News release

9 August 2007

AVIVA PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

- **Strong and profitable growth in long-term savings**
  - Worldwide sales up 25% to £19,294m
  - Life EEV operating profit up 24% to £1,251m, with growth across all regions
  - UK: Record half year; sales up 7% to £7,415m; higher margins, improved service and lower costs
  - Europe: Excellent performance; sales up 14% to £8,131m; strong growth in Southern and Eastern Europe
  - US: Outstanding performance; sales up 51%# to £1,716m; integration on track
  - Asia Pacific: Continued strong sales growth, up 72% to £2,032m; new markets entered

- **General insurance profits hit by UK weather**
  - Combined operating ratio at 97%, ahead of 'meet or beat' commitment of 98%
  - General insurance and health profit down 34% to £560m - exceptional UK weather losses of £235m

- **Resilient result due to composite model of life, general insurance and asset management**
  - EEV operating profit lower by 8% to £1,541m
  - IFRS operating profit up 1% to £1,375m

- **Interim dividend increased by 10%**

- **Fresh focus by new management team on strategic priorities and momentum to drive profitable growth**

- **Top priority to realise the full potential of existing businesses**

Andrew Moss, group chief executive, commented:
"My new management team brings energy, pace and fresh thinking to Aviva. Our top priority is to realise the full potential of our existing businesses.

"Our new regional structure gets us closer to our customers, making it easier to offer products that are relevant in today's changing market with better service. Constant attention to meeting the needs of our current and future customers will create extra sales momentum and deliver growth. By eliminating unnecessary complexity, and drawing our operations across the world closer together, we will boost productivity and deliver further value to our customers and shareholders.

"Overall, Aviva has performed well in the first half of 2007. Substantial weather related losses in the UK have been countered by strong growth across our life and asset management businesses. The US has continued to be our star performer."

Worldwide highlights	**6 months 2007**	**6 months 2006**	**Growth in constant currency**
Operating profit – EEV basis*	£1,541m	£1,699m	(8)%
Operating profit – IFRS basis**	£1,375m	£1,376m	1%
Profit before tax – EEV basis	£2,031m	£1,284m	60%
Profit before tax – IFRS basis	£1,198m	£1,248m	(3)%
Life EEV operating return	£1,251m	£1,021m	24%
General insurance and health operating profit	£560m	£866m	(34)%
Long-term savings new business sales	£19,294m	£15,631m	25%
New business contribution – gross	£550m	£459m	21%
New business contribution – net of required capital, tax & minorities	£240m	£194m	25%
Interim dividend per share	11.90p	10.82p	10%
Equity shareholders' funds***	£19,136m	£17,531m^	9%
Return on equity shareholders' funds	11.6%	14.0%	-
Net asset value per share	737p	683p^	8%

All operating profit is from continuing operations and all growth rates quoted are at constant rates of exchange.
On a pro forma basis for the former Aviva business in Boston and the former AmerUs group.
* Including life EEV operating return, before tax and exceptional items.
** Before tax and exceptional items.
*** Measured on an EEV basis, excluding preference shares, direct capital instrument and minority interests.
^ As at 31 December 2006

Segmental analysis of Group operating profit*
For the six months ended 30 June

Continuing operations	6 months 2007 £m	6 months 2006 at 2007 exchange rates £m	6 months 2006 £m
Life EEV operating return			
United Kingdom	**413**	**350**	**350**
France	225	194	196
Ireland	37	8	8
Italy	72	52	53
Netherlands (including Belgium and Germany)	166	182	185
Poland	71	66	66
Spain	107	111	112
Other Europe	1	(2)	(3)
Europe	**679**	**611**	**617**
North America	**112**	**14**	**16**
Asia	24	18	19
Australia	23	19	19
Asia Pacific	**47**	**37**	**38**
	1,251	**1,012**	**1,021**
Fund management [1]			
United Kingdom [2]	**19**	**12**	**12**
France	5	5	5
Netherlands	9	10	10
Other Europe	2	1	1
Europe	**16**	**16**	**16**
North America	**1**	**1**	**1**
Asia Pacific	**9**	**3**	**4**
	45	**32**	**33**
General insurance and health			
United Kingdom[3]	**284**	**566**	**566**
France	31	26	27
Ireland	80	86	88
Netherlands	70	79	80
Other Europe	22	18	19
Europe	**203**	**209**	**214**
North America	**70**	**78**	**85**
Asia Pacific	**3**	**1**	**1**
	560	**854**	**866**
Other operations [4]	(45)	30	29
Corporate centre	(80)	(73)	(73)
Group debt costs and other interest	(190)	(177)	(177)
Group operating profit before tax	**1,541**	**1,678**	**1,699**

* Group operating profit before tax. All operating profit is from continuing operations.
1 Excludes the proportion of the results of Morley's fund management businesses and of our French asset management operation Aviva Gestion d'Actifs (AGA) that arise from the provision of fund management services to our life businesses. These results are included within the Life EEV operating return.
2 Includes retail investment business trading as Norwich Union, our collective investment joint venture business with RBSG and both the UK and international businesses of Morley.
3 UK general insurance includes the results of the Group's reinsurance operations
4 Excludes the results of Norwich Union Equity Release. 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.

The total IFRS operating profit for the six months to 30 June 2007 was £1,375 million (2006: £1,376 million; £1,360 million restated at constant exchange rates).

GROUP CHIEF EXECUTIVE'S STATEMENT

A generational change in the executive management of Aviva during the first half of 2007 has led to a reconsideration of our structure and our priorities. We remain committed to our diversified business model of long-term savings, general insurance and investment management, but with a new regional approach.

Our top priority is to realise the potential of Aviva's existing businesses.

The interests of our customers and shareholders are best served by our businesses acting as one group and we are headlining the changes we are making as a move to "One Aviva". To make this happen, the organisational structure of Aviva now comprises four regions: UK, Europe, North America and Asia Pacific. This will allow us to reap the benefits of being a group, while placing more of our staff closer to our customers. We will continue to encourage the entrepreneurial spirit that has led to great success in our individual businesses in the past, while ensuring that investment is channelled into areas where returns are attractive relative to risk.

Revenue growth will be driven by:

- Constant attention to the needs of our 40 million existing customers;
- Providing the right products and services to prospective customers and transferring product development expertise across markets; and
- Continuing reinvestment of profits in expanding distribution to provide access to more customers.

Further productivity gains will be achieved through:

- A renewed focus on cost management across the Group to ensure we demonstrate the benefits of scale in our major markets; and
- Greater use of shared services across our businesses to increase efficiency.

Key areas for strong long-term savings growth include Southern, Central and Eastern Europe where we believe the opportunities for growth are under-estimated by many; also Asia where we place a high priority on growing our existing businesses and expanding our geographical presence; and the USA where the baby-boomer generation will drive a significant increase in retirement savings. We have established six new bancassurance partnerships in these key markets this year with the opportunity to market Aviva products to over 30 million new potential customers.

Continuing development of our asset management capabilities will be key to our success. We have appointed Alain Dromer as chief executive of our largest asset management business, Morley. In addition he will pursue our "One Aviva" agenda by harnessing the power and scale of our investment businesses around the world under the umbrella of Aviva Global Investors. This will enhance the value of our worldwide investment business.

GROUP RESULTS

Overview

Our composite model has brought resilience to our results. EEV operating profit was £1,541 million (£1,699 million) and statutory profit on an IFRS basis was £1,198 million (£1,248 million). We increased our interim dividend by 10%.

The excellent long-term savings performance was offset by poor weather experience in the UK, which had a negative impact on our general insurance result. General insurance profit declined by 34%. Despite this, we have reported a worldwide combined operating ratio (COR) of 97%, in line with our target, reflecting the benefit of a strong general insurance performance in Europe.

We delivered excellent growth in life sales and profits, with record results in the US and UK, and strong performances in Europe and Asia Pacific. Total worldwide new business sales were up 25%, with investment sales increasing 52%.

UK

- Total long-term savings sales, up 7%
- Life EEV operating profit, up 18%
- Improved profitability with new business margin up to 3.1%
- UK general insurance result down 50%
- On track to achieve £250m cost savings across life and general insurance

Our UK life performance builds on the strong sales growth delivered last year. We have grown market share, while increasing margins and improving service. We have driven costs down in line with our target and improved persistency. We continue to investigate ways to rationalise our cost base and simplify our legacy systems. Our outsourcing partnership with Swiss Re announced earlier this year will enable us to enhance customer service and cost effectiveness further.

The UK general insurance market has been tough. A competitive market and some of the worst floods in living memory reduced our UK result, with a £235 million loss for adverse weather. We have sustained a further £165 million of flood losses in July, which will be reported in our full year results. We continue to do everything we can to help customers who have been affected by these events. We doubled the staff on our helplines at peak periods and have also brought in additional contractors and specialist equipment to ensure repairs are carried out as quickly as possible. We are also in discussion with local authorities to find the best solution for temporary accommodation for those who have had to leave their homes. We continue to focus on disciplined and profitable underwriting, while improving customer service. Later this year we will begin a significant new partnership with HSBC, selling general insurance products to their 10 million customers.

Europe

- Total long-term savings sales, up 14%
- Life EEV operating profit, up 11%
- General insurance profitability remains strong with improved COR of 85%

Our businesses in Ireland and Central and Eastern Europe performed particularly well. Our southern European businesses in Italy and Spain also grew strongly. In the more mature markets of northern Europe, we focused on profitability and achieved margin increases in France and the Netherlands.

Our aim is to grow our distribution capability and increase sales to our substantial bancassurance customer base.

North America

- Total long-term savings sales, up 51%[1]
- New business contribution, up 60%[1]
- New business margin almost doubled to 3.3%
- AmerUs integration 80% complete

In the USA, we delivered record sales across all business lines, exceeding our expectations. The integration of AmerUs into our group is almost complete and we are on track to achieve at least the targeted $45 million of cost savings. We expect to expand our distribution network further and grow sales by at least 20% a year, while maintaining margins.

Asia Pacific

- Total long-term savings sales, up 72%
- Life EEV operating profit, up 27%
- Improved new business margin, up to 4.9%

Our businesses in Asia Pacific continue to achieve excellent growth, exceeding £2 billion of sales for the first time in a six month period, with strong life and pensions sales in Singapore, Hong Kong and China. We leveraged our global bancassurance skills to enter the new markets of Malaysia and Taiwan by securing major partnerships with local banks. We expect to continue to extend our footprint further in Asia and to achieve sustained growth in the Asia Pacific region.

Outlook

It is an exciting time at Aviva. Demographic changes are leading increasing numbers of people to protect their assets and invest for their future financial wellbeing. This presents a significant opportunity for us, particularly given the overall buoyancy in the world economy driven, to a great extent, by emerging markets. Our increasing scale and international reach, combined with our ability to deliver a wide range of superior products and services relevant to our customers, gives us every confidence that the group is well placed to deliver further significant growth.

Andrew Moss
Group Chief Executive

[1] On a pro forma basis

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NEWSWIRES: There will be a conference call today for wire services at 8.15am (BST) on +44 (0)20 7162 0025 Quote: Aviva, Andrew Moss.

ANALYSTS: A presentation to investors and analysts will take place at 9.30am (BST) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. 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) 20 7138 0839. A replay facility will be available until 24 August 2007 on +44 (0)20 7806 1970. The pass code is 4352983# for the whole presentation including Question & Answer session or 3161418# for Question & Answer session only.

The presentation slides will be available on the Group's website, www.aviva.com/investors/presentations.cfm from 9.00am (BST).

The Aviva media centre at www.aviva.com/media includes images, company information and news release archive. Photographs are available from the Aviva media centre at www.aviva.com/media.

Notes to editors

- Aviva is the leading provider of life and pensions to Europe with substantial positions in other markets around the world, making it the world's fifth largest insurance group based on gross worldwide premiums at 31 December 2006.
- Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide total sales* of £41.5 billion at 31 December 2006 and assets under management of £377 billion at 30 June 2007.
  * Based on life and pensions PVNBP, total investment sales and general insurance and health net written premiums including share of associates' premiums.
- Income statements and cash flows of foreign entities are translated at average exchange rates while their balance sheets are translated at the closing exchange rates on 30 June 2007.
- The present value of new business premiums (PVNBP) is equal to total single premium sales received in the year plus the discounted value of annual premiums expected to be received over the term of the new contracts, and is expressed at the point of sale.
- All growth rates are quoted at constant currency, which excludes the impact of changes in exchange rates between periods.
- This interim 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.

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OPERATING AND FINANCIAL REVIEW

Group operating profit before tax

The Group's operating profit before tax, including life EEV operating return, decreased by 8% to £1,541 million (2006: £1,699 million) with strong results in the life segment offset by lower results in the general insurance segment as a result of adverse effects from weather and an increase in competition in the current year. On an IFRS basis, worldwide operating profit before tax was stable at £1,375 million (2006: £1,376 million).

	EEV basis		IFRS basis	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m
Life EEV operating return / IFRS long-term business profit	1,251	1,021	1,081	710
Fund management	45	33	76	61
General insurance and health	560	866	560	866
Other:				
Non-insurance operations	(45)	29	(72)	(11)
Corporate Centre	(80)	(73)	(80)	(73)
Group debt costs and other interest	(190)	(177)	(190)	(177)
Operating profit before tax	**1,541**	**1,699**	**1,375**	**1,376**
Profit before tax attributable to shareholders' profits	2,031	1,284	1,198	1,248
Equity shareholders' funds	19,136	17,531^	12,395	11,176^

^ As at 31 December 2006

Long-term savings

Our worldwide long-term new business sales grew strongly in the six months to 30 June 2007, with total long-term savings new business sales up 25% to £19.3 billion (2006: £15.6 billion). The overall increase reflects growth in life and pension sales of 19% to £15.5 billion (2006: £13.1 billion), and strong investment sales, up 52% to £3.8 billion (2006: £2.5 billion). Aviva USA is continuing to progress extremely well with very strong sales of £1.7 billion from the combined business (2006 pro forma: £1.3 billion), a pro forma increase of 51% on a constant currency basis.

	6 months 2007			Local currency growth		
Long-term savings sales	Life and pensions £m	Retail investments £m	Total £m	Life and pensions %	Retail investments %	Total %
United Kingdom	5,820	1,595	7,415	-	47%	7%
Europe	7,353	778	8,131	12%	35%	14%
North America	1,716	-	1,716	553%	-	553%
Asia Pacific	654	1,378	2,032	73%	71%	72%
Total new business sales on a present value of new business premium (PVNBP) basis	**15,543**	**3,751**	**19,294**	**19%**	**52%**	**25%**

Further details regarding life new business sales can be found on page 13 of this announcement.

Life EEV operating return

		6 months 2007 £m	6 months 2006 £m
New business contribution (after the effect of required capital)		419	352
Profit from existing business	– expected return	600	503
	– experience variances	(19)	(9)
	– operating assumption changes	11	3
Expected return on shareholders' net worth		240	172
Life EEV operating return before tax		**1,251**	**1,021**
Analysed by:			
United Kingdom		*413*	*350*
Europe		*679*	*617*
North America		*112*	*16*
Asia Pacific		*47*	*38*

Worldwide life EEV operating return before tax was 24% higher at £1,251 million (2006: £1,021 million) due to increased contributions from both new and existing business. New business contribution after the effect of required capital was 20% higher at £419 million (2006: £352 million) with the Group's new business margin after the effect of required capital remaining stable at 2.7% (2006: 2.7%).

	Present value of new business premiums		New business contribution[1]		New business margin[1, 2]		New business contribution[3]		New business margin[2,3]	
	6 months		6 months		6 months		6 months		6 months	
	2007 £m	2006 £m	2007 £m	2006 £m	2007 %	2006 %	2007 £m	2006 £m	2007 %	2006 %
United Kingdom	5,820	5,816	178	167	3.1%	2.9%	143	135	2.5%	2.3%
Europe	7,353	6,645	283	268	3.8%	4.0%	218	202	3.0%	3.0%
North America	1,716	289	57	5	3.3%	1.7%	35	2	2.0%	0.7%
Asia Pacific	654	397	32	19	4.9%	4.8%	23	13	3.5%	3.3%
Total life and pensions business	**15,543**	**13,147**	**550**	**459**	**3.5%**	**3.5%**	**419**	**352**	**2.7%**	**2.7%**

(1) Before effect of required capital which amounted to £131 million (2006: £107 million).
(2) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.
(3) After deducting the effect of required capital.

The expected returns on existing business and shareholders' net worth increased to £840 million (2006: £675 million) reflecting the higher start of year embedded values and higher economic assumptions. Adverse experience variances of £19 million (2006: £9 million) were partially offset by positive operating assumption changes of £11 million (2006: £3 million).

United Kingdom
Norwich Union's life EEV operating return increased 18% to £413 million (2006: £350 million), reflecting the increased profitability of our new business, higher expected returns and a strong improvement in expense and persistency experience.

New business margin has increased to 3.1% (2006: 2.9%), driven by a combination of the savings from our ongoing operational review and our commitment to maximising shareholder value through balancing price, volume and mix. After required capital, our new business contribution was £143 million (2006: £135 million) at a margin of 2.5% (2006: 2.3%).

Our efficiency review, announced in September 2006, remains on track to deliver £125 million annualised savings by the end of this year. By 30th June 2007 we had achieved annualised savings of £96 million, which contributed £35 million to our half year financial performance. This is evident both in our improved new business margin and our reduced expense overruns on existing business.

Total experience variances were £37 million adverse (2006: £67 million adverse). The improvement in the adverse expense variance (combined maintenance and project-related) to £52 million (2006: £76 million) is due to the impact of our efficiency review. We continue to record adverse project-related experience due to the one-off costs associated with simplifying our legacy infrastructure. Following the implementation of our recently announced administration outsource agreement with Swiss Re combined with the efficiency targets announced in September 2006 we expect to reduce significantly the risk of expense related experience variances from 2009. Improved persistency experience of adverse £6 million (2006: £35 million adverse) reflects the positive actions we have taken in implementing our customer retention strategy. Overall persistency experience for the period is broadly in line with expectations.

Europe
Life EEV operating return from our European businesses has increased 11% to £679 million (2006: £617 million).

New business contribution after the effect of required capital increased to £218 million (2006: £202 million), with strong growth in Italy, Ireland and the Netherlands. New business margins before and after required capital were 3.8% and 3.0% respectively (2006: 4.0% and 3.0% respectively).

Expected returns were higher at £429 million (2006: £360 million), reflecting higher start of year embedded value. Experience variances were favourable at £19 million (2006: £52 million), mainly driven by favourable operating variances in France and Poland, partly offset by adverse experience in the Netherlands and Spain. Improved expense management in France resulted in a positive operating assumption change in Europe of £13 million (2006: £3 million).

North America
The life EEV operating return was £112 million (2006: £16 million) reflecting the increase in expected return following the acquisition of AmerUs and the increased new business contribution.

New business margins before and after the effect of required capital increased to 3.3% and 2.0% respectively (2006: 1.7% and 0.7% respectively) reflecting a favourable change in product mix towards higher margin indexed life and indexed annuity products and the discontinuance of lower margin life products as part of a product rationalisation process.

Asia Pacific
The life EEV operating return increased to £47 million (2006: £38 million), benefiting from higher new business volumes.

New business margins before and after the effect of required capital were 4.9% and 3.5% respectively (2006: 4.8% and 3.3% respectively). New business margins are influenced by marketing campaigns and product launches, resulting in some volatility between quarters. Growth potential for the region remains strong and Aviva's diversified distribution model places the business in a strong position for continued future growth.

Bancassurance margins – before required capital, tax and minority interests
The weighted average bancassurance new business margin before the effect of required capital in the six months was 4.5% (2006: 4.7%). This reduction mainly reflects the impact of a change in business mix in Spain and lower volumes and tighter product margins in the Netherlands; offset by increased margins in the UK, Ireland and Italy. After the effect of required capital, the bancassurance margin was 3.8% (2006: 3.9%).

Total life and pensions	Present value of new business premiums		New business contribution(1)		New business margin(2)	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
United Kingdom	**575**	**501**	**24**	**16**	**4.2%**	**3.2%**
France	417	504	19	23	4.6%	4.6%
Ireland	435	223	9	4	2.1%	1.8%
Italy	1,799	1,559	49	37	2.7%	2.4%
Netherlands	199	258	7	11	3.5%	4.3%
Spain	1,012	812	87	86	8.6%	10.6%
Europe	**3,862**	**3,356**	**171**	**161**	**4.4%**	**4.8%**
Asia Pacific	**104**	**101**	**10**	**10**	**9.6%**	**9.9%**
Total bancassurance channels	**4,541**	**3,958**	**205**	**187**	**4.5%**	**4.7%**

(1) Before effect of required capital which amounted to £32 million (2006: £32 million).
(2) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

United Kingdom
New business margin from Norwich Union's bancassurance partnership with RBSG improved to 4.2% (2006: 3.2%) reflecting economies of scale from higher volumes (up 15%) and a more profitable product mix.

Europe
In France, the new business margin of our bancassurance joint venture was stable at 4.6% (2006: 4.6%). In Ireland, Ark Life's new business margin was 2.1% (2006: 1.8%) driven by new product development and pricing. The new business bancassurance margin in Italy increased to 2.7% (2006: 2.4%), reflecting a change in business mix. In Spain, our bancassurance partnerships produced a margin of 8.6% (2006: 10.6%) reflecting a change in business mix, with higher sales of lower margin savings products and lower sales of protection products linked to mortgages. Our bancassurance agreement with ABN AMRO in the Netherlands generated a margin of 3.5% (2006: 4.3%) reflecting a change in business mix and tighter product margins.

Asia Pacific
The new business bancassurance margin from our partnership with DBS in Singapore and Hong Kong remained high at 9.6% (2006: 9.9%) reflecting the profitable growth of these developing operations.

New business contribution – after deducting required capital, tax and minority interest
New business contribution after required capital, tax and minority interest increased by 25% to £240 million (2006: £194 million) with a resultant new business margin of 1.8% (2006: 1.7%).

	Present value of new business premiums(1)		New business contribution(2)		New business margin(3)	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Bancassurance channels	2,586	2,218	71	59	2.7%	2.7%
Other distribution channels	10,716	8,932	169	135	1.6%	1.5%
Total life and pensions business	**13,302**	**11,150**	**240**	**194**	**1.8%**	**1.7%**
Analysed by:						
United Kingdom	*5,820*	*5,816*	*100*	*95*	*1.7%*	*1.6%*
Europe	*5,116*	*4,651*	*99*	*87*	*1.9%*	*1.9%*
North America	*1,716*	*289*	*23*	*1*	*1.3%*	*0.3%*
Asia Pacific	*650*	*394*	*18*	*11*	*2.8%*	*2.8%*

(1) Stated after deducting the minority interest.
(2) Stated after deducting the effect of required capital, tax and minority interest.
(3) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

Long-term business operating profit on an International Financial Reporting Standard (IFRS) basis
On an IFRS basis, our long-term business operating profit before shareholder tax was £1,081 million (2006: £710 million), an increase of 53%. The increase is primarily driven by the benefit of improved equity markets across most businesses, the impact of on-going PS06/14 implementation in the United Kingdom and the effect of increases in long-term interest rates on guarantee provisions in the Netherlands.

United Kingdom
The UK life operating profit on an IFRS basis was 42% higher at £303 million (2006: £213 million), driven by both with-profit and non-profit business. The increase in operating profit for with-profits business to £85 million (2006: £68 million) is driven by strong investment performance conditions which continue to drive higher policyholder bonuses. The increase in the non-profit business results from the FSA rule change PS06/14 which contributed £76 million to the result although this has been partially offset by investment losses caused by adverse market interest rate movements.

Europe
In Europe, life IFRS operating profit increased to £582 million (2006: £497 million), driven primarily by increased profits in France and the Netherlands.

In France, operating profit increased to £138 million (2006: £116 million) reflecting the increased profits from the growing unit-linked in-force portfolio and higher equity-market related investment gains. In Ireland, operating profit increased to £40 million (2006: £31 million including five months in respect of Ark Life) following the inclusion of a full six months profit for Ark Life and increased sales across both bank and broker channels. In the Netherlands, operating profit of £254 million (2006: £225 million) included a £78 million release (2006: £94 million release) from the provision for guarantees resulting from an increase in interest rates and policy values in the period. The year on year increase reflected lower expenses and lower new business strain. In our businesses in Poland and Lithuania operating profit increased to £60 million (2006: £56 million) reflecting increased income as a result of higher funds under management. Operating profit in Spain increased to £63 million (2006: £48 million) due to higher profits from the growing portfolio of protection and pensions business. Operating profit in Italy increased to £41 million (2006: £28 million) driven by increased interest rates and higher investment returns.

Aviva's other European businesses based in the Czech Republic, Hungary, Romania, Russia and Turkey, had an operating loss of £14 million (2006: £7 million loss) reflecting the developing nature of these operations.

North America
Life operating profit was £165 million (2006: £15 million loss) driven primarily by the inclusion of the AmerUs business. Operating profit was favourably impacted by net market value adjustments of £36 million (2006: £9 million loss).

Asia Pacific
Life operating profit improved significantly to £31 million from £15 million in the six months to 2006, driven mainly by favourable investment markets in the region and higher emerging profits from existing business.

Fund management operating profit
Our worldwide fund management operating profit grew to £76 million (2006: £61 million) on an IFRS basis. Assets under management at 30 June 2007 grew to £377 billion (31 December 2006: £364 billion) reflecting the impact of new business and the performance of global investment markets.

	6 months 2007 £m	**6 months 2006 £m**
Morley	41	31
Other UK	(4)	(5)
United Kingdom	**37**	**26**
France	16	16
Netherlands	11	13
Other Europe	2	1
Europe	**29**	**30**
North America	**1**	**1**
Asia Pacific	**9**	**4**
Fund management operating profit – IFRS basis	**76**	**61**

On an EEV basis, the total operating profit from our fund management businesses was £45 million (2006: £33 million) and represents the profit from those funds managed on behalf of third parties and the Group's non-life businesses.

United Kingdom
Our UK fund management businesses comprise our institutional business, Morley, our retail investment business trading as Norwich Union, and our collective investment joint venture business with RBSG. These businesses reported an operating profit of £37 million (2006: £26 million) in the period.

Morley
As a group, Morley reported a 34% increase in total operating profit to £43 million (2006: £32 million), including the £2 million (2006: £1 million) contribution from the pooled pension business, which is reported in the long-term savings segment.

Fund management operating profit grew strongly to £41 million (2006: £31 million) including £5 million (2006: £1 million) of performance fees relating to prior periods. Morley's cost/income ratio was 73% (full year 2006: 72%) reflecting both additional revenue streams and increasing investment in the business as part of a more focused investment style within the active equity management teams.

Our property team also continued to grow, increasing funds under management and the size of the team as property remained a key asset class for investors across Europe. The property team was recognised as Property Manager of the Year at the 2007 UK Pensions Awards and Morley also received industry recognition for its investment capabilities including the "Fixed Income Hedge Fund of the Year" award at the Eurohedge Awards for our G7 Fixed Income Fund.

We continue to build our European distribution reach, opening a new office in Frankfurt to sell the Aviva Morley range of SICAV funds and establishing the sales and client teams in Milan and Madrid. In February, we also established our first office in China and announced a number of new property investments and partnerships across Asia and Japan as part of a long-term commitment to the region.

Norwich Union's retail investment business broke even in the period (2006: £1 million loss) while our collective investment business with RBSG recorded a loss of £4 million (2006: £4 million loss) due to increased new business strain.

Europe

Our European operations consist mainly of Aviva Gestion d'Actifs (AGA) in France and Delta Lloyd Asset Management in the Netherlands. These businesses reported a slightly lower operating profit of £29 million (2006: £30 million).

Operating profit from our business in France, AGA, was stable at £16 million (2006: £16 million). This business has a strong investment performance track record, with all of AGA's funds ranked in the top half over the 5 years to 30 June 2007. We have continued to earn industry awards for the sustained performance of our funds, with the financial magazine 'Mieux Vivre Votre Argent' awarding prizes to 7 of AGA's funds.

Operating profit from our fund management business in the Netherlands was £11 million (2006: £13 million). Investment performance has been strong in the period, notably Delta Lloyd's equity participation fund which headed the fund performance rankings over a 5 year period and held a top-5 ranking over six and 12 months. Three new funds are to be launched later in 2007 following the success of the Select Opportunity fund earlier in the year. On 19 June, Delta Lloyd announced its acquisition of Cyrte Investments which will add funds with distinctive technology and media profiles to our fund offering.

Asia Pacific

In Asia Pacific, our fund management and administration business consists of the successful Navigator platforms in Australia and Singapore. Operating profits more than doubled to £9 million (2006: £4 million), reflecting profitable growth in these businesses.

General insurance and health operating profit

The Group's net written premiums from its worldwide general insurance and health businesses decreased by 4% to £5.5 billion, reflecting increasing price competition across most regions.

