

Aviva is the world's sixth-largest insurance group and the largest insurance services provider in the UK. We are one of the leading providers of life and pension products in Europe and are actively growing our long-term savings businesses in Asian markets, Australia and the USA. Our main activities are long-term savings, fund management and general insurance. We have premium income and investment sales of £35.0 billion and £317 billion of assets under management. We have more than 54,000 employees serving millions of customers.

## Strengths and highlights

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

We continue to focus on managing the business to create value for shareholders and customers.

We have delivered another strong performance from our international long-term savings businesses.

Bancassurance goes from strength to strength, with total sales up 22%.

The acquisition of RAC has created a powerful new force in insurance and motoring services.

Commitment to new combined operating ratio target of 98% demonstrates our confidence in sustaining our excellent general insurance results.

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\* On an IFRS basis.

\*\*From continuing operations, including long-term savings result on a European Embedded Value (EEV) basis before amortisation of goodwill.

† Return based on opening equity shareholders' funds on an EEV basis.

‡ From continuing operations, including share of associates' premiums.

≠ On an EEV basis.

The Aviva brand is about life and vitality – helping our 30 million customers worldwide to make the most of their lives.

We are a progressive company with a 300-year heritage – one that creates better ways to understand and meet people's needs. And it's this insight – this ability to think beyond the immediate and the everyday – that makes us who we are.

This is what we call forward thinking. It's at the heart of everything we do: the company's business model, how we behave as employees, and how we treat our customers, partners and the communities in which we operate.

#### Financial highlights

£2,528m   £2,904m   15.0%

IFRS profit before tax attributable to shareholders\*

EEV operating profit\*\*

Return on capital employed†

£35.0bn   27.27p   £14.9bn

Worldwide sales‡

Full year dividend per share

Equity shareholders' funds§



## The Aviva group at a glance

Aviva is a leading international savings, investment and insurance group. We focus on managing our business for value. Our aim is to create prosperity and peace of mind for our customers, shareholders and employees, while acting as a good corporate citizen.

# Long-term savings and fund management

£1,814m

Worldwide operating profit before tax\*

£24,645m

Worldwide sales\*\*

### Operating profit\*

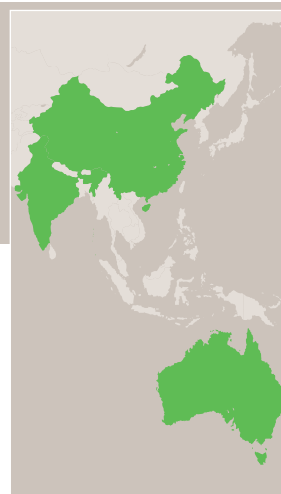
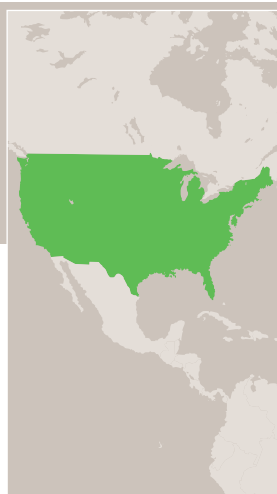
UK	585
Europe	1,130
International	99
<b>Total</b>	<b>1,814</b>

### Our credentials

We aim to grow this business aggressively and profitably by building strong positions in our chosen markets. Aviva is one of the leading life and pensions providers in Europe, and we are developing businesses with strong long-term potential in Asia.

### Market position

We are in the top three in all our chosen life and pension markets in the UK, our Spanish business is placed second and Hibernian in Ireland is third. We have top-five businesses in the Netherlands, and top-ten in France and Italy.



### Our strategy

To offer a superior range of long-term savings, investment and protection products in markets that offer significant opportunities for growth.

### Our leading long-term savings and fund management brands



delta lloyd



\* On an EEV basis.

\*\*Present value of new business premiums plus investment sales.

† From continuing operations.

# General insurance and health

£1,551m

Worldwide operating profit before tax

£10,311m

Worldwide net written premiums<sup>†</sup>

## Operating profit

UK	974
Europe	390
International	187
<b>Total</b>	<b>1,551</b>

### Our credentials

A disciplined and efficient core operation, increased access to our customers, excellent service and innovative propositions are central to our general insurance business. We aim to deliver sustainable earnings from market-leading positions in personal insurance and selected commercial lines.

### Market position

Norwich Union Insurance is a leading general insurer in the UK, with a market share of 15%. We are the largest general insurer in Ireland and second-largest in Canada and have established businesses in France and the Netherlands.

### Our strategy

To provide a broad range of competitive motor, property, health and related insurance services to individuals and small to medium-sized enterprises in our chosen markets.



### Our leading general insurance and health brands



delta lloyd





### Group performance

Our business is increasingly multinational. During 2005, for the first time, our long-term savings new business premiums from continental Europe exceeded 50% of the group total. We have announced a major bancassurance deal in Ireland and continue to make good progress with our newer operations in India and China. In the UK, we have purchased the RAC. This represents a significant opportunity for us. We have made good progress towards realising cost savings and have identified growth opportunities. I firmly believe that this purchase will assist the sustainability of our general insurance earnings. Our UK long-term savings performance has been robust and is strongly positioned for the future.

### Strategy outlook

Aviva is a complex and evolving business and we have recently given consideration to clarifying our strategy. In summary, our business strategy is to be a clear leader in helping our customers grow their wealth and protect their assets and their health. We do this by offering a superior range of long-term savings, investment and protection products in markets that offer significant opportunities for growth; and by providing a broad range of competitive motor, property, health and related insurance services to individuals and small to medium-sized enterprises in chosen markets. References in our strategy to withdrawing from businesses that do not offer the potential for market-leading positions or superior returns have been discontinued, as that work is now complete.

### Market developments

The European Commission has described the state pension deficits in the European Union (EU) as its major structural economic challenge. Although the impact varies between member states, governments across the EU are increasingly focussed on strategies to address the consequences of an ageing population.

In November, the Turner Report was issued by the Pensions Commission, setting out their views of the future of UK pensions and recommending changes for a new policy direction. The key recommendations were the establishment of a low cost National Pension Saving Scheme in which people are automatically enrolled and an increase in the state retirement age.

We continue to believe that cost-effective solutions are required and that to achieve this, unnecessary legislation, regulation and complexity must be removed. Pension simplification on "A day" in April 2006 will provide a great opportunity for Norwich Union to offer customers a choice of simpler, more flexible products. We should not underestimate the challenges that lie ahead, but I am confident that we will succeed.

### Share performance

Our end of year share price rose to 705 pence (2004: 628 pence), an increase of 12% during 2005. When adding in dividends paid during 2005, this represents a total shareholder return of 21.2%\* for the year. While this is a strong stand-alone performance, it is below average for our sector. It is always difficult to explain share price performance, but there is little doubt the share issue supporting the acquisition of RAC dampened our share performance during the first half of 2005.

This was compensated by a strong recovery in the second half which can be attributed to a combination of demonstrating the value of the RAC acquisition and a growing confidence in the sustainability of our general insurance result.

### Dividend

I am pleased to announce that the board has recommended a final dividend of 17.44 pence per share, which brings the total dividend for the year to 27.27 pence. This represents an increase of 7.5% on the 2004 full year dividend and exceeds the group's previous policy of seeking to grow the dividend by approximately 5% per annum.

Our previous target, to grow the dividend by 5%, was put in place when the dividend was cut in 2002. Naturally, at that time, the board wanted to give a high degree of certainty to our shareholders regarding future dividend growth. The board believes that the target has become too rigid a constraint. Our future intention is to increase the dividend on a basis judged prudent using a dividend cover in the 1.5 to 2.0 times range as a guide, on an IFRS operating earnings after tax basis, while retaining capital to support future business growth.

### Board matters

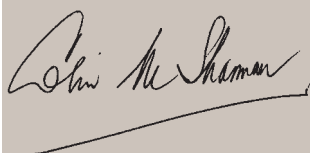
The end of last year saw the retirement of Pehr Gyllenhammar. I would like to thank Pehr, on behalf of the board and our shareholders, for his vision, hard work and dedication to Aviva in his role as chairman. He leaves a company that is financially fit and strongly positioned. Deputy chairman George Paul and non-executive director Elizabeth Vallance also retired at the end of 2005. They go with the thanks of the board for their significant contributions to the success of Aviva.

\*Source: Deloitte.

# +7.5%

Increase in the full year  
ordinary dividend

Good governance and an understanding of the impacts of our international business operations are important aspects of the way we conduct business.



