News release

25 February 2004

PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 31 DECEMBER 2003

- Strong performance in both long-term savings and general insurance businesses
- Robust life results: good sales growth in Continental Europe; signs of confidence returning to UK market; margins up to 26.1%
- Significant growth from bancassurance: sales up 27%; now accounts for 25% of new life and pensions sales; average margins 39.7%
- Excellent and sustainable general insurance results with new group combined operating ratio target of 100% for next three years
- Strong capital position and well-prepared for new UK realistic reporting regime

Richard Harvey, group chief executive, commented:

"These are strong results. Our distribution partnerships in Europe have made a significant contribution to our life results. Once again, our general insurance business has shown that its scale and focused approach can deliver excellent and sustainable results.

"We've driven improvement in our life business margins through pricing and expense control. We've also made operational improvements and reduced costs across the Group in a very competitive market.

"Aviva is fit for the future with a strong capital position. We welcome the new UK realistic reporting regime and are well-prepared for it.

"Investment markets are showing signs of recovery and some consumer confidence is returning. We believe Aviva is the best-placed life company in Europe to capture the market upturn, gaining competitive advantage from our extensive distribution networks, strong market positions and financial strength."

Highlights	**FY 03**	**FY 02**	**Growth in constant currency**
Operating profit before tax – achieved profit basis*	£1,907m	£1,720m	6%
Operating profit before tax – modified statutory basis**	£1,490m	£1,218m	17%
Worldwide new business sales#	£14,433m	£14,646m	(5%)
Total dividend per share	24.15p	23p	5%
Earnings per share – achieved profit basis*	53.2p	48.3p	
Earnings per share – modified statutory basis**	44.0p	34.8p	
Total shareholders' funds***	£11,165m	£9,668m	
Return on capital employed†	12.7%	9.7%	
Net asset value per share	502p	433p	

* From continuing operations, including life achieved operating profit, before amortisation of goodwill and exceptional items.
** From continuing operations, before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
*** Measured on an embedded value basis.
# From continuing operations, including share of associates' premiums.
† From continuing operations.
All growth rates quoted are at constant rates of exchange.

GROUP CHIEF EXECUTIVE'S STATEMENT

This is a strong set of results with good performances from both our long-term savings and general insurance businesses. During 2003 we took action to improve pricing and operational efficiency and to target business in the most profitable product areas. It is pleasing to see these measures already benefiting our results with operating profit before tax on an achieved profit basis increasing by 6% to £1,907 million (2002: £1,720 million), including higher life margins and an improved COR of 100%. Our return on capital increased to 12.7% (2002: 9.7%) meeting the Group's target of 10% net real.

The balance sheet strengthened in the year including the benefit of retained profits in excess of £1 billion, driven by this strong operating performance, and some recovery in global investment markets. The net asset value per share grew to 502p.

The Board has recommended a final dividend of 15.15 pence per share producing full year dividend growth of 5% to 24.15 pence and dividend cover of 1.82 times modified statutory earnings. This is in line with the Group's dividend policy of growing the dividend by approximately 5% per annum, whilst looking to sustain a target cover in a range of 1.5 to 2.0 times operating earnings after tax on a modified statutory basis.

Long-term savings

Many of our major life operations grew their market share during the year and at the same time increased margins on new business written. We regained our number one position in the UK and in Spain we have built the number one life business in just a three-year period.

New business margins increased to 26.1% (2002: 24.4%), with the new business contribution at £621 million ahead by 3%, against a backdrop of sales being 3% lower at £2,377 million. Total life achieved operating profit was £1,555 million (2002: £1,524 million).

We made good progress in our important Continental European markets with improved margins of 29.8% (2002: 25.7%). These businesses continue to provide opportunities for us to expand in lower-penetrated markets including Spain and Italy which offer superior medium-term growth potential. We have established our platform in Eastern Europe and have quickly developed new business sales in Singapore and Hong Kong and have made a very promising start in India and China.

Our bancassurance partnerships continue to provide strong growth. New business sales increased by 27% to £563 million on an APE basis and include for the first time, sales from our new partnership with ABN AMRO in the Netherlands. Margins on bancassurance sales improved to 39.7% (2002: 35.1%). In 2004 we aim to build on our existing relationships and towards the end of the year our partnership with Crédit du Nord in France will become operational.

General insurance

In general insurance we have built a sustainable profit-generating model and our actuarial analysis suggests that our claims reserves across the Group are now extremely strong. We have set ourselves a COR target of 100% across the Group for each of the next three years.

Our focus on personal and small commercial business following our exit from long-tail risks underpins the continuing strong profits from our general insurance business. The operating result of £911 million (2002: £881 million) was achieved even though investment returns were £61 million lower than in 2002.

The worldwide combined operating ratio was 100% (2002: 102%) with particularly strong results in the UK and Ireland, of 99% and 97%, respectively. The worldwide COR includes the £70 million first-half impact of the shortfall in claims reserves relating to prior years in our Canadian subsidiary, Pilot Insurance Company. Excluding this impact, the underlying Group COR was 99%. During the year we have expensed an additional £58 million in developments that will improve underwriting capability and efficiency going forward. In an increasingly competitive market we continue to achieve rating increases across both our personal and commercial lines.

Financial strength

Total shareholders' funds on an achieved profit basis were £11.2 billion at 31 December 2003 (31 December 2002: £9.7 billion).

We continue to manage the capital of the group prudently. During the year we took the opportunity to lock into attractive financing rates through a £1.6 billion subordinated debt issue, to provide us with capital for future growth.

In the UK, we have actively supported the move by regulators towards realistic capital assessment and reporting. We have assessed our UK with-profits funds under the new realistic regime and the solvency position of our life operations remains strong. The orphan estate measured on the realistic basis totalled £4.3 billion after the fair value of the guarantees, options and promises of £4.9 billion on a market consistent basis.

Cost savings

One of our key objectives in 2003 was to reduce costs and improve our operational efficiency. Through a series of initiatives that we announced in the course of the year we expect to deliver annualised cost savings of £250 million.

The net pre-tax benefit to the profit and loss account for the year was £65 million after incurring one-off costs of £100 million representing the costs associated with achieving these savings and the increased cost of our global financial transformation programme (GFTP).

In order to complete these expense saving initiatives and further work on GFTP increased costs of £140 million (relative to the 2002 cost base) will be incurred in 2004. We estimate that the resulting net pre-tax benefit to the profit and loss account in 2004, relative to 2002, will be £85 million. The full realisation of the actions announced in 2003 will deliver estimated annualised gross savings of £250 million. Improving operational efficiency remains a focus for management.

UK fund management

Following the retirement of Philip Twyman on 31st March 2004, Philip Scott will become non-executive chairman of Morley Investment Holdings Ltd (MIHL). In addition to his existing responsibilities as executive director for Aviva's non-UK life companies, he will represent Morley at the Aviva main board. Keith Jones, chief executive officer of Morley, will continue overall executive responsibility for Morley.

It is the intention to appoint Andrew Moss to the board of MIHL, as non-executive director, when he joins Aviva later this year. The appointment of Andrew Moss as group finance director, Aviva plc, was previously announced on 29th January 2004. He will bring considerable international experience to MIHL from his previous appointments with HSBC.

Outlook

We believe that the prospects for growth in 2004 in our long-term savings businesses are encouraging, with evidence that investors are gaining confidence.

Aviva is one of the best-placed life companies in Europe to benefit from an upturn with our leading market positions, strong brands, unit-linked skills and the pensions expertise to benefit from widespread reforms. Our bancassurance partnerships in Europe and Asia are still at a relatively early stage of development and we expect further growth as these ventures mature. We will continue to focus on value ahead of volume.

In general insurance, our strict adherence to operational disciplines of focused underwriting and efficient claims handling will continue to deliver strong, sustainable earnings.

Richard Harvey
Group chief executive

NEWSWIRES: There will be a conference call today for wire services at 8:15am on +44 (0) 20 7019 9513 Quote: Aviva, Richard Harvey.

ANALYSTS: A presentation to investors and analysts will take place at 9:30am (GMT) at St Helen's, 1 Undershaft, London, EC3P 3DQ. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Group's website www.aviva.com or on www.cantos.com. In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0) 207 019 9509. A replay facility will be available for two weeks on +44 (0) 207 784 1024. The pass code is 415541# for the whole presentation including Question & Answer session or 585224# for Question & Answer session only.

The presentation slides will be available on the Group's website, www.aviva.com/investors/presentations.cfm from 9am (GMT).

Photographs are available from the Aviva media centre at www.aviva.com/media.

Notes to editors

- Aviva is one of the leading providers of life and pensions to Europe with substantial positions in other markets around the world, making it the world's seventh-largest insurance group based on gross worldwide premiums.

- Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide premium income and retail investment sales from continuing operations of £30 billion and assets under management of around £240 billion.

- Overseas currency results are translated at average exchange rates.

- All growth rates are quoted in local currency.

- This preliminary announcement may contain "forward looking statements" with respect to certain of Aviva's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Aviva's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Aviva and its affiliates operate. As a result, Aviva's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Aviva's forward-looking statements.

  Aviva undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements we may make.

Financial calendar 2004

Ex-dividend date (ordinary shares)	24 March 2004
Record date (ordinary shares)	26 March 2004
Annual General Meeting	27 April 2004
Announcement of long-term savings new business for 3 months to 31 March 2004	5 May 2004
Payment date (ordinary shares)	17 May 2004
Announcement of unaudited six months' interim results	4 August 2004
Announcement of long-term savings new business for 9 months to 30 September 2004	2 November 2004

Contents

OPERATING AND FINANCIAL REVIEW

Group operating profit before tax

The Group achieved an operating profit before tax, including life achieved operating profit, from continuing operations up 6% at constant exchange rates to £1,907 million (2002: £1,720 million). On a modified statutory basis, the operating profit from continuing operations was up 17% to £1,490 million (2002: £1,218 million).

In calculating the current year Group operating profit from continuing operations, we have included the results of operations acquired. We have excluded the results of our Australian and New Zealand general insurance businesses, the sale of which completed in December 2002, from the prior year operating profit from continuing operations.

	2003 £m	2002 £m
Achieved operating profit before tax – continuing operations	**1,907**	**1,720**
Discontinued operations – Australia and New Zealand general insurance operations	-	78
	1,907	**1,798**
Amortisation of goodwill	(103)	(135)
Change in claims equalisation provision	(49)	(57)
Exceptional costs for termination of operations	(19)	-
Loss on sale of subsidiary undertakings	(6)	(4)
Effect of economic assumption changes	11	(561)
Short-term fluctuations in investment return – general insurance and shareholder business	83	(1,184)
Variation from longer-term investment return – life business	683	(2,320)
Profit/(loss) on ordinary activities before tax – achieved profit basis	**2,507**	**(2,463)**
Profit/(loss) on ordinary activities before tax – modified statutory basis	1,390	(282)

The increase in the achieved operating profit before tax on continuing operations is attributed to a very strong performance from both our life and general insurance operations, notwithstanding the lower contribution to operating profit from investment returns. As indicated at the time of the 2002 preliminary announcement, investment returns in 2003 were lower than the 2002 equivalent period by £188 million in respect of our life, general insurance and health businesses, reflecting the impact of lower asset values at the beginning of the year.

Achieved operating profit in the year has been driven by a strong performance across our general insurance businesses resulting in an improved underwriting profit of £91 million. This operational performance resulted in increased underwriting profits of £121 million, better than expected weather-related claims contributed a further £40 million, which were offset by a charge in respect of prior year reserves of £70 million in Pilot. Furthermore in our life operations we have seen a year on year improvement in experience and operating assumption related profitability of £127 million. The impact of our cost initiatives has also delivered £65 million to the profit and loss account, and we have seen improvements in a number of our other non-insurance businesses and incurred a lower level of interest costs on our external and internal debt, which combined, total £92 million.

The strong performance in our general insurance businesses and the impact of the cost savings initiatives combined with improvements in results from our non-insurance operations have also increased the modified statutory operating profit. The improvement in the modified statutory life profit reflects a combination of factors including lower new business strain in the UK, Poland and Ireland, improved investment returns in the Netherlands, France and the US and the impact of changes arising out of the normal year-end reserving reviews in Poland.

The profit before tax on a modified statutory basis was £1,390 million (2002: loss of £282 million). This improvement reflects the strong operational performances of our businesses and the surplus of £83 million (2002: shortfall of £1,184 million) in the actual investment return earned in the period compared to the return based on the Group's longer-term investment return assumptions. This follows a partial recovery across equity markets during 2003, generating investment gains on equities held by the Group's non-life operations, particularly in the UK and the Netherlands where the FTSE All-Share index and the AEX index have risen by around 17% and 5% respectively since 31 December 2002.

On an achieved profit basis the profit before tax was £2,507 million (2002: loss of £2,463 million), which includes a positive variation from the longer-term investment return of £683 million (2002: negative variance of £2,320 million) and the impact of economic assumption changes of £11 million (2002: loss of £561 million). The variance from the longer term investment return reflects the impact of unrealised gains following improved investment market conditions during the year on the Group's life embedded value.

The taxation charge for the period was £753 million (2002: tax credit of £451 million) on the achieved profit basis and includes £561 million in respect of the operating profit from continuing operations, which is equivalent to an effective rate of 29.4% (2002: 30.9%). On a modified statutory basis the effective rate on operating profit from continuing operations amounted to 27.0% (2002: 30.4%). The decrease in the tax rate reflects the use of unrecognised capital losses and an increased proportion of profits arising from our overseas businesses which bear a lower tax charge than that levied in the UK.

Long-term savings

Worldwide new business sales were £14.4 billion (2002: £14.6 billion) which reflected the ongoing investor caution in 2003. Across our Continental European businesses, our life and pension sales were up 6% on an APE basis to £1,122 million (2002: £967 million) with strong performances in Italy, Spain and the Netherlands. In the UK, life and pension sales were lower on an APE basis at £1,068 million (2002: £1,231 million) on an APE basis although we have seen steady quarterly sales in 2003. Total worldwide life and pension sales on an APE basis were £2,377 million (2002: £2,373 million). Retail investment sales were £1,141 million (2002: £1,028 million) reflecting continued investor caution towards equity-backed products.

