



5 July 2005

Aviva releases its full year 2004 results restated in accordance with International Financial Reporting Standards (“IFRS”)

Following the successful completion of its conversion programme, Aviva plc (“Aviva”) presents its 2004 results restated in accordance with IFRS. This is in advance of its half year results which will be announced on 11 August 2005. The impact of IFRS reduces statutory operating profit before tax by 5% to £1,766 million, increases statutory profit before tax by 10% to £1,642 million and statutory shareholders’ funds reduce by 3% to £8,083 million.

Aviva is also making a discretionary change to the calculation of its longer term investment return (LTIR) for the investments backing its general insurance and health businesses. These are also included in this restatement.

As previously reported, Aviva continues to believe that:

- IFRS phase 1 represents a technical accounting change to the way Aviva reports and presents its consolidated Modified Statutory Solvency Basis (“MSSB”) results; there is no underlying change to the economics of Aviva’s business.
- IFRS will not impact Aviva’s dividend policy.
- IFRS in itself will have no significant impact on Aviva’s solvency calculations which are subject to separate regulation.
- The directors consider that embedded value continues to be the best measure of added value for long term insurance business, which is unaffected by IFRS.

Aviva will change its LTIR methodology from 2005. As announced at the time of the 2004 results Aviva will align the equity and property rates used in the LTIR calculation with those used under European Embedded Value (EEV) principles. Aviva has also decided to change the LTIR calculation for fixed interest securities to include additionally the amortisation of premium or discount arising on purchase so as to show an LTIR which is equivalent to the gross redemption yield. We believe that these changes achieve greater consistency across Aviva’s reporting. Furthermore the change to the LTIR basis for fixed interest securities more closely aligns reporting to the way we price general insurance and health business. There is no impact on profit before tax or shareholders’ funds as a result of this change, as the actual investment returns on all assets held by the Group’s general insurance and health businesses are included in these amounts. Aviva has decided to apply this discretionary change to the LTIR methodology in arriving at the Group’s restated 2004 operating profit before tax.

The key changes for the year ended 31 December 2004 are:

	UK GAAP	IFRS	Restated for IFRS	Discretionary	Restated for IFRS and discretionary changes to LTIR
Statutory basis:	£m	changes	changes	changes to LTIR	£m
Operating profit before tax	1,861	(95)	1,766	(97)	1,669
Operating profit after tax and minorities	1,291	(7)	1,284	(68)	1,216
Profit before tax	1,488	154	1,642	-	1,642
Profit for the year	1,133	238	1,371	-	1,371
Shareholders’ funds	8,320	(237)	8,083	-	8,083
Dividend cover	2.25 times		2.23 times		2.11 times

Segmental results

The Group will present its results under four key business segments: Long term business, general insurance and health business, fund management and all other non-insurance businesses. The impact of IFRS on the 2004 results on the key segments is discussed further below.

	UK GAAP £m	IFRS Changes £m	Restated for IFRS changes £m	Discretionary changes to LTIR £m	Restated for IFRS and discretionary changes to LTIR £m
Operating profit					
Long-term business	1,185	(69)	1,116	-	1,116
Fund management	43	(3)	40	-	40
General insurance and health businesses	1,384	(28)	1,356	(97)	1,259
Non-insurance operations	(108)	(13)	(121)	-	(121)
Corporate costs	(178)	(10)	(188)	-	(188)
Unallocated interest charges	(465)	-	(465)	-	(465)
Centre unallocated income	-	28	28	-	28
Operating profit before tax attributable to shareholders' profits	1,861	(95)	1,766	(97)	1,669
Statutory shareholders' funds	8,320	(237)	8,083	-	8,083

Long-term business

The 2004 results for Aviva's life businesses on an EEV basis remain unchanged and the directors consider that embedded value continues to be the best measure of added value for long term insurance business. This means that the Group's reported life new business contribution, margin and internal rate of return remain unchanged following the introduction of IFRS.

On an IFRS basis statutory life operating profit before shareholders' tax falls by £69 million from £1,185 million to £1,116 million. The principal reasons for this change are as follows:

- The adoption of IAS 39 for non-participating investment contracts and other related changes reduce operating profit by £77 million in total;
- A change in approach for allocating tax between policyholders and shareholders, reduces operating profit before shareholders' tax by £93 million. This presentational change has no impact on the tax charged to the policyholder life funds nor on operating profit after tax or dividend cover;
- Increased pension costs of £27 million arise as a result of applying IAS 19 *Employee benefits*;
- Changes to the valuation of investments increases profit by £44 million while changes to investment accounting result in £67 million of returns being incorporated within operating profit;
- Other sundry differences increasing operating profit by £17 million.

These changes are explained further within Appendix A to this announcement on pages 6 to 8.

General insurance and health business

Operating profit before tax falls by £28 million from £1,384 million under UK GAAP to £1,356 million under IFRS. This reduction is principally due to increased pension costs under IAS 19 *Employee Benefits*.

As outlined above, in addition to the required IFRS changes, Aviva has, at its discretion, chosen to review the methodology previously adopted for recording longer term investment return for general insurance and health business. As noted with our preliminary 2004 results, with effect from 2005, Aviva has chosen to apply the same long term rates of investment return in respect of economic assumptions for equities and property as those used to arrive at life operating returns under EEV principles. Applying this change to the 2004 results for general insurance and health business reduces the longer term investment returns on equities and property by £25 million.

In addition we have reviewed the longer term investment return methodology in respect of fixed income securities. Under UK GAAP the amount included within operating profit reflected the actual income received with realised and unrealised gains or losses being included within short term fluctuations. At its discretion, Aviva has now chosen to include within the operating profit the amortisation of the premium/discount arising upon the acquisition of such securities to arrive at an investment return which is equivalent to the gross redemption yields of fixed income securities. The effect of applying this change to 2004 is to reduce operating profit before tax by £72 million.

Shareholders' funds

Upon conversion to IFRS, Group's shareholders' funds fall by £237 million to £8,083 million. The principal reasons for this reduction are as follows:

- Removal of the claims equalisation reserve net of deferred tax increases shareholders' funds by £271 million;
- Changes in the timing of dividend recognition increases shareholders' funds by £364 million;
- Investment valuation changes increase shareholders' funds by £284 million before tax;
- Removal of the pension prepayment valued in accordance with SSAP 24 *Accounting for Pension Costs* (UK GAAP) and recognition of the pension deficit valued under IAS 19 *Employee Benefits*, decreases shareholders' funds by £909 million, net of deferred tax. Aviva has apportioned substantially all the pension deficit to shareholders.
- The prohibition from discounting deferred tax balances decreases shareholders' funds by £215 million.

