Aviva plc
Interim report 2006



Aviva is the world's fifth* largest insurance group and the largest insurance services provider in the UK. We are one of the leading providers of life and pension products in Europe and are actively growing our long-term savings businesses in Europe, Asia, Australia and the USA. Our main activities are long-term savings, fund management and general insurance. We have premium income and investment sales of £35.9 billion** and £332 billion of assets under management. We have more than 58,000 employees serving 35 million customers.

Strengths and highlights

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

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

Our international businesses have announced their confidence in achieving average annual sales growth of at least 10%, after minority interests, over the next five years, before any acquisitions, while growing profits† at least as quickly.

Our UK life business has achieved excellent sales momentum and has successfully implemented its pension simplification strategy.

Our general insurance businesses have delivered another strong set of results, comfortably beating our combined operating ratio target of 98%.

The integration of RAC has now been completed and we are on target to meet our cost saving and revenue generation commitments.

Overview

Financial statements – International Financial Reporting Standards (IFRS) basis

Information on the European Embedded Value (EEV) basis

* Based on gross worldwide premiums for the year ended 31 December 2005.

** For the year ended 31 December 2005.

† New business contribution after required capital, tax and minority interests.

‡ From continuing operations, including long-term savings result on a European Embedded Value (EEV) basis.

≠ Based on opening equity shareholders' funds on an EEV basis, annualised at the half year.

Based on worldwide long-term savings new business sales, plus general insurance and health business net written premiums.

~ On an EEV basis.

The Aviva brand is about life and vitality – helping our 35 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. 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

£1,248m
IFRS profit before tax attributable to shareholders' profits
Increase of £124m

£1,699m
EEV operating profit[‡]
Increase of 27%

14.0%
Return on equity shareholders' funds[≠]
Reduction of 0.6%

£21.3bn
Worldwide sales[#]
Increase of £3.6bn

10.82p
Interim dividend per ordinary share
Increase of 10%

£15.5bn
Equity shareholders' funds[~]
Increase of £0.6bn

Group chief executive's statement

Growth
Aviva continues to grow strongly and has delivered excellent results for the first half of 2006. We are well positioned in our chosen markets and our growth reflects the power and flexibility of our composite structure and our balanced international portfolio. We believe these strengths are becoming increasingly recognised and understood by our stakeholders. Furthermore, our recent agreement to acquire AmerUs is an important strategic move that will transform our US business. AmerUs is a well-managed, innovative and fast-growing business and will give us a leadership position in a key segment of the world's largest long-term savings market.

Continued international development
We continue to make real progress in growing our long-term savings businesses in continental Europe and have gained good ground in the developing markets of Asia. We are confident that we can maintain our current momentum. Indeed, in June we announced our belief that we can achieve an average 10% sales growth, after minority interests, from our international long-term businesses over the next five years. Additionally, we aim to grow new business contribution at least as quickly as sales. This growth ambition does not include any additional sales resulting from acquisitions or new distribution partnerships.

We have been actively expanding our distribution arrangements during 2006. Our new joint venture with Allied Irish Banks represents a transformational deal for Hibernian in Ireland. We have entered into a partnership with Centurion Bank of Punjab that will strengthen our leadership in the bancassurance market in India, and have acquired 51% of Eagle Insurance, the third-largest insurer in Sri Lanka. On a visit there, I was delighted to sign a letter of intent for a bancassurance partnership with Standard Chartered Bank. In addition, we will soon commence full scale trading in Russia and have announced our ambitions to achieve a 10% market share within five years.

A changing market place
In the UK, our sales continue to build momentum in a competitive market, while maintaining strong margins. Since April, changes brought about by pension simplification (A-Day) have had a marked impact on the UK pension market. The new rules are designed to make pensions simpler and more flexible, and to encourage people to save for their retirement. While it is difficult to predict the full impact of A-Day, we are confident in our strategy and are well prepared for the significant opportunities that the reform of the pension regime presents. We have already announced our views on the government's proposal for a sustainable low-cost national pension scheme to provide a much-needed platform for the UK's future retirement planning. We regard it as a great opportunity for the financial services industry to work in partnership with the government to deliver a first-class pension scheme.

Sustained cash generation
Our worldwide general insurance operations continue to generate sustainable results and strong cash flows, emphasising the benefits of sharing knowledge between businesses. This continuing generation of cash allows us to fund organic growth without the need to raise additional capital.

In the UK, the integration of RAC is now complete and we are on course to meet our cost savings and revenue generation targets. Additionally, we have sold the Manufacturing Support Services division and Lex Vehicle Leasing, which we obtained as part of the RAC deal. Their sale completes our strategy to dispose of non-core businesses and to focus on our strengths. Our acquisition of RAC is firmly on track to deliver an overall run-rate return on capital of 18.8%.

Organisational clarity
In January, we announced a change in the group's internal organisation to create Aviva UK and Aviva International. We believe that there is much to gain in the UK from closer working practices and a more integrated management approach to our life and general insurance businesses. Additionally, the change will present our growing international portfolio of businesses with greater clarity and simplicity to customers and other stakeholders. Patrick Snowball and Philip Scott are the executive directors responsible for Aviva UK and Aviva International, respectively.

We have also reviewed and refreshed our strategy, which is very straightforward: we aim to be a clear leader in helping our customers to grow their wealth and to protect their assets and health. This emphasis on clarity is increasingly important as we look to the future. Aviva is a large and complex group, operating in a geographically diverse and multi-cultural environment. The clearer our vision and purpose, the more chance we have of achieving our goals.

Prudential
In March, we approached the board of Prudential plc with a proposal to merge our respective companies on an agreed basis. The proposal set out the significant commercial benefits and value creation potential of the merger. The board of Prudential plc declined to enter into discussions with us and the proposal was consequently withdrawn.

£1,248m
IFRS profit before tax

Richard Harvey
Group chief executive

Dividend
I am pleased to announce that the board has recommended an interim dividend of 10.82 pence per share (2005 interim dividend: 9.83 pence), an increase of 10%. It remains our intention to increase the total dividend on a basis judged prudent using a dividend cover in the 1.5 to 2.0 times range as a guide, while retaining capital to support future business growth.

Group results
Worldwide long-term savings new business sales were £15.6 billion (2005: £12.5 billion), reflecting continued growth in our international businesses and a fantastic performance in the UK. Our pre-tax operating profit* of £1,699 million (2005: £1,318 million) reflects the conversion of sales into increased profit and higher expected returns on in-force business. Our annualised return on equity shareholders' funds was 14.0% (2005: 14.6%).

Pre-tax life operating return on a European Embedded Value (EEV) basis was £1,021 million (2005: £857 million).

Our general insurance and health operating profit of £866 million (2005: £694 million) demonstrates our continued underwriting discipline, cost control, and the benefit of benign weather. We have achieved a general insurance combined operating ratio** of 92% (2005: 95%), beating our target of 98%.

Our IFRS fund management operating profit of £61 million (2005: £41 million) reflected the impact of new business inflows and the good performance of worldwide investment markets.

On an IFRS basis, our group operating profit before tax was £1,376 million (2005: £943 million) and the profit before tax attributable to shareholders' profits was £1,248 million (2005: £1,124 million).

Capital and financial strength
Shareholders' funds* increased to £15.5 billion (full year 2005: £14.9 billion), as a result of our strong operational performance; consequently increasing net asset value per share by 3% to 643 pence (full year 2005: 622 pence).

The solvency of our main operations remains strong with excess capital measured in accordance with the Insurance Groups Directive of £4.2 billion (full year 2005: £3.6 billion). Additionally, the inherited estate of our UK life businesses was £5.8 billion (full year 2005: £5.2 billion), based on a realistic assumption of liabilities.

Building our brand
We have seen excellent results from our "forward thinking" advertising campaign, which has resulted in an increased awareness among our target audience of opinion formers and major investors of both Aviva and our strengths. We are also establishing a greater awareness of Aviva in the UK by helping people to understand better the relationship between Aviva and Norwich Union.

I am delighted to congratulate Dee Caffari on her amazing feat of sailing solo, non-stop around the world against the prevailing winds and currents in the Aviva Challenge. It is a magnificent achievement and embodies the spirit of "forward thinking". In tackling this voyage, Dee challenged convention to achieve something unique and we are proud to be associated with her success.

External view
Retirement planning is generating a welcome amount of media and public interest. In April, Hibernian published a report on the Irish pensions "crisis" and how it compares with the situation in France, the USA and the UK. While some of the findings were specific to Ireland it is clear that there is a general need for people to save more and to start saving earlier, if their aspirations for a comfortable retirement are to be met. Europe as a whole has an ageing population and this will necessarily lead to a greater requirement for long-term saving products. This represents a significant opportunity for our industry, and Aviva in particular.

Outlook
Our balanced portfolio, in terms of geography, products and distribution, means that we are better positioned than ever to seize profitable opportunities in our chosen markets. We have good growth prospects in the short, medium and longer term and our ability to generate strong cash flows allows us to fund this growth internally. Importantly, we are not sacrificing profitability to achieve this growth.

We continue to seek further innovative ways to improve our products, services and operations and we have a strong management team with a proven track record of investing our shareholders' money wisely.

Overall, Aviva is in great shape, and we will seek to build on the momentum we have generated in the first half of 2006.

Richard Harvey

Richard Harvey
Group chief executive

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

92%
Combined operating ratio of general insurance business

+25%
Growth in long-term new business sales

£1,699m
Operating profit before tax*

Overall, Aviva is in great shape, and we will seek to build on the momentum we have generated in the first half of 2006.

Basis of preparation

The results for the six months to 30 June 2006 have been prepared on the basis of the accounting policies set out in Aviva plc's 2005 Annual Report and Accounts. The results for the six months to 30 June 2006 and 2005 are unaudited but have been reviewed by the external auditor, Ernst & Young LLP. The interim financial statements do not constitute financial statements as defined in section 240 of the Companies Act 1985. The results for the full year 2005 have been taken from the group's 2005 Annual Report and Accounts. The external auditor has reported on the 2005 financial statements and the report was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985. The group's 2005 Report and Accounts have been filed with the Registrar of Companies.

In accordance with Phase I of International Financial Reporting Standard 4, *Insurance Contracts* (IFRS 4), the group has continued to apply existing accounting practices for insurance and participating investment contracts, modified as appropriate to comply with the IFRS framework and applicable standards.

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

In addition to presenting our results and financial position on an International Financial Reporting Standards (IFRS) basis, we also use European Embedded Value (EEV) as an alternative performance measure. We continue to focus on the EEV basis in this period's report, as the directors believe life EEV operating return is a better measure of the performance of our life business than the IFRS basis. The EEV methodology is in accordance with the EEV principles introduced by the CFO Forum in May 2004 and the additional guidance issued in October 2005.

Forward-looking statements

This business review contains "forward-looking statements" with respect to certain of Aviva's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events that are beyond Aviva's control. For example, certain insurance risk disclosures are dependent on our choices about assumptions and models, and by their nature are only estimates. As a result, actual future gains and losses could differ materially from those that have been estimated. Other factors that could cause actual results to differ materially from those estimated by the forward-looking statements include, but are not limited to:

– Global and UK domestic economic business conditions

– Monetary and interest rate policies

– Foreign currency exchange rates

– Equity and property prices

– The impact of competition, inflation and deflation

– Changes to regulations, taxes or UK and foreign legislation

– The timing and impact of acquisitions or business combinations in relevant industries

– Natural and other disasters

– Changes to consumer saving or spending habits

– Aviva's success in managing the above factors

As a result, Aviva's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Aviva's forward-looking statements. Aviva undertakes no obligation to update the forward-looking statements contained in this review or any other forward-looking statements we make.

Key performance indicators

The European Union Modernisation Directive requires that business reviews contain financial and, where applicable, non-financial key performance indicators. We consider that our key financial performance indicators (KPIs) are those that communicate the financial performance and strength of the group as a whole to the members. The KPIs comprise:

– Return on equity shareholders' funds

– Proposed ordinary dividend

– Dividend cover

– Operating profit (IFRS basis)

– Operating profit (European Embedded Value basis)

Management also use a variety of Other Performance Indicators (OPIs) in both running and assessing the performance of individual business segments, rather than the group as a whole. OPIs include measures such as present value of new business premiums, new business margins, combined operating ratio and underwriting profit.

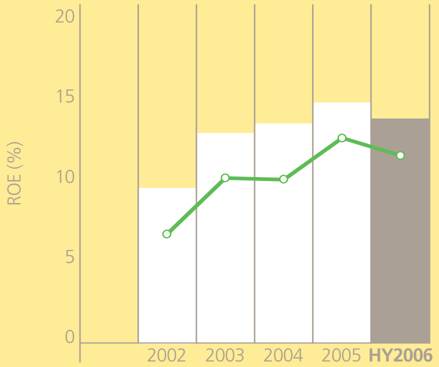
Non-financial performance indicators covering customer service and employee satisfaction will also be disclosed in the 2006 Annual Report and Accounts. We see both as being important to the ongoing success of our business. Additionally, performance against customer and employee measures has been incorporated into executive and senior management remuneration for 2006.

Key performance indicators

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

Return on equity shareholders' funds*

14.0%



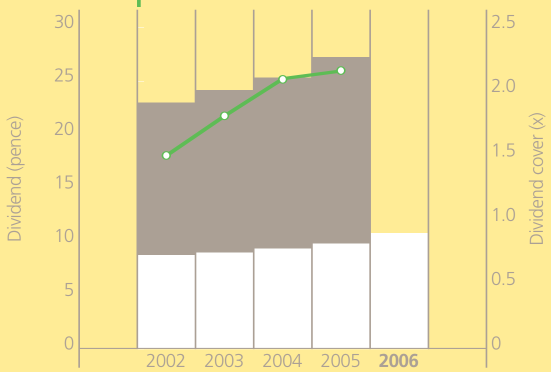
We aim to deliver an after-tax operating return on equity shareholders' funds, including life profits on a European Embedded Value (EEV) basis, equivalent to 12.5% on opening equity shareholders' funds. This is a change to our previously stated aim of a 10% net real return.

The return of 14.0% is above our target; however, it is below the 2005 return due to the higher value of opening equity.

Actual ROE — Actual ROE less inflation

Proposed ordinary dividend per share and dividend cover**

10.82p



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

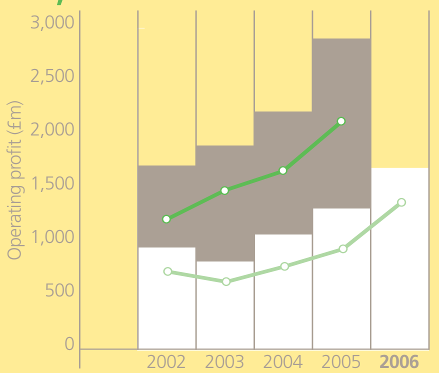
Our interim dividend has grown by 10% to 10.82 pence (2005: 9.83 pence), reflecting our intention to grow the dividend prudently.

It is not appropriate to state a dividend cover for the interim period.

Interim dividend — Final dividend — Dividend cover

Group operating profit before tax†

£1,699m



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

Our IFRS operating profit grew by 45% to £1,376 million (2005: £943 million). On an EEV basis, we achieved profit growth of 27% to £1,699 million (2005: £1,318 million). Both increases in profit represent continuing strong operational performances from our business units, allied to the benefit of buoyant equity markets.

EEV H1 — EEV H2 — IFRS FY — IFRS H1

* Return on equity shareholders' funds is calculated using after-tax return based on operating profit, including long-term savings profit on a European Embedded Value basis before amortisation of goodwill and opening equity capital. The return on equity shareholders' funds in 2002 incorporates long-term savings profit that is calculated on an achieved profits basis and general insurance and health business on a UK GAAP basis and has not been restated.

**Dividend cover is measured on operating earnings after tax on an IFRS basis, expressed as a multiple of the ordinary dividend in respect of the financial year. The calculations in respect of 2002 and 2003 are performed on a modified statutory solvency basis.

† Group EEV operating profit is calculated using long-term savings operating profit on an EEV basis before amortisation of goodwill. The group EEV operating profit in 2002 incorporates long-term savings profit that is calculated on an achieved profits basis, and has not been restated.

Group IFRS operating profit is calculated using long-term savings operating profit on an IFRS basis before amortisation of goodwill. The group IFRS operating profit in 2002 and 2003 incorporates long-term savings profit that is calculated on a modified solvency basis, and general insurance and health business on a UK GAAP basis and has not been restated.

Financial performance

Group financial highlights

The table below sets out our financial and operational performance for the six months to 30 June 2006.

