
- 4 Other

**Credit risk exposures**



- 1 AAA
- 2 AA
- 3 A
- 4 BBB
- 5 Speculative grade and not rated

We maintain an efficient capital structure using a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings. This structure is consistent with our risk profile and the regulatory and market requirements on our business.

**Shareholders' equity**

We operate internationally and are exposed to foreign currency exchange risk. We generally do not hedge foreign currency revenues, preferring to retain capital locally to support business growth and meet regulatory requirements.

**Credit risk**

We have significant exposure to credit risk through our investments in corporate bonds, commercial mortgages and other securities. We monitor and manage two types of credit risk; exposure to individual counterparties and aggregate exposures. We are increasingly using detailed analyses to define our optimal balance between risk and reward.

\* Return on equity shareholders' funds is calculated using after-tax return based on operating profit, including long-term savings profit on a European Embedded Value (EEV) basis before adjusting items.

\*\* Dividend cover is measured on operating earnings after tax on an IFRS basis, expressed as a multiple of the ordinary dividend in respect of the financial year.

† Group EEV operating profit is calculated using long-term savings operating profit on an EEV basis before adjusting items. Group IFRS operating profit is calculated using long-term savings operating profit on an IFRS basis before adjusting items.

Dear Shareholder,

Around the world Aviva is committed to attracting and retaining the best talent available. We aim to engage our people in their work, achieve our ambitions and provide a great customer experience. The key to our success is great leaders, making the most of all our talents and exploiting our international opportunities. Aviva has to be a company people want to work with and our people strategy is focused on achieving that.

## Responsibility

We are aware of our responsibilities and are committed to behaving in a socially responsible way. How we do business helps us to achieve our ambition of being the world's most trusted savings, investments and insurance provider.

I am determined that we will maintain our sector-leading reputation in corporate social responsibility (CSR) and we have further important initiatives underway to keep us there.

## 2006 developments

In 2006, we implemented a worldwide employee survey that allows us to benchmark our performance as an employer against the best in the world, identify and share good practice, and focus our efforts on issues that mean the most to our employees.

We launched task forces on three key people-related challenges: building great leadership across Aviva; delivering talent management offerings that enable our people to achieve their potential; and leveraging the power of the Aviva brand for our current and future employees. I am confident we will be able to report significant benefit from these initiatives next year.

Keeping Aviva fit for the future remains vital and not all the answers are easy ones. In 2006, we announced plans to restructure our UK businesses to improve both efficiency and the service we provide to our customers, with the loss of 4,000 jobs. We will do all we can to minimise the impact on individuals through management of turnover, redeployment and voluntary departure. We will help those who leave the business to do so with dignity and support.

The formation of a board CSR committee in 2006 raised further the profile of our CSR agenda. Our decision to carbon neutralise our operations worldwide represents a significant commitment. Aviva is the first global insurer to commit to doing so. We also became a founder member of Oxfam's 365 Alliance, ensuring that Oxfam has pre-committed, planned resource in anticipation of any disaster across the globe.

Valuing diversity and respect at work are a fundamental part of our culture. In 2006, we launched a global senior women's network group, introduced a range of recruitment practices aimed at attracting minority groups and provided tools to encourage our employees to engage with and understand our diversity agenda.

Our rapid progress as a forward thinking employer has been recognised through several awards, such as inclusion in *The Times*' "top 50 places where women want to work," (Aviva being the only company to feature in all categories assessed) and the city category award from *Opportunity Now*.

## Outlook

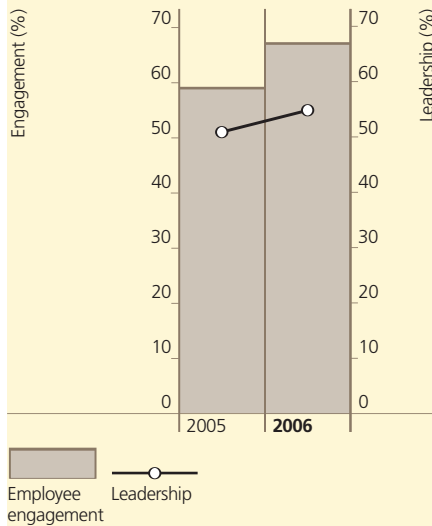
We have begun 2007 by welcoming, as Aviva employees, 1,500 people in India who had been serving our customers through third-party employers. That process will continue this year.

We will continue to build our reputation as an employer of choice and a responsible corporate citizen. Our people and CSR agendas are at the heart of that ambition and I look forward to reporting next year on the progress we have made in 2007.

**John Ainley**  
Group human resources director

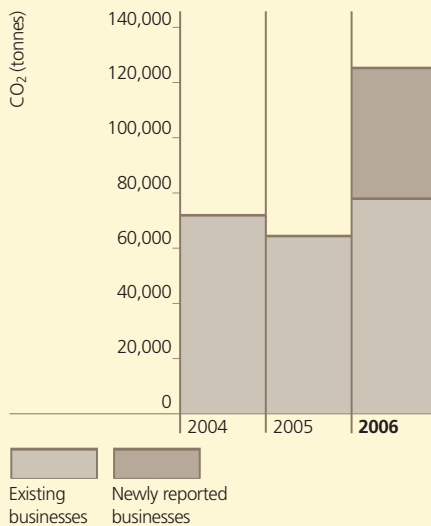


Employee engagement and leadership



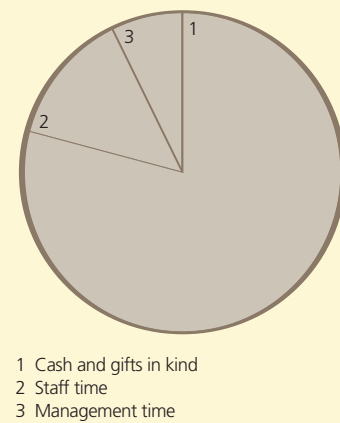
Our global employee climate survey provides a measure of employee engagement and leadership. For Aviva, employee engagement represents the degree of effort that our people put into the organisation, the quality of that effort and their loyalty to the company. The survey results are used to plan for the year ahead, with the aim of achieving continuous improvement. The climate survey also measures employees' perceptions of leadership, verifying that employee engagement is harnessed and aligned with our strategic direction and immediate business plans. Our aim is to improve both measures over time and to meet or exceed a global financial services benchmark\*.