Group operating profit from general insurance and health businesses decreased by 34% to £560 million (2006: £866 million). The worldwide general insurance combined operating ratio (COR) worsened to 97% (2006: 92%) mainly as a result of adverse weather in the UK and increased competitive pressures in this business segment across most regions.

The general insurance and health underwriting profit decreased to £49 million (2006: £346 million) following worse than expected weather claims experience in the UK of £235 million (2006: £125 million benefit). The worldwide GI expense ratio was 12.9% (2006: 11.6%), reflecting reduced premiums and ongoing investment made to secure the future profitability of the business.

The longer-term investment return (LTIR) on general insurance and health business assets was £511 million (2006: £520 million) as the impact of higher start-of-year asset base and higher LTIR rates in 2007 were offset by the effect of lower cash flows due to lower premiums.

The reserves in the Group are set conservatively with the aim to protect against adverse future claims experience and development. Our business is predominantly short tail in nature and loss development experience is generally stable. As a result of the prudence applied in setting the reserves, there are releases of £330 million in 2007 which reflect releases from the 2006 accident year and prior. We continue to apply our reserving policy consistently and our reserves remain at very strong levels.

	Net written premiums		Underwriting result*		Operating profit*	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m
United Kingdom	2,950	3,132	(46)	222	284	566
Europe	1,869	1,783	88	99	203	214
North America	665	724	5	24	70	85
Asia Pacific	14	11	2	1	3	1
Continuing operations	**5,498**	**5,650**	**49**	**346**	**560**	**866**

* 2006 excludes the Financial Services Compensation Scheme credit of £6 million (2007 was nil).

United Kingdom
Our UK operations comprise our main general insurance business, Norwich Union Insurance (NUI), a small health operation and the Group's captive reinsurance business. The combined UK performance was £284 million (2006: £566 million).

NUI has generated operating profits of £269 million (2006: £561 million) and a combined operating ratio of 102% (2006: 92%). The result includes an adverse weather impact of £235 million (2006: £125 million benefit), with an estimated £175 million arising from the June floods and £60 million relating to the storms of 18 January. This impact has been mitigated by a benefit of £245 million (2006: £140 million) releases from the 2006 accident year and prior. We continue to apply our reserving policy consistently and our reserves remain at very strong levels. The result includes a contribution of £75 million from the RAC (2006: £46 million).

The result has been achieved against a backdrop of challenging conditions across our core insurance markets. In personal motor we have achieved rate increases of 8% (2006: between 2% and 5% increase) and our focus on writing profitable business is reflected in a combined operating ratio of 103%, 2% better than the same period in 2006. Homeowner rates have increased by 5% (2006: 6% increase). Overall commercial rates have fallen by around 3% (2006: 3% decrease), although we are seeing increased market stability in commercial motor rates. Market conditions continue to impact our net written premium levels, which have decreased by 7% to £2,699 million (2006: £2,898 million).

During the first half of 2007, our position as a partner of choice to the UK's top brands has been reflected in a number of major deals across the organisation. In February, the RAC successfully renewed its contract with Motability until 2014 and has also agreed a new three year contract with Barclays to provide roadside assistance to their advance value account customers that commenced in June. In May we announced plans for the creation of a new joint venture with HSBC. Operating under the name of HSBC Insurance, the venture will underwrite and distribute general insurance products to HSBC's 10 million UK customers when it launches later in the year.

We are continually looking to improve our products and customer service levels. Following the launch of a dedicated retention centre in Norwich Union Direct in November 2006 our customer ownership initiative is now live for all motor claims and provides a single point of contact for customers who experience a claim. Additionally, we are also working to develop closer ties with large commercial brokers. The success of such initiatives is reflected in very strong retention rates across all classes of business and improving customer satisfaction scores.

Our focus on cost control is reflected in the reduction in expense ratio from the 2006 full year figure of 13.9% to 13.6%, with our cost and efficiency programme, which is on track to deliver its anticipated benefits of £125 million from 2008, contributing to this improvement. The increase compared to the same period in 2006 reflects a combination of our investment in the business and pressure on volumes. We have seen an increase in our commission ratio to 24.3% (2006: 21.9%) driven by lower volumes of commission-free direct business and the impact of consolidators in our intermediary business.

Europe
In Europe, our general insurance and health businesses recorded an operating profit of £203 million (2006: £214 million).

In France, our general insurance and health business achieved an operating profit of £31 million (2006: £27 million) with a break-even underwriting result (2006: loss of £1 million) and net written premiums of £421 million (2006: £435 million). Although pressure on premium rates has intensified in the market, Aviva has continued to experience a low level of large and adverse weather related losses. The general insurance COR improved marginally to 97% (2006: 98%) reflecting a stable claims ratio and cost savings.

In Ireland, our general insurance business achieved an operating profit of £80 million (2006: £88 million) and a COR of 78% (2006: 74%). This result reflects the intense competitive pressures within the market leading to falling premiums and higher claims frequency, partly offset by favourable development of prior year claims. Despite our policy count increasing compared with 2006, the difficult market conditions led to a slight reduction in net written premiums to £245 million (2006: £251 million).

In the Netherlands, operating profit from general insurance and health operations was £70 million (2006: £80 million) reflecting a deterioration in the health underwriting result. The general insurance only COR improved to 76% (2006: 82%) reflecting premium rating which remains strong in certain lines and favourable development of prior year claims. The health operating result deteriorated to a loss of £16 million (2006: £6 million profit) as a result of a higher than expected level of late reported claims from 2006, which has also affected ultimate loss ratios in the current year. Net written premiums increased significantly to £1,055 million (2006: £955 million) largely driven by an increase in the size of the health portfolio combined with £17 million of general insurance premiums from Erasmus since its acquisition on 26 March 2007. On 16 July 2007, we announced the sale of our health operations to O.W.M CZ Groep Zorgverkeraar U.A (CZ) in a transaction that gives Delta Lloyd the opportunity to sell life, pensions and general insurance products to CZ's existing customer base.

Other general insurance operations are based in Italy, Poland and Turkey and achieved a total operating profit of £22 million (2006: £19 million).

North America
In Canada, operating profit was £70 million (2006: £85 million), an underlying decrease of 10% in local currency terms. This result reflects a reduction in the underwriting result to £5 million (2006: £24 million) primarily as a result of a deterioration in the claims ratio due to a combination of claims inflation and persistent snowfalls in the first four months of the year which led to higher claims frequency . The COR was 99% (2006: 96%).

Net written premiums were £665 million (2006: £724 million). This represents an underlying 1% increase in local currency driven by growth in warranty business in personal lines and in commercial lines volumes. This growth was offset by reductions in private and commercial motor premium rates resulting from increased competition as several competitors adopted aggressive pricing strategies in this profitable segment. In the face of this, Aviva Canada continues to take an industry leading stance through maintaining its policy of underwriting integrity and pricing for profit.

Asia Pacific

The operating profit from our health insurance business in Singapore and general insurance business in Sri Lanka amounted to £3 million (2006: £1 million).

Other operations

The Group's other operations recorded an operating loss of £72 million (2006: loss of £11 million) on an IFRS basis, the decrease mainly occurring in the Netherlands. In the United Kingdom, a decrease in operating profit in the RAC is offset by reduced losses in Norwich Union Life Services (NULS).

	6 months 2007 £m	**6 months 2006 £m**	**Full year 2006 £m**
RAC	6	20	45
UK Life			
- Norwich Union Life Services	(20)	(42)	(50)
- Lifetime and SIPP	(18)	(6)	(29)
Other	(40)	17	(46)
Total	**(72)**	**(11)**	**(80)**
Analysed by:			
United Kingdom	*(46)*	*(30)*	*(26)*
Europe	*(22)*	*22*	*(48)*
North America	*-*	*-*	*-*
Asia Pacific	*(4)*	*(3)*	*(6)*

United Kingdom

Operating profit from RAC non-insurance operations of £6 million (2006: £20 million) includes the costs of transforming the Auto Windscreens operating model and those incurred in the transformation of BSM. Additionally, the prior year numbers included £17 million from MSS and LVL which were disposed of in May 2006.

NU Life Services Ltd reported a reduced loss of £20 million (2006: £42 million loss) reflecting expense savings from the ongoing efficiency review in the UK life business.

Europe

The £22 million loss (2006: £22 million profit) mainly reflects lower banking profits and increased share scheme costs in the Netherlands and holding company costs across a number of our European business units. In the Netherlands, the banking result for the current period has been adversely affected by the flattening yield curve. Additionally, the prior period included a one-off gain on the sale of investments in the Netherlands of £17 million.

On an EEV basis, our other operations reported a loss of £45 million (2006: £29 million profit) as this excludes the majority of NU Life Services Ltd losses which are incorporated within the life EEV operating return.

Corporate centre

The corporate centre result for the period was £80 million (2006: £73 million) mainly due to increased brand spend reflecting Aviva's strong commitment to developing the global brand, increased investment in IT and higher staff incentive costs.

Group debt costs and other interest

Group debt costs and other interest of £190 million (2006: £177 million) comprise internal and external interest on borrowings, subordinated debt and intra-group loans not allocated to local business operations. Also included is net pension income which represents the expected return on pension scheme assets less the interest charge on pension scheme liabilities. Interest costs in the period were higher at £222 million (2006: £215 million). Within this, external interest costs increased to £129 million (2006: £109 million) reflecting interest on subordinated debt raised in December 2006 to repay locally held AmerUs debt and on commercial paper raised to help fund the AmerUs acquisition. Internal interest costs reduced to £93 million (2006: £106 million) following the restructuring of internal loan agreements. Net pension income fell to £32 million (2006: £38 million).

Interest on the £990 million direct capital instrument issued in 2004 is not included within unallocated interest as it is instead treated as an appropriation of profits retained in the period. This appropriation will be charged when declared and settled in accordance with IFRS and will be reflected in the second half of the year.

Profit on ordinary activities before tax

	EEV basis		IFRS basis	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m
Operating profit before tax	**1,541**	**1,699**	**1,375**	**1,376**
Impairment of goodwill	(3)	-	(3)	-
Amortisation of acquired value of in-force business	-	-	(114)	(33)
Amortisation and impairment of intangibles	(41)	(10)	(52)	(19)
Financial Services Compensation Scheme and other levies	-	6	-	6
(Loss)/profit on the disposal of subsidiaries and associates	(5)	86	(5)	147
Short-term fluctuation in return of investments backing general insurance and health business	37	(205)	37	(205)
Variation from longer-term investment return – life business	241	(739)	-	-
Effect of economic assumption changes	301	471	-	-
Integration and restructuring costs	(40)	(24)	(40)	(24)
Profit before tax/ Profit before tax attributable to shareholders' profits	**2,031**	**1,284**	**1,198**	**1,248**

Profit before tax on an EEV basis was higher at £2,031 million (2006: £1,284 million), and includes positive investment return variances and short-term investment fluctuations of £278 million (2006: £944 million adverse) and favourable economic assumption changes of £301 million (2006: £471 million favourable).

Integration and restructuring costs mainly reflect the costs associated with the efficiency programme being implemented across the UK business and are in line with the £250 million previously announced. Other costs are attributable to activity to integrate Ark Life in Ireland and AmerUs in the US. Both businesses were acquired in 2006.

The variance from the longer-term investment return primarily reflects higher than expected returns in equity markets. In the UK, the FTSE All Share index rose by 6%, the CAC40 in France by 9% and in the Netherlands, the AEX rose by 11% from end of 2006 levels. This was partly offset by the impact of lower fixed interest security valuations following the increase of 70 basis points and 60 basis points in UK and Euro zone long-term bond yields, respectively. Long-term economic assumptions, which are set with reference to bond yields, were revised upwards at 30 June 2007 and these higher assumptions, together with a £177 million favourable impact of tax reflecting the impact of the change to the UK corporation tax rates effective from April 2008, have increased the expected value of future profits from in-force life contracts, benefiting profits by £301 million.

The positive non-life short-term fluctuations of £37 million (2006: £205 million adverse) are principally due to higher equity market returns compared to our longer-term investment return assumptions. The effect of the non-life investment market movements and integration costs are included in the IFRS profit before tax attributable to shareholders' profits of £1,198 million (2006: £1,248 million).

The taxation charge for the period was £529 million (2006: £524 million) on an EEV basis and includes a charge of £416 million (2006: £573 million) in respect of operating profit, which is equivalent to an effective rate of 27.0% (2006: 33.7%) mainly reflecting the impact of one-off tax credits due to changes in future UK tax rates and the release of provisions. The effective tax rate on IFRS operating profit is 27.5% (2006: 26.9%).

Consistent with comments made at our 2006 full year analysts' presentation, the group is reviewing its current IFRS operating profit definition and expects to announce refinements to this prior to the 2007 year end. The Group is also actively considering developments in European Embedded Value (EEV) reporting and intends to move to a "market consistent" EEV basis once a credible, consistent and robust basis for MCEV reporting has been established. This will not be before year end 2008.

Dividends

Ordinary dividends

The Board has recommended a 10% increase in the interim dividend to 11.90 net pence per share (2006: 10.82 pence) payable on 16 November 2007 to shareholders on the register on 21 September 2007.

Please note that these dates differ from the provisional dates announced on 9 November 2006.

Preference dividends

8 3/8 % cumulative irredeemable preference shares of £1 each

The Board has recommended a dividend of 4 3/16 % per share for the six month period ending 30 September 2007 payable on 30 September 2007 to preference shareholders on the register on 1 September 2007.

8 3/4 % cumulative irredeemable preference shares of £1 each

The Board has recommended a dividend of 4 3/8 % per share for the six month period ending 31 December 2007 payable on 31 December 2007 to preference shareholders on the register on 1 December 2007.

Pension fund deficit

At 30 June 2007, the Group's overall pension fund deficit less surpluses had reduced by £915 million to £58 million (gross of tax). This was mainly due to the favourable impact on the valuation of liabilities of a 40 basis point increase in the UK real discount rate (the difference between the discount and inflation rate) during the period.

Group capital structure
The Group maintains an efficient capital 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 Group is subject to a number of regulatory capital tests and also employs a number of realistic tests to allocate capital and manage risk. Overall, the Group comfortably meets all of these requirements and, as reported below, has significant resources and financial strength.

The ratings of the Group's main operating subsidiaries are AA/AA- ("very strong") with a stable outlook from Standard & Poor's and Aa3 ("excellent") with a stable outlook from Moody's. These ratings reflect the Group's strong liquidity, competitive position, capital base, increasing underlying earnings and strategic and operational management.

Capital management

In managing its capital, the Group seeks 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 business unit capital where appropriate; and
(v) manage exposures to movement 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. The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital.

One of our key strategic aims is to ensure that we continue to optimise our capital base. We consider a variety of techniques to achieve this aim, such as reviewing the potential to securitise parts of the insurance portfolios and initiatives to further enhance our management of financial risk. In undertaking this work we recognise the requirements of a range of stakeholders including shareholders, regulators and rating agencies. The overall capital risk appetite is managed by reference to capital constraints imposed by targets in relation to solvency (including IGD and ICA), ratings, borrowing and liquidity and dividend capacity.

Return on equity shareholders' funds
The Group's annualised post-tax operating return on equity shareholders' funds was 11.6% (2006: 14.0%) reflecting the impact of a higher opening capital base following organic growth in long-term operations, operational results including the effect of adverse weather within general insurance and movement in equity markets. This return is based on the post-tax operating profit from continuing operations, including the EEV operating return, expressed as a percentage of the opening equity shareholders' funds on an EEV basis.

Different measures of capital
The Group measures its capital on a number of different bases. These include measures which comply with the regulatory regime within which the Group operates and those which the directors consider appropriate for the management of the business. The measures which the Group uses are:-

i) Accounting bases
Although the Group is required to report its results on an IFRS basis, the directors consider that the European Embedded Value principles provide a more meaningful reflection of the Group's life operations and accordingly we analyse and measure the net asset value and total capital employed for the Group on this basis.

ii) Regulatory bases
In reporting the financial strength of our insurance subsidiaries the Group measures the capital and solvency using the regulations prescribed by the Financial Services Authority (FSA). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the Group's insurance subsidiaries.

iii) Economic bases
Notwithstanding the required levels of capital laid out by the FSA, the Group also measures its capital using various risk based capital models that take into account a more realistic set of financial and non-financial assumptions. These models have been under considerable development over the past few years and have become more relevant in the internal assessment of the Group's financial strength. In addition, these models include measures used by rating agencies in measuring and assessing the financial strength of the Group.

Group

Accounting bases

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

At 30 June 2007 the Group had £26.7 billion (31 December 2006: £25.9 billion) of total capital employed in its trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings.

	30 June 2007	**31 December 2006**
Equity shareholders' funds – EEV basis	£19.1 billion	£17.5 billion
Total shareholders' funds – EEV basis (including minority interests)	£22.7 billion	£20.9 billion
Total capital employed by business operations	£26.7 billion	£25.9 billion
Net asset value per share	737 pence	683 pence

The significant increase in shareholders' funds reflects the strong operational performance in the period. Net asset value per ordinary share, based on equity shareholders' funds, was higher at 737 pence per share.

Regulatory bases

EU Groups directive

	30 June 2007	**31 December 2006**
Insurance Groups Directive (IGD) excess solvency	£4.0 billion	£3.5 billion
Cover (times) over EU minimum	1.8 times	1.8 times

Aviva Group had an estimated excess regulatory capital, as measured under the EU Groups Directive, of £4.0 billion at 30 June 2007 (31 December 2006: £3.5 billion). This measure represents the excess of the aggregate value of regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators, excluding the surplus held in the Group's UK life funds. The minimum solvency requirement for the Group's European businesses is based on the Solvency 1 Directive. In broad terms, for EU operations, this is set at 4% and 1% of non-linked and unit-linked life reserves, respectively and for Aviva's general insurance portfolio of business is the higher of 18% of gross premiums or 26% of gross claims, in both cases adjusted to reflect the level of reinsurance recoveries. For the Group's major non-European businesses (the US, Australia and Canada) a risk charge on assets and liabilities approach is used. The IGD is a pure aggregation test with no credit given for the considerable diversification benefits of Aviva.

Our excess solvency of £4.0 billion reflects a net increase of £0.5 billion since 31 December 2006, driven by strong operational performance, the benefit of movements in interest rates and offset by payment of the dividend. From 31 December 2006, the Group has a regulatory obligation to have a positive solvency on an IGD basis at all times. The Group's risk management processes ensure adequate review of this measure.

Economic bases

We have developed a framework using ICA principles for identifying the risks that business units, and the Group as a whole, are exposed to and quantifying their impact on economic capital. The ICA estimates the capital required to mitigate the risk of insolvency to a 99.5% confidence level over a one year time horizon against financial and non-financial tests.

Currently our ICA uses a mixture of scenario based approaches and risk based capital models. The FSA will use the results of our ICA process when discussing the target levels of capital it believes the UK regulated businesses should maintain.

We continue to develop our risk based capital modelling capability for all our businesses as part of our longer-term development programme for more complex risk modelling techniques, and increasingly operate our business by reference to economic and risk based capital requirements.

General insurance

Regulatory basis
Our principal UK general insurance regulated subsidiaries are Aviva International Insurance group (AII) and Norwich Union Insurance (NUI). The combined businesses of the AII 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) amounted to £4.2 billion (31 December 2006: £3.8 billion) after covering the minimum capital base of £4.8 billion (31 December 2006: £4.5 billion).

The table below sets out the regulatory basis of these general insurance groups at 30 June 2007 and 31 December 2006.

	30 June 2007			31 December 2006		
	NUI	All Group	NUI and All Group pro forma	NUI	All Group	NUI and All Group pro forma
Capital resources	£1.0 bn	£8.0 bn	£9.0 bn	£1.0 bn	£7.3 bn	£8.3 bn
Capital resources requirement	£0.3 bn	£4.5 bn	£4.8 bn	£0.3 bn	£4.2 bn	£4.5 bn
Solvency surplus	£0.7 bn	£3.5 bn	£4.2 bn	£0.7 bn	£3.1 bn	£3.8 bn
Cover	3.2 times	1.8 times	1.9 times	2.9 times	1.7 times	1.8 times

Economic bases - Risk based capital
The Group uses a number of measures of risk based capital 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.

Life operations

Economic bases
For the Group's non-participating worldwide life assurance business the Group has set its capital requirements as the higher of:
- Target levels set by reference to own internal risk assessment and internal objectives
- Minimum capital level (i.e. level of solvency capital at which local regulator is empowered to take action)

Having undertaken an assessment of the level of operational, demographic, market and currency risk of each of our life businesses, we have quantified the levels of capital required for each business. We have expressed these as a percentage of EU minimum.

The required capital across all the Group's businesses varies depending on the level of operational, market and currency risk, between 100% and 200% of EU minimum or equivalent. In the UK we have assessed the required capital for our annuity book at 150% of the EU minimum and the remainder of the non-profit portfolio has been set at 100% of the EU minimum. The weighted average level of required capital for the Group's non-participating life business, expressed as a percentage of the EU minimum (or equivalent) solvency margin remains unchanged at 134% (31 December 2006: 134%). This is a blended rate and we would expect this to change over time with product mix.

These levels of required capital are used in the calculation of the Group's embedded value to evaluate the cost of locked in capital. At 30 June 2007 the aggregate regulatory requirements based on the EU minimum test amounted to £4.5 billion (31 December 2006: £4.3 billion). At this date, the actual net worth held in the Group's long-term business was £9.6 billion (31 December 2006: £8.9 billion) which represents 214% (31 December 2006: 206%) of these minimum requirements.

UK Life operations

Available capital
The available capital of the with-profit funds is represented by the realistic inherited estate. The estate represents the assets of the long-term with-profit funds less the realistic liabilities 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, guarantees and promises. Realistic balance sheet information is shown below for the three main UK with-profit funds; CGNU Life, Commercial Union Life Assurance Company (CULAC) and Norwich Union Life & Pensions (NUL&P). These realistic liabilities have been included within the long-term business provision and the liability for insurance and investment contracts on the Group's IFRS balance sheet at 30 June 2007 and 31 December 2006.

					30 June 2007	31 December 2006
	Estimated Realistic assets £bn	Realistic liabilities*[1] £bn	Estimated Realistic inherited estate[2] £bn	Estimated risk capital margin[3] £bn	Estimated excess £bn	Estimated excess £bn
CGNU Life	15.9	(13.2)	2.7	(0.3)	2.4	2.0
CULAC	15.1	(12.4)	2.7	(0.4)	2.3	2.0
NUL&P[4]	28.0	(26.0)	2.0	(0.4)	1.6	1.2
Aggregate	**59.0**	**(51.6)**	**7.4**	**(1.1)**	**6.3**	**5.2**

* These realistic liabilities include the shareholders' share of future bonuses of £0.7 billion (31 December 2006: £0.7 billion). Realistic liabilities adjusted to eliminate the shareholders' share of future bonuses are £50.9 billion (31 December 2006: £48.6 billion).
1 These realistic liabilities make provision for guarantees, options and promises on a market consistent stochastic basis. The value of the provision included within realistic liabilities is £0.5 billion, £0.6 billion and £2.5 billion for CGNU Life, CULAC and NUL&P respectively (31 December 2006: £0.5 billion, £0.7 billion and £3.0 billion for CGNU Life, CULAC and NUL&P respectively).
2 Estimated realistic inherited estate at 31 December 2006 was £2.5 billion, £2.5 billion and £1.8 billion for CGNU Life, CULAC and NUL&P respectively.
3 The risk capital margin (RCM) is 6.7 times covered by the inherited estate (31 December 2006: 4.2 times).
4 The NUL&P fund includes the Provident Mutual (PM) fund which has realistic assets and liabilities of £2.3 billion and therefore does not impact the realistic inherited estate.

Potential reattribution of inherited estate

Aviva continues to pursue the potential reattribution of the inherited estates of the CGNU and CULAC with-profit funds and is currently engaged in complex and lengthy negotiations with the independent Policyholder Advocate, Clare Spottiswoode. This is the first time a reattribution on this scale has been proposed under the new regulatory process. Aviva is committed to working towards a deal but will only go ahead with a reattribution if the negotiated outcome is fair to policyholders and shareholders. Aviva expects to provide an update on the negotiations later in the year.

Investment mix

The aggregate investment mix of the assets in the three main with-profit funds at 30 June 2007 was:

	30 June 2007 %	**31 December 2006 %**
Equity	42%	42%
Property	14%	16%
Fixed interest	36%	36%
Other	8%	6%
	100%	**100%**

The equity backing ratio, including property, supporting with-profit asset shares is 63% in CGNU Life and CULAC and 49% in NUL&P. New with-profit business is mainly written through CGNU Life.

Group capital statement

The purpose of the capital statement is to set out the financial strength of the Group and to provide an analysis of the disposition and constraints over the availability of capital to meet risks and regulatory requirements. The capital statement also provides a reconciliation of shareholders' funds to regulatory capital.

The analysis below sets out the Group's available capital resources:

						30 June 2007	**31 December 2006**
	UK with-profit funds[3] £bn	**Other UK life operations £bn**	**Overseas life operations £bn**	**Total life £bn**	**Other operations[4] £bn**	**Total £bn**	**Total £bn**
Total shareholders' funds	0.1	3.1	10.1	**13.3**	2.2	**15.5**	**14.1**
Other sources of capital[1]	-	0.2	0.2	**0.4**	2.7	**3.1**	**3.1**
Unallocated divisible surplus	7.2	-	2.3	**9.5**	-	**9.5**	**9.5**
Adjustments onto a regulatory basis[2]	0.1	(1.4)	(3.9)	**(5.2)**	(2.4)	**(7.6)**	**(7.2)**
Total available capital	**7.4**	**1.9**	**8.7**	**18.0**	**2.5**	**20.5**	**19.5**

1 Other sources of capital represents: subordinated debt of £2,949 million (31 December 2006: £2,937 million) issued by Aviva plc and £152 million (31 December 2006: £153 million) other qualifying capital issued by Dutch, Italian and US subsidiary undertakings.
2 Including an adjustment for minorities
3 Includes the Provident Mutual with-profit fund
4 Other operations include general insurance and fund management businesses.

LIFE NEW BUSINESS SALES

Geographical analysis of life, pensions and investment sales, new business contribution and new business margin

	Present value of new business premiums [1]			New business contribution [3]			New business margin [4]	
	6 months 2007 £m	6 months 2006 £m	Local currency growth [2]	6 months 2007 £m	6 months 2006 £m	Local currency growth [2]	6 months 2007	6 months 2006
Life and pensions business								
United Kingdom	***5,820***	***5,816***	***-***	***178***	***167***	***7%***	***3.1%***	***2.9%***
France	1,832	2,028	(8)%	80	87	(7)%	4.4%	4.3%
Ireland	889	558	62%	14	11	27%	1.6%	2.0%
Italy	1,818	1,583	16%	49	38	32%	2.7%	2.4%
Netherlands (including Germany and Belgium)	1,146	1,170	(1)%	37	34	9%	3.2%	2.9%
Poland	379	264	44%	17	14	21%	4.5%	5.3%
Spain	1,114	916	23%	88	88	1%	7.9%	9.6%
Other Europe	175	126	45%	(2)	(4)	50%	(1.1)%	(3.2)%
Europe	***7,353***	***6,645***	***12%***	***283***	***268***	***7%***	***3.8%***	***4.0%***
North America	***1,716***	***289***	***553%***	***57***	***5***	***1,040%***	***3.3%***	***1.7%***
Asia	414	252	76%	20	12	82%	4.8%	4.8%
Australia	240	145	68%	12	7	71%	5.0%	4.8%
Asia Pacific	***654***	***397***	***73%***	***32***	***19***	***78%***	***4.9%***	***4.8%***
Total life and pensions	**15,543**	**13,147**	**19%**	**550**	**459**	**21%**	**3.5%**	**3.5%**

	6 months 2007 £m	6 months 2006 £m	Local currency growth [2]
Investment sales [5]			
United Kingdom	***1,595***	***1,083***	***47%***
Netherlands	365	211	75%
Poland	141	62	127%
Other Europe	272	309	(11)%
Europe	***778***	***582***	***35%***
Australia	1,030	685	52%
Singapore	348	134	172%
Asia Pacific	***1,378***	***819***	***71%***
Total investment sales	**3,751**	**2,484**	**52%**
Total long-term savings	**19,294**	**15,631**	**25%**
Navigator sales (included above)	1,298	723	79%

1 All references to sales in this announcement refer to the present value of new business premiums (PVNBP) unless otherwise stated. PVNBP is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.
2 Growth rates are calculated based on constant rates of exchange.
3 Stated before the effect of required capital.
4 New business margin represents the ratio of new business contribution before the effect of required capital to present value of new business premiums, expressed as a percentage.
5 Investment sales are calculated as new single premiums plus the annualised value of new regular premiums.