Summarised consolidated income statement – EEV basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Worldwide sales*	**21,281**	17,714	35,894
Operating profit before tax – EEV basis	**1,699**	1,318	2,904
Adjusted for the following:			
Impairment for goodwill	**–**	(10)	(43)
Amortisation and impairment of other intangibles	**(10)**	(8)	(21)
Financial Services Compensation Scheme and other levies	**6**	–	–
Variation from longer term investment return	**(944)**	839	2,805
Effect of economic assumption changes	**471**	(531)	(406)
Profit on the disposal of subsidiaries and associates	**86**	145	153
Integration costs	**(24)**	(14)	(109)
Profit before tax – EEV basis	**1,284**	1,739	5,283

Summarised consolidated income statement – IFRS basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Operating profit before tax – IFRS basis	**1,376**	943	2,128
Adjusted for the following:			
Impairment for goodwill	**–**	(10)	(43)
Amortisation and impairment of acquired value in-force business	**(33)**	(44)	(73)
Amortisation and impairment of other intangibles	**(19)**	(16)	(45)
Financial Services Compensation Scheme and other levies	**6**	–	–
Short-term fluctuations in return on investments backing general insurance and health business	**(205)**	120	517
Profit on the disposal of subsidiaries and associates	**147**	145	153
Integration costs	**(24)**	(14)	(109)
Profit before tax attributable to shareholders' profits – IFRS basis	**1,248**	1,124	2,528
Tax	**(319)**	(307)	(630)
Profit for the financial period	**929**	817	1,898
Attributable to:			
Equity shareholders	**856**	756	1,767
Minority interests	**73**	61	131

Financial highlights

Earnings per share			
Basic – EEV operating profit after tax basis	**42.1p**	35.6p	74.5p
Basic – IFRS operating profit after tax basis	**38.5p**	27.1p	60.5p
Dividend per ordinary share	**10.82p**	9.83p	27.27p
Life and pensions new business margin**	**3.5%**	3.6%	3.6%
Life and pensions new business margin after required capital	**2.7%**	2.6%	2.8%
General insurance business combined operating ratio	**92%**	95%	95%
Net asset value per ordinary share – EEV basis	**643p**	533p	622p

* Based on worldwide long-term savings new business sales, plus general insurance and health business net written premiums.

** Before the effect of required capital.

† New business contribution after cost of capital, tax and minorities.

Profit before tax

Profit before tax on an EEV basis was lower at £1,284 million (2005: £1,739 million), and includes adverse investment return variances and short-term investment fluctuations of £944 million (2005: £839 million favourable) partially offset by positive economic assumption changes of £471 million (2005: £531 million negative).

The variance from the longer-term investment return primarily reflects lower market values of fixed income securities following the increase of 60 basis points and 80 basis points in UK and Euro zone bond yields respectively. This was partly offset by slightly higher than assumed overall equity returns during the period. Long-term economic assumptions, which are set by reference to long-term bond yields, were revised upward at 30 June 2006 and these higher assumptions have increased the expected value of future profits from in-force life contracts, benefiting profits by £471 million.

On an IFRS basis, the non-life short-term fluctuations loss of £205 million (2005: £120 million positive) is principally due to the rise in bond yields. The effect of the non-life investment market movements, profits on disposal and integration costs are included in the IFRS profit before tax attributable to shareholders' funds of £1,248 million (2005: £1,124 million).

During the first half of the year, we completed the sale of our remaining RAC non-core businesses, generating disposal profits of £66 million. Additionally as part of the Ark Life transaction in January, we completed the sale of a minority stake in our Irish life business resulting in a profit on an EEV basis of £26 million: on an IFRS basis the profit was £87 million as the additional value of in-force business is excluded from the balance sheet. Other small disposals in the period amounted to a total loss of £6 million. The integration of RAC completed successfully during the period and accordingly no further costs associated with this will be reported. The total integration costs incurred since the acquisition were in line with the £130 million that we previously announced, £21 million having been incurred in the first half of 2006.

Worldwide sales*

We achieved excellent sales growth in the six months to 30 June 2006, with total worldwide sales increasing to £21,281 million (2005: £17,714 million).

Our long-term savings new business sales were up 25% to £15,631 million (2005: £12,510 million). The overall increase reflects growth in life and pension sales of 19% to £13,147 million (2005: £11,016 million), and exceptional growth in investment sales of 66% to £2,484 million (2005: £1,494 million).

Our International total long-term savings new business sales grew strongly by 14% to £8,732 million (2005: £7,685 million), benefiting from growth in most of our key markets. Life and pensions new business sales were 10% higher at £7,331 million (2005: £6,704 million). Our investment sales grew by 42% to £1,401 million (2005: £981 million). On 1 June 2006, Aviva International announced its plan to achieve average annual organic sales growth, after minorities, of at least 10% a year across the international life operations over the next five years, while growing new business profit† at least as quickly as sales. We will achieve these aims by understanding the needs of customers, and building market-leading positions and effective distribution channels in selected areas.

Aviva Challenge

Aviva joined the celebrations as Dee Caffari triumphed in her quest to become the first woman to sail around the world solo, non-stop, against the prevailing winds and currents.

The Aviva Challenge ended as Dee and her yacht *Aviva* crossed the finish line between Ushant, in France, and The Lizard, in England, on Thursday 18 May. She has joined an elite group of just four men who have completed the same journey.

Her next stop was Ocean Village Marina, Southampton, on Sunday 21 May, where she was greeted by HRH The Princess Royal and reunited with her family and friends.

Over the previous six months Dee had overcome extreme isolation, icebergs, mountainous waves and hurricane-force winds to set her new world record.

"When I crossed the line I was overwhelmed with emotion. It was the proudest moment of my life," she said.

"It was a voyage of absolute extremes, and it pushed my limits further than I had imagined. There were times when I couldn't see an end to it and I questioned whether I could do it. One of the hardest things was the mental challenge of dealing with it all on my own, but the support from my shore team and the outstanding performance of the yacht helped me bounce back when it got really tough.

"I'm so proud to have set this record and I want to thank everyone around the Aviva world for all the support they have shown me over the past six months. The goodwill messages sent to the website have been inspirational to me and I'll always remember the important role they played in my success.

"It's such a lovely feeling to know that records may be broken but a 'first' can never be taken away!"

We have produced exceptional growth in our UK total long-term saving business. Sales grew by 43% to £6,899 million (2005: £4,825 million), reflecting strong sales of individual and group pension business allied to exceptionally good collective investment sales, which topped £1 billion in the six month period for the first time. We continue to focus on actively managing margin, volume and business mix.

We generated net written premiums of £3,073 million (2005: £2,891 million) in our UK general insurance and health operations, an increase of 6%. The growth reflects a strong contribution from our direct channel, particularly from RAC Direct Insurance, in conjunction with increasing sales through our corporate partners.

Our international general insurance businesses increased their net written premiums to £2,577 million (2005: £2,313 million), primarily reflecting strongly increased sales in the Netherlands as a result of healthcare reforms and continuing strong performances from our other businesses.

Long-term business margin

Our new business contribution before the effect of required capital grew to £459 million (2005: £393 million), generating a group-wide new business margin** of 3.5% (2005: 3.6%). A higher international margin predominantly reflects increases in the margin in France and Spain. In France, an increasing proportion of higher margin unit-linked sales, along with the benefit of increased volumes improved the margin to 4.3% (2005: 3.8%). In Spain, strong protection sales helped push the margin to 9.6% (2005: 8.3%). The UK margin was adversely affected by a change in product mix but is in line with the margin for the whole of 2005.

After the effect of required capital, new business contribution increased faster than sales, up 24% to £352 million (2005: £286 million), reflecting the importance that we attach to both sales volumes and shareholder profits. Consequently, the group margin increased to 2.7% (2005: 2.6%).

Combined operating ratio (general insurance)

Our general insurance combined operating ratio (COR) improved to 92% (2005: 95%), and is ahead of our stated target to meet or beat a worldwide COR of 98% for the foreseeable future. The COR has benefited from benign weather in the first half of 2006, particularly in the UK. Scale advantages, focused underwriting and efficient claims management continue to provide us with ongoing benefits.

Tax

The tax charge for the period on an IFRS basis was £319 million (2005: £307 million). The effective tax rate on IFRS operating profit of 26.9% (2005: 27.1%) reflects, in net terms, the use of unrecognised deferred tax assets that reduce the tax charge.

On an EEV basis, the taxation charge for the period was £524 million (2005: £530 million), including a charge of £573 million (2005: £412 million) in respect of operating profit, which is equivalent to an effective rate of 33.7% (2005: 31.3%).

Financial performance continued

Dividend

The directors are recommending an interim dividend of 10.82 net pence per share (2005: 9.83 pence), an increase of 10%. The interim dividend is payable on 17 November to shareholders on the Register of Members at the close of business on 18 August. The recommendation is in line with our intention to increase the dividend on a prudent basis, using a dividend cover in the 1.5 to 2.0 times range as a guide, while retaining capital to support future business growth.

The company's Scrip Dividend Scheme will be available to shareholders in respect of the payment of the interim 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 on the shareholder information on page 79.

Net asset value per ordinary share

The significant increase in shareholders' funds on an EEV basis to £15.5 billion (31 December 2005: £14.9 billion) reflects a strong operational performance in the period. This increase is mirrored by the net asset value per share, up to 643 pence (31 December 2005: 622 pence).

On an IFRS basis, shareholders' funds increased to £12.1 billion (31 December 2005: £11.1 billion).

Group operating profit before tax – IFRS and EEV bases

IFRS basis	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Long-term business*	**710**	510	1,065
Fund Management*†	**61**	41	124
General insurance and health	**866**	694	1,551
Other:			
Other operations*†	**(11)**	(6)	(40)
Corporate costs	**(73)**	(83)	(136)
Net unallocated interest charges	**(177)**	(213)	(436)
IFRS operating profit before tax	**1,376**	943	2,128

EEV basis	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Long-term business*	**1,021**	857	1,814
Fund Management*†	**33**	26	83
General insurance and health	**866**	694	1,551
Other:			
Other operations*†	**29**	37	28
Corporate costs	**(73)**	(83)	(136)
Net unallocated interest charges	**(177)**	(213)	(436)
EEV operating profit before tax	**1,699**	1,318	2,904

*The proportion of the results of the group's UK and French asset management operations, the results of Norwich Union Equity Release and the proportion of the results of Norwich Union Life Services that arise from the provision of fund management and other services to the life business have been included in the long-term business operating return on an EEV basis. On an IFRS basis, they are included in fund management and non-insurance.

†Profits on the sale of retail fund management products in the Netherlands have been re-classified from Other operations to fund management following the recognition of a separate fund management segment locally.

Operating profit

The first half of 2006 saw the continuation of strong operational performances from across our major businesses. We achieved an operating profit before tax, including the life operating return on an EEV basis, of £1,699 million (2005: £1,318 million), an increase of 27%. On an IFRS basis, worldwide operating profit before tax increased by 45% to £1,376 million (2005: £943 million). This strong set of results has been achieved by our continued focus on profitable growth from all of our distribution channels, leveraging our scale advantages in pricing and costs, our disciplined approach to underwriting and efficient claims management.

Our worldwide life EEV operating return before tax was 19% higher at £1,021 million (2005: £857 million) due to increased contributions from both new and existing business. New business contribution after the effect of required capital was 24% higher at £352 million (2005: £286 million) outpacing the 19% growth in sales. Consequently, our new business margin after the effect of required capital was higher at 2.7% (2005: 2.6%), reflecting improved business mix and our value focus. Our International business now accounts for 62% of new business contribution after the effect of required capital. The expected returns on existing business and shareholders' net worth were higher at £675 million (2005: £595 million), reflecting the higher start of year embedded values.

Our worldwide fund management operating profit grew strongly to £61 million (2005: £41 million) on an IFRS basis. Assets under management at 30 June 2006 grew to £332 billion (31 December 2005: £322 billion), reflecting the impact of new business inflows and the performance of worldwide investment markets.

Operating profits from general insurance and health businesses increased by 23% to £866 million (2005: £694 million), primarily reflecting improvements in the underwriting result to £346 million (2005: £182 million) that include a better than expected weather-related claims experience in the UK of £125 million (2005: neutral). Our worldwide expense ratio was 11.6% (2005: 11.2%), due to a change in the distribution mix towards the direct channel and strategic investment in the businesses to gain long-term competitive advantages.

The reserves of the group are set conservatively with the aim of protecting against adverse future claims experience and development. Our business is predominantly short tail in nature and loss development experience is generally stable. As a result of the prudence applied in setting the reserves, there are some releases in 2006 relating to the 2005 and prior accident years. The releases mainly arise in the UK and this favourable development benefits the UK underwriting result by £140 million, of which £50 million is weather-related. We have increased our confidence levels over the past few years and have maintained our reserves at very strong levels.

The operating results of the individual business units within our long-term savings, fund management and general insurance and health business segments are discussed in detail in the business segment performance reviews over the following pages. Other components of our operating profit are discussed below.

Other operations

Our other operations recorded an operating loss of £11 million (2005: loss of £6 million) on an IFRS basis. The overall loss comprises a profit of £20 million from RAC non-insurance operations (2005: £11 million), a loss from NU Life Services Ltd of £42 million (2005: £38 million loss), a loss of £6 million resulting from the development of the Lifetime platform and £17 million profit from other non-insurance operations (2005: £21 million), including our Dutch banking division.

Operating profit from RAC non-insurance operations amounted to £20 million (2005: £11 million post acquisition), reflecting the inclusion of the result for the entire period. The sale of the Manufacturing Support Services division of RAC was completed in April, followed in May by the sale of our share of Lex Vehicle Leasing. Both operations were classified as held for sale on our balance sheet at 31 December 2005. Total proceeds were £354 million and the profit before tax on disposals was £66 million. These disposed businesses contributed an operating profit of £17 million in the period. This completes the disposal programme of the RAC non-core businesses. RAC has successfully renewed its contracts with Volvo and Budget and, following its disposal, has signed a six-year deal with Lex Vehicle Leasing to provide roadside assistance and glass replacement.

On an EEV basis, operating profit for our other operations was £29 million (2005: £37 million) as this excludes the majority of NU Life Services Ltd losses which are incorporated within the life EEV operating return.

Corporate costs

Total corporate costs reduced to £73 million (2005: £83 million), reflecting the completion of our global finance transformation programme (GFTP) in the first half of 2005. GFTP incurred costs of £28 million that were not repeated in 2006. Other corporate costs increased to £73 million (2005: £55 million), reflecting increased brand spend, and increased pension and bonus costs.

Unallocated interest charges

Unallocated interest charges comprise internal and external interest on borrowings, subordinated debt and intra-group loans not allocated to local business operations, and net pension income. Total interest costs were £177 million (2005: £213 million), split between external interest costs £109 million (2005: £130 million) and internal interest costs £106 million (2005: £101 million). External costs fell primarily as a result of the repayment of senior debt. Net pension income was £38 million (2005: £18 million).

Corporate advertising

Aviva's reputation as an organisation focused on the future was greatly strengthened by the group's first corporate advertising campaign.

The theme of the campaign was "forward thinking". It was targeted at opinion formers, investors and the financial community, and aimed to raise awareness of Aviva, positioning the group as a trusted business partner with a clear vision of the future.

The campaign ran from autumn 2005 to spring 2006. It combined prominent posters and billboards in London, notably at the Eurostar terminal at Waterloo station, with print advertisements in the *Financial Times, The Economist* and *The Wall Street Journal*.

A series of forward thinking-themed articles appeared on FT.com, Economist.com and WSJ.com, and Aviva-sponsored short films about individuals who have lived out their dreams of a better future were shown on CNBC, the subscriber satellite news channel.

In addition, Aviva was associated with forward thinking through its corporate sponsorship of Dee Caffari's record-breaking round-the-world sailing exploits.

Customer research showed that awareness of Aviva grew from 40% to 69%, and awareness that Aviva owns Norwich Union increased from 33% to 50%. There was a significant increase in the number of people who viewed Aviva as having an excellent reputation, being trustworthy, demonstrating integrity and having a positive view of the future. Norwich Union also benefited from the positive associations with Aviva.

The themes of the corporate advertising campaign have been used to good effect by Aviva businesses, particularly Aviva Spain and Aviva Italy. Aviva Spain won an industry award from the magazine *Actualidad Económica* for their brand campaign, and Aviva Italy used the strapline "Playing fair with your future" when they rebranded from Commercial Union earlier this year.

A follow-up advertising campaign is scheduled for the UK in the autumn.

Business segment performance: Long-term savings

	IFRS profit before tax £m	IFRS operating profit £m	EEV operating profit £m	PVNBP* £m	New business contribution† £m	New business margin† %
						6 months 2006
France	**109**	**116**	**196**	**2,028**	**87**	**4.3**
Ireland	**10**	**31**	**8**	**558**	**11**	**2.0**
Italy	**27**	**28**	**53**	**1,583**	**38**	**2.4**
Netherlands**	**223**	**225**	**185**	**1,170**	**34**	**2.9**
Poland	**56**	**56**	**66**	**264**	**14**	**5.3**
Spain	**41**	**48**	**112**	**916**	**88**	**9.6**
Other Europe	**(7)**	**(7)**	**(3)**	**126**	**(4)**	**(3.2)**
Continental Europe	**459**	**497**	**617**	**6,645**	**268**	**4.0**
Rest of world	**2**	**–**	**54**	**686**	**24**	**3.5**
Total International	**461**	**497**	**671**	**7,331**	**292**	**4.0**
UK	**312**	**213**	**350**	**5,816**	**167**	**2.9**
Long-term savings total	**773**	**710**	**1,021**	**13,147**	**459**	**3.5**

	IFRS profit before tax £m	IFRS operating profit £m	EEV operating profit £m	PVNBP* £m	New business contribution† £m	New business margin† %
						6 months 2005
France	114	131	158	1,854	71	3.8
Ireland	18	14	22	349	9	2.6
Italy	14	24	47	1,333	33	2.5
Netherlands**	56	62	125	1,383	39	2.8
Poland	48	48	48	137	7	5.1
Spain	33	39	92	965	80	8.3
Other Europe	(2)	(1)	(1)	129	–	–
Continental Europe	281	317	491	6,150	239	3.9
Rest of world	(16)	(16)	36	554	18	3.2
Total International	265	301	527	6,704	257	3.8
UK	469	209	330	4,312	136	3.2
Long-term savings total	734	510	857	11,016	393	3.6

* Excludes investment sales. Investment sales (including Navigator) totalled £2,484 million (2005: £1,494 million) giving overall new business sales of £15,631 million (2005: £12,510 million).