CO<sub>2</sub> emissions



We are conscious of our impact on the environment and are committed to managing and reducing, where possible, our carbon emissions over time. In 2006, we have included emissions from our RAC and AutoWindscreen fleets and buildings, and Asian businesses for the first time, increasing significantly our total emissions. From our existing businesses, emissions have shown a slight increase, reflecting greater business travel related to operational requirements and the upgrading of our managed property portfolio in respect of air-conditioning and the increase use thereof.

Community investment



We are committed to working in partnership with the communities in which we operate. In 2006, we invested £6.3 million in community initiatives worldwide. Our investment includes 34,000 hours of staff volunteering. Our forward thinking approach is reflected in our support for numerous community initiatives around the group.



↑ Award winning diversity programmes

We are aware that diversity is a significant issue for us. To reflect our customer base, we continue our focus on diversity and on making our work force increasingly international. This year our diversity campaigns were recognised through a number of significant awards including the *Opportunity Now* "City" award. The City Award recognises businesses within the City of London for their innovation and progress in creating gender-inclusive workplaces. Other recognition of our campaigns included appearance in *The Times*' "Top 50 places where women want to work", an Opportunity Now Gold award and a silver award for Race for Opportunity.

For more information visit [www.aviva.com](http://www.aviva.com)



↑ First insurer to go carbon neutral worldwide

Aviva is committed to becoming the first insurer to carbon neutralise its operations on a worldwide basis. This is an important further step in our efforts to limit our environmental impact, following our progress with energy efficiency and use of zero emission electricity. For example, 55% of electricity used by Aviva globally is obtained from zero emission sources. We shall offset the remaining emissions – about 125,000 tonnes a year groupwide – on a retrospective basis, starting with 2006. We will achieve this by compensating for carbon output from our use of non-renewable sourced electricity and gas in buildings and business travel by investing in projects that generate carbon credits. The credits will come from carbon mitigation methods, such as tree planting, and renewable energy generation projects that do not release carbon to the atmosphere, such as solar or wind power. Our decision to go carbon neutral is a significant step. We believe climate change to be the most important environmental issue facing the world. As a forward thinking company, we are playing our part in addressing this challenge and would encourage other businesses to follow suit.

For more information on CSR programmes visit [www.aviva.com/csr](http://www.aviva.com/csr)



↑ Aviva joins Oxfam 365 Alliance

Aviva was one of the first companies to join the Oxfam 365 Alliance, a new initiative developed by Oxfam GB to support its global emergency response operations. To join the Alliance, companies must commit to providing between £500,000 and £1 million over three years. The funding will provide extra help for the international charity's expanding rapid response team of aid workers and will help run the warehouse which stores one of the world's largest supplies of emergency equipment. With these resources, Oxfam will always be ready to deal with disasters immediately, wherever and whenever they occur. Oxfam will also provide aid to crises which often go unnoticed by the world's media. For Aviva, the Oxfam 365 Alliance is a perfect demonstration of forward thinking in practice. We are proud to be a part of it.

Photo credit: Maite Alvarez/Oxfam

For more information visit [www.aviva.com/csr](http://www.aviva.com/csr)

\* The global financial services benchmark and our global employee climate survey measure employee engagement using slightly different definitions. Using the global financial services definition our employee engagement score was 70% (3% below the benchmark) and our leadership score was 55% (2% below the benchmark).

**Richard Harvey FIA (56)***Group chief executive*

Appointed to the board in May 2000 and became group chief executive in April 2001. Joined Norwich Union in 1992, holding senior positions in New Zealand and the UK before joining the Norwich Union board in 1995 and becoming group chief executive of Norwich Union in 1998. Former chairman of the Association of British Insurers. Richard Harvey will retire as the group chief executive in July 2007.

Member of the nomination and corporate social responsibility committees.

**Andrew Moss (48)***Group finance director*

Appointed to the board in May 2004 upon joining the company. Previously director – finance, risk management and operations in Lloyd's (*insurance*) and formerly held a number of senior management positions at HSBC plc (*banking*). Andrew Moss will succeed Richard Harvey as the group chief executive in July 2007.

**Philip Scott FIA (53)***Executive director*

Appointed to the board in May 2000. Joined Norwich Union in 1973 and held a number of senior positions before joining the Norwich Union board in 1993. Currently responsible for the group's insurance businesses outside Europe and Morley, the Group's UK fund management operations. Philip Scott will succeed Andrew Moss as the group finance director in July 2007.

**Patrick Snowball (56)***Executive director*

Appointed to the board in March 2001. Joined the group in 1989, holding a number of senior positions before joining the board of Norwich Union in 1999. Currently responsible for the group's United Kingdom businesses namely Norwich Union Insurance, Norwich Union Life and RAC. A member of the Financial Services Authority's Practitioner Panel.

**Lord Sharman of Redlynch OBE (64)***Chairman*

Appointed to the board in January 2005 and became chairman on 1 January 2006. Currently chairman of Aegis Group plc (*media services*), an independent non-executive director of BG Group plc (*utility*) and Reed Elsevier plc (*publisher*) and a member of the supervisory board of ABN AMRO N.V. (*banking*). Former chairman of KPMG International (*auditors*), former deputy chairman of Group 4 Securicor plc (*security services*) and a former independent non-executive director of Young & Co.'s Brewery PLC (*drinks*) and AEA Technology plc (*commercial/technology*).