Overview

Aviva achieved continued strong growth in the 6 months to 30 June 2007, with total long-term savings new business sales up 25% to £19,294 million (2006: £15,631 million). The overall increase reflects growth in life and pension sales of 19% to £15,543 million (2006: £13,147 million), and strong investment sales, up 52% to £3,751 million (2006: £2,484 million). Aviva USA has delivered an excellent performance with sales of £1,716 million from the combined business (2006 pro forma: £1,253 million), a pro forma increase of 51%.

Aviva UK achieved a record half year with total sales increasing by 7% to £7,415 million (2006: £6,899 million). The company delivered good life and pension sales of £5,820 million (2006: £5,816 million), and at the same time improved its margin levels. Growth in life and pension sales would have been 4%[1] if consistent operating assumptions had been used in the comparative half year. Collective investment sales rose significantly by 47% to £1,595 million (2006: £1,083 million). Additionally, Aviva UK's share of sales through its bancassurance joint venture with The Royal Bank of Scotland Group (RBSG) was up by 30% to £777 million (2006: £598 million).

Outside of the UK, Aviva's long-term savings new business sales grew strongly by 39% to £11,879 million (2006: £8,732 million), reflecting strong growth in all regions and particularly from businesses acquired in Ireland and the United States during 2006. Life and pension new business sales were 35% higher at £9,723 million (2006: £7,331 million), while investment sales grew by 56% to £2,156 million (2006: £1,401 million). New business contribution before the effect of required capital increased by 29% to £372 million (2006: £292 million).

United Kingdom

This was a record half year from Norwich Union with total sales, including investments, up 7% to £7,415 million (2006: £6,899 million). Norwich Union's strong performance built on the exceptional sales growth that the company delivered in the first half of 2006 in the run up to, and post, A-Day. Sales in the second quarter of £3,915 million were 12% higher than the previous quarter and represent the highest quarterly new business sales for the company.

Norwich Union's market share has risen to 11.2% for the first quarter of 2007[2] (full year 2006: 10.9%).

The company continued to grow both its sales and profitability, with an increase in new business margin to 3.1% (2006: 2.9%). This was achieved through careful balancing of price, volume and mix and by reducing new business administration costs as part of its efficiency review. As a result, new business contribution increased to £178 million (2006: £167 million).

Norwich Union delivered strong bond sales, up by 19% to £1,939 million (2006: £1,626 million). The company's guarantee-backed RPI bond grew strongly with sales of £570 million (2006: £297 million). The main with-profit funds have returned a performance ahead of expectations over the first half of 2007, which has allowed Norwich Union to remove market value reductions from all with-profit policies and improve final bonuses on unitised with-profit policies. The company maintained its level of unit-linked bond sales at £1,144 million and unit-linked offshore bonds increased by 28% to £90 million.

An excellent performance in collective investments resulted in sales growing by 47% to £1,595 million (2006: £1,083 million) as the company continues to benefit from offering a broad range of funds including socially responsible investment, property and UK equity funds. In the UK, all companies sector, three funds were placed in the first quartile over the year to 30 June; the NU sustainable futures growth, NU UK ethical and NU UK focus funds. The company will continue to focus on collective investments and will be launching further propositions in the year.

Following Norwich Union's exceptionally strong A-Day performance in 2006, total pension sales were £2,401 million (2006: £2,757 million). Individual pension sales (including group personal pensions) of £1,819 million (2006: £2,188 million) were lower but more profitable than in the first half of 2006, benefiting from the company's higher charging structure on stakeholder pensions introduced in 2006. Since its launch in April 2006, the company's SIPP[3] sales have increased rapidly to £276 million (three months 2006: £21 million). Corporate pension sales were up 2% to £582 million (2006: £569 million) as the trustee-based corporate pension market remained active; however, the company still expects a market trend towards group personal pensions in the long term.

Annuity sales increased significantly to £927 million (2006: £748 million) as the company's competitive pricing and strong service continued to enable it to maximise internal transfer rates in a growing market. As part of its wider drive into the employee benefits market, the company has secured a small number of bulk purchase annuity schemes in 2007 with more business expected to come through in the second half of the year.

Equity release sales of £110 million were down (2006: £165 million) with this market remaining particularly competitive. Norwich Union expects its sales performance to improve in the second half of the year as it continues to strengthen its customer proposition, for example, through providing customers with easy to understand guidance on equity release products.

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[1] Comparative sales figures are stated before the effect of year end 2006 assumptions changes. Restating sales comparatives for the effect of 2006 persistency assumption changes, in order to give a like-for-like comparison using the same persistency basis, results in the following growth progression:

- Total sales, including investments, would have increased by 11% to £7,415 million (2006: £6,699 million)
- Life & pension sales would have increased by 4% to £5,820 million (2006: £5,616 million)
- Total pension sales would have fallen by 6% to £2,401 million (2006: £2,557 million)

[2] Latest available ABI market share data on an APE basis

[3] Included in collective investment sales

Protection sales were lower at £443 million (2006: £520 million) due to the slowdown in the payment protection insurance market and partnership agreements concluding in 2006. During the first half of 2007, the company maintained a leading position with financial advisers and further developed its direct to consumer capability in this market.

Norwich Union supports the broad thrust of the FSA recommendations on market change and believes that, assuming all stakeholders engage constructively, they provide a positive basis for improving consumer confidence and driving profitable market growth. The company supports the proposed solution to the issue of adviser remuneration, giving customers a clear understanding of the separate cost of the products, advice and ongoing service. However, Norwich Union believes that this basis should apply to all advisers to provide fair treatment for all customers.

Norwich Union strengthened its broad distribution footprint by securing three protection partnerships with The Post Office, HSBC and Bankhall General Insurance. The Post Office agreement will enable Norwich Union to work in partnership with the largest retail and financial services chain in the UK, providing access to more than 14,000 nationwide branches.

Norwich Union's share of sales from its bancassurance partnership with RBSG showed excellent growth across the product range, with total sales up by 30% to £777 million (2006: £598 million). The increase in the number of advisers to 900 (Full year 2006: 760) and a successful ISA campaign both contributed towards this strong performance. Furthermore, new business margin improved to 4.2% (2006: 3.2%) reflecting economies of scale and a more profitable product mix.

The company has continued to improve service levels to its customers and advisers. Customer satisfaction has increased to 73% (2006: 63%) with adviser satisfaction also improving to 65% (2006: 35%). Norwich Union launched its annuity "service promise" in May and will launch an equity release "service promise" later this month, to complement the already established protection, bond and individual pension promises.

Norwich Union continues to expect full year market[4] growth of 5% – 10% on an annual premium equivalent (APE) basis, with the company having already delivered 9% APE sales growth in the first half of 2007. Norwich Union reaffirms its aim to grow at least in line with the market, while maintaining or increasing its overall new business margin from current levels.

Europe

Aviva's total sales in Europe, including investment sales, grew by 14% to £8,131 million (2006: £7,227 million). Life and pension sales grew by 12% to £7,353 million (2006: £6,645 million) and the margin was 3.8% (2006: 4.0%). This performance reflected the benefits of Aviva's diversified portfolio of businesses in countries currently experiencing varying market growth conditions.

Strong profitable growth was achieved in life and pension sales in southern Europe, with overall growth in Italy and Spain of 19% to £2,932 million (2006: £2,499 million). Sales also continued to expand in Ireland and Central and Eastern Europe. Life and pensions sales in Ireland increased by 62% to £889 million (2006: £558 million) and in Central and Eastern Europe by 44% to £554 million (2006: £390 million). Market conditions continued to be challenging in France and the Netherlands, where Aviva's life and pension sales decreased by 6% to £2,978 million (2006: £3,198 million). Nevertheless, Aviva's businesses in France and the Netherlands maintained a strong new business margin of 3.9% (2006: 3.8%).

France:

Aviva France's sales were £1,832 million (2006: £2,028 million) with underlying product margins maintained at full year 2006 levels. Sales in the comparative period in 2006 were buoyed by strong equity market performance.

The French long-term savings market decline for the five months to May 2007 was 5%[5] reflecting the volatility in the financial markets and uncertainty regarding the outcome of the presidential elections held in May. However, there was an improvement in volumes towards the end of the second quarter. Working with its partner, AFER, France's largest savings association, Aviva France has continued to encourage Fourgous[6] policy conversions with cumulative transfers to date of £4.5 billion including £438 million in the first half of 2007 of which approximately 30% has been invested in unit-linked funds. Aviva France does not include these value-enhancing conversions in new business sales.

Sales through our partnership with AFER decreased by 4% to £881 million (2006: £929 million). Unit-linked sales fell by 21% compared with the exceptional level in 2006, reflecting the impact of greater volatility in financial markets on customer behaviour, while euro sales were 4% higher. Enhancements to the AFER product made at the beginning of June combined with a successful advertising campaign resulted in strong year on year sales growth in that month.

Sales through the partnership with Crédit du Nord were also affected by the bancassurance market slowdown and reduced by 16% to £417 million (2006: £504 million).

Excluding partnership sales through AFER and Crédit du Nord, sales were £534 million (2006: £596 million). The proportion of unit-linked saving sales remained strong at 79% (2006: 78%) reflecting the success of Aviva France's products that offer a phased investment into equities and the launch of two further 'multi-manager' funds in the first half of the year.

The new business margin was 4.4% (2006: 4.3%), with a new business contribution of £80 million (2006: £87 million) as a consequence of lower sales.

[4] Total ABI market (includes collective investments)
[5] Based on gross written premium for the six months to 30 June 2007.
[6] Fourgous policy conversions enable tax efficient investment in a mix of 'Euro' and unit-linked funds providing policyholders with the opportunity to enjoy a greater flexibility in managing their funds. Unit-linked funds are more capital-efficient.

The outlook for 2007 will be influenced by the market response to potential tax changes following the presidential election and the trends in the financial markets. Recent marketing initiatives, such as the AFER campaign, and our experience in responding to changes in the economic and regulatory environment means that the business is well placed to address these challenges.

Ireland:
Total new business sales in Ireland increased by 62% to £889 million (2006: £558 million)[7].

Sales through Allied Irish Banks (AIB) increased to £435 million (five months in 2006: £223 million). These comprised £310 million of life sales, consisting primarily of single premium bonds and £125 million of pension sales. Pro forma[8] sales growth for the six-month period was 70%. This substantial increase reflected the successful launch of the Secure Capital Fund in January 2007, a sales initiative on life savings products and increased pension sales driven by strong fund performances.

Sales through the broker channel were 37% higher at £454 million (2006: £335 million). Life sales were £149 million (2006: £131 million), reflecting strong sales of the Secure Capital Fund. Pension sales were 52% higher at £305 million (2006: £204 million), reflecting higher sales of investment-only business and the continued success of the revised Horizon product re-launched in September 2006.

New business contribution was £14 million (2006: £11 million) with a margin of 1.6% (2006: 2.0%). The reduction in the margin primarily reflected the continuing impact of assumption changes made in December 2006. The margin has improved since the start of 2007 as a result of new product developments and re-pricing.

The continued development of new products and expansion of the range of funds offered through the bank and broker networks combined with strong market conditions are expected to contribute to further growth in 2007.

Italy:
In Aviva Italy total sales grew strongly by 16% to £1,818 million (2006: £1,583 million). This growth contrasted with the Italian market, which showed a decline in total sales of 6%[9].

Sales through the UniCredit Group increased by 25% to £1,106 million (2006: £898 million) reflecting the continuous development of our relationship with the UniCredit Group and successful marketing campaigns carried out in the first half of the year.

Banche Popolari Unite sales increased by 36% to £479 million (2006: £356 million) benefiting from higher sales of structured bonds following the issue of a new index-linked product and sales through Banca delle Marche were £39 million (2006: £24 million).

Sales through the Banca Popolare Italiana Group network were adversely affected as the bank focused on its merger with Banco Popolare di Verona e Novara (BPVN) and were £175 million (2006: £281 million). The merger is now complete and the combined bank, Banco Popolare, has agreed an exclusive distribution deal to sell Aviva's credit protection and non-life products through its network of 2,200 branches.

New business contribution increased to £49 million (2006: £38 million), reflecting the growth in sales and the benefit of a change in sales mix towards regular premium products, generating an increased margin of 2.7% (2006: 2.4%).

Long-term growth potential remains strong and Aviva Italy continues to develop its bancassurance partnerships. The timing of marketing campaigns and new product launches will vary throughout the year with some resulting volatility in sales levels each quarter.

Netherlands (including Germany and Belgium):
Delta Lloyd's total sales increased by 11% to £1,511 million (2006: £1,381 million) driven by a 75% increase in investment product sales. The Dutch life and pensions market has continued to be challenging, with a decline in mortgage-related business and unit-linked sales. In this environment, Delta Lloyd life and pension sales were stable year-on-year, and 11% higher excluding the one-off effect of the £125 million Delta Lloyd pension scheme premium in the first quarter of last year.

Life and savings sales were £420 million (2006: £525 million). Mortgage related business in the Netherlands declined due to lower activity in the mortgage market, and savings sales have been affected by negative press-coverage of unit-linked policy charging across the industry. Pension and annuity sales were £726 million (2006: £645 million) with annuity sales higher due to more competitive pricing of Delta Lloyd's immediate annuity products.

[7] Sales for January 2006 did not include sales through AIB as the partnership began in February 2006.
[8] Pro forma sales for 2006 represent the sum of sales through AIB, including the period prior to beginning of the partnership in February 2006, plus sales through Hibernian's existing broker channel, on a consistent basis.
[9] Market sales growth is calculated using the volume measure, single plus annualised regular premiums.

Investment sales were 75% higher at £365 million (2006: £211 million), reflecting strong inflows into Delta Lloyd's new Select Opportunity fund, which focuses on undervalued European equities, and the DL Deelnemingen equity fund which retains its excellent performance in fund rankings.

New business contribution increased to £37 million (2006: £34 million) with a new business margin of 3.2% (2006: 2.9%). The 2007 margin improvement benefits from the change in economic basis relative to 2006.

The Dutch market is expected to remain highly competitive in 2007. In this context, Delta Lloyd continues its strategy of broadening distribution in order to strengthen its position in the market.

Poland (including Lithuania):
Aviva's life and pension operations in Poland and Lithuania are leading businesses in their respective markets. Total sales, including investment sales, increased by 60% to £520 million (2006: £326 million).

Life sales in Poland increased strongly to £179 million (2006: £136 million, including one-off sales of £16 million from a large group scheme). This performance reflected the successful launch of a structured bond product, a promotional campaign targeting single premium business and increased volumes through our bancassurance channel. Pension sales increased by 69% to £174 million (2006: £103 million) helped by the launch of a specialist sales team, a growth in transfer business and higher average premiums. Single premium pension sales also benefited from higher transfer activity. Life and pensions sales in Lithuania were stable at £26 million (2006: £25 million).

Polish investment sales were significantly higher at £141 million (2006: £62 million) reflecting the strong equity market performance and the benefit of marketing campaigns during the period.

Total new business contribution from life and pension sales was £17 million (2006: £14 million), driven by the strong growth in sales. Lower receipts of overdue premiums from the state pension agency, which have lower associated acquisition costs, and a change in product and distribution mix affected the new business margin, which was lower at 4.5% (2006: 5.3%).

The Polish insurance and investment markets continue to offer high long-term growth potential, supported by a favourable economic outlook. We are also confident that additional promotional campaigns will boost sales further during the year.

Spain:
Aviva Spain remains the leader in the life bancassurance market and ranks second in the life market overall[10].

Life sales in Spain were £1,114 million (2006: £916 million). This performance reflected strong sales of savings products including the successful launch of the PIAS[11] savings products that have been developed to take advantage of the more favourable tax regime for these products.

Sales through Aviva's bancassurance partnerships were £1,012 million (2006: £812 million). This strong performance was supported by marketing campaigns carried out by the bank partners in the first half of the year making Aviva the market-leader in PIAS products. Sales through Aviva Vida y Pensiones, which distributes through direct sales force and intermediaries, were £102 million (2006: £104 million).

The new business contribution was £88 million (2006: £88 million) with a lower margin of 7.9% (2006: 9.6%) reflecting higher volumes of long term savings products and a lower proportion of sales from mortgage linked protection products, while specific product margins have remained stable.

The timing of marketing campaigns and the trend for a concentration of pension business sales in the last quarter of the year results in some variation in sales from quarter to quarter.

Other Europe:
Life and pension sales in Aviva's other European businesses in the Czech Republic, Hungary, Romania, Russia and Turkey increased strongly by 45% to £175 million (2006: £126 million).

In **Hungary** sales increased by 57% to £71 million (2006: £44 million) principally from an increase in sales across all distribution channels, which was driven by Aviva's attractive unit-linked products. As a result, Aviva now ranks second in terms of new business in Hungary.

In **Turkey**, where Aviva is a top-five life and pensions provider, total sales were £82 million (2006: £65 million). Strong growth has been driven by the successful development of the sales force, increasing productivity and the number of advisers.

In the **Czech Republic** sales through the direct sales force channel increased, and in **Romania** the launch of new compulsory and voluntary pension products represents an opportunity for growth.

Russia commenced corporate sales in the second half of 2006 and individual sales started this year. The development of the bancassurance network and the direct sales force are expected to drive growth during the remainder of the year.

[10] Based on gross written premiums as at 31 March 2007
[11] PIAS are newly introduced savings contracts with tax benefits if they are in force for ten years and if an annuity is purchased at maturity.

North America

Total new business sales in the **United States** were £1,716 million (2006: £289 million) and pro forma sales have increased by 51%[12] (pro forma 2006: £1,253 million). This represents a record first-half sales performance from the former AmerUs operations across all business lines. It is anticipated that sales growth will continue to be strong.

Sales of annuities reached £1,293 million (2006: £261 million), a pro forma increase of 58% over the prior period (pro forma 2006: £901 million). In a flat indexed annuity market, Aviva USA increased its market share by the introduction of new products, a successful marketing campaign at the beginning of the year and the expansion of the distribution network. During the first half of 2007, Aviva USA has added three new independent marketing organisations (IMOs) and 44 new wholesalers, and over 6,000 new agents have been contracted.

Life sales were £271 million (2006: £28 million) representing a pro forma increase of 10% over the prior period. Increased indexed life sales more than offset reductions in sales of lower margin traditional and universal life products that were discontinued in the period as part of a product rationalisation process.

Funding agreement sales, which are irregular in nature, totalled £152 million (pro forma 2006: £81 million).

New business contribution increased to £57 million (2006: £5 million), a pro forma increase of 60% over the prior period. New business margin improved to 3.3% (2006: 1.7%), driven by a greater proportion of higher margin indexed product sales and improving expense performance.

Asia Pacific

In line with its long-term strategic ambitions, Aviva continues to achieve a strong rate of growth in new business sales with total sales 72% higher at £2,032 million (2006: £1,216 million) driven primarily by significantly higher sales in the Asian businesses. New business contribution from life and pension sales increased by 78% to £32 million (2006: £19 million) producing a new business margin of 4.9% (2006: 4.8%). Growth potential for the region remains strong and Aviva's diversified distribution model places the business in a strong position for continued growth.

Australia:
Total sales increased by 55% to £1,270 million (2006: £830 million), driven primarily by significantly higher investment sales through Navigator, the master trust fund administration business. Life and pension sales increased by 68% to £240 million (2006: £145 million) as a result of a £64 million one-off transfer in of group business and growth in protection business.

In response to recent tax changes that affected the superannuation market, Aviva Australia has focused on capturing the one-off opportunities presented. Sales through Navigator increased by 63% to £950 million (2006: £589 million) as a result of changes in superannuation legislation and the positive impact of strategic investments in key independent advisers. Other investment sales were £80 million (2006: £96 million).

Singapore:
Total sales increased by 124% to £486 million (2006: £227 million). Life and pension sales increased by 55% to £138 million (2006: £93 million) as a result of direct sales of a new savings product. Aviva's partnership with DBS is ranked third in the bancassurance market.

Sales through Navigator, the investment fund administration business, increased significantly by 172% to £348 million (2006: £134 million), reflecting strong distribution relationships with key brokers, a comprehensive range of funds offered and a buoyant equity market. Aviva remains the market leader in the developing broker market as well as the employee benefits and healthcare segment.

Hong Kong:
Sales have doubled to £162 million (2006: £90 million), due to strong Independent Financial Advisors (IFA) sales, which now account for over half of total sales, and a good performance from the partnership with DBS Hong Kong.

China:
Sales through the joint venture life business Aviva-COFCO have increased significantly by 168% to £96 million (2006: £38 million). Aviva's 50% share was £48 million (2006: £19 million). Aviva has increased its presence in the country to seven provinces, with a total of 17 city branches. Sales also benefited in the period from a new range of unit-linked products that have complemented our universal life products.

India:
Total sales from Aviva's joint venture with the Dabur Group increased to £221 million (2006: £173 million) and Aviva's 26% share of new business sales was £57 million (2006: £45 million). Aviva is the eighth largest private insurer in India and one of the leaders in the bancassurance market with over 30 distribution agreements in place. Sales are expected to continue to increase through India's bancassurance partnerships and through ongoing expansion of the direct sales force which now numbers more than 27,000 agents (June 2006: 11,800).

Sri Lanka:
In Sri Lanka, Eagle is the third largest life insurer and has become the leader in the life bancassurance market. Total life sales were £9 million (five months in 2006: £6 million).

[12] Pro forma increases are based upon the combined sales for the former Aviva business based in Boston and the former AmerUs Group for the 2006 half year and are stated on a constant exchange rate basis.

Present value of life new business premiums

The present value of new business premiums (PVNBP) is derived from the single and regular premiums of the products sold during the financial period and is expressed at the point of sale. The PVNBP calculation is equal to total single premium sales received in the year plus the discounted value of regular premiums expected to be received over the term of the new contracts. The projection assumptions used to calculate PVNBP for each product are the same as those used to calculate new business contribution. The discounted value of regular premiums is also expressed as annualised regular premiums multiplied by a Weighted Average Capitalisation Factor (WACF). The WACF will vary over time depending on the mix of new products sold, the average outstanding term of the new contracts and the projection assumptions. The table below sets out the factors required to derive PVNBP by business units.

	6 months 2007					6 months 2006
	Regular premiums £m	WACF	Present value of regular premiums £m	Single premiums £m	PVNBP £m	PVNBP £m
United Kingdom						
Individual pensions	211	4.1	860	959	1,819	2,188
Group pensions	42	5.1	215	367	582	569
Annuities	-	-	-	927	927	748
Bonds	-	-	-	1,939	1,939	1,626
Protection	63	5.3	336	107	443	520
Equity release	-	-	-	110	110	165
UNITED KINGDOM	***316***	***4.5***	***1,411***	***4,409***	***5,820***	***5,816***
France						
Euro funds[1]	9	6.0	54	925	979	991
Unit-linked funds	28	5.3	149	631	780	949
Protection business	12	6.0	72	1	73	88
Total life and pensions	**49**	**5.6**	**275**	**1,557**	**1,832**	**2,028**
Ireland						
Life and savings	26	4.7	122	337	459	281
Pensions	46	3.8	173	257	430	277
Total life and pensions	**72**	**4.1**	**295**	**594**	**889**	**558**
Italy						
Total life and pensions	**72**	**5.0**	**362**	**1,456**	**1,818**	**1,583**
Netherlands (including Belgium and Germany)						
Life	32	6.3	201	219	420	525
Pensions	40	8.3	332	394	726	645
Total life and pensions	**72**	**7.4**	**533**	**613**	**1,146**	**1,170**
Poland						
Life and savings	14	5.4	75	130	205	161
Pensions	16	6.9	110	64	174	103
Total life and pensions	**30**	**6.2**	**185**	**194**	**379**	**264**
Spain						
Life and savings	43	5.3	229	669	898	705
Pensions	16	5.6	90	126	216	211
Total life and pensions	**59**	**5.4**	**319**	**795**	**1,114**	**916**
Other Europe	**31**	**4.0**	**124**	**51**	**175**	**126**
EUROPE	***385***	***5.4***	***2,093***	***5,260***	***7,353***	***6,645***
North America						
Life	35	7.0	245	26	271	28
Annuity	1	3.0	3	1,290	1,293	261
Funding agreements	-	-	-	152	152	-
NORTH AMERICA	***36***	***6.9***	***248***	***1,468***	***1,716***	***289***
Asia	**48**	**4.8**	**230**	**184**	**414**	**252**
Australia	**29**	**3.2**	**94**	**146**	**240**	**145**
ASIA PACIFIC	***77***	***4.2***	***324***	***330***	***654***	***397***
Total life and pensions	**814**	**5.0**	**4,076**	**11,467**	**15,543**	**13,147**

1 Euro funds are savings that receive an annual bonus declaration, based on the investment performance of the underlying funds.

Analysis of sales via principal bancassurance channels

	Present value of new business premiums[2]		
	6 months 2007 £m	**6 months 2006 £m**	**Local currency growth [1]**
Life and pensions			
United Kingdom			
The Royal Bank of Scotland Group	575	501	15%
	575	**501**	**15%**
France			
Crédit du Nord	417	504	(16)%
	417	**504**	**(16)%**
Ireland			
Allied Irish Banks (Ark)	435	223	98%
	435	**223**	**98%**
Italy			
UniCredit Group	1,106	898	25%
Banca Popolare Italiana Group	175	281	(37)%
Banca delle Marche	39	24	65%
Banche Popolari Unite	479	356	36%
	1,799	**1,559**	**17%**
Netherlands			
ABN AMRO	199	258	(22)%
	199	**258**	**(22)%**
Spain			
Bancaja	405	359	14%
Caixa Galicia	201	153	33%
Unicaja	258	157	67%
Caja España	89	80	13%
Caja de Granada	59	63	(5)%
	1,012	**812**	**26%**
Asia			
DBS	104	101	10%
	104	**101**	**10%**
Total life and pensions	**4,541**	**3,958**	**16%**
Investment sales[3]			
United Kingdom			
The Royal Bank of Scotland Group	202	97	108%
	202	**97**	**108%**
Total bancassurance sales	**4,743**	**4,055**	**17%**

1 Growth rates are calculated based on constant rates of exchange.
2 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.
3 Investment sales are calculated as new single premium plus annualised value of new regular premiums.

Detailed worldwide life and pension new business analysis

	Single			Regular			PVNBP
	6 months 2007 £m	6 months 2006 £m	Local currency growth[1]	6 months 2007 £m	6 months 2006 £m	Local currency growth[1]	Local currency growth[1]
United Kingdom							
Individual pensions	959	1,066	(10)%	211	216	(2)%	(17)%
Group pensions	367	294	25%	42	49	(14)%	2%
Annuities	927	748	24%	-	-	-	24%
Bonds	1,939	1,626	19%	-	-	-	19%
Protection	107	103	4%	63	82	(23)%	(15)%
Equity release	110	165	(33)%	-	-	-	(33)%
UNITED KINGDOM	***4,409***	***4,002***	***10%***	***316***	***347***	***(9)%***	***-***
France							
Euro funds [2]	925	963	(3)%	9	5	80%	-
Unit-linked funds	631	802	(20)%	28	24	17%	(17)%
Protection business	1	1	-	12	13	(8)%	(16)%
	1,557	**1,766**	**(11)%**	**49**	**42**	**17%**	**(8)%**
Ireland							
Life and savings	337	203	69%	26	16	63%	66%
Pensions	257	130	101%	46	31	48%	58%
	594	**333**	**81%**	**72**	**47**	**53%**	**62%**
Italy							
Life and savings	1,456	1,282	15%	72	48	53%	16%
	1,456	**1,282**	**15%**	**72**	**48**	**53%**	**16%**
Netherlands (including Belgium and Germany)							
Life	219	204	9%	32	46	(29)%	(19)%
Pensions	394	384	4%	40	30	33%	14%
	613	**588**	**6%**	**72**	**76**	**(4)%**	**(1)%**
Poland							
Life and savings	130	80	63%	14	15	(7)%	27%
Pensions	64	40	60%	16	9	78%	69%
	194	**120**	**62%**	**30**	**24**	**25%**	**44%**
Spain							
Life and savings	669	479	41%	43	36	19%	29%
Pensions	126	117	10%	16	16	-	4%
	795	**596**	**35%**	**59**	**52**	**13%**	**23%**
Other Europe	**51**	**32**	**59%**	**31**	**23**	**41%**	**45%**
EUROPE	***5,260***	***4,717***	***13%***	***385***	***312***	***25%***	***12%***
North America							
Life	26	21	37%	35	1	3,400%	984%
Annuity	1,290	251	466%	1	3	(67)%	446%
Funding agreements	152	-	-	-	-	-	-
NORTH AMERICA	***1,468***	***272***	***494%***	***36***	***4***	***800%***	***553%***
Asia	**184**	**87**	**127%**	**48**	**35**	**46%**	**76%**
Australia	**146**	**85**	**74%**	**29**	**18**	**61%**	**68%**
ASIA PACIFIC	***330***	***172***	***100%***	***77***	***53***	***51%***	***73%***
Total life and pensions	**11,467**	**9,163**	**26%**	**814**	**716**	**14%**	**19%**

1 Growth rates are calculated based on constant rates of exchange.
2 Euro funds are savings that receive an annual bonus declaration, based on the investment performance of the underlying funds.