** Includes Belgium, Germany and Luxembourg.

† Stated before the effect of required capital.

International

– EEV operating profit up 27% to £671 million (2005: £527 million).

– New business sales increased to £7,331 million, (2005: £6,704 million), reflecting strong growth in most of our key markets.

– Continued growth in bancassurance, including new deals in Ireland and Sri Lanka.

France

Aviva France is one of the top 10 long-term savings businesses in France with a market share of 5%‡. We follow a multi-channel distribution approach through tied and independent brokers, agencies, direct and bancassurance channels.

Our 10% growth in new business sales to £2,028 million (2005: £1,854 million) was strong, albeit lower than that of the pure bancassurers who benefited from substantial transfers from 'Plan d'Epargne Logement' (PEL) banking products into life insurance products following the removal of certain tax advantages.

Sales were achieved at higher margins of 4.3% (2005: 3.8%), reflecting an increasing proportion of unit-linked sales that now account for 49% of total savings sales (excluding protection) (2005: 42%). Our focus on unit-linked business is combined with sales practices that provide best advice to our customers.

We reported strong first-half EEV operating profits of £196 million (2005: £158 million), reflecting increased new business contribution from higher sales volumes and the favourable impact of transfers into less capital-intensive unit-linked funds following the Fourgous amendments≠. The savings association AFER was particularly successful in such transfers and achieved over 53,000 policy conversions, with £1 billion transferred to unit-linked funds. As a result, AFER's proportion of business in-force invested in unit-linked funds has increased to 16% (2005: 11%).

We continue to improve sales and administrative efficiency through greater use of web-based tools for data exchange between back office and sales teams and through increasing the proportion of business transacted electronically. At the same time, we pursue a segmented approach to the delivery of high quality customer service.

Ireland

Aviva's life operations in Ireland rank third, with a market share that has increased to 16%#, following the acquisition of Ark Life and the associated bancassurance partnership formed with Allied Irish Banks (AIB), Ireland's largest retail bank and Ark Life's previous owner.

New business sales were £558 million (2005: £349 million), including £223 million through AIB's distribution networks since the commencement of the partnership at the end of January 2006. Our new business margin was 2.0% (2005: 2.6%), reflecting continuing competitive pressure and changes in assumptions since June 2005. Operating profit was £8 million (2005: £22 million), including £9 million from Ark Life. The result from our Hibernian Life & Pensions operations included the adverse effect of a change in assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.

‡ Measured in terms of gross written premiums as at December 2005.

≠ This amendment enabled transfers of euro fund policies to unit-linked policies without loss of tax benefits.

\# Measured in terms of annual premium equivalent at the end of June 2006 on a pro-forma basis including AIB.

~ Measured in terms of total single premiums plus annualised total regular premiums at the end of April 2006.

≈ Measured in terms of gross written premiums at the end of December 2005.

∞ Present value of new premiums plus investment sales.

The integration of Ark Life is proceeding well, including the successful completion of the migration of Ark Life's €3.3 billion (£2.3 billion) of funds to Hibernian Investment Management and the implementation of a number of product enhancements, such as Special Savings Incentive Accounts (SSIA) rollover products. SSIA accounts mature over the remainder of this year and early part of 2007. The reinvestment of maturing accounts is expected to generate growth for the life market in Ireland and we are well positioned to benefit from this opportunity.

In addition, our Irish operations will relocate to a single site in the final quarter of 2006.

Italy
Aviva Italy is the country's seventh-largest life insurer and has a new business market share of 7.4%~. We distribute principally through our bancassurance partnerships with UniCredit Group, Banca delle Marche, Banche Popolari Unite and Banca Popolare Italiana (BPI). Our distribution also includes the financial sales networks of some of our partner banks. We gained access to nearly 400 additional branches in the UniCredit Group network in January 2006 and to a further 150 branches from July 2006 bringing the total number of UniCredit branches selling Aviva's single and regular premium savings products to approximately 1,000.

The extension of the distribution of our products through UniCredit Group contributed to overall new business sales growth of 19% to £1,583 million (2005: £1,333 million). New business margin was 2.4% (2005: 2.5%) and operating profit increased to £53 million (2005: £47 million), mainly reflecting the benefit of increased sales.

Aviva Italy, together with other investors, is purchasing a stake in Banca Bipielle Network, a 1,000-strong financial adviser network, from the Italian banking group BPI. As part of the same transaction, Aviva Italy is purchasing 55% of Area Life International Assurance Limited, a Dublin based life company that provides life products for the Italian market. The transaction is expected to complete in the second half of 2006.

The Italian market offers strong long-term growth potential. However, the timing of marketing campaigns and product launches tend to vary throughout the year and this can result in some volatility in sales levels each quarter.

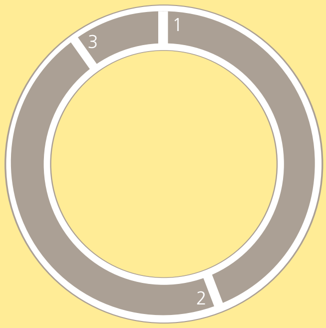
Netherlands (including Belgium, Germany and Luxembourg)
Delta Lloyd is a top-five financial services group based in the Netherlands≈, with operations in Germany, Belgium and Luxembourg. We sell products through a bancassurance partnership with ABN AMRO, directly to customers under our OHRA brand and via independent financial advisers under our Delta Lloyd brand.

New business sales were £1,170 million (2005: £1,383 million), reflecting a challenging market affected by regulatory and fiscal changes. The new business margin was stable at 2.9% (2005: 2.8%). The increase in operating profit to £185 million (2005: £125 million) was largely derived from the existing business, reflecting higher expected returns following substantial embedded value growth in 2005 and favourable operating variances.

We are continuing to focus on growth opportunities in group pensions, particularly in the small and medium-sized enterprises sector, leveraging our proposition that combines competitive value with excellent customer service.

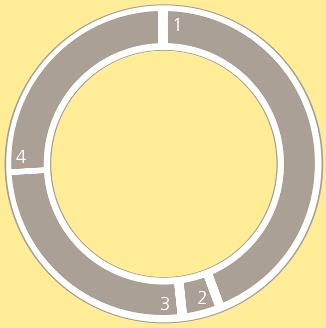
Worldwide long-term sales by territory

1 UK	44%
2 Continental Europe	46%
3 Rest of the World	10%



Worldwide long-term sales by distribution channel

1 Financial advisers	44%
2 Partnerships	4%
3 Direct	26%
4 Bancassurance	26%



£15.6 billion

Worldwide long-term savings sales∞

+24%

Growth in worldwide bancassurance long-term savings sales∞

53

Bancassurance partnerships and bank distribution agreements worldwide

Business segment performance: Long-term savings continued

Poland (including Lithuania)
Aviva is the largest pension provider in Poland, with a 27% market share*, and the second-largest life insurance business, with a 12% market share**. We have a 3,000-strong direct sales force and are developing further our bancassurance distribution. In Lithuania, we are the third-largest pension provider and the fourth-largest life insurer[†].

New business sales were £264 million (2005: £137 million), including a one-off group scheme of £16 million (2005: nil). Strong life sales of single premium individual business were driven mainly by a buoyant equity market and positive results from continuing development of the direct sales force. Pension sales benefited from premium arrears received from the pension regulator in Poland and higher levels of pension transfers from other pension providers.

This strong sales growth was achieved at a similar margin of 5.3% (2005: 5.1%) and helped increase the operating profit to £66 million (2005: £48 million).

The Polish insurance and investment markets continue to offer strong long-term growth potential, supported by a favourable economic outlook. However, following a slowdown in equity markets, Aviva does not expect the current level of exceptional growth to be maintained throughout the year.

Spain
Aviva Spain is the leader in the life bancassurance market and is number two in the market overall[‡] following an increase in market share in the first quarter of 2006. Our distribution capacity is dominated by the bancassurance channel through partnerships with five savings banks: Bancaja, Unicaja, Caixa Galicia, Caja España and Caja Granada.

Our protection sales have increased, buoyed by the strong housing market, while sales of long-term savings products are being adversely affected by uncertainty surrounding proposed tax changes in 2007. This uncertainty is likely to continue to affect sales of savings products for the remainder of the year, until the introduction of new products in 2007.

New business sales were £916 million (2005: £965 million, including one-off sales of £25 million) reflecting a decline in the Spanish market of 3% during the first quarter of the year. The margin has increased to 9.6% (2005: 8.3%) due to a larger proportion of higher margin protection products. Operating profit at £112 million (2005: £92 million), reflects the increase in new business contribution and a higher expected return on the existing business.

Sales through Aviva Vida y Pensiones, which distributes through a direct sales force and intermediaries, were £103 million (2005: £110 million, including one-off sales of £25 million) and benefited from increased sales of unit-linked business in the favourable market conditions.

The timing of marketing campaigns and the concentration of pension business sales in the fourth quarter of the year result in some variation in sales from quarter to quarter.

Other Europe
Our other European operations are based in the Czech Republic, Hungary, Romania, Russia and Turkey.

Total new business sales were £126 million (2005: £129 million, including £36 million of sales from our Portuguese business which was sold in 2005). Strong growth of 30% was achieved in our continuing businesses, principally from an increase in sales through the broker channel in Hungary. Our total operating loss was £3 million, including the start up costs of our new operation in Russia (2005: £1 million loss, including £2 million profit from our Portuguese business).

In Turkey, we are a top-five life and pension provider[≠]. Our main products are unit-linked pension plans together with savings and protection policies and are sold primarily through our direct sales force.

In the Czech Republic, Hungary and Romania we are seeking to achieve growth with unit-linked and other savings products focused on high net-worth individuals. We aim to grow our direct sales forces to improve performance and to enhance our product range while continuing to develop alternative distribution channels including bancassurance.

Aviva Russia was granted a licence in March 2006. Our strategy is to position the business to take advantage of the rapid growth expected to occur as the life insurance industry develops. We aim to achieve at least a top-five market position and a 10% share of the life insurance market within five years.

Rest of the World
Outside of Europe, we have operations in Australia, China, Hong Kong, India, Singapore, Sri Lanka and the United States.

We generated new business sales growth of 19% to £686 million (2005: £554 million). New business margin was 3.5% (2005: 3.2%), benefiting from improved business mix and volumes. Operating profit was £54 million (2005: £36 million).

Aviva Australia sells life products and provides wealth management services through the Navigator platform. Further information on Navigator is given in the Fund Management section. We are ranked ninth in both the protection and platform markets[#]. Growth will be achieved through expanding and diversifying our independent adviser distribution and continuing to expand into new distribution channels through alliances and bancassurance partnerships. New distribution arrangements were established in 2006 with AON and Bendigo Bank for the distribution of our protection products.

In China, our 50-50 joint venture with COFCO (Aviva-COFCO) is the fifth[~] largest foreign joint venture (out of a total of 24). We operate a multi-channel, multi-product distribution strategy and are actively pursuing growth in cities and provinces with significant long-term potential in order to fulfil our 10x10x10 strategy[≈]. We distribute individual products through a direct sales force, brokers and bancassurance and sell group business both directly and through intermediaries. We recently received permission to open a branch in Changsha, the capital city of Hunan province, and are now licensed in six major cities, with sales offices in a further seven cities. We continue to seek to obtain "first mover" advantage with new licences in selected target cities, supported by a centralised back office function.

Aviva India is our joint venture with the Dabur Group in which we hold 26%, the maximum stake currently allowed by law. We are a leader in the bancassurance market and are ranked sixth overall among private insurance companies∞. In January 2006, we entered into a major new bancassurance agreement with Centurion Bank of Punjab and we now have 22 distribution agreements with banks. Our direct sales force numbers over 11,800 agents with an additional 1,500 in training.

Aviva Singapore is ranked fifth and Aviva Hong Kong 16th in their respective life insurance markets^. Our business in Singapore remains second in the bancassurance market and remains the leader in the developing broker market as well as the employee benefits and healthcare segment. In both markets, we continue to follow a multi-channel distribution strategy including our strong partnership with Development Bank of Singapore (DBS). We aim to broaden and deepen business opportunities with DBS while continuing to develop the independent financial adviser (IFA) and international financial solutions elements of the broker market. In Hong Kong, the IFA channel now accounts for 50% of total new business sales.

On 1 February 2006, Aviva acquired a 51% interest in Eagle Insurance Company Limited (Eagle), the third-largest insurer in Sri Lanka. At the same time, Eagle entered into a bancassurance agreement with National Development Bank Limited, Sri Lanka's biggest development bank and Eagle's other major shareholder. Total new business sales since acquisition were £6 million.

Our United States operation has adopted a niche-based strategy, based on retirement and estate planning with distribution through independent agents and banks. The expansion of distribution and widening of the product range has enabled the business to grow sales by 24%. Growth in structured settlement sales has been particularly strong following the rating upgrade to A+ by A.M. Best in November 2005. Sales of deferred annuities have been adversely affected by difficult market conditions associated with a flat yield curve and this is expected to continue.

Long-term savings operating return £m

£1,021m

	H1	H2
2003**	678	1,496
2004*	799	1,611
2005*	857	1,814
2006*	**1,021**	

*On an EEV basis **On an achieved profits basis

Present value of new business premiums* £m

£13,147m

	H1	H2
2003	9,592	18,809
2004	9,753	20,661
2005	11,016	22,246
2006	**13,147**	

*Excludes investment sales

+19%

Increase in long-term business operating return – EEV basis

£223 million

Sales through our new bancassurance partnership with AIB

3.5%

New business margin, before the effect of required capital

+35%

Growth in UK life and pension sales

* Measured in terms of funds under management at the end of March 2006.
** Measured in terms of gross written premiums at the end of December 2005.
† Measured in terms of gross written premiums at the end of March 2006.
‡ Measured in terms of total premium income at 31 March 2006.
≠ Measured in terms of gross written premiums at the end of December 2005.
Measured in terms of in-force business.
~ Based on first year premiums at 31 May 2006.
≈ The strategy means that, by 2010, Aviva-COFCO will have an average 10% market share in 10 cities.
∞ Measured in terms of first year weighted premium income in the fiscal year to date April 2006 – May 2006.
^ Measured as at 31 March 2006.

Business segment performance: Long-term savings continued

UK

- EEV operating profit up 6% to £350 million (2005: £330 million).
- Life & pensions sales up 35% to £5,816 million (2005: £4,312 million), reflecting strong growth in pension and bond sales.
- Successful implementation of our pension simplification strategy while improving customer service.

Our UK long-term savings business, operating as Norwich Union, is a leader in the UK market, achieving profitable growth while maintaining market-leading positions in our chosen sectors.

The changes brought in via Pension Simplification (A-Day) in April have a fundamental effect on the UK pension market. We are well prepared for the opportunities that A-Day presents and have implemented successfully our A-Day strategy, including the launch of our modified stakeholder pension, self-invested pension plan (SIPP) and defined benefit switching proposition. From an operational perspective, we have successfully managed the increased business volumes generated by A-Day, assisted by additional off-shore processing capacity.

The launch of our inflation-protected guarantee with-profit bond in January has generated positive sales momentum. The bond provides our customers with capital protection, including retail price index inflation guarantees. We have also enhanced our protection product range, launching our pension term assurance proposition and our guaranteed whole of life product. Additionally, we have strengthened further our distribution reach with the successful launch of a bond under an exclusive distribution agreement with Co-operative Insurance Society.

In January, we announced our intention to enter the bulk purchase annuity market and we have now commenced quoting for business through six leading employee benefit consultants. We do not anticipate any significant volumes of business during 2006 but we are on target to build a strong pipeline of business for 2007. However, our overall risk appetite for annuities has not changed and these sales will complement the existing individual annuity portfolio.

We have significantly strengthened our collective investment product range with the launch of a new property ISA to take advantage of regulatory change and have launched two new equity-based funds.

The delivery of excellent customer service remains a top priority for us and we are pleased to report that policyholder satisfaction and advocacy are increasing, while complaints are falling. Compared to the first half of 2005, satisfaction with administration is up from 60% to 65%, and advocacy is up from 36% to 43%, whereas complaints have fallen by 36%.