Chairman of the board and nomination committees and a member of the corporate social responsibility committee.

**Guillermo de la Dehesa (65)***Independent non-executive director*

Appointed to the board in May 2000. Joined the board of Norwich Union as a non-executive director in 1999. Currently non-executive chairman of Aviva's operations in Spain, non-executive vice-chairman of Goldman Sachs Europe (*banking*) and a non-executive director of Campofrio (*consumer*), Unión Eléctrica Fenosa (*utility*) and Bank Santander Central Hispano (*banking*). Chairman of the Centre of Economic Policy Research and a member of the Group of Thirty (*consultative group on international economic and monetary affairs*). A former deputy governor of the International Monetary Fund and the World Bank, a former deputy general manager of the Bank of Spain and former Secretary of State of Finance in Spain.

Member of the nomination and corporate social responsibility committees.

Richard Harvey

Lord Sharman of Redlynch

Andrew Moss

Philip Scott

Patrick Snowball



**Wim Dik (68)**

*Senior independent non-executive director*

Appointed to the board in December 1999. Currently chairman of the supervisory board of Zesko Holding B.V. (*telecommunications*) and Tele Atlas N.V. (*information systems*), a non-executive director of Unilever N.V. and Unilever plc (*consumer*) and of LogicaCMG plc (*computer services*). Former Minister for Foreign Trade in the Netherlands. A former chairman of Nederlandse Unilever Bedrijven B.V. (*consumer*) and former chairman and chief executive officer of KPN Royal Dutch Telecom (*telecommunications*). A former chairman of the supervisory board of Holland Casino (*gaming*) and a former member of the supervisory boards of TNT Post Group (*mail services*), Vos Logistics (*transport*) and ABN AMRO N.V. (*banking*).

Chairman of the corporate social responsibility committee and member of the nomination, and risk and regulatory committees.

**Mary Francis CBE (58)**

*Independent non-executive director*

Appointed to the board in October 2005. Currently senior independent non-executive director of Centrica plc (*utilities*), a non-executive director of St Modwen Properties plc (*property development*), a director of the Bank of England, Fund Distribution Limited and Almeida Theatre Company Limited. A member of the advisory board of the National Consumer Council and Governor of the Pensions Policy Institute. A former Director General of the Association of British Insurers and senior civil servant.

Chairman of the risk and regulatory committee and a member of the audit and remuneration committees.

**Richard Karl Goeltz (64)**

*Independent non-executive director*

Appointed to the board in May 2004. Currently a non-executive director of the Warnaco Group Inc (*clothing*), Federal Home Loan Mortgage Corporation (Freddie Mac) (*financial services*), New Germany Fund (*investment trust*) and a director of The London School of Economics and Political Science. A former chief financial officer of American Express Company (*financial services*), NatWest Group plc (*banking*) and The Seagram Company Ltd (*drinks*) and a former member of the Accounting Standards Board (UK).

Chairman of the remuneration committee and member of the audit committee.

**Carole Piwnica (49)**

*Independent non-executive director*

Appointed to the board in May 2003. A member of the New York and Paris bars, practising law in Europe and the US specialising in private equity and EU regulatory matters. Currently a non-executive director of Toepfer International GmbH (*trading*) and a member of the biotech advisory board of Monsanto. A former non-executive vice-chairman – governmental affairs for Tate & Lyle plc (*agricultural/industrial*) and a former non-executive director of S A Spadel N.V. (*food and beverages*) and former chairman of Amylum Group (*agricultural/industrial*).

Member of the audit, remuneration and corporate social responsibility committees.

**Russell Walls (63)**

*Independent non-executive director*

Appointed to the board in May 2004. Currently a non-executive director of Signet Group plc (*retail*) and chairman of its audit committee. A former group finance director of BAA plc (*transport*), Wellcome plc (*pharmaceuticals*) and Coats Viyella plc (*textiles*). Former senior independent non-executive director of Stagecoach Group plc (*transport*) and of Hilton Group plc (*leisure*) and a former non-executive director of the Mersey Docks and Harbour Company plc (*transport*).

Chairman of the audit committee and a member of the risk and regulatory and nomination committees.

**Richard Whitaker LLB, DMS, FCI**

Group company secretary

Guillermo de la Dehesa

Wim Dik

Mary Francis

Richard Karl Goeltz

Carole Piwnica

Russell Walls



These statements are aimed at giving shareholders a summary of the position and performance of Aviva. They do not however, contain all the information to allow as complete an understanding of the Group as would be provided by the full audited Annual Report and Accounts. A copy of the full Annual Report and Accounts, which contains an unqualified auditors' opinion, is available on the Aviva internet site at [www.aviva.com](http://www.aviva.com) or free of charge from Lloyds TSB Registrars, at the address on page 26 of this document.

## 2006 accounts

The summary financial statements on page 22 have been prepared on the basis of accounting policies set out in the Group's 2006 Annual Report and Accounts. The consolidated income statement has been presented on both a European Embedded Value (EEV) basis and an International Financial Reporting Standards (IFRS) basis. The Group continues to believe that the EEV basis provides a better measure of the performance of the life business than the statutory IFRS basis. Results of an insurance business in any particular year can be affected by significant movements in investment values, which influence the reported profits before tax. Therefore, to measure the underlying business performance, operating profit before tax based on longer term rates of investment return is used, eliminating the volatility caused by movements in investment values. As a result, managers are encouraged to focus on operational performance and aspects of the business that are under their control.

## Summarised directors' report Annual General Meeting

A separate document accompanying the Annual Review contains the formal notice convening the Annual General Meeting of the Company and a description of the business to be conducted at the meeting. The Annual General Meeting will be held on 26 April 2007 at The Barbican Centre, Silk Street, London EC2Y 8DS at 11am.