Detailed worldwide investment sales analysis

	Single			Regular			PVNBP
	6 months 2007 £m	6 months 2006 £m	Local currency growth[1]	6 months 2007 £m	6 months 2006 £m	Local currency growth[1]	Local currency growth[1]
United Kingdom							
Peps/Isas/UTs/Oeics/SIPPs	1,475	1,065	38%	44[2]	18	144%	47%[2]
UNITED KINGDOM	***1,475***	***1,065***	***38%***	***44***	***18***	***144%***	***47%***
Netherlands (including Belgium and Germany)							
Unit trusts	365	211	75%	-	-	-	75%
Poland							
Mutual funds	139	60	132%	2	2	-	127%
Other Europe							
UCITS	272	309	(11)%	-	-	-	(11)%
EUROPE	***776***	***580***	***34%***	***2***	***2***	***-***	***35%***
Asia Pacific							
Unit trusts	80	96	(5)%	-	-	-	(5)%
Navigator	1,298	723	83%	-	-	-	83%
ASIA PACIFIC	***1,378***	***819***	***71%***	***-***	***-***	***-***	***71%***
Total investment sales	**3,629**	**2,464**	**48%**	**46**	**20**	**130%**	**52%**

1 Growth rates are calculated based on constant rates of exchange.

2 UK regular premium investment sales include SIPP products. These are similar in nature to pension products and their payment pattern is stable and predictable and accordingly they have been capitalised. Regular premium SIPP sales for the 6 months to 30 June 2007 totalled £19 million and have been multiplied using a weighted average capitalisation factor of 5.0. As such, regular premium SIPP sales have produced an overall contribution to investment sales of £95 million out of the total UK investment sales of £1,595 million. The 2006 comparatives have not been restated as the level of regular premium SIPP sales was immaterial to the group's sales.

Analysis of UK long-term savings by distribution channel

	Single			Regular			Annual premium equivalent [2]	
	6 months 2007 £m	6 months 2006 £m	Local currency growth [1]	6 months 2007 £m	6 months 2006 £m	Local currency growth [1]	6 months 2007 £m	Local currency growth [1]
IFA								
- life & pension products	3,004	2,932	2%	276	271	2%	576	2%
- investment products	827	761	9%	6	1	500%	88	15%
	3,831	**3,693**	**4%**	**282**	**272**	**4%**	**664**	**4%**
Bancassurance partnership with RBSG								
- life & pension products	468	316	48%	22	36	(39)%	69	2%
- investment products	98	81	21%	38	17	124%	48	90%
	566	**397**	**43%**	**60**	**53**	**13%**	**117**	**26%**
Other partnerships and Direct								
- life & pension products	937	754	24%	18	40	(55)%	112	(3)%
- investment products	550	223	147%	-	-	-	55	147%
	1,487	**977**	**52%**	**18**	**40**	**(55)%**	**167**	**21%**
Total UK long-term savings	**5,884**	**5,067**	**16%**	**360**	**365**	**(1)%**	**948**	**9%**

1 Growth rates are calculated based on constant rates of exchange.
2 Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums plus 10% of single premiums.

Analysis of France long-term savings by fund

	Single			Regular			PVNBP
	6 months 2007 £m	6 months 2006 £m	Local currency growth [1]	6 months 2007 £m	6 months 2006 £m	Local currency growth [1]	Local currency growth [1]
AFER							
- Euro funds[2]	612	627	(1)%	5	-	-	4%
- Unit-linked funds	224	302	(25)%	2	-	-	(21)%
	836	**929**	**(9)%**	**7**	**-**	**-**	**(4)%**
Bancassurance partnership with Crédit du Nord							
- Euro funds	229	232	-	1	2	(23)%	(1)%
- Unit-linked funds	128	194	(33)%	8	10	(14)%	(30)%
- Protection	-	-	-	1	1	(45)%	(43)%
	357	**426**	**(15)%**	**10**	**13**	**(17)%**	**(16)%**
Other							
- Euro funds	84	104	(18)%	3	3	(14)%	(18)%
- Unit-linked funds	279	306	(7)%	18	14	29%	(5)%
- Protection	1	1	20%	11	12	(10)%	(14)%
	364	**411**	**(10)%**	**32**	**29**	**8%**	**(8)%**
Total France long-term savings	**1,557**	**1,766**	**(11)%**	**49**	**42**	**18%**	**(8)%**

1 Growth rates are calculated based on constant rates of exchange.
2 Euro funds are savings that receive an annual bonus declaration, based on the investment performance of the underlying funds.

Glossary

Life profits reporting

In reporting the headline operating profit, life profits have been included using the European Embedded Value basis. This is used throughout the Aviva Group to assess performance, having adopted the EEV Principles. We have focused on the EEV basis, as we believe EEV operating return is a more appropriate measure of the performance of the businesses than IFRS basis. The IFRS basis is used in our financial statements and, on this basis, the operating profit before tax on continuing operations amounted to £1,375 million (2006: £1,376 million). The EEV methodology adopted is in accordance with the EEV Principles introduced by the CFO Forum.

Definitions of Group key performance indicators and other terms

Annual premium equivalent (APE)	– Method for calculating life, pensions and investment new business levels. It equals the total of new annualised regular premiums plus 10% of single premiums.
Assets under management	– Represents all assets managed or administered by the Group including funds held on behalf of third parties.
AII Limited	– A principal UK general insurance company and the parent of the majority of the Group's overseas general insurance and life assurance subsidiaries.
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.
Covered business	– The contracts to which the EEV methodology has, in line with the *EEV Principles,* been applied.
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.
Financial Options and Guarantees	– Features of the *covered business* conferring potentially valuable guarantees underlying, or options to change, the level or nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.
Free Surplus	– The amount of any capital and surplus allocated to, but not required to support, the in-force covered business.
Gross risk free yields	– Gross of tax yields on risk free fixed interest investments, generally Government bonds.
Holding Company	– A legal entity with a function of being a consolidating entity for primary financial reporting of *covered business*.
Implicit items	– Amounts allowed by local regulators to be deducted from capital amounts when determining the EU required minimum margin.
Life EEV operating return	– Operating return on the EEV basis relating to the lines of business included in the embedded value calculations. From continuing operations and is stated before tax, impairment of goodwill and exceptional items.
Life EEV return	– Total return on the EEV basis relating to the lines of business included in the embedded value calculations. From continuing operations.
Look-through basis	– Inclusion of the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business.
IFRS operating profit	– From continuing operations, stated before tax attributable to shareholders' profits, impairment of goodwill, amortisation of acquired value of in-force business and exceptional items.
Net asset value per ordinary share	– Net asset value divided by the number of ordinary shares in issue. Net asset value is based on equity shareholders' funds.
New business contribution	– 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 required capital.
New business margin	– New business margins are calculated as the new business contribution divided by the present value of new business premiums (PVNBP), and expressed as a percentage. Previously, under the Achieved Profits basis, they were expressed as new business contribution divided by premiums measured on an annual premium equivalent (APE) basis.
Inherited 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.
Present value of new business premiums (PVNBP)	– Present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.
Required Capital	– The amount of assets, over and above the value placed on liabilities in respect of *covered business,* whose distribution to shareholders is restricted.
Service companies	– Companies providing administration or fund management services to the *covered business*.
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.
Statutory Basis	– The valuation basis and approach used for reporting financial statements to local regulators.
Stochastic Techniques	– Techniques that incorporate the potential future variability in assumptions affecting their outcome.
Time Value and Intrinsic Value	– A financial option or guarantee has two elements of value, the *time value* and *intrinsic value*. The *intrinsic value* is the discounted value of the option or guarantee at expiry, assuming that future economic conditions follow best estimate assumptions. The *time value* is the additional value arising from uncertainty about future economic conditions.

EEV basis

Summarised consolidated income statement – EEV basis
For the six months ended 30 June 2007

Page	6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
		Operating profit before tax attributable to shareholders' profits			
32	1,840	Life EEV operating return	1,251	1,021	2,033
38	66	Fund management[1]	45	33	96
56	824	General insurance and health	560	866	1,680
		Other:			
38	(67)	Other operations[2]	(45)	29	(23)
59	(118)	Corporate centre	(80)	(73)	(160)
59	(279)	Group debt costs and other interest	(190)	(177)	(381)
	2,266	**Operating profit before tax attributable to shareholders' profits**	**1,541**	**1,699**	**3,245**
		Adjusted for the following:			
71	(4)	Impairment of goodwill	(3)	-	(94)
	(60)	Amortisation and impairment of intangibles	(41)	(10)	(46)
	-	Financial Services Compensation Scheme and other levies	-	6	6
	408	Variation from longer-term investment return	278	(944)	468
	443	Effect of economic assumption changes	301	471	671
53	(7)	(Loss)/profit on the disposal of subsidiaries and associates	(5)	86	161
54	(59)	Integration and restructuring costs	(40)	(24)	(246)
	2,987	**Profit before tax**	**2,031**	**1,284**	**4,165**
	(612)	Tax on operating profit	(416)	(573)	(1,028)
	(166)	Tax on other activities	(113)	49	(258)
	2,209	**Profit for the period**	**1,502**	**760**	**2,879**
		Attributable to:			
	2,029	Equity shareholders of Aviva plc	1,380	674	2,648
	180	Minority interests	122	86	231
	2,209		**1,502**	**760**	**2,879**

All profit is from continuing operations.

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

2. Excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the Life EEV operating return. Other subsidiaries providing services to our life businesses do not materially impact the Group results.

Earnings per share – EEV basis
For the six months ended 30 June 2007

6 months 2007	Earnings per share	6 months 2007	6 months 2006	Full year 2006
	Operating profit on an EEV basis after tax, attributable to ordinary shareholders of Aviva plc			
56.8c	Basic (pence per share)	38.6p	42.1p	79.2p
56.2c	Diluted (pence per share)	38.2p	41.7p	78.3p
	Profit after tax for the period on an EEV basis, attributable to ordinary shareholders of Aviva plc			
78.4c	Basic (pence per share)	53.3p	27.7p	105.1p
77.6c	Diluted (pence per share)	52.8p	27.4p	103.9p

Consolidated statement of recognised income and expense – EEV basis
For the six months ended 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
71	Fair value gains/(losses) on AFS securities, owner-occupied properties and hedging instruments	48	(57)	42
-	Fair value gains transferred to profit	-	(4)	(18)
-	Impairment losses on revalued assets	-	-	(2)
1,097	Actuarial gains/(losses) on pension schemes *(IFRS section: note 17)*	746	473	(114)
(69)	Foreign exchange rate movements	(47)	(24)	(401)
(340)	Aggregate tax effect – shareholder tax	(231)	(132)	27
759	**Net income/(expense) recognised directly in equity**	**516**	**256**	**(466)**
2,209	Profit for the period	1,502	760	2,879
2,968	**Total recognised income and expense for the period**	**2,018**	**1,016**	**2,413**
	Attributable to:			
2,794	Equity shareholders of Aviva plc	1,900	931	2,208
174	Minority interests	118	85	205
2,968		**2,018**	**1,016**	**2,413**

Reconciliation of movements in consolidated shareholders' equity – EEV basis
For the six months ended 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
31,131	**Balance at 1 January**	**20,858**	**17,546**	**17,546**
3,012	Total recognised income and expense for the period	2,018	1,016	2,413
(748)	Dividends and appropriations *(IFRS section: note 15)*	(501)	(427)	(762)
-	Issue of share capital for the acquisition of AmerUs Group Co, net of transaction costs	-	-	892
45	Other issues of share capital, net of transaction costs	30	47	43
227	Shares issued in lieu of dividends	152	77	203
112	Capital contribution from minority shareholders	75	35	397
(94)	Minority share of dividends declared in the period	(63)	(57)	(75)
212	Minority interest in acquired/disposed subsidiaries	142	223	153
36	Reserves credit for equity compensation plans	24	5	48
33,933	**Total equity**	**22,735**	**18,465**	**20,858**
(3,596)	**Minority interests**	**(2,409)**	**(1,743)**	**(2,137)**
30,337	**Balance at 30 June / 31 December**	**20,326**	**16,722**	**18,721**

Summarised consolidated balance sheet – EEV basis
As at 30 June 2007

6 months30 June 2007 €m		30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
	Assets			
4,346	Goodwill	2,912	2,336	2,910
4,233	Acquired value of in-force business and intangible assets	2,836	1,004	2,728
10,721	Additional value of in-force long-term business	7,183	6,345	6,794
3,816	Investments in joint ventures	2,557	2,420	2,795
1,330	Investments in associates	891	897	895
1,279	Property and equipment	857	883	904
23,406	Investment property	15,682	14,111	15,123
40,016	Loans	26,811	24,479	26,445
	Financial investments			
163,676	Debt securities	109,663	99,451	113,041
87,946	Equity securities	58,924	54,704	56,762
54,503	Other investments	36,517	30,782	33,050
11,690	Reinsurance assets	7,832	7,589	7,825
1,142	Deferred tax assets	765	655	1,199
400	Current tax assets	268	86	344
16,354	Receivables and other financial assets	10,957	8,660	8,098
5,864	Deferred acquisition costs and other assets	3,929	3,741	3,476
4,139	Prepayments and accrued income	2,773	2,993	2,585
22,575	Cash and cash equivalents	15,125	15,268	14,542
1,936	Assets of operations classified as held for sale	1,297	1,008	-
459,372	**Total assets**	**307,779**	**277,412**	**299,516**
	Equity			
966	Ordinary share capital	647	604	641
6,693	Capital reserves	4,484	4,480	4,460
767	Other reserves	514	770	531
9,101	Retained earnings	6,098	3,439	5,082
11,034	Additional retained profit on an EEV basis	7,393	6,239	6,817
28,561	**Equity attributable to ordinary shareholders of Aviva plc**	**19,136**	**15,532**	**17,531**
1,776	Preference share capital and direct capital instrument	1,190	1,190	1,190
3,596	Minority interests	2,409	1,743	2,137
33,933	**Total equity**	**22,735**	**18,465**	**20,858**
	Liabilities			
215,951	Gross insurance liabilities	144,687	133,068	144,230
137,464	Gross liabilities for investment contracts	92,101	82,856	88,358
14,163	Unallocated divisible surplus	9,489	8,235	9,465
5,955	Net asset value attributable to unitholders	3,990	3,080	3,810
2,881	Provisions	1,930	2,364	2,850
4,497	Deferred tax liabilities	3,013	2,323	3,077
1,727	Current tax liabilities	1,157	957	1,262
18,203	Borrowings	12,196	11,070	12,137
15,855	Payables and other financial liabilities	10,623	9,381	9,235
7,176	Other liabilities	4,808	4,785	4,234
1,567	Liabilities of operations classified as held for sale	1,050	828	-
425,439	**Total liabilities**	**285,044**	**258,947**	**278,658**
459,372	**Total equity and liabilities**	**307,779**	**277,412**	**299,516**

Segmentation of summarised consolidated balance sheet – EEV basis
As at 30 June 2007

	Life and related businesses £m	General business and other £m	30 June 2007 Group £m	Life and related businesses £m	General business and other £m	30 June 2006 Group £m	31 December 2006 Group £m
Total assets before acquired additional value of in-force long-term business	259,847	38,969	298,816	231,790	38,916	270,706	290,916
Acquired additional value of in-force long-term business	1,744	-	1,744	361	-	361	1,806
Total assets included in the statutory IFRS balance sheet	**261,591**	**38,969**	**300,560**	**232,151**	**38,916**	**271,067**	**292,722**
Liabilities of the long-term business	(248,293)	-	(248,293)	(222,264)	-	(222,264)	(241,892)
Liabilities of the general insurance and other businesses	-	(36,751)	(36,751)	-	(36,683)	(36,683)	(36,766)
Net assets on a statutory IFRS basis	**13,298**	**2,218**	**15,516**	**9,887**	**2,233**	**12,120**	**14,064**
Additional value of in-force long-term business[1]	7,219	-	7,219	6,345	-	6,345	6,794
Net assets on an EEV basis[2]	**20,517**	**2,218**	**22,735**	**16,232**	**2,233**	**18,465**	**20,858**
Equity capital, capital reserves, shares held by employee trusts and other reserves			5,645			5,854	5,632
IFRS basis retained earnings			6,098			3,439	5,082
Additional EEV basis retained profit			7,393			6,239	6,817
Equity attributable to ordinary shareholders of Aviva plc on an EEV basis			**19,136**			**15,532**	**17,531**
Preference share capital and direct capital instrument			1,190			1,190	1,190
Minority interests			2,409			1,743	2,137
EEV basis total equity			**22,735**			**18,465**	**20,858**

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

	30 June 2007 £m	31 December 2006 £m	Movement in the period £m
Group's share included in shareholders' funds	7,393	6,817	576
Minority interest share	478	439	39
Movement in AFS securities	(652)	(462)	(190)
Per segmentation of summarised consolidated balance sheet	7,219	6,794	425
Less: share included in assets of operations held for sale	(36)	-	(36)
Per balance at 30 June / 31 December	**7,183**	**6,794**	**389**

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

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Embedded value	18,704	15,532	18,098
RBSG goodwill	217	217	217
Goodwill and intangible assets allocated to long-term business	1,652	696	1,527
Notional allocation of IAS 19 pension fund deficit to long-term business[3,4]	(56)	(213)	(179)
Long-term business net assets on an EEV basis	**20,517**	**16,232**	**19,663**

3. The value of the Aviva Staff Pension Scheme deficit has been notionally allocated between segments, based on current funding and the life proportion has been included within the long-term business net assets on an EEV basis.

4. Effective from 31 December 2006, the pension fund deficit notionally allocated to long-term business is net of the proportion of funding borne by the UK with-profit funds.

1. Basis of preparation and EEV methodology

The summarised consolidated income statement and balance sheet on pages 25 to 28 present the Group's results and financial position for life and related businesses on the European Embedded Value (EEV) basis and for its non-life businesses on the International Financial Reporting Standards (IFRS) basis. The EEV methodology that the Group has adopted is in accordance with the EEV principles introduced by the CFO Forum in May 2004 and the Additional Guidance on EEV disclosures, published by the CFO Forum in October 2005, which is applicable for financial years ending on or after 31 December 2006. Detailed information on the basis of preparation and EEV methodology is set out in Aviva plc's 2006 Report and Accounts; any updates are detailed below.

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

At the time the Group adopted EEV principles in 2004, its approach to establishing economic assumptions, including investment returns, required capital and discount rates, was reviewed by Tillinghast, a firm of actuarial consultants. The approach used by the Group is based on the established 'capital asset pricing model' theory and remains in line with EEV principles and guidance.

The results for the six month periods to 30 June 2007 and 30 June 2006 are unaudited but have been reviewed by Ernst & Young LLP. Their independent report in respect of 30 June 2007 is included in the Group's interim report on page 85. The interim accounts for the six months ended 30 June 2007 do not constitute statutory accounts as defined in section 240 of the Companies Act 1985.

Risk discount rates (RDR)
Following the review of the risk margin at 31 December 2006, the Directors decided to leave the life embedded value risk margin unchanged at 2.7%. The market assessed risk factor (beta) had reduced in recent periods, implying a reduction of the risk in the life business. Following the review at 30 June 2007, the Directors have decided to maintain the life embedded value risk margin at 2.7%. Management will keep the risk margin under review and will make adjustments as necessary to reflect past trends and future expected trends in the riskiness of the life business, based on the beta.

The sensitivity disclosures on pages 43 to 45 of this announcement indicate the potential impact on embedded value that could be caused by a change to the RDR.

2. Components of life EEV return

The life EEV return comprises the following components:

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

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

Life EEV return	**6 months 2007 £m**	**6 months 2006 £m**	**Full year 2006 £m**
New business contribution (after the effect of required capital)	419	352	683
Profit from existing business			
– expected return	600	503	1,011
– experience variances	(19)	(9)	(50)
– operating assumption changes	11	3	44
Expected return on shareholders' net worth	240	172	345
Life EEV operating return before tax	**1,251**	**1,021**	**2,033**
Investment return variances	241	(739)	319
Effect of economic assumption changes	301	471	671
Life EEV return before tax	1,793	753	3,023
Tax on operating profit	(373)	(315)	(630)
Tax charge on other ordinary activities	(146)	75	(295)
Life EEV return after tax	**1,274**	**513**	**2,098**

There were no separate development costs reported in these periods.

3. New business contribution

The table below sets out the premium volumes, the contribution from and the resulting margin achieved on new business written by the life and related businesses.

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

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

(a) Geographical analysis of new business

	Annual premium equivalent		Present value of new business premiums		New business contribution (Before the effect of required capital)		New business margin[1] (Before the effect of required capital)		New business contribution (After the effect of required capital)		New business margin[1] (After the effect of required capital)	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Life and pensions												
United Kingdom	**757**	**746**	**5,820**	**5,816**	**178**	**167**	**3.1%**	**2.9%**	**143**	**135**	**2.5%**	**2.3%**
France	205	219	1,832	2,028	80	87	4.4%	4.3%	54	64	2.9%	3.2%
Ireland	131	80	889	558	14	11	1.6%	2.0%	12	8	1.3%	1.4%
Italy	218	176	1,818	1,583	49	38	2.7%	2.4%	37	26	2.0%	1.6%
Netherlands (including Belgium and Germany)	133	135	1,146	1,170	37	34	3.2%	2.9%	24	17	2.1%	1.5%
Poland	49	36	379	264	17	14	4.5%	5.3%	15	12	4.0%	4.5%
Spain	139	112	1,114	916	88	88	7.9%	9.6%	79	80	7.1%	8.7%
Other Europe	36	26	175	126	(2)	(4)	(1.1)%	(3.2)%	(3)	(5)	(1.7)%	(4.0)%
Europe	**911**	**784**	**7,353**	**6,645**	**283**	**268**	**3.8%**	**4.0%**	**218**	**202**	**3.0%**	**3.0%**
North America	**183**	**31**	**1,716**	**289**	**57**	**5**	**3.3%**	**1.7%**	**35**	**2**	**2.0%**	**0.7%**
Asia	66	43	414	252	20	12	4.8%	4.8%	16	10	3.9%	4.0%
Australia	44	27	240	145	12	7	5.0%	4.8%	7	3	2.9%	2.1%
Asia Pacific	**110**	**70**	**654**	**397**	**32**	**19**	**4.9%**	**4.8%**	**23**	**13**	**3.5%**	**3.3%**
Total life and pensions	**1,961**	**1,631**	**15,543**	**13,147**	**550**	**459**	**3.5%**	**3.5%**	**419**	**352**	**2.7%**	**2.7%**
Investment sales	410	266	3,751	2,484								
Total long-term savings (including share of associates and joint ventures)[2]	**2,371**	**1,897**	**19,294**	**15,631**								

1. New business margin represents the ratio of new business contribution to PVNBP, expressed as a percentage.
2. Total long-term savings includes investment sales. Investment sales are calculated as new single premiums plus annualised value of new regular premiums.

3. New business contribution (continued)

(b) Analysis of new business by distribution channel

(i) Before the effect of required capital, tax and minority interest

	Annual premium equivalent		Present value of new business premiums		New business contribution		New business margin	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Analysed between:								
– Bancassurance channels	557	472	4,541	3,958	205	187	4.5%	4.7%
– Other distribution channels	1,404	1,159	11,002	9,189	345	272	3.1%	3.0%
Total	**1,961**	**1,631**	**15,543**	**13,147**	**550**	**459**	**3.5%**	**3.5%**

(ii) After the effect of required capital, tax and minority interest

	Annual premium equivalent		Present value of new business premiums		New business contribution		New business margin	
	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 £m	6 months 2006 £m	6 months 2007 %	6 months 2006 %
Analysed between:								
– Bancassurance channels	320	267	2,586	2,218	71	59	2.7%	2.7%
– Other distribution channels	1,367	1,133	10,716	8,932	169	135	1.6%	1.5%
Total	**1,687**	**1,400**	**13,302**	**11,150**	**240**	**194**	**1.8%**	**1.7%**

(c) Post-tax internal rate of return on life and pensions new business

The internal rate of return (IRR) on life and pensions new business for the Group was 12.9% for the six months to 30 June 2007 (full year to 31 December 2006: 12.6%).

The internal rate of return is equivalent to 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, including allowance for the time value of options and guarantees, is equal to the total invested capital to support the writing of the business. The capital included in the calculation of the IRR is the initial capital required to pay acquisition costs and set up statutory reserves in excess of premiums received ("initial capital"), plus required capital at the same level as for the calculation of new business contribution post cost of capital.

				6 months 2007
	Internal rate of return %	Initial capital £m	Required capital £m	Total invested capital £m
United Kingdom	**12%**	**155**	**79**	**234**
France	13%	15	52	67
Ireland	10%	33	14	47
Italy	19%	1	25	26
Netherlands (including Belgium and Germany)	8%	21	49	70
Poland	23%	10	4	14
Spain	29%	11	38	49
Other Europe	4%	22	2	24
Europe	**14%**	**113**	**184**	**297**
North America	**11%**	**51**	**102**	**153**
Asia Pacific	**20%**	**19**	**19**	**38**
Total	**13%**	**338**	**384**	**722**

The total initial capital for life and pensions new business for the six months to 30 June 2007 of £338 million (six months to 30 June 2006: £357 million) shown above is expressed at the point of sale. Hence it is higher than the impact of writing that new business on net worth of £318 million (six months to 30 June 2006: £344 million) shown on page 35, because the latter amount includes expected profits from the point of sale to the end of the reporting period, partly offset by the expected return on the initial capital.

4. Geographical analysis of the components of life EEV operating return

6 months 2007 £m

	UK	France	Ireland	Italy	Nether-lands	Poland	Spain	Other Europe	**Europe**	**North America**	Asia	Australia	**Asia Pacific**	**Total**
New business contribution (after the effect of required capital)	**143**	54	12	37	24	15	79	(3)	**218**	**35**	16	7	**23**	**419**
Profit from existing business														
- expected return	**261**	81	21	18	85	29	33	5	**272**	**50**	7	10	**17**	**600**
- experience variances:														
Maintenance expenses[1]	**4**	2	1	(1)	(10)	1	(1)	(2)	**(10)**	**2**	-	(1)	**(1)**	**(5)**
Project and other related expenses[2]	**(56)**	(1)	(1)	-	(6)	-	-	(3)	**(11)**	**-**	-	-	**-**	**(67)**
Mortality/Morbidity[3]	**3**	11	-	-	2	6	(2)	2	**19**	**(2)**	2	2	**4**	**24**
Lapses[4]	**(6)**	5	(2)	(2)	(5)	11	(7)	(2)	**(2)**	**-**	(4)	2	**(2)**	**(10)**
Other[5]	**18**	19	(2)	4	(3)	4	(2)	3	**23**	**(3)**	-	1	**1**	**39**
	(37)	36	(4)	1	(22)	22	(12)	(2)	**19**	**(3)**	(2)	4	**2**	**(19)**
- operating assumption changes:														
Maintenance expenses [6]	**-**	13	-	-	-	-	-	-	**13**	**-**	-	(2)	**(2)**	**11**
Project and other related expenses[2]	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
Mortality/Morbidity	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
Lapses	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
Other	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
	-	13	-	-	-	-	-	-	**13**	**-**	-	(2)	**(2)**	**11**
Expected return on shareholders' net worth	**46**	41	8	16	79	5	7	1	**157**	**30**	3	4	**7**	**240**
Life EEV operating return before tax	**413**	225	37	72	166	71	107	1	**679**	**112**	24	23	**47**	**1,251**

1. Maintenance expenses in Delta Lloyd reflect the impact of expense overruns in Belgium and ABN AMRO.
2. Project and other related expenses in the UK reflect project costs associated with strategic initiatives, including developments designed to offer simpler products to customers, and the simplification of systems and processes. In the Netherlands, these expenses reflect higher project costs compared to allowances.
3. Mortality experience continues to be better than the assumptions set across a number of our businesses.
4. Lapse experience in Poland continues to be better than the assumptions set for both Life and Pension products. This has been offset by small negative experience variances across a number of our other businesses.
5. In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages. In France, positive experience includes the benefit of higher than assumed tax-free dividend income.
6. In France, the maintenance expenses assumption change relates to lower "look through" expenses in the holding company.