	2003			Local currency growth		
	Life and pensions £m	Retail investments £m	Total £m	Life and pensions %	Retail investments %	Total %
Long-term savings sales						
United Kingdom	5,870	680	6,550	(14%)	22%	(11%)
Europe (excluding UK)	6,569	363	6,932	3%	62%	5%
International	853	98	951	(8%)	(67%)	(22%)
	13,292	**1,141**	**14,433**	**(6%)**	**6%**	**(5%)**
Navigator	-	625	625	-	(29%)	(29%)

Investment markets are showing signs of recovery and some stability is returning. We believe that the prospects for growth in 2004 are encouraging, with evidence that a degree of investor confidence is returning.

Life achieved operating profit

		2003 £m	2002 £m
New business contribution (after the effect of solvency margin)		472	452
Profit from existing business	– expected return	757	849
	– experience variances	(12)	(110)
	– operating assumption changes	38	9
Expected return on shareholders' net worth		300	324
Life achieved operating profit before tax		**1,555**	**1,524**

Life achieved operating profit before tax was higher at £1,555 million (2002: £1,524 million) driven by higher new business margins and higher operational profits from existing business. As anticipated, expected returns on existing business and shareholders' net worth were lower at £1,057 million (2002: £1,173 million) due to the application of lower start of the year economic assumptions to a lower opening embedded value. Our worldwide margin increased to 26.1% (2002: 24.4%) due in part to pricing action, cost control initiatives, business mix and a greater proportion of business from the higher margin bancassurance arrangements. The net charge of £123 million for the change in UK annuitant mortality assumptions made in 2002 did not recur in 2003. Excluding this charge, the movement in experience variances and operating assumption changes was largely unchanged year on year.

	Annual premium equivalent(1)		New business contribution(2)		New business margin(3)	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 %	2002 %
Life and pensions business						
United Kingdom	1,068	1,231	241	290	22.6%	23.6%
Europe (excluding UK)	1,122	967	334	249	29.8%	25.7%
International	187	175	46	39	24.6%	22.2%
	2,377	**2,373**	**621**	**578**	**26.1%**	**24.4%**

(1) Annual premium equivalent represents regular premiums plus 10% of single premiums.
(2) Before effect of solvency margin which amounted to £149 million (2002: £126 million).
(3) New business margin represents the ratio of new business contribution to annual premium equivalent, expressed as a percentage.

	Annual premium equivalent[1]		New business contribution[2]		New business margin [3]	
	2003 £m	2002 £m	2003 £m	2002 £m	2003 %	2002 %
Attributable to equity shareholders	2,108	2,189	272	278	12.9%	12.7%
Analysed between:						
- Bancassurance channels	312	260	65	48	20.8%	18.5%
- Other distribution channels	1,796	1,929	207	230	11.5%	11.9%

(1) Stated after deducting the minority interest of sales.
(2) Contribution stated after deducting cost of capital, tax and minority interest.
(3) New business margin represents the ratio of new business contribution after deducting cost of capital, tax and minority interest to annual premium income after deducting the minority share expressed as a percentage.

New business contribution – after minority interest, tax and cost of capital
New business margins after the cost of capital, tax and the deduction of the minority interest was 12.9% (2002: 12.7%), driven by the increasing proportion of higher margins from bancassurance arrangements with our joint venture partners in Spain and the Netherlands.

UK
In 2003 Norwich Union reported total life and pension sales of £1,068 million (2002: £1,231 million) on an APE basis and regained its position as the leading provider of life and pensions products in a difficult market with a market share of around 12%. Norwich Union has top three market positions in all the key product categories of pensions, annuities, investments and protection. We have seen some signs of recovery in investment markets, but investor confidence is only slowly beginning to return. New business contribution was £241 million (2002: £290 million) with a full year new business margin of 22.6% (2002: 23.6%). The adverse impact on the 2003 margin of the lower start of year economic assumptions was partly offset by the benefits of pricing and improved operational efficiency. The impact of changes in business mix is broadly neutral year on year.

Life achieved operating profit was lower at £659 million (2002: £699 million). The reduction reflects lower contribution to profits from new business and as anticipated an adverse impact of £104 million due to lower expected returns on the lower opening embedded value. Negative consumer sentiment towards savings contracts has resulted in an increased level of lapses. During 2003 our UK business reported lapse experience losses of £24 million and we have strengthened our assumptions with a further adverse charge of £46 million. This effect has been partially offset by mortality profits of £47 million as our actual experience was better than our assumptions.

Europe (excluding UK)
Our Continental European operations delivered good new business life and pensions growth of 6% up to £1,122 million (2002: £967 million) on an APE basis, with particularly strong performances from our bancassurance partnerships in Italy, Spain and the Netherlands. Margins for the year were 29.8% (2002: 25.7%) reflecting improved business mix and the greater proportion of sales through bancassurance channels.

France: Aviva France reported resilient new business sales of £241 million (2002: £223 million) on an APE basis, with underlying growth of 4% after excluding £13 million of 2002 sales on an APE basis relating to the group protection business sold to Médéric with effect from 1 January 2003. Sales of single premium euro products through our partnership with AFER increased to £1,157 million (2002: £983 million) and further strengthening of our relationship during late 2003 provides confidence for the future development of this business. New business contribution was £70 million (2002: £69 million) with a margin of 29.0% (2002: 30.9%). Life achieved operating profit was £220 million (2002: £228 million).

Ireland: Hibernian, the third largest Irish life and pensions provider, reported lower new business sales of £81 million (2002: £103 million) on an APE basis, although 2002 regular premiums included sales of the Governments' Special Savings Incentive Account (SSIA) amounting to £23 million (on an APE basis), which closed in April 2002. There was strong growth in group pension sales in the final quarter of 2003, although sales of the Personal Retirement Savings Account (PRSA) have been initially slow across the market and we expect it will take time to build momentum. New business contribution was £23 million (2002: £29 million) and new business margins were maintained at 28.5% (2002: 28.2%). Life achieved operating profit was £65 million (2002: £75 million).

Italy: Total sales from our Italian business increased by 15% to £194 million (2002: £153 million) on an APE basis driven by our bancassurance distribution network. Included are one-off sales in the first half of £19 million on an APE basis. Total new business contribution increased to £45 million (2002: £38 million) with margins of 23.2% (2002: 24.9%). Life achieved operating profit was £70 million (2002: £52 million).

Netherlands (including Belgium and Luxembourg): In 2003, our top-five life and pensions business, Delta Lloyd, reported total sales of £224 million (2002: £158 million) on an APE basis. This reflects the benefit of first year sales from our new bancassurance agreement with ABN AMRO of £50 million on an APE basis and strong group pension sales in the fourth quarter. New business contribution increased to £62 million (2002: £21 million) with new business margins of 27.7% (2002: 13.3%), reflecting favorable business mix and the ABN AMRO business coming on line in 2003. Margins on our new agreement with ABN AMRO were 32.2% (2002: nil). Life achieved operating profit was £189 million (2002: £200 million) and includes adverse experience variances totalling £58 million, of which £36 million relates to ongoing development spend and one-off project costs.

Poland: Although market conditions remain challenging, CU Polska continues to be one of the market leaders and reported total new business sales of £35 million (2002: £48 million) on an APE basis. New business contribution was lower at £3 million (2002: £10 million). Reduced volumes have impacted new business margins which were lower at 8.5% (2002: 20.8%). Life achieved operating profit was £104 million (2002: £111 million).

Spain: Our bancassurance businesses delivered strong results in 2003 and as a result Aviva Spain is now ranked the number one business in the Spanish life market. Total sales on an APE basis increased by 18% to £246 million (2002: £189 million) demonstrating the strength of our distribution network. New business contribution increased by 41% to £134 million (2002: £87 million), with new business margins of 54.4% (2002: 45.9%). Life achieved operating profit was £158 million (2002: £83 million).

International

Total life and pensions new business sales were £187 million (2002: £175 million) on an APE basis including sales through our developing businesses in Singapore, India and China. Sales in the US slowed in the latter part of 2003 as the market has become increasingly competitive. New business contribution was £46 million (2002: £39 million) with margins of 24.6% (2002: 22.2%) benefiting from higher margin sales in Asia. Life achieved operating profit from our International businesses increased to £81 million (2002: £78 million), including a £17 million benefit from the change in risk margins in respect of our US and Australian life operations.

Sales through our partnerships in India and China continued to progress well with total sales of £9 million and £3 million respectively. Our share of these sales amounted to £2 million in India and £1 million in China, representing our 26% and 50% share of the business respectively. Our joint venture life business with Dabur Group in India is now the ninth largest in the market. Distribution is through a number of bancassurance partnerships including Canara Bank and a direct sales force. In China, we have recently applied for licenses to operate in Beijing and Chengdu.

Bancassurance margins

Before cost of capital, tax and minority interests

Bancassurance new business margins before cost of capital, tax and minority interests were 39.7% (2002: 35.1%). In the UK, new business margins from life and pensions sales through our partnership with the Royal Bank of Scotland Group (RBSG) decreased to 17.9% (2002: 21.5%), following the significant fall in with-profit bond business as a result of volatile investment markets and lack of investor confidence. In the second half of the year margins increased as a result of the actions we took to enhance productivity and improve cost efficiency. New business bancassurance margins in Italy and Spain were 23.4% and 59.4% (2002: 24.9% and 51.3%) respectively. Our new bancassurance agreement with ABN AMRO in the Netherlands generated margins of 32.2%. New business bancassurance margins from our partnership with DBS in Singapore and Hong Kong were 43.7% (2002: 29.4%) and reflect the impact of our increased focus on higher margin regular premium sales.

Life operating profit on a modified statutory basis

On a modified statutory basis, our life operating profit amounted to £1,138 million (2002: £1,022 million). As a result of falling annual and final bonus rates, our UK with-profit result has decreased to £145 million (2002: £190 million), although in the second half of 2003 the special bonus awarded to whole life policies contributed £11 million to shareholders. The non-profit result of £449 million (2002: £436 million) reflects lower new business strain arising from changes in business mix.

In Continental Europe, life modified statutory profit increased to £506 million (2002: £387 million) with strong results across most of our businesses, particularly in France, Spain and Poland. The French operating profit increased to £179 million (2002: £142 million) driven by higher unit-linked sales in the second half as equity markets showed some recovery. Operating profit in the Netherlands also benefited from a recovery in investment market conditions and higher interest rates. In Poland, operating profit increased to £103 million (2002: £66 million) driven by the improved investment returns and a one-off benefit of £21 million following recent regulatory changes in the level of required reserves on pensions business. Operating profit in Spain increased to £50 million (2002: £27 million) largely driven by higher investment returns and the impact of higher volumes of risk business which delivers statutory earnings in the first year.

Operating profit from our International businesses improved to £38 million (2002: £9 million) primarily as a result of reduced new business strain due to product mix and increased investment income.

Health

Premium income after reinsurance from our health business was £1,066 million (2002: £928 million), with total operating profit of £61 million (2002: £61 million). Our business in the Netherlands continued to be the main contributor to the results with operating profit of £39 million (2002: £42 million).

Fund management

The partial recovery across global equity markets during 2003 resulted in increased operating profits of £10 million (2002: £5 million) for our worldwide fund management operations. Assets under management at 31 December 2003 increased to £240 billion (2002: £208 billion), driven by the benefit of new business flows in the period and the improvement in worldwide investment markets.

Our UK fund management business comprises Morley Fund Management, a retail and institutional business, a retail investment business operating as Norwich Union, and our new collective investment business with RBSG. These businesses reported a loss of £6 million (2002: loss of £12 million) in aggregate.

Morley's UK operations reported a profit of £3 million (2002: £4 million). This result reflects an improvement in fee income and lower operating costs offset by the one-off costs associated with the centralisation of our international equity expertise, the recently announced venture with JPMorgan Investment Services and the reallocation of £3 million relating to group profit share and other incentive schemes, previously included within corporate costs. Within the Group results are additional profits of £6 million relating to other Morley businesses including the pooled pensions business and overseas operations.

The loss from our Norwich Union retail investment operations improved to £3 million (2002: loss of £16 million) benefiting from changes to commission charges on our ISA products. The loss of £6 million reported by our new collective investment vehicle includes £7 million of development costs following the launch of the vehicle to sell collective investments business with The Royal Bank of Scotland Group.

Aviva Gestion d'Actifs, our award-winning fund management operations in France, reported an operating profit of £13 million (2002: £11 million). In Australia our multi-manager fund administration business, Navigator, reported lower sales of £617 million (2002: £797 million) reflecting investor sentiment towards equity-backed products. These sales are excluded from the Group's headline new business figures. Sales from our Navigator business in Singapore were £8 million (2002: nil). The embedded value of our Navigator Australian business was £44 million (2002: £36 million).

General insurance

Our worldwide general insurance operations reported excellent results with total operating profit of £911 million (2002: £881 million). For the third year running we are seeing the benefits of our strategy of focusing on personal and small commercial business and our achievements continue to be underpinned by our strict adherence to our operational disciplines of focused underwriting and efficient claims handling. Our worldwide combined operating ratio (COR) improved to 100% (2002: 102%), with the UK and Ireland reporting CORs of 99% and 97% respectively. We are targeting a Group COR of 100% for each of the next three years across the business.

As anticipated at the start of 2003, the longer-term investment return on general insurance business assets fell to £965 million (2002: £1,026 million). This reflects the lower start of year asset values which had been depressed by falling investment markets, partially offset by the impact of the appreciation of the euro and additional returns on assets acquired during the year.

The underwriting result improved to a loss of £54 million (2002: loss of £145 million) including the benefit of better than expected weather-related claims experience of £40 million. The result bears a first half charge in respect of the £70 million impact of the shortfall in claims reserves relating to prior years identified in our Canadian subsidiary, Pilot. The worldwide expense ratio from continuing operations was 11.3% (2002: 11.3%) notwithstanding an allocation to the result of £43 million of group profit share and other incentive plan costs which were previously reported in corporate costs and upfront costs associated with our savings initiatives of £58 million. The underlying improvement reflects our continued focus on driving costs out of the business and achieving enhanced efficiencies.

	Underwriting result*		**Operating profit***	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
United Kingdom	50	(52)	676	611
Europe (excluding UK)	6	(60)	193	153
International	(110)	(33)	42	117
Continuing operations	**(54)**	**(145)**	**911**	**881**
Discontinued operations	**-**	**7**	**-**	**78**

* Excludes the change in the equalisation provision of £49 million (2002: £57 million).