## Review of operations

Aviva plc is the holding company of the Aviva Group of companies. The principal activities of the Group are life insurance and long-term savings business, asset management and all classes of general insurance carried out through its subsidiaries, associates and branches in the United Kingdom, continental Europe and Ireland, North America, Asia and Australia. The Group also undertakes motoring services in the UK and Ireland. Details of the Group's operations for the accounting period, its current position and future prospects are contained in the Chairman's statement, the Group Chief Executive's statement and business segment overviews on pages 4 to 13.

## Dividend

The directors are recommending a final dividend of 19.18 pence (2005: 17.44 pence) per share which, together with the interim dividend of 10.82 pence (2005: 9.83 pence) per share, produces a total dividend for the year of 30.00 pence (2005: 27.27 pence) per share. The total cost of dividends for 2006, including preference dividends, will amount to £693 million (2005: £598 million), leaving £1,468 million to be transferred to reserves (2005: £1,123 million transferred to reserves). The final dividend for 2006 will be paid on 17 May 2007 to all holders of ordinary shares on the Register of Members at the close of business on 9 March 2007. The Aviva Scrip Dividend Scheme will be available to shareholders in respect of the payment of the final dividend. In addition, a local currency payment service will be available to shareholders residing in certain participating countries outside the UK. Further details of these arrangements can be found in the shareholder services and information on page 25.

## Directors

The following persons served as directors of the Company during the year:

Guillermo de la Dehesa  
Wim Dik  
Mary Francis  
Richard Karl Goeltz  
Richard Harvey  
Andrew Moss  
Carole Piwnica  
Philip Scott  
Lord Sharman of Redlynch  
Patrick Snowball  
Derek Stevens (retired 31 December 2006)  
André Villeneuve (retired 31 December 2006)  
Russell Walls

The biographical details of the persons currently serving as directors appear on pages 18 to 19.

The Company's Articles of Association require one-third of the directors to retire by rotation each year. At the forthcoming Annual General Meeting Guillermo de la Dehesa, Wim Dik, Richard Karl Goeltz and Russell Walls, all independent non-executive directors, will retire and, being eligible, will offer themselves for re-election. None of the directors standing for re-election have a service contract with a Group company. Derek Stevens and André Villeneuve who were re-elected by shareholders at last year's Annual General Meeting had served on the Board for more than nine years and therefore retired on 31 December 2006 in line with the Board's plans to renew and refresh its composition.

## Directors' interests and indemnity arrangements

At no time during the year did any director hold a material interest in any contract of significance with the Company or any of its subsidiary undertakings other than a qualifying third-party indemnity between each director and the Company and service contracts between each executive director and a Group company.

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of itself and its directors. The directors also have the benefit of the indemnity provision contained in the Company's Articles of Association. The Company has executed deeds of indemnity for the benefit of each director of the Company and each person who was a director of the Company during the year in respect of liabilities which may attach to them in their capacity as directors of the Company or of associated companies. These provisions, which are qualifying third party indemnity provisions as defined by Section 309B of the Companies Act 1985, were in force throughout the year and are currently in force.

## Corporate Social Responsibility (CSR)

Aviva's CSR policy and programme continues to take firmer roots in the business and to generate support with staff, shareholders and customers. Aviva's CSR performance is also highly ranked by growing numbers of research agencies and investment houses. It provides one of the pathways by which the Company seeks to achieve its corporate objective to be the financial services provider of choice. Full details of the progress achieved within the CSR programme during the year can be found in Aviva's CSR report. A copy of the printed summary CSR report is available from the Group Company Secretary and the full report may be viewed on [www.aviva.com/csr](http://www.aviva.com/csr).

## Corporate governance

The Board of directors is committed to a system of sound corporate governance and to the principles of Good Governance and the Code of Best Practice (the Combined Code). It is the Board's view that the Company complied fully throughout the accounting period with the provisions set down in Section 1 of the Combined Code.

**Directors' interests in Aviva shares**

The interests held by each person who was a director at the end of the financial year in the ordinary shares of 25 pence each in the Company are shown below. All the disclosed interests are beneficial. The table also summarises the interests in shares held through the Company's various all-employee and executive share schemes.

	Shares <sup>1</sup>		Bonus Plan Awards <sup>2</sup>		Long-Term Incentive Awards <sup>3</sup>		Options <sup>4</sup>		Aviva Share Plan <sup>5</sup>	
	1 January 2006	31 December 2006	1 January 2006	31 December 2006	1 January 2006	31 December 2006	1 January 2006	31 December 2006	1 January 2006	31 December 2006
Guillermo de la Dehesa	144	<b>144</b>	–	–	–	–	–	–	–	–
Wim Dik	200	<b>200</b>	–	–	–	–	–	–	–	–
Mary Francis	1,000	<b>1,000</b>	–	–	–	–	–	–	–	–
Richard Goeltz	2,500	<b>2,500</b>	–	–	–	–	–	–	–	–
Richard Harvey	44,781	<b>198,758</b>	355,992	<b>311,559</b>	521,496	<b>517,227</b>	4,426	<b>4,426</b>	–	–
Andrew Moss	35,040	<b>43,337</b>	61,408	<b>109,056</b>	186,453	<b>274,257</b>	3,279	<b>3,279</b>	13,462	–
Carole Pivnica	–	<b>2,500</b>	–	–	–	–	–	–	–	–
Philip Scott	170,004	<b>274,896</b>	217,750	<b>184,788</b>	316,939	<b>300,810</b>	4,096	<b>4,096</b>	–	–
Lord Sharman	–	<b>2,000</b>	–	–	–	–	–	–	–	–
Patrick Snowball	16,250	<b>22,815</b>	173,482	<b>193,970</b>	288,645	<b>287,516</b>	2,272	–	–	–
Russell Walls	1,500	<b>1,500</b>	–	–	–	–	–	–	–	–
<b>Former directors</b>										
Derek Stevens*	2,989	<b>3,047</b>	–	–	–	–	–	–	–	–
André Villeneuve*	640	<b>640</b>	–	–	–	–	–	–	–	–

\* Retired 31 December 2006.