Appendices

The following appendices are attached to this announcement:

- Appendix A: Summarised consolidated pro forma operating profit statement, statement of recognised income and expense and summarised consolidated statement of changes in equity, for the year ended 31 December 2004 restated on an IFRS basis, including the discretionary change to LTIR, with a reconciliation to the Group's results published under UK GAAP (MSSB).
- Appendix B: Restated summarised consolidated balance sheet on an IFRS basis at 31 December 2004, with a reconciliation to the balance sheet published under UK GAAP (MSSB).
- Appendix C: Restated summarised consolidated balance sheet on an IFRS basis at 1 January 2004, with a reconciliation to the balance sheet published under UK GAAP (MSSB).
- Appendix D: Summarised consolidated profit and loss account on an EEV basis for the year ended 31 December 2004, restated to incorporate the results of non-long term business on an IFRS basis, including the discretionary change to LTIR, together with summarised consolidated balance sheet on an EEV basis for the year ended 31 December 2004.

Enquiries:

Analysts/Investors:

Andrew Moss, group finance director +44 (0)20 7662 2679
Nic Nicandrou, group financial control director +44 (0)20 7662 2118
Siobhan Boylan, director of group financial reporting +44 (0)20 7662 2176

Media:

Sue Winston, head of group media relations +44 (0)20 7662 8221
Dominick Peasley, Financial Dynamics +44 (0) 20 7269 7243

NEWSWIRES: There will be a conference call today for newswires at 07:45am (BST) hosted by Andrew Moss, group finance director, and Nic Nicandrou, group financial control director on +44 (0) 20 7365 1842.

ANALYSTS: There will be a conference call today for analysts at 09:30am (BST) on +44 (0)20 7784 1015. The conference call will be hosted by Andrew Moss, group finance director and Nic Nicandrou, group financial control director. Replay will be available for 2 weeks until 18 July 2005. The dial-in number for replay is +44 (0)20 7784 1024 and the pass code is 2860643# for the presentation and questions and answers and 5233848# for questions and answers only.

Notes to editors:

- Aviva is the world's fifth-largest insurance group based on gross worldwide premiums and one of the leading providers of life and pensions to Europe with substantial positions in other markets around the world.
- 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 £33 billion for the year ended 31 December 2004 and assets under management of £272 billion at 31 December 2004.
- The Aviva media centre at www.aviva.com/media includes images, company and product information and a news release archive.
- The key accounting policy changes under IFRS can be summarised as follows:
 - a) All policies currently classified as insurance under UK GAAP must be classified into investment or insurance contracts. Those contracts meeting the definition of insurance or those investment contracts with a discretionary participating feature will continue to be accounted for under UK GAAP, except that FRS 27 *Life Assurance* has been applied to the UK with-profits liabilities and an active valuation basis has been adopted for certain technical liabilities to reflect the fact that substantially all assets will be held at fair value. All other investment contracts must be accounted for under IAS 39 which, amongst other things, has the effect of reducing the level of costs that can be deferred.
 - b) Claims equalisation provisions can no longer be held.
 - c) The balance sheet now incorporates the pension deficit as recorded under International Accounting Standard 19, Employee Benefits (IAS 19).
 - d) Substantially all investments (excluding certain originated mortgages and loans) will be held at fair value, including those currently held at amortised cost.
 - e) All future business combinations will be treated as acquisitions and intangibles acquired, such as brands, customer lists and distribution agreements explicitly valued. Goodwill will no longer be amortised but will subject to annual impairment review.
- This 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 announcement or any other forward-looking statements we may make.

Basis of preparation of restated financial information contained in the appendices

From 2005, all European Union listed companies are required to prepare their consolidated financial statements using standards issued by the International Accounting Standards Board (IASB). The attached appendices contain certain financial information presented as part of the Group's results in 2004 restated for the implementation of International Financial Reporting Standards (IFRS) and will form part of the comparatives for 2005 reporting purposes. The attached appendices have been prepared using the Group's accounting policies under IFRS, substantially all of which were set out on pages 121 to 126 in the 2004 Report & Accounts. The significant changes to these policies following external and industry developments are set out in appendix C of this announcement. The Group's revised accounting policies are in accordance with IFRS issued by the IASB. The European Union has endorsed all relevant IFRS with the exception of the Amendment to IAS19 *Employee Benefits (2004)* and the amendments to IAS39, *The Fair Value Option* published by the IASB in June 2005.

Both these amendments are expected to be endorsed by the European Commission during 2005 and although they are not mandatory until 2006, the Group has decided to adopt them early and reflect their impact within the 2004 restated financial information. The Group's full year financial statements at 31 December 2005 will be prepared in accordance with these endorsed IFRS and this announcement reflects the accounting policies expected to apply at the year end.

IFRS remains subject to possible amendment by interpretative guidance from the IASB or other external bodies and therefore are subject to change prior to publication of the Group's full IFRS financial statements early in 2006.

In line with the requirements of International Financial Reporting Standard 1, *First-Time Adoption of International Financial Reporting Standards (IFRS1)*, Aviva has applied the Group's accounting policies under IFRS retrospectively at the date of transition being 1 January 2004, with exception of a number of permitted exemptions as detailed below:

Business combinations

The Group has elected not to apply retrospectively the provisions of International Financial Reporting Standard 3, *Business Combinations*, to business combinations that occurred prior to 1 January 2004. At the date of transition no adjustment was made between UK GAAP and IFRS shareholders' funds for any historical business combination.

Cumulative translation differences

The Group has elected that the cumulative translation differences of foreign operations were deemed to be zero at the transition date to IFRS.

Equity compensation plans

The Group has elected not to apply the provisions of International Financial Reporting Standard 2, *Share-based Payment*, to options and awards granted on or before 7 November 2002 which had not vested by 1 January 2005.

Employee benefits

All cumulative actuarial gains and losses on the Group's defined benefit pension schemes have been recognised in equity at the transition date.