UK

A focused and disciplined approach remains at the core of our general insurance strategy. Our success is evident in the continued delivery of good quality earnings from market-leading positions in personal insurance and selected commercial lines. Sustainable profitability gives us a solid platform upon which we can invest for the future. Our position enables us to provide high quality service, increase access to our customers and broaden our range of propositions, such as the growth of NU Rescue and the introduction of car and electrical goods purchasing.

We have achieved an excellent COR of 99% (2002: 101%). The result includes a benefit of favourable weather-related claims in the year, and although this was partially offset by a small increase in subsidence costs, we saw a benefit of £30 million. The strength of our UK reserves will enable us to raise the net retention on our UK catastrophe reinsurance programme by at least £50 million.

The COR from our personal lines business has remained steady at 101% (2002: 101%). Although the market remains competitive, we have achieved rate increases of 3% for personal motor and 4% for homeowners, slightly higher than in 2002. A targeted approach to pricing has enabled us to maintain a profitable book.

In commercial lines business, our net written premiums have increased by 11% to £2.1 billion and we have achieved a COR of 96% (2002: 102%). We remain focused on the small commercial business sector, where we lead the market having achieved annualised rating increases of 25% for commercial liability and 12% for commercial property.

Our expense ratio for 2003 was 10.5% (2002: 10.4%). This has been achieved after absorbing £39 million profit share and other incentive plan costs that were previously carried in corporate costs. Expenses in 2003 also included £58 million in respect of an operational efficiency review and upfront costs associated with our operations in India, both of which will deliver ongoing savings. Continued focus on cost management provides opportunities to invest in further initiatives for the future and we are targeting an expense ratio of 10% for 2004.

In February 2004 we announced the closure of our UK national broker subsidiary, Hill House Hammond ('HHH'), by the end of 2004 and the sale of its commercial business. As a result of the closure 1,600 jobs will be lost, however around 400 staff will be re-deployed through our UK operations. In addition we will be creating over 450 new jobs in call centres in the UK to help handle anticipated business as personal lines customers will be invited to transfer to Norwich Union Direct. The associated costs of these changes will be around £60 million (post-tax £52 million) and will be reported as an exceptional item in 2004.

Europe (excluding UK)
In Europe, our general insurance businesses produced total operating profit of £193 million (2002: £153 million) with improvements in performance in Ireland and the Netherlands following better than expected weather-related claims in 2003 of £10 million.

In France our business reported an improvement in the underwriting result to a loss of £9 million (2002: loss of £14 million) with a COR of 102% (2002: 102%), despite the costs of the floods in December. The longer-term investment return in France was lower at £44 million (2002: £61 million) reflecting the reduced asset base following the disposal of CGU Courtage and the sale of Société Générale shares to effect the early redemption of the debenture bond in July 2002.

Hibernian, our market-leading general insurance business in Ireland, reported an excellent operating profit of £91 million (2002: £44 million) with a COR of 97% (2002: 100%). This result has been driven by the strong rating actions in the latter part of 2002 combined with a benign claims environment and better than expected weather-related claims of £7 million. We anticipate that the market will be becoming increasingly competitive as capacity increases in 2004.

In the Netherlands operating profit increased to £35 million (2002: £13 million) reflecting the inclusion of the results from our profitable ABN AMRO general insurance operations whose COR was 93%. Furthermore, the shared service centre commenced at the end of 2003 and is expected to bring benefits through increased efficiency in 2004.

International
Our International businesses recorded an operating profit from continuing operations of £42 million (2002: £117 million) predominantly driven by a lower operating result in Canada.

Our Canadian general insurance business reported lower operating profits of £12 million (2002: £80 million) and a COR of 108% (2002: 102%). This result includes the impact in the first half of the shortfall in claims reserves relating to prior years in Pilot of £70 million. Excluding the impact of Pilot, the underlying COR of our Canadian business was 101%. The operating profit from our other international businesses of £30 million (2002: £37 million) includes the results of the Group's captive and improved results from our Asian businesses.

Non-insurance operations
The result of the Group's non-insurance operations improved significantly to a loss of £64 million (2002: loss of £99 million), which is primarily due to non-recurring spend by our UK wealth management project. The loss in the period also includes an allocation of £30 million in respect of group profit share and other incentive plan costs, which were previously included within corporate costs.

The loss in our UK Life Services Company is unchanged at £54 million (2002: loss of £54 million). The unrelenting pace of regulatory change has meant that we have continued to invest in improving our systems capability. The impact of our cost savings initiatives have been offset by the allocation of £15 million of corporate costs in 2003.

Corporate costs
Corporate costs were lower in the year at £160 million (2002: £218 million). With effect from 1 January 2003, costs arising from bonus plans and staff share schemes have been formally allocated to business operations. A total of £76 million of such costs have been included in business unit operating results in 2003.

Costs from the global finance transformation programme totalled £60 million for 2003 (2002: £26 million). The main activity of the programme will be in 2004, when costs are expected to be up to £100 million, tailing off thereafter.

Unallocated interest charges
Unallocated interest charges comprise internal and external interest on external borrowings, subordinated debt and intra-group loans not allocated to local business operations. Total interest costs were £406 million (2002: £434 million). External interest costs were £210 million (2002: £206 million), and include the additional interest charge of £25 million on the subordinated debt issued in September 2003 offset by the impact of interest rate falls and the repayment of senior debt. Internal interest costs fell to £196 million (2002: £228 million) largely as a result of a lower average level of internal debt during 2003. We anticipate that interest costs in 2004 will be higher as a result of a full year's interest charge on the subordinated debt.

Cost savings
One of our key objectives for 2003 has been to focus on reducing costs and improving our operational efficiency. In 2003 we have announced and taken actions to reduce our costs base through a series of initiatives. We have increased hurdle rates on new developments and internal projects.

The table below summarises the benefit to the profit and loss account for 2003 and 2004 relative to the 2002 expense base.

	Annualised savings	Earned savings	One-off costs*	Benefit to the profit and loss account
	£m	£m	£m	£m
Relative to 2002:				
2003 expenses	250	165	(100)	65
2004 expenses	250	225	(140)	85

* includes increased costs of GFTP of £34 million in 2003 and £74 million in 2004

In 2003 we announced a series of job reductions across our UK life and general insurance operations and a total of 3,700 new jobs in India to service the Group's UK life and general insurance businesses and our general insurance operations in Canada. In 2003, total upfront costs incurred on these initiatives were £66 million with an equivalent amount in 2004.

Our expense saving initiatives are expected to deliver total estimated annualised savings of £250 million. The net pre-tax benefit to the profit and loss account in 2003 was £65 million after bearing one-off costs of £66 million representing the costs associated with achieving these savings and the increased cost of our global financial transformation programme of £34 million.

The net pre-tax benefit to the profit and loss account is shown below for each business unit.

	Earned savings	One-off costs	Benefit to the profit and loss account
	£m	£m	£m
UK Life	33	(8)	25
UK General insurance	98	(58)	40
Other businesses	18	-	18
Corporate costs	16	(34)	(18)
	165	(100)	65

In 2004 the net pre-tax benefit to the profit and loss account is estimated to be £85 million. This represents the realisation of a substantial part of the £250 million annualised savings achieved, offset by the remainder of the upfront costs and the increased cost in 2004 of our global financial transformation programme.

The realisation of the actions announced in 2003 will deliver estimated annualised gross savings of £250 million in 2005.

Dividend

The Board has recommended a final dividend of 15.15 pence net per share (2002: 14.25 pence) payable on 17 May 2004 to shareholders on the register on 26 March 2004. This equates to 5% growth in the total dividend for 2003 of 24.15 pence (2002: 23 pence). The dividend cover for the year ended 31 December 2003 increased significantly to 1.82 times (2002: 1.51 times) the operating earnings after tax, measured on a modified statutory solvency basis. This is within the Group's stated target range of 1.5 to 2 times.

Group capital and financial strength

Shareholders' funds

Equity shareholders' funds on an achieved profit basis increased to £11.0 billion (31 December 2002: £9.5 billion) primarily reflecting strong operational performance, the impact of the partial recovery in equity markets in 2003 and the appreciation of the euro during 2003. Net asset value per ordinary share, based on equity shareholders' funds, increased to 502 pence per share (31 December 2002: 433 pence per share) after adding back the equalisation provision of £364 million (31 December 2002: £314 million).

The ratings of the Group's main operating subsidiaries are AA/AA- ("very strong") with a stable outlook from Standard & Poor's and Aa2 ("excellent") from Moody's. These ratings were reaffirmed in September 2003, although the rating agencies have highlighted that the insurance sector remains under review.

Return on capital employed

The Group's normalised 2003 post-tax operating return on equity was 12.7% (2002: 9.7%) which reflects the strong operational performance delivered by our businesses in the year. The normalised return is based on the post-tax operating profit on continuing operations, including life achieved profit, before amortisation of goodwill and exceptional items, expressed as a percentage of the opening equity capital.

Financial strength of the Group and its principal insurance operations

The Group is subject to a number of regulatory capital tests and also employs a number of realistic tests to allocate capital and manage risk. We report on these below.

EU Groups directive

Aviva group had an estimated excess regulatory capital, as measured on the new EU Groups Directive, of some £2.4 billion at 31 December 2003 *(2002: £0.7 billion)* including the benefit of £1.6 billion of subordinated debt issued in September

2003. This measure represents the excess of the aggregate value of regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators excluding the surplus held in the group's UK and Irish life funds.

General insurance – regulatory basis
Our principal UK general insurance regulated subsidiaries are CGU International Insurance group (CGUII) and Norwich Union Insurance (NUI).

The combined businesses of the CGUII group and NUI group have strong solvency positions. On an aggregate basis the estimated excess solvency margin (representing the regulatory value of excess available assets over the required minimum margin) was £3.9 billion (2002: £2.2 billion) at end 2003 after covering the required minimum margin of £3.3 billion (2002: £3.2 billion). The increase in the excess solvency margin is largely attributable to the benefit of £1.2 billion of equity capital injected following the hybrid issue. Solvency cover for the CGUII group has been estimated at 7.6 times (2002: 4.2 times) and for the NUI group at a cover of 3.2 times (2002: 2.2 times).

The FSA has proposed a new consultation paper (CP190). This is still in a period of development and at this point in time it is too early to comment on the appropriate levels of capital or disclosures. CGUII/NUI group continues to demonstrate its strong excess solvency position as shown at year end 2003. The hybrid issue proceeds provide us with a number of options to meet the changing regulatory environment.

General insurance – realistic basis
Capital requirements for the Group's worldwide general insurance businesses are assessed using risk based capital techniques and results were published for the first time in 2002. Using this basis, capital is defined as that required to ensure that at all times the ongoing level of capital will exceed the statutory minimum solvency margin over the next 5 years with a 99% probability. Calculations have been reviewed to reflect recent trends including increasing strength of the general insurance business balance sheets and improving stability and reductions achieved in the combined operating ratios, producing a revised risk based capital requirement of 34% of net written premiums (2002: 36%).

As at 31 December 2003 the risk based capital requirement of our worldwide general insurance businesses was £3.3 billion (2002: £3.1 billion) in comparison to £4.5 billion (2002: £ 4.0 billion) of capital employed by these businesses after deducting goodwill and adding back the claims equalisation reserve. The combined general insurance businesses of CGUII and NUI hold total regulated available assets of £7.2 billion (2002: £5.5 billion). After deducting the risk based capital for the general insurance businesses of CGUII and NUI of £3.3 billion (2002: £3.1 billion) and, adding back the claims equalisation reserve of £0.4 billion (2002: £0.3 billion), the remaining available capital of £4.3 billion (2002: £2.7 billion) is sufficient to cover the minimum margins of the overseas life businesses by approximately 2.2 times (2002: 1.7 times).

UK Life operations

We manage the strength of our funds through a variety of different means. We have the option to use, where appropriate, financial reinsurance, securitisation, shareholder funds and policyholder funds. In addition, during 2004 we are progressing our review to merge the legacy non profit life funds to improve operational efficiency and reduce solvency margin requirements. We continue our review of the potential reattribution of the orphan estate in the interests of both policyholders and shareholders alike.

With profit funds – Statutory and realistic basis

Statutory basis
During 2003 the FSA indicated that companies that could demonstrate that statutory regulations for valuation of liabilities were unduly onerous relative to the realistic approach could secure modifications to the rules – the so called Tiner waivers. These waivers are a step toward the wider ranging changes to be introduced by the Prudential Sourcebook (PSB) in 2004. Such waivers were granted to CGNU Life (CGNU) and Commercial Union Life Assurance Company (CULAC) in 2003 and the statutory valuation approach was modified at year end. We did not seek a waiver for Norwich Union Life and Pensions (NUL&P).

Having modified the statutory approach for CGNU and CULAC, it was no longer appropriate to continue to use an implicit item for these companies and this has been allowed to lapse. An implicit item remains in NUL&P supported by the non-profit business.

The free asset ratio (FAR) is the measure of the excess of assets over liabilities, expressed as a proportion of liabilities. The ratio is based on the statutory basis (as modified) including provision for adverse movement in asset values – the resilience test, based on a fall in equity values of 18.1% and property of 20.0%.

Realistic basis
We measure our realistic strength by the value of the orphan estate. The estate provides a level of capital that is available to absorb any unexpected short-term impact from adverse experience. It provides a level of investment freedom to improve policyholders returns and enables the operation of the with-profit business and associated features of guarantees and smoothing.

The FSA issued CP195 in 2003, which consulted on proposals for calculation of realistic balance sheets (i.e. the estate). Whilst methodology, approach and calculations are developing, the basis is settling and we are reasonably advanced in our work.

Results below have been calculated in line with the key principles of CP 195 for CGNU, CULAC and for the realistic orphan estate for NUL&P. This makes appropriate allowance for all realistic liabilities of the with-profits fund, including provision for future bonus, the fair value of guarantees, options and promises on a market consistent basis and the cost of shareholder transfers and tax associated with future bonus. The estimated value of these is £4.9 billion. The calculations also make allowance for how the with-profit funds are expected to be run, for example investment policy, and how policyholders are expected to behave, for example persistency.

Free asset ratios for the three main companies at 31 December 2003 based on the statutory basis are set out below together with a comparison of with profit free assets on statutory and realistic bases.