Improving financial advisers' perceptions of our service was identified as a significant issue and is a key priority for us. Our focus in this area is yielding results and we have seen improvements in our externally benchmarked service ranking. The number of advisers rating our service as poor has declined markedly and there has been a positive movement in the numbers rating our service as excellent or good.

The improvements in both policyholder and financial adviser service levels are encouraging and we remain committed to improving further our customer's experience.

Our total sales, including investment sales were up by 43% to £6,899 million (2005: £4,825 million). This growth reflects a combination of strong pension sales generated by A-Day, improving sentiment in the bond and savings market and pricing actions taken during the second half of 2005. Additionally, an increased focus on collective investments, allied to the continuing strength of the stock market has helped to generate exceptional investment sales growth.

New business contribution on a post required capital basis grew 27% to £135 million (2005: £106 million), reflecting increased sales following strategic pricing actions taken in the second half of 2005. We continue to maintain our focus on value, while retaining a market-leading position.

Our life EEV operating return increased to £350 million (2005: £330 million), primarily reflecting increased new business contribution as higher expected returns from in-force business were offset by adverse experience variances.

Experience variances amounting to an adverse £67 million (2005: £31 million) include exceptional expenses of £75 million (2005: £81 million) primarily relating to project costs associated with reorganisation, strategic initiatives and regulatory change including pensions simplification. Persistency experience on pension and bond products continues to be adverse generating a loss of £35 million in the period (2005: £5 million loss). Following Pensions Simplification (A-day) there has been increased activity in the pensions market particularly in corporate pensions business and consequently there have been higher transfers in the pensions business. As we had anticipated, this has resulted in increased lapse experience and at 30 June 2006 we have utilised £40 million of the £130 million provision established at the end of 2005. This was offset by positive mortality experience on protection business of £20 million (2005: £41 million) and better than assumed default experience on corporate bonds and commercial mortgages of £14 million.

On an IFRS basis, our operating profit was £213 million (2005: £209 million). Within this, the operating profit of our with-profit business increased to £68 million (2005: £33 million) as strong with-profit fund investment performance resulted in increased bonus rates and a decrease in the average market value reduction (MVR) on unitised with-profit policies. This was partially offset by a lower non-profit result of £145 million (2005: £176 million), reflecting higher new business strain.

Looking ahead, we continue to review the possibility of a reattribution of the inherited estate of two of our with-profit funds, CGNU Life and Commercial Union Life Assurance Company. At this stage, no decision has been taken to proceed with a reattribution; it will only be undertaken if there are clear benefits for policyholders and shareholders.

UK Pension reform

In May, the UK Government published a White Paper on pension reform. The main points raised in the paper were:

– Increased ease of saving through the introduction of a new low-cost personal account in 2012

– Contracting out for defined contribution schemes will be abolished

– The link between earnings and the state pension will be reinstated from 2012 (2015 at the latest)

– The minimum number of years contribution needed to qualify for the state pension reduces to 30

– The state retirement age will rise in stages up to 68

– The Government will look at measures to support longer working.

We believe that by simplifying the state system, the Government will begin to tackle the complexity and uncertainty that surrounds state pension entitlement. This will allow individuals to understand better how much they will receive from the state in their retirement and consider where private pension provision fits into their long-term plans.

We are supportive of the move towards personal accounts and will work with the Government to strike the right balance between value for money for the taxpayer and for the saver. However, we think that any new system must promote additional saving and complement existing provision.

Given the expertise and experience that exists in the long-term savings industry, it is in consumers' interests for private enterprise to be central to the running of their new personal accounts. We are urging the Government to recognise the benefits that choice and competition will bring to the millions of people who will be able to open such accounts.

+66%

Growth in worldwide investment sales

+24%

Growth in new business contribution, after the effect of required capital

+19%

Growth in worldwide life and pension sales (PVNBP)

Business segment performance: Fund management

	6 months 2006 IFRS operating profit £m	6 months 2005 IFRS operating profit £m	6 months 2006 EEV operating profit £m	6 months 2005 EEV operating profit £m
Morley	**31**	18	**17**	11
France	**16**	10	**5**	2
Netherlands*	**13**	8	**10**	8
Other Europe	**1**	1	**1**	1
Rest of the World	**5**	4	**5**	4
Total International	**35**	23	**21**	15
Aviva UK (excluding Morley)	**(5)**	–	**(5)**	–
Fund management total	**61**	41	**33**	26

*Profits on sales in the Netherlands of retail fund management products have been re-classified from other operations to fund management.

Morley

– IFRS operating profit increased to £31 million (2005: £18 million).

– Completed the purchase of a 56% stake in ORN capital, a hedge fund manager.

– Reduced the cost/income ratio to 74% (2005: 80%).

Our strategy remains one of focus on our core asset classes of property, fixed income, pan-European equities and asset allocation, on highly-targeted institutional and wholesale clients, and on a number of key markets in Europe.

In 2006, we have continued to launch funds in line with our strategy. In January, we launched a fund called the Aviva Funds Absolute Tactical Asset Allocation Fund, a global tactical asset allocation fund. In partnership with CB Richard Ellis Global Real Estate Securities, we launched a property fund; the Aviva Funds Global REIT Fund. We also launched the Aviva Funds – Absolute Bond Fund, which is designed to deliver absolute returns for institutional clients and sophisticated private investors.

In June, we completed the purchase of a 56% stake in hedge fund management company ORN Capital as part of our strategy to accelerate our alternatives business, adding one multi-strategy and four single-strategy hedge funds to our range of absolute return products. This acquisition, together with other initiatives currently underway, principally in respect of liability-driven investment offerings, will complement our product range and keep us well placed to respond to the increasing demand for absolute return products.

Demand for equity products has been polarising into core, lower-risk products and specialist higher risk/return offerings. Morley manages £34 billion in UK equities on behalf of clients, accounting for almost 2% of the UK stock market. As an investor of that scale, we aim to offer a strong range of credible specialist products as well as traditional core products. As a result, we have added four new UK equity fund managers to our UK specialist equities team. In May, the team was awarded a UK equities mandate with a leading multi-manager group.

Our Socially Responsible Investment (SRI) team continues to be highly regarded in the market and was the only UK-based team to be awarded a UK equities mandate by France's state pensions reserve fund. It was also recognised as SRI provider of the year by Global Pensions 2006.

The growth of our property funds under management continues apace with strong fund inflows. Our property team continues to be recognised by the industry, winning property fund manager of the year from both *Property Week* and *Pensions Management* and two awards – Outstanding Company of the Year and Investor of the Year – at the Central and Eastern European Estate Quality Awards.

In May, we completed the take-on of €3.3 billion (£2.3 billion) of funds from the Ark Life Assurance company resulting from Aviva's bancassurance joint venture with Allied Irish Banks.

We continue to work towards compliance with the European Commission's New Markets in Financial Instruments Directive (MiFID), due by November 2007.

The Morley group as a whole reported an operating profit of £32 million (2005: £22 million), including a £1 million contribution (2005: £4 million) from our pooled pension business, which is reported in the long-term savings segment. Our fund management operating profit grew significantly to £31 million (2005: £18 million), resulting from positive market movements, new business mandates and performance fees. Sustained increases in revenues, while maintaining underlying cost control, improved our cost/income ratio to 74% (2005: 80%).

In the first half of 2006 Morley's funds under management increased to £155 billion (31 December 2005: £154 billion). In addition to the Ark Life Assurance take-on, new funded external mandates totalled £2.7 billion, principally from UK retail and institutional investors but also including contributions in respect of property partnership vehicles and overseas operations.

International

– IFRS operating profit up to £35 million (2005: £23 million).

– Further awards for the sustained performance of our French business.

– Sales through our Navigator platform up 65% to £723 million (2005: £432 million).

France
Aviva Gestion d'Actifs is our French fund management business and invests the internal funds of Aviva France.

We reported strong IFRS operating profits of £16 million (2005: £10 million) as a result of increased funds under management, including the effect of strong financial markets in early 2006.

We have continued to earn industry awards for the sustained performance of our funds. Over the five years to 30 June 2006, 97% of our funds were ranked in the first and second quartiles. The financial newspaper *Le Revenu* awarded five prizes to our funds for their high performance over three and 10 years.

Netherlands
In the Netherlands, Delta Lloyd sells retail fund management products to the external market.

Operating profit on an IFRS basis was £13 million (2005: £8 million). The results are now disclosed in the "fund management" segment; previously the results were disclosed in "other operations". New business investment sales increased by 18% to £211 million (2005: £180 million), benefiting from our broad distribution network, which includes ABN AMRO and Rabobank, and the success of our structured dividend fund.

Other
Our other fund management businesses consist primarily of Navigator, operating in Australia and Singapore, and smaller fund management operations in Canada and Poland.

Total new business investment sales grew by 69% to £785 million (2005: £458 million), driven primarily by significantly higher investment sales through our Navigator platforms. Total operating profit on an IFRS basis was £6 million (2005: £5 million).

In Australia, Navigator offers full-service and low-cost platforms that give customers access to various wealth-creation and post-retirement products. New business investment sales benefited from continuing improvements in product offerings and customer service. The Australian financial services market is one of the fastest growing in the world. We are well placed to take advantage of this expanding market.

In Singapore, Navigator is a fund supermarket that allows customers to buy and sell a range of mutual funds from different fund managers through a single investment wrapper. In 2006, strong sales performance has continued. It has been achieved through buoyant equity markets, developing strong relationships with key brokers and enhancing the range of funds offered.

UK (excluding Morley)

In addition to sales under the Morley brand in the UK, we sell retail Isas, unit trusts, open-ended investment companies (Oeics) and structured products under the Norwich Union and The Royal Bank of Scotland (RBSG) brands.

The operating loss from Norwich Union's retail investment business amounted to £1 million (2005: profit of £3 million) and the loss from our collective investment business with RBSG was £4 million (2005: loss of £3 million), both reflecting the impact of higher new business strain from rapidly increasing sales.

74%

Morley's cost/income ratio

£332 billion

Funds under management

+65%

Increase in sales through our Navigator platform

Business segment performance: General insurance and health

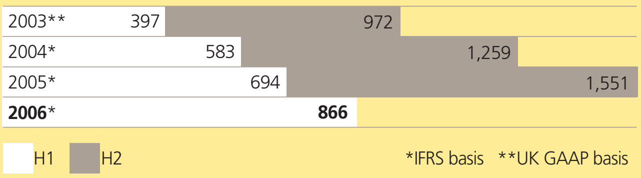
6 months 2006	IFRS profit before tax £m	IFRS operating profit £m	Combined operating ratio* %	Net written premium £m	Underwriting result £m
France	**9**	**27**	**98**	**435**	**(1)**
Ireland	**181**	**88**	**74**	**251**	**63**
Netherlands	**11**	**80**	**82**	**955**	**34**
Canada	**40**	**85**	**96**	**724**	**24**
Other	**12**	**31**	**99**	**212**	**1**
Total International	**253**	**311**	**91**	**2,577**	**121**
UK	**499**	**555**	**92**	**3,073**	**225**
General insurance and health total	**752**	**866**	**92**	**5,650**	**346**

6 months 2005	IFRS profit before tax £m	IFRS operating profit £m	Combined operating ratio* %	Net written premium £m	Underwriting result £m
France	30	17	100	424	(12)
Ireland	93	83	80	262	53
Netherlands	123	55	94	790	14
Canada	94	67	98	627	14
Other	78	41	96	210	9
Total International	418	263	94	2,313	78
UK	430	431	96	2,891	104
General insurance and health total	848	694	95	5,204	182

*General insurance business only.

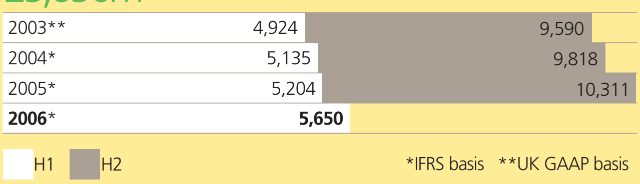
General insurance and health operating profit £m

£866m



General insurance and health net written premium £m

£5,650m



UK

– IFRS operating profit up 29% to £555 million (2005: £431 million).

– Secured a new deal with the Post Office and renewed contracts with Abbey, Saga and Lloyds TSB.

– 40% of direct business is now written online.

In the UK, our general insurance business, Norwich Union Insurance, has delivered an excellent result in the first half of the year, with a general insurance operating profit of £561 million (2005: £431 million) and COR of 92% (2005: 96%). The result includes a benefit of £125 million from better than expected weather (2005: neutral) and includes a contribution of £66 million from RAC (2005: £6 million).

Competition is increasing in the personal motor market. However, we have increased our rates by between 2% and 5% across the different segments of our book (2005: 5% overall) and we are committed to applying the necessary increases to maintain the profitability of this account. Homeowner rates have increased by 6% (2005: 6%). Commercial rates have fallen by around 3% (2005: no change), but our disciplined approach to risk selection and underwriting has maintained the level of profitability.

General insurance net written premiums have increased by 6% to £2,898 million (2005: £2,736 million) over the first half of the year. Premiums in our direct operation grew by 5%; this includes net written premiums of £57 million from RAC Direct Insurance, where we have launched new motor and homeowner products and an internet "Quote and Buy" facility for travel insurance. Over 40% of our direct business is now written online.

We are investing substantially in our brand presence and technology in order to secure our future profitability. We aim to provide better service to brokers by streamlining back-office processing and improving our trading capability. In addition, we are developing our personal lines systems, which will enable all customer transactions to be performed online, in one place, and provide seamless links into the systems used by our trading partners.

The level of our strategic investment, and the inclusion of RAC for the entirety of the period, have increased our expense ratio to 11.9% (2005: 10.8%). Importantly, however, the total cost of distributing our products (expenses and commission combined) is in line with the 2005 full year position at 34%.

During the first half of 2006 we have secured a new deal with the Post Office to provide motor and homeowner products. We successfully renewed our contracts with Abbey and Saga to provide homeowner insurance, and our contract with Lloyds TSB to provide creditor insurance.

The RAC integration is complete and we are on track to deliver our external commitments for 2006 and beyond. Specifically, we have delivered £43 million cost savings in the year to date and we are on course to deliver the targeted cost savings of £100 million in 2006. Our acquisition of RAC is firmly on track to deliver an overall run-rate return on capital of 18.8%. RAC has successfully renewed its contracts with Porsche, Volvo and Budget. Following its disposal, RAC has signed a six-year deal with Lex Vehicle Leasing to provide roadside assistance and glass replacement, and a roadside contract with AssetCo for two years.

Our total UK result also includes Norwich Union Healthcare, which provides private medical insurance, protection and occupational health services for over 800,000 customers. In 2006, the PMI business continued to grow with net written premiums up 13% to £175 million (2005:£155 million) and we reported an operating loss of £6 million (2005: break-even), resulting from continued strategic investment in the business.

International

- IFRS operating profit increased to £311 million (2005: £263 million).
- Announced our intention to merge our Dutch health operations to create a new organisation with access to 25% of the market.
- Continued growth of our corporate partnership with Loblaws in Canada; recently passing the C$100 million premium milestone.

France

Our business in France focuses on personal and small business insurance.

Operating profit from general and health insurance was £27 million (2005: £17 million) and net premiums written were £435 million (2005: £424 million). The COR improved to 98% (2005: 100%), benefiting from increases in premium rates on commercial lines and improvements in expenses, including cost savings resulting from our recent head office relocation.

Our 880-strong agent network and the agents' proximity to our customers continue to underpin our general insurance distribution channel.

Ireland

Hibernian, Ireland's largest general insurer, continued to achieve excellent results with an operating profit of £88 million (2005: £83 million) and a COR of 74% (2005: 80%). This performance reflected continuing favourable weather claims experience that had a beneficial impact of £5 million (2005: £3 million) on operating profit, and a reduced frequency of bodily injury claims. Increased competition for market share and selective underwriting have impacted net written premiums, which have decreased to £251 million (2005: £262 million).

The transfer of assistance cover under Hibernian's 400,000 motor policies to RAC will be completed by February 2007. Hibernian won the Irish Broker Association's service excellence award for 2005.

UK Athletics

In April, Norwich Union announced it would be extending its commitment to UK Athletics until the end of 2012. The commitment, worth nearly £50 million over the next six years, is the biggest UK sports sponsorship deal outside football.

The agreement will commence on 1 January 2007 and will place a greater emphasis on the preparation of future champions. Athletics is the key Olympic sport and with London set to host the Olympic Games in 2012, there will be a great focus on aspiring athletes looking to represent their country on home soil – another example of "forward thinking".

Norwich Union already engages over a million children each year through its grassroots athletics schemes, and has helped many of the UK's top athletes prepare for competition. The extension of the sponsorship deal can only help more and it was warmly welcomed by both David Moorcroft, chief executive of UK Athletics, and Richard Caborn, Minister for Sport.

Norwich Union has been supporting athletics in the UK since 1999. The next phase of the sponsorship will look to link the brand intrinsically with the athletes' preparations for 2012.