Comparatives

The Group has not taken advantage of the exemption within IFRS1 that allows comparative information presented in the first year of adoption of IFRS not to comply with International Accounting Standard 32, *Financial Instruments: Disclosure and Presentation (IAS32)*, International Accounting Standard 39, *Financial Instruments: Recognition and measurement (IAS39)* and International Financial Reporting Standard 4, *Insurance Contracts (IFRS4)*.

Estimates

Where estimates had previously been made under UK GAAP, consistent estimates (after adjustments to reflect any difference in accounting policies) have been made for the same date on transition to IFRS (i.e., judgements affecting the Group's opening balance sheet have not been revisited for the benefit of hindsight).

Held for sale

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

FRS27

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

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

Auditors' review

The restated results for the year ended 31 December 2004 have been audited by the auditor, Ernst & Young LLP. The summary IFRS information included in this document does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and does not include details of the Group's consolidated cash flows.

Appendix A: Summarised consolidated pro forma operating profit statement for the year ended 31 December 2004

	UK GAAP £m	Restated IFRS changes £m	Restated for IFRS changes £m	LTIR ¹ (Note 6) £m	Restated for IFRS and LTIR ¹ changes £m
Net premiums written (excluding associates)					
Life premiums	19,899	(6,357) ²	13,542	-	13,542
General insurance and health	9,809	-	9,809	-	9,809
	29,708	(6,357)	23,351	-	23,351
Operating profit					
Long term business	1,185	(69)	1,116	-	1,116
Fund management	43	(3)	40	-	40
General insurance and health business	1,384	(28)	1,356	(97)	1,259
Non-insurance operations	(108)	(13)	(121)	-	(121)
Corporate costs	(178)	(10)	(188)	-	(188)
Unallocated interest charges	(465)	-	(465)	-	(465)
Unallocated income	-	28	28	-	28
Operating profit before tax attributable to shareholders' profits from continuing operations	1,861	(95)	1,766	(97)	1,669
Amortisation/impairment of goodwill	(120)	79	(41)	-	(41)
Amortisation of acquired additional value of in-force long-term business and other intangibles	(126)	34	(92)	-	(92)
Financial Services Compensation Scheme and other levies	(49)	-	(49)	-	(49)
Short-term fluctuation in return on investments	131	(67)	64	97	161
Change in the equalisation provision	(23)	23	-	-	-
Net loss on the disposal of subsidiary and associated undertakings	(136)	170	34	-	34
Exceptional costs for termination of operations	(50)	10	(40)	-	(40)
Profit before tax attributable to shareholders' profits	1,488	154	1,642	-	1,642
Tax attributable to shareholders' profits	(355)	84	(271)	-	(271)
Profit for the year	1,133	238	1,371	-	1,371
Attributable to:					
Equity shareholders of Aviva plc	1,057	218	1,275	-	1,275
Minority interests	76	20	96	-	96
Earnings per share based on operating profit after tax attributable to ordinary shareholders	57.2p		56.9p		53.9p
Earnings per share based on profit after tax attributable to ordinary shareholders	45.8p		55.5p		55.5p
Dividend cover ³	2.25 times		2.23 times		2.11 times

¹ The Group has decided to adopt from 2005, as a discretionary change that is not required by IFRS, a change in rates and methodology in the calculation of LTIR as it applies to its general insurance and health business.

² Represents the application of deposit accounting for those contracts classified as non-participating investment contracts.

³ Calculated as operating profit net of tax, minorities and preference dividend over interim and final ordinary dividends declared in respect of the financial year

Analysis of IFRS adjustments to the pro forma operating profit statement for the year ended 31 December 2004 as a result of the transition to IFRS

	Investment valuation (Note 1) £m	Insurance changes (Note 2) £m	Employee benefits (Note 3) £m	Goodwill (Note 4) £m	Policyholder tax (Note 5) £m	Other items £m	Total adjustments £m
Operating profit							
Long term business	111	(77)	(27)		(93)	17	(69)
Fund management			(3)				(3)
General insurance and health business		5	(33)				(28)
Non-insurance operations			(3)			(10)	(13)
Corporate costs			(10)				(10)
Unallocated interest charges							-
Unallocated income			28				28
Operating profit before tax attributable to shareholders	111	(72)	(48)	-	(93)	7	(95)
Amortisation/ impairment of goodwill				79			79
Amortisation of AVIF and other intangibles					37	(3)	34
Financial Services Compensation Scheme and other levies							-
Short-term investment fluctuation	(67)						(67)
Change in equalisation provision		23					23
Net loss of the disposal of subsidiary and associated undertakings				169		1	170
Exceptional costs for termination of operations						10	10
Profit before tax attributable to shareholders profits	44	(49)	(48)	248	(56)	15	154
Tax attributable to shareholders' profits	-	(7)	15	-	56	20	84
Profit for the year	44	(56)	(33)	248	-	35	238

Summarised consolidated statement of recognised income and expense*For the year ended 31 December 2004*

	IFRS 2004 £m
Fair value gains, net of transfers to the profit and loss account	161
Actuarial gains and losses on pension schemes	(145)
Foreign exchange rate movements	57
Aggregate tax effect – shareholder tax	(15)
Net income recognised directly in equity	58
Profit for the year	1,371
Total recognised income and expense for the year	1,429

Summarised consolidated statement of changes in equity*For the year ended 31 December 2004*

	IFRS 2004 £m
Total equity at 31 December 2003	7,024
Total recognised income and expense for the year	1,429
Dividend and appropriations for the year	(570)
Movement in shares held by employee trusts	1
Increase in share capital	25
Issue of Direct Capital Instrument	990
Issue costs of Direct Capital Instrument	(9)
Shares issued in lieu of dividends	103
Total equity	8,993
Minority interests	(910)
Equity attributable to shareholders	8,083

Notes to the Analysis of adjustments to the pro forma operating profit statement for the year ended 31 December 2004 as a result of the transition to IFRS

Note 1: Investment valuation

The main investment valuation change upon conversion to IFRS is that assets, which are not classified as being held to maturity, are required to be held at fair value. Under UK GAAP certain of the Group's bonds were held at amortised cost. This change in valuation of debt securities resulted in a £2,459 million increase in the valuation of securities at 31 December 2004. Most of this change was offset by corresponding movements in the unallocated divisible surplus and technical liabilities. However, there was a residual uplift which resulted in a positive increase in the Group's shareholders' funds and the year on year movement in respect of those investments classified as "at fair value through profit and loss account" is reported as increased profits in the 2004 income statement.