	Statutory FAR	With-profit free assets * (net of RMM)	Realistic orphan estate
	%	£bn	£bn
CGNU Life	16.0	0.9	1.3
CULAC	13.6	1.1	1.6
NUL&P	17.7	1.8	1.4
Aggregate	**16.2**	**3.8**	**4.3**

*The with profit free assets net of the required minimum margin is the free assets measured on a statutory basis, as modified.

The FAR for NUL&P includes implicit items for non profit business only. The realistic orphan estate is quoted before any Risk Capital Margin (RCM). FSA are currently consulting on proposals for an appropriate RCM for with profit business. Based on current guidelines the RCM is more than 2.5 times covered by the orphan estate in aggregate.

The aggregate value of assets in the three main with-profit funds amounted to £50 billion. The aggregate investment mix of these funds at year end was:

	2003	2002
	%	%
Equity	38	35
Property	16	17
Fixed interest	42	44
Other	4	4
	100	**100**

Equity backing ratios, including property, supporting with profit asset shares is 65% in CGNU and CULAC and 52% in NUL&P. CGNU is the fund that increasingly writes the new business for UK Life.

Life profits reporting

In reporting the headline operating profit, life profits have been included using the achieved profit basis. This is used throughout the Aviva Group and by many in the investment community to assess performance. We have focused on the achieved profit basis, as we believe life achieved operating profit is a more realistic measure of the performance of life businesses than the modified statutory basis. The modified statutory basis is used in our financial statements and, on this basis, the life operating profit before tax on continuing operations amounted to £1,138 million. The basis used for reporting achieved profit is consistent with the guidance set out by the Association of British Insurers.

Definitions of Group key performance indicators and other terms

Achieved operating profit	–	From both continuing and discontinued operations and is stated before amortisation of goodwill and exceptional items.
Achieved operating earnings per share	–	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after taxation, attributable to equity shareholders in respect of continuing and discontinued operations.
Annual premium equivalent (APE)	–	Is the UK industry standard for calculating life, pensions and investments new business levels. It is the total of new regular life premiums and 10% of single life premiums.
Modified statutory operating profit	–	From both continuing and discontinued operations, and is stated before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
Continuing operations	–	Business operations excluding the discontinued Australian, New Zealand and US general insurance operations.
Net asset value per ordinary share	–	Is calculated based on equity shareholders' funds, adding back the equalisation provision of £364 million (31 December 2002: £314 million).
Assets under management	–	Represents all assets managed by the Group including funds held on behalf of third parties.
New business contribution	–	Is calculated using the same economic assumptions as those used to determine the embedded values at the beginning of each year and is stated before tax and the effect of the solvency margin.
New business margin	–	The ratio of new business contribution to sales measured on an annual premium equivalent basis.
Combined operating ratio (COR)	–	The aggregate of incurred claims expressed as a percentage of earned premiums and written expenses and written commissions expressed as a percentage of written premiums.
Implicit items	–	The specific amounts by which prudential margins within life technical provisions may be adjusted to give a more appropriate measure of assets available to meet the Group's solvency requirement. In order to take allowance for implicit items FSA approval must be granted and the FSA must be satisfied that sufficient prudential margins exist to allow this adjustment.
Free asset ratio (FAR)	–	The excess of the regulatory value of assets over total liabilities divided by the regulatory value of total liabilities, expressed as a percentage.
Solvency cover	–	The excess of the regulatory value of total assets over total liabilities, divided by the regulatory value of the required minimum solvency margin.
Orphan estate	–	The assets of the long-term with-profit funds less the realistic reserves for non-profit policies, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs and guarantees.
CGUII	–	A principal UK general insurance company and the parent of the majority of the Group's overseas general insurance and life assurance subsidiaries.
EU solvency	–	The excess of assets over liabilities and the world-wide minimum solvency margins, excluding goodwill and the additional value of in-force long-term business, and excluding the surplus held in the Group's life funds. The Group solvency calculation is determined according to the UK Financial Services Authority application of EU Insurance Groups Directive rules.

Summarised consolidated profit and loss account – achieved profit basis
For the year ended 31 December 2003

Page	2003 €m		2003 £m	2002 £m
		Operating profit		
13	2,255	Life achieved operating profit	1,555	1,524
26	88	Health	61	61
31	14	Fund management	10	5
27	1,320	General insurance	911	881
32	(93)	Non-insurance operations*	(64)	(99)
32	(232)	Corporate costs	(160)	(218)
31	(588)	Unallocated interest charges	(406)	(434)
	2,764	**Operating profit – continuing operations before tax, amortisation of goodwill and exceptional items**	**1,907**	**1,720**
27	-	Discontinued operations – Australia and New Zealand general insurance operations	-	78
	2,764	**Operating profit – before tax, amortisation of goodwill and exceptional items**	**1,907**	**1,798**
	(149)	Amortisation of goodwill	(103)	(135)
	2,615	Operating profit before tax	1,804	1,663
	1,110	Variation from longer-term investment return	766	(3,504)
	16	Effect of economic assumption changes	11	(561)
	(71)	Change in the equalisation provision	(49)	(57)
25	(9)	Loss on the disposal of subsidiary undertakings	(6)	(4)
24	(28)	Exceptional costs for termination of operations	(19)	-
	3,633	**Profit/(loss) on ordinary activities before tax**	**2,507**	**(2,463)**
	(813)	Tax on operating profit – continuing operations before amortisation of goodwill and exceptional items	(561)	(531)
	(278)	Tax on profit/(loss) on other ordinary activities	(192)	982
	2,542	**Profit/(loss) on ordinary activities after tax**	**1,754**	**(2,012)**
	(162)	Minority interests	(112)	(33)
	2,380	**Profit/(loss) for the financial year**	**1,642**	**(2,045)**
29	(24)	Preference dividends	(17)	(17)
	2,356	**Profit/(loss) for the financial year attributable to equity shareholders**	**1,625**	**(2,062)**
29	(790)	Ordinary dividends	(545)	(519)
	1,566	**Retained profit/(loss) for the financial year**	**1,080**	**(2,581)**

* The wealth management result has been included within non-insurance in all periods.

Earnings per share – achieved profit basis
For the year ended 31 December 2003

2003	Earnings per share	2003	2002
	Operating profit on an achieved profit basis before amortisation of goodwill and exceptional items, after tax, attributable to equity shareholders in respect of:		
77.1 c	Continuing operations	53.2p	48.3p
77.1 c	Continuing and discontinued operations	53.2p	51.5p
104.6 c	Profit/(loss) attributable to equity shareholders	72.2p	(91.5)p
104.2 c	Profit/(loss) attributable to equity shareholders – diluted*	71.9p	(91.5)p

* As required by FRS 14 "Earnings per share", the impact of the dilutive effect on the 2002 comparatives is not recognised as it would result in a smaller loss.

Consolidated statement of total recognised gains and losses – achieved profit basis
For the year ended 31 December 2003

	2003 £m	2002 £m
Profit/(loss) for the financial year*	1,642	(2,045)
Foreign exchange gains	415	179
Total recognised gains/(losses) arising in the year	**2,057**	**(1,866)**

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

Reconciliation of movements in consolidated shareholders' funds – achieved profit basis
For the year ended 31 December 2003

	2003 £m	Restated* 2002 £m
Shareholders' funds at the beginning of the year, as originally reported	**9,669**	**11,752**
Prior year adjustment	(1)	(10)
Shareholders' funds at the beginning of the year, as restated	**9,668**	**11,742**
Total recognised gains/(losses) arising in the year	2,057	(1,866)
Dividends	(562)	(536)
Other movements	2	328
Shareholders' funds at the end of the year	**11,165**	**9,668**

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.

Summarised consolidated balance sheet – achieved profit basis
As at 31 December 2003

	Long-term business 2003 £m	General business and other 2003 £m	Group 2003 £m	Long-term business 2002 £m	Restated* General business and other 2002 £m	Restated* Group 2002 £m
Total assets before acquired additional value of in-force long-term business	177,906	30,286	208,192	152,887	27,613	180,500
Acquired additional value of in-force long-term business	488	-	488	505	-	505
Total assets included in the modified statutory balance sheet	**178,394**	**30,286**	**208,680**	**153,392**	**27,613**	**181,005**
Liabilities of the long-term business	(170,765)	-	(170,765)	(146,930)	-	(146,930)
Liabilities of the general insurance business	-	(27,736)	(27,736)	-	(26,391)	(26,391)
Net assets on a modified statutory basis	**7,629**	**2,550**	**10,179**	**6,462**	**1,222**	**7,684**
Additional value of in-force long-term business [1]	**4,744**	**-**	**4,744**	**3,917**	**-**	**3,917**
Net assets on an achieved profit basis [2]	**12,373**	**2,550**	**14,923**	**10,379**	**1,222**	**11,601**
Shareholders' capital, share premium, shares held by employee trusts and merger reserves			4,622			4,710
Modified statutory basis retained profit			1,932			1,126
Additional achieved profit basis retained profit			4,611			3,832
Shareholders' funds on an achieved profit basis			**11,165**			**9,668**
Minority interests			944			743
			12,109			10,411
Subordinated debt			2,814			1,190
Achieved profit basis total capital, reserves and subordinated debt			**14,923**			**11,601**

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.

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

	2003 £m	2002 £m	Movement in the year £m
Group's share included in shareholders' funds	4,611	3,832	779
Minority interest share	133	85	48
Balance at 31 December	4,744	3,917	827

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

	2003 £m	2002 £m
Long-term business net assets on an achieved profit basis	12,373	10,379
Comprises:		
Embedded value	12,155	10,148
RBSG goodwill	218	231

Basis of preparation – achieved profit basis
The achieved profit statement on page 10 includes the results of the Group's life operations reported under the achieved profit basis combined with the modified statutory basis results of the Group's non-life operations set out on pages 20 to 30. In the directors' opinion, the achieved profit basis provides a more accurate reflection of the performance of the Group's life operations year on year than results under the modified statutory basis. The achieved profit methodology used is in accordance with the guidance on "Supplementary reporting for long-term insurance business (the achieved profit method)" circulated by the Association of British Insurers in December 2001. Further details on the methodology and assumptions are set out on pages 17 to 19.

The results of the Group's life operations under the modified statutory basis, which is the basis used in the annual statutory accounts, can be found on pages 20 to 30.

The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group (RBSG) is incorporated within the achieved operating profit. Goodwill amortised in the year in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within the 'Amortisation of goodwill' on page 10.

The results for 2003 and 2002 have been audited by the auditors Ernst & Young LLP. Their audit report in respect of 2003 is included in the Report and Accounts on page 110 of that document.

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

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

		2003 £m	2002 £m
New business contribution (after the effect of solvency margin)		472	452
Profit from existing business	– expected return	757	849
	– experience variances	(12)	(110)
	– operating assumption changes*	38	9
Expected return on shareholders' net worth		300	324
Life achieved operating profit before tax		**1,555**	**1,524**
Investment return variances		683	(2,320)
Effect of economic assumption changes		11	(561)
Total life achieved profit/(loss) before tax		2,249	(1,357)
Tax on operating profit		(473)	(460)
Tax on other ordinary activities		(191)	857
Total life achieved profit/(loss) after tax		**1,585**	**(960)**

* In 2003, operating assumption changes included the impact of reducing risk margins in Poland, the US and Australia in line with the directors' views of the risks associated with this in-force portfolio. The impact of this change was £24 million. In 2002, operating assumptions included the impact of reducing risk margins in the US. The impact of this change was £13 million.

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

	Annual premium equivalent*			New business contribution	
	2003 £m	2002 £m	Local currency growth %	2003 £m	2002 £m
United Kingdom	1,068	1,231	(13%)	241	290
Europe (excluding UK)					
France	241	223	(2%)	70	69
Ireland	81	103	(29%)	23	29
Italy	194	153	15%	45	38
Netherlands (including Belgium and Luxembourg)	224	158	29%	62	21
Poland	35	48	(23%)	3	10
Spain	246	189	18%	134	87
Other	101	93	2%	(3)	(5)
International	187	175	9%	46	39
Total annualised premiums	**2,377**	**2,373**	**(3%)**		
Total new business contribution before effect of solvency margin**				**621**	**578**
Effect of solvency margin				(149)	(126)
Total new business contribution including effect of solvency margin				**472**	**452**

* Annual premium equivalent represents regular premiums plus 10% of single premiums.
** New business contribution before effect of solvency margin includes minority interests in 2003 of £106 million (2002: £69 million). This comprises minority interests in France of £4 million (2002: £4 million), Italy £25 million (2002: £19 million), Netherlands £8 million (2002: £nil), Poland £1 million (2002: £1 million) and Spain £68 million (2002: £45 million).

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

Analysis of life achieved operating profit

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

	2003 £m	2002 £m
United Kingdom	659	699
Europe (excluding UK)		
France	220	228
Ireland	65	75
Italy	70	52
Netherlands (including Belgium and Luxembourg)	189	200
Poland	104	111
Spain	158	83
Other	9	(2)
International	81	78
Total life achieved operating profit before tax*	**1,555**	**1,524**

* Life achieved operating profit includes minority interests in 2003 of £154 million (2002: £90 million). This comprises minority interests in France of £6 million (2002: £7 million), Italy £37 million (2002: £26 million), Netherlands £14 million (2002: £nil), Poland £20 million (2002: £18 million), Spain £76 million (2002: £39 million) and Other Europe £1 million (2002: £nil).

Embedded value of life business

	2003 £m	2002 £m
Embedded value at the beginning of the year	**10,148**	**11,063**
Total life achieved profit/(loss) after tax	1,585	(960)
Exchange rate movements	342	220
Embedded value of businesses acquired*	64	13
Amounts injected into life operations	221	419
Amounts released from life operations	(205)	(607)
Embedded value at the end of the year**	**12,155**	**10,148**

* Embedded value of businesses acquired in 2003 represents the embedded value of Delta Lloyd ABN AMRO Verzekeringen Holding BV, the insurance company acquired as part of the bancassurance agreement entered into with ABN AMRO NV in the Netherlands of £64 million. Embedded value from businesses acquired in 2002 represents the life subsidiary of DBS Hong Kong of £13 million.