NORWICH UNION
an AVIVA company
No.1 sponsor of uk:athletics
www.ukathletics.net

Business segment performance: General insurance and health continued

Netherlands
In the Netherlands, operating profits from our general insurance and health operations increased to £80 million (2005: £55 million), reflecting an improvement in the underwriting profit of £34 million (2005: £14 million). The COR was 82% (2005: 94%) as strong premium rates were combined with an exceptionally low incidence of large claims, in particular bodily injury and property damage claims. Net written premiums increased significantly to £955 million (2005: £790 million), largely driven by the increase in health premiums to £544 million (2005: £361 million) following the introduction of new healthcare arrangements that merged public and private healthcare provision at the start of 2006. Market changes have intensified healthcare competition as providers bid to sign up customers, with an adverse impact on profitability as the COR of our healthcare business increased to 103% (2005: 100%).

In response, we intend to merge our health operations with those of Agis Zorgverzekeringen and Menzis Zorg & Inkomen to create a new organisation with four million customers representing a quarter of the market. Delta Lloyd will hold a minimum 25% share of this new organisation which will have the scale, expertise and distribution required to achieve success in the new environment. Subject to regulatory approval and due diligence, the three parties will start the integration process in October 2006 and complete the transaction during 2007. As a consequence, the relevant assets and liabilities of our health business have been classified as held for sale in the consolidated balance sheet.

Canada
Aviva Canada continues to be the second-largest provider of general insurance in Canada, with a market share of 8.7%. It is also the largest insurer in the province of Ontario, Canada's largest market.

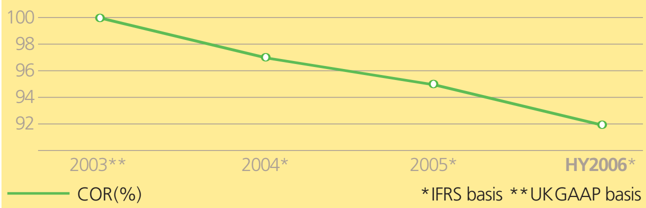
Net written premiums have increased by 1% to £724 million (2005: £627 million), with the benefit of strengthening rates on personal motor and homeowner being offset by the Canadian market continuing to experience some softening of commercial line rates, although all lines remain profitable. Our corporate partnership with Loblaws, the country's largest supermarket chain, continues to grow strongly and has recently passed the C$100 million premium milestone.

Careful management of underwriting and costs, together with a lower level of weather-related claims that benefitted the result by £6 million (2005: £5 million), has led to an improvement in COR to 96% (2005: 98%) and operating profit to £85 million (2005: £67 million). This strong performance is also due to our continued investment in improving risk selection, operational efficiency and the customer's experience.

Other
Our other European general insurance operations, based in Italy, Poland and Turkey, are mainly focused on personal and small commercial insurance. Sales are through networks of agents and brokers, and we intend to develop other channels over time in these markets. We also have a health insurance business in Asia, a captive reinsurer in Bermuda and acquired a small general insurance business in Sri Lanka on 1 February 2006 as part of the Eagle transaction.

Total operating profit for these businesses was £31 million (2005: £41 million, including profits from our Asian general insurance businesses that were disposed of in 2005).

Combined operating ratio (General insurance only)



92%
Group general insurance combined operating ratio

+23%
Growth in IFRS operating profit

£5,650 million
Worldwide net written premium

40%
Proportion of UK direct sales that are now online

Capital structure, strength and solvency

Capital employed by segment – EEV basis

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Long-term business	**16,232**	13,757	15,598
General insurance and health	**5,572**	5,485	5,581
Other business	**1,744**	1,714	1,876
Corporate	**(26)**	(365)	(36)
Total capital employed	**23,522**	20,591	23,019
Financed by:			
Equity shareholders' funds and minority interests	**17,275**	13,916	16,356
Direct capital instrument	**990**	990	990
Preference shares	**200**	200	200
Total shareholders' funds	**18,465**	15,106	17,546
Subordinated debt	**2,811**	2,789	2,808
External debt	**815**	1,550	1,002
Net internal debt	**1,431**	1,146	1,663
Total capital employed	**23,522**	20,591	23,019

Our capital funding, from all sources, has been allocated so that the capital employed by trading operations is greater than the capital provided to those operations by the shareholders and its subordinated debt holders. Consequently, we are able to enhance the returns earned on our equity capital.

At 30 June 2006 we had £23.5 billion (31 December 2005: £23.0 billion) of total capital employed in our trading operations. Total equity is efficiently financed by a combination of equity shareholders' funds, preference share capital, direct capital instruments, subordinated debt and internal and external borrowings. Shareholders' funds on an EEV basis have increased to £15.5 billion (31 December 2005: £14.9 billion), reflecting a strong operating performance from our businesses. Accordingly, our net asset value per ordinary share, based on EEV equity shareholders' funds, was higher at 643 pence per share (31 December 2005: 622 pence).

Capital strength and solvency

We are subject to regulatory capital tests and also employ realistic scenario tests to allocate capital and manage risk. Overall, the group and its subsidiaries satisfy all existing requirements. The ratings of our main operating subsidiaries are AA/AA- ("very strong") with a stable outlook from Standard and Poor's and Aa2 ("excellent") from Moody's with a negative outlook. The ratings were reaffirmed at the time of the AmerUs acquisition announcement in July, reflecting our financial and capital strength, strong underlying earnings and positive strategic management. As a result of the AmerUs acquisition, our rating from Moody's is on review for a downgrade due to the lower credit rating of AmerUs.

Group – Regulatory basis

Relevant capital and solvency regulations are used to measure and report the financial strength of our insurance subsidiaries. These measures are based on local regulatory requirements and consolidated under the EU Insurance Groups Directive (IGD). At 30 June 2006, we had an estimated excess regulatory capital of £4.2 billion (31 December 2005: £3.6 billion), as measured under the IGD.

	30 June 2006	30 June 2005	31 December 2005
Insurance Groups Directive (IGD)	**£4.2 billion**	£2.6 billion	£3.6 billion
Cover	**1.9 times**	1.6 times	1.8 times

Financial developments

Insurance companies are working hard to meet the many challenges of financial reporting in the 21st century. Recent changes require new accounting systems and huge volumes of extra disclosures. Investors are calling for even quicker "times to market" for financial results. Finance teams are under considerable pressure to understand, produce and explain a much greater amount of information.

In this demanding environment, Aviva has won plaudits for being the first major financial services company to present the market with restated results under European Embedded Value (EEV) principles, in January 2005, and International Financial Reporting Standards (IFRS), in July 2005. These changes to the way we report our results do not, of course, reflect a change in the underlying economics of the business.

Aviva is actively engaged in debates that will shape future reporting developments. We are a leading voice within industry bodies that are proposing solutions to key initiatives such as IFRS Phase II insurance contracts, the European Union's Solvency II directive, risk and capital management. We also actively lobby on wider issues with the UK Government, the European Commission and national and international organisations.

There were great benefits to the group and its shareholders of being the first to meet these new legal and regulatory requirements, as it gave the market more time to understand our results and the direction in which the group is heading.

We are committed to demonstrating that we can effectively manage risk and capital, that we have efficient processes, trustworthy data and a robust control environment, and that we report financial results to the best market standards. This was recently recognised at the prestigious 2006 IR Magazine UK Awards where we won the prize for "best disclosure by a FTSE-100 company". We have a reputation for being professional and prudent, but we are also a forward thinking company. We believe it is vital that Aviva maintains its reputation for anticipating change and leading the market in responding and adapting to new regulatory developments.

Capital structure, strength and solvency continued

The increase in the IGD excess solvency was driven by our strong solvency capital generation of £0.6 billion, reflecting operational performance in the period. From 1 January, we are required to have a positive IGD basis solvency level at all times. Our risk management processes actively monitor this measure at all times.

Group Capital Statement

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

						30 June 2006	31 December 2005
	UK with profit funds† £bn	Other UK life operations £bn	Overseas life operations £bn	Total life £bn	Other operations≠ £bn	Total £bn	Total £bn
Total shareholders' funds	–	**2.6**	**6.8**	**9.4**	**2.7**	**12.1**	11.1
Other sources of capital*	–	–	**0.2**	**0.2**	**2.8**	**3.0**	2.9
Unallocated divisible surplus	**5.8**	–	**2.4**	**8.2**	–	**8.2**	9.0
Adjustments onto a regulatory basis**	–	**(1.6)**	**(3.5)**	**(5.1)**	**(3.1)**	**(8.2)**	(9.4)
Total available capital	**5.8**	**1.0**	**5.9**	**12.7**	**2.4**	**15.1**	13.6

* Other sources of capital represents: subordinated debt of £2,811 million (31 December 2005: £2,808 million) issued by Aviva plc and £119 million (31 December 2005: £119 million) subordinated perpetual loan notes issued by a Dutch subsidiary undertaking.

** Including an adjustment for minorities.

† Includes the Provident Mutual with-profit fund.

≠ Other operations include general insurance and fund management businesses.

Inherited estate of the UK with-profit funds

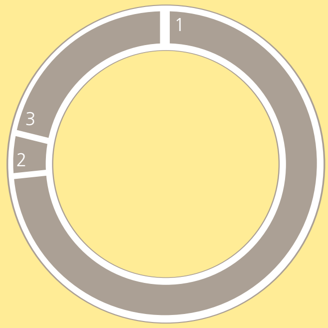
The available capital of the UK with-profit funds is represented by the realistic inherited estate. The estate represents the assets of the long-term with-profit funds less the realistic liabilities for non-profit policies, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs, guarantees and promises. At 30 June 2006, the inherited estate was £5.8 billion (31 December 2005: £4.6 billion).

As previously announced, Aviva is reviewing the possibility of a reattribution of the inherited estate of two of our with-profit funds: CGNU Life and Commercial Union Life Assurance Company (CULAC). At 30 June 2006, the estimated inherited estates of the CGNU Life and CULAC with-profit funds were £2.2 billion and £2.0 billion respectively. At this stage, no decision has been taken to proceed with the reattribution.

As announced in February, we have nominated Clare Spottiswoode as the policyholder advocate, as required under the new FSA rules for the reattribution of an inherited estate. The appointment of a policyholder advocate would only happen when the FSA has fully considered the outline of any reattribution scheme, and if we are fully satisfied that a reattribution is in the clear interests of policyholders and shareholders. Any appointment is not expected to happen before the autumn of 2006.

Total capital employed

1 Equity **74%**
2 Direct capital instrument **4%**
3 Debt **22%**



1.9 times

Group solvency cover on IGD basis

£5.8 billion

Estimated realistic inherited estate

CSR and employees

Corporate Social Responsibility (CSR)

Aviva believes that CSR builds value for the business and all its stakeholders. CSR covers a broad spectrum of activities: the management of our relations with our customers, workforce, suppliers and the community, as well as the management of our performance in respect of standards of business conduct, environment, human rights and health and safety.

Progress is reported fully in our corporate social responsibility report*, published each April. Developments in the first half of 2006 include:

Board CSR committee
Aviva established a board CSR committee in January 2006. The committee is made up of four non-executive directors, our chairman and group chief executive. It is chaired by our senior independent non-executive director. At its inaugural meeting in June 2006, the committee confirmed its terms of reference, which are to:

– consider our strategy towards CSR-related issues

– review our CSR policy and supporting policies for the eight core elements of CSR

– review and monitor our CSR risk exposures

– review and approve the annual CSR report, including content contained in our external financial reports, and provide for an appropriate form of assurance

CSR and fund management
Morley Fund Management, our UK-fund management business, continues its progress in responsible investment practices. It has already reached the 2006 target of having £1 billion in socially responsible investment funds under management.

Our fund management business in our Dutch subsidiary, Delta Lloyd, is also committed to responsible investment practices and includes CSR on the agenda in consultations with companies in which a 5% interest is held. From May 2006, the business teamed up with the Worldwide Fund for Nature (WWF) to manage an ethical investment fund through Delta Lloyd Bank in Belgium, which gives part of its income to WWF.

Employees

Our people strategy remains focused on being the employer of choice wherever we operate and enabling the delivery of excellent customer service through our employees.

Business re-organisation
We have restructured our UK and International businesses, bringing together our UK businesses (excluding Morley Fund Management) under one Norwich Union brand and all our international businesses under the umbrella of Aviva International.

This change will enable us to respond better to customer needs and, in the UK, match our customers' view that Norwich Union is one company.

We will be able to provide a more integrated customer service while responding to the need to improve the ways we distribute our products in our competitive markets. The impact of this is still under development.

Employee climate survey
In the first half of 2006, further work has been undertaken to roll out our global employee opinion survey, bringing the total number of employees worldwide covered by the survey to 45,000.

The survey enables us to get consistent employee feedback across our business units worldwide. We are also using the output to reward our senior managers on their leadership qualities and the employee morale in their businesses. Added to our financial and customer service metrics, this allows us to measure and reward the things that matter to our business.

Diversity

Diversity is being embraced in the business and we are proud that our efforts are being recognised. During the first half of 2006, we achieved a gold standard in the Opportunity Now benchmarking survey, and a silver certificate in the Race for Opportunity 2006 benchmarking survey. We were also awarded the Opportunity Now City Award for our "Think Again" diversity campaign, and our "Embracing Diversity" film won the New York International Film and Video Festival Award.

*For further details of Aviva's CSR programme and our latest CSR report, please visit www.aviva.com/csr

We're well position to generate further growth

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Financial statements – International Financial Reporting Standards (IFRS) basis

Summarised consolidated income statement – IFRS basis

For the six months ended 30 June 2006

Page	6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
		Income			
50,52	**20,157**	Premiums written net of reinsurance	**13,707**	12,672	24,982
	19,831	Net premiums earned	**13,485**	12,357	24,859
	1,331	Fee and commission income	**905**	849	1,851
	4,197	Net investment income	**2,854**	10,097	23,722
	328	Share of profit after tax of joint ventures and associates	**223**	16	340
33	**216**	Other income	**147**	145	153
	25,903		**17,614**	23,464	50,925
		Expenses			
	(16,231)	Claims and benefits paid, net of recoveries from reinsurers	**(11,037)**	(9,360)	(19,706)
	144	Change in insurance liabilities, net of reinsurance	**98**	(5,478)	(10,376)
	(2,685)	Change in investment contract provisions	**(1,826)**	(3,002)	(7,814)
	916	Change in unallocated divisible surplus	**623**	(355)	(1,474)
	(3,218)	Fee and commission expense	**(2,188)**	(2,013)	(4,330)
	(2,265)	Other expenses	**(1,540)**	(1,538)	(3,166)
	(564)	Finance costs	**(384)**	(306)	(609)
	2,000	**Profit before tax**	**1,360**	1,412	3,450
	(165)	Tax attributable to policyholders' returns	**(112)**	(288)	(922)
	1,835	**Profit before tax attributable to shareholders' profits**	**1,248**	1,124	2,528
		Tax expense			
	(396)	United Kingdom tax	**(269)**	(443)	(1,150)
	(238)	Overseas tax	**(162)**	(152)	(402)
	(634)		**(431)**	(595)	(1,552)
	165	Less: tax attributable to policyholders' returns	**112**	288	922
	(469)	Tax attributable to shareholders' profits	**(319)**	(307)	(630)
	1,366	**Profit for the period**	**929**	817	1,898
		Attributable to:			
	1,259	Equity shareholders of Aviva plc	**856**	756	1,767
	107	Minority interests	**73**	61	131
	1,366		**929**	817	1,898

All profit is from continuing operations.

Page	6 months 2006		6 months 2006	6 months 2005	Full year 2005
		Earnings per share – IFRS basis			
39	**51.9c**	Basic (pence per share)	**35.3p**	32.5p	73.5p
40	**51.5c**	Diluted (pence per share)	**35.0p**	32.1p	72.9p

Subsequent to 30 June 2006, the directors proposed an interim dividend for 2006 of 10.82 pence (interim 2005: 9.83 pence) per ordinary share, amounting to £275 million (interim 2005: £233 million) in total. The dividend will be paid on 17 November 2006 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2006.

During the six months to 30 June 2006 the directors declared a final dividend for 2005 of 17.44 pence per ordinary share (final dividend for 2004: 16.00 pence) totalling £418 million (six months to 30 June 2005: £364 million).