In addition changes to investment accounting has resulted in £67 million of investment gains being reclassified from short term fluctuations to the life operating profit.

Note 2: Insurance changes

Insurance changes consist of:

- The removal of the claims equalisation provision, improving profit before tax by £23 million but with no impact on operating profit;
- The revaluation of liabilities and deferred acquisition costs on those contracts classified as non-participating investment contracts reducing operating profit by £91 million;
- The revaluation of certain life reinsurance treaties, increasing operating profit by £14 million;
- Other sundry changes to our general insurance business reserves increasing operating profit in 2004 by £5 million.

Of these changes the most significant impact occurs on our UK Life business where profit falls by £90 million as a result of the adoption of IAS 39. On the basis of 2004 gross written premiums, 44% of our total life business within the UK is classified as non-participating investment contracts and includes unit linked bonds and unit-linked pension contracts. IAS 39 reduces the level of deferred acquisition costs that can be recognised as well as requiring the removal from technical provisions of positive or negative non-unit reserves determined on the local valuation basis held over and above the unit fund value. The effect of these changes is that the profits on a non-participating investment contract will arise later in the contract term under IFRS than under UK GAAP.

The overall impact on annual profits arising from this accounting change is dependent upon levels of new business, product mixes, the ageing profile of the existing in-force business and reserving policies. Additional new business strain under IFRS would be expected to be mitigated by the emergence of higher IFRS basis profits of the in-force book of business. Until mid 2003, unit linked bond business sold by Norwich Union in the UK contained a guaranteed minimum death benefit and hence contained significant insurance risk, and, accordingly, as permitted by IFRS Phase 1, the UK GAAP basis profit profile has been retained. After mid 2003 this benefit was removed and business written since this time has been classified as non-participating investment business. The existing in-force business is therefore small and profits are insufficient to offset the new business strain. Therefore a significant conversion effect on profit arises.

This reduction in profit is no more than a timing adjustment. Aviva's main value measure remains European embedded value and the profit arising on this basis is unaffected by this technical accounting change.

Note 3: Employee benefits

The overall impact of adopting IAS 19 *Employee benefits* and IFRS 2 *Share based compensation* has been to increase costs by £48 million in 2004. The increase in costs partly reflects the fact that IAS 19 has used a more current actuarial valuation to measure the ongoing pension service cost. The charge under UK GAAP was based on the SSAP 24 valuation which, as disclosed in the 2004 Report & Accounts, was last updated for financial reporting purposes in April 2002.

Note 4: Goodwill

Goodwill is no longer amortised under IFRS but is subject to annual impairment review. There were £41 million of impairment charges incurred in 2004 relating to sundry small overseas businesses, which had been fully reflected within the UK GAAP amortisation charge of £120 million. No additional impairment arose as a result of the transition to IFRS.

A further £169 million credit arises to profit before tax, as goodwill previously charged directly to reserves was deducted from profit upon disposal of subsidiaries under UK GAAP. Under IFRS no such deduction is required. This change has no impact on operating profit or shareholders' funds.

Note 5: Policyholder tax

Operating profit before tax has fallen relative to MSSB by £93 million as a result of a change in the allocation of the tax charged to the life funds between policyholders and shareholders. This presentational change has no impact on operating profit after tax or the tax suffered by the life funds but merely represents how the tax charge is presented in the financial statements. The increase in tax costs charged to operating profit arises principally in the UK, but has been partly offset by a change in allocation in the Netherlands, where all tax is now deemed to be shareholder tax.

It is a feature of the UK tax regime that the tax attributable to life business operations is a single charge in respect of policyholder income and shareholder profits. Under UK GAAP, the difficulty of allocating this charge between policyholders and shareholders is generally acknowledged and hence, under UK GAAP, the total tax charge is deducted from life operating profit in the long-term technical account, the net result of which is then grossed up at the effective shareholder tax rate. Traditionally, Aviva has grossed up at 30% which represents its view of the long term effective rate. We remain of the view that this will be the rate suffered by shareholders over the longer term.

Under IFRS, all taxation must be reported within the taxation line. The profit before this total tax would present a misleading picture of the group's profit as (i) much of the policyholder tax is in the with-profits funds where the Fund for Future Appropriations is adjusted on a net of tax basis; (ii) the cost of policyholder tax is priced into the relevant products and (iii) the level of tax will vary on an annual basis in line with the investment return on assets backing the long-term funds.

Therefore the UK industry has agreed that it is appropriate to adopt an income statement presentation which depicts profit before tax attributable to the shareholders. This requires an allocation of the total tax charge between policyholders and shareholders, with the policyholder charge being offset against operating profit. There is no universal view on how this allocation should be performed. Aviva has taken the view that the IFRS conceptual framework does not permit companies to use notional allocation or gross-up methods. Instead, the allocation to policyholder tax should reflect the actual tax payable at policyholder rates, including deferred tax. Aviva has therefore developed a conceptual methodology to achieve this consistently year on year.

In 2004 the level of tax attributed to the shareholders was reduced by the following arrangement. The £1.5 billion of capital injected into the life funds on the demutualisation of Norwich Union in 1997 had the effect that future distributions up to that amount by Norwich Union Life and Pensions are treated as already having suffered some shareholder tax. In 2004 a substantial proportion of the company's shareholders' surplus was sheltered by this arrangement and this has the impact of lowering the actual tax paid at shareholder rates. This is a genuine benefit to shareholders and resulted in higher profit after tax. This tax benefit has a finite capacity and we anticipate that it will be substantially exhausted by the end of 2005, such that over the long term there will be an increase in shareholder tax rates back towards 30%. The use of this capacity is dependent on the level of distributions made by Norwich Union Life & Pensions.

The impact of this is that operating profit before tax falls relative to MSSB as the actual shareholder rate suffered in the UK in 2004 was lower than 30%.

It should be noted that from an EEV perspective, an asset is already established representing this tax benefit and so 30% remains as an appropriate shareholder tax rate for this business.