** Embedded value at the end of the period includes minority interests in 2003 of £559 million (2002: £410 million). This comprises minority interests in France of £46 million (2002: £42 million), Italy £230 million (2002: £180 million), Netherlands £43 million (2002: £nil), Poland £63 million (2002: £51 million), Spain £174 million (2002: £134 million) and Other Europe £3 million (2002: £3 million).

Segmental analysis of embedded value of life business

	Net worth at 31 December*		Value of in-force at 31 December**		Embedded value at 31 December	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**	**2003 £m**	**2002 £m**
United Kingdom	2,141	1,845	3,532	3,167	5,673	5,012
Europe (excluding UK)						
France	1,012	833	437	388	1,449	1,221
Ireland	270	218	284	254	554	472
Italy	348	250	94	99	442	349
Netherlands (including Belgium and Luxembourg)	1,267	859	1,131	947	2,398	1,806
Poland	148	129	248	223	396	352
Spain	187	149	268	201	455	350
Other	140	128	60	48	200	176
International	468	294	120	116	588	410
	5,981	**4,705**	**6,174**	**5,443**	**12,155**	**10,148**

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

** The value of in-force includes the effect of holding shareholders' capital to support the minimum statutory solvency margin requirements and allowing for projected future releases. This impact reduces the value of in-force by £870 million (2002: £750 million). The minimum statutory solvency margin requirements supported by shareholders' capital of £3,100 million (31 December 2002: £2,600 million) is included within the net worth.

Minority interest in life achieved profit

	2003			2002
	Shareholders' interest £m	**Minority interest £m**	**Group £m**	**Group £m**
New business contribution before effect of solvency margin	515	106	621	578
Effect of solvency margin	(126)	(23)	(149)	(126)
New business contribution including effect of solvency margin	**389**	**83**	**472**	**452**
Life achieved operating profit before tax and exceptional items	**1,401**	**154**	**1,555**	**1,524**
Total life achieved profit/(loss) before tax	2,129	120	2,249	(1,357)
Attributed tax	(624)	(40)	(664)	397
Total life achieved profit/(loss) after tax	**1,505**	**80**	**1,585**	**(960)**
Closing life embedded value	**11,596**	**559**	**12,155**	**10,148**

Methodology

(a) Life achieved profit

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

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

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

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

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

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

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

(b) Embedded value

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

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

Principal economic assumptions

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at each period end. Margins are applied on a consistent basis to risk-free yields to obtain investment return assumptions for ordinary shares and property and risk discount rates. The change in assumptions in 2003 reflects the actual movements in risk free yields in each territory. Risk margins remain unchanged in all of our key businesses, except Poland, the US and Australia.

The principal economic assumptions used are as follows:

	United Kingdom			France		
	2003	2002	2001	2003	2002	2001
Risk discount rate	7.5%	7.3%	7.7%	8.1%	8.1%	8.6%
Pre-tax investment returns:						
Base government fixed interest	4.8%	4.5%	5.0%	4.3%	4.3%	5.1%
Ordinary shares	7.3%	7.0%	7.5%	6.3%	6.3%	7.1%
Property	6.3%	6.0%	6.5%	5.8%	5.8%	6.6%
Future expense inflation	4.1%	3.6%	3.7%	2.5%	2.5%	2.5%
Tax rate	30.0%	30.0%	30.0%	35.4%	35.4%	36.4%

	Ireland			Italy		
	2003	2002	2001	2003	2002	2001
Risk discount rate	8.6%	8.7%	9.3%	7.4%	7.3%	7.6%
Pre-tax investment returns:						
Base government fixed interest	4.5%	4.6%	5.3%	4.4%	4.4%	5.3%
Ordinary shares	7.5%	7.6%	8.3%	7.4%	7.4%	8.3%
Property	6.0%	6.1%	6.8%	5.9%	5.9%	6.8%
Future expense inflation	4.0%	4.0%	4.0%	3.3%	3.3%	3.3%
Tax rate	12.5%	12.5%	16.0%	38.3%	39.8%	41.0%

	Netherlands			Poland*		
	2003	2002	2001	2003	2002	2001
Risk discount rate	7.4%	7.4%	8.0%	13.5%	15.4%	18.5%
Pre-tax investment returns:						
Base government fixed interest	4.2%	4.2%	5.1%	6.0%	8.0%	12.5%
Ordinary shares	7.2%	7.2%	8.1%	6.0%	8.0%	12.5%
Property	5.7%	5.7%	6.6%	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	3.4%	5.4%	9.2%
Tax rate	25.0%	25.0%	25.0%	19.0%	27.0%	28.0%

	Spain		
	2003	2002	2001
Risk discount rate	7.7%	7.7%	8.3%
Pre-tax investment returns:			
Base government fixed interest	4.6%	4.6%	5.3%
Ordinary shares	7.6%	7.6%	8.3%
Property	6.1%	6.1%	6.8%
Future expense inflation	3.0%	3.0%	3.2%
Tax rate	35.0%	35.0%	35.0%

* The economic assumptions shown above are those in the calculations for the life business. The economic assumptions for the pension business are identical with the exception of the risk discount rate which is 12.7% (2002: 13.8%; 2001: 16.9%).

Other assumptions

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

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

	New business contribution		Embedded value	
	Equity/ property returns £m	Discount rates £m	Equity/ property returns £m	Discount rates £m
United Kingdom	16	(40)	150	(275)
Europe (excluding UK)				
France	3	(7)	50	(80)
Ireland	2	(3)	10	(15)
Italy	-	(3)	20	(10)
Netherlands (including Belgium and Luxembourg)	14	(15)	225	(130)
Poland	1	(1)	10	(15)
Spain	1	(9)	5	(20)
Other	-	(1)	5	(5)
International	-	(8)	-	(20)
	37	**(87)**	**475**	**(570)**

The impact of an increase of one percentage point in the assumed investment returns for equity and property investments is calculated with all other assumptions remaining unchanged.

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

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

Summarised consolidated profit and loss account – modified statutory basis
For the year ended 31 December 2003

Page	2003 €m		2003 £m	2002 £m
		Premium income (after reinsurance) and investment sales		
		Continuing operations		
25	27,587	Life premiums, including share of associates' premiums	19,035	18,172
25	1,654	Investment sales	1,141	1,028
26	1,545	Health premiums	1,066	928
	30,786		21,242	20,128
27	12,353	General insurance premiums	8,524	7,805
	43,139	**Total continuing operations**	**29,766**	**27,933**
27	-	Discontinued operations – Australia and New Zealand general insurance operations	-	692
	43,139	**Total**	**29,766**	**28,625**
		Operating profit		
26	1,650	Modified statutory life profit	1,138	1,022
26	88	Health	61	61
31	14	Fund management	10	5
27	1,320	General insurance	911	881
32	(93)	Non-insurance operations*	(64)	(99)
32	(232)	Corporate costs	(160)	(218)
31	(588)	Unallocated interest charges	(406)	(434)
	2,159	**Operating profit – continuing operations before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**1,490**	**1,218**
27	-	Discontinued operations – Australia and New Zealand general insurance operations	-	78
	2,159	**Operating profit – before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items**	**1,490**	**1,296**
	(149)	Amortisation of goodwill	(103)	(135)
	(196)	Amortisation of acquired additional value of in-force long-term business	(135)	(139)
	1,814	Operating profit before tax	1,252	1,022
	308	Short-term fluctuation in investment return	212	(1,243)
	(71)	Change in the equalisation provision	(49)	(57)
25	(9)	Loss on the disposal of subsidiary undertakings	(6)	(4)
24	(28)	Exceptional costs for termination of operations	(19)	-
	2,014	**Profit/(loss) on ordinary activities before tax**	**1,390**	**(282)**
28	(531)	Tax on profit/(loss) on ordinary activities	(367)	(206)
	1,483	**Profit/(loss) on ordinary activities after tax**	**1,023**	**(488)**
	(108)	Minority interests	(74)	(46)
	1,375	**Profit/(loss) for the financial year**	**949**	**(534)**
29	(24)	Preference dividends	(17)	(17)
	1,351	**Profit/(loss) for the financial year attributable to equity shareholders**	**932**	**(551)**
29	(790)	Ordinary dividends	(545)	(519)
	561	**Retained profit/(loss) transferred to/(from) reserves**	**387**	**(1,070)**

* The wealth management result has been included within non-insurance in all periods.

Earnings per share – modified statutory basis
For the year ended 31 December 2003

Page		2003	2002
29	Operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders in respect of:		
	Continuing operations	44.0p	34.8p
	Continuing and discontinued operations	44.0p	38.0p
29	Profit/(loss) attributable to equity shareholders	41.4p	(24.4)p
30	Profit/(loss) attributable to equity shareholders – diluted	41.3p	(24.4)p
29	Dividend per share	24.15p	23.0p

Consolidated statement of total recognised gains and losses
For the year ended 31 December 2003

Page		2003 £m	Restated* 2002 £m
20	Profit/(loss) for the financial year	949	(534)
	Foreign exchange gains	329	104
	Total recognised gains/(losses) arising in the year	**1,278**	**(430)**

* Restated for the effect of a change in accounting policy in respect of internally-generated additional value of in-force long-term business no longer recognised. Further details are set out on page 24.

Reconciliation of movements in consolidated shareholders' funds
For the year ended 31 December 2003

Page		2003 £m	Restated* 2002 £m
	Shareholders' funds at the beginning of the year		
	As originally reported	**9,669**	**11,752**
	Prior year adjustments	(3,833)	(5,278)
	As restated	5,836	6,474
	Total recognised gains/(losses) arising in the year	1,278	(430)
29	Dividends	(562)	(536)
	Movement in shares held by employee trusts	-	9
	Increase in share capital	2	11
	Goodwill written back and other movements	-	308
	Shareholders' funds at the end of the year	**6,554**	**5,836**

* Restated for the effect of changes in accounting policies in respect of internally-generated additional value of in-force long-term business no longer recognised and the treatment of shares held by employee trusts as a deduction from shareholders' funds. Further details are set out on page 24.

Summarised consolidated balance sheet
As at 31 December 2003

	2003 £m	Restated* 2002 £m
Assets		
Goodwill	1,105	1,040
Investments		
Land and buildings	637	668
Investments in associated undertakings and participating interests	279	287
Variable yield securities	2,967	2,603
Fixed interest securities	10,098	7,737
Mortgages and loans, net of non-recourse funding	1,448	1,149
Deposits	435	550
Other investments	65	52
	15,929	13,046
Reinsurers' share of technical provisions	2,926	2,882
Reinsurers' share of provision for linked liabilities	579	337
Assets of the long-term business	136,662	123,012
Assets held to cover linked liabilities	40,665	29,538
Other assets	10,326	10,645
Acquired value of in-force long-term business	488	505
Total assets	**208,680**	**181,005**
Liabilities		
Shareholders' funds		
Equity	6,354	5,636
Non-equity	200	200
Minority interests	811	658
	7,365	6,494
Subordinated debt	2,814	1,190
Total capital, reserves and subordinated debt	**10,179**	**7,684**
Liabilities of the long-term business	121,078	113,310
Fund for future appropriations	8,443	3,745
Technical provision for linked liabilities	41,244	29,875
General insurance liabilities	17,515	16,031
Borrowings	1,760	2,064
Other creditors and provisions	8,461	8,296
Total liabilities	**208,680**	**181,005**

* Restated for the effect of changes in accounting policies in respect of internally-generated additional value of in-force long-term business no longer recognised and the treatment of shares held by employee trusts as a deduction from shareholders' funds. Further details are set out on page 24.

Consolidated cash flow statement
For the year ended 31 December 2003

	2003 £m	2002 £m
Net cash inflow from operating activities, excluding exceptional items*	1,208	1,005
Exceptional items*	(522)	(523)
Net cash outflow from servicing of finance	(256)	(265)
Corporation tax (paid)/received	(174)	175
Net purchases of tangible fixed assets	(101)	(102)
Acquisitions and disposals of subsidiary and associated undertakings**	600	241
Equity dividends paid	(523)	(732)
Proceeds from issue of subordinated debt	1,567	-
Net cash inflow/(outflow) from other financing activities:		
Issue of share capital	2	11
Net drawdown/(repayment) of loans	80	(68)
Net cash flows	**1,881**	**(258)**

Cash flows were invested as follows:

	2003 £m	2002 £m
(Decrease)/increase in cash holdings	(164)	719
Net purchases/(sales) of investments	2,262	(747)
Non-trading cash outflow to long-term business operations	(217)	(230)
Net investment of cash flows	**1,881**	**(258)**

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

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

** The 2003 figure includes £651 million of consideration received on 2 January 2003 in relation to the disposal of the Australia and New Zealand general insurance businesses.

1. Basis of preparation – modified statutory solvency basis

(a) The preliminary announcement for the year to 31 December 2003 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results on the modified statutory basis for 2003 have been taken from the Group's 2003 Annual Report and Accounts. The auditor has reported on the 2003 accounts and their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The Group's 2002 Annual Report and Accounts have been filed with the Registrar of Companies.

(b) 'Discontinued operations' disclosures in 2002 relate to the disposal of the general insurance businesses in Australia and New Zealand. The results of all other operations are entitled 'Continuing operations'.

(c) The contribution from the Group's share of the alliance with The Royal Bank of Scotland Group (RBSG) is incorporated within the modified statutory life profit. Goodwill amortised in the year in respect of the Group's holding in the associated company, RBS Life Investments Limited, is included within 'Amortisation of goodwill' on page 20.

(d) In November 2000, the Accounting Standards Board issued Financial Reporting Standard 17 ("FRS17") "Retirement Benefits", the accounting provisions, which are not required to be adopted by the Group until 2005. FRS17 requires certain transitional disclosures to be made in the statutory accounts and the table shown in the supplementary analyses on page 32 shows the balance sheet effect of these memorandum disclosures. The Group has continued to account for pension costs in accordance with SSAP24.

(e) Changes in accounting policy

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

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

The effect of implementing this change are that shareholders' funds at 31 December 2003 have been reduced by £4,611 million (2002: reduced by £3,832 million) and minority interests have been reduced by £133 million (2002: reduced by £85 million).

(ii) Presentation changes

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

The effects of implementing this change are that shareholders' funds at 31 December 2003 have been reduced by £1 million (2002: reduced by £1 million).

2. Exchange rates

The euro rates employed in this announcement are an average rate of 1 euro = £0.69 (2002: 1 euro = £0.63) and a closing rate of 1 euro = £0.70 (31 December 2002: 1 euro = £0.65).