**Notes**

- "Shares" are the directors' beneficial holdings in the ordinary shares of the Company and in respect of the executive directors include shares held in trust under the Company's All Employee Share Ownership Plan (AESOP) being shares purchased by them under the partnership element and shares granted under the free share element of the AESOP. Executive directors are required to build and maintain a beneficial interest in the Company's shares equal in value to 1.5 times their annual salary (1.75 times annual salary in the case of the Group Chief Executive). The requirement was introduced as part of the revised remuneration arrangements from 2005; the holding must be attained within five years.
- "Bonus Plan Awards" relates to entitlements to shares arising through the current, or former, Aviva Bonus Plans. Under these plans some of the earned bonuses are paid in the form of shares and deferred for three years. The transfer of the shares to the director at the end of the period is not subject to the attainment of performance conditions but a proportion of the shares can be forfeited if the executive leaves service before the end of the period.
- "Long-Term Incentive Awards" are awards granted under the Aviva Long-Term Incentive Plans which vest only if the performance conditions are achieved.
- "Options" are options over shares granted under the savings related share option scheme.
- "Aviva Share Plan" relates to shares held under the Plan in which only Andrew Moss participated.

**Independent auditor's statement to the members of Aviva plc**

We have examined the Group's summary financial statements for the year ended 31 December 2006 which comprise the summarised consolidated income statement, summarised consolidated statement of recognised income and expenses – IFRS basis, summarised consolidated statement of change in equity – IFRS basis, summarised consolidated balance sheet – IFRS basis and supplemental balance sheet information – EEV basis.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Review in accordance with applicable law.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Our responsibility is to report to you our opinion on the consistency of the summary financial statements within the Annual Review with the full annual accounts, Directors' report, Directors' remuneration report and its compliance with the relevant requirements of Section 251 of the Companies Act 1985 and the regulations made thereunder.

We also read the other information contained in the Annual Review and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statements.

**Basis of opinion**

We conducted our examination in accordance with Bulletin 1999/6 "The auditors' statement on the summary financial statement" issued by the Auditing Practices Board for use in the United Kingdom.

**Opinion**

In our opinion the summary financial statements are consistent with the full annual accounts, Directors' report and Directors' remuneration report of Aviva plc for the year ended 31 December 2006 and comply with the applicable requirements of Section 251 of the Companies Act 1985, and regulations made thereunder.

**Ernst & Young LLP**

Registered Auditor  
London  
28 February 2007

## Summarised consolidated income statement

	2006 £m	2005 £m
<b>Premiums written net of reinsurance and investment sales</b>		
Long-term business	16,532	14,671
General insurance and health premiums	10,702	10,311
	27,234	24,982
<b>Pre-tax operating profit</b>		
Long-term business EEV operating return	2,033	1,814
Fund management operating profit	96	83
General insurance and health operating profit	1,680	1,551
Other operations, corporate costs and unallocated interest charges	(564)	(544)
<b>Operating profit – EEV basis<sup>1</sup></b>	3,245	2,904
Adjustment to report the profits of our long-term insurance, fund management and other operations on an IFRS basis	(135)	(776)
<b>IFRS operating profit before tax attributable to shareholders' profits</b>	3,110	2,128
Impairment of goodwill	(94)	(43)
Amortisation and impairment of acquired value of in-force business	(100)	(73)
Amortisation and impairment of intangibles	(70)	(45)
Financial Services Compensation Scheme and other levies	6	–
Short-term fluctuation in return on investments backing the general insurance and health business	149	517
Profit on disposal of subsidiaries and associates	222	153
Integration and restructuring costs	(246)	(109)
<b>Profit before tax attributable to shareholders' profits – IFRS basis</b>	2,977	2,528
Tax	(588)	(630)
<b>Profit after tax attributable to shareholders</b>	2,389	1,898

## Summarised consolidated statement of recognised income and expenses – IFRS basis

	2006 £m	2005 £m
Fair value gains, net of transfers to income statement	210	314
Actuarial (losses) on pension schemes	(114)	(545)
Foreign exchange rate and other movements	(346)	(2)
Aggregate tax effect	(5)	275
<b>Net (expense)/income recognised directly in equity</b>	(255)	42
Profit after tax attributable to shareholders	2,389	1,898
<b>Total recognised income and expense for the year</b>	2,134	1,940

## Summarised consolidated statement of changes in equity – IFRS basis

	2006 £m	2005 £m
<b>Balance at 1 January</b>	11,092	8,993
Total recognised income and expense for the year	2,134	1,940
Dividends and appropriations	(762)	(657)
Issue of share capital for the acquisition of AmerUs (2005: RAC)	892	530
Other issue of share capital, net of transaction costs	43	59
Shares issued in lieu of dividends	203	100
Capital contributions from minority shareholders	397	212
Minority share of dividends declared in the year	(75)	(70)
Minority interest in acquired/(disposed) subsidiaries	92	(36)
Reserves credit for equity compensation plans and other movements	48	21
<b>Total equity</b>	14,064	11,092
Minority interests	(1,698)	(1,128)
<b>Balance at 31 December</b>	12,366	9,964

	2006 pence	2005 pence
Operating earnings per share – Basic EEV basis <sup>2</sup>	79.2p	74.5p
Total earnings per share – Basic IFRS basis <sup>3</sup>	87.5p	73.5p
Net asset value per ordinary share – IFRS basis <sup>4</sup>	436p	366p
Net asset value per ordinary share – EEV basis <sup>4</sup>	683p	622p

## Notes

1. Before tax, amortisation of goodwill, amortisation of acquired additional value of in-force business and exceptional items.
2. Operating earnings per share is based on the operating profit on an EEV basis, after tax, minority interests and preference dividends. The equivalent earnings per share using the modified IFRS profit is 86.9 pence per share (2005: 60.5 pence).
3. Total earnings per share is based on the IFRS profit for the year attributable to equity shareholders.
4. Net asset value per ordinary share is calculated based on equity shareholders' funds.