4. Geographical analysis of the components of life EEV operating return (continued)

6 months 2006 £m

	UK	France	Ireland	Italy	Nether-lands	Poland	Spain	Other Europe	Europe	North America	Asia	Australia	Asia Pacific	Total
New business contribution (after the effect of required capital)	**135**	64	8	26	17	12	80	(5)	**202**	**2**	10	3	**13**	**352**
Profit from existing business														
- expected return	**236**	69	19	14	84	26	27	6	**245**	**8**	5	9	**14**	**503**
- experience variances:														
Maintenance expenses [1]	**(1)**	4	-	(1)	(12)	4	(1)	-	**(6)**	**-**	-	-	**-**	**(7)**
Project and other related expenses [2]	**(75)**	-	(1)	-	(6)	-	-	(1)	**(8)**	**-**	-	-	**-**	**(83)**
Mortality/Morbidity[3]	**20**	14	(2)	-	20	8	-	2	**42**	**-**	3	3	**6**	**68**
Lapses [4]	**(35)**	5	(5)	(2)	4	6	-	(3)	**5**	**-**	(1)	1	**-**	**(30)**
Other [5]	**24**	6	(1)	2	9	5	-	(2)	**19**	**-**	-	-	**-**	**43**
	(67)	29	(9)	(1)	15	23	(1)	(4)	**52**	**-**	2	4	**6**	**(9)**
- operating assumption changes:														
Maintenance expenses [6]	**-**	-	(10)	-	-	-	-	-	**(10)**	**-**	-	-	**-**	**(10)**
Project and other related expenses	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
Mortality/Morbidity	**-**	-	-	-	-	-	-	-	**-**	**-**	-	-	**-**	**-**
Lapses [7]	**-**	-	(7)	-	-	-	-	-	**(7)**	**-**	-	-	**-**	**(7)**
Other [8]	**-**	-	-	-	20	-	-	-	**20**	**-**	-	-	**-**	**20**
	-	-	(17)	-	20	-	-	-	**3**	**-**	-	-	**-**	**3**
Expected return on shareholders' net worth	**46**	34	7	14	49	5	6	-	**115**	**6**	2	3	**5**	**172**
Life EEV operating return before tax	**350**	196	8	53	185	66	112	(3)	**617**	**16**	19	19	**38**	**1,021**

1. Maintenance expenses in the Netherlands reflect the impact of expense overruns in Belgium.
2. Project and other related expenses in the UK reflect £18 million relating to the ongoing transformation of the life business and £57 million of other project and related costs associated with strategic initiatives, regulatory change and developments designed to increase future new business volumes such as those relating to pensions simplification.
3. Mortality experience continues to be better than the assumptions set across many of our businesses, notably for term and protection business in the UK and AFER in France. In addition there is a one-off reserve release associated with the review of a large group pension scheme in the Netherlands.
4. Lapse experience in the UK has been worse than assumed and primarily relates to bonds and pensions.
5. In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages.
6. Maintenance expenses in Ireland relate to a change in assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.
7. In Ireland, the lapse assumption change relates to the Celebration Bond and life linked bonds.
8. In the Netherlands, the assumption changes relate to reduced asset management fees and a change in the asset mix in Belgium.

4. Geographical analysis of the components of life EEV operating return (continued)

Year ended 31 December 2006
£m

	UK	France	Ireland	Italy	Nether-lands	Poland	Spain	Other Europe	**Europe**	**North America**	Asia	Australia	**Asia Pacific**	**Total**
New business contribution (after the effect of required capital)	**263**	110	9	50	25	25	168	(6)	**381**	**8**	22	9	**31**	**683**
Profit from existing business														
- expected return	**474**	142	41	26	158	52	53	9	**481**	**29**	10	17	**27**	**1,011**
- experience variances:														
Maintenance expenses	**13**	9	4	(1)	(11)	5	(2)	(2)	**2**	**-**	-	(2)	**(2)**	**13**
Project and other related expenses [1]	**(149)**	1	(4)	-	(23)	-	(1)	(2)	**(29)**	**-**	-	-	**-**	**(178)**
Mortality/Morbidity [2]	**(13)**	33	(2)	4	3	16	1	2	**57**	**-**	8	7	**15**	**59**
Lapses [3]	**(66)**	8	(9)	(8)	2	21	(1)	(2)	**11**	**(9)**	(6)	3	**(3)**	**(67)**
Other [4]	**75**	20	(9)	6	20	3	11	(1)	**50**	**(2)**	(2)	2	**-**	**123**
	(140)	71	(20)	1	(9)	45	8	(5)	**91**	**(11)**	-	10	**10**	**(50)**
- operating assumption changes:														
Maintenance expenses [5]	**58**	-	(3)	-	60	(3)	-	(11)	**43**	**(12)**	(1)	(5)	**(6)**	**83**
Project and other related expenses [6]	**(46)**	(2)	(22)	-	(9)	-	-	(3)	**(36)**	**-**	-	-	**-**	**(82)**
Mortality/Morbidity [7]	**57**	45	(13)	-	-	17	-	(1)	**48**	**3**	4	7	**11**	**119**
Lapses [8]	**(224)**	(41)	(47)	-	(14)	17	(21)	(1)	**(107)**	**-**	-	2	**2**	**(329)**
Other [9]	**215**	9	-	2	19	1	2	3	**36**	**-**	(1)	3	**2**	**253**
	60	11	(85)	2	56	32	(19)	(13)	**(16)**	**(9)**	2	7	**9**	**44**
Expected return on shareholders' net worth	**87**	68	15	31	99	8	11	2	**234**	**15**	3	6	**9**	**345**
Life EEV operating return before tax	**744**	402	(40)	110	329	162	221	(13)	**1,171**	**32**	37	49	**86**	**2,033**

1. Project and other related expenses in the UK reflect £32 million relating to the ongoing transformation of the life business and £117 million of other exceptional and project costs associated with strategic initiatives, including developments designed to improve the future new business volumes, and regulatory changes. In the Netherlands, these expenses reflect higher project costs compared to allowances as well as the payment to ABN AMRO in respect of the joint venture operations.
2. Mortality experience continues to be better than the assumptions set across many of our businesses.
3. Lapse experience in the UK has been worse than assumed and primarily relates to bonds and pensions. In Poland, lapses for both life and pension products have been lower than assumed resulting in the favourable experience variance.
4. In the UK, other experience profits include better than assumed default experience on corporate bonds and mortgages, and the benefit of higher than expected performance fees in Morley.
5. Maintenance expenses in the UK relate to Morley's change in profit margin. The change in Delta Lloyd is also driven by improved asset management profitability. The adverse movement in North America is due to a reassessment of expenses in our Boston-based operations.
6. In the UK, exceptional expenses relate to short-term project costs and capitalisation of reorganisation costs. Ireland reflects changes in expense assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.
7. The change in mortality assumptions in the UK includes an alignment in the basis for internal business. Mortality assumptions in France were changed following improvements in mortality experience over the last few years.
8. In the UK, the lapse assumption change relates to bonds and pension business while the change in Ireland relates to the Celebration Bond and unit-linked bonds. In France, lapse assumptions have been changed for non-AFER business in Aviva Vie. In Spain, lapse assumptions have been changed for risk business and some savings products.
9. In the UK, the assumption changes reflect the beneficial impact of the with-profit funds sharing the pension scheme deficit funding (£126 million) and the impact of PS06/14, primarily in reducing the non-profit reserves (£50 million). In Delta Lloyd the impact is due to changes to management fee rebates.

5. Analysis of movement in life and related businesses embedded value

The following tables provide an analysis of the movement in embedded value for the life and related businesses for the six months to 30 June 2007 and the six months to 30 June 2006. The analysis is shown separately for net worth and the value of in-force covered business, and includes amounts transferred between these categories. The transfer to life and related businesses from other segments consists of service company profits and losses during the reported period that have emerged from the value of in-force. Since the "look through" into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value. All figures are shown net of tax.

				6 months 2007
		Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period	– Free surplus	3,569		
	– Required capital[1]	5,314		
	Total	**8,883**	**9,215**	**18,098**
New business contribution (after the effect of required capital)		(318)	611	293
Expected return on existing business – return on VIF		-	425	425
Expected return on existing business – transfer to net worth		644	(644)	-
Experience variances and operating assumption changes		325	(332)	(7)
Expected return on shareholders' net worth		167	-	167
Investment return variances and economic assumption changes		602	(206)	396
Life EEV return after tax		**1,420**	**(146)**	**1,274**
Exchange rate movements		(16)	(12)	(28)
Embedded value from business acquired		33	9	42
Net amounts released from life and related businesses		(666)	-	(666)
Transfer from life and related businesses to other segments		(16)	-	(16)
Embedded value at the end of the period	– Free surplus	4,033		
	– Required capital[1]	5,605		
	Total	**9,638**	**9,066**	**18,704**

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

The embedded value of business acquired in the six months to 30 June 2007 of £42 million represents the embedded value of Erasmus Groep BV.

Required capital has increased in the period by £291 million. The movement comprises an increase of £384 million in relation to new business written, a reduction of £114 million regarding in-force business, £30 million additional in-force required capital relating to the acquisition during the period and a £9 million decrease due to foreign exchange rate movements. The decrease in the in-force required capital includes the effect of a maturing portfolio of business, an increase in long-term interest rates which has decreased statutory reserves and hence capital requirements and the impact of the higher solvency margin required for certain unit linked business, following clarification by the French regulator.

				6 months 2006
		Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period	– Free surplus	2,772		
	– Required capital[1]	4,448		
	Total	**7,220**	**7,893**	**15,113**
New business contribution (after the effect of required capital)		(344)	586	242
Expected return on existing business – return on VIF		-	353	353
Expected return on existing business – transfer to net worth		488	(488)	-
Experience variances and operating assumption changes		179	(188)	(9)
Expected return on shareholders' net worth		119	-	119
Investment return variances and economic assumption changes		(114)	(78)	(192)
Life EEV return after tax		**328**	**185**	**513**
Exchange rate movements		(9)	(20)	(29)
Embedded value from business acquired		170	176	346
Net amounts released from life and related businesses		(451)	-	(451)
Transfer to life and related businesses from other segments		40	-	40
Embedded value at the end of the period	– Free surplus	2,682		
	– Required capital[1]	4,616		
	Total	**7,298**	**8,234**	**15,532**

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

6. Segmental analysis of life and related businesses embedded value

30 June 2007	Net worth: Required capital[1] £m	Net worth: Free surplus £m	Value of in-force covered business: Present value of in-force £m	Value of in-force covered business: Cost of required capital £m	Total: Embedded value £m
United Kingdom	**1,317**	**917**	**4,809**	**(443)**	**6,600**
France	1,353	145	1,210	(322)	2,386
Ireland	247	174	539	(38)	922
Italy	286	386	229	(68)	833
Netherlands (including Belgium and Germany)	1,095	2,005	1,477	(381)	4,196
Poland	111	65	583	(35)	724
Spain	293	41	631	(60)	905
Other Europe	21	20	86	(11)	116
Europe	**3,406**	**2,836**	**4,755**	**(915)**	**10,082**
North America [2]	**682**	**135**	**827**	**(140)**	**1,504**
Asia Pacific	**200**	**145**	**231**	**(58)**	**518**
Total	**5,605**	**4,033**	**10,622**	**(1,556)**	**18,704**

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.
2. AmerUs holding company debt amounting to £349 million at 30 June 2007 (30 June 2006: £nil) has been included within other operations.

30 June 2006	Net worth: Required capital[1] £m	Net worth: Free surplus £m	Value of in-force covered business: Present value of in-force £m	Value of in-force covered business: Cost of required capital £m	Total: Embedded value £m
United Kingdom	**1,170**	**491**	**4,906**	**(436)**	**6,131**
France	1,130	183	1,099	(231)	2,181
Ireland	266	193	543	(46)	956
Italy	314	309	205	(63)	765
Netherlands (including Belgium and Germany)	1,074	1,213	1,377	(321)	3,343
Poland	98	69	461	(29)	599
Spain	268	7	533	(59)	749
Other Europe	19	23	68	(12)	98
Europe	**3,169**	**1,997**	**4,286**	**(761)**	**8,691**
North America	**119**	**108**	**117**	**(28)**	**316**
Asia Pacific	**158**	**86**	**196**	**(46)**	**394**
Total	**4,616**	**2,682**	**9,505**	**(1,271)**	**15,532**

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

The shareholders' net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets. Required capital, net of implicit items, is included within the net worth.

The value of in-force covered business includes 'cost of required capital' - the effect of holding shareholders' capital to support the level of required capital and allowing for projected future releases.

7. Time value of options and guarantees

The following table sets out the time value of options and guarantees relating to covered business by territory.

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
United Kingdom	**46**	**46**	**50**
France	79	56	77
Ireland	2	5	2
Italy	18	17	17
Netherlands (including Belgium and Germany)	105	117	146
Poland	5	5	4
Spain	4	4	4
Other Europe	1	-	-
Europe	**214**	**204**	**250**
North America	**55**	**10**	**68**
Asia Pacific	**6**	**5**	**4**
Total	**321**	**265**	**372**

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

The TVOG has reduced by £51 million to £321 million, reflecting the impact of the increase in interest rates.

8. Analysis of service companies and fund management businesses within embedded value

The EEV methodology incorporates the impact of profits and losses arising from subsidiary undertakings providing administration, investment management and other services where these arise in relation to covered business. The principal subsidiaries of the Aviva group providing such services include NU Life Services Limited (UK), Morley (UK) and Aviva Gestion d'Actifs (France). The following table provides an analysis of the elements within the life and other related business embedded value:

	30 June 2007			31 December 2006
	Fund management £m	Other operations £m	Total £m	Total £m
United Kingdom	156	(180)	(24)	(28)
France	68	18	86	71
Netherlands	55	(45)	10	7
Other	29	(1)	28	30
Total	**308**	**(208)**	**100**	**80**

The "look-through" value attributable to fund management is based on the level of after-tax profits expected to be earned in the future over the outstanding term of the covered business in respect of services provided to the Group's life operations. The EEV basis income statement excludes the actual statutory basis profits arising from the provision of fund management services to the Group's life businesses. The EEV income statement records the experience profit or loss compared to the assumed profitability, the return on the in-force value arising from the unwind at the relevant risk discount rate and the effect on the in-force value of changes to economic assumptions.

NU Life Services Limited (NULS) is the main provider of administration services to the UK Life business. NULS incurs substantially all of the UK Life businesses operating expenditure, comprising acquisition, maintenance and project costs. Costs are recharged to the UK Life companies (the product companies) on the basis of a pre-determined Management Services Agreement (MSA) which will be reviewed in 2008.

The EEV principles "look-through" the contractual terms of the MSA to the underlying expenses of NULS. Accordingly the actual maintenance expenses and a "normal" annual level of project expense allowances have been applied to the product companies. Under EEV, any further one-off project expenditure is reported as experience losses when incurred.

9. Geographical analysis of fund management operating profit

The summarised consolidated income statement – EEV basis, includes profit from the Group's fund management operations as analysed below. As explained in note 8, this excludes the proportion of the results of Morley's fund management businesses, of our French asset management operation Aviva Gestion d'Actifs (AGA) and other fund management operations within the Group that arises from the provision of fund management services to our Life businesses. These results are included within the Life EEV operating return.

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
UK business	18	11	35
International business	5	6	9
Morley	23	17	44
Royal Bank of Scotland	(4)	(4)	(7)
Norwich Union investment funds	-	(1)	1
United Kingdom	**19**	**12**	**38**
France	5	5	10
Netherlands	9	10	33
Other Europe	2	1	3
Europe	**16**	**16**	**46**
North America	**1**	**1**	**3**
Asia Pacific	**9**	**4**	**9**
Total	**45**	**33**	**96**

10. Analysis of other operations' operating result

The summarised consolidated income statement – EEV basis, includes the results of the Group's other operations as analysed below. As explained in note 8, this 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 materially impact the Group results.

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RAC	6	20	45
UK Life			
- Norwich Union Life Services	3	2	5
- Lifetime and SIPP	(18)	(6)	(29)
Other	(36)	13	(44)
Total	**(45)**	**29**	**(23)**

11. Summary of minority interest in life and related businesses' EEV results[1]

6 months 2007 £m

	France	Ireland	Italy	Netherlands	Poland	Spain	Europe	Asia Pacific	Total	Shareholder interest	Group
Minority interest											
New business contribution before effect of required capital	13	3	28	3	2	45	**94**	**1**	**95**	**455**	**550**
Effect of required capital	(6)	(1)	(7)	(1)	-	(4)	**(19)**	**-**	**(19)**	**(112)**	**(131)**
New business contribution after effect of required capital	7	2	21	2	2	41	**75**	**1**	**76**	**343**	**419**
Life EEV operating return before tax	19	8	40	8	9	55	**139**	**1**	**140**	**1,111**	**1,251**
Life EEV return after tax	6	9	31	4	10	33	**93**	**1**	**94**	**1,180**	**1,274**
Closing life and related businesses' embedded value	165	224	438	105	92	391	**1,415**	**10**	**1,425**	**17,279**	**18,704**

6 months 2006 £m

	France	Ireland	Italy	Netherlands	Poland	Spain	Europe	Asia Pacific	Total	Shareholder interest	Group
Minority interest											
New business contribution before effect of required capital	14	3	22	6	2	45	**92**	**-**	**92**	**367**	**459**
Effect of required capital	(5)	(1)	(7)	(1)	-	(5)	**(19)**	**-**	**(19)**	**(88)**	**(107)**
New business contribution after effect of required capital	9	2	15	5	2	40	**73**	**-**	**73**	**279**	**352**
Life EEV operating return before tax	19	2	29	9	10	56	**125**	**1**	**126**	**895**	**1,021**
Life EEV return after tax	5	(4)	29	2	8	20	**60**	**3**	**63**	**450**	**513**
Closing life and related businesses' embedded value	151	232	396	73	98	322	**1,272**	**11**	**1,283**	**14,249**	**15,532**

1. There are no minorities in the United Kingdom or North America.

12. Principal economic assumptions
(a) Deterministic calculations

Economic assumptions are derived actively, based on market yields on risk-free fixed interest assets at the end of each reporting period. The same margins are applied on a consistent basis across the Group to gross risk-free yields to obtain investment return assumptions for ordinary shares and property and to produce risk discount rates. Additional country-specific risk margins are applied to smaller businesses to reflect additional economic, political and business-specific risk, which result in the application of risk margins ranging from 3.7% to 8.7% in our eastern European and Asian business operations. Expense inflation is derived as a fixed margin above a local measure of long-term price inflation. Risk free rates and price inflation have been harmonised across territories within the Euro currency zone, except for expense inflation in Ireland where significant differences remain. Required capital is shown as a multiple of the EU statutory minimum solvency margin or equivalent.

Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Future assumed reinvestment rates are consistent with implied market returns at 30 June 2007. Rates have been derived using rates from the current yield curve at a duration based on the term of the liabilities, or directly from forward yield curves where considered appropriate. Assumptions about future investment mix are consistent with long-term plans. In most cases, the investment mix is assumed to continue unchanged throughout the projection period. The changes in assumptions between reporting dates reflect the actual movements in risk free yields in the United Kingdom, the Eurozone and other territories. The principal economic assumptions used are as follows:

	United Kingdom				France			
	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005
Risk discount rate	8.0%	7.3%	7.4%	6.8%	7.3%	6.7%	6.8%	6.0%
Pre-tax investment returns:								
Base government fixed interest	5.3%	4.6%	4.7%	4.1%	4.6%	4.0%	4.1%	3.3%
Ordinary shares	8.3%	7.6%	7.7%	7.1%	7.6%	7.0%	7.1%	6.3%
Property	7.3%	6.6%	6.7%	6.1%	6.6%	6.0%	6.1%	5.3%
Future expense inflation	3.5%	3.4%	3.3%	3.2%	2.5%	2.5%	2.5%	2.5%
Tax rate	28.0%	30.0%	30.0%	30.0%	34.4%	34.4%	34.4%	34.4%
Required Capital (% EU minimum)	150% / 100%	150% / 100%	150% / 100%	150% / 100%	115%	115%	115%	115%

	Ireland				Italy			
	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005
Risk discount rate	7.3%	6.7%	6.8%	6.0%	7.3%	6.7%	6.8%	6.0%
Pre-tax investment returns:								
Base government fixed interest	4.6%	4.0%	4.1%	3.3%	4.6%	4.0%	4.1%	3.3%
Ordinary shares	7.6%	7.0%	7.1%	6.3%	7.6%	7.0%	7.1%	6.3%
Property	6.6%	6.0%	6.1%	5.3%	6.6%	6.0%	6.1%	5.3%
Future expense inflation	4.0%	4.0%	4.0%	4.0%	2.5%	2.5%	2.5%	2.5%
Tax rate	12.5%	12.5%	12.5%	12.5%	38.3%	38.3%	38.3%	38.3%
Required Capital (% EU minimum)	150%	150%	150%	150%	115%	115%	115%	115%

	Netherlands				Poland			
	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005
Risk discount rate	7.3%	6.7%	6.8%	6.0%	9.2%	8.7%	8.8%	8.6%
Pre-tax investment returns:								
Base government fixed interest	4.6%	4.0%	4.1%	3.3%	5.5%	5.0%	5.1%	4.9%
Ordinary shares	7.6%	7.0%	7.1%	6.3%	8.5%	8.0%	8.1%	7.9%
Property	6.6%	6.0%	6.1%	5.3%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	3.9%	3.4%	3.5%	3.3%
Tax rate	25.5%	25.5%	29.1%	29.1%	19.0%	19.0%	19.0%	19.0%
Required Capital (% EU minimum)	150%	150%	150%	150%	150%	150%	150%	150%

	Spain				United States			
	30 June 2007	31 Dec 2006	30 June 2006	31 Dec 2005	30 June 2007	31 Dec 2006*	30 June 2006	31 Dec 2005
Risk discount rate	7.3%	6.7%	6.8%	6.0%	7.7%	7.4%	7.8%	7.2%
Pre-tax investment returns:								
Base government fixed interest	4.6%	4.0%	4.1%	3.3%	5.0%	4.7%	5.1%	4.5%
Ordinary shares	7.6%	7.0%	7.1%	6.3%	8.0%	7.7%	n/a	n/a
Property	6.6%	6.0%	6.1%	5.3%	n/a	n/a	n/a	n/a
Future expense inflation	2.5%	2.5%	2.5%	2.5%	3.0%	3.0%	3.0%	3.0%
Tax rate	30.0%	30.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Required Capital (% EU minimum, or equivalent)	125% / 110%	125% / 110%	125% / 110%	125% / 110%	250%	250%	200%	200%

* The principal economic assumptions used for AmerUs Group Co. at the date of acquisition were as follows: risk discount rate of 7.2%, pre-tax investment returns of 4.6% for base government fixed interest and required capital of 250%.

For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company. Future returns on corporate fixed interest investments are calculated from prospective yields less an adjustment for credit risk. Required capital in the United Kingdom is 150% EU minimum for Norwich Union Annuity Limited and 100% for other companies. Required capital in Spain is 125% EU minimum for Aviva Vida y Pensiones and 110% for bancassurance companies. The level of required capital for the US business is 250% of the risk based capital, at the company action level, set by the National Association of Insurance Commissioners. The required capital is equivalent to 5% of the insurance liabilities on a local regulatory basis which is broadly equivalent to the required capital we hold for our main European businesses.

12. Principal economic assumptions (continued)

Other economic assumptions

Required capital relating to with-profit business is assumed to be covered by the surplus within the with-profit funds and no effect has been attributed to shareholders. Bonus rates on participating business have been set at levels consistent with the economic assumptions and Aviva's medium-term bonus plans. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the United Kingdom and Ireland continues at the current rate of one ninth of the cost of bonus.

(b) Stochastic calculations

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

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

United Kingdom

Model

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

Asset Classes

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

Summary Statistics

The following table sets out the mean and standard deviations (StDev) of future returns at 30 June 2007 for the three most significant asset classes. Interest rates are assumed to have a lognormal distribution with an annualised standard deviation of 12.5% p.a. for the natural logarithm of the interest rate.

	Mean[1]	StDev[2]
Equities	8.3%	20%
Property	7.3%	15%
Government Bonds	5.3%	3.25% - 4.5%[3]

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus one).
2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.
3. Depending on the duration of the portfolio.

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

International

Model

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

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

Asset Classes

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

Summary Statistics

The following table sets out the means and standard deviations of future euro and US dollar returns at 30 June 2007 for the three most significant asset classes: equities (in the case of euro), short-term bonds (defined to be of one year duration) and long-term bonds (defined to be 10 year zero coupon bonds). In the accumulation of 10 year bonds, it is assumed that these are held for one year, sold as nine year bonds then the proceeds are reinvested in 10 year bonds, although in practice businesses follow more complex asset strategies or tend to adopt a buy and hold strategy. Correlations between asset classes have been set using the same approach as described for the United Kingdom.

12. Principal economic assumptions (continued)

(b) Stochastic calculations (continued)

	5 – year return		10 – year return		20 – year return	
	Mean[1]	StDev[2]	Mean[1]	StDev[2]	Mean[1]	StDev[2]
Euro						
Short Government Bonds	4.4%	2.0%	4.4%	3.5%	4.5%	6.1%
Long Government Bonds	5.0%	4.4%	4.6%	3.3%	4.8%	3.7%
Equities	7.7%	19.7%	7.6%	19.3%	7.5%	19.1%
US dollar						
Short Government Bonds	4.7%	2.1%	4.7%	3.7%	5.0%	7.2%
Long Government Bonds	5.2%	4.9%	5.0%	4.0%	5.3%	4.7%

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus one).
2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

(c) Other assumptions

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

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

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

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

Valuation of debt
Borrowings in the EEV consolidated balance sheet are valued on an IFRS basis, consistent with the primary financial statements. At 30 June 2007 the market value of the Group's external debt, subordinated debt, preference shares including General Accident plc preference shares of £250 million (classified as minority interests) and direct capital instrument was £5,696 million (31 December 2006: £5,991 million).

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Borrowings per summarised consolidated balance sheet – EEV basis	**12,196**	**11,070**	**12,137**
Add: amount included within held for sale	11	-	-
Less: Securitised mortgage funding	(6,825)	(6,689)	(7,068)
Borrowings excluding non-recourse funding - EEV basis	5,382	4,381	5,069
Less: Operational financing by businesses	(1,176)	(762)	(874)
External debt and subordinated debt – EEV basis	4,206	3,619	4,195
Add: Preference shares (including General Accident plc) and direct capital instrument	1,440	1,440	1,440
External debt, subordinated debt, preference shares and direct capital instrument – EEV basis	5,646	5,059	5,635
Effect of marking these instruments to market	50	354	356
Market value of external debt, subordinated debt, preference shares and direct capital instrument	**5,696**	**5,413**	**5,991**

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

13. Sensitivity analysis

(a) Economic assumptions

The following tables show the sensitivity of the embedded value as at 30 June 2007 and the new business contribution before the effect of required capital for the six months to 30 June 2007 to:

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

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns. Some of the sensitivity scenarios may have consequential effects on valuation bases, where the basis for certain blocks of business is actively updated to reflect current economic circumstances. Consequential valuation impacts on the sensitivities are allowed for where an active valuation basis is used. Where businesses have a target asset mix, the portfolio is re-balanced after a significant market movement otherwise no re-balancing is assumed.

Embedded value (net of tax) 30 June 2007	**As reported on page 36 £m**	**1% increase in discount rates £m**	**1% decrease in discount rates £m**	**1% increase in interest rates £m**	**1% decrease in interest rates £m**
United Kingdom	**6,600**	**(480)**	**560**	**(350)**	**395**
France	2,386	(140)	160	(95)	90
Ireland	922	(40)	40	(35)	35
Italy	833	(25)	25	5	(30)
Netherlands (including Belgium and Germany)	4,196	(170)	200	-	(160)
Poland	724	(40)	45	(5)	5
Spain	905	(45)	55	(25)	25
Other Europe	116	(5)	5	-	-
Europe	**10,082**	**(465)**	**530**	**(155)**	**(35)**
North America	**1,504**	**(95)**	**105**	**(130)**	**125**
Asia Pacific	**518**	**(15)**	**20**	**-**	**-**
Total	**18,704**	**(1,055)**	**1,215**	**(635)**	**485**

Embedded value (net of tax) 30 June 2007	**As reported on page 36 £m**	**1% increase in equity / property returns £m**	**1% decrease in equity / property returns £m**	**10% rise in equity / property market values £m**	**10% fall in equity / property market values £m**	**EU minimum capital (or equivalent) £m**
United Kingdom	**6,600**	**230**	**(235)**	**450**	**(445)**	**95**
France	2,386	75	(75)	120	(140)	50
Ireland	922	20	(20)	30	(30)	15
Italy	833	10	(10)	10	(10)	10
Netherlands (including Belgium and Germany)	4,196	215	(220)	425	(430)	100
Poland	724	10	(10)	10	(10)	10
Spain	905	10	(10)	15	(15)	5
Other Europe	116	-	-	-	-	5
Europe	**10,082**	**340**	**(345)**	**610**	**(635)**	**195**
North America	**1,504**	**10**	**(15)**	**-**	**-**	**95**
Asia Pacific	**518**	**5**	**(5)**	**10**	**(10)**	**10**
Total	**18,704**	**585**	**(600)**	**1,070**	**(1,090)**	**395**

13. Sensitivity analysis (continued)

(a) Economic assumptions (continued)

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

Sensitivities will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios. This can be seen in the sensitivity of a 1% movement in the interest rate for the Netherlands, where there is a significant amount of business with investment return guarantees. The increase of 60 basis points to the assumed pre-tax investment returns at 30 June 2007 has significantly decreased this sensitivity, reflecting the level of the guarantees relative to the interest rate assumption.