Note 6: Longer term investment return

Aviva has chosen to revisit its longer term investment return ("LTIR") methodology from 2005 as part of a discretionary change not required by IFRS. In order to provide suitable trend analysis the Group has decided to present 2004 comparatives in accordance with this new methodology. The key changes are as follows:

- As highlighted in the 2004 results announcement, for properties and equity, we will apply lower start of year long-term rates of investment return consistent with those adopted for reporting life operating returns under EEV principles. This would have reduced operating profit in 2004 by £25 million;
- For fixed income securities we will include the amortisation of the premium or discount arising upon acquisition of a bond within our LTIR calculation. This has the effect of reducing operating profit before tax by £72 million in 2004;
- The LTIR will only be applied to general insurance and health business.

These changes have no effect on profit before tax.

Appendix B: Summarised consolidated balance sheet as at 31 December 2004

	UK GAAP as published	Adjustments	IFRS
	£m		£m
Assets			
Intangible assets			
Goodwill	1,135	49	1,184
Acquired value of in-force business and other intangible assets	451	65	516
	1,586	114	1,700
Property and equipment	283	529	812
Investment property	9,407	1,650	11,057
Investments in joint ventures and associates	2,088	40	2,128
Financial investments and loans	140,763	47,648	188,411
Assets held to cover linked liabilities	51,144	(51,144)	-
Reinsurance assets	7,540	963	8,503
Tax assets	63	845	908
Other assets	16,275	(3,270)	13,005
Cash and cash equivalents	3,121	9,658	12,779
Total assets	232,270	7,033	239,303
Equity			
Share capital	1,760	-	1,760
Capital reserves	3,878	-	3,878
Revaluation and other reserves	-	736	736
Retained earnings	2,682	(973)	1,709
Equity attributable to shareholders' of Aviva plc	8,320	(237)	8,083
Minority interests	924	(14)	910
Total Equity	9,244	(251)	8,993
Liabilities			
Insurance liabilities	195,591	(71,469)	124,122
Liability for investment contracts	-	69,555	69,555
Unallocated divisible surplus	9,218	(1,669)	7,549
Provisions	340	1,785	2,125
Tax liabilities	1,617	848	2,465
Borrowings (including subordinated debt)	4,560	5,530	10,090
Other liabilities	11,700	457	12,157
Net asset value attributable to unitholders	-	2,247	2,247
Total liabilities	223,026	7,284	230,310
Total equity and liabilities	232,270	7,033	239,303

Analysis of adjustments to the balance sheet at 31 December 2004 as a result of the transition to IFRS

	Investment valuation (Note 1) £m	Insurance changes (Note 2) £m	Employee benefits (Note 3) £m	Goodwill (Note 4) £m	Dividend recognition (Note 5) £m	Deferred taxation (Note 6) £m	Borrowings /Cash (Note 7) £m	FRS 27 (Note 8) £m	Other items (Note 9) £m	Total £m
Assets										
Intangible assets:										
Goodwill				49					-	49
Acquired value of in-force business and other intangible assets				65					-	65
Property and equipment									529	529
Investment property									1,650	1,650
Investments in joint ventures and associates	8			15					17	40
Financial investments and loans	2,599						(3,598)		48,647	47,648
Assets held to cover linked liabilities									(51,144)	(51,144)
Reinsurance assets		(108)						417	654	963
Tax assets						845			-	845
Other assets		(19)	(475)					(13)	(2,763)	(3,270)
Cash and cash equivalents							8,792		866	9,658
Total assets	2,607	(127)	(475)	129	-	845	5,194	404	(1,544)	7,033
Equity										
Share capital									-	-
Capital reserves									-	-
Revaluation and other reserves	736								-	736
Retained earnings	(452)	166	(909)	129	364	(322)	(26)	-	77	(973)
Equity attributable to shareholders' of Aviva plc	284	166	(909)	129	364	(322)	(26)		77	(237)
Minority interests									(14)	(14)
Total Equity	284	166	(909)	129	364	(322)	(26)		63	(251)
Liabilities										
Insurance liabilities	250	(242)	(813)			28		4,226	(74,918)	(71,469)
Liability for investment contracts									69,555	69,555
Unallocated divisible surplus	2,073	(165)				(62)	17	(3,822)	290	(1,669)
Pension obligations and other provisions			1,643						142	1,785
Tax liabilities			(396)			1,201	(4)		47	848
Borrowings (inc. subordinated debt)							5,207		323	5,530
Other liabilities		114			(364)				707	457
Net asset value attributable to unitholders									2,247	2,247
Total liabilities	2,323	(293)	434	-	(364)	1,167	5,220	404	(1,607)	7,284
Total equity and liabilities	2,607	(127)	(475)	129	-	845	5,194	404	(1,544)	7,033

Notes to the analysis of adjustments to the balance sheet as at 31 December 2004 as a result of the transition to IFRS

The UK GAAP balance sheet has been presented in a format consistent with IFRS. The only significant change in heading is that the Fund for Future Appropriations is now renamed the Unallocated Divisible Surplus. The basis for the material adjustments between UK GAAP and IFRS is as follows:

Note 1: Investment valuation

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

	£m
Increase in valuation of debt securities	2,459
Change in valuation of certain mortgages	119
Other sundry adjustments	21
	<hr/> <hr/> 2,599

a) Debt securities

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

As a result of applying IAS 39, the Group now carries all investments in debt and equity securities at fair value. The change in valuation of debt securities from amortised cost to fair value increases the valuation of investments by £2,459 million at 31 December 2004. This change in the valuation of debt securities is largely offset by corresponding movements in the unallocated divisible surplus and technical liabilities. The net impact on shareholders' funds at 31 December 2004 is £284 million.

b) Commercial mortgages backing certain annuity business

Under IFRS, the Group has chosen to move certain of its commercial mortgage portfolio to an active fair valuation basis in accordance with IAS 39, which has increased the value of investments by £119 million. The annuity liabilities which are backed by these assets have been correspondingly revalued, with the result that there is an insignificant impact on shareholders' funds at 31 December 2004.

Revaluation reserve

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

Separate revaluation reserves are created for:

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

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

The above requirements have resulted in a transfer from retained earnings of £736 million into separate revaluation reserves at 31 December 2004.