Pro forma reconciliation of Group operating profit to retained profit for the period – IFRS basis

For the six months ended 30 June 2006

Page	6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
		IFRS operating profit before tax attributable to shareholders' profits			
34	**1,044**	Long-term business	**710**	510	1,065
35	**90**	Fund management	**61**	41	124
35	**1,274**	General insurance and health	**866**	694	1,551
		Other:			
37	**(16)**	Other operations	**(11)**	(6)	(40)
37	**(107)**	Corporate costs	**(73)**	(83)	(136)
37	**(261)**	Unallocated interest charges	**(177)**	(213)	(436)
	2,024	**IFRS operating profit before tax attributable to shareholders' profits**	**1,376**	943	2,128
		Adjusted for the following:			
49	**–**	Impairment of goodwill	**–**	(10)	(43)
	(49)	Amortisation and impairment of acquired value of in-force business	**(33)**	(44)	(73)
	(28)	Amortisation and impairment of intangibles	**(19)**	(16)	(45)
	9	Financial Services Compensation Scheme and other levies	**6**	–	–
36	**(301)**	Short-term fluctuation in return on investments backing general insurance and health business	**(205)**	120	517
33	**216**	Profit on the disposal of subsidiaries and associates	**147**	145	153
34	**(36)**	Integration costs	**(24)**	(14)	(109)
	1,835	**Profit before tax attributable to shareholders' profits**	**1,248**	1,124	2,528
		Tax attributable to shareholders' profits			
38	**(544)**	Operating profit	**(370)**	(256)	(536)
38	**75**	Other activities	**51**	(51)	(94)
	1,366	**Profit for the period**	**929**	817	1,898

Page	6 months 2006		6 months 2006	6 months 2005	Full year 2005
		Earnings per share – IFRS operating profit basis			
39	**56.6c**	Basic (pence per share)	**38.5p**	27.1p	60.5p
40	**56.0c**	Diluted (pence per share)	**38.1p**	26.8p	60.0p

Summarised consolidated statement of recognised income and expense – IFRS basis

For the six months ended 30 June 2006

6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
(234)	Fair value (losses) on AFS securities, owner-occupied properties and hedging instruments	**(159)**	(79)	(52)
(6)	Fair value (losses)/gains transferred to profit	**(4)**	74	411
–	Impairment losses on revalued assets	**–**	–	(45)
696	Actuarial gains/(losses) on pension schemes	**473**	(46)	(547)
(15)	Foreign exchange rate movements	**(10)**	(265)	(2)
–	Share of fair value changes in joint ventures and associates taken to equity	**–**	4	2
3	Aggregate tax effect – policyholder tax	**2**	–	3
(156)	Aggregate tax effect – shareholder tax	**(106)**	18	272
288	**Net income recognised directly in equity**	**196**	(294)	42
1,366	Profit for the period	**929**	817	1,898
1,654	**Total recognised income and expense for the period**	**1,125**	523	1,940
	Attributable to:			
1,544	Equity shareholders of Aviva plc	**1,050**	502	1,827
110	Minority interests	**75**	21	113
1,654		**1,125**	523	1,940

Summarised reconciliation of movements in consolidated shareholders' funds – IFRS basis

For the six months ended 30 June 2006

6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
16,075	**Balance at 1 January**	**11,092**	8,993	8,993
1,630	Total recognised income and expense for the period	**1,125**	523	1,940
(619)	Dividends and appropriations (note 15)	**(427)**	(373)	(657)
–	Issue of share capital for the acquisition of RAC plc	**–**	530	530
68	Other issues of share capital, net of transaction costs	**47**	27	59
112	Shares issued in lieu of dividends	**77**	12	100
51	Capital contributions from minority shareholders	**35**	93	212
(83)	Minority share of dividends declared in the period	**(57)**	(36)	(70)
324	Minority interest in acquired/(disposed) subsidiaries	**223**	–	(36)
7	Reserves credit for equity compensation plans	**5**	2	22
–	Other movements	**–**	–	(1)
17,565	**Total equity**	**12,120**	9,771	11,092
(2,034)	**Minority interests**	**(1,404)**	(988)	(1,128)
15,531	**Balance at 30 June/31 December**	**10,716**	8,783	9,964

Summarised consolidated balance sheet – IFRS basis

As at 30 June 2006

6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
	Assets			
3,386	Goodwill	**2,336**	2,289	2,274
1,455	Acquired value of in-force business and intangible assets	**1,004**	918	803
3,507	Investments in joint ventures	**2,420**	1,394	2,129
1,300	Investments in associates	**897**	893	885
1,280	Property and equipment	**883**	875	885
20,451	Investment property	**14,111**	11,073	13,275
35,477	Loans	**24,479**	21,921	24,544
	Financial investments			
144,132	Debt securities	**99,451**	98,739	103,917
79,281	Equity securities	**54,704**	47,905	52,044
44,611	Other investments	**30,782**	22,734	26,427
10,998	Reinsurance assets	**7,589**	8,780	7,130
949	Deferred tax assets	**655**	839	1,018
125	Current tax assets	**86**	49	87
12,550	Receivables and other financial assets	**8,660**	9,575	7,706
5,422	Deferred acquisition costs and other assets	**3,741**	3,215	3,766
4,338	Prepayments and accrued income	**2,993**	2,580	2,363
22,128	Cash and cash equivalents	**15,268**	14,405	13,732
1,461	Assets of operations classified as held for sale	**1,008**	111	462
392,851	**Total assets**	**271,067**	248,295	263,447
	Equity			
875	Ordinary share capital	**604**	594	599
6,493	Capital reserves	**4,480**	4,411	4,438
1,454	Other reserves	**1,003**	509	1,140
4,984	Retained earnings	**3,439**	2,079	2,597
13,806	**Equity attributable to ordinary shareholders of Aviva plc**	**9,526**	7,593	8,774
1,725	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
2,034	Minority interests	**1,404**	988	1,128
17,565	**Total equity**	**12,120**	9,771	11,092
	Liabilities			
192,852	Gross insurance liabilities	**133,068**	128,060	132,602
120,081	Gross liability for investment contracts	**82,856**	71,005	77,309
11,935	Unallocated divisible surplus	**8,235**	7,732	8,978
4,464	Net asset value attributable to unitholders	**3,080**	2,469	3,137
3,426	Provisions	**2,364**	2,501	2,875
3,367	Deferred tax liabilities	**2,323**	1,655	2,458
1,387	Current tax liabilities	**957**	1,077	1,033
16,043	Borrowings	**11,070**	10,700	11,013
13,596	Payables and other financial liabilities	**9,381**	8,774	9,485
6,935	Other liabilities	**4,785**	4,518	3,320
1,200	Liabilities of operations classified as held for sale	**828**	33	145
375,286	**Total liabilities**	**258,947**	238,524	252,355
392,851	**Total equity and liabilities**	**271,067**	248,295	263,447

Approved by the Board on 8 August 2006

Andrew Moss, Director

Summarised consolidated cash flow statement – IFRS basis

For the six months ended 30 June 2006

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

	6 months 2006			6 months 2005	Full year 2005
	Long-term business operations £m	Non-long-term business operations £m	Group £m	Group £m	Group £m
Cash flows from operating activities					
Cash generated from operations	**1,100**	**1,365**	**2,465**	2,874	2,784
Tax paid	**(286)**	**(77)**	**(363)**	(17)	(375)
Net cash from operating activities	**814**	**1,288**	**2,102**	2,857	2,409
Cash flows from investing activities:					
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	**(95)**	**(110)**	**(205)**	(700)	(1,423)
Disposal of subsidiaries, joint ventures and associates, net of cash transferred	**114**	**366**	**480**	192	464
Loans to joint ventures and associates	**–**	**–**	**–**	–	(128)
Purchases of property and equipment	**(23)**	**(83)**	**(106)**	(59)	(206)
Proceeds on sale of property and equipment	**8**	**17**	**25**	15	50
Purchases of intangible assets	**(2)**	**(22)**	**(24)**	–	(60)
Net cash from investing activities	**2**	**168**	**170**	(552)	(1,303)
Cash flow from financing activities:					
Proceeds from issue of shares, net of transaction costs	**–**	**47**	**47**	27	59
Net drawdown of borrowings	**(276)**	**342**	**66**	55	856
Interest paid on borrowings	**(124)**	**(260)**	**(384)**	(277)	(609)
Preference dividends paid	**–**	**(9)**	**(9)**	(9)	(17)
Ordinary dividends paid	**–**	**(341)**	**(341)**	(364)	(498)
Coupon payments on direct capital instrument	**–**	**–**	**–**	–	(42)
Finance lease payments	**–**	**(4)**	**(4)**	(5)	(8)
Capital contributions from minority shareholders	**35**	**–**	**35**	93	212
Dividends paid to minority interests of subsidiaries	**(46)**	**(11)**	**(57)**	(36)	(70)
Non-trading cash flows between operations	**(557)**	**557**	**–**	–	–
Net cash from financing activities	**(968)**	**321**	**(647)**	(516)	(117)
Total cash flow	**(152)**	**1,777**	**1,625**	1,789	989
Net (decrease)/increase in cash and cash equivalents	**(152)**	**1,777**	**1,625**	1,789	989
Cash and cash equivalents at 1 January	**10,107**	**2,960**	**13,067**	12,126	12,126
Effect of exchange rate changes on cash and cash equivalents	**9**	**(2)**	**7**	(332)	(48)
Cash and cash equivalents at 30 June/31 December	**9,964**	**4,735**	**14,699**	13,583	13,067
Cash and cash equivalents at 30 June/31 December comprised:					
Cash at bank and in hand	**2,540**	**1,313**	**3,853**	4,097	3,530
Cash equivalents	**7,605**	**3,927**	**11,532**	10,308	10,227
	10,145	**5,240**	**15,385**	14,405	13,757
Bank overdrafts	**(181)**	**(505)**	**(686)**	(822)	(690)
	9,964	**4,735**	**14,699**	13,583	13,067

Of the total cash and cash equivalents shown above, £117 million has been classified as held for sale (full year 2005: £25 million).

Notes to the consolidated financial statements

1 – Basis of preparation – IFRS basis

(a) The results for the six months to 30 June 2006 have been prepared on the basis of the accounting policies set out in Aviva plc's 2005 Annual Report and Accounts. The results for the six months to 30 June 2006 and 2005 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. The interim accounts do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The results for the full year 2005 have been taken from the Group's 2005 Annual Report and Accounts. The auditor has reported on the 2005 accounts and the report was unqualified and did not contain a statement under Section 237(2) or (3) of the Companies Act 1985. The Group's 2005 Report and Accounts have been filed with the Registrar of Companies.

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

(c) The result of the Group's fund management business in the Netherlands was previously reported within the results of our other operations but is now shown as part of our fund management operations. The result reclassified in the six months to 30 June 2006 is £13 million (six months to 30 June 2005: £8 million; full year 2005: £32 million). The related assets and liabilities reclassified at 30 June 2006 are £47 million (30 June 2005: £95 million; 31 December 2005: £54 million) and £18 million (30 June 2005: £8 million; 31 December 2005: £15 million) respectively.

2 – Exchange rates

The euro rates employed in this announcement are an average rate of 1 euro = £0.68 (six months to 30 June 2005: 1 euro = £0.69; full year 2005: 1 euro = £0.68) and a closing rate of 1 euro = £0.69 (30 June 2005: 1 euro = £0.68; 31 December 2005: 1 euro = £0.69).

3 – Acquisitions

(a) Ark Life Assurance Company Limited

On 27 January 2006, Hibernian Life Holdings Limited (HLH), the parent company of Hibernian Life & Pensions Limited, acquired all the shares of Ark Life Assurance Company Limited (Ark Life) from Allied Irish Banks plc (AIB) in exchange for a 24.99% stake in the enlarged HLH and a balancing cash payment of €196 million (£134 million) which also reflects the transfer of the management of Ark Life funds to Hibernian Investment Managers Limited, part of the Group's fund management business. A further deferred cash payment of up to €10 million (£7 million) is payable, subject to the fulfilment of certain performance criteria. The results of Ark Life have been included in the consolidated financial statements of the Group with effect from 27 January 2006, and contributed £5 million to the consolidated EEV profit before tax and £11 million to the IFRS profit before tax.

The transaction has been accounted for as the acquisition of 75.01% of Ark Life and the disposal of 24.99% of HLH. The realised gain on disposal of the Group's 24.99% interest in HLH was £26 million on an EEV basis and £87 million on an IFRS basis.

The Ark Life acquisition has given rise to goodwill on acquisition of £45 million, calculated as follows:

Purchase cost:

	£m
Fair value of shares in Hibernian Life Holdings Limited	**184**
Cash paid	**134**
Attributable costs	**4**
Total consideration	**322**

Notes to the consolidated financial statements continued

3 – Acquisitions continued
The assets and liabilities at the date of acquisition were:

	Book value £m	Fair value and accounting policy adjustments £m	Fair value £m
Assets			
Acquired value of in force business on insurance and investment contracts	**–**	**163**	**163**
Other intangible assets	**1**	**44**	**45**
Investments	**2,939**	**(74)**	**2,865**
Other assets	**1,225**	**(11)**	**1,214**
Total assets	**4,165**	**122**	**4,287**
Liabilities			
Gross insurance liabilities	**(1,767)**	**(46)**	**(1,813)**
Gross liability for investment contracts	**(2,066)**	**1**	**(2,065)**
Other liabilities	**(154)**	**111**	**(43)**
Total liabilities	**(3,987)**	**66**	**(3,921)**
Total net assets	**178**	**188**	**366**
Net assets acquired (Group share)			**277**
Goodwill arising on acquisition			**45**

Ark Life calculates embedded value and technical insurance assets and liabilities using a bespoke system, which employs different methodologies to those used by the Group. The assets and liabilities as at the acquisition date in the table above are stated as provisional values, calculated using AIB's systems, and may be amended in the Group's full year financial statements in accordance with paragraph 62 of IFRS 3, *Business Combinations*.

The value of the agreement to distribute through AIB's networks has been identified as a separate intangible asset and valued by an independent third party at £45 million, using estimated post-tax cash flows and discount rates. It has been assessed as having a life of 25 years and is being amortised over that period, with a corresponding release of the applicable deferred tax provision.

The residual goodwill of £45 million represents future synergies expected to arise in the combined life operations.

(b) Eagle Insurance Company Limited
On 1 February 2006, the Group acquired a 51% interest in Eagle Insurance Limited (Eagle), the third largest insurer in Sri Lanka, by buying a majority shareholding in Eagle's immediate holding company, NDB Finance Lanka (Pvt) Limited. At the same time, Eagle entered into a 10-year bancassurance agreement with National Development Bank Limited (NDB), Sri Lanka's biggest development bank and Eagle's other major shareholder. The cash consideration, including purchase costs, was £15 million. The fair value of the Group's share of net assets acquired was £12 million, giving rise to £3 million of goodwill on acquisition.

(c) Non-adjusting post-balance sheet event:
On 13 July 2006, the Group announced that it had agreed to acquire 100% of the common stock of AmerUs Group Co. (AmerUs) in a transaction recommended by the Board of AmerUs, for US$69 in cash per common share of AmerUs. AmerUs is a leading provider of equity-indexed life and annuity products to the United States retirement and savings markets and the acquisition will establish a leading presence for the Group in these selected high-growth segments.

The total purchase price of approximately US$2.9 billion (£1.6 billion) in cash will be partly financed by a £900 million placing of the Company's ordinary shares of £0.25 nominal value each, with the balance of funding being provided by internal resources and external debt.
The placing was completed on 13 July 2006, with 129 million shares issued on 18 July, at £7 per share.

The acquisition, which will be effected through a statutory merger in the United States, remains subject to approval by a majority of AmerUs' common shareholders and certain conditions, including customary insurance and other regulatory consents. The approval process is progressing in line with the Group's expectations and the acquisition is expected to complete during the fourth quarter of 2006.

4 – Other income – profit on the disposal of subsidiaries and associates
The profit on the disposal of subsidiaries and associates comprises:

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
United Kingdom (see below)	**66**	–	10
Ireland (see note 3(a))	**87**	–	–
France	**–**	1	–
Asia	**–**	145	165
Other small operations	**(6)**	(1)	(22)
Profit on disposal before tax	**147**	145	153
Tax on profit on disposal	**(11)**	(43)	(43)
Profit on disposal after tax	**136**	102	110

On an EEV basis, the profit on disposal before tax for the first six months of 2006 falls to £86 million because, on that basis, the gain on disposal in Ireland was £26 million (see note 3(a)). The EEV profit on disposal after tax for the same period was £75 million. There is no difference between IFRS and EEV figures for the comparative periods.

Sale of RAC non-core businesses
During the first six months of 2006, the Group completed the disposal of the Manufacturer Support Services (MSS) and Lex Vehicle Leasing (LVL) divisions, which had been acquired with the RAC. The decision to sell was part of the Group's wider strategy to integrate RAC and exit non-core operations.

	6 months 2006 £m
Proceeds from sale	**354**
Net assets disposed of	**(310)**
Transaction costs	**(14)**
Profit before tax and pension curtailment gain	**30**
Pension curtailment gain	**36**
Profit on disposal before tax	**66**
Tax attributable to profit on disposal	**(11)**
Profit on disposal after tax	**55**

The net assets disposed of, which total £310 million, comprised investment in joint ventures of £239 million, tangible assets of £102 million, other assets of £95 million and other liabilities of £126 million. The pension curtailment gain arose from the remeasurement of pension liabilities in the RAC plc defined benefit pension scheme, following the MSS and LVL disposals.

(a) Sale of MSS
The MSS disposal was completed in three stages during the first six months of 2006, following the disposals of certain operational assets and liabilities of Hyundai Cars (UK) and the commercial fleet business of Lex Transfleet in 2005. On 10 January 2006, the Group sold Hyundai Car Finance Limited, which provides vehicle instalment finance and leasing, to Lloyds TSB. On 14 February 2006, the Group sold Lex Autologistics Limited, Lex Commercials Limited and associated properties to Imperial Holdings. On 27 April 2006, the Group completed the sale of the remaining vehicle solutions businesses, comprising Lex Transfleet Limited, Lex Defence Limited, Lex Defence Management Limited and RAC Software Solutions Limited, to VT Group plc. Receipts from the completion of the disposal of the MSS division totalled £111 million, resulting in a profit of £12 million before tax.