Lord Sharman of Redlynch OBE  
Chairman

Mary Francis has been appointed as a non-executive director during the year. Mary is, among other roles, a non-executive director of the Bank of England and a former director general of the Association of British Insurers. The experience and knowledge she brings with her will add to the strength of the board.

The board is committed to the highest standards of governance and has an excellent record in this area. To develop further our governance work, we are introducing a governance committee that will provide even greater focus on this important aspect of the board's responsibilities. I would like to thank Russell Walls for agreeing to become chairman of this committee.

Additionally, we recognise the importance of our responsibilities to all of Aviva's stakeholders. Consequently, we have introduced a corporate social responsibility committee to enable our pioneering work in this area to be recognised and regularly reported to the board. I am grateful to Wim Dik for chairing this committee.

#### Brand

October 2005 saw the launch of our first pan-European advertising campaign to promote "Aviva: Forward thinking". I firmly believe that Aviva is in the business of building better tomorrows, and is a progressive company in all that it does. This campaign seeks to communicate our "Forward thinking" message to key decision makers across Europe.

The Aviva brand earned further exposure during the year through sport. We are supporting yachtswoman Dee Caffari as she attempts to sail solo, non-stop around the world against the prevailing winds and currents in the Aviva Challenge.

We sponsored two major badminton tournaments in Asia, the Aviva-COFCO China Masters in Beijing and the Aviva Open in Singapore, and we continued our sponsorship of the Aviva Ballkids at the Australian Open tennis tournament. All these sponsorships generated a huge amount of interest around the world.

#### Recognition

It is gratifying when our hard work is noticed and recognised. For the third consecutive year, Norwich Union Insurance was named general insurer of the year by *Insurance Times*. Commercial Union Poland was named life insurance company of the decade by *Home & Market* magazine, reflecting the consistently high quality of our products and services. Further success was achieved by Morley Fund Management, named as property manager of the year at the UK Pensions Awards, and by our French business Aviva Gestion d'Actifs, which once again secured a number of awards for fund management.

#### Corporate social responsibility

The board believes that good governance and an understanding of the impacts of our international business operations are important aspects of the way we conduct business. It is therefore pleasing to be recognised for our performance in this area. We are the only UK insurer to be included in both the Dow Jones Sustainability World and STOXX (European) Indices. Additionally, out of 100 global companies we were ranked second in our sector by *Fortune* magazine for our management of corporate social responsibility (CSR) issues. As chair of the United Nations Global Compact in the UK, Aviva continues to lead development in CSR thinking and practice.

More than £700,000 was committed by Aviva to tsunami relief work in Asia, including over £200,000 given by staff. Part of this funding has been directed towards building schools and replacing fishing boats to help families in India rebuild their lives. This, and numerous other unheralded examples, illustrates the commitment of staff to making a positive difference to the communities in which we operate.

#### Employees

I would like to give my warm thanks to the staff of Aviva for their continued commitment and hard work. We operate in a complex and ever-changing environment, and it is through the efforts of all our employees across the world that Aviva has been able to achieve the excellent results set out in this report.

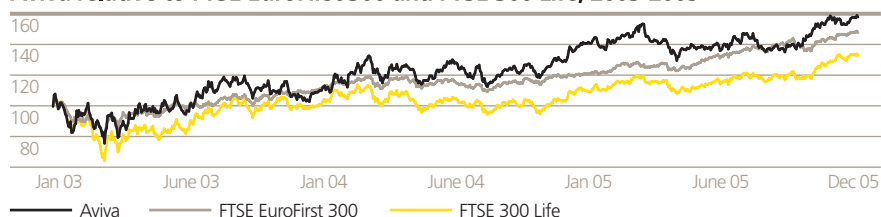
#### Outlook

I believe that our multinational, composite structure puts us in a good position to provide stable earnings and sustained growth into the future. While we encounter challenging trading conditions in certain of our markets, others offer good opportunities for growth, notably the increasing demand for private pension provision. It is this balance that differentiates us from our peers.

# 21.2%

Total shareholder return

Aviva relative to FTSE EuroFirst 300 and FTSE 300 Life, 2003-2005



**Overview**

During 2005, we delivered another set of strong results that are a reflection of our balanced portfolio and composite structure. This provides us with flexibility, strength, resilience and reliability. It is not just in the split between long-term savings and general insurance or our geographic spread that we achieve balance. Every major business has the advantage of a broad product range, trusted brand and balanced distribution model that meets the needs of the local market. Additionally, 2005 saw the acquisition of RAC. This has created a powerful combination with our general insurance business and will deliver substantial shareholder value.

**Growth in our international businesses**

During the year, we continued to grow our international long-term savings portfolio and it now generates over 60% of our worldwide gross new business contribution. Our international portfolio comprises large established businesses in mature markets, bancassurance-led distribution in developed markets, direct sales force businesses that are moving towards a multi-distribution model and smaller well established business with high growth potential. We have ambitious plans to grow across this portfolio. We now have over 30 bancassurance relationships across the world and are generating excellent growth through this channel. These relationships genuinely benefit both parties and we are fast becoming the "partner of first choice". This is highlighted by our new joint venture with Allied Irish Banks within Ireland. We have invested further in our partnership with UniCredit Group in Italy and have 18 bancassurance partnerships in India. However, bancassurance represents only part of our international story and we have strength in our intermediated businesses and direct sales forces.

**Resilient UK long-term savings performance**

In the UK long-term savings market, we have demonstrated our strength and resilience during 2005. We have seen new entrants attempting to grow their market share, which has meant a more competitive market. Our approach has been to focus on value while maintaining market share. We are able to write all new business at returns exceeding our cost of capital. We have maintained our broad product offering and have a wide range of distribution channels, and this combination puts us in a unique position. We recognise that customer service is vital to the future of our business and we are actively addressing service standards provided to individuals and intermediaries. We are now starting to see the benefits of these actions. During 2005, our bancassurance joint venture with the Royal Bank of Scotland has seen significant growth and is demonstrating the benefits of such partnerships. Additionally, we launched our Lifetime "wrap" product, an innovative proposition that we expect to be the preferred platform for leading investment solutions.

**A strong and sustainable general insurance performance**

Our general insurance business has a uniquely balanced distribution range covering brokers, partnerships and direct sales. This mix means that we are less dependent on any one product or distribution channel than our competitors, enabling us to take selective pricing actions. The purchase, in May 2005, of RAC further enhances our options and provides significant growth potential. The integration is on track and, in October, we announced that we expect the total pre-tax profits arising from the RAC acquisition to reach £250 million per annum on a like-for-like basis by the end of 2008 through cost savings and significant additional revenues. Our businesses in Canada and Ireland continue to deliver strong results and, in the UK, we are generating significant growth in our direct sales, particularly online. We have consistently proved that our general insurance business is able to produce sustainable profits which, in turn, provide capital to fund new business growth and acquisitions.

This sustainability, allied to confidence in our operating model, has allowed us to announce a worldwide Combined Operating Ratio (COR) target of 98% for the foreseeable future.

**Group results**

Our pre-tax operating profit\* of £2,904 million (2004: £2,224 million) reflected another strong performance as most businesses reported increased profit. Our return on capital employed was 15%\* (2004: 13.7%). Worldwide long-term savings new business sales were £24.6 billion (2004: £22.3 billion), reflecting strong international sales growth and continued success in the bancassurance channel.

Pre-tax life operating return on a European embedded value (EEV) basis was £1,814 million (2004: £1,611 million).

Our general insurance operating profit of £1,551 million (2004: £1,259 million) is another excellent result in a year where we have also acquired and integrated the RAC. We have achieved a combined operating ratio\*\* of 95% (2004: 97%), beating our target of 98%.

Our fund management operating profit of £92 million (2004: £40 million), reflected good income growth as a result of investment market conditions and the benefits of cost initiatives.

On an IFRS basis, the group operating profit before tax was £2,128 million (2004: £1,669 million). The group delivered an overall profit before tax attributable to shareholders of £2,528 million (2004: £1,642 million).

**Capital and financial strength**

Shareholders' funds<sup>1</sup> increased to £14.9 billion (2004: £11.7 billion) as a result of the strong operational performance and the impact of investment markets in 2005. Net asset value per share\* was up by 22% to 622 pence (2004: 511 pence).

The solvency position in our main trading operations remains robust. Excess capital measured according to the Insurance Groups Directive is £3.5 billion (2004: £3.6 billion). The orphan estate of our UK life businesses was £5.2 billion (2004: £4.6 billion), based on a realistic assumption of liabilities.