Note 2: Insurance changes

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

	£m
Derecognition of claims equalisation provision	388
Change in valuation of reinsurance treaties	(34)
Application of an active liability valuation basis in the Netherlands	(52)
Change in value of non-participating investment contracts and other sundry items	(136)
	<hr/> <hr/> 166

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

a) Product classification

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

Following a detailed review, 59% of life policy reserves on an MSSB basis at 31 December 2004 have been classified as insurance and 24% have been classified as participating investment contracts (being those investment contracts containing discretionary participating features as defined within IFRS4) and both classes will continue to be accounted for under the Group's existing accounting policies. The remaining 17% have been classified as non-participating investment contracts and therefore are required to be accounted for under IAS39 and International Accounting Standard 18 – *Revenue* (IAS18). Virtually all our general insurance products are classified as insurance.

The product classification change results in technical provisions being allocated between insurance and investment contracts. As described in note 9, the "other" column includes £69,555 million of liabilities classified as investment contracts.

b) Equalisation provision

An equalisation provision is recorded in the balance sheet of individual general insurance companies in the UK and in a limited number of other countries, to eliminate, or reduce, the volatility in incurred claims arising from exceptional levels of claims in certain classes of business. The provision is required by law even though no actual liability exists at the balance sheet date and is included in the UK GAAP consolidated balance sheet. The annual change in the equalisation provision is recorded in the UK GAAP profit and loss account. Under IFRS, no equalisation provision is recorded, as no actual liability exists at the balance sheet date. There is an increase of £388 million in shareholders' funds as a result of the removal of the equalisation provision.

c) Reinsurance treaties

Following a full review of all our reinsurance contracts, a small number of the Group's reinsurance treaties have been revalued under IFRS, leading to a reduction in the value of reinsurance assets of £108 million. The majority of these changes relate to participating contracts and so these value changes affect principally the unallocated divisible surplus rather than shareholders' funds.

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

The conversion to IFRS has been a particular issue in the Dutch industry where traditionally both bond investments and associated insurance liabilities have been held at amortised cost. IAS 39 requires bonds to be held at fair value and hence to prevent an equity mis-match, the Group has chosen to move to a more active liability valuation basis for its insurance liabilities within the

Netherlands. Gross liabilities increased by £213 million as a result of this change at 31 December 2004.

Having applied an active basis for valuing liabilities on a traditional gross and individual savings business, the amount representing undistributed gains on investments backing these products which were previously booked to the fund for future appropriations under UK GAAP of £161 million has been released to equity.

e) Non-participating investment contracts and other sundry items

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

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

The net impact on shareholders' funds of the above changes and of other sundry items is £136 million.

In addition to the above, IFRS now requires that any front end fees received on non-participating investment contracts are included within an explicit deferred income reserve within creditors. Under UK GAAP, any deferred acquisition cost asset created would have been net of these fees. This has led to an increase in "Other assets" and "Other liabilities" of £114 million.

Note 3: Employee benefits

Under the Group's UK GAAP pension policy, as set out in Statement of Standard Accounting Practice, *Accounting for Pensions Cost* (SSAP24), the cost of providing pension benefits is expensed using actuarial valuation methods which gives a substantially even charge over the expected service lives of employees and results in either a prepayment or an accrual to the extent that this charge does not equate to the cash contributions made into the schemes. Under International Accounting Standard 19, *Employee Benefits* (IAS19), the projected benefit obligation is matched against the fair value of the underlying assets and other unrecognised actuarial gains and losses in determining the pension expense for the year. Any pension asset or obligation must be recorded in the balance sheet. Aviva has not applied the "corridor approach" to valuing pension deficits.

This change in accounting has resulted in the removal of the Group's SSAP24 balances, a net debtor of £279 million, after allowing for deferred tax, at 31 December 2004 and the recognition of a deficit of £630 million, net of deferred tax, valued in accordance with IAS19. This gives an overall impact on shareholders' funds of £909 million at 31 December 2004.

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

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

As outlined in Appendix C, the Group has chosen to review its presentation of these investments. Non-transferable obligations to staff pension schemes included within technical provisions under UK GAAP are deducted from Insurance liabilities and included within Provisions under IFRS. At 31 December 2004, the amount described as Provisions on the balance sheet comprises the following amounts:

	£m
Deficit in the Staff pension scheme	893
Other obligations to staff pension schemes – Insurance policies issued by Group companies	813
Total IAS 19 obligations to staff pensions schemes	1,706
Other provisions	419
	2,125

Note 4: Goodwill / Other intangibles

Under IAS 36, *Impairment of Assets*, goodwill is no longer amortised but is tested for impairment, at least annually. Any goodwill amortised prior to the date of transition (1 January 2004) or, for goodwill arising before 1 January 1998, eliminated against shareholders' funds has not been reinstated. Amortisation charged in 2004 under UK GAAP is not charged to profit under IFRS to the extent that it does not relate to an impairment and hence shareholders' funds upon conversion to IFRS increases. In addition, negative goodwill of £37 million at 31 December 2004 previously recognised under UK GAAP is included directly in retained earnings.

IFRS 3 *Business combinations* requires that intangible assets such as customers lists, which can be separately identified and valued, must be recognised separately in the balance sheet. The Group has applied IFRS 3 to acquisitions since 1 January 2004, which has resulted in £65 million of goodwill being reclassified as other intangibles upon conversion to IFRS.

Note 5: Dividend recognition

Under UK GAAP, dividends are accrued in the period to which they relate regardless of when they are declared and approved. Under IAS10, *Events after the Balance Sheet Date*, shareholders' dividends are accrued only when declared and appropriately approved. This has increased shareholders' funds by £364 million.

Note 6: Deferred taxes

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

Under International Accounting Standard 12, *Income taxes* (IAS12), deferred taxes are provided under the liability method for all relevant temporary differences, being the difference between the carrying amount of an asset or liability in the balance sheet and its value for tax purposes. IAS 12 does not require all temporary differences to be provided for, in particular the Group does not provide for deferred tax on undistributed earnings of subsidiaries where the Group is able to control the timing of the distribution and the temporary difference created is not expected to reverse in the foreseeable future. Deferred tax assets are recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that future taxable profit will be utilised against the unused tax losses and credits. Discounting is prohibited under IAS12.