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

New business contribution before required capital (gross of tax) 6 months 2007	**As reported on page 30 £m**	**1% increase in discount rates £m**	**1% decrease in discount rates £m**	**1% increase in interest rates £m**	**1% decrease in interest rates £m**
United Kingdom	**178**	**(29)**	**34**	**(12)**	**15**
France	80	(7)	7	(1)	-
Ireland	14	(2)	3	(1)	2
Italy	49	(2)	2	-	(1)
Netherlands (including Belgium and Germany)	37	(7)	8	5	(12)
Poland	17	(1)	2	-	-
Spain	88	(6)	7	(2)	2
Other Europe	(2)	(2)	1	(1)	1
Europe	**283**	**(27)**	**30**	**-**	**(8)**
North America	**57**	**(14)**	**18**	**-**	**(8)**
Asia Pacific	**32**	**(3)**	**3**	**3**	**(4)**
Total	**550**	**(73)**	**85**	**(9)**	**(5)**

New business contribution before required capital (gross of tax) 6 months 2007	**As reported on page 30 £m**	**1% increase in equity / property returns £m**	**1% decrease in equity/ property returns £m**
United Kingdom	**178**	**15**	**(14)**
France	80	3	(3)
Ireland	14	2	(2)
Italy	49	1	(1)
Netherlands (including Belgium and Germany)	37	6	(6)
Poland	17	1	(1)
Spain	88	1	(1)
Other Europe	(2)	-	1
Europe	**283**	**14**	**(13)**
North America	**57**	**2**	**(2)**
Asia Pacific	**32**	**1**	**(1)**
Total	**550**	**32**	**(30)**

13. Sensitivity analysis (continued)

(b) Non-economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2007 and the new business contribution before the effect of required capital for 2007 to the following changes in non-economic assumptions:

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

No future management actions are modelled in reaction to the changing non-economic assumptions. In each sensitivity calculation, all other assumptions remain unchanged. No changes to valuation bases have been included.

Embedded value (net of tax) 30 June 2007	**As reported on page 36 £m**	**10% decrease in maintenance expenses £m**	**10% decrease in lapse rates £m**	**5% decrease in mortality / morbidity rates - life assurance £m**	**5% decrease in mortality / morbidity rates - annuity business £m**
United Kingdom	**6,600**	**170**	**95**	**50**	**(120)**
France	2,386	35	35	25	(5)
Ireland	922	20	20	5	(5)
Italy	833	5	-	-	-
Netherlands (including Belgium and Germany)	4,196	80	20	15	(40)
Poland	724	20	40	10	-
Spain	905	10	45	15	(5)
Other Europe	116	5	5	-	-
Europe	**10,082**	**175**	**165**	**70**	**(55)**
North America	**1,504**	**25**	**15**	**15**	**(5)**
Asia Pacific	**518**	**10**	**10**	**10**	**-**
Total	**18,704**	**380**	**285**	**145**	**(180)**

New business contribution before required capital (gross of tax) 6 months 2007	**As reported on page 30 £m**	**10% decrease in maintenance expenses £m**	**10% decrease in lapse rates £m**	**5% decrease in mortality / morbidity rates - life assurance £m**	**5% decrease in mortality / morbidity rates - annuity business £m**
United Kingdom	**178**	**10**	**10**	**11**	**(5)**
France	80	3	4	2	-
Ireland	14	1	3	-	-
Italy	49	1	1	1	-
Netherlands (including Belgium and Germany)	37	4	3	1	(1)
Poland	17	1	2	1	-
Spain	88	2	10	2	-
Other Europe	(2)	1	-	-	-
Europe	**283**	**13**	**23**	**7**	**(1)**
North America	**57**	**2**	**3**	**2**	**-**
Asia Pacific	**32**	**3**	**2**	**1**	**-**
Total	**550**	**28**	**38**	**21**	**(6)**

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

IFRS basis

Summarised consolidated income statement – IFRS basis
For the six months to 30 June 2007

Page	6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
		Income			
71, 72	21,331	Premiums written net of reinsurance	14,505	13,707	27,234
	(349)	Net change in provision for unearned premiums	(237)	(222)	93
	20,982	Net earned premiums	14,268	13,485	27,327
	1,351	Fee and commission income	919	905	1,870
	10,068	Net investment income	6,846	2,854	15,473
	(118)	Share of (loss)/profit after tax of joint ventures and associates	(80)	223	485
53	(7)	(Loss)/profit on the disposal of subsidiaries and associates	(5)	147	222
	32,276		**21,948**	**17,614**	**45,377**
		Expenses			
	(19,569)	Claims and benefits paid, net of recoveries from reinsurers	(13,307)	(11,037)	(23,444)
	(938)	Change in insurance liabilities, net of reinsurance	(638)	98	(2,620)
	(3,626)	Change in investment contract provisions	(2,466)	(1,826)	(6,002)
	40	Change in unallocated divisible surplus	27	623	(558)
	(3,290)	Fee and commission expense	(2,237)	(2,188)	(5,043)
	(2,444)	Other expenses	(1,662)	(1,540)	(3,557)
	(656)	Finance costs	(446)	(384)	(830)
	(30,483)		**(20,729)**	**(16,254)**	**(42,054)**
	1,793	**Profit before tax**	**1,219**	**1,360**	**3,323**
	(31)	Tax attributable to policyholders' returns	(21)	(112)	(346)
	1,762	**Profit before tax attributable to shareholders' profits**	**1,198**	**1,248**	**2,977**
		Tax expense			
	(168)	United Kingdom tax	(114)	(269)	(479)
	(316)	Overseas tax	(215)	(162)	(455)
59, 60	(484)		(329)	(431)	(934)
	31	Less: tax attributable to policyholders' returns	21	112	346
	(453)	Tax attributable to shareholders' profits	(308)	(319)	(588)
	1,309	**Profit for the period**	**890**	**929**	**2,389**
		Attributable to:			
	1,187	Equity shareholders of Aviva plc	807	856	2,215
	122	Minority interests	83	73	174
	1,309		**890**	**929**	**2,389**

All profit is from continuing operations.

Page	6 months 2007		6 months 2007	6 months 2006	Full year 2006
		Earnings per share – IFRS basis			
61	45.6c	Basic (pence per share)	31.0p	35.3p	87.5p
62	45.1c	Diluted (pence per share)	30.7p	35.0p	86.6p

Subsequent to 30 June 2007, the directors proposed an interim dividend for 2007 of 11.90p (interim 2006: 10.82p) per ordinary share, amounting to £309 million (interim 2006: £275 million) in total. The dividend will be paid on 16 November 2007 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007.

During the six months to 30 June 2007, the directors declared a final dividend for 2006 of 19.18p per ordinary share (final 2005: 17.44p) totalling £492 million (6 months to 30 June 2006: £418 million).

Pro forma reconciliation of Group operating profit to profit before tax – IFRS basis
For the six months to 30 June 2007

Page	6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
		IFRS operating profit before tax attributable to shareholders' profits			
55	1,590	Long-term business	1,081	710	1,896
55	112	Fund management	76	61	155
56	824	General insurance and health	560	866	1,680
		Other:			
59	(106)	Other operations	(72)	(11)	(80)
59	(118)	Corporate centre	(80)	(73)	(160)
59	(280)	Group debt costs and other interest	(190)	(177)	(381)
	2,022	**IFRS operating profit before adjusting items and tax attributable to shareholders' profits**	**1,375**	**1,376**	**3,110**
		Adjusted for the following:			
71	(4)	Impairment of goodwill	(3)	-	(94)
	(168)	Amortisation of acquired value of in-force business	(114)	(33)	(100)
	(76)	Amortisation and impairment of intangibles	(52)	(19)	(70)
	-	Financial Services Compensation Scheme and other levies	-	6	6
56	54	Short-term fluctuation in return on investments backing general insurance and health business	37	(205)	149
53	(7)	(Loss)/profit on the disposal of subsidiaries and associates	(5)	147	222
54	(59)	Integration and restructuring costs	(40)	(24)	(246)
	1,762	**Profit before tax attributable to shareholders' profits**	**1,198**	**1,248**	**2,977**
		Tax attributable to shareholders' profits			
59	(556)	Operating profit	(378)	(370)	(725)
59	103	Other activities	70	51	137
	(453)		(308)	(319)	(588)
	1,309	**Profit for the period**	**890**	**929**	**2,389**

Page	6 months 2007		6 months 2007	6 months 2006	Full year 2006
		Earnings per share – IFRS operating profit basis			
61	51.0c	Basic (pence per share)	34.7p	38.5p	86.9p
62	50.6c	Diluted (pence per share)	34.4p	38.1p	86.0p

Consolidated statement of recognised income and expense – IFRS basis
For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
509	Fair value gains/(losses) on AFS securities, owner-occupied properties and hedging instruments	346	(159)	374
(172)	Fair value gains transferred to profit	(117)	(4)	(162)
-	Impairment losses on revalued assets	-	-	(2)
12	Share of fair value changes in investments held by joint ventures and associates taken to equity	8	-	-
1,097	Actuarial gains/(losses) on pension schemes *(note 17)*	746	473	(114)
(74)	Foreign exchange rate movements	(50)	(10)	(346)
(1)	Aggregate tax effect – policyholder tax	(1)	2	-
(337)	Aggregate tax effect – shareholder tax	(229)	(106)	(5)
1,034	**Net income recognised directly in equity**	**703**	**196**	**(255)**
1,309	Profit for the period	890	929	2,389
2,343	**Total recognised income and expense for the period**	**1,593**	**1,125**	**2,134**
	Attributable to:			
2,227	Equity shareholders of Aviva plc	1,514	1,050	1,978
116	Minority interests	79	75	156
2,343		**1,593**	**1,125**	**2,134**

Reconciliation of movements in consolidated shareholders' equity – IFRS basis
For the six months to 30 June 2007

6 months 2007 €m		6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
20,991	**Balance at 1 January**	**14,064**	**11,092**	**11,092**
2,378	Total recognised income and expense for the period	1,593	1,125	2,134
(748)	Dividends and appropriations *(note 15)*	(501)	(427)	(762)
-	Issue of share capital for the acquisition of AmerUs Group Co. net of transaction costs	-	-	892
45	Other issues of share capital, net of transaction costs	30	47	43
227	Shares issued in lieu of dividends	152	77	203
112	Capital contributions from minority shareholders	75	35	397
(94)	Minority share of dividends declared in the period	(63)	(57)	(75)
211	Minority interest in acquired/disposed subsidiaries	142	223	92
36	Reserves credit for equity compensation plans	24	5	48
23,158	**Total equity**	**15,516**	**12,120**	**14,064**
(2,882)	**Minority interests**	**(1,931)**	**(1,404)**	**(1,698)**
20,276	**Balance at 31 December**	**13,585**	**10,716**	**12,366**

Summarised consolidated balance sheet – IFRS basis
As at 30 June 2007

6 months30 June 2007 €m		30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
	Assets			
4,346	Goodwill	2,912	2,336	2,910
4,233	Acquired value of in-force business and intangible assets	2,836	1,004	2,728
3,816	Investments in joint ventures	2,557	2,420	2,795
1,330	Investments in associates	891	897	895
1,279	Property and equipment	857	883	904
23,406	Investment property	15,682	14,111	15,123
40,016	Loans	26,811	24,479	26,445
	Financial investments			
163,676	Debt securities	109,663	99,451	113,041
87,946	Equity securities	58,924	54,704	56,762
54,503	Other investments	36,517	30,782	33,050
11,690	Reinsurance assets	7,832	7,589	7,825
1,142	Deferred tax assets	765	655	1,199
400	Current tax assets	268	86	344
16,354	Receivables and other financial assets	10,957	8,660	8,098
5,864	Deferred acquisition costs and other assets	3,929	3,741	3,476
4,139	Prepayments and accrued income	2,773	2,993	2,585
22,575	Cash and cash equivalents	15,125	15,268	14,542
1,882	Assets of operations classified as held for sale	1,261	1,008	-
448,597	**Total assets**	**300,560**	**271,067**	**292,722**
	Equity			
966	Ordinary share capital	647	604	641
6,693	Capital reserves	4,484	4,480	4,460
1,740	Other reserves	1,166	1,003	993
9,101	Retained earnings	6,098	3,439	5,082
18,500	**Equity attributable to ordinary shareholders of Aviva plc**	**12,395**	**9,526**	**11,176**
1,776	Preference share capital and direct capital instrument	1,190	1,190	1,190
2,882	Minority interests	1,931	1,404	1,698
23,158	**Total equity**	**15,516**	**12,120**	**14,064**
	Liabilities			
215,951	Gross insurance liabilities	144,687	133,068	144,230
137,464	Gross liabilities for investment contracts	92,101	82,856	88,358
14,163	Unallocated divisible surplus	9,489	8,235	9,465
5,955	Net asset value attributable to unitholders	3,990	3,080	3,810
2,881	Provisions	1,930	2,364	2,850
4,497	Deferred tax liabilities	3,013	2,323	3,077
1,727	Current tax liabilities	1,157	957	1,262
18,203	Borrowings	12,196	11,070	12,137
15,855	Payables and other financial liabilities	10,623	9,381	9,235
7,176	Other liabilities	4,808	4,785	4,234
1,567	Liabilities of operations classified as held for sale	1,050	828	-
425,439	**Total liabilities**	**285,044**	**258,947**	**278,658**
448,597	**Total equity and liabilities**	**300,560**	**271,067**	**292,722**

Summarised consolidated cash flow statement – IFRS basis
For the six months to 30 June 2007

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

			6 months 2007	6 months 2006	Full year 2006
	Long-term business operations £m	Non-long-term business operations £m	Group £m	Group £m	Group £m
Cash flows from operating activities					
Cash generated from operations	859	680	1,539	2,465	2,455
Tax paid	(232)	(68)	(300)	(363)	(595)
Net cash from operating activities	**627**	**612**	**1,239**	**2,102**	**1,860**
Cash flows from investing activities:					
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	(283)	(76)	(359)	(205)	(1,889)
Disposal of subsidiaries, joint ventures and associates, net of cash transferred	256	16	272	480	616
Net loans to joint ventures and associates	184	-	184	-	(104)
Purchases of property and equipment	(13)	(59)	(72)	(106)	(295)
Proceeds on sale of property and equipment	2	37	39	25	156
Purchases of intangible assets	(3)	(26)	(29)	(24)	(58)
Net cash (used in) / from investing activities	**143**	**(108)**	**35**	**170**	**(1,574)**
Cash flows from financing activities:					
Proceeds from issue of ordinary shares, net of transaction costs	-	30	30	47	935
Net drawdown of borrowings	27	180	207	66	901
Interest paid on borrowings	(165)	(281)	(446)	(384)	(825)
Preference dividends paid	-	(9)	(9)	(9)	(17)
Ordinary dividends paid	-	(340)	(340)	(341)	(490)
Coupon payments on direct capital instrument	-	-	-	-	(52)
Finance lease payments	-	(1)	(1)	(4)	(22)
Capital contributions from minority shareholders	75	-	75	35	304
Dividends paid to minority interests of subsidiaries	(53)	(10)	(63)	(57)	(75)
Non-trading cash flows between operations	(412)	412	-	-	-
Net cash from / (used in) financing activities	**(528)**	**(19)**	**(547)**	**(647)**	**659**
Net increase in cash and cash equivalents	242	485	727	1,625	945
Cash and cash equivalents at 1 January	10,420	3,426	13,846	13,067	13,067
Effect of exchange rate changes on cash and cash equivalents	(13)	12	(1)	7	(166)
Cash and cash equivalents at 30 June/ 31 December	**10,649**	**3,923**	**14,572**	**14,699**	**13,846**
Cash and cash equivalents at 30 June/ 31 December comprised:					
Cash at bank and in hand	3,215	1,602	4,817	3,853	4,087
Cash equivalents	7,637	2,744	10,381	11,532	10,455
	10,852	**4,346**	**15,198**	15,385	**14,542**
Bank overdrafts	(203)	(423)	(626)	(686)	(696)
	10,649	**3,923**	**14,572**	**14,699**	**13,846**

1. Basis of preparation – IFRS

a) The results for the six months to 30 June 2007 have been prepared on the basis of the accounting policies set out in Aviva plc's 2006 Annual Report and Accounts. The results for the six months to 30 June 2007 and 2006 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. The interim results do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2006 have been taken from the Group's 2006 Annual Report and Accounts. The auditor has reported on the 2006 accounts and the report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The Group's 2006 Report and Accounts have been filed with the Registrar of Companies.

b) Items included in the financial statements of each of the Group's entities are measured in the currency of the primary economic environment in which that entity operates (the "functional currency"). The consolidated financial statements are stated in sterling, which is the Company's functional and presentation currency. Unless otherwise noted, the amounts shown in the financial statements are in millions of pounds sterling (£m). As supplementary information, consolidated financial information is also presented in euros.

c) The results for the six months to 30 June 2007 are presented on a regional basis: United Kingdom, Europe, North America and Asia Pacific.

   i) The UK region includes the UK life and general insurance businesses, all of the business of Morley as well as the results of Aviva Re, the Group's captive reinsurance business;
   ii) Europe incorporates all European operations excluding the UK as set out above;
   iii) North America is made up of our life business in the United States and general insurance and fund management businesses in Canada; and
   iv) Asia Pacific includes all our Asian and Australian businesses.

2. Exchange rates

The Group's principal overseas operations during the year were located within the Eurozone and the United States.

The euro rates employed in this announcement are an average rate of 1 euro = £0.68 (6 months to 30 June 2006: 1 euro = £0.68; full year 2006: 1 euro = £0.68) and a closing rate of 1 euro = £0.67 (30 June 2006: 1 euro = £0.69; 31 December 2006: 1 euro = £0.67).

The US dollar rates used for translation are an average of £1 = US$1.97 (6 months to 30 June 2006: £1 = US$1.79; full year 2006: £1 = US$1.84) and a closing rate of £1 = US$1.99 (30 June 2006: £1 = US$1.82; 31 December 2006: £1 = US$1.96).

3. Acquisitions

(a) Erasmus Group

On 26 March 2007, the Group's Dutch subsidiary, Delta Lloyd, acquired 100% of the shares in Erasmus Groep BV ("Erasmus") in the Netherlands. Erasmus writes both general insurance and long-term business, and the acquisition will further strengthen Delta Lloyd's position in the Dutch insurance market.

The Erasmus acquisition has given rise to goodwill on acquisition of £5 million, calculated as follows:

Purchase cost :

	£m
Cash paid	47
Attributable costs	1
Total consideration	48

The assets and liabilities at the date of acquisition were:

	Book value	Fair value and accounting policy adjustments	Fair value
	£m	£m	£m
Assets			
Acquired value of in-force business on insurance contracts	-	13	13
Intangible assets	2	(1)	1
Investments	627	23	650
Other assets	122	-	122
Total assets	**751**	**35**	**786**
Liabilities			
Gross insurance liabilities	(674)	(20)	(694)
Other liabilities	(41)	(8)	(49)
Total liabilities	**(715)**	**(28)**	**(743)**
Total net assets acquired	**36**	**7**	**43**
Goodwill arising on acquisition			**5**

The assets and liabilities as at the acquisition date in the table above are stated as provisional values and may be amended in the Group's full year financial statements in accordance with paragraph 62 of IFRS 3, *Business Combinations*.

As disclosed in the EEV section on page 35, the embedded value of the long-term business acquired was £42 million, representing the net assets adjusted for other intangibles net of tax.

(b) Bancassurance partnership with Cajamurcia

On 6 June 2007, the Group announced that it had entered into a long-term bancassurance agreement with Spanish savings bank Caja de Ahorros de Murcia (Cajamurcia) that will enhance the Group's leading position in the Spanish life market. Cajamurcia will provide exclusive access to its network of branches to Cajamurcia Vida y Pensiones SA (Cajamurcia Vida), the newly-created life insurance company jointly-owned by the Group and Cajamurcia, to sell insurance and pension products. Regulatory approval to write new business is currently awaited for the new company.

On signing the agreement, the Group acquired 5% of the share capital of Cajamurcia Vida and Cajamurcia granted the Group a call option over a further 45% of the shares in this company which may be exercised within five days from 14 March 2008. If it does not exercise this option during this period, the Group has granted a call option over its 5% holding to Cajamurcia.

The Group paid £8 million for the initial 5% holding on completion on 6 June 2007 and has had management control over Cajamurcia Vida since that time. The Group has therefore consolidated its results and balance sheet since that date. Further consideration of £69 million would be payable on exercising the option, with additional amounts of up to £187 million payable, dependant on the performance of the new company.

3. Acquisitions (continued)

(b) Bancassurance partnership with Cajamurcia (continued)

The acquisition of the initial 5% shareholding has given rise to goodwill on acquisition of £2 million, calculated as follows:

Purchase cost :

	£m
Cash paid	8
Attributable costs	1
Total consideration	9

The book and fair values of the assets and liabilities at the date of acquisition were:

	£m
Assets	
Intangible assets	201
Other assets	6
Total assets	**207**
Liabilities	
Deferred tax on acquired assets	(60)
Total liabilities	**(60)**
Total net assets	**147**
Net assets acquired (initial 5% share)	**7**
Goodwill arising on acquisition of this holding	**2**

In view of the recent completion date, the assets and liabilities as at the acquisition date in the table above are stated as provisional values, and may be amended in the Group's full year financial statements in accordance with paragraph 62 of IFRS 3, *Business Combinations*.

The value of the agreement to distribute through Cajamurcia's branch network has been identified as a separate intangible asset with a value of £201 million, using estimated post-tax cash flows and discount rates.

(c) Non-adjusting post-balance sheet event

On 8 June 2007, the Group announced that it was entering the Malaysian long-term savings market through a joint venture with the CIMB Group, listed on Malaysia's stock exchange as Bumiputra-Commerce Holdings Berhad. Under the agreement, the Group will acquire a 49% interest in two of CIMB Group's subsidiaries, Commerce Life Assurance Berhad (Commerce Life) and Commerce Takaful Berhad (Commerce Takaful), for a total cash consideration of £74 million. The terms of the joint venture agreement have been agreed by Bank Negara, Malaysia's financial services regulator. In addition, Commerce Life and Commerce Takaful will enter into exclusive bancassurance agreements with CIMB Group's subsidiary, CIMB Bank, for the distribution of life and takaful insurance products through the bank's branches. Formal signing of agreements and completion took place on 2 July 2007.

4. (Loss)/profit on the disposal of subsidiaries and associates

The (loss)/profit on the disposal of subsidiaries, joint ventures and associates comprises:

	6 months 2007 £m	**6 months 2006 £m**	**Full year 2006 £m**
United Kingdom (see below)	(7)	66	69
Ireland	-	87	86
France	-	-	79
Other small operations	2	(6)	(12)
(Loss)/profit on disposal before tax	**(5)**	147	222
Tax on (loss)/profit on disposal	3	(11)	13
(Loss)/profit on disposal after tax	**(2)**	136	235

In June 2007, the Group sold its holdings in its associate, The British Aviation Insurance Company Limited, to Berkshire Hathaway for £15 million, resulting in a loss on disposal of £7 million.

5. Integration and restructuring costs

£40 million of integration and restructuring costs have been included in the results to 30 June 2007 (30 June 2006: £24 million; 31 December 2006: £246 million). £31 million relates to Norwich Union's restructuring to reduce duplication and improve efficiency. Other costs are attributable to activity to integrate Ark Life in Ireland and AmerUs in the US. Both businesses were acquired in 2006.

6. Operations classified as held for sale

The assets and liabilities of operations classified as held for sale as at 30 June 2007 were as follows:

	30 June 2007 £m	30 June 2006 £m	31 December 2006 £m
Investments and property and equipment	52	354	-
Receivables and other financial assets	1,062	506	-
Deferred acquisition costs and other assets	74	31	-
Cash and cash equivalents	73	117	-
Total assets	**1,261**	**1,008**	**-**
Gross insurance liabilities	(871)	(682)	-
Payables and financial liabilities	(68)	(48)	-
Other liabilities	(111)	(98)	-
Total liabilities	**(1,050)**	**(828)**	**-**
Net assets	**211**	**180**	**-**

The RAC non-core businesses that were held for sale at 30 June 2006 were disposed of during the second half of that year.

(a) Turkish life business

On 8 June 2007, Aviva announced that it had signed an agreement with Aksigorta AŞ ("Aksigorta"), the insurance company of the Sabancı Holding Group, to form a new Turkish life and pensions company. Under the terms of the agreement, Aviva's Turkish life and pensions business, Aviva Hayat ve Emeklilik A.Ş. ("Aviva HE") will merge with Ak Emeklilik A.Ş. ("Ak E"), Aksigorta's life and pensions business. The joint venture will enter into an exclusive long-term bancassurance agreement with Akbank TAŞ, Turkey's second-largest privately-owned bank. The transaction is subject to regulatory approval and is expected to complete in the fourth quarter of 2007.

Aviva and Sabancı will jointly control the joint venture through equal shareholdings. As a result, the relevant assets and liabilities of Aviva HE have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2007.

(b) Dutch health insurance business

On 16 July 2007, the Group announced that its Dutch subsidiary, Delta Lloyd Group ("DL"), had reached an agreement to sell its health insurance business to OWM CZ Groep Zorgverkeraar UA ("CZ"), a mutual health insurer, and create a long-term alliance for the cross-selling of insurance products. Under the terms of the agreement, CZ will purchase the DL health insurance business and take on its underwriting risk and policy administration. DL will continue to market and distribute health insurance products from CZ to its existing customers, and to provide asset management for the transferred business. DL will also have exclusive rights to market life, general insurance and income protection products to CZ's customers. The transaction is expected to take effect on 1 January 2008, subject to regulatory, competition and other relevant approvals.

The relevant assets and liabilities of the DL health insurance business have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2007.

On an EEV basis, assets held for sale include the value of internally-generated in-force business of £36 million in Turkey. Total assets in the consolidated balance sheet on an EEV basis for the Turkish and Dutch businesses held for sale are therefore £1,297 million.

7. Geographical analysis of long-term business IFRS operating profit

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
With-profit	85	68	147
Non-profit	218	145	536
United Kingdom	**303**	**213**	**683**
France	138	116	273
Ireland	40	31	60
Italy	41	28	79
Netherlands (including Belgium and Germany)	254	225	458
Poland	60	56	108
Spain	63	48	126
Other Europe	(14)	(7)	(16)
Europe	**582**	**497**	**1,088**
North America	**165**	**(15)**	**71**
Asia	5	(3)	10
Australia	26	18	44
Asia Pacific	**31**	**15**	**54**
Total	**1,081**	**710**	**1,896**

8. Geographical analysis of fund management operating profit

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
UK business	33	23	62
International business	8	8	14
Morley	41	31	76
The Royal Bank of Scotland Group	(4)	(4)	(7)
Norwich Union investment funds	-	(1)	1
United Kingdom	**37**	**26**	**70**
France	16	16	33
Netherlands	11	13	37
Other Europe	2	1	3
Europe	**29**	**30**	**73**
North America	**1**	**1**	**3**
Asia Pacific	**9**	**4**	**9**
Total	**76**	**61**	**155**

9. Geographical analysis of general insurance and health

(a) Operating result

	Operating profit			Underwriting result		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom[1]	**284**	**566**	**1,112**	**(46)**	**222**	**388**
France	31	27	63	-	(1)	6
Ireland	80	88	172	53	63	121
Netherlands	70	80	139	29	34	50
Other	22	19	43	6	3	12
Europe	**203**	**214**	**417**	**88**	**99**	**189**
North America	**70**	**85**	**148**	**5**	**24**	**27**
Asia Pacific	**3**	**1**	**3**	**2**	**1**	**3**
Total	**560**	**866**	**1,680**	**49**	**346**	**607**
Analysed by:						
General insurance	574	862	1,652	92	373	639
Health	(14)	4	28	(43)	(27)	(32)
Total	**560**	**866**	**1,680**	**49**	**346**	**607**

1. The United Kingdom includes the operating profit of Aviva Re, previously shown in the 'International' segment which no longer exists. Comparatives have been restated accordingly (see page 51).