## Summarised consolidated balance sheet – IFRS basis

	2006 £m	2005 £m
<b>Assets</b>		
Goodwill	2,910	2,274
Acquired value of in-force business and intangible assets	2,728	803
Investment in joint ventures and associates	3,690	3,014
Investment properties, property and equipment	16,027	14,160
Financial investments	202,853	182,388
Other assets	49,972	47,076
Cash and cash equivalents	14,542	13,732
<b>Total Assets</b>	292,722	263,447
<b>Capital and reserves</b>		
Equity attributable to ordinary shareholders of Aviva plc	11,176	8,774
Preference share capital	200	200
Direct capital instrument	990	990
Minority interests	1,698	1,128
<b>Total equity</b>	14,064	11,092
<b>Liabilities</b>		
Gross liability for insurance and investment contracts	232,588	209,911
Unallocated divisible surplus	9,465	8,978
Net asset value attributable to unitholders	3,810	3,137
Borrowings	12,137	11,013
Other liabilities	20,658	19,316
<b>Total Liabilities</b>	278,658	252,355
<b>Total equity and liabilities</b>	292,722	263,447

## Supplemental balance sheet information – EEV basis

	2006 £m	2005 £m
<b>Equity attributable to ordinary shareholders of Aviva plc – IFRS basis</b>	11,176	8,774
Adjustment to other reserves	(462)	(306)
Additional retained profit on an EEV basis	6,817	6,431
<b>Equity attributable to ordinary shareholders of Aviva plc – EEV basis</b>	17,531	14,899
Preference share capital and direct capital instrument	1,190	1,190
Minority interests	2,137	1,457
<b>Total equity – EEV basis</b>	20,858	17,546

Approved by the Board on  
28 February 2007

**Andrew Moss**  
Group Finance Director



### Summary directors' remuneration report

Below is a summary of the information contained in the Directors' remuneration report which shareholders will be asked to approve at the forthcoming Annual General Meeting. The Directors' remuneration report, contained in the Company's Annual Report and Accounts for 2006, provides full details of the Company's remuneration policy, practices, pension arrangements and incentive plans including a description of the performance conditions which apply to the incentive plans, as well as details of all the awards and options held by the directors. A copy of the Annual Report and Accounts is available from the Company's Registrar, Lloyds TSB Registrars.

#### Remuneration policy

The Company's remuneration policy seeks to provide remuneration packages appropriate for each particular market in which the Company operates in order to attract and retain high calibre employees and encourage and reward superior performance in a manner which is consistent with the interests of shareholders. The policy is aimed at ensuring senior executives are rewarded fairly for their individual and collective contributions to the Company's performance.

New regulations came into effect on 6 April 2006 that apply to all members of United Kingdom pension schemes including a limit (Lifetime Allowance) on the value of pension that can be taken from a tax approved pension scheme.

As a result, significant changes have been made to the way in which pension provision is made for those employees whose benefits exceed, or are likely to exceed, the Lifetime Allowance. Generally, senior employees who are currently members of the defined benefit section of the Aviva Staff Pension Scheme will continue to accrue pension benefits under the Scheme until the value of their benefits reaches the Lifetime Allowance. At this point, they will cease membership of the Scheme. In 2006, the Company introduced a new long-term savings scheme for senior executives. Discretionary payments are made into an employee benefit trust operated by independent trustees. Only senior executives not accruing pension in the Aviva staff pension scheme received contributions in 2006. Further details are contained in the Annual Report. New employees, including senior executives, will receive pension benefits through the defined contribution section of the scheme. These changes were made against the principle that the cost of providing the new arrangements would be no greater than the cost of the current pension arrangements nor would employees be compensated for any additional tax arising from the new regulations.

### The remuneration package

The Company believes that senior executives should align their own interests with those of the Company's shareholders. It therefore believes that, whilst paying a competitive basic salary, the substantial element of the remuneration package should be closely linked to the performance of the business and delivered in the form of shares. During 2006, the remuneration package for the Company's executive directors comprised the following elements:

- A basic salary.
- An annual bonus plan – to encourage executives to meet annual targets relating to business and agreed personal performance targets. Two-thirds of any bonus is paid in the form of shares and deferred for three years.
- A long-term incentive plan – to align executives' longer term interests with those of shareholders.
- A pension entitlement.
- A long-term discretionary savings plan used primarily for employees who can no longer accrue pension benefits or whose benefits are restricted under the staff pension scheme, the Aviva Capital Accumulation Plan (ACAP).
- A car allowance, private medical insurance and participation in the Company's all-employee share plans.

Awards granted under the long-term incentive plan are subject to performance conditions based on the Company's Total Shareholder Return (TSR) and the return on capital employed (ROCE). TSR is ranked against the TSR of the major European financial services companies in the Company's comparator group over a three year period.

ROCE is measured against the context of the Company's three year business plan, the trading conditions and shareholder expectations at the time each award is made.

All executive directors have a service contract which can be terminated by the Company upon giving 12 months' notice. Non-executive appointments can be terminated by either party at any time upon giving one month's written notice.

In addition to the remuneration set out in the table overleaf the following shares were awarded to executive directors in 2006 under the Company's incentive plans. The shares granted under the long-term incentive plan will only vest if certain conditions relating to the Company's performance over the three financial years commencing 1 January 2006 are met.