**£2,528m**  
IFRS profit before tax

*Richard Harvey*

**Richard Harvey**  
Group chief executive



Our dividend grew by 7.5% to 27.27 pence, and we have recommended to the pension scheme trustees that the group makes an additional deficit funding contribution of £700 million to the Aviva and RAC pension schemes over the next two years. The dividend and the funding contribution reflect our capital strength, and will benefit both shareholders and employees.

### Reporting developments

The 2005 financial statements are our first full set that have been produced using International Financial Reporting Standards. This is a change to the reporting and presentation of our results; however, it does not reflect a change to the underlying economics of our business.

As a market leader, it is essential that Aviva engages actively with external regulators, professional bodies and industry groups on technical issues affecting financial services. We need to understand these issues and influence how they will affect our external reporting and hence how we are viewed by the market.

### External view

It is vital that Aviva plays a leading role in shaping industry opinion and developments in our important markets.

In Europe, the Solvency II Directive will play a key part in setting out the future framework for the allocation of insurers' capital. Consequently, it will have a significant impact on the formation of a single market that delivers wider choice for the consumer. We are supportive of the move towards a transparent and risk-based approach to capital allocation for insurers and are actively engaging with regulators to achieve the best results for the industry. We are also supportive of the European Commission's White Paper on financial services policy for the next five years, with its over-riding theme of dynamic consolidation.

During 2005, in my twin capacity as chairman of the Association of British Insurers (ABI) and Aviva group chief executive, I hosted a number of high-level focus groups to identify the main issues affecting the long-term savings industry and to agree what we need to do to resolve them. The meetings involved politicians, regulators, employers, charities, consumer groups and people from the financial services industry. The starkest messages were that young people are not sufficiently aware of the need to save and that there is a lack of trust in the savings industry. It was also clear that employers have a key role to play in encouraging savings in the workplace and that the current pensions system in the UK is seen as being too complex. In response, the ABI set out a five-point programme of action to address the main concerns. It is clear that many of the issues raised are equally applicable to our other markets, particularly in Europe. There is no single, simple solution and much remains to be done. However, I am determined that Aviva will play a full part in improving products and services, and restoring confidence in long-term savings.

Across Aviva, we recognise the importance of listening and responding to our customers. In addition to the ongoing work in our business units, we undertake an annual survey across many countries to track consumers' changing needs and attitudes to savings. The findings provide valuable insights that underpin our strategic thinking and support new product development in our businesses.

### Our people

I am delighted to welcome Lord Sharman of Redlynch, who became our chairman on 1 January 2006. He has wide international experience and an outstanding track-record in international finance. We are fortunate to have him as successor to Pehr Gyllenhammar, and I am looking forward to working with him on the next stage of Aviva's development.

In November 2005, we conducted our first global employee survey. It is important to listen to the voice of our staff and the survey has helped us to gain a clear picture of personal views across the group. In turn, this information will enable us to focus on the issues that are most important to our employees.

We have also been running an internal "think again" diversity campaign. The world is more competitive than ever, and we regard the diversity of our business and the people we employ as key strengths. Our employees are responding positively to the changes in our markets, technology, products, regulations and the needs of our customers. To retain our competitive advantage in these challenging environments, we are embracing diversity in everything we do. Our future success depends on business teams that include people with different backgrounds, experiences and perspectives and who identify with, and respond to, our customers.

### Outlook

We have a balanced portfolio that benefits from diversification of distribution, products and geography. Our business model provides capital to fund new business growth and acquisitions, and to support dividend growth.

Our international long-term savings operations continue to grow strongly, and we have a positive outlook on our competitive position in the UK. We continue to deliver sustainable profits from our general insurance businesses and are creating significant momentum in our asset management operations. Across all businesses, we have a track record of delivering on our commitments.

We continue to focus on managing our business for value, have laid strong foundations to achieve further growth with improving profitability, and continue to explore value-driven inorganic growth opportunities.

\* On an EEV basis.

\*\* Combined operating ratio (COR) broadly expresses the total of claims costs, commissions and expenses as a percentage of premiums.

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

15.0%

ROCE

+28%

Increase in equity  
shareholders' funds\*

£2,904m

Operating profit before tax\*

During 2005, we have produced another set of excellent results, while acquiring and integrating RAC into our general insurance business. We continue to create strong returns for our shareholders and are in a good position to generate further growth.

## Business segment: Long-term savings and fund management



### Generating growth in Ireland

We have created a new bancassurance joint venture in Ireland between Hibernian and Allied Irish Banks. This partnership will bring further opportunities for growth in the Irish life and pensions market, where we have an ambition to be the leading player by 2010. The agreement creates a new channel for business that is complementary to Hibernian's highly successful intermediary distribution network. It will provide exclusive access to Ireland's largest retail bank, with more than 280 retail outlets and 1.6 million customers.



### Supporting sport in Asia and Australia

The Aviva brand is being promoted to a wider audience through sport. Tennis fans around the world saw the Aviva logo on the uniforms of more than 300 ballkids at the Australian Open tournament in Melbourne, and we have extended this highly successful sponsorship deal for another four years. We shall also be reaching millions of homes across Asia as we have agreed to sponsor three major badminton events – the China, Singapore and Hong Kong Opens – through to 2007.

### Expanding into new regions and markets

We continue to explore new opportunities to expand our business in less developed markets.

With businesses already established in several Eastern European states, we have opened a representative office in Moscow to evaluate the potential that might exist for us in the Russian long-term savings market. In India, since launching in 2002, we have expanded rapidly to become the leader in the bancassurance market, ranking seventh amongst private insurers.

We have won approval to sell life insurance products in a total of 9 Chinese cities. Aviva-COFCO is the first international insurer to open an office in some of these cities. China is an important long-term market for Aviva, and we are pleased to be able to continue our expansion.



# £24.6bn

Present value of new business premiums (PVNBP)\*

# +10%

Growth in PVNBP\*

## Long-term savings and fund management

### Operating profit

Our worldwide long-term savings and fund management business reported an operating profit of £1,865 million (2004: £1,631 million), an increase of 13%, reflecting strong sales growth, particularly in our continental European business and bancassurance channel.

### A balanced portfolio in mature markets

Our businesses in the mature markets of the UK, France and the Netherlands benefit from balanced product offerings and distribution channels. This benefit has been demonstrated by our robust performance in 2005.

### Increasing our presence in high-growth markets

We now have 18 bancassurance partnerships in India and have extended our agreement with American Express for 10 years and have partnerships with ABN AMRO, Canara Bank and Centurion Bank of Punjab. In China, Aviva-COFCO is now licensed in four cities and has sales offices in five further cities.

## Enhancing our UK distribution

We have continued to develop our strong multi-distribution framework in the UK, where the majority of our business comes from independent financial advisers. During 2005, we signed a five-year deal with Sesame, the UK's largest IFA network. We are also building our corporate partnerships and reached major distribution agreements with Barclays and Co-Operative Insurance Society. Additionally, our existing bancassurance partnership with The Royal Bank of Scotland has grown strongly during the year.

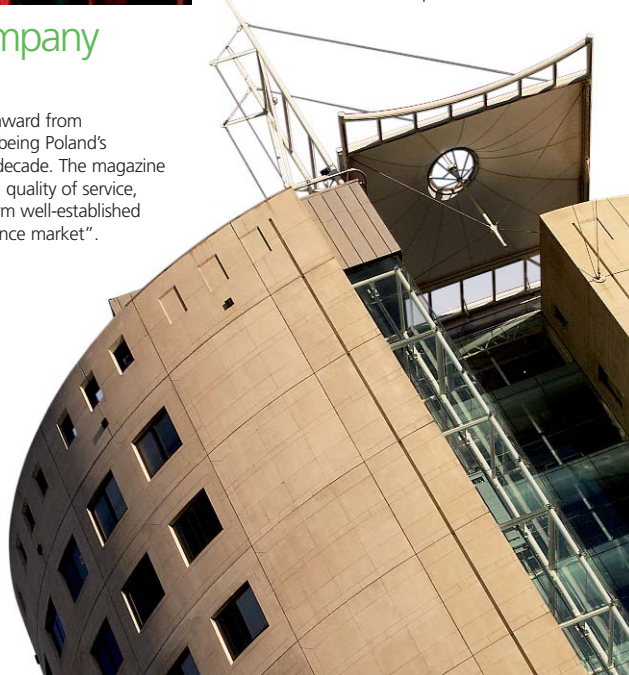


## Poland: life company of the decade

We received a golden parasol award from *Home & Market* magazine for being Poland's life insurance company of the decade. The magazine praised us for our "persistence, quality of service, recognisability and our long-term well-established position in the Polish life insurance market".