(b) Investment return information

	Actual investment return credited to income			Longer-term investment return		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**302**	**294**	**651**	**330**	**344**	**724**
France	17	17	35	31	28	57
Ireland	23	22	41	27	25	51
Netherlands	37	37	72	41	46	89
Other	10	9	17	16	16	31
Europe	**87**	**85**	**165**	**115**	**115**	**228**
North America	**55**	**50**	**98**	**65**	**61**	**121**
Asia Pacific	**-**	**-**	**1**	**1**	**-**	**-**
Total longer-term investment return				**511**	**520**	**1,073**
Total actual investment income	**444**	**429**	**915**			
Realised gains	160	110	281			
Unrealised (losses)/gains	(56)	(224)	26			
Total actual investment return	**548**	**315**	**1,222**			

The total short-term favourable fluctuation in investment return of £37 million (six months 30 June 2006: £205 million adverse; full year 2006: £149 million favourable) is the difference between the total actual investment return of £548 million (six months 30 June 2006: £315 million; full year 2006: £1,222 million) and the total longer-term investment return of £511 million (six months 30 June 2006: £520 million; full year 2006: £1,073 million).

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

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

9. Geographical analysis of general insurance and health (continued)

(b) Investment return information (continued)

The Group has calculated the longer-term investment return for its general insurance and health business using the same start of year economic assumptions for equities and properties as those used for EEV reporting as shown on page 40 of this announcement.

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

	Longer-term rates of return Equities		Longer-term rates of return Properties	
	2007 %	2006 %	2007 %	2006 %
United Kingdom	7.6%	7.1%	6.6%	6.1%
France	7.0%	6.3%	6.0%	5.3%
Ireland	7.0%	6.3%	6.0%	5.3%
Netherlands	7.0%	6.3%	6.0%	5.3%
Canada	7.1%	7.0%	6.1%	6.0%

The table below shows the sensitivity of the Group's general insurance and health operating profit before tax to changes in the longer-term rates of return:

			6 months 2007 £m	6 months 2006 £m
Movement in investment return for	**By**	**Change in**	**By**	**By**
Equities	1% higher/lower	Group operating profit	32	31
Properties	1% higher/lower	Group operating profit	3	3

General insurance business only: geographical analysis

(c) Analysis of operating profit

	Operating profit			Longer-term investment return			Underwriting result		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**286**	**572**	**1,111**	**327**	**342**	**720**	**(41)**	**230**	**391**
France	27	23	47	25	22	45	2	1	2
Ireland	80	88	172	27	25	51	53	63	121
Netherlands	86	74	128	21	23	45	65	51	83
Other Europe	22	19	43	16	16	31	6	3	12
Europe	**215**	**204**	**390**	**89**	**86**	**172**	**126**	**118**	**218**
North America	**70**	**85**	**148**	**65**	**61**	**121**	**5**	**24**	**27**
Asia Pacific	**3**	**1**	**3**	**1**	**-**	**-**	**2**	**1**	**3**
Total	**574**	**862**	**1,652**	**482**	**489**	**1,013**	**92**	**373**	**639**

(d) Combined operating ratio analysis – geographical basis – general insurance business only

	Claims ratio			Expense ratio			Combined operating ratio		
	6 months 2007 %	6 months 2006 %	Full year 2006 %	6 months 2007 %	6 months 2006 %	Full year 2006 %	6 months 2007 %	6 months 2006 %	Full year 2006 %
United Kingdom	64.5%	58.5%	58.7%	13.6%	11.9%	13.9%	102%	92%	95%
France	73.4%	72.6%	73.0%	8.9%	9.5%	10.4%	97%	98%	99%
Ireland	54.5%	52.6%	55.8%	12.5%	11.6%	11.2%	78%	74%	77%
Netherlands	41.8%	50.2%	51.5%	14.1%	11.1%	17.8%	76%	82%	89%
Canada	67.2%	65.0%	66.7%	13.2%	12.6%	12.4%	99%	96%	98%
Total	**63.1%**	**60.1%**	**60.3%**	**12.9%**	**11.6%**	**13.7%**	**97%**	**92%**	**94%**

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.

9. Geographical analysis of general insurance and health (continued)

(e) General insurance business only: class of business analyses

(i) United Kingdom (excluding Group reinsurance)

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 %	6 months 2006 %	Full year 2006 %
Personal									
Motor	706	889	1,631	(12)	(33)	(39)	103%	105%	104%
Homeowner	625	629	1,262	(177)	88	23	126%	87%	98%
Other	355	348	694	18	9	50	101%	98%	100%
	1,686	1,866	3,587	(171)	64	34	111%	97%	102%
Commercial									
Motor	338	341	638	43	19	40	85%	94%	94%
Property	403	434	826	2	113	194	100%	76%	79%
Other	272	257	532	79	37	115	70%	86%	78%
	1,013	1,032	1,996	124	169	349	86%	84%	83%
Total	**2,699**	**2,898**	**5,583**	**(47)**	**233**	**383**	**102%**	**92%**	**95%**

During the six months to 30 June 2007, annualised rating increases were as follows: personal motor 8%; homeowner 5% (including indexation); commercial motor 2% decrease; commercial property 2% decrease; commercial liability 6% decrease.

(ii) France

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 %	6 months 2006 %	6 monthsFul l year 2007 %
Motor	147	144	256	(2)	(10)	-	99%	104%	99%
Property and other	189	197	308	4	11	2	96%	93%	97%
Total	**336**	**341**	**564**	**2**	**1**	**2**	**97%**	**98%**	**99%**

(iii) Netherlands

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 %	6 months 2006 %	Full year 2006 %
Motor	131	102	238	19	17	13	83%	82%	96%
Property	138	140	252	7	21	29	89%	79%	88%
Liability	34	58	67	3	-	2	82%	98%	97%
Other	142	111	176	36	13	39	52%	77%	76%
Total	**445**	**411**	**733**	**65**	**51**	**83**	**76%**	**82%**	**89%**

(iv) Canada

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 %	6 months 2006 %	Full year 2006 %
Motor	376	448	821	1	6	11	100%	98%	99%
Property	204	197	413	3	11	6	98%	96%	98%
Liability	73	68	133	(2)	1	3	97%	98%	98%
Other	12	11	22	3	6	7	68%	63%	60%
Total	**665**	**724**	**1,389**	**5**	**24**	**27**	**99%**	**96%**	**98%**

10. Analysis of other operations' operating result

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RAC	6	20	45
UK Life			
- Norwich Union Life Services	(20)	(42)	(50)
- Lifetime and SIPP	(18)	(6)	(29)
Other	(40)	17	(46)
Total	**(72)**	**(11)**	**(80)**

11. Corporate Centre

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Staff profit share and other incentive schemes	(12)	(7)	(17)
Central costs	(68)	(66)	(143)
Total	**(80)**	**(73)**	**(160)**

12. Group debt costs and other interest

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
External			
Subordinated debt	(88)	(84)	(169)
Other	(41)	(25)	(61)
Internal	(93)	(106)	(228)
Net finance income on pension schemes	32	38	77
Total	**(190)**	**(177)**	**(381)**

13. Tax

(a) Tax charged to the income statement

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Current tax:			
For the period	329	417	1,022
Prior year adjustments	(77)	(118)	(287)
Total current tax	**252**	**299**	**735**
Deferred tax:			
Origination and reversal of temporary differences	145	132	221
Changes in tax rates or tax laws	(99)	-	(7)
Write down of deferred tax assets	31	-	(15)
Total deferred tax	**77**	**132**	**199**
Total tax charged to income statement	**329**	**431**	**934**
Analysed between:			
Tax charge attributable to policyholders' returns	21	112	346
Tax charge on IFRS operating profit before tax attributable to shareholders' profits from continuing operations	378	370	725
Tax credit on profit on other activities	(70)	(51)	(137)
	329	**431**	**934**

The Group, as a proxy for policyholders in the UK, Ireland and Australia, is required to record taxes on investment income and gains each year. Accordingly, the tax benefit or expense attributable to UK, Irish and Australian life insurance policyholder returns is included in the tax charge.

13. Tax (continued)

(b) Tax charged to equity

(i) The total tax charge/(credit) comprises:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Current tax credit	(1)	-	(9)
Deferred tax charge	231	104	14
Total tax charged to equity	**230**	**104**	**5**

(ii) The tax expense attributable to policyholders' returns included in the charge above is £1 million (six months to 30 June 2006: £2 million credit; full year 2006: nil).

(c) Tax reconciliation

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

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Profit before tax	**1,219**	**1,360**	**3,323**
Tax calculated at standard UK corporation tax rate of 30% (2006: 30%)	366	408	997
Different basis of tax for UK life insurance	-	78	209
Adjustment to tax charge in respect of prior years	(77)	(125)	(287)
Non-assessable dividends	(61)	(26)	(55)
Non-taxable profit on sale of subsidiaries and associates	(2)	(33)	(80)
Disallowable expenses	17	24	46
Different local basis of tax on overseas profits	53	204	201
Reduction in future UK tax rate (net of movement in unallocated divisible surplus)	(69)	-	-
Deferred tax valuation difference	108	(91)	(60)
Other	(6)	(8)	(37)
Tax charged to the income statement	**329**	**431**	**934**

14. Earnings per share

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Profit for the period	890	929	2,389
Amount attributable to minority interests	(83)	(73)	(174)
Cumulative preference dividends for the period	(9)	(9)	(17)
Coupon payments on direct capital instrument net of tax	-	-	(37)
Profit attributable to ordinary shareholders	**798**	**847**	**2,161**

14. Earnings per share (continued)

(a) Basic earnings per share (continued)

(ii) Basic earnings per share is calculated as follows:

	6 months 2007			**6 months 2006**			**Full year 2006**		
	Before tax £m	**Net of tax, minorities and preference dividends and DCI appropriation £m**	**Per share p**	**Before tax £m**	**Net of tax, minorities and preference dividends and DCI appropriation £m**	**Per share p**	**Before tax £m**	**Net of tax, minorities and preference dividends and DCI appropriation £m**	**Per share p**
Operating profit attributable to ordinary shareholders	1,375	893	34.7	1,376	924	38.5	3,110	2,146	86.9
Adjusted for the following:									
– Impairment of goodwill	(3)	(3)	(0.1)	-	-	-	(94)	(94)	(3.8)
– Amortisation and net impairment of acquired value of in-force business	(114)	(82)	(3.2)	(33)	(33)	(1.4)	(100)	(83)	(3.4)
– Amortisation and net impairment of intangibles	(52)	(34)	(1.3)	(19)	(16)	(0.7)	(70)	(48)	(1.9)
– Financial Services Compensation Scheme and other levies	-	-	-	6	4	0.2	6	4	0.2
– Short-term fluctuation on return on investments backing general insurance and health business	37	53	2.1	(205)	(147)	(6.1)	149	189	7.7
– (Loss)/profit on the disposal of subsidiaries and associates	(5)	(2)	(0.1)	147	136	5.7	222	235	9.5
– Integration and restructuring costs	(40)	(27)	(1.1)	(24)	(21)	(0.9)	(246)	(188)	(7.7)
Profit attributable to ordinary shareholders	**1,198**	**798**	**31.0**	**1,248**	**847**	**35.3**	**2,977**	**2,161**	**87.5**

Earnings per share has been calculated based on the operating profit before impairment of goodwill and other non-operating items, after tax, attributable to ordinary shareholders, as well as on the profit attributable to ordinary shareholders. The directors believe the former earnings per share figures provide a better indication of operating performance.

The calculation of basic earnings per share uses a weighted average of 2,571 million (six months 30 June 2006: 2,401 million; full year 2006: 2,469 million) ordinary shares in issue, after deducting shares owned by the employee share trusts. The actual number of shares in issue at 30 June 2007 was 2,595 million (30 June 2006: 2,415 million; 31 December 2006: 2,566 million).

14. Earnings per share (continued)

(b) Diluted earnings per share

Diluted earnings per share is calculated as follows:

	6 months 2007			6 months 2006			Full year 2006		
	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p
Profit attributable to ordinary shareholders	798	2,571	31.0	847	2,401	35.3	2,161	2,469	87.5
Dilutive effect of share awards and options	-	27	(0.3)	-	22	(0.3)	-	27	(0.9)
Diluted earnings per share	**798**	**2,598**	**30.7**	**847**	**2,423**	**35.0**	**2,161**	**2,496**	**86.6**

Diluted earnings per share on an operating profit attributable to ordinary shareholders is 34.4 pence (six months 30 June 2006: 38.1 pence; full year 2006: 86.0 pence).

15. Dividends and appropriations

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Ordinary dividends declared and charged to equity in the year			
Final 2005 - 17.44 pence per share, paid on 17 May 2006	-	418	418
Interim 2006 - 10.82 pence per share, paid on 17 November 2006	-	-	275
Final 2006 - 19.18 pence per share, paid on 18 May 2007	492	-	-
	492	418	693
Preference dividends declared and charged to equity in the year	9	9	17
Coupon payments on direct capital instrument - gross of tax	-	-	52
	501	**427**	**762**

Subsequent to 30 June 2007, the directors proposed an interim dividend for 2007 of 11.90 pence per ordinary share (six months 30 June 2006: 10.82 pence), amounting to £309 million (six months 30 June 2006: £275 million) in total. The dividend will be paid on 16 November 2007 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2007.

Interest on the direct capital instrument issued in November 2004 is treated as an appropriation of retained profits and, accordingly, it is accounted for when paid. Tax relief will be obtained at a rate of 30%.

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 8 August 2007.

16. Segmental information

(a) Segmental results – primary reporting format - business segments

The principal activity of the Group is financial services, which is managed using the following reportable segments: long-term business, fund management, general insurance and health.

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

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

16. Segmental information (continued)

(a) Segmental results – primary reporting format - business segments (continued)

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

Other
Other activities not related to the core business segments or which are not reportable segments due to their immateriality, such as the RAC non-insurance operations, our banking businesses and service companies are included as "Other" in the following tables. Head office expenses, such as Group treasury and finance functions are also reported as "Other", together with eliminations and any other reconciling items. Certain financing costs and taxes are not allocated among the segments.

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

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

(b) Segmental results of the income statement – primary reporting format - business segments for the six months ended 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
Net written premiums	9,007	-	5,498	-	14,505
Net change in provision for unearned premiums	-	-	(237)	-	(237)
Net earned premiums	9,007	-	5,261	-	14,268
Fee and commission income	382	228	89	220	919
	9,389	228	5,350	220	15,187
Net investment income	6,098	11	538	199	6,846
Inter-segment revenue	-	74	-	-	74
(Loss)/profit on the disposal of subsidiaries and associates	-	-	(7)	2	(5)
Segment income	**15,487**	**313**	**5,881**	**421**	**22,102**
Claims and benefits paid, net of recoveries from reinsurers	(9,690)	-	(3,617)	-	(13,307)
Change in insurance liabilities, net of reinsurance	(708)	-	70	-	(638)
Change in investment contract provisions	(2,466)	-	-	-	(2,466)
Change in unallocated divisible surplus	27	-	-	-	27
Fee and commission expense	(704)	(64)	(1,437)	(32)	(2,237)
Other operating expenses					
Depreciation	(5)	(1)	(4)	(41)	(51)
Amortisation of acquired value of in-force business	(108)	-	-	-	(108)
Amortisation and net impairment of intangible assets	(31)	(2)	(11)	(8)	(52)
Impairment of goodwill	-	(3)	-	-	(3)
Other impairment losses recognised in the income statement	(19)	-	-	(2)	(21)
Inter-segment expense	(70)	-	(4)	-	(74)
Other expenses	(521)	(168)	(330)	(408)	(1,427)
Finance costs	(165)	-	-	(152)	(317)
Segment expenses	**(14,460)**	**(238)**	**(5,333)**	**(643)**	**(20,674)**
Segment result before share of profit/(loss) of joint ventures and associates	1,027	75	548	(222)	1,428
Share of profit/(loss) of joint ventures and associates	(78)	(4)	3	(1)	(80)
Segmental result before tax	**949**	**71**	**551**	**(223)**	**1,348**
Unallocated costs:					
Finance costs on central borrowings					(129)
Tax attributable to policyholders' returns					(21)
Tax attributable to shareholders' profits					(308)
Total unallocated expenses					(458)
Profit for the period					**890**

16. Segmental information (continued)

(b) Segmental results of the income statement – primary reporting format - business segments for the six months ended 30 June 2007 (continued)

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**949**	**71**	**551**	**(223)**	**1,348**
Finance costs on central borrowings	-	-	(1)	(128)	(129)
Adjusted for the following items:					
Impairment of goodwill	-	3	-	-	3
Amortisation and impairment of acquired value of in-force business	114	-	-	-	114
Amortisation and impairment of intangible assets	31	2	11	8	52
Short-term fluctuation in return on investments backing general insurance and health business	-	-	(37)	-	(37)
Loss/(profit) on the disposal of subsidiaries and associates	-	-	7	(2)	5
Integration and restructuring costs	8	-	26	6	40
Group debt costs, other interest and corporate centre reallocation	-	-	3	(3)	-
	1,102	76	560	(342)	1,396
Less:					
Tax attributable to policyholders' returns	(21)	-	-	-	(21)
Operating profit before tax attributable to shareholders' profits	**1,081**	**76**	**560**	**(342)**	**1,375**

16. Segmental information (continued)

(c) Segmental results of the income statement – primary reporting format - business segments for the six months ended 30 June 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
Net written premiums	8,057	-	5,650	-	13,707
Net change in provision for unearned premiums	-	-	(222)	-	(222)
Net earned premiums	8,057	-	5,428	-	13,485
Fee and commission income	318	170	87	330	905
	8,375	170	5,515	330	14,390
Net investment income	2,383	6	349	116	2,854
Inter-segment revenue	-	85	-	-	85
(Loss)/profit on the disposal of subsidiaries and associates	(3)	-	90	60	147
Segment income	**10,755**	**261**	**5,954**	**506**	**17,476**
Claims and benefits paid, net of recoveries from reinsurers	(7,659)	-	(3,378)	-	(11,037)
Change in insurance liabilities, net of reinsurance	197	-	(99)	-	98
Change in investment contract provisions	(1,826)	-	-	-	(1,826)
Change in unallocated divisible surplus	623	-	-	-	623
Fee and commission expense	(788)	(50)	(1,337)	(13)	(2,188)
Other operating expenses					
Depreciation	(7)	(2)	(11)	(41)	(61)
Amortisation of acquired value of in-force business	(16)	-	-	-	(16)
Net impairment of acquired value of in-force business	(10)	-	-	-	(10)
Amortisation and net impairment of intangible assets	(9)	-	(6)	(4)	(19)
Inter-segment expense	(69)	-	(4)	(12)	(85)
Other expenses	(505)	(144)	(364)	(421)	(1,434)
Finance costs	(126)	-	(3)	(146)	(275)
Segment expenses	**(10,195)**	**(196)**	**(5,202)**	**(637)**	**(16,230)**
Segment result before share of profit/(loss) of joint ventures and associates	**560**	**65**	**752**	**(131)**	**1,246**
Share of profit/(loss) of joint ventures and associates	213	(4)	-	14	223
Segmental result before tax	**773**	**61**	**752**	**(117)**	**1,469**
Unallocated costs:					
Finance costs on central borrowings					(109)
Tax attributable to policyholders' returns					(112)
Tax attributable to shareholders' profits					(319)
Total unallocated costs					(540)
Profit for the period					**929**

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

16. Segmental information (continued)

(c) Segmental results of the income statement – primary reporting format - business segments for the six months ended 30 June 2006 (continued)

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**773**	**61**	**752**	**(117)**	**1,469**
Finance costs on central borrowings	-	-	-	(109)	(109)
Adjusted for the following items:					
Amortisation and impairment of acquired value of in-force business	33	-	-	-	33
Amortisation and impairment of intangible assets	9	-	6	4	19
Short-term fluctuation in return on investments backing general insurance and health business	-	-	205	-	205
Loss/(profit) on the disposal of subsidiaries and associates	3	-	(90)	(60)	(147)
Financial Services Compensation Scheme levy	-	-	(6)	-	(6)
Integration and restructuring costs	3	-	2	19	24
Group debt costs, other interest and corporate centre reallocation	1	-	(3)	2	-
	822	61	866	(261)	1,488
Less:					
Tax attributable to policyholders' returns	(112)	-	-	-	(112)
Operating profit before tax attributable to shareholders' profits	**710**	**61**	**866**	**(261)**	**1,376**

16. Segmental information (continued)

(d) Segmental results of the income statement – primary reporting format - business segments for the year ended 31 December 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
Net written premiums	16,532	-	10,702	-	27,234
Net change in provision for unearned premiums	-	-	93	-	93
Net earned premiums	16,532	-	10,795	-	27,327
Fee and commission income	630	452	172	616	1,870
	17,162	452	10,967	616	29,197
Net investment income	13,928	17	1,299	229	15,473
Inter-segment revenue	-	199	-	-	199
Profit on the disposal of subsidiaries and associates	12	-	88	122	222
Segment income	**31,102**	**668**	**12,354**	**967**	**45,091**
Claims and benefits paid, net of recoveries from reinsurers	(16,523)	-	(6,921)	-	(23,444)
Change in insurance liabilities, net of reinsurance	(2,594)	-	(26)	-	(2,620)
Change in investment contract provisions	(6,002)	-	-	-	(6,002)
Change in unallocated divisible surplus	(558)	-	-	-	(558)
Fee and commission expense	(2,125)	(111)	(2,742)	(65)	(5,043)
Other operating expenses					
Depreciation	(12)	(3)	(19)	(89)	(123)
Amortisation of acquired value of in-force business	(58)	-	-	-	(58)
Net impairment of acquired value of in-force business	(28)	-	-	-	(28)
Amortisation and net impairment of intangible assets	(32)	(1)	(18)	(19)	(70)
Impairment of goodwill	-	-	-	(94)	(94)
Other impairment losses recognised in the income statement	6	-	(5)	(1)	-
Inter-segment expense	(190)	-	(8)	(1)	(199)
Other expenses	(990)	(392)	(806)	(996)	(3,184)
Finance costs	(367)	-	(3)	(230)	(600)
Segment expenses	**(29,473)**	**(507)**	**(10,548)**	**(1,495)**	**(42,023)**
Segment result before share of profit/(loss) of joint ventures and associates	1,629	161	1,806	(528)	3,068
Share of profit/(loss) of joint ventures and associates	471	(7)	5	16	485
Segmental result before tax	**2,100**	**154**	**1,811**	**(512)**	**3,553**
Unallocated costs:					
Finance costs on central borrowings					(230)
Tax attributable to policyholders' returns					(346)
Tax attributable to shareholders' profits					(588)
Total unallocated costs					(1,164)
Profit for the period					**2,389**

Finance costs on central borrowings comprise interest payable on borrowings by holding companies within the Group which are not allocated to operating companies.

16. Segmental information (continued)

(d) Segmental results of the income statement – primary reporting format - business segments for the year ended 31 December 2006 (continued)

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**2,100**	**154**	**1,811**	**(512)**	**3,553**
Finance costs on central borrowings	-	-	(2)	(228)	(230)
Adjusted for the following items:					
Impairment of goodwill	-	-	-	94	94
Amortisation and impairment of acquired value of in-force business	100	-	-	-	100
Amortisation and impairment of intangible assets	32	1	18	19	70
Financial Services Compensation Scheme levy	-	-	(6)	-	(6)
Short-term fluctuation in return on assets backing general insurance and health business	-	-	(149)	-	(149)
Profit on the disposal of subsidiaries and associates	(12)	-	(88)	(122)	(222)
Integration and restructuring costs	21	-	95	130	246
Group debt costs, other interest and corporate centre reallocation	1	-	1	(2)	-
	2,242	155	1,680	(621)	3,456
Less:					
Tax attributable to policyholders' returns	(346)	-	-	-	(346)
Operating profit before tax attributable to shareholders' profits	**1,896**	**155**	**1,680**	**(621)**	**3,110**

(e) Segmental balance sheet – primary reporting format – business segments as at 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	1,309	6	398	1,199	2,912
Acquired value of in-force business and intangible assets	2,404	16	276	140	2,836
Investments in joint ventures and associates	3,304	49	-	95	3,448
Property and equipment	396	6	65	390	857
Investment property	15,317	-	340	25	15,682
Loans	18,929	-	685	7,197	26,811
Financial investments					
Debt securities	100,062	3	7,532	2,066	109,663
Equity securities	55,151	32	2,745	996	58,924
Other investments	35,822	8	474	213	36,517
Other assets	28,187	500	11,642	1,548	41,877
Segment assets	**260,881**	**620**	**24,157**	**13,869**	**299,527**
Unallocated assets – tax assets					1,033
Total assets					**300,560**
Insurance liabilities	126,943	-	17,744	-	144,687
Liability for investment contracts	92,101	-	-	-	92,101
Unallocated divisible surplus	9,489	-	-	-	9,489
Net asset value attributable to unitholders	3,935	5	50	-	3,990
External borrowings	3,797	-	11	4,182	7,990
Other liabilities, including inter-segment liabilities	9,146	280	351	8,634	18,411
Segment liabilities	**245,411**	**285**	**18,156**	**12,816**	**276,668**
Unallocated liabilities					
Central borrowings					4,206
Tax liabilities					4,170
Total liabilities					**285,044**
Total equity					**15,516**
Total equity and liabilities					**300,560**

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

16. Segmental information (continued)

(f) Segmental balance sheet – primary reporting format - business segments as at 30 June 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	661	8	400	1,267	2,336
Acquired value of in-force business and intangible assets	590	19	286	109	1,004
Investments in joint ventures and associates	3,138	45	39	95	3,317
Property and equipment	386	3	126	368	883
Investment property	13,725	-	348	38	14,111
Loans	17,720	-	637	6,122	24,479
Financial investments					
Debt securities	89,195	1	7,776	2,479	99,451
Equity securities	50,852	12	2,810	1,030	54,704
Other investments	30,262	7	451	62	30,782
Other assets	24,871	445	11,163	2,780	39,259
Segment assets	**231,400**	**540**	**24,036**	**14,350**	**270,326**
Unallocated assets – tax assets					741
Total assets					**271,067**
Insurance liabilities	114,934	-	18,134	-	133,068
Liability for investment contracts	82,856	-	-	-	82,856
Unallocated divisible surplus	8,235	-	-	-	8,235
Net asset value attributable to unitholders	3,080	-	-	-	3,080
External borrowings	3,951	-	(1)	3,494	7,444
Other liabilities, including inter-segment liabilities	6,876	297	(58)	10,243	17,358
Segment liabilities	**219,932**	**297**	**18,075**	**13,737**	**252,041**
Unallocated liabilities					
Central borrowings					3,626
Tax liabilities					3,280
Total liabilities					**258,947**
Total equity					**12,120**
Total equity and liabilities					**271,067**

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

16. Segmental information (continued)

(g) Segmental balance sheet – primary reporting format - business segments as at 31 December 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	1,316	9	390	1,195	2,910
Acquired value of in-force business and intangible assets	2,301	18	287	122	2,728
Investments in joint ventures and associates	3,526	44	39	81	3,690
Property and equipment	416	4	94	390	904
Investment property	14,714	-	384	25	15,123
Loans	18,805	-	735	6,905	26,445
Financial investments					
Debt securities	102,815	3	7,933	2,290	113,041
Equity securities	52,782	19	2,858	1,103	56,762
Other investments	32,453	8	457	132	33,050
Other assets	24,383	534	9,755	1,854	36,526
Segment assets	**253,511**	**639**	**22,932**	**14,097**	**291,179**
Unallocated assets – tax assets					1,543
Total assets					**292,722**
Insurance liabilities	126,224	-	18,006	-	144,230
Liability for investment contracts	88,358	-	-	-	88,358
Unallocated divisible surplus	9,465	-	-	-	9,465
Net asset value attributable to unitholders	3,786	1	23	-	3,810
External borrowings	3,894	-	11	4,037	7,942
Other liabilities, including inter-segment liabilities	6,999	313	(712)	9,719	16,319
Segment liabilities	**238,726**	**314**	**17,328**	**13,756**	**270,124**
Unallocated liabilities					
Central borrowings					4,195
Tax liabilities					4,339
Total liabilities					**278,658**
Total equity					**14,064**
Total equity and liabilities					**292,722**

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

(h) Assets under management

	Life and related business 30 June 2007 £m	General business and other 30 June 2007 £m	Group 30 June 2007 £m	Group 31 December 2006 £m
Total IFRS assets included in the balance sheet	**261,591**	**38,969**	**300,560**	**292,722**
Additional value of in-force long-term business	7,219	-	7,219	6,794
Total EEV assets included in the balance sheet	**268,810**	**38,969**	**307,779**	**299,516**
Third party funds under management:				
Unit trusts, Oeics, Peps and Isas			22,637	20,574
Segregated funds			46,184	43,672
Total assets under management			**376,600**	**363,762**

16. Segmental information (continued)

(i) Goodwill allocation and impairment testing

IFRS requires formal impairment testing to be carried out annually. For impairment testing, goodwill and intangibles with indefinite useful lives have been allocated to cash-generating units by geographical reporting unit and business segment. The carrying amount of goodwill and intangible assets with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value. A small impairment charge of £3 million (2006: £nil) was booked in the first half of the year.