3. Acquisitions

On 8 May 2003 the Group's Dutch subsidiary, Delta Lloyd Group ("Delta Lloyd") entered into a bancassurance agreement with ABN AMRO Bank NV (ABN AMRO) for life and general insurance. As part of this agreement, the Group purchased 51% of the issued share capital of Delta Lloyd ABN AMRO Verzekeringen Holding BV (DL ABN AMRO), the company established by ABN AMRO on 30 December 2002, into which the insurance businesses were transferred. Total cash consideration was £178 million, including transaction costs, with a further maximum amount payable over the next five years of £16 million if DL ABN AMRO meets certain performance criteria. The Group's share of DL ABN AMRO embedded value and net assets was £62 million, giving rise to goodwill of £132 million after taking into account the estimated value of the deferred consideration. Under the terms of the agreement, the results of DL ABN AMRO have been consolidated in the Group accounts with effect from 1 January 2003.

4. Exceptional costs for termination of operations

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

5. Disposals

The net loss on the disposal of subsidiary undertakings comprises:

	2003 £m	2002 £m
General insurance businesses		
United Kingdom	-	(20)
France	-	6
Australia and New Zealand	-	(66)
Spain	-	94
Other businesses		
France	-	1
Other small operations	(6)	(19)
	(6)	**(4)**

No disposals were sufficiently material to warrant separate disclosure.

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

	New business sales				Premium income (after reinsurance) and investment sales	
	New single premiums		New regular premiums			
	2003 £m	2002 £m	2003 £m	2002 £m	2003 £m	2002 £m
Life and pensions sales						
United Kingdom – group*	5,184	6,066	511	591	8,688	8,800
– associates	152	171	23	16	254	299
	5,336	6,237	534	607	8,942	9,099
Europe (excluding UK)						
France	1,950	1,814	46	42	2,300	2,081
Ireland	188	267	62	76	442	469
Italy	1,399	1,089	54	44	1,662	1,382
Netherlands (including Belgium and Luxembourg)	850	709	139	87	1,722	1,300
Poland – Life	24	22	17	24	263	284
– Pensions	8	9	15	21	440	446
Spain	1,353	1,244	111	65	1,641	1,489
Other	280	240	73	69	616	548
International	740	863	113	89	1,007	1,074
Total life and pension sales (including share of associates)	**12,128**	**12,494**	**1,164**	**1,124**	**19,035**	**18,172**
Investment sales						
United Kingdom	664	543	16	13	680	556
Netherlands	204	119	-	-	204	119
Poland	109	16	1	-	110	16
Other Europe	49	70	-	-	49	70
International	98	267	-	-	98	267
Total investment sales	**1,124**	**1,015**	**17**	**13**	**1,141**	**1,028**
Total long-term savings (including share of associates)	**13,252**	**13,509**	**1,181**	**1,137**	**20,176**	**19,200**

Single premiums are those relating to products issued by the Group, which provide for the payment of one premium only.
Regular premiums are those where there is a contractual obligation to pay on an ongoing basis.

* Included within premium income (after reinsurance) and investment sales of £8,688 million (2002: £8,800 million) are transfers of institutional business into Morley Pooled Pensions of £1,247 million (2002: £34 million) which, since they are institutional in nature, are excluded from new business sales.

7. Geographical analysis of modified statutory life operating profit

	2003 £m	2002 £m
United Kingdom		
With-profit	145	190
Non-profit	449	436
Europe (excluding UK)		
France	179	142
Ireland	41	36
Italy	30	24
Netherlands (including Belgium and Luxembourg)	107	111
Poland	103	66
Spain	50	27
Other	(4)	(19)
International	38	9
Total modified statutory life operating profit	**1,138**	**1,022**

8. Geographical analysis of health premiums after reinsurance and operating result

(a) Premiums after reinsurance:

	2003 £m	2002 £m
United Kingdom	270	264
France	134	107
Netherlands	662	557
	1,066	**928**

(b) Operating result:

	Operating profit		Underwriting result	
	2003 £m	2002 £m	2003 £m	2002 £m
United Kingdom	13	9	9	5
France	9	10	(2)	(2)
Netherlands	39	42	(20)	(27)
	61	**61**	**(13)**	**(24)**

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

(a) General insurance premiums after reinsurance:

	2003 £m	2002 £m
United Kingdom	5,135	4,740
Europe (excluding UK)		
France	515	478
Ireland	611	377
Netherlands	563	412
Other	226	408
International		
Canada	1,208	1,009
Other	266	381
Continuing operations	**8,524**	**7,805**
Discontinued operations – Australia and New Zealand	-	692
	8,524	**8,497**

(b) Operating result:

	Operating profit*		Underwriting result*	
	2003 £m	2002 £m	2003 £m	2002 £m
United Kingdom	676	611	50	(52)
Europe (excluding UK)				
France	35	47	(9)	(14)
Ireland	91	44	26	(15)
Netherlands	35	13	(5)	(21)
Other	32	49	(6)	(10)
International				
Canada	12	80	(98)	(28)
Other	30	37	(12)	(5)
Continuing operations	**911**	**881**	**(54)**	**(145)**
Discontinued operations – Australia and New Zealand	-	78	-	7
	911	**959**	**(54)**	**(138)**

* The general insurance operating profit and underwriting result are stated before the change in the equalisation provision of £49 million (2002: £57 million).

10. Tax

The tax charge in the profit and loss account comprises:

(a) Tax on profit/(loss) on ordinary activities:

		2003 £m	2002 £m
Current tax			
UK corporation tax	– current year	(55)	1
	– prior year	17	(4)
Overseas tax	– current year	(1)	(66)
	– prior year	3	6
Tax attributable to balance on technical account		(315)	(299)
		(351)	**(362)**
Deferred tax			
Origination and reversal of timing differences		(19)	177
Changes in tax rates or law		(11)	5
Increase/(decrease) in discount		14	(26)
		(16)	**156**
Total tax charged in the profit and loss account		**(367)**	**(206)**

(b) Tax charge analysed between:

	2003 £m	2002 £m
Operating profit before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items		
Continuing operations	(403)	(370)
Discontinued operations	-	(6)
Profit/(loss) on other ordinary activities	36	170
	(367)	**(206)**

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

	2003 £m	2002 £m
Profit/(loss) on ordinary activities before tax	1,390	(282)
Current tax (charge)/credit at standard UK corporation tax rate of 30% (2002: 30%)	(417)	85
Adjustment to tax charge in respect of prior years	20	2
Non-assessable dividends	5	9
Non-taxable loss on the sale of subsidiaries and associates	(10)	(58)
Non-taxable amortisation of goodwill	(5)	(21)
Other disallowable expenses	(33)	(20)
Non-utilisation of current year tax losses	(10)	-
Different local basis of tax on overseas profits	53	(51)
Deferred tax charge/(credit) arising from movement in unrealised gains and losses	20	(154)
Other deferred tax movements	10	(23)
Deferred tax liabilities/(assets) not recognised	38	(96)
Other items	(22)	(35)
Current tax charge for the year	**(351)**	**(362)**

11. Dividends

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

	2003 £m	2002 £m
Preference dividends	**17**	**17**

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

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

		2003 £m	2002 £m
Ordinary dividends			
Interim	– 9 pence (2002: 8.75 pence)	203	197
Final	– 15.15 pence (2002: 14.25 pence)	342	322
Total ordinary dividends		**545**	**519**

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 24 February 2004.

12. Earnings per share

(a) Basic earnings per share

	2003			2002		
	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p	Before tax £m	Net of tax, minorities and preference dividend £m	Per share p
Operating profit						
– continuing operations	1,490	991	44.0	1,218	784	34.8
– discontinued operations	-	-	-	78	72	3.2
	1,490	991	44.0	1,296	856	38.0
Adjusted for the following items:						
– Amortisation of goodwill	(103)	(103)	(4.6)	(135)	(135)	(6.0)
– Amortisation of acquired additional value of in-force long-term business	(135)	(98)	(4.4)	(139)	(100)	(4.4)
– Exceptional costs for termination of operations	(19)	(16)	(0.7)	-	-	-
– Short-term fluctuation in investment return	212	198	8.9	(1,243)	(1,071)	(47.5)
– Change in the equalisation provision	(49)	(34)	(1.5)	(57)	(40)	(1.8)
– Loss on the disposal of subsidiary undertakings	(6)	(6)	(0.3)	(4)	(61)	(2.7)
Profit/(loss) attributable to equity shareholders	**1,390**	**932**	**41.4**	**(282)**	**(551)**	**(24.4)**

Earnings per share has been calculated based on the operating profit before amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items, after tax, attributable to equity shareholders, for continuing and for total operations, as well as on the profit attributable to equity shareholders. The directors believe the former two earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,251 million (2002: 2,254 million) ordinary shares in issue, after deducting shares owned by the employee share trusts as required by FRS14 'Earnings per share'.

The actual number of shares in issue at 31 December 2003 was 2,257 million (31 December 2002: 2,257 million).

12. Earnings per share (continued)

(b) Diluted earnings per share:

	2003			2002		
	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p
Profit/(loss) attributable to equity shareholders	932	2,251	41.4	(551)	2,254	(24.4)
Dilutive effect of share awards and options	-	8	(0.1)	-	4	-
Diluted earnings per share	**932**	**2,259**	**41.3**	**(551)**	**2,258**	**(24.4)**

13. Longer-term investment return

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

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

	Longer-term rates of return			
	Equities		Properties	
	2003 %	2002 %	2003 %	2002 %
United Kingdom	8.1%	8.1%	6.6%	6.6%
France	7.5%	7.5%	6.5%	6.5%
Ireland	8.7%	8.7%	6.7%	6.7%
Netherlands	8.4%	8.4%	6.5%	6.5%
Canada	9.3%	9.3%	7.3%	7.3%

The table below shows the sensitivity of the full year 2003 operating profit to changes in the longer-term rates of return:

Movement in investment return	By	Change in	By
Equities	1% higher/lower	Group operating profit before tax	£33m
Properties	1% higher/lower	Group operating profit before tax	£11m

The Group intends to retain the same longer-term rates of investment return for the 2004 financial year.

Statistical supplement

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

Continuing operations		2003 £m	2002 at 2003 exchange rates £m	2002 £m
Life achieved operating profit				
United Kingdom		659	699	699
France		220	252	228
Ireland		65	83	75
Italy		70	57	52
Netherlands (including Belgium and Luxembourg)		189	220	200
Poland		104	107	111
Spain		158	91	83
Other Europe		9	-	(2)
International		81	79	78
		1,555	**1,588**	**1,524**
Health				
United Kingdom		13	9	9
France		9	11	10
Netherlands		39	46	42
		61	**66**	**61**
Fund Management				
United Kingdom		(6)	(12)	(12)
France		13	12	11
Netherlands		-	5	4
Other Europe		3	2	2
Australia and New Zealand		(1)	(1)	(1)
International		1	-	1
		10	**6**	**5**
General insurance				
United Kingdom		676	611	611
France		35	52	47
Ireland		91	48	44
Netherlands		35	15	13
Other Europe		32	53	49
Canada		12	85	80
Other		30	34	37
		911	**898**	**881**
Non-insurance operations**		(64)	(100)	(99)
Corporate costs		(160)	(221)	(218)
Unallocated interest charges	– external	(210)	(208)	(206)
	– intra-group	(196)	(230)	(228)
Group operating profit before tax* – continuing operations		**1,907**	**1,799**	**1,720**
Discontinued operations – Australia and New Zealand general insurance operations		-	88	78
Group operating profit before tax* – continuing and discontinued operations		**1,907**	**1,887**	**1,798**

* Group operating profit before tax, before amortisation of goodwill and exceptional items.
** The wealth management result has been included within non-insurance in all periods.

Restating 2002 modified statutory life profits to account for the impact of exchange rate movements in 2003 would result in modified statutory life profits being restated from £1,022 million to £1,061 million for the year to 31 December 2002.

Supplementary analyses

(a) Non-insurance operations – operating result

	2003 £m	2002 £m
Hill House Hammond	4	4
Norwich Union Equity Release and other personal finance subsidiaries	(16)	(6)
Your Move	1	(9)
Norwich Union Life Services	(54)	(54)
Wealth management	-	(30)
Other	1	(4)
	(64)	**(99)**

The operating result from our equity release business in the UK is included within the non-insurance results on a statutory basis. On an achieved profit methodology new business contribution was £19 million before tax (2002: £27 million) and operating profit before tax, including the benefits of the securitisation of our book, was £31 million (2002: £47 million) which is excluded from our results.

(b) Corporate costs

	2003 £m	2002 £m
Global finance transformation programme	(60)	(26)
Central costs and sharesave schemes	(176)	(192)
	(236)	(218)
Allocation of staff profit share and other incentive plans to business unit operating results	76	-
	(160)	**(218)**

(c) Pension schemes

The Group continues to account for its pension costs in accordance with SSAP24. The effect on the Group's net assets of substituting the FRS17 figures for the corresponding SSAP24 balance sheet entries would be as follows:

	Net assets		Profit and loss account reserve	
	2003 £m	Restated* 2002 £m	2003 £m	2002 £m
Total included on the balance sheet	7,365	6,494	1,932	1,126
Less: pension asset on SSAP24 basis	(251)	(175)	(251)	(175)
Total excluding pension asset	7,114	6,319	1,681	951
Less: pension liability on FRS17 basis	(583)	(456)	(583)	(456)
Total net assets including pension liability on FRS17 basis	**6,531**	**5,863**	**1,098**	**495**

* Restated for the effect of changes in accounting policies in respect of internally-generated additional value of in-force long-term business no longer recognised and the treatment of shares held by employee trusts as a deduction from shareholders' capital. Further details are set out on page 24.

(d) New business contribution – after the effect of solvency margin

	2003 £m	2002 £m
United Kingdom	215	269
Europe (excluding UK)		
France	31	35
Ireland	20	26
Italy	28	27
Netherlands (including Belgium and Luxembourg)	33	1
Poland	1	7
Spain	116	69
Other	(7)	(8)
International	35	26
Total new business contribution after the effect of solvency margin*	**472**	**452**

* New business contribution after the effect of solvency margin includes minority interests of £83 million (2002: £52 million). This comprises minority interests in Italy £16 million (2002: £14 million), France nil (2002: nil), Netherlands £7 million (2002: nil), Poland nil (2002: £1 million) and Spain £60 million (2002: £37 million).