## New property funds

Morley Fund Management has bolstered its focus on Europe with a commitment to growing and expanding its European property portfolio and expertise. Morley's property team manages in excess of £22 billion of UK and European property assets, making us one of the largest property fund managers in Europe. We have been at the forefront of innovation in property fund management. We also teamed up with Barclays Capital, the investment banking arm of Barclays, to create the Woolwich Global Distribution Bond. The bond uses derivatives to generate higher income for customers than could normally be expected from a standard investment portfolio.



# >30

**Bancassurance partnerships worldwide**

# 11

**Awards in fund management**

### Operating return £m

**£1,814m**

2001	1,665**
2002	1,524**
2003	1,496†
2004	1,611†
2005	1,814‡

### Worldwide new business sales‡ £bn

**£19.5bn**

2001	15.0
2002	14.6
2003	14.9
2004	17.2
2005	19.5

### Forming partnerships

We recently announced a bancassurance joint venture in Ireland with AIB that will create a leading force in the Irish life and pensions market. Sales through our joint venture with Crédit du Nord in France, which commenced in October 2004, were £728 million in 2005. We extended our deal with Banche Popolari Unite in Italy to distribute through an additional 380 branches.

### Recognition for our fund management businesses

We launched new institutional and retail funds during the year, particularly in property-related investments where Morley was named property manager of the year at the UK Pensions Awards 2005. Our French business won a number of awards, including being named best insurer in the 2005 *Le Revenu* fund management awards.

\* The present value of new 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 new contracts, and is expressed at the point of sale.

\*\*On an achieved profits basis.

† On a European Embedded Value (EEV) basis.

‡ Single premiums, regular premiums and investment sales.



## Raising the bar on customer service

Customer service is vital to the success of our business. In 2005, 92% of UK customers were satisfied with the sales service they received, and 83% with the handling of their claim. While these scores represent a significant achievement, we're aiming higher in 2006 and are looking to set industry-leading standards. To achieve this we are implementing initiatives to understand, direct from customers, what they see as key elements of good service.



## We are a leading online insurer

Norwich Union Direct celebrated its 10th anniversary as one of the UK's leading direct insurers, with almost four million policies now in force. The business continues to grow, particularly online, where the success of the "Quote Me Happy" advertising campaign has contributed to a rapid expansion in sales. This performance is reinforced by our recent launch of RAC Direct Insurance.



## Cracking down on insurance fraud

We believe that people should be less tolerant of fraud. Although it is sometimes described as a "victimless crime", insurance fraud costs the UK economy an estimated £14 billion – £20 billion each year, and the costs have to be recouped from customers. Norwich Union continues to lobby actively on this subject. In November 2005, we published our Fraud Report, highlighting the impact of insurance crime and making proposals for dealing with it, including: establishing a UK commission on fraud; publishing national fraud statistics and trends; and adopting interim fraud targets for the police and Crown Prosecution Service.

# 95%

Combined operating ratio

# +5%

Growth in net written premiums

# >200%

Growth in online sales in the UK

# General insurance and health

### Operating profit

Our worldwide general insurance and health business reported an operating profit of £1,551 million (2004: £1,259 million), an increase of 22%, reflecting our sustained underwriting discipline, cost-cutting initiatives and innovative use of technology.

### New distribution channels

In the UK, we have signed a deal with Barclays to become its sole provider of homeowner, motor and travel insurance and extended our existing deal to be Asda's sole provider of general insurance. Our online sales have increased by over 200%, making Norwich Union Direct one of the UK's largest online insurance brands. In Canada, we extended our deal with Loblaw's, the country's largest supermarket chain, with product launches in Quebec and Alberta. In Ireland, our corporate partnership with Tesco moved from pilot stage into full roll-out.

\* From continuing operations.

\*\*On a UK GAAP basis.

† Restated for changes to IFRS and discretionary changes to longer-term investment return methodology.





## Offering a complete motoring solution

The acquisition of RAC is transforming our UK business, making us a leading provider of insurance and motoring services. We've already launched new motor and travel insurance products under the RAC Direct Insurance brand and will shortly be launching a homeowner product. In acquiring a group that provides roadside assistance, windscreen repair, vehicle inspection and driver training, we're now able to offer a complete motoring solution for our customers.



## Developing our Autograph™ proposition

Aviva Canada is rolling out Autograph™, an innovative motor product that allows customers to take more control of the premiums they pay. Autograph™ was developed last year and is now offered through a select team of 12 brokers in Ontario. Its technology allows drivers to track their driving patterns and, if they choose, submit the data to Aviva for a discount on their premiums. Autograph™ offers customised insurance for the individual and we are confident that there will be a person in every household who can benefit from this unique programme. For example, mothers who are driving a second car with low mileage, or who have younger drivers living at home on their policy, are ideal candidates. The Ontario test will provide us with the information and feedback we need to develop a national rollout plan.

# £268m

Savings from purchasing power

# >2.8 million

Roadside callouts attended

### Operating profit £m

**£1,551m**

2001	946**
2002	942**
2003	972**
2004	1,259†
2005	1,551

### Net written premium\* £bn

**£10.3bn**

2001	7.9
2002	7.8
2003	8.5
2004	9.8
2005	10.3

### RAC integration cost savings

We expect to achieve annualised cost savings of £100 million in 2006, exceeding the £80 million per annum cost savings target announced when RAC was acquired. We are making substantial progress on delivering revenue benefits, and expect to generate annualised operating profit of £250 million on a like-for-like basis from RAC by 2008, including an additional 1.4 million customers.

### Expanding on our insurance proposition

Our ownership of HPI vehicle information check specialists and Solus Accident Repair Centre enables us to provide a more complete range of motoring services to our customers, while gaining revenue and cost-saving benefits.

### Leveraging group knowledge

Knowledge gained from HPI, digital flood mapping and our Pay As You Drive™ scheme has allowed us to improve our pricing decisions. Our Canadian business is now serviced by more than 150 staff in India, benefiting from cost and service advantages already seen in the UK.



## Promoting good CSR performance in others

As a member of the global community, Aviva has a responsibility to encourage and influence the behaviour of others in the promotion of responsible business practice. We do this through our supplier management and investment activities. For example, our established socially responsible investment funds continue to grow and now have over £800 million in funds under management. Through our supplier management programme, over 75% of Aviva businesses worldwide now include CSR aspects in supplier tendering and review processes.

## Recognition of our performance in 2005

Our performance in developing and managing our CSR programme has been recognised by a range of external parties. We are the only UK insurer included in both the Dow Jones Sustainability World and STOXX indexes. We are a member of the FTSE4Good Index Series and ranked 2nd among financial services companies, and 23rd out of the Fortune Global 100™ companies for CSR management as measured by the Accountability Rating™. We were ranked top CSR performer in our sector out of 18 global insurance companies by Triodos Bank. We were also listed in the Global 100 Most Sustainable Corporations in the World.



## Climate change and Aviva's response

We are committed to reducing our own CO<sub>2</sub> impact through, for example, increasing energy efficiency, reducing wastage and switching to renewable sources of electricity. In the UK, we use 100% zero emission electricity, while our businesses in Ireland and the Czech Republic also use renewable sources of electricity. We further seek to achieve positive influence on others through products such as Pay As You Drive™.

# -11.0%

Reduction in CO<sub>2</sub> emissions

# 24,000

Hours volunteered

# £5.7m

Amount donated to charitable causes and community initiatives

# Corporate social responsibility

## What we mean by CSR

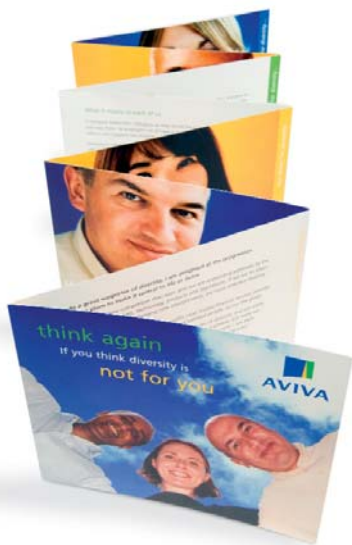
Our CSR policy embraces performance in respect of standards of business conduct, the environment, human rights and health and safety as well as the promotion of good and fair relations with our employees, our suppliers, our customers and the broader community.