	Annual Bonus Plan Shares	Long-Term Incentive Plan Shares
Richard Harvey	83,317	170,731
Andrew Moss	47,648	87,804
Philip Scott	47,138	95,121
Patrick Snowball	56,100	95,121

In addition to the above, directors have interests in awards and options granted in previous years.

Directors' remuneration 2006

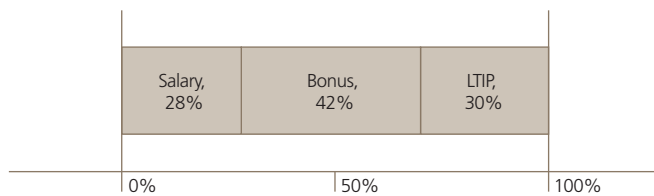
The remuneration payable to directors who held office for any part of the financial year is shown in the table below.

	Basic salary/fees		Bonuses <sup>1</sup>		ACAP		Benefits <sup>2</sup>		Total	
	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000	2006 £000	2005 £000
<b>Chairman</b>										
Lord Sharman	375	48	-	-	-	-	-	-	375	48
<b>Executive directors</b>										
Richard Harvey	875	790	1,296	1,028	450	-	61	104	2,682	1,922
Andrew Moss <sup>3</sup>	533	470	744	589	275	-	36	20	1,588	1,079
Philip Scott	543	515	680	583	-	-	63	54	1,286	1,152
Patrick Snowball	543	503	763	693	-	-	39	104	1,345	1,300
<b>Non-executive directors</b>										
Guillermo de la Dehesa	86	77	-	-	-	-	-	-	86	77
Wim Dik	69	59	-	-	-	-	-	-	69	59
Mary Francis	64	13	-	-	-	-	-	-	64	13
Richard Karl Goeltz	78	63	-	-	-	-	-	-	78	63
Carole Piwnica	74	56	-	-	-	-	-	-	74	56
Russell Walls	64	56	-	-	-	-	-	-	64	56
<b>Former directors</b>										
Derek Stevens*	99	91	-	-	-	-	-	-	99	91
André Villeneuve*	65	59	-	-	-	-	-	-	65	59
Total emoluments of directors	3,468	2,800	3,483	2,893	725	-	199	282	7,875	5,975

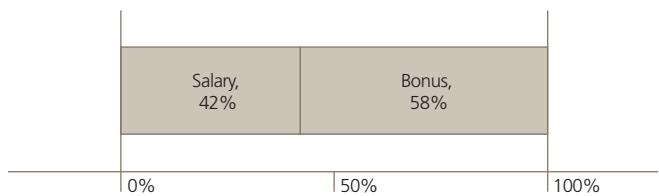
\* Retired on 31 December 2006.

The charts below illustrate the balance between basic salary and variable performance based compensation (annual bonus and long-term incentive plans) received by each executive director in the year to 31 December 2006.

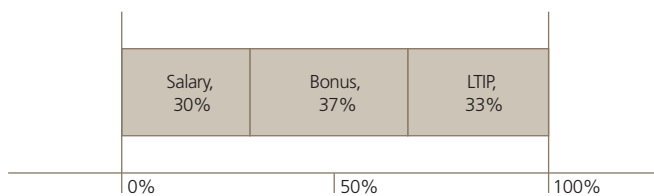
Richard Harvey



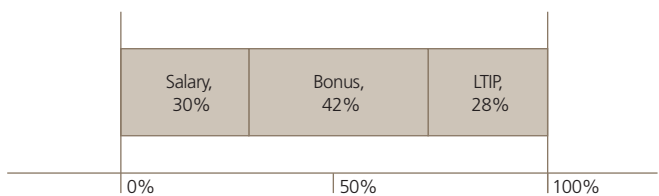
Andrew Moss<sup>8</sup>



Philip Scott



Patrick Snowball



Notes

- "Bonuses" include the value of shares granted under the free share part of the Aviva All-Employee Share Ownership Plan (maximum £3,000) and the total amounts earned in respect of 2006 performance under the Annual Bonus Plan (ie including the amounts deferred and granted in the form of shares).
- "Benefits". All the executive directors received life assurance benefits during the year that relate to the cost incurred by the Company of insuring the directors' life assurance and spouses' benefits which, had they died during the year, could not have been wholly paid by the Pension Scheme and would therefore have been met by the Company. The disclosure also included the cost of private medical insurance, and when appropriate, accompanied travel, accommodation and car benefits. All the numbers disclosed include the tax charged on the benefits. No directors received an expense allowance during the year.
- Mr Moss received a non-pensionable and non bonusable allowance of 2% of salary as part of the compensation for him agreeing to give up his Unfunded Unapproved Retirement Benefit (UURB) promise.
- Payments to former directors: Since his retirement as a director in 2003, Anthony Wyand has served as a consultant and as a director on the boards of some of the Group's European operations. Under this arrangement, a fee of £145,000 was paid to him in 2006. During the year, shares granted to certain former executive directors under the Company's incentive plans vested. Details of these awards were fully disclosed in the year of grant.
- For the purposes of the disclosure required by Schedule 6 to the Companies Act 1985 the total aggregate emoluments of the directors in respect of 2006 was £7.9 million. (2005: £6.0 million).
- No executive director served during the year on the board of an external company in a personal capacity for which he was remunerated.
- No compensation payment for loss of office was made to any director, or former director, during the year.
- Andrew Moss did not benefit from the LTIPs that vested in 2006 as he was not an employee in 2003 when they were granted.

**Managing your shareholding**

Shareholders who have any queries in respect of their shareholding should contact the Company's Registrar, Lloyds TSB Registrars. Contact details can be found below. In addition to assisting with general queries, the Registrar can help with the following:

*Amalgamating different share accounts* – If shareholders received more than one copy of this Annual Review, it could be because there is more than one record for the shareholder on the share register. To ensure that duplicate mailings are avoided the Registrar can arrange for accounts to be amalgamated.