In 2005, the Group sold certain operational assets and liabilities of Hyundai Cars (UK) and the commercial fleet business of Lex Transfleet for total consideration of £139 million. The sale resulted in a profit of £5 million, which is included in the 2005 figures above.

Of the total consideration of £250 million received for MSS disposals in 2005 and 2006, £73 million was in respect of retained liabilities to be settled by the Group.

(b) Sale of LVL
On 31 May 2006, the sale of Aviva's 50% stake in Lex Vehicle Leasing (Holdings) Limited to HBOS plc was completed. Under the terms of the joint venture agreement, the change of control of RAC provided HBOS with the right to acquire Aviva's interest in LVL which HBOS chose to exercise. The proceeds consisted of a net cash receipt of £227 million, from which Aviva's estimated contribution of £16 million to the statutory debt funding of the RAC plc defined benefit pension scheme had been deducted. The gross consideration was therefore £243 million. In addition to the disposal of the investment in the joint venture of £239 million, HBOS will make an equivalent contribution to the statutory debt funding of the defined benefit pension scheme estimated at £16 million. The sale resulted in a profit of £18 million before tax.

No other disposal is considered material for further disclosure.

Notes to the consolidated financial statements continued

5 – Integration Costs

£24 million of integration costs have been included in the results to 30 June 2006. £21 million related to the continued restructuring of the combined Norwich Union Insurance and RAC businesses. £3 million relates to the integration of Ark Life into the Hibernian business.

6 – Operations classified as held for sale

The assets and liabilities of operations held for sale as at 30 June 2006 were as follows:

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Intangible assets	**–**	–	9
Investments and property and equipment	**354**	5	320
Receivables and other financial assets	**506**	8	68
Deferred acquisition costs and other assets	**31**	98	40
Cash and cash equivalents	**117**	–	25
Total assets	**1,008**	111	462
Payables and financial liabilities	**(48)**	(8)	(96)
Other liabilities	**(780)**	(25)	(49)
Total liabilities	**(828)**	(33)	(145)
Net assets	**180**	78	317

(i) Dutch healthcare operations

On 8 June 2006, the Group's Dutch subsidiary, Delta Lloyd NV (DL), announced that it intends to merge its health insurance activities with those of two other companies, Agis Zorgverzekeringen and Menzis Zorg & Inkomen, to form a new operation aiming to ensure good, accessible healthcare at competitive prices. Subject to regulatory approval and due diligence, the three parties will start the integration process in October 2006 and complete the transaction during 2007.

The percentage stake of each company in the new operation will be determined by the fair values of the net assets each one contributes, as well as its contribution to any future capital requirements. It is currently too early to determine either the value or percentage holding of the DL stake but, on the assumption that its health operations will in future cease to be treated as subsidiaries, their relevant assets and liabilities have been reclassified as held for sale, at their carrying values, in the consolidated balance sheet.

(ii) RAC non-core businesses

As described in note 4 above, those businesses that were treated as held for sale as at 31 December 2005 have been sold during the first half of 2006. Those that were held for sale at 30 June 2005 were disposed of during the second half of that year.

7 – Geographical analysis of life IFRS operating profit

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**116**	131	258
Ireland	**31**	14	28
Italy	**28**	24	53
Netherlands (including Belgium, Germany and Luxembourg)	**225**	62	172
Poland	**56**	48	91
Spain	**48**	39	89
Other	**(7)**	(1)	(6)
Continental Europe	**497**	317	685
Rest of the World	**–**	(16)	(2)
International	**497**	301	683
With-profit	**68**	33	99
Non-profit	**145**	176	283
United Kingdom	**213**	209	382
Total	**710**	510	1,065

8 – Geographical analysis of fund management operating profit

(a) IFRS basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
UK business	**23**	11	36
International business	**8**	7	13
Morley	**31**	18	49
France	**16**	10	26
Netherlands	**13**	8	32
Other Europe	**1**	1	2
Rest of the World	**5**	4	7
International	**35**	23	67
Royal Bank of Scotland	**(4)**	(3)	(1)
Norwich Union investment funds	**(1)**	3	9
United Kingdom	**(5)**	–	8
Total	**61**	41	124

(b) EEV basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
UK business	**11**	5	17
International business	**6**	6	9
Morley	**17**	11	26
France	**5**	2	8
Netherlands	**10**	8	32
Other Europe	**1**	1	2
Rest of the World	**5**	4	7
International	**21**	15	49
Royal Bank of Scotland	**(4)**	(3)	(1)
Norwich Union investment funds	**(1)**	3	9
United Kingdom	**(5)**	–	8
Total	**33**	26	83

9 – Geographical analysis of general insurance and health

(a) Operating result

	Operating profit			Underwriting result		
	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**27**	17	35	**(1)**	(12)	(21)
Ireland	**88**	83	171	**63**	53	116
Netherlands	**80**	55	137	**34**	14	54
Other	**19**	19	47	**3**	2	15
Continental Europe	**214**	174	390	**99**	57	164
Canada	**85**	67	147	**24**	14	35
Other	**12**	22	40	**(2)**	7	3
Rest of the World	**97**	89	187	**22**	21	38
International	**311**	263	577	**121**	78	202
United Kingdom	**555**	431	974	**225**	104	303
Total	**866**	694	1,551	**346**	182	505
Analysed by:						
General insurance	**862**	675	1,496	**373**	192	507
Health	**4**	19	55	**(27)**	(10)	(2)
Total	**866**	694	1.551	**346**	182	505

Notes to the consolidated financial statements continued

9 – Geographical analysis of general insurance and health continued
(b) Investment return information

	Actual investment return credited to income			Longer-term investment return		
	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**17**	23	54	**28**	29	56
Ireland	**22**	24	43	**25**	30	55
Netherlands	**37**	53	88	**46**	41	83
Other	**9**	14	17	**16**	17	32
Continental Europe	**85**	114	202	**115**	117	226
Canada	**50**	44	95	**61**	53	112
Other	**13**	15	27	**14**	15	37
Rest of the World	**63**	59	122	**75**	68	149
International	**148**	173	324	**190**	185	375
United Kingdom	**281**	280	646	**330**	327	671
Total longer-term investment return				**520**	512	1,046
Total actual investment income	**429**	453	970			
Realised gains	**110**	55	216			
Unrealised (losses)/gains	**(224)**	124	377			
Total actual investment return	**315**	632	1,563			

The total short-term adverse fluctuation in investment return of £205 million (six months 30 June 2005: £120 million favourable; full year 2005: £517 million) is the difference between the total actual investment return of £315 million (six months 30 June 2005: £632 million; full year 2005: £1,563 million) and the total longer-term investment return of £520 million (six months 30 June 2005: £512 million; full year 2005: £1,046 million).

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

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

The Group has calculated the longer-term investment return for its general insurance and health business using the same start of year economic assumptions for equities and properties as those used for EEV reporting as shown on pages 71 and 72 of this report.

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

	Longer-term rates of return Equities		Longer-term rates of return Properties	
	2006 %	2005 %	2006 %	2005 %
United Kingdom	**7.1%**	7.6%	**6.1%**	6.6%
France	**6.3%**	6.7%	**5.3%**	5.7%
Ireland	**6.3%**	6.7%	**5.3%**	5.7%
Netherlands	**6.3%**	6.7%	**5.3%**	5.7%
Canada	**7.0%**	7.4%	**6.0%**	6.4%

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

			6 months 2006 £m	6 months 2005 £m
Movement in investment return for	**By**	**Change in**	**By**	**By**
Equities	1% higher/lower	Group operating profit	**31**	27
Properties	1% higher/lower	Group operating profit	**3**	4

10 – Analysis of other operations' operating profit

(a) IFRS basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
RAC	**20**	11	30
UK Life			
– Personal finance subsidiaries	**–**	1	4
– Norwich Union Life Services	**(42)**	(38)	(66)
– Lifetime	**(6)**	–	(14)
Other	**17**	20	6
	(11)	(6)	(40)

(b) EEV basis

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
RAC	**20**	11	30
UK Life			
– Personal finance subsidiaries	**–**	1	4
– Norwich Union Life Services	**2**	(4)	3
– Lifetime	**(6)**	–	(14)
Other	**13**	29	5
	29	37	28

11 – Corporate costs

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Central costs and sharesave schemes	**(73)**	(55)	(108)
Global finance transformation programme	**–**	(28)	(28)
	(73)	(83)	(136)

12 – Unallocated interest charges

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
External			
Subordinated debt	**(84)**	(85)	(169)
Other	**(25)**	(45)	(79)
Internal	**(106)**	(101)	(220)
Net finance income on staff pension schemes	**38**	18	32
	(177)	(213)	(436)

Notes to the consolidated financial statements continued

13 – Tax

(a) Tax charged to the income statement

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Current tax:			
For the period	**417**	492	799
Prior year adjustments	**(118)**	21	(212)
Total current tax	**299**	513	587
Deferred tax:			
Origination and reversal of timing differences	**132**	66	881
Changes in tax rates or tax laws	**–**	–	(5)
Write down of deferred tax assets	**–**	16	89
Total deferred tax	**132**	82	965
Total tax charged to income statement	**431**	595	1,552

Tax charge analysed between

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Tax charge attributable to policyholders' returns	**112**	288	922
Tax charge on IFRS operating profit before tax attributable to shareholders' profits from continuing operations	**370**	256	536
Tax (credit)/charge on profit on other activities	**(51)**	51	94
Total tax charged to income statement	**431**	595	1,552

(b) Tax charged/(credited) to equity

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

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Current tax credit	**–**	–	(13)
Deferred tax charge/(credit)	**104**	(18)	(262)
Total tax charged/(credited) to equity	**104**	(18)	(275)

(ii) The tax credit attributable to policyholders' returns included in the total above is £2 million (6 months 2005: nil, full year 2005: tax credit £3 million).

(c) Tax reconciliation

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

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Profit before tax	**1,360**	1,412	3,450
Tax calculated at standard UK corporation tax rate of 30% (2005: 30%)	**408**	424	1,035
Different basis of tax for UK life insurance	**78**	164	616
Adjustment to tax charge in respect of prior years	**(125)**	20	(253)
Non-assessable dividends	**(26)**	(59)	(26)
Non-taxable (profit)/loss on sale of subsidiaries and associates	**(33)**	–	(4)
Disallowable expenses	**24**	21	55
Different local basis of tax on overseas profits	**204**	34	168
Deferred tax assets not recognised	**(91)**	7	(25)
Other	**(8)**	(16)	(14)
Tax charge for the period	**431**	595	1,552

14 – Earnings per share

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Profit for the period	**929**	817	1,898
Amount attributable to minority interests	**(73)**	(61)	(131)
Cumulative preference dividends for the period	**(9)**	(9)	(17)
Coupon payments on direct capital instrument, net of tax	**–**	–	(29)
Profit attributable to ordinary shareholders	**847**	747	1,721

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

	6 months 2006			6 months 2005			Full year 2005		
	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p	Before tax £m	Net of tax, minorities and preference dividends and DCI appropriation £m	Per share p
Operating profit attributable to ordinary shareholders	**1,376**	**924**	**38.5**	943	623	27.1	2,128	1,415	60.5
Adjusted for the following:									
– Impairment of goodwill	**–**	**–**	**–**	(10)	(10)	(0.4)	(43)	(43)	(1.8)
– Amortisation and net impairment of acquired value of in-force business	**(33)**	**(33)**	**(1.4)**	(44)	(44)	(1.9)	(73)	(73)	(3.1)
– Amortisation and net impairment of intangibles	**(19)**	**(16)**	**(0.7)**	(16)	(14)	(0.6)	(45)	(42)	(1.8)
– Financial Services Compensation Scheme and other levies	**6**	**4**	**0.2**	–	–	–	–	–	–
– Short-term fluctuation on return on investments backing general insurance and health business	**(205)**	**(147)**	**(6.1)**	120	100	4.3	517	430	18.2
– Profit on the disposal of subsidiaries and associates	**147**	**136**	**5.7**	145	102	4.4	153	110	4.7
– Integration costs	**(24)**	**(21)**	**(0.9)**	(14)	(10)	(0.4)	(109)	(76)	(3.2)
Profit attributable to ordinary shareholders	**1,248**	**847**	**35.3**	1,124	747	32.5	2,528	1,721	73.5

Earnings per share has been calculated based on the operating profit before impairment of goodwill and other non-operating items, after tax, attributable to ordinary shareholders, as well as on the profit attributable to ordinary shareholders. The directors believe the former earnings per share figures provide a better indication of operating performance. The calculation of basic earnings per share uses a weighted average of 2,401 million (six months 30 June 2005: 2,300 million; full year 2005: 2,340 million) ordinary shares in issue, after deducting shares owned by the employee share trusts.

The actual number of shares in issue at 30 June 2006 was 2,415 million (30 June 2005: 2,371 million; 31 December 2005: 2,396 million) As described in note 3(c), the Group issued 129 million shares on 18 July 2006. This issue does not impact on the earnings per share calculations as it is a post balance sheet event.

Notes to the consolidated financial statements continued

14 – Earnings per share continued
(b) Diluted earnings per share:
Diluted earnings per share is calculated as follows:

	30 June 2006			30 June 2005			Full year 2005		
	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p	Total £m	Weighted average number of shares m	Per share p
Profit attributable to ordinary shareholders	**847**	**2,401**	**35.3**	747	2,300	32.5	1,721	2,340	73.5
Dilutive effect of share awards and options	**–**	**22**	**(0.3)**	–	26	(0.4)	–	20	(0.6)
Diluted earnings per share	**847**	**2,423**	**35.0**	747	2,326	32.1	1,721	2,360	72.9

Diluted earnings per share on operating profit attributable to ordinary shareholders is 38.1 pence (30 June 2005: 26.8 pence; 31 December 2005: 60.0 pence).

15 – Dividends and appropriations

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Ordinary dividends declared and charged to equity in the period			
Final 2004 – 16.00 pence per share, paid on 17 May 2005	**–**	364	364
Interim 2005 – 9.83 pence per share, paid on 17 November 2005	**–**	–	234
Final 2005 – 17.44 pence per share, paid on 17 May 2006	**418**	–	–
	418	364	598
Preference dividends declared and charged to equity in the period	**9**	9	17
Coupon payments on direct capital instrument	**–**	–	42
	427	373	657

Subsequent to 30 June 2006, the directors proposed an interim dividend for 2006 of 10.82 pence per ordinary share, amounting to £275 million in total (based on shares in issue at 30 June 2006 and new shares issued on 18 July 2006, as referred to in note 3(c)). The dividend will be paid on 17 November 2006 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2006.

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

Irish shareholders who are due to be paid a dividend denominated in euros will receive a payment at the exchange rate prevailing on 8 August 2006.