## Looking after our customers

Our businesses are focused on looking after our customers. For example, Norwich Union Life has taken a market-leading approach to protecting policyholders' interests. It is restructuring its pension strategy by writing all new pensions policies under a single scheme thereby enabling customers to move seamlessly between products and tailor their retirement planning to their own needs.

## Diversity

Our diversity vision is, "Diversity is about everyone. We believe in a working culture that respects, celebrates and harnesses our differences to the benefit of customers, employees, shareholders, business partners and the wider community. Our competitive advantage depends on business teams that include people with different backgrounds, experiences and perspectives, who feel valued for the positive contribution they can make to Aviva's success". During 2005, we achieved the gold award for progress in providing an inclusive environment for women from Opportunity Now. We were one of only 12 FTSE 100 companies to be included in Stonewall's Corporate Equality index, moving from 71st to 39th in the index during 2005, and achieved a bronze award for efforts in creating a racially inclusive workforce from Race for Opportunity.



## Leadership and care

In Norwich Union Insurance (NUI), our "leadership and care" programme exemplifies the links we make between our customers and our employees. The programme continues to work towards the goal of maximising engagement and performance of all employees and putting the customer at the heart of decision making. In 2005, 82% of NUI employees considered themselves to be "passionate about delivering a great customer experiences", up 8% on the beginning of 2004. This successful programme is being adopted by other business units worldwide.



## Making a difference

In Morley, a programme has been introduced to help non-investment employees to understand better, think proactively about and anticipate industry issues. In our corporate office, staff have a quarterly opportunity to nominate a colleague or a team who have exemplified one or more of the Aviva values. Providing the tools to help employees make a difference and measuring progress is very important. Financial reward schemes now recognise those employees who really make a positive difference to our customers' experiences.

# 25

Countries in which we have employees

# >41,000

Employees surveyed during 2005

# Employees

### The changing face of Aviva plc

Our worldwide workforce is made up of people from diverse cultural backgrounds. Developing a flexible and adaptable workforce is a key element in our determination to meet the changing needs of our business.

### Listening to our employees

In 2005, we introduced our first global employee opinion survey to enable us to compare and contrast employee engagement between businesses worldwide. Over 41,000 employees have now participated and the results will enable us to identify and share good practice across the group. 2006 will see the first complete coverage.

### Developing future leaders

We seek to identify and nurture our talented people. Our annual "organisation and development review" enables us to review talent on a consistent basis worldwide. This process is complemented by the Aviva Leadership Academy which provides international development opportunities for our future leaders.



## Executive directors



## Non-executive directors

**1. Richard Harvey FIA (55)**

## Group chief executive

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

*Member of the nomination and corporate social responsibility committees.*

**2. Andrew Moss (47)**

## Group finance director

Appointed to the board in May 2004 upon joining the company. Previously director – finance, risk management and operations in Lloyd's (*insurance*) and formerly held a number of senior management positions at HSBC plc (*banking*).

**3. Philip Scott FIA (52)**

## Executive director

Appointed to the board in May 2000. Joined Norwich Union in 1973 and held a number of senior positions before joining the Norwich Union board in 1993. Currently responsible for the group's international insurance businesses and United Kingdom fund management operations.

**4. Patrick Snowball (55)**

## Executive director

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

**5. Lord Sharman of Redlynch OBE (63)**

## Chairman

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

*Chairman of the nomination committee and member of the corporate social responsibility committee.*

**6. Guillermo de la Dehesa (64)**

## Independent non-executive director

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

*Member of the nomination and corporate social responsibility committees.*

**7. Wim Dik (67)**

## Independent non-executive director

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

*Senior independent director, Chairman of the corporate social responsibility committee and member of the nomination, governance and regulatory committees.*

**8. Mary Francis CBE (57)**

## Independent non-executive director

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

*Member of the remuneration and governance and regulatory committees.*





#### 9. Richard Karl Goeltz (63)

Independent non-executive director

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

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

#### 10. Carole Piwnica (48)

Independent non-executive director

Appointed to the board in May 2003. Currently non-executive vice-chairman – governmental affairs for Tate & Lyle plc (*agricultural/industrial*). A member of the New York and Paris bars, practising law in Europe and the United States specialising in private equity and EU regulatory matters. A former chairman of Amylum Group (*agricultural/industrial*).

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

#### 11. Derek Stevens (67)

Independent non-executive director

Appointed to the board in August 1995. Currently non-executive chairman of The Airline Group Limited (*transport*) and non-executive director of NATS Holdings Limited (*transport*). A member of the financial sector committee of the Accounting Standards Board, chairman of The Royal Academy of Arts Pension Scheme Board, a trustee of the Rothschild pension funds, a member of the Council of the Institute of Education at the University of London and chairman of The Travel Foundation (*charity*). A former director and chief financial officer of British Airways Plc (*transport*), a former finance director of TSB Group plc (*banking*) and a former chairman of the trustees of British Airways pension schemes.

*Chairman of the audit committee and of Aviva Staff Pension Trustee Limited and member of the corporate social responsibility committee.*

#### 12. André Villeneuve (61)

Independent non-executive director

Appointed to the board in May 1996. Currently non-executive chairman of Euronext Liffe (*financial services*), a non-executive director of United Technologies Corporation (*aerospace*) and a director of the Institut Français de Relations Internationales. A former executive chairman of Instinet Corporation (*securities broker*), a former executive director of Reuters plc (*media*) and a former chairman of Promethee.

*Member of the nomination and remuneration committees.*

#### 13. Russell Walls (62)

Independent non-executive director

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

*Chairman of the governance and regulatory committee and member of the audit committee.*

**Richard Whitaker LLB, DMS, FCI**  
Group company secretary

## Summary financial statements

These statements are aimed at giving shareholders a summary of the position and performance by Aviva. They do not however, contain all the information to allow as complete an understanding of the Group as would be provided by the full audited Annual Report and Accounts. A copy of the full Annual Report and Accounts, which contains an unqualified auditors' opinion, is available on the Aviva internet site at [www.aviva.com](http://www.aviva.com) or free of charge from Lloyds TSB Registrars, at the address on page 21 of this document.

### 2005 accounts

The summary financial statements on page 18 have been prepared on the basis of accounting policies set out in the Group's 2005 Annual Report and Accounts. The consolidated income statement has been presented on both a European Embedded Value (EEV) basis and an International Financial Reporting Standards (IFRS) basis. The Group continues to believe that the embedded value basis provides a better measure of the performance of the life business than the statutory IFRS basis. Results of an insurance business in any particular year can be affected by significant movements in investment values, which influence the reported profits before tax. Therefore, to measure the underlying business performance, operating profit before tax based on longer term rates of investment return is used, eliminating the volatility caused by movements in investment values. As a result, managers are encouraged to focus on operational performance and aspects of the business that are under their control.

## Summarised directors' report

### Annual General Meeting

A separate document accompanying the Annual Review contains the formal notice convening the Annual General Meeting of the Company and a description of the business to be conducted at the meeting. The Annual General Meeting will be held on 10 May 2006 at The Barbican Centre, Silk Street, London EC2Y 8DS at 11:00am.

### Review of operations

Aviva plc is the holding company of the Aviva Group of companies. The principal activities of the Group are life insurance and long-term savings business, asset management and all classes of general insurance carried out through its subsidiaries, associates and branches in the United Kingdom, continental Europe and Ireland, North America, Asia and Australia. The Group also undertakes motoring services in the UK and Ireland. Details of the Group's operations for the accounting period, its current position and future prospects are contained in the Chairman's statement and Group Chief Executive's statement and business segment overviews on pages 4 to 11.

### Dividend

The directors are recommending a final dividend of 17.44 pence (2004: 16.00 pence) per share which, together with the interim dividend of 9.83 pence (2004: 9.36 pence) per share, produces a total dividend for the year of 27.27 pence (2004: 25.36 pence) per share. The total cost of dividends for 2005, including preference dividends, will amount to £598 million (2004: £553 million), leaving £1,123 million to be transferred to reserves (2004: £705 million transferred to reserves). The final dividend for 2005 will be paid on 17 May 2006 to all holders of ordinary shares on the Register of Members at the close of business on 10 March 2006. The Aviva Scrip Dividend Scheme will be available to shareholders in respect of the payment of the final dividend. In addition, a local currency payment service will be available to shareholders residing in certain participating countries outside the UK. Further details of these arrangements can be found in the shareholder services and information on page 21.