*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. Having the dividend paid directly into their bank account offers shareholders the benefits of avoiding the risk of cheques being lost in the post, and is more convenient as payment is credited automatically on the payment date. The tax voucher is sent to the shareholder's registered address as usual. Shareholders wishing to set up a dividend mandate can do so on the Company's website [www.aviva.com/dividendmandate](http://www.aviva.com/dividendmandate). For overseas shareholders, a TAPS (Transcontinental Automated Payment Service) is available, which allows shareholders in many countries to have dividends credited direct to their bank accounts in local currencies.

*Consolidated tax vouchers* – Private shareholders who currently receive dividends paid directly into their bank or building society account receive one consolidated tax voucher each year instead of a voucher with each dividend payment, unless they request otherwise.

*Scrip dividend* – The Aviva Scrip Dividend Scheme (the "Scheme") provides shareholders with the opportunity to receive their dividends in the form of new ordinary shares instead of cash. Shareholders who have not joined the Scheme but wish to do so should contact Lloyds TSB Registrars and request a mandate form. The completed mandate form will need to be received by Lloyds TSB Registrars no later than 18 April 2007 in order to be effective for the 2006 final dividend. Further details are included on the Company's website [www.aviva.com/scripdividend](http://www.aviva.com/scripdividend).



A range of shareholder frequently asked questions is available online at:

[www.aviva.com/shareholders](http://www.aviva.com/shareholders)

**Group financial calendar for 2007**

Announcement of first quarter long-term savings new business figures	24 April
Annual General Meeting	26 April
Announcement of unaudited six months' interim results	9 August
Announcement of third quarter long-term savings new business figures	25 October
<b>Ordinary shares</b>	
Ex-dividend date	7 March
Record date	9 March
Scrip dividend price available	14 March
Dividend payment date	17 May
<b>Preference shares</b>	
First dividend payment for 8 $\frac{3}{8}$ % cumulative irredeemable preference shares	31 March
First dividend payment for 8 $\frac{3}{4}$ % cumulative irredeemable preference shares	30 June
Second dividend payment for 8 $\frac{3}{8}$ % cumulative irredeemable preference shares	30 September
Second dividend payment for 8 $\frac{3}{4}$ % cumulative irredeemable preference shares	31 December

**Share dealing**

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 to sell their shares. Shareholders in any doubt about buying or selling their shares should seek professional financial advice.

*Share dealing facilities for UK shareholders/share account members* – You can buy or sell shares via the internet or by telephone through **Shareview Dealing**, a share dealing service provided by Lloyds TSB Registrars. For internet purchases and sales log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing) and for telephone purchases and sales call 0870 850 0852 between 8.00am and 4.30pm, Monday to Friday. All 0870 numbers are charged at national rates, and are only available if you are calling from the UK. Lloyds TSB Registrars is authorised and regulated by the Financial Services Authority, registered number 119278.

To buy or sell shares over the telephone, shareholders can contact **Barclays Stockbrokers** on 0870 549 3002 (for shareholders with a share certificate) or 0870 549 3001 (for shareholders with a share account statement). To check instructions and maintain high quality service standards, Barclays Stockbrokers may record and monitor calls. New Business Development hours are between 8.00am and 6.00pm Monday to Friday, excluding Bank Holidays. Barclays Stockbrokers is authorised and regulated by the Financial Services Authority, registered number 124247.

**NatWest Stockbrokers** provide a Share Dealing Service either over the telephone or at certain NatWest branches for Aviva Share Account holders only. For more information contact NatWest Stockbrokers on 0845 122 0689. NatWest Stockbrokers Limited (NWS) is a member of the London Stock Exchange and PLUS. NWS is authorised and regulated by the Financial Services Authority, registered number 124395. Registered Office: Waterhouse Square, 138-142 Holborn, London EC1N 2TH. Registered Number 1959479, England. NWS is operated by a joint venture between The Royal Bank of Scotland Group plc and The Toronto-Dominion Bank.

*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 from being offered to US, Canadian and Australian residents. Settlement proceeds will be sent to either a UK sterling bank account or by sterling cheque.

*Share price* – Shareholders can access the current share price of Aviva plc ordinary shares at [www.aviva.com](http://www.aviva.com) or alternatively can call 0906 843 2197. Calls are currently charged at 60 pence per minute at all times. The average time to access the share price is approximately one minute.

# Shareholder services and information continued



## Useful contact details

Detailed below are the contact details and 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 the shares are held, in all correspondence. If you have a shareholder reference, please have this available as well.

## General shareholding, administration queries and Aviva share account queries:

Lloyds TSB Registrars, The Causeway,  
Worthing, West Sussex BN99 6DA.

T: 0870 600 3952

[www.shareview.co.uk](http://www.shareview.co.uk)

email: [aviva@lloydstsb-registrars.co.uk](mailto:aviva@lloydstsb-registrars.co.uk)

## Corporate and single company Peps:

Barclays Stockbrokers Limited,  
Tay House, 300 Bath Street, Glasgow G2 4LH.

T: 0870 514 3263.

[www.stockbrokers.barclays.co.uk](http://www.stockbrokers.barclays.co.uk)

## Individual Savings Accounts (ISAs):

Lloyds TSB Registrars (ISA Manager),  
The Causeway, Worthing, West Sussex BN99 6DA.

T: 0870 242 4244



## Internet sites

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

Aviva Group [www.aviva.com](http://www.aviva.com)

UK long-term savings  
and general insurance [www.norwichunion.com](http://www.norwichunion.com)

Fund management [www.morleyfm.com](http://www.morleyfm.com)

Aviva worldwide internet sites [www.aviva.com/websites](http://www.aviva.com/websites)



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