The changes to deferred tax arise from the removal of discounting, changes to the valuation of the Group's assets and liabilities under IFRS and presentational changes to disclosure of tax assets and liabilities. The main net increases in deferred tax at 31 December 2004 that reduce shareholders' funds are:

	£m
Reversal of discounting (the total discounting applied to UK GAAP deferred tax liabilities was £277 million, of which £215 million relates to non-life and shareholders' interests)	215
Deferred tax impact of the removal of the equalisation provision	117
Deferred tax impact of other changes to technical provisions, valuation of investments and other sundry adjustments	(10)
Net decrease to shareholders' funds	322

Note 7: Borrowings and cash

IFRS requires a number of presentational changes to borrowings and cash. The most significant change is that the linked presentation can no longer be adopted for the Group's borrowing securitised on certain of its mortgage portfolios. This increases borrowings and investments by £5,110 million. The equity impact of £26 million relates to the use of the fair value option to mortgages of the UK equity release business, the loan notes which are securitised upon them and backing derivatives, as explained in Appendix C. This has increased borrowings by £97 million. Additionally, £8,792 million of the Group's investments meet the definition of cash equivalents and so have been reclassified to "cash and cash equivalents".

Note 8: FRS 27 Life Assurance

In December 2004, the UK's Accounting Standards Board (ASB) issued Financial Reporting Standard 27, *Life Assurance* (FRS27). In accordance with the Memorandum of Understanding (MoU) signed by the Group along with other major insurance companies, the Association of British Insurers (ABI) and the ASB, the Group has adopted FRS 27 in its 2004 IFRS balance sheet. FRS 27 requires insurance companies to measure their liabilities on with-profit business, on a "realistic basis" (i.e. the FSA's definition of a 'realistic' valuation). The use of the 'realistic' basis to measure liabilities for with-profit business does not impact reported profits, as an offsetting adjustment is made to the fund for future appropriations ("FFA").

Note 9: Other items

The other changes that arise as a result of the transition to IFRS are principally reclassifications and presentational changes. The total effect of the other changes to shareholders' funds is £77 million.

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

- Assets held to cover linked liabilities of £51,144 million are no longer disclosed in a single line but have been reported in the various asset classifications. Of this amount assets of £4,965 million have been netted off technical liabilities, reducing the gross assets and investment contract liabilities of the Group. There is no impact on profit or shareholders' funds as a result of this change.
- Technical provisions are disclosed as either insurance contracts or investment contracts, reflecting the product classification included in Note 2(a). The Group held investment contracts of £69,555 million at 31 December 2004.
- The assets and liabilities of the banking business are no longer disclosed entirely in "other debtors" and "other creditors" but have been reported in the appropriate balance sheet classifications.
- Owner occupied properties have been reclassified from "investment property" to property and equipment. We continue to hold these properties at fair value.
- Mutual funds have been consolidated as these vehicles meet the definition of a subsidiary. This has resulted in an increase in gross assets of £2,247 million, representing the part of the funds owned by third parties. This third party interest is recorded in the line "net assets attributable to unitholders" within liabilities. The consolidation of mutual funds has no impact on shareholders' funds or profit after tax.

Appendix C: Summarised preliminary consolidated balance sheet at date of transition to IFRS – 1 January 2004

Aviva published its consolidated summarised balance sheet prepared in accordance with IFRS at 1 January 2004, the date of transition within its 2004 Report & Accounts. At that time it was noted that IFRS was subject to possible amendment by interpretative guidance from the IASB or other external bodies and therefore subject to change prior to the Group's first IFRS results. Since publishing the opening balance sheet external and industry developments have caused the Group to revisit its accounting policies and changes arising from this review have been reflected in the opening balance and associated reconciliation from UK GAAP to IFRS presented below. The overall impact of these changes is to reduce IFRS equity shareholders' funds at 1 January 2004 by a further £84 million to £6,220 million.

The key developments that have necessitated this change are as follows:

a) IAS 39 – Fair value option

As highlighted in March, there has continued to be a degree of uncertainty over the requirements of IAS 39 *Financial Instruments & Recognition*. In June 2005 the IASB published proposals to change when the "fair value option" can be applied by entities when accounting for financial instruments. The fair value option enables companies to value financial assets and liabilities at fair value and to take these changes through the profit and loss account. Previous to these proposals Aviva had applied the IAS 39 carve-out which prohibited companies from applying the fair value option to financial liabilities. In respect of its equity release business in the UK, Aviva believes that applying the fair value option to the mortgages, the loan notes which are securitised upon them and backing derivatives more appropriately reflects commercial substance of this business. The application of the IAS 39 carve out generated an artificial accounting mismatch which has now been eliminated. Aviva has accordingly revised its accounting policies to take advantage of this option in its opening balance sheet. This has reduced shareholders' funds at the date of transition by £37 million.

b) Insurance liabilities

The conversion to IFRS has been a particular issue in the Dutch industry where traditionally both fixed income securities and associated insurance liabilities have been held at amortised cost. IAS 39 requires assets that are not held to maturity to be held at fair value. This creates an equity mismatch if technical insurance liabilities remain on a passive valuation basis. The Group has therefore revisited its methodology for valuing insurance liabilities in the Netherlands to move to an active valuation basis. This change has reduced shareholders' funds at the date of transition by £27 million. Investments backing the liabilities of these contracts have been classified as "at fair value through profit and loss account" (previously they were classified as "available for sale") to ensure that movements in assets and associated movements in liabilities are both reported in the income statement.

c) Presentation of pension deficit

Industry developments have led to a revision of the Group's chosen presentation of its obligations to its employee pension schemes. In some countries the Group's defined benefit pension schemes have invested in the life funds. This investment is now shown as a deduction from technical provisions as opposed to being shown as a separate line being deducted from provisions. Accordingly, insurance liabilities have been reduced by £715 million and provisions increased to reflect this revised disclosure. There is no impact on equity or income arising from this change.