### Directors

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

Guillermo de la Dehesa  
Wim Dik  
Mary Francis (appointed 1 October 2005)  
Richard Karl Goeltz  
Pehr Gyllenhammar (retired 31 December 2005)  
Richard Harvey  
Andrew Moss  
George Paul (retired 31 December 2005)  
Carole Piwnica  
Philip Scott  
Lord Sharman of Redlynch (appointed 14 January 2005)  
Derek Stevens  
Patrick Snowball  
Elizabeth Vallance (retired 31 December 2005)  
André Villeneuve  
Russell Walls

The biographical details of the persons currently serving as directors appear on pages 14 to 15.

In accordance with the Company's Articles of Association, directors appointed during the year by the Board are required to retire at the first Annual General Meeting following their appointment and stand for election by shareholders. On 14 January 2005, Lord Sharman of Redlynch was appointed as an independent non-executive director of the Company. At the 2005 Annual General Meeting he retired and was subsequently elected by shareholders. On 1 October 2005, Mary Francis was appointed by the Board as an independent non-executive director, and will retire at the forthcoming Annual General Meeting and being eligible, will offer herself for election by shareholders.

The Company's Articles of Association require one-third of the directors to retire by rotation each year. At the forthcoming Annual General Meeting Richard Harvey, Carole Piwnica, Philip Scott and Patrick Snowball will retire and, being eligible, will offer themselves for re-election. Richard Harvey, Philip Scott and Patrick Snowball are executive directors and each has a service contract with a Group company.

Independent non-executive directors Derek Stevens and André Villeneuve were re-elected by shareholders at last year's Annual General Meeting. Both these directors have now served on the Board for more than nine years and therefore will retire and seek re-election again at this year's meeting. If re-elected it is intended that these directors will retire on or before 31 December 2006 in line with the Board's plans to renew and refresh its composition.

Pehr Gyllenhammar, the chairman of the board since 1998, retired on 31 December 2005. He was succeeded as chairman by Lord Sharman on 1 January 2006. George Paul and Elizabeth Vallance, both independent non-executive directors, also retired from the Board on 31 December 2005 in line with the Company's succession plans.

### Directors' interests and indemnity arrangements

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

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

### Directors' interests in Aviva shares

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

### Corporate governance

The Board of directors is committed to a system of sound corporate governance and to the principles of Good Governance and the Code of Best Practice (the Combined Code). It is the Board's view that the Company complied fully throughout the accounting period with the provisions set down in Section 1 of the Combined Code, save that as the Chairman would be retiring at 31 December 2005 no performance review of the Chairman was carried out during the year.

### Corporate Social Responsibility (CSR)

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

	Shares <sup>1</sup>		Bonus Plan Awards <sup>2</sup>		Long-Term Incentive Awards <sup>3</sup>		Options <sup>4</sup>		Aviva Share Plan <sup>5</sup>	
	1 January 2005	31 December 2005	1 January 2005	31 December 2005	1 January 2005	31 December 2005	1 January 2005	31 December 2005	1 January 2005	31 December 2005
Guillermo de la Dehesa	144	<b>144</b>	—	—	—	—	—	—	—	—
Wim Dik	200	<b>200</b>	—	—	—	—	—	—	—	—
Mary Francis*	1,000*	<b>1,000</b>	—	—	—	—	—	—	—	—
Richard Karl Goeltz	—	<b>2,500</b>	—	—	—	—	—	—	—	—
Pehr Gyllenhammar	28,378	<b>29,539</b>	—	—	—	—	—	—	—	—
Richard Harvey	24,036	<b>44,781</b>	319,152	<b>355,992</b>	508,861	<b>521,496</b>	4,426	<b>4,426</b>	—	—
Andrew Moss	39,632	<b>35,040</b>	—	<b>61,408</b>	83,650	<b>186,453</b>	—	<b>3,279</b>	36,539	<b>13,462</b>
George Paul	30,816	<b>30,894</b>	—	—	—	—	—	—	—	—
Carole Piwnica	—	—	—	—	—	—	—	—	—	—
Philip Scott	107,519	<b>170,004</b>	193,484	<b>217,750</b>	288,747	<b>316,939</b>	4,096	<b>4,096</b>	—	—
Lord Sharman of Redlynch*	—*	—	—	—	—	—	—	—	—	—
Patrick Snowball	5,542	<b>16,250</b>	142,966	<b>173,482</b>	251,075	<b>288,645</b>	2,272	<b>2,272</b>	—	—
Derek Stevens	2,032	<b>2,989</b>	—	—	—	—	—	—	—	—
Elizabeth Vallance	830	<b>830</b>	—	—	—	—	—	—	—	—
André Villeneuve	640	<b>640</b>	—	—	—	—	—	—	—	—
Russell Walls	1,500	<b>1,500</b>	—	—	—	—	—	—	—	—

\*At appointment – Lord Sharman (14 January 2005); Mary Francis (1 October 2005).

### Notes

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

### Independent auditors' statement to the members of Aviva plc

We have examined the Group's summary financial statements for the year ended 31 December 2005 which comprise the summarised consolidated income statement, summarised consolidated balance sheet – IFRS basis, summarised consolidated statement of recognised income and expenses – IFRS basis, summarised consolidated statement of equity – IFRS basis and supplemental balance sheet information on an EEV basis.

### Respective responsibilities of directors and auditors

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

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985.

Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose.

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

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

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

### Basis of opinion

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

### Opinion

In our opinion the summary financial statements are consistent with the full annual accounts, Directors' report and Directors' remuneration report of Aviva plc for the year ended 31 December 2005 and comply with the applicable requirements of Section 251 of the Companies Act 1985, and regulations made thereunder.

### Ernst & Young LLP

Registered Auditor  
London  
1 March 2006

**Summarised consolidated income statement**

	2005 £m	2004 £m
<b>Premiums written net of reinsurance and investment sales</b>		
Long-term business	14,671	13,533
General insurance and health premiums	10,311	9,818
	<b>24,982</b>	<b>23,351</b>
<b>Pre-tax operating profit</b>		
Long-term business and fund management EEV operating return	1,865	1,631
General insurance and health operating profit	1,551	1,259
Other operations, corporate costs and unallocated interest charges	(512)	(666)
<b>Operating profit – EEV basis<sup>1</sup></b>	<b>2,904</b>	<b>2,224</b>
Adjustment to report the profits of our long-term insurance, fund management and other operations on an IFRS basis	(776)	(555)
<b>IFRS operating profit before tax attributable to shareholders' profits</b>	<b>2,128</b>	<b>1,669</b>
Impairment of goodwill	(43)	(41)
Amortisation and impairment of acquired value of in-force business	(73)	(85)
Amortisation and impairment of other intangibles	(45)	(7)
Financial Services Compensation scheme and other levies	–	(49)
Short-term fluctuation in return on investments backing the general insurance and health business	517	161
Profit on disposal of subsidiaries and associates	153	34
Integration costs	(109)	–
Exceptional costs for termination of operations	–	(40)
<b>Profit before tax attributable to shareholders' profits – IFRS basis</b>	<b>2,528</b>	<b>1,642</b>
Tax	(630)	(271)
<b>Profit after tax attributable to shareholders</b>	<b>1,898</b>	<b>1,371</b>

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

	2005 £m	2004 £m
Fair value gains/(losses), net of transfers to the income statement	314	151
Actuarial (losses)/gains on pension schemes	(547)	(145)
Foreign exchange rate and other movements	25	59
Aggregate tax effect – shareholder tax	272	(15)
<b>Net (expense)/income recognised directly in equity</b>	<b>64</b>	<b>50</b>
Profit after tax attributable to shareholders	1,898	1,371
<b>Total recognised income and expense for the period</b>	<b>1,962</b>	<b>1,421</b>

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

	2005 £m	2004 £m
<b>Balance at 1 January</b>	<b>8,993</b>	<b>7,024</b>
Total recognised income and expense for the period	1,962	1,421
Dividends and appropriations	(657)	(570)
Movement in shares held by employee trusts	–	1
Issue of share capital for the acquisition of RAC	530	–
Other issue of share capital	59	25
Shares issued in lieu of dividends	100	103
Issue of direct capital instrument, net of transaction costs of £9 million	–	981
Capital contributions from minority shareholders	212	4
Minority share of dividends declared in the period	(70)	(41)
Minority interest in acquired subsidiaries	(36)	45
Other movements	(1)	–
<b>Total equity</b>	<b>11,092</b>	<b>8,993</b>
Minority interests	(1,128)	(910)
<b>Balance at 31 December</b>	<b>9,964</b>	<b>8,083</b>