(e) Experience variances

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

31 December 2003	Exceptional expenses(1) £m	Mortality/ morbidity(2) £m	Lapses(3) £m	Other(4) £m	Total £m
United Kingdom	(40)	22	(24)	32	(10)
France	(12)	12	(1)	55	54
Netherlands (including Belgium and Luxembourg)	(36)	(3)	(11)	(8)	(58)
Other Europe	(5)	16	(21)	25	15
International	(18)	6	1	(2)	(13)
	(111)	**53**	**(56)**	**102**	**(12)**

(1) Exceptional expenses in the UK reflect one-off project costs including those associated with the pace of regulatory change. In the Netherlands, they relate to project costs in Delta Lloyd and development costs in Belgium.
(2) Mortality experience has typically been better than anticipated in many of the group businesses.
(3) Lapse experience has been adverse in a number of businesses including on certain savings contracts in the UK.
(4) In the UK, other experience profits include exceptional profits arising from better than assumed default experience on corporate bonds. In France, profits relate to the benefit of lower tax charges on dividends from subsidiaries and to a lesser extent, one-off benefits following the utilisation of tax losses.

(f) Operating assumption changes

Changes in operating assumptions are made when the assumed future levels of expenses, mortality or other operating assumptions are expected to change permanently. An analysis of operating assumptions is as follows:

31 December 2003	Maintenance expenses(1) £m	Mortality/ morbidity(2) £m	Lapses(3) £m	Other(4) £m	Total £m
United Kingdom	-	25	(46)	17	(4)
France	(23)	-	-	-	(23)
Netherlands (including Belgium and Luxembourg)	-	-	(2)	23	21
Other Europe	38	5	(8)	1	36
International	-	(1)	(3)	12	8
	15	**29**	**(59)**	**53**	**38**

(1) In France, there is a £23 million charge, mainly resulting from updated expense assumptions, following the agreement signed recently between Aviva and the AFER association. Expense assumptions have been changed primarily in Poland reflecting improvements in efficiency.
(2) Changes in the UK reflect expected beneficial mortality experience for protection business.
(3) In the UK, lapse assumption changes reflect experience in savings contracts mainly on with-profits and endowment business.
(4) Changes in the Netherlands primarily relate to increased annual management fees on unit linked contracts. Risk margin changes in Other Europe and International businesses have benefited the result.

Supplementary analyses (continued)

(g) New business contribution – before minority interest

	Annual premium equivalent		New business contribution (1)	
	2003 £m	2002 £m	2003 £m	2002 £m
Bancassurance arrangements	542	416	215	146
Other distribution	1,835	1,957	406	432
	2,377	**2,373**	**621**	**578**

(1) Stated before effect of solvency margin, tax and minority interest

(h) New business contribution – after minority interest

	Annual premium equivalent (2)		New business contribution (1)	
	2003 £m	2002 £m	2003 £m	2002 £m
Bancassurance arrangements	312	260	65	48
Other distribution	1,796	1,929	207	230
	2,108	**2,189**	**272**	**278**

(1) Stated after effect of solvency margin, tax and minority interest
(2) Stated after deducting minority interest

(i) Investments in joint ventures

	2003 £m	2002 £m
Share of gross assets	1,416	1,242
Share of gross liabilities	(1,226)	(1,126)
	190	**116**
Loans to joint ventures	679	665
	869	**781**

As part of their investment strategy, the UK long-term business policyholder funds have invested in a number of property limited partnerships ("PLPs") through a mix of capital and loans. The PLPs are managed by general partners ("GPs") in which the UK long-term business shareholder companies hold equity stakes, and which themselves hold nominal stakes in the PLPs. Most of the PLPs have raised external debt, secured on their respective property portfolios. The lenders are only entitled to obtain payment, of both interest and principal, to the extent that there are sufficient resources in the respective PLPs. The lenders have no recourse whatsoever to the policyholder or shareholders' funds of any company of the Aviva Group. Accounting for the PLPs depends on the shareholdings in the GPs and the terms in each partnership agreement. Where the partnership is managed by a contractual agreement such that no one party exerts control, the PLPs have been accounted for as joint ventures.

In addition, the Group has invested in a joint venture life assurance company in China, which commenced operations on 1 January 2003. These shares are held by Aviva plc at a cost of £22 million (2002: £20 million) and share of net assets of £18 million (2002: £20 million).

Supplementary analyses (continued)

(k) General business – investment return information

	Actual investment return		Longer-term investment return	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**
United Kingdom	585	534	626	663
Europe (excluding UK)				
France	37	56	44	61
Ireland	58	53	65	59
Netherlands	71	30	40	34
Other	20	34	38	59
International				
Canada	94	91	110	108
Other	36	35	42	42
Total longer-term investment return – continuing operations			**965**	**1,026**
Total actual investment income	**901**	**833**		
Realised gains	47	99		
Unrealised gains/(losses)	136	(993)		
Total actual investment return – continuing operations	**1,084**	**(61)**		
Discontinued operations – Australia and New Zealand	-	33	-	71
	1,084	**(28)**	**965**	**1,097**

Reconciliation between general business investment return information and short-term fluctuation in investment return incorporated in the summarised consolidated profit and loss account – modified statutory basis

For the year to 31 December 2003

	Actual investment return £m	**Longer-term investment return £m**	**Short-term fluctuation in investment return £m**
General business	1,084	965	119
Health business	38	74	(36)
	1,122	**1,039**	**83**
Life business			129
Total short-term fluctuation in investment return			**212**

General insurance – geographical ratio analysis

	Claims ratio		Expense ratio		Combined operating ratio	
	2003 %	**2002 %**	**2003 %**	**2002 %**	**2003 %**	**2002 %**
United Kingdom	66.4%	70.0%	10.5%	10.4%	99%	101%
France	70.6%	71.1%	13.6%	13.9%	102%	102%
Ireland	78.5%	85.4%	8.9%	13.0%	97%	100%
Netherlands	60.5%	64.6%	17.4%	19.6%	101%	105%
Canada	78.4%	74.1%	11.7%	11.3%	108%	102%
Continuing operations	**69.3%**	**71.2%**	**11.3%**	**11.3%**	**100%**	**102%**
Discontinued operations – Australia and New Zealand	-	69.1%	-	13.2%	-	98%
	69.3%	**71.0%**	**11.3%**	**11.5%**	**100%**	**101%**

Ratios are measured in local currency.
The total Group ratios are based on average exchange rates applying to the respective periods.

Definitions:

Claims ratio	–	Incurred claims expressed as a percentage of net earned premiums.
Expense ratio	–	Written expenses excluding commissions expressed as a percentage of net written premiums.
Commission ratio	–	Written commissions expressed as a percentage of net written premiums.
Combined operating ratio	–	Aggregate of claims ratio, expense ratio and commission ratio.

General insurance – class of business analyses

(a) United Kingdom

	Net written premiums		Underwriting result		Combined operating ratio	
	2003 £m	**2002 £m**	**2003 £m**	**2002 £m**	**2003 %**	**2002 %**
Personal						
Motor	1,345	1,255	(34)	(44)	102%	103%
Homeowner	970	1,005	5	5	99%	99%
Creditor	588	465	5	19	102%	100%
Other	84	86	-	5	101%	98%
	2,987	2,811	(24)	(15)	101%	101%
Commercial						
Motor	767	727	31	(11)	97%	102%
Property	859	692	62	1	91%	100%
Liability	409	314	(32)	(42)	108%	114%
Other	113	196	13	15	89%	90%
	2,148	1,929	74	(37)	96%	102%
£m	**5,135**	**4,740**	**50**	**(52)**	**99%**	**101%**

During the year to 31 December 2003, annualised rating increases were as follows: commercial liability: 25%; commercial property: 12%; commercial motor: 2%; homeowners: 4%; and personal motor: 3%.

(b) France

	Net written premiums		Underwriting result		Combined operating ratio	
	2003 €m	**2002 €m**	**2003 €m**	**2002 €m**	**2003 %**	**2002 %**
Motor	355	342	12	(11)	97%	103%
Property and other	391	417	(25)	(11)	107%	102%
€m	**746**	**759**	**(13)**	**(22)**	**102%**	**102%**
£m	**515**	**478**	**(9)**	**(14)**	**102%**	**102%**

General insurance – class of business analyses (continued)

(c) Netherlands

	Net written premiums		Underwriting result		Combined operating ratio	
	2003 €m	**2002 €m**	**2003 €m**	**2002 €m**	**2003 %**	**2002 %**
Property	327	256	18	6	93%	99%
Motor	314	258	2	(22)	98%	109%
Liability	55	59	(12)	(11)	160%	120%
Other	120	81	(15)	(6)	101%	107%
€m	**816**	**654**	**(7)**	**(33)**	**101%**	**105%**
£m	**563**	**412**	**(5)**	**(21)**	**101%**	**105%**

(d) Canada

	Net written premiums		Underwriting result		Combined operating ratio	
	2003 C$m	**2002 C$m**	**2003 C$m**	**2002 C$m**	**2003 %**	**2002 %**
Automobile	1,736	1,475	(262)	(69)	115%	105%
Property	760	702	24	11	96%	98%
Liability	233	182	5	(15)	97%	108%
Other	38	32	8	7	74%	72%
C$m	**2,767**	**2,391**	**(225)**	**(66)**	**108%**	**102%**
£m	**1,208**	**1,009**	**(98)**	**(28)**	**108%**	**102%**

Assets under management

	Long-term business 2003 £m	General business and other 2003 £m	Group 2003 £m	Group 2002 £m
Financial investments				
Shares, other variable yield securities and units in unit trusts	25,803	2,491	28,294	22,757
Strategic investments	1,550	476	2,026	2,111
Debt and fixed income securities at market value	36,950	10,098	47,048	30,821
Debt and fixed income securities at amortised cost	34,709	-	34,709	42,721
Loans secured by mortgages and other loans, net of non-recourse funding	10,835	1,448	12,283	11,803
Deposits	2,508	435	2,943	2,820
Other investments	1,777	65	1,842	1,105
Total financial investments	**114,132**	**15,013**	**129,145**	**114,138**
Investments in joint ventures	869	-	869	781
Investments in associated undertakings and participating interests	764	279	1,043	1,050
Land and buildings	8,469	637	9,106	9,416
Total investments	**124,234**	**15,929**	**140,163**	**125,385**
Assets held to cover linked liabilities	40,665	-	40,665	29,538
Other assets included in the balance sheet	13,495	14,357	27,852	26,082
Total MSSB assets included in the balance sheet	**178,394**	**30,286**	**208,680**	**181,005**
Additional value of in-force long-term business	4,744	-	4,744	3,917
Total EV assets included in the balance sheet	**183,138**	**30,286**	**213,424**	**184,922**
Third party funds under management:				
Securitised mortgages (gross of non-recourse funding)			3,143	2,099
Unit trusts, Oeics, Peps and Isas			4,460	3,636
Segregated funds			19,355	16,955
Total assets under management			**240,382**	**207,612**

Strategic investments include the market value of the Group's shareholding in Société Générale, Münchener Rückversicherungs-Gesellschaft, The Royal Bank of Scotland Group and UniCredito Italiano.

General insurance and other investments mix

	United Kingdom £m	Continental Europe £m	International £m	Total 2003 £m
Shares, other variable yield securities and units in unit trusts and strategic investments	1,557	1,077	333	2,967
Debt and fixed income securities at market value	4,884	3,201	2,013	10,098
Land and buildings	276	325	36	637
Other	1,474	596	157	2,227
Total investments	**8,191**	**5,199**	**2,539**	**15,929**

Group capital structure

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

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

Capital employed by segment

	2003 £m	Restated* 2002 £m
Long-term savings	12,373	10,379
General insurance and health	4,481	3,917
Other business	725	554
Corporate	2,934	2,475
Total capital employed	**20,513**	**17,325**
Financed by		
Internal debt	3,841	3,671
External debt	1,749	2,053
Subordinated debt	2,814	1,190
Shareholders' funds and minority interests	12,109	10,411
	20,513	**17,325**

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.

At 31 December 2003 we had £20.5 billion (31 December 2002: £17.3 billion) of total capital employed in our trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, subordinated debt and internal and external borrowings.

In 2003, the total capital employed in our long-term savings operations increased due to retained profits for the year and the beneficial impact of the Euro foreign exchange movement. The total capital employed in our general insurance businesses was similarly affected by both retained profits and foreign exchange gains.

Assets available to shareholders are held within the Group's UK general insurance legal entities and are available to finance future growth of the Group. For the purposes of analysing the capital employed by segment, these assets are classified as corporate. In September 2003, Aviva plc issued £1.6 billion of subordinated debt, which provides cost-effective funding and is treated as equity for regulatory purposes. Of the £1.6 billion of subordinated debt proceeds, some £400 million was used to repay senior debt with the remaining £1.2 billion classified within corporate.

In addition to its external funding sources, the Group has a number of internal debt arrangements in place. These have allowed the assets supporting technical liabilities to be invested into the pool of central assets for use across the Group. They have also enabled the shareholders to deploy cash from some parts of the business to others in order to fund growth. Although intra-group loans in nature, they are counted as part of the capital base for the purpose of capital management. All internal loans satisfy arms length criteria and all interest payments have been made when due.

In the early part of 2003 corporate assets were used to pay the final instalment of the Berkshire Hathaway reinsurance premium, which reduced internal debt. This has been offset by an increase in internal loan arrangements resulting overall in a small increase in internal debt.

The ratio of the Group's external debt to shareholders' funds was 12% (31 December 2002: 18%). Interest cover, which measures the extent to which external interest costs are covered by achieved operating profit, was 19 times (31 December 2002: 14 times).

Group capital structure (continued)

Deployment of equity shareholders' funds

	2003					Restated* 2002
	Equities £m	**Fixed income securities £m**	**Other investments £m**	**Other net assets £m**	**Total £m**	**Total £m**
Assets						
Long-term savings	604	3,843	924	1,552	6,923	5,726
General insurance, health, corporate and other business	2,967	3,286	867	(85)	7,035	5,906
	3,571	7,129	1,791	1,467	13,958	11,632
Goodwill					1,323	1,271
Additional and acquired value of in-force long-term business					5,232	4,422
Assets backing total capital employed in continuing operations					**20,513**	**17,325**
External debt					(1,749)	(2,053)
Internal debt					(3,841)	(3,671)
Subordinated debt					(2,814)	(1,190)
					12,109	**10,411**
Minority interests					(944)	(743)
Preference capital					(200)	(200)
Equity shareholders' funds					**10,965**	**9,468**

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.