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

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**2,427**	**2,309**	**5,300**	**105**	**81**	**140**	**302**	**312**	**970**
France	1,780	2,015	3,573	100	90	179	131	109	259
Ireland	171	182	397	34	26	64	37	10	52
Italy	568	1,053	1,919	38	32	69	40	27	76
Netherlands (including Belgium and Germany)	1,173	1,153	2,079	15	15	21	249	223	453
Poland	224	205	395	31	26	55	59	56	108
Spain	816	610	1,266	31	25	56	58	41	113
Other Europe	99	74	159	2	3	3	(13)	(7)	(16)
Europe	**4,831**	**5,292**	**9,788**	**251**	**217**	**447**	**561**	**459**	**1,045**
North America	**1,473**	**275**	**932**	**5**	**-**	**4**	**52**	**(15)**	**17**
Asia Pacific	**276**	**181**	**512**	**21**	**20**	**39**	**34**	**17**	**68**
Total	**9,007**	**8,057**	**16,532**	**382**	**318**	**630**	**949**	**773**	**2,100**

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

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
RBSG	124	133	236
India	25	16	31
China	39	13	38
	188	**162**	**305**

16. Segmental information (continued)

(j) Long-term business summary analysis by geographical segment (continued)

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2007 £m	30 June 2006 £m	31 Dec 2006 £m	30 June 2007 £m	30 June 2006 £m	31 Dec 2006 £m
United Kingdom	**125,983**	**118,278**	**123,974**	**4,737**	**4,316**	**4,809**
France	48,283	46,303	46,547	1,414	1,324	1,355
Ireland	11,275	10,524	10,951	1,061	1,033	1,040
Italy	11,854	11,322	11,828	607	563	613
Netherlands (including Belgium and Germany)	29,452	28,840	28,340	3,308	2,513	2,922
Poland	2,627	1,840	2,232	220	160	216
Spain	7,043	6,458	6,641	1,087	826	862
Other Europe	492	480	483	57	58	65
Europe	**111,026**	**105,767**	**107,022**	**7,754**	**6,477**	**7,073**
North America	**19,610**	**3,816**	**18,828**	**2,495**	**295**	**2,470**
Asia Pacific	**4,262**	**3,539**	**3,687**	**484**	**380**	**433**
Total	**260,881**	**231,400**	**253,511**	**15,470**	**11,468**	**14,785**

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

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
United Kingdom	**2,950**	**3,132**	**6,000**	**81**	**66**	**157**	**314**	**502**	**1,130**
France	421	435	735	-	-	-	37	9	77
Ireland	245	251	519	1	-	1	90	181	297
Netherlands	1,055	955	1,755	-	15	-	60	11	107
Other Europe	148	142	278	2	2	3	2	8	26
Europe	**1,869**	**1,783**	**3,287**	**3**	**17**	**4**	**189**	**209**	**507**
North America	**665**	**724**	**1,389**	**4**	**4**	**10**	**48**	**40**	**169**
Asia Pacific	**14**	**11**	**26**	**1**	**-**	**1**	**-**	**1**	**5**
Total	**5,498**	**5,650**	**10,702**	**89**	**87**	**172**	**551**	**752**	**1,811**

16. Segmental information (continued)

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

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2007 £m	30 June 2006 £m	31 Dec 2006 £m	30 June 2007 £m	30 June 2006 £m	31 Dec 2006 £m
United Kingdom	**12,960**	**13,043**	**12,548**	**3,568**	**3,623**	**3,216**
France	1,796	1,774	1,731	312	355	376
Ireland	1,823	1,863	1,765	523	504	444
Netherlands	3,274	2,991	2,775	655	514	630
Other Europe	810	835	803	265	275	266
Europe	**7,703**	**7,463**	**7,074**	**1,755**	**1,648**	**1,716**
North America	**3,446**	**3,469**	**3,250**	**649**	**668**	**647**
Asia Pacific	**48**	**61**	**60**	**29**	**22**	**25**
Total	**24,157**	**24,036**	**22,932**	**6,001**	**5,961**	**5,604**

17. Pension schemes

(a) Pension scheme deficits in consolidated balance sheet

On the consolidated balance sheet, the amount described as Provisions includes the pension scheme deficits and comprises:

	6 months30 June 2007 £m	6 months30 June 2006 £m	Full year31 December 2006 £m
Deficits in the staff pension schemes	131	784	1,029
Other obligations to staff pension schemes – Insurance policies issued by Group companies	1,117	1,057	1,086
Total IAS 19 obligations to staff pension schemes	1,248	1,841	2,115
Restructuring provisions	172	21	234
Other provisions	510	502	501
Total provisions	**1,930**	**2,364**	**2,850**

(b) Movements in the pension schemes' deficits comprise:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Deficits in the schemes at 1 January	(973)	(1,471)	(1,471)
Employer contributions	166	241	554
Charge to net operating expenses (see (c) below)	(107)	(70)	(160)
Credit to investment income	44	38	77
Actuarial gains	824	459	3
Acquisitions	(9)	-	(1)
Buy-outs and other transfers	-	18	18
Exchange rate movements in foreign plans	(3)	1	7
Deficits in the schemes at 30 June / 31 December	**(58)**	**(784)**	**(973)**

The current year surplus in the Irish schemes of £73 million (full year 2006: £56 million) is included in Other assets whilst the deficits in the other schemes of £131 million (full year 2006: £1,029 million) are included in provisions.

17. Pension schemes (continued)

(c) The pension expense for these schemes comprises:

	6 months 2007 £m	6 months 2006 £m	Full year 2006 £m
Current service cost	87	97	196
Past service cost	3	2	3
Loss/(gain) on curtailments	17	(29)	(39)
Charge to net operating expenses	107	70	160
Expected return on scheme assets	(300)	(265)	(530)
Less: income accounted for elsewhere	24	-	40
	(276)	(265)	(490)
Interest charge on scheme liabilities	256	227	453
Credit to investment income	(20)	(38)	(37)
Total charge to income	**87**	**32**	**123**
Expected return on scheme assets	300	265	530
Actual return on these assets	(319)	(133)	(800)
Actuarial (gains)/losses on scheme assets	(19)	132	(270)
Less: (losses)/gains accounted for elsewhere	(15)	-	19
Experience (gains)/losses arising on scheme liabilities	8	22	(63)
Changes in assumptions underlying the present value of the scheme liabilities	(813)	(613)	430
Loss on acquisitions	9	-	1
Actuarial (gains)/losses on the pension schemes	(830)	(459)	117
Less: Recoveries from unallocated divisible surplus and other movements	84	(14)	(3)
Actuarial (gains)/losses recognised in the statement of recognised income and expense	**(746)**	**(473)**	**114**

The cumulative amount of actuarial gains and losses on the pension schemes recognised in the statement of recognised income and expenses since 1 January 2004 (the date of transition to IFRS) is a gain of £21 million at 30 June 2007 (31 December 2006: loss of £809 million).

Appendix A

Group capital structure

A Group capital structure

The Group maintains an efficient capital 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 European Embedded Value basis provides a more relevant reflection of the performance of the Group's life operations year on year than results under IFRS. Accordingly, the Group's capital structure is analysed on this basis.

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

Capital employed by segment

	30 June 2007 £m	31 December 2006 £m
Long-term savings	20,517	19,664
General insurance and health	5,460	5,175
Other business	758	1,059
Corporate	(30)	(19)
Total capital employed	**26,705**	**25,879**
Financed by		
Equity shareholders' funds and minority interests	21,545	19,668
Direct capital instrument	990	990
Preference shares	200	200
Subordinated debt	2,949	2,937
External debt	1,257	1,258
Net internal debt	(236)	826
	26,705	**25,879**

At 30 June 2007 the Group had £26.7 billion (restated 31 December 2006: £25.9 billion) of total capital employed in our trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, direct capital instruments, subordinated debt and internal and external borrowings.

In the six months to 30 June 2007, the total capital employed increased by £0.8 billion reflecting growth in long-term saving operations; driven by operational results and the movement in equity markets over the period.

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.

The presentation of internal debt represents the upstream of internal loans from business operations to corporate and holding entities net of tangible assets held by these entities. The corporate net liabilities represent the element of the pension scheme deficit held centrally. Net internal debt has moved to a net asset position due to the timing of dividend upstreaming from subsidiaries and the restructuring of internal loan agreements.

The ratio of the Group's external debt plus subordinated debt to shareholders' funds was 18.5% (31 December 2006: 20%). Fixed charged cover on an EEV basis, which measures the extent to which external interest costs are covered by EEV operating profit, was 10.6 times (31 December 2006: 10.3 times).

At 30 June 2007 the market value of the Group's external debt, subordinated debt, preference shares, including both the Aviva plc preference shares and the General Accident plc preference shares of £250 million, within minority interests, and direct capital instrument was £5,696 million (31 December 2006: £5,991 million), with a weighted average cost of 4.3% (31 December 2006: 3.9%). The Group WACC is 7.6% and has been calculated by reference to the cost of equity and cost of debt at the relevant date. The cost of equity at 30 June 2007 was 8.5%, based on a risk free rate of 5.5%, an equity market premium of 3% and a market beta of 1.03.

A Group capital structure (continued)

Deployment of equity shareholders' funds

In order to better reflect shareholder risk the presentation of deployment of equity shareholders' funds has been revised at 30 June 2007. The objective of the revised presentation is to provide a better indication of shareholder market risk. In order to do this we have 'looked through' unitised investments which are classified as "other" within the IFRS balance sheet and made adjustments for minority holdings that are fully consolidated on the balance sheet. In addition, we have explicitly shown the market risks within the staff pension schemes.

	30 June 2007						31 December 2006
	Equities £m	Property £m	Cash, Loans & Debt securities £m	Other Invest-ments £m	Other net assets & Pension liability £m	Total £m	Total £m
Total assets included in the statutory IFRS balance sheet	**58,924**	**16,539**	**151,599**	**36,517**	**36,981**	**300,560**	**292,722**
Goodwill[1]					(3,129)	(3,129)	(3,127)
Acquired value of in-force business and intangible assets					(2,836)	(2,836)	(2,728)
Liabilities of the long-term, General & other businesses excluding pension fund deficit and debt	(50,962)	(13,943)	(146,161)	(32,361)	(37,589)	(281,016)	(272,664)
Minorities and other investments reclassification[2]	985	55	(672)	(3,100)	2,732	-	-
Shareholder assets	**8,947**	**2,651**	**4,766**	**1,056**	**(3,841)**	**13,579**	**14,203**
Pension fund	5,883	724	2,780	239	(9,684)	(58)	(973)
Adjusted shareholder assets	**14,830**	**3,375**	**7,546**	**1,295**	**(13,525)**	**13,521**	**13,230**
Goodwill[1]						3,129	3,127
Additional and acquired value of in-force long-term business and intangible assets[3]						10,055	9,522
Assets backing total capital employed in continuing operations						**26,705**	**25,879**
External debt						(1,257)	(1,258)
Net internal debt[4]						236	(826)
Subordinated debt						(2,949)	(2,937)
						22,735	20,858
Minority interests						(2,409)	(2,137)
Direct capital instrument						(990)	(990)
Preference capital						(200)	(200)
Equity shareholders' funds						**19,136**	**17,531**

Notes:
1. Includes goodwill relating to the joint venture with the Royal Bank of Scotland Group.
2. Minority and other investments reclassification represents the reallocation of unit trusts to their constituent parts net of net asset value attributable to unit holders.
3. Additional and acquired value of in-force long-term business and intangible assets includes £36 million internally-generated AVIF of Turkey Life, which is classified as held for sale at 30 June 2007.
4. Net internal debt represents the upstream of internal loans from business operations to corporate and holding entities net of tangible assets held by those entities.

A Group capital structure (continued)

Sensitivity analysis

The sensitivity of the Group's shareholders' funds on an EEV basis at 30 June 2007 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2006 £bn		30 June 2007 £bn	Equities down 10% £bn	Interest rates up 1% £bn
19.7	Long-term savings[1]	20.5	19.6	19.8
6.2	General insurance and other	6.2	5.6	6.0
(5.0)	Borrowings[2]	(4.0)	(4.0)	(4.0)
20.9	**Shareholders' funds**	**22.7**	**21.2**	**21.8**

These sensitivities assume a full tax charge/credit on market value assumptions.
1. Assumes EEV assumptions adjusted to reflect revised bond yields.
2. Comprising internal, external and subordinated debt, net of corporate tangible net assets.

The table above incorporates the effect on the value of the pension scheme assets of a 10% decrease in equity and a 1% increase in fixed income bond yields. The latter sensitivity also assumes an equivalent movement in both inflation and discount rate (i.e. no change to real interest rates) and, therefore, incorporates the offsetting effects of these items on the pension scheme liabilities. A 1% increase in the real interest rate only has the effect of reducing the pension scheme liability by £1.5 billion thereby enhancing shareholders' funds by £1.1 billion (after deducting tax).

Risk management – Equity hedges

The following table shows the material equity derivatives currently within the Group's shareholder funds that are used as part of a long-term strategy to manage equity risk. It excludes derivatives used for portfolio management purposes:

Derivative	Notional £bn[1]	Market fall required before protection starts[2]	Outstanding Duration
(a)	0.8	19%	3-5 months
(b)	0.4	17%	9-21 months

Notes:
1. The notional amount represents the market value as at 30 June 2007 of the equities covered by the hedge.
2. The 'market fall before protection starts' shows the percentage the market could fall from the 30 June 2007 positions before the derivative moves into the money.
3. We use different methods to reduce the cost of derivatives. We have limited the downside protection on derivative (a) and we have created a zero cost collar by selling some of the upside on derivative (b).

A Group capital structure (continued)

Shareholders' funds, including minority interests.

	Note	30 June 2007 Closing shareholders' funds IFRS net assets £m	Internally generated AVIF £m	Total equity £m	31 December 2006 Closing shareholders' funds IFRS net assets £m	Internally generated AVIF £m	Total equity £m
Life assurance	1,2						
United Kingdom		**3,150**	**3,687**	**6,837**	**3,326**	**3,403**	**6,729**
France		1,275	1,110	2,385	1,221	1,070	2,291
Ireland		983	64	1,047	971	48	1,019
Italy		703	140	843	688	115	803
Netherlands (including Belgium and Germany)		3,184	972	4,156	2,860	977	3,837
Poland		195	533	728	202	517	719
Spain		1,003	566	1,569	845	530	1,375
Other Europe		59	51	110	61	45	106
Europe		**7,402**	**3,436**	**10,838**	**6,848**	**3,302**	**10,150**
North America	5	**2,324**	**(35)**	**2,289**	**2,315**	**(27)**	**2,288**
Asia Pacific		**422**	**131**	**553**	**380**	**116**	**496**
		13,298	**7,219**	**20,517**	**12,869**	**6,794**	**19,663**
General insurance and health	1,2						
United Kingdom		**3,092**	**-**	**3,092**	**2,887**	**-**	**2,887**
France		271	-	271	333	-	333
Ireland		501	-	501	423	-	423
Netherlands		710	-	710	684	-	684
Other Europe		157	-	157	161	-	161
Europe		**1,639**	**-**	**1,639**	**1,601**	**-**	**1,601**
North America		**711**	**-**	**711**	**666**	**-**	**666**
Asia Pacific		**18**	**-**	**18**	**22**	**-**	**22**
		5,460	-	**5,460**	**5,176**	-	**5,176**
Other business	1,2	758	-	758	1,059	-	1,059
Corporate		(30)	-	(30)	(19)	-	(19)
External debt		(1,257)	-	(1,257)	(1,258)	-	(1,258)
Internal debt		236	-	236	(826)	-	(826)
Subordinated debt		(2,949)	-	(2,949)	(2,937)	-	(2,937)
		(3,242)	-	**(3,242)**	**(3,981)**	-	**(3,981)**
Shareholders' funds, including minority interests		**15,516**	**7,219**	**22,735**	**14,064**	**6,794**	**20,858**
Comprising:							
Equities		14,830	-	14,830	14,343	-	14,343
Property		3,375	-	3,375	3,263	-	3,263
Cash, loans and debt securities		7,546	-	7,546	7,102	-	7,102
Other investments		1,295	-	1,295	1,446	-	1,446
Other net assets and pension liability		(13,525)	-	(13,525)	(12,924)	-	(12,924)
Intangible assets	3	5,965	7,219	13,184	5,855	6,794	12,649
Borrowings		(3,970)	-	(3,970)	(5,021)	-	(5,021)
Shareholders' funds, including minority interests		**15,516**	**7,219**	**22,735**	**14,064**	**6,794**	**20,858**

Notes

IFRS net assets shown above include the allocation of tax assets and liabilities and hence differ from segmental net assets disclosed on pages 68 and 70.

1. Goodwill of £3,129 million (31 December 2006: £3,127 million) has been allocated as follows: life assurance £1,526 million (31 December 2006: £1,533 million); general insurance and health £398 million (31 December 2006: £390 million); other businesses £1,205 million (31 December 2006: £1,204 million).
2. Intangibles of £775 million (31 December 2006: £638 million) have been allocated as follows: life assurance £343 million (31 December 2006: £211 million); general insurance and health £276 million (31 December 2006: £287 million); other businesses £156 million (31 December 2006: £140 million).

A Group capital structure (continued)

Notes (continued)

3. Total intangible assets of £13,184 million (31 December 2006: £12,649 million) comprise goodwill of £3,129 million (31 December 2006: £3,127 million); acquired value of in-force long-term business and intangibles of £2,836 million (31 December 2006: £2,728 million) and additional value of in-force long-term business of £7,183 million (31 December 2006: £6,794 million). The associated deferred tax liability on the intangibles of £703 million (31 December 2006: £738 million) is included within other net assets.
4. The post-tax pension fund deficit of £28 million (31 December 2006: £673 million) has been allocated as follows: life operations £56 million (31 December 2006: £179 million), general insurance and health: £(59) million (31 December 2006: £458 million), other business £1 million (31 December 2006: £17 million) and corporate of £30 million (31 December 2006: £19 million).
5. AVIF is negative for the US life business due to the embedded value being below its balance sheet value on an IFRS basis. This is due to the cost of locked-in required capital under EEV which is not recognised under IFRS.
6. Internally generated AVIF of £7,219 million includes £36 million internally generated AVIF of Turkey Life which is classified as held for sale at 30 June 2007.

Analysis of return on capital employed
For the six months ended 30 June 2007

	Note	Operating return (Note 1) Before tax £m	Operating return (Note 1) After tax £m	Opening shareholders' funds including minority interests £m	Annualised return on Capital %
Life assurance					
United Kingdom		**413**	**290**	**6,729**	**8.8%**
France		225	147	2,291	13.2%
Ireland		37	32	1,019	6.4%
Italy		72	44	803	11.3%
Netherlands (including Belgium and Germany)		166	122	3,837	6.5%
Poland		71	58	719	16.8%
Spain		107	75	1,375	11.2%
Other Europe		1	1	106	1.9%
Europe		**679**	**479**	**10,150**	**9.7%**
North America		**112**	**73**	**2,288**	**6.5%**
Asia Pacific		**47**	**35**	**496**	**14.6%**
		1,251	**877**	**19,663**	**9.1%**
General insurance and health					
United Kingdom		**215**	**150**	**2,887**	**10.7%**
France		31	20	333	12.4%
Ireland		80	70	423	35.8%
Netherlands		70	51	684	15.5%
Other Europe		22	15	161	19.5%
Europe		**203**	**156**	**1,601**	**20.4%**
North America		**70**	**45**	**666**	**14.0%**
Asia Pacific		**3**	**2**	**22**	**19.0%**
		491	**353**	**5,176**	**14.1%**
Fund management		45	31	305	21.4%
Other business		(45)	(31)	754	(8.1)%
Corporate		(48)	3	(19)	(29.1)%
External debt		(41)	(29)	(1,258)	4.7%
Net internal debt	2	(24)	(17)	(826)	4.2%
Subordinated debt		(88)	(62)	(2,937)	4.3%
		1,541	**1,125**	**20,858**	**11.1%**
Less:					
Minority interests			(124)	(2,137)	11.9%
Direct capital instrument			-	(990)	-
Preference capital			(9)	(200)	8.5%
Return on equity shareholders' funds			**992**	**17,531**	**11.6%**

Notes

1. The operating return is based upon Group operating profit, which is stated before impairment of goodwill, amortisation of additional value of in-force business, exceptional items and tax including policyholder tax, adjusted for the short-term fluctuation in investment return.
2. The net internal debt return before tax of £(24) million comprises investment return of £69 million and Group internal debt costs and other interest of £(93) million.

A Group capital structure (continued)

Analysis of return on capital employed (continued)
For the year ended 31 December 2006

	Note	Operating return (Note 1) Before tax £m	After tax £m	Opening shareholders' funds including minority interests £m	Return on Capital %
Life assurance					
United Kingdom		**744**	**521**	**6,524**	**8.0%**
France		402	264	2,067	12.8%
Ireland		(40)	(35)	482	(7.3)%
Italy		110	68	727	9.3%
Netherlands (including Belgium and Germany)		329	235	3,055	7.7%
Poland		162	132	658	20.0%
Spain		221	143	1,228	11.7%
Other Europe		(13)	(10)	95	(10.5)%
Europe		**1,171**	**797**	**8,312**	**9.6%**
North America		**32**	**21**	**332**	**6.3%**
Asia Pacific		**86**	**64**	**430**	**14.9%**
		2,033	**1,403**	**15,598**	**9.0%**
General insurance and health					
United Kingdom		**957**	**670**	**2,907**	**23.0%**
France		63	41	362	11.3%
Ireland		172	150	545	27.5%
Netherlands		139	98	553	17.7%
Other Europe		54	38	167	22.8%
Europe		**428**	**327**	**1,627**	**20.1%**
North America		**148**	**96**	**848**	**11.3%**
Asia Pacific		**4**	**3**	**17**	**17.6%**
		1,537	**1,096**	**5,399**	**20.3%**
Other business		65	45	1,876	2.4%
Corporate		(83)	(112)	(36)	311.1%
External debt		(61)	(43)	(1,002)	4.3%
Net internal debt	2	(77)	(54)	(1,481)	3.6%
Subordinated debt		(169)	(118)	(2,808)	4.2%
		3,245	**2,217**	**17,546**	**12.6%**
Less:					
Minority interests			(208)	(1,457)	14.3%
Direct capital instrument			(37)	(990)	3.7%
Preference capital			(17)	(200)	8.5%
Return on equity shareholders' funds			**1,955**	**14,899**	**13.1%**

Notes
1. The operating return is based upon Group operating profit, which is stated before impairment of goodwill, amortisation of additional value of in-force business, exceptional items and tax including policyholder tax, adjusted for the short-term fluctuation in investment return.
2. The net internal debt return before tax of £(77) million comprises investment return of £151 million and Group internal debt costs and other interest of £(228) million.

Shareholder services

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

Amalgamating different share accounts - If shareholders received more than one copy of the Company's communications, it could be because there is more than one record for the shareholder on the share register. To avoid duplicate mailings the Registrar can arrange for accounts to be amalgamated.

Dividend payments direct to your bank account - As an alternative to having dividends paid by cheque, shareholders can, if they wish, have them credited directly into their bank or building society account on the dividend payment date. Having the dividend paid directly into their bank account offers shareholders the benefits of avoiding the risk of cheques being lost in the post, and is more convenient as payment is credited automatically on the payment date. The tax voucher is sent to the shareholder's registered address as usual. Shareholders wishing to set up a dividend mandate can do so via the Company's website www.aviva.com/dividendmandate. For overseas shareholders, a TAPS (Transcontinental Automated Payment Service) is available, which allows shareholders in many countries to have dividends credited direct to their bank accounts in local currencies.

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

Scrip Dividend - The Aviva Scrip Dividend Scheme (the "Scheme") provides shareholders with the opportunity to receive their dividends in the form of new ordinary shares in the Company instead of cash. Shareholders who have not joined the Scheme but wish to do so should contact Lloyds TSB Registrars and request a mandate form. The completed mandate form will need to be received by Lloyds TSB Registrars no later than 19 October 2007 in order to be effective for the 2007 interim dividend. Further details are included on the Company's website www.aviva.com/scripdividend.

A range of shareholder frequently asked questions including practical help on transferring shares and updating details is available online at www.aviva.com/shareholders.

Corporate Nominee
Shareholders can hold their shares through the Company's nominee service, Aviva Share Account Limited. Shareholders' names will not appear on the public register but they will continue to have a right to receive shareholder communications and attend the Annual General Meeting. For further details contact the Registrar.

Share Dealing
The Company has arranged the following services that can be used to buy or sell Aviva shares. Alternatively, if shareholders hold a share certificate they can also use any bank, building society or stockbroker offering share dealing facilities to sell their shares. Shareholders in any doubt about buying or selling their shares should seek professional financial advice.

Share dealing facilities for UK shareholders/share account members -

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

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

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

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

Shareholder Information

ShareGift - The Orr Mackintosh Foundation operates a purely voluntary charity share donation scheme for shareholders who wish to dispose of small numbers of shares when the dealing costs or minimum fee makes it uneconomical to sell them. Details of the scheme are available from ShareGift at www.sharegift.org or can be obtained from the Company's Registrar.

Keeping Your Shareholder Information Safe – In our 2007 AGM mailing to shareholders we included an insert advising shareholders to be vigilant in reducing the opportunities for share related fraud and identity theft. We have been contacted by a growing number of shareholders who have been approached by organisations claiming to be 'investment specialists' acting on behalf of Aviva. Unfortunately, it is possible for such organisations to obtain names and addresses and holdings from the Aviva Share Register and Annual Returns which are both public records.

Aviva has not appointed or authorised any 'investment specialists' to contact shareholders and you should be wary of any unsolicited calls or offers of advice. If you do receive such calls you should try and find out as much information about them as possible and report the matter to the Financial Services Authority (the 'FSA'). The FSA maintains a register of authorised persons and also on its website a list of unauthorised overseas firms who are targeting UK investors. See the FSA website www.fsa.gov.uk for more information. You should also inform the Company's Registrar, Lloyds TSB Registrars, on 0870 600 3952.

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

Group financial calendar for 2007

Announcement of third quarter long-term savings new business figures	25 October

Ordinary Shares

Ex-dividend date*	19 September
Record date*	21 September
Scrip dividend price available*	26 September
Last date for scrip dividend forms to be received in order to be effective for 2007	19 October
Dividend payment date	16 November

* Please note that these dates differ from the provisional dates announced on 9 November 2006.

Preference Shares

8⅜% cumulative irredeemable preference shares	
Ex-dividend date	29 August
Record date	31 August
Second payment date	30 September
8¾% cumulative irredeemable preference shares	
Ex-dividend date	28 November
Record date	30 November
Second payment date	31 December

Useful contact details

Detailed below are the contact details that shareholders may find useful if they have a query in respect of their shareholding. Please quote Aviva plc, as well as the name and address in which the shares are held, in all correspondence. If you have a shareholder reference, please have this available as well.

General shareholding, administration queries and Aviva share account queries	Lloyds TSB Registrars www.shareview.co.uk email: aviva@lloydstsb-registrars.co.uk	The Causeway Worthing West Sussex BN99 6DA	0870 600 3952
Corporate and single company Peps	Barclays Stockbrokers Limited www.stockbrokers.barclays.co.uk	Tay House 300 Bath Street Glasgow G2 4LH	0870 514 3263
Individual Savings Accounts ("ISAs")	Lloyds TSB Registrars (ISA Manager)	The Causeway Worthing West Sussex BN99 6DA	0870 242 4244

Internet sites

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

Aviva Group	www.aviva.com
UK long-term savings and general insurance	www.norwichunion.com
Fund management	www.morleyfm.com
Aviva worldwide internet sites	www.aviva.com/websites

2007 Annual General Meeting – voting results

The voting results, including proxy votes and votes withheld, from Aviva's Annual General Meeting held on 26 April 2007 can be viewed on the Company's website at www.aviva.com/investors.

E-Communications

At the 2007 Annual General Meeting, a resolution was passed to amend the Company's Articles of Association to take full advantage of the provisions in the Companies Act 2006 in relation to electronic communications. In particular, the provisions enable all communications between the shareholder and the Company to be made in electronic form. Documents will be supplied via the Company's website to shareholders who have not requested a hard copy or provided an e-mail address to which documents or information may be sent. If you wish to continue to receive hard copy documents and have previously not elected to do so, you should write to the Registrar. The wider use of electronic communications enables faster receipt of documents, reduces the Company's printing, paper and postage costs and has a positive impact on the environment. If you have not already done so, to receive communications electronically, log onto www.aviva.com/shareholders and register for shareholder e-communications.

Aviva plc
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