	2005 pence	2004 pence
Operating earnings per share on an EEV basis <sup>2</sup>	74.8	63.1
Total earnings per share <sup>3</sup>	73.5	55.8
Net asset value per ordinary share on an IFRS basis <sup>4</sup>	366	302
Net asset value per ordinary share on an EEV basis <sup>4</sup>	622	511

**Summarised consolidated balance sheet – IFRS basis**

	2005 £m	2004 £m
<b>Assets</b>		
Additional value of in-force business and intangible assets	803	516
Goodwill	2,274	1,184
Investment properties, property and equipment	14,160	11,869
Investments in joint ventures and associates	3,014	2,128
Financial investments	182,388	166,356
Other assets	47,076	44,471
Cash and cash equivalents	13,732	12,779
<b>Total assets</b>	<b>263,447</b>	<b>239,303</b>
<b>Capital and reserves</b>		
Capital and reserves	8,974	7,093
<b>Equity attributable to shareholders of Aviva plc</b>	<b>8,974</b>	<b>7,093</b>
Direct capital instrument	990	990
Minority interests	1,128	910
<b>Total equity</b>	<b>11,092</b>	<b>8,993</b>
<b>Liabilities</b>		
Gross liability for insurance and investment contracts	209,911	193,677
Unallocated divisible surplus	8,978	7,549
Borrowings	11,013	10,090
Other liabilities	19,316	16,747
Net asset value attributable to unitholders	3,137	2,247
<b>Total liabilities</b>	<b>252,355</b>	<b>230,310</b>
<b>Total equity and liabilities</b>	<b>263,447</b>	<b>239,303</b>

**Supplemental balance sheet information on an EEV basis**

	2005 £m	2004 £m
<b>Equity attributable to shareholders of Aviva plc – IFRS basis</b>	<b>8,668</b>	<b>7,093</b>
Direct capital instrument	990	990
	<b>9,658</b>	<b>8,083</b>
Additional retained profit on an EEV basis	6,431	4,768
	<b>16,089</b>	<b>12,851</b>
Minority interests	1,457	1,160
<b>Total equity – EEV basis</b>	<b>17,546</b>	<b>14,011</b>

Approved by the Board on  
1 March 2006

**Andrew Moss**  
Group Finance Director

**Notes**

- Before tax, amortisation of goodwill, amortisation of acquired additional value of in-force long-term business and exceptional items.
- Operating earnings per share is based on the operating profit on an EEV basis, after tax, minority interests and preference dividends. The equivalent earnings per share using the modified IFRS profit is 60.5 pence per share (2004: 54.1 pence).
- Total earnings per share is based on the IFRS profit for the year attributable to equity shareholders.
- Net asset value per ordinary share is calculated based on equity shareholders' funds.



## Summary directors' remuneration report

Below is a summary of the information contained in the Directors' remuneration report which shareholders will be asked to approve at the forthcoming Annual General Meeting. The Directors' Remuneration report, contained in the Company's Annual Report and Accounts for 2005, provides full details of the Company's remuneration policy, practices, pension arrangements and incentive plans including a description of the performance conditions which apply to the incentive plans, as well as details of all the awards and options held by the directors. It also contains details of proposed changes to the executives' pension arrangements resulting from a comprehensive review which took place in 2005. A copy of the Annual Report and Accounts is available from the Company's Registrar, Lloyds TSB Registrars.

### Remuneration policy

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

A number of material changes were made to the packages for 2005, as described in last year's Annual Report. New share incentive and bonus plans were approved by shareholders at the 2005 Annual General Meeting.

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

As a result, significant changes have been made to the way in which pension provision is made for those employees whose benefits exceed, or are likely to exceed, the Lifetime Allowance. Generally, senior employees who are currently members of the defined benefit section of the Aviva Staff Pension Scheme will continue to accrue pension benefits under the Scheme until the value of their benefits reach the Lifetime Allowance. At this point, they will cease membership of the Scheme. The review was undertaken against the principle that the cost of providing the new arrangements would be no greater than the cost of the current pension arrangements nor would employees be compensated for any additional tax arising from the new regulations. New employees, including senior executives, will receive pension benefits through the defined contribution section of the scheme. To provide a long-term savings opportunity for those senior executives whose pension benefits are restricted by the lifetime allowance, the Company will consider making a discretionary contribution into a capital accumulation plan. Further details are contained in the Annual Report.

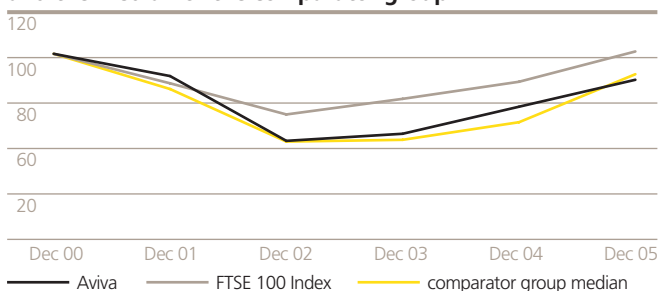
### The remuneration package

The Company believes that senior executives should align their own interests with those of the Company's shareholders. It therefore believes that, whilst paying a competitive basic salary, the majority of the remuneration package should be closely linked to the performance of the business and delivered in the form of shares. During 2005, the remuneration package for the Company's executive directors comprised the following elements:

- A basic salary.
- An annual bonus plan – to encourage executives to meet annual targets relating to business and agreed personal performance targets. Two-thirds of any bonus is paid in the form of shares and deferred for three years.
- A long-term incentive plan – to align executives' longer term interests with those of shareholders.
- A pension entitlement.
- A car allowance, private medical insurance and participation in the all-employee share plans.

Awards granted under the long-term incentive plan are subject to performance conditions based on the Company's Total Shareholder Return (TSR) and the return on capital employed (ROCE). TSR is ranked against the TSR of the major European financial services companies in the Company's comparator group over a three year period. The following graph shows the Company's TSR, over the past five years, against the average TSR of the companies in the said comparator group and the FTSE 100.

### Aviva 5-year TSR performance against the FTSE 100 Index and the median of the comparator group



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

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

In addition to the remuneration set out in the table overleaf the following shares were awarded to executive directors in 2005 under the Company's incentive plans. The shares granted under the long-term incentive plan will only vest if certain conditions relating to the Company's performance over the three financial years commencing 1 January 2005 are met.

	Deferred Bonus Plan shares	Long-Term Incentive Plan shares
Richard Harvey	109,764	207,437
Andrew Moss	61,408	102,803
Philip Scott	68,690	116,822
Patrick Snowball	67,068	107,943

In addition to the above, directors have interests in awards and options granted in previous years. No directors made any gains on the exercise of share options during the year.

**Directors' remuneration 2005**

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

	Basic salary/fees		Bonuses <sup>1</sup>		Benefits <sup>2</sup>		Total
	2005 £000	2004 £000	2005 £000	2004 £000	2005 £000	2004 £000	2004 £000
<b>Chairman</b>							
Pehr Gyllenhammar	345	300	–	–	20	20	320
<b>Executive directors</b>							
Richard Harvey	790	752	1,028	355	104	96	1,203
Andrew Moss	470	283	589	200	20	10	493
Philip Scott	515	491	583	223	54	35	749
Patrick Snowball	503	456	693	218	104	21	695
<b>Non-executive directors (3)</b>							
Guillermo de la Dehesa	77	67	–	–	–	–	67
Wim Dik	59	42	–	–	–	–	42
Mary Francis*	13	–	–	–	–	–	–
Richard Karl Goeltz	63	28	–	–	–	–	28
George Paul	160	160	–	–	4	–	160
Carole Pivnicka	56	42	–	–	–	–	42
Lord Sharman*	48	–	–	–	–	–	–
Derek Stevens	91	77	–	–	–	–	77
Elizabeth Vallance	59	42	–	–	–	–	42
André Villeneuve	59	42	–	–	–	–	42
Russell Walls	56	28	–	–	–	–	28
Total emoluments of directors	3,364	2,810	2,893	996	306	182	3,988

\*From date of appointment: Lord Sharman (14 January 2005) and Mary Francis (1 October 2005).