Our exposure to equities has increased from £3.1 billion at 31 December 2002 to £3.6 billion, which represents 17% of our capital employed. During the course of the period, as part of the ongoing portfolio management process, the Group reduced its strategic stakes in Société Générale, Munich Re, and The Royal Bank of Scotland Group. The Group also has a stake in UniCredito Italiano which has been classified as strategic for the first time this year. The market values of these holdings at 31 December 2003 were £233 million, £403 million, £854 million and £536 million respectively (31 December 2002: £595 million, £372 million, £956 million and £188 million respectively) and represented 1.1%, 2.6%, 1.8% and 2.8% (31 December 2002: 3.8%, 2.8%, 2.2% and 1.2%) of the respective issued share capital of these companies.

Return on capital employed

	2003			Restated* 2002
	Normalised after-tax return £m	**Opening equity capital £m**	**Return on capital %**	**Return on capital %**
Long-term savings	1,082	10,379	10.4%	9.4%
General insurance and health	641	3,917	16.4%	12.5%
Other business	(44)	554	(7.9%)	(20.7%)
Corporate	(38)	2,475	(1.5%)	(2.1%)
	1,641	**17,325**	**9.5%**	**7.9%**
Borrowings	(295)	(6,914)	4.3%	4.4%
	1,346	**10,411**	**12.9%**	**9.9%**
Minority interests	(131)	(743)	17.6%	12.7%
Preference capital	(17)	(200)	8.5%	8.5%
	1,198	**9,468**	**12.7%**	**9.7%**
Discontinued operations – Australia and New Zealand	-	-	-	20.2%
Equity shareholders' funds	**1,198**	**9,468**	**12.7%**	**10.1%**

* Restated for the effect of changes in accounting policies in respect of the treatment of shares held by employee trusts as a deduction from shareholders' funds.

The return on capital is calculated as the after-tax return on opening equity capital, based on operating profit, including life achieved profit, before amortisation of goodwill and exceptional items.

Group capital structure (continued)

Capital management
In managing its capital, the Group aims to:

(i) match the profile of its assets and liabilities, taking account of the risks inherent in each business. In the case of the Group's life operations, which have long-term liabilities, the majority of capital is held in fixed income securities. A significant proportion of the capital supporting the Group's general insurance and health operations is held in equities, reflecting the relatively low risk profile of these businesses;
(ii) maintain financial strength to support new business growth and satisfy the requirements of its policyholders, regulators and rating agencies;
(iii) retain financial flexibility by maintaining strong liquidity, including significant unutilised committed credit lines, and access to a range of capital markets;
(iv) allocate capital efficiently to support growth and repatriate excess capital where appropriate; and
(v) manage exposures to movements in exchange rates by aligning the deployment of capital by currency with the Group's capital requirements by currency.

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rates of return for individual business units, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders.

Risk based capital
The Group uses risk based capital as one of several measures to assess its capital requirements for its general insurance businesses. Financial modelling techniques enhance our practice of active capital management, ensuring sufficient capital is available to protect against unforeseen events and adverse scenarios, and risk management. Our aim continues to be the optimal usage of capital through appropriate allocation to our businesses.

Our risk based capital model is part of a longer-term development programme for more complex risk monitoring techniques in part to meet future industry standards. Within a few years we expect to agree capital requirements with the regulator on the basis of our risk based capital models.

Our current risk based capital methodology for general insurance business assesses insurance, market and credit risks and makes prudent allowance for diversification benefits. We look at the level of capital necessary to enable the general insurance business to meet the statutory minimum solvency margin over a five year period with 99% probability of not requiring further capital. We consider risks over a five year period allowing for planned levels of business growth. Based on our model, our risk based capital requirement may be expressed as 34% of net written premiums.

Capital employed in our general insurance and health business after goodwill and adding back the claims equalisation reserve was £4.5 billion at 31 December 2003 and required capital on a risk basis was £3.3 billion, giving a surplus capital position of £1.2 billion.

Sensitivity analysis
The sensitivity of the Group's shareholders' funds at 31 December 2003 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2002 £bn		31 December 2003 £bn	Equities down 10% £bn	Interest rates up 1% £bn
10.4	Long-term savings(1)	12.4	11.9	12.5
6.9	General insurance and other	8.1	7.9	7.8
(6.9)	Borrowings(2)	(8.4)	(8.4)	(8.4)
10.4	**Shareholders' funds**	**12.1**	**11.4**	**11.9**

(1) Assumes achieved profit assumptions adjusted to reflect revised bond yields.
(2) Comprising internal, external and subordinated debt.
(3) These sensitivities assume a full tax charge/credit on market value appreciation/falls.

Post-tax internal rate of return on life and pensions new business
The total internal rate of return (IRR) on life and pensions new business for the Group was 14% (2002: 16%). The decrease in the IRR is largely as a result of the fall in with-profit sales during the year. The return is the discount rate at which the present value of the post-tax cash flows expected to be earned over the life time of the business written is equal to the initial capital required to support the writing of the business. The capital includes the statutory minimum solvency margin and amounts to £900 million (2002: £1,000 million). This includes £340 million (31 December 2002: £300 million) of solvency requirements.

Group capital structure (continued)

Shareholders' funds, including minority interests

		2003 Closing shareholders' funds			2002 Closing shareholders' funds Restated*		
	Note	MSSB net assets (note 1) £m	Internally generated AVIF £m	Embedded value £m	MSSB net assets (note 1) £m	Internally generated AVIF £m	Embedded value £m
Life assurance							
United Kingdom		2,844	2,829	5,673	2,514	2,498	5,012
France		1,068	381	1,449	924	297	1,221
Ireland		338	216	554	296	176	472
Italy		386	56	442	295	54	349
Netherlands (including Belgium and Luxembourg)		1,621	777	2,398	1,270	536	1,806
Poland		146	250	396	130	222	352
Spain		266	189	455	239	111	350
Other Europe		174	26	200	157	19	176
International		568	20	588	406	4	410
		7,411	**4,744**	**12,155**	**6,231**	**3,917**	**10,148**
Participating interests	2	218	-	218	231	-	231
		7,629	**4,744**	**12,373**	**6,462**	**3,917**	**10,379**
General insurance and health	3						
United Kingdom	4	2,448		2,448	2,052		2,052
France		414		414	481		481
Ireland		333		333	236		236
Netherlands		250		250	275		275
Other Europe		112		112	63		63
Canada		631		631	535		535
Other		293		293	275		275
		4,481	-	**4,481**	**3,917**	-	**3,917**
Other business		725		725	554		554
Corporate	4	2,934		2,934	2,475		2,475
External debt	5	(1,749)		(1,749)	(2,053)		(2,053)
Internal debt		(3,841)		(3,841)	(3,671)		(3,671)
Subordinated debt		(2,814)		(2,814)	(1,190)		(1,190)
		(4,745)	**-**	**(4,745)**	**(3,885)**	**-**	**(3,885)**
Shareholders' funds, including minority interests		**7,365**	**4,744**	**12,109**	**6,494**	**3,917**	**10,411**
Comprising							
Equities		3,571		3,571	3,126		3,126
Debt and fixed income securities		7,129		7,129	6,033		6,033
Property		612		612	496		496
Deposits and other investments		1,179		1,179	1,293		1,293
Intangible assets	6	1,811	4,744	6,555	1,776	3,917	5,693
Other net assets		1,467		1,467	684		684
Borrowings		(8,404)		(8,404)	(6,914)		(6,914)
		7,365	**4,744**	**12,109**	**6,494**	**3,917**	**10,411**

* Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.

Group capital structure (continued)

Shareholders' funds, including minority interests (continued)

Notes
1. Includes acquired additional value of in-force long-term business of £488 million (2002: £505 million).
2. The net assets represent the £218 million of goodwill on the RBSG joint venture (2002: £231 million).
3. The capital employed in the Group's general insurance operations includes £392 million of goodwill (2002: £282 million).
4. Assets available to shareholders are held by the Group's UK general insurance operations and are available to finance future growth of the Group. Accordingly, for the purposes of preparing this note, these assets have been reclassified as Corporate.
5. The external borrowings reported in the summary consolidated balance sheet of £1,760 million (2002: £2,064 million) comprise £11 million (2002: £11 million) of general insurance borrowings (reported within the general insurance and health net assets) and £1,749 million (2002: £2,053 million) of borrowings by holding companies of the Group not allocated to operating companies (shown as external debt).
6. Comprises £488 million of acquired additional value of in-force long-term business (2002: £505 million), £1,105 million of goodwill arising on acquisitions (2002: £1,040 million) and £218 million of goodwill on the RBSG joint venture (2002: £231 million).

Group capital structure (continued)

Return on capital employed

2003

		Normalised return (Note 1)		Opening shareholders' funds including minority interests (Note 2)	Return on Capital
	Note	Before tax £m	After tax £m	£m	%
Life assurance					
United Kingdom	3	659	461	5,243	8.8%
France		220	142	1,221	11.6%
Ireland		65	57	472	12.1%
Italy		70	42	349	12.0%
Netherlands (including Belgium and Luxembourg)		189	140	1,806	7.8%
Poland		104	76	352	21.6%
Spain		158	102	350	29.1%
Other Europe		9	6	176	3.4%
International		81	56	410	13.7%
		1,555	**1,082**	**10,379**	**10.4%**
General insurance and health					
United Kingdom	4	608	416	2,052	20.3%
France		44	33	481	6.9%
Ireland		91	78	236	33.1%
Netherlands		74	55	275	20.0%
Other Europe		32	24	63	38.1%
Canada		12	8	535	1.5%
Other		30	27	275	9.8%
		891	**641**	**3,917**	**16.4%**
Other business		(54)	(44)	554	(7.9%)
Corporate	4,5	(79)	(38)	2,475	(1.5%)
External debt		(109)	(86)	(2,053)	4.2%
Internal debt		(196)	(138)	(3,671)	3.8%
Subordinated debt		(101)	(71)	(1,190)	6.0%
		1,907	**1,346**	**10,411**	**12.9%**

Notes
1. The normalised return is based upon operating profit, including life achieved profit, before amortisation of goodwill and exceptional items.
2. Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.
3. Shareholders' funds include £231 million of goodwill on RBSG joint venture.
4. Assets available to shareholders are held by the Group's UK general insurance operations and are available to finance future growth of the Group. Accordingly, these assets together with their associated pre-tax investment return of £81 million (post-tax £57 million) have been reclassified as Corporate.
5. The return before tax of £(79) million comprises investment return of £81 million and corporate costs of £(160) million.

Group capital structure (continued)

Return on capital employed (continued)

2002

		Normalised return (Note 1)		Opening shareholders' funds including minority interests (Note 2)	Return on Capital
	Note	Before tax £m	After tax £m	£m	%
Life assurance					
United Kingdom	3	699	488	6,274	7.8%
France		228	145	1,243	11.7%
Ireland		75	66	467	14.1%
Italy		52	31	278	11.2%
Netherlands (including Belgium and Luxembourg)		200	147	1,866	7.9%
Poland		111	80	371	21.6%
Spain		83	54	309	17.5%
Other Europe		(2)	(1)	107	(0.9%)
International		78	54	392	13.8%
		1,524	**1,064**	**11,307**	**9.4%**
General insurance and health					
United Kingdom	4	491	330	2,043	16.2%
France		57	41	619	6.6%
Ireland		44	37	200	18.5%
Netherlands		55	41	430	9.5%
Other Europe		49	36	276	13.0%
Canada		80	54	590	9.2%
Other		37	30	402	7.5%
		813	**569**	**4,560**	**12.5%**
Other business		(94)	(67)	324	(20.7%)
Corporate	4,5	(89)	(63)	2,937	(2.1%)
External debt		(133)	(102)	(2,651)	3.8%
Internal debt		(228)	(161)	(3,284)	4.9%
Subordinated debt		(73)	(51)	(1,157)	4.4%
		(617)	**(444)**	**(3,831)**	**11.6%**
		1,720	**1,189**	**12,036**	**9.9%**
Australia and New Zealand		78	72	357	20.2%
		1,798	**1,261**	**12,393**	**10.2%**

Notes
1. The normalised return is based upon operating profit, including life achieved profit, before amortisation of goodwill and exceptional items.
2. Restated for the effect of a change in accounting policy in respect of the treatment of shares held by employee trusts as a deduction from shareholders' capital.
3. Shareholders' funds include £244 million of goodwill on RBSG joint venture.
4. Assets available to shareholders are held by the Group's UK general insurance operations and are available to finance future growth of the Group. Accordingly, these assets together with their associated pre-tax investment return of £129 million (post-tax £90 million) have been reclassified as Corporate.
5. The return before tax of £(89) million comprises return of £129 million and corporate costs of £(218) million.

Shareholder information

Financial calendar 2004

Ex-dividend date (ordinary shares)	24 March
Record date (ordinary shares)	26 March
Announcement of long-term savings new business for 3 months to 31 March 2004	5 May
Dividend payment date (ordinary shares)	17 May
Announcement of unaudited six months' interim results	4 August

Dividend reinvestment plan

Aviva's Dividend Reinvestment Plan (the "Plan") enables cash dividends to be reinvested in the Company's shares at reduced dealing costs. Shareholders who have not already joined the Plan and wish to do so should contact the Company's Registrar (at the address below) to obtain full details and a mandate form. Shareholders who have previously elected to join the Plan need take no further action.

Dividend payments direct to your bank account

If you wish, you can have your dividend payments credited to your bank or building society account on the dividend payment date – a tax voucher will still be posted to your home address to confirm the payment. The Company has also introduced a service – the Transcontinental Accounts Payment Service ("TAPS") – which allows shareholders in many countries to have dividends credited direct to bank accounts in local currencies. To obtain further details and a mandate form for either service please contact the Company's Registrar (at the address below).

Shareview

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

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

Useful contact details

Detailed below are various addresses that may prove useful in the event that you have a query in respect of your shareholding. Please quote Aviva plc, as well as the name and address in which your shares are held, in all correspondence.

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

Internet sites

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

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

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