**Summarised preliminary consolidated balance sheet at date of transition to IFRS
As at 1 January 2004**

	<u>UK GAAP as published</u>	<u>Adjustments</u>	<u>IFRS</u>
	£m	£m	£m
Assets			
Intangible assets			
Goodwill	1,105	40	1,145
Acquired value of in-force business and other intangible assets	488	-	488
	1,593	40	1,633
Property and equipment	320	563	883
Investment property	9,106	618	9,724
Investments in joint ventures and associates	1,912	69	1,981
Financial investments and loans	129,032	40,518	169,550
Assets held to cover linked liabilities	40,665	(40,665)	-
Reinsurance assets	6,883	328	7,211
Tax assets	215	633	848
Other assets	15,955	(3,610)	12,345
Cash and cash equivalents	2,999	6,524	9,523
Total assets	<u>208,680</u>	<u>5,018</u>	<u>213,698</u>
Equity			
Share capital	764	-	764
Capital reserves	3,859	-	3,859
Shares held by employee trusts	(1)	-	(1)
Revaluation and other reserves	-	543	543
Retained earnings	1,932	(877)	1,055
Equity attributable to shareholders' of Aviva plc	<u>6,554</u>	<u>(334)</u>	<u>6,220</u>
Minority interests	811	(7)	804
Total Equity	<u>7,365</u>	<u>(341)</u>	<u>7,024</u>
Liabilities			
Insurance liabilities	175,304	(62,055)	113,249
Liability for investment contracts	-	57,467	57,467
Unallocated divisible surplus	8,443	1,650	10,093
Provisions	336	1,586	1,922
Tax liabilities	1,276	630	1,906
Borrowings (inc. subordinated debt)	4,722	3,645	8,367
Other liabilities	11,234	830	12,064
Net asset value attributable to unitholders	-	1,606	1,606
Total liabilities	<u>201,315</u>	<u>5,359</u>	<u>206,674</u>
Total equity and liabilities	<u>208,680</u>	<u>5,018</u>	<u>213,698</u>

Analysis of adjustments to the balance sheet at 1 January 2004 as a result of the transition to IFRS

	Investment valuation	Insurance changes	Employee benefits	Goodwill	Dividend recognition	Deferred taxation	Borrowings/ Cash	Other items (Note 8)	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Assets									
Intangible assets:									
Goodwill				40					40
Acquired value of in-force business and other intangible assets									-
Property and equipment								563	563
Investment property								618	618
Investments in joint ventures and associates	7							62	69
Financial investments and loans	1,854						44	38,620	40,518
Assets held to cover linked liabilities								(40,665)	(40,665)
Reinsurance assets		(134)						462	328
Tax assets						617		16	633
Other assets		(36)	(427)				67	(3,214)	(3,610)
Cash and cash equivalents							3,547	2,977	6,524
Total assets	1,861	(170)	(427)	40	-	617	3,658	(561)	5,018
Equity									
Share capital									-
Capital reserves									-
Shares held by employee trusts									-
Revaluation and other reserves	543								543
Retained earnings	(352)	242	(834)	40	344	(351)	(37)	71	(877)
Equity attributable to shareholders' of Aviva plc	191	242	(834)	40	344	(351)	(37)	71	(334)
Minority interests								(7)	(7)
Total Equity	191	242	(834)	40	344	(351)	(37)	64	(341)
Liabilities									
Insurance liabilities	161	(447)	(715)			58		(61,112)	(62,055)
Liability for investment contracts								57,467	57,467
Unallocated divisible surplus	1,509	(79)				(48)		268	1,650
Pension obligations and other provisions			1,475					111	1,586
Tax liabilities		14	(353)			958	(15)	26	630
Borrowings (inc. subordinated debt)							3,484	161	3,645
Other liabilities		100			(344)		226	848	830
Net asset value attributable to unitholders								1,606	1,606
Total liabilities	1,670	(412)	407	-	(344)	968	3,695	(625)	5,359
Total equity and liabilities	1,861	(170)	(427)	40	-	617	3,658	(561)	5,018

Appendix D:

Summarised consolidated profit and loss account – EEV basis For the year ended 31 December 2004

	<u>Year ended 31 December 2004</u>		
	Previously published	Restated for IFRS	Restated for IFRS and LTIR changes⁽¹⁾
	£m	£m	£m
Operating profit			
Life EEV operating return	1,611	1,611	1,611
Fund management ²	23	20	20
General insurance and health	1,384	1,356	1,259
Non-insurance operations ³	(31)	(41)	(41)
Corporate costs	(178)	(188)	(188)
Unallocated interest charges	(465)	(465)	(465)
Centre unallocated income	-	28	28
Operating profit from continuing operations before tax	2,344	2,321	2,224
Amortisation/Impairment of goodwill	(120)	(41)	(41)
Amortisation and impairment of other intangibles	-	(3)	(3)
Financial Services Compensation Scheme and other levies	(49)	(49)	(49)
Variation from longer-term investment return	565	565	662
Effect of economic assumption changes	(318)	(318)	(318)
Change in the equalisation provision	(23)	-	-
Net profit/(loss) on the disposal of subsidiary and associated undertakings	(136)	34	34
Exceptional costs for termination of operations	(50)	(40)	(40)
Profit before tax	2,213	2,469	2,469
Tax on operating profit from continuing operations	(651)	(647)	(618)
Tax on profit/(loss) on other activities	4	(3)	(32)
Profit after tax from continuing operations	1,566	1,819	1,819
Minority interests	(166)	(178)	(178)
Profit for the year	1,400	1,641	1,641
Earnings per share based on operating profit after tax attributable to ordinary shareholders	67.2p	65.8p	62.8p
Earnings per share based on profit after tax attributable to ordinary shareholders	61.0p	71.7p	71.7p
Net asset value per share	532p	511p	511p
Return on capital employed	14.4%	14.3%	13.6%

Summarised consolidated balance sheet – EEV basis As at 31 December 2004

	Restated 2004	Restated 2003
	£m	£m
Total assets	244,321	218,208
Equity attributable to shareholders of Aviva plc	11,661	10,388
Non-equity: preference shares and direct capital instrument	1,190	200
Minority interests	1,160	946
Total equity	14,011	11,534
Total liabilities	230,310	206,674

- ¹ The Group has decided to adopt from 2005, as a discretionary change of policy that is not required by IFRS, a change in rates and methodology in the calculation of LTIR as it applies to its general insurance and health business.
- ² Excludes the proportion of the results of Morley's fund management businesses and of our French asset management operation Aviva Gestion d'Actifs (AGA) that arise from the provision of fund management services to our life businesses. These results are included within the life EEV operating return.
- ³ Excludes the results of Norwich Union Equity Release (NUER). Also excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the life EEV operating return. Other subsidiaries providing services to our life businesses do not significantly impact the Group results.