**Notes**

1. "Bonuses" include the value of shares granted under the free share part of the Aviva All-Employee Share Ownership Plan (maximum £3,000) and the total amounts earned in respect of the 2005 performance under the Annual Bonus Plan (i.e. including the amounts deferred and granted in the form of shares). The Annual Bonus Plan which was approved by shareholders in 2005, came into effect for the 2005 financial year replacing the Deferred Bonus Plan which operated in 2004. The disclosure of the awards made under these plans differs. Under the Deferred Bonus Plan participants were encouraged to defer their cash bonuses (35% of salary for "Target" performance) into shares by the Company providing matching shares on a 1 for 1 basis, thus effectively doubling the value of the bonus. The bonus awarded was disclosed in the table showing directors' remuneration and the matching shares were disclosed in the table showing the share awards. Under the Annual Bonus Plan, a larger cash bonus is awarded (75% of salary at "Target" performance). Recipients are required to defer two thirds of their bonus into shares. However, under the Annual Bonus Plan, the deferred shares are not matched. As explained at the time the Annual Bonus Plan was introduced, at "Target" performance the Annual Bonus Plan would provide a bonus broadly 5% higher than that provided by the Deferred Bonus Plan when the value of the matching shares was taken into account. However, to encourage and incentivise outperformance the Annual Bonus Plan provides the potential to pay out significantly higher bonuses at Stretch level of outperformance.

When calculating the level of bonus under the Annual Bonus Plan, 70% is based on financial measures and 30% is based on personal targets. The constitution of the financial measures varies between directors. For example, in respect of the Group Chief Executive and the Group Finance Director the performance measures used are those relating to the Group, whereas for the other executive directors bonuses are based partly on the Group's performance and partly on the performance measures relating to the business units for which the directors have responsibility. Performance measures are reviewed in order to determine the financial bonuses for all the executive directors. For 2005, the performance measures for the Group included new business contribution, operating profit, combined operating ratio (COR), total expenses and the return on capital employed. Overall performance against these measures in 2005 was better than the targets set. In addition to the Group and business unit performance measures, the directors were set individual personal targets.

2. "Benefits". All the executive directors received the benefit of private medical insurance and, along with the Chairman, a car allowance. The above disclosure also includes, in respect of Richard Harvey, an amount relating to the cost incurred by the Company of insuring the life assurance and spouses' benefits which, had he died during the year, could not have been paid by the pension scheme as a result of the 'earnings cap' and which would therefore have been met by the Company. In respect of Mr Snowball the disclosure includes an allowance of £66,000 incurred as a result of him being required to relocate from Norwich to London following a change in his responsibilities. The disclosure also includes a benefit relating to accompanied travel (Mr Harvey £10,000, Mr Snowball £22,000 and Mr Scott £32,000). All the numbers disclosed include the tax charged on the benefits. The directors did not receive an expense allowance during the year.
3. Non-executive directors. The benefit disclosed for Pehr Gyllenhammar refers to a car allowance. The fee for George Paul reflects his duties as deputy chairman, chairman of the Remuneration Committee and for acting as the senior independent director. The fee for Derek Stevens includes an additional amount for serving as the chairman of the Board's Audit Committee and of the trustee of the Aviva Staff Pension Scheme. The fee for Guillermo de la Dehesa includes an amount for serving as the non-executive chairman of the Group's operations in Spain. No non-executive director accrued retirement benefits during the year.
4. No compensation payment for loss of office was made to any director, or former director, during the year.
5. For the purposes of the disclosure required by Schedule 6 to the Companies Act 1985 the total aggregate emoluments of the directors in respect of 2005 was £6.6 million. (2004: £4.2 million).
6. Payments to former directors. Since his retirement as a director in 2003, Anthony Wyand has served as a consultant and as a director on the boards of some of the Group's European operations. Under this arrangement, a fee of £126,000 was paid to him in 2005. During the year, shares granted to certain former executive directors under the Company's incentive plans vested. Details of these awards were fully disclosed in the year of grant.
7. No executive director served on the board of an external company in a personal capacity during the year for which he was remunerated.

**Group financial calendar for 2006**

Announcement of first quarter long-term savings new business figures	27 April
Annual General Meeting	10 May
Announcement of unaudited six months' interim results	9 August
Announcement of third quarter long-term savings new business figures	26 October

**Ordinary shares**

Ex-dividend date	8 March
Record date	10 March
Scrip dividend price available	15 March
Dividend payment date	17 May

**Preference shares**

First dividend payment for 8½% cumulative irredeemable preference shares	31 March
First dividend payment for 8¼% cumulative irredeemable preference shares	30 June
Second dividend payment for 8½% cumulative irredeemable preference shares	30 September
Second dividend payment for 8¼% cumulative irredeemable preference shares	31 December

## Managing your shareholding

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

**Amalgamating different share accounts** – Shareholders receiving more than one copy of this Annual Review, could have more than one record for their shareholding 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. For overseas shareholders, a TAPS (Transcontinental Account 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 inform the Registrar otherwise.

**Scrip dividend** – The Aviva Scrip Dividend Scheme (the "Scheme") provides shareholders with the opportunity to receive their dividends in the form of new ordinary shares instead of cash. Shareholders who have not joined the Scheme but wish to do so should contact Lloyds TSB Registrars and request a mandate form. The mandate form will need to be received by Lloyds TSB Registrars no later than 25 April 2006 in order to be effective for the 2005 final dividend.

A range of shareholder frequently asked questions is available online at [www.aviva.com/shareholders](http://www.aviva.com/shareholders)

## Shareholders with disabilities

Alternative versions of this publication (including braille, large print and audio-tape) are available on request.

## E-Communications

Shareholders may choose to receive their communications from the Company (for example, the Notice of Meeting and Annual Review) electronically. This enables a faster receipt of documents and also has the effect of reducing the Company's printing, paper and postage costs and the associated environmental impacts. To receive communications electronically, log onto [www.aviva.com/shareholders](http://www.aviva.com/shareholders) and register for shareholder e-communications. We have arranged with The CarbonNeutral Company Limited that, for the first 10,000 shareholders electing to receive communications electronically, a tree will be planted in an area selected for reforestation in the United Kingdom. Further details can be found in the enclosed leaflet.

## Share dealing

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

**Share dealing facilities for UK shareholders/share account members**

– To buy or sell shares over the telephone or internet, shareholders can contact Shareview Dealing, arranged through Lloyds TSB Registrars. For telephone purchases or sales call 0870 850 0852\* between 8.00am and 4.30pm, Monday to Friday and for internet purchases or sales log on to [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing)

– 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).

– NatWest Stockbrokers provide a Share Dealing Service via the telephone or at certain NatWest branches for Aviva Share Account holders only. For more information or to find your nearest NatWest share dealing branch, contact NatWest Stockbrokers on 0845 122 0689. NatWest Stockbrokers Limited is operated by a joint venture between The Royal Bank of Scotland Group plc and The Toronto-Dominion Bank. Registered Number: 1959479 England. Registered Office: Waterhouse Square, 138-142 Holborn, London EC1N 2TH. Member of the London Stock Exchange and OFEX. Authorised and regulated by the Financial Services Authority.

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

**ShareGift** – The Orr Mackintosh Foundation operates a purely voluntary charity share donation scheme for shareholders who wish to dispose of small numbers of shares whose value makes it uneconomical to sell them. Details of the scheme are available from ShareGift at [www.sharegift.org](http://www.sharegift.org) or can be obtained from the Company's Registrar. During the year the Company operated a postal Share Dealing Service to shareholders holding 750 or less shares. This service gave shareholders the option to donate their shares or any proceeds from the sale of these shares to ShareGift and resulted in donations to ShareGift in excess of £170,000.

**Share price** – Shareholders can access the current share price of Aviva ordinary shares at [www.aviva.com](http://www.aviva.com) or alternatively can call 0906 843 2197†.

## Useful contact details

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

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

**General shareholding queries:** Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA. Telephone 0870 600 3952\*

**Corporate and single company Peps:** Barclays Stockbrokers Limited, Tay House, 300 Bath Street, Glasgow G2 4LH. Telephone 0870 514 3263\*

**Individual Savings Accounts ("Isas"):** Lloyds TSB Registrars (Isa Manager), The Causeway, Worthing, West Sussex BN99 6DA. Telephone 0870 242 4244\*

## Internet sites

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

<b>Aviva Group</b>	<a href="http://www.aviva.com">www.aviva.com</a>
<b>UK long-term savings and general insurance</b>	<a href="http://www.norwichunion.com">www.norwichunion.com</a>
<b>Fund management</b>	<a href="http://www.morleyfm.com">www.morleyfm.com</a>
<b>Aviva worldwide internet sites</b>	<a href="http://www.aviva.com/websites">www.aviva.com/websites</a>

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

\*\*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.

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

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**Aviva plc**

St Helen's, 1 Undershaft  
London EC3P 3DQ  
Telephone +44 (0)20 7283 2000  
[www.aviva.com](http://www.aviva.com)

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