16 – Segmental information

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

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

Long-term business

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

Fund management activities

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

General insurance and health

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

Other

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

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

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

Notes to the consolidated financial statements continued

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

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

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

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits for the six months ended 30 June 2006

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	**773**	**61**	**752**	**(117)**	**1,469**
Finance costs on central borrowings	**–**	**–**	**–**	**(109)**	**(109)**
Adjusted for the following items:					
Impairment of goodwill	**–**	**–**	**–**	**–**	**–**
Amortisation and impairment of acquired value of in-force business	**33**	**–**	**–**	**–**	**33**
Amortisation and impairment of intangible assets	**9**	**–**	**6**	**4**	**19**
Short-term fluctuation on investment return	**–**	**–**	**205**	**–**	**205**
Loss/(profit) on the disposal of subsidiaries and associates	**3**	**–**	**(90)**	**(60)**	**(147)**
FSCS levy	**–**	**–**	**(6)**	**–**	**(6)**
Integration costs	**3**	**–**	**2**	**19**	**24**
Unallocated interest	**–**	**–**	**(5)**	**5**	**–**
Corporate costs reallocation	**1**	**–**	**2**	**(3)**	**–**
	822	**61**	**866**	**(261)**	**1,488**
Less:					
Tax attributable to policyholders' returns	**(112)**	**–**	**–**	**–**	**(112)**
Operating profit before tax attributable to shareholders' profits	**710**	**61**	**866**	**(261)**	**1,376**

Notes to the consolidated financial statements continued

16 – Segmental information continued

(c) Segmental results of the income statement – primary reporting format – business segments for the six months ended 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
Net written premiums	7,468	–	5,204	–	12,672
Net earned premiums	7,468	–	4,889	–	12,357
Fee and commission income	304	137	40	368	849
	7,772	137	4,929	368	13,206
Net Investment income	9,311	4	688	94	10,097
Inter-segment revenue	–	59	–	–	59
Other income	–	–	42	103	145
Segment income	17,083	200	5,659	565	23,507
Claims and benefits paid, net of recoveries from reinsurers	(6,490)	–	(2,870)	–	(9,360)
Change in insurance liabilities, net of reinsurance	(5,147)	–	(331)	–	(5,478)
Change in unallocated divisible surplus	(355)	–	–	–	(355)
Change in investment contracts provisions	(3,002)	–	–	–	(3,002)
Fee and commission expense	(683)	(45)	(1,280)	(5)	(2,013)
Other operating expenses					
Depreciation	(7)	(2)	(5)	(28)	(42)
Amortisation of acquired value of business in-force	(28)	–	–	–	(28)
Net impairment of acquired value of business in-force	(7)	–	–	–	(7)
Amortisation and net impairment of intangible assets	(8)	–	(5)	(3)	(16)
Impairment of goodwill	(10)	–	–	–	(10)
Other impairment losses recognised in the income statement	(4)	–	–	–	(4)
Inter-segment expense	(55)	–	(3)	(1)	(59)
Other expenses	(449)	(111)	(295)	(576)	(1,431)
Finance costs	(118)	–	(22)	(36)	(176)
Segment expenses	(16,363)	(158)	(4,811)	(649)	(21,981)
Segment result before share of profit/(loss) of joint ventures and associates	720	42	848	(84)	1,526
Share of profit/(loss) of joint ventures and associates	14	(3)	–	5	16
Segmental result before tax	734	39	848	(79)	1,542
Unallocated costs:					
Finance costs on central borrowings					(130)
Tax attributable to policyholders' returns					(288)
Tax attributable to shareholders' profits					(307)
Total unallocated costs					(725)
Profit for the period					817

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits for the six months ended 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	734	39	848	(79)	1,542
Finance costs on central borrowings	–	–	–	(130)	(130)
Adjusted for the following items:					
Impairment of goodwill	10	–	–	–	10
Amortisation and impairment of acquired value of in-force business	44	–	–	–	44
Impairment of intangible assets	8	–	5	3	16
Short-term fluctuation on investment return	–	–	(120)	–	(120)
Profit on the disposal of subsidiaries and associates	–	–	(41)	(104)	(145)
Integration costs	–	–	–	14	14
Corporate costs reallocation	2	2	2	(6)	–
	798	41	694	(302)	1,231
Less:					
Tax attributable to policyholders' returns	(288)	–	–	–	(288)
Operating profit before tax attributable to shareholders' profits	510	41	694	(302)	943

Notes to the consolidated financial statements continued

16 – Segmental information continued

(d) Segmental results of the income statement – primary reporting format – business segments for the year ended 31 December 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment income from external customers:					
Net written premiums	14,671	–	10,311	–	24,982
Net earned premiums	14,671	–	10,188	–	24,859
Fee and commission income	598	318	218	717	1,851
	15,269	318	10,406	717	26,710
Net investment income	21,985	15	1,603	119	23,722
Inter-segment revenue	–	112	–	–	112
Other income	(10)	–	41	122	153
Segment income	37,244	445	12,050	958	50,697
Claims and benefits paid, net of recoveries from reinsurers	(13,482)	–	(6,224)	–	(19,706)
Change in insurance liabilities, net of reinsurance	(10,004)	–	(372)	–	(10,376)
Change in investment contract provisions	(7,814)	–	–	–	(7,814)
Change in unallocated divisible surplus	(1,474)	–	–	–	(1,474)
Fee and commission expense	(1,481)	(78)	(2,756)	(15)	(4,330)
Other operating expenses					
Depreciation	(11)	(6)	(17)	(78)	(112)
Amortisation of acquired value of in-force business	(27)	–	–	–	(27)
Net impairment of acquired value of in-force business	(28)	–	–	–	(28)
Amortisation and net impairment of intangible assets	(24)	–	(5)	(16)	(45)
Impairment of goodwill	(14)	–	–	(29)	(43)
Other impairment losses recognised in the income statement	(37)	–	–	–	(37)
Inter-segment expense	(103)	–	(9)	–	(112)
Other expenses	(999)	(236)	(615)	(1,024)	(2,874)
Finance costs	(203)	–	(58)	(100)	(361)
Segment expenses	(35,701)	(320)	(10,056)	(1,262)	(47,339)
Segment result before share of profit/(loss) of joint ventures and associates	1,543	125	1,994	(304)	3,358
Share of profit/(loss) of joint ventures and associates	322	(1)	1	18	340
Segmental result before tax	1,865	124	1,995	(286)	3,698
Unallocated costs:					
Finance costs on central borrowings					(248)
Tax attributable to policyholders' returns					(922)
Tax attributable to shareholders' profits					(630)
Total unallocated costs					(1,800)
Profit for the year					1,898

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

16 – Segmental information continued

Pro forma reconciliation to operating profit before tax attributable to shareholders' profits for the year ended 31 December 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	1,865	124	1,995	(286)	3,698
Finance costs on central borrowings	–	–	–	(248)	(248)
Adjusted for the following items:					
Impairment of goodwill	14	–	–	29	43
Amortisation and impairment of acquired value of in-force business	73	–	–	–	73
Amortisation and impairment of intangible assets	24	–	5	16	45
Short-term fluctuation on investment return	–	–	(517)	–	(517)
(Profit)/loss on the disposal of subsidiaries and associates	10	–	(41)	(122)	(153)
Integration costs	–	–	77	32	109
Unallocated interest	–	(1)	25	(24)	–
Corporate costs reallocation	1	1	7	(9)	–
	1,987	124	1,551	(612)	3,050
Less:					
Tax attributable to policyholders' returns	(922)	–	–	–	(922)
Operating profit before tax attributable to shareholders' profits	1,065	124	1,551	(612)	2,128

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

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

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

Notes to the consolidated financial statements continued

16 – Segmental information continued
(f) Segmental balance sheet – primary reporting format – on business segments as at 30 June 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	551	–	359	1,379	2,289
Acquired value of in-force business and intangible assets	425	–	379	114	918
Investments in joint ventures and associates	2,069	40	8	170	2,287
Property and equipment	339	5	133	398	875
Investment property	10,662	–	357	54	11,073
Loans	16,763	–	2,710	2,448	21,921
Financial investments					
Debt securities	86,818	–	9,320	2,601	98,739
Equity securities	44,843	1	2,460	601	47,905
Other investments	22,455	5	231	43	22,734
Other assets	26,610	519	10,004	1,533	38,666
Segment assets	211,535	570	25,961	9,341	247,407
Unallocated assets – tax assets					888
Total assets					248,295
Insurance liabilities	109,933	–	18,127	–	128,060
Liability for investment contracts	71,005	–	–	–	71,005
Unallocated divisible surplus	7,732	–	–	–	7,732
Net asset value attributable to unitholders	2,469	–	–	–	2,469
External borrowings	3,601	–	2,014	746	6,361
Other liabilities, including inter-segment liabilities	6,968	177	(525)	9,206	15,826
Segment liabilities	201,708	177	19,616	9,952	231,453
Unallocated liabilities					
Central borrowings					4,339
Tax liabilities					2,732
Total liabilities					238,524
Total equity					9,771
Total equity and liabilities					248,295

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

16 – Segmental information continued

(g) Segmental balance sheet – primary reporting format – on business segments as at 31 December 2005

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Goodwill	631	–	398	1,245	2,274
Acquired value of in-force business and intangible assets	424	–	265	114	803
Investments in joint ventures and associates	2,815	46	39	114	3,014
Property and equipment	367	4	126	388	885
Investment property	12,895	–	338	42	13,275
Loans	18,240	–	3,661	2,643	24,544
Financial investments					
Debt securities	91,926	2	9,390	2,599	103,917
Equity securities	48,365	12	2,647	1,020	52,044
Other investments	25,920	8	459	40	26,427
Other assets	23,185	490	9,425	2,059	35,159
Segment assets	224,768	562	26,748	10,264	262,342
Unallocated assets – tax assets					1,105
Total assets					263,447
Insurance liabilities	114,176	–	18,426	–	132,602
Liability for investment contracts	77,309	–	–	–	77,309
Unallocated divisible surplus	8,978	–	–	–	8,978
Net asset value attributable to unitholders	3,137	–	–	–	3,137
External borrowings	4,060	–	2,565	578	7,203
Other liabilities, including inter-segment liabilities	6,149	293	(224)	9,607	15,825
Segment liabilities	213,809	293	20,767	10,185	245,054
Unallocated liabilities					
Central borrowings					3,810
Tax liabilities					3,491
Total liabilities					252,355
Total equity					11,092
Total equity and liabilities					263,447

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

(h) Goodwill allocation and impairment testing

IFRS requires formal impairment testing to be carried out annually. For impairment testing, goodwill and intangibles with indefinite useful lives have been allocated to cash-generating units by geographical reporting unit and business segment. The carrying amount of goodwill and intangible assets with indefinite useful lives is reviewed at least annually or when circumstances or events indicate there may be uncertainty over this value.

The last formal impairment test was carried out at 31 December 2005 which led to an impairment charge of £43 million in full year 2005. During 2005, goodwill allocated to a life cash-generating unit in Germany was tested for impairment. Following the impairment test, an impairment charge of £21 million was recognised in the income statement. The remaining £22 million related to other small European businesses. In the first six months of 2006, there was no impairment charge.

Other long-lived assets such as acquired value of in-force business and intangibles are not subject to formal annual impairment testing but are amortised on an annual basis.

Notes to the consolidated financial statements continued

16 – Segmental information continued

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

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**2,015**	1,803	3,553	**90**	79	160	**109**	114	234
Ireland	**182**	95	182	**26**	10	23	**10**	18	56
Italy	**1,053**	696	1,357	**32**	32	66	**27**	14	35
Netherlands	**1,153**	1,400	2,582	**15**	44	57	**223**	56	164
Poland	**205**	148	312	**26**	10	45	**56**	48	90
Spain	**610**	664	1,248	**25**	16	39	**41**	33	75
Other Europe	**74**	87	152	**3**	3	4	**(7)**	(2)	(5)
Continental Europe	**5,292**	4,893	9,386	**217**	194	394	**459**	281	649
Rest of the World	**456**	347	826	**20**	11	27	**2**	(16)	8
International	**5,748**	5,240	10,212	**237**	205	421	**461**	265	657
United Kingdom	**2,309**	2,228	4,459	**81**	99	177	**312**	469	1,208
Total	**8,057**	7,468	14,671	**318**	304	598	**773**	734	1,865

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

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
RBSG	**133**	102	217
India	**16**	6	14
China	**13**	13	30
	162	121	261

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
France	**46,303**	41,642	44,109	**1,324**	1,274	1,318
Ireland	**10,524**	5,102	6,054	**1,033**	384	628
Italy	**11,322**	9,686	10,805	**563**	563	570
Netherlands (including Belgium, Germany and Luxembourg)	**28,840**	27,485	28,826	**2,513**	1,998	2,344
Poland	**1,840**	1,546	1,860	**160**	150	203
Spain	**6,458**	5,809	6,355	**826**	740	805
Other Europe	**480**	512	515	**58**	47	59
Continental Europe	**105,767**	91,782	98,524	**6,477**	5,156	5,927
Rest of the World	**7,355**	6,911	7,429	**675**	730	752
International	**113,122**	98,693	105,953	**7,152**	5,886	6,679
United Kingdom	**118,278**	112,842	118,815	**4,316**	3,941	4,280
Total	**231,400**	211,535	224,768	**11,468**	9,827	10,959

16 – Segmental information continued

(j) Geographical analysis of life and pensions and investment sales – new business and total income

For the purpose of recording life and pensions new business premiums, the Group's policy is to include life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business and our share of the other life and related business written in our associates and joint ventures as well as the lifetime mortgage business written in the UK. This includes both insurance and investment contracts as defined under IFRS 4, *Insurance Contracts* and is consistent with the definition of covered business used for our embedded value reporting.

An analysis of new long-term business sales is provided below. In this table, single premiums are those relating to products issued by the Group, which provide for the payment of one premium only. Regular premiums are those where there is a contractual obligation to pay on an ongoing basis. Life and pensions total income represents all net written premiums in the year for insurance contracts and investment contracts, excluding non-participating investment contracts which are required to be accounted for under IAS 39, *Financial Instruments: Recognition and Measurement* and IAS 18, *Revenue*.

	New single premiums			New regular premiums			Total income		
	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
Life and pensions:									
France	**1,766**	1,607	3,077	**42**	41	76	**2,015**	1,803	3,553
Ireland	**333**	191	372	**47**	32	63	**182**	95	182
Italy	**1,282**	1,146	1,940	**48**	30	58	**1,053**	696	1,357
Netherlands (including Belgium, Germany and Luxembourg)	**588**	715	1,245	**76**	87	146	**1,153**	1,400	2,582
Poland	**120**	35	120	**24**	17	30	**205**	148	312
Spain	**596**	638	1,395	**52**	49	100	**610**	664	1,248
Other Europe	**32**	47	406	**23**	21	80	**74**	87	152
Continental Europe	**4,717**	4,379	8,555	**312**	277	553	**5,292**	4,893	9,386
Rest of the World	**444**	326	798	**57**	56	113	**485**	366	870
International	**5,161**	4,705	9,353	**369**	333	666	**5,777**	5,259	10,256
United Kingdom	**4,002**	3,124	6,573	**346**	230	485	**2,442**	2,330	4,676
Total life and pensions (including share of associates)	**9,163**	7,829	15,926	**715**	563	1,151	**8,219**	7,589	14,932
Retail sales of mutual fund type products:									
Netherlands	**211**	180	563	**–**	–	–	**211**	180	563
Poland	**60**	24	49	**2**	2	4	**62**	26	53
Other Europe	**309**	237	410	**–**	–	–	**309**	237	410
Rest of the World	**819**	538	1,151	**–**	–	–	**819**	538	1,151
International	**1,399**	979	2,173	**2**	2	4	**1,401**	981	2,177
United Kingdom	**1,065**	504	1,139	**18**	9	21	**1,083**	513	1,160
Total investment sales	**2,464**	1,483	3,312	**20**	11	25	**2,484**	1,494	3,337
Total long-term savings (including share of associates)	**11,627**	9,312	19,238	**735**	574	1,176	**10,703**	9,083	18,269

Included within new business sales is £3,292 million single premiums and £283 million regular premiums (six months 2005: £2,104 million single premiums and £194 million regular premiums; full year 2005: £5,071 million single premiums and £357 million regular premiums), in respect of contracts that meet the definition of "non-participating investment" contracts under IFRS 4 "Insurance Contracts". Under IFRS, the premiums on these contracts are not included in the Group income statement under earned premiums, but are included on the balance sheet as a deposit.

Notes to the consolidated financial statements continued

16 – Segmental information continued

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

(i) Income statement

	Net written premiums			Fee and commission income			Profit before tax		
	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**435**	424	726	**–**	–	–	**9**	30	68
Ireland	**251**	262	499	**–**	–	–	**181**	93	181
Netherlands	**955**	790	1,270	**15**	17	22	**11**	123	171
Other Europe	**142**	129	259	**2**	1	5	**8**	17	17
Continental Europe	**1,783**	1,605	2,754	**17**	18	27	**209**	263	437
Canada	**724**	627	1,324	**4**	–	11	**40**	94	178
Other	**70**	81	106	**–**	–	–	**4**	61	86
Rest of the World	**794**	708	1,430	**4**	–	11	**44**	155	264
International	**2,577**	2,313	4,184	**21**	18	38	**253**	418	701
United Kingdom	**3,073**	2,891	6,127	**66**	22	180	**499**	430	1,294
Total	**5,650**	5,204	10,311	**87**	40	218	**752**	848	1,995

(ii) Balance sheet

	Segmental total assets			Segmental net assets		
	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
France	**1,774**	1,767	1,698	**355**	406	414
Ireland	**1,863**	1,865	1,916	**504**	481	564
Netherlands	**2,991**	4,542	5,038	**514**	500	530
Other Europe	**835**	879	860	**275**	126	284
Continental Europe	**7,463**	9,053	9,512	**1,648**	1,513	1,792
Canada	**3,469**	3,291	3,742	**668**	710	850
Other	**360**	544	380	**247**	328	249
Rest of the World	**3,829**	3,835	4,122	**915**	1,038	1,099
International	**11,292**	12,888	13,634	**2,563**	2,551	2,891
United Kingdom	**12,744**	13,073	13,114	**3,398**	3,794	3,090
Total	**24,036**	25,961	26,748	**5,961**	6,345	5,981

(l) General insurance, fund management and other investments mix at 30 June 2006

	United Kingdom £m	Continental Europe £m	Rest of the World £m	Total £m
Equity securities – fair value	**2,110**	**1,199**	**543**	**3,852**
Debt and fixed income securities at market value	**3,361**	**5,025**	**1,870**	**10,256**
Loans secured by mortgages and other loans	**617**	**6,125**	**17**	**6,759**
Other investments	**25**	**494**	**1**	**520**
Investments in joint ventures and associates	**114**	**44**	**21**	**179**
Investment property	**276**	**108**	**2**	**386**
Total investments	**6,503**	**12,995**	**2,454**	**21,952**

17 – Group capital structure – EEV basis

Deployment of equity shareholders' funds

	30 June 2006					31 December 2005
	Equities £m	Fixed income securities £m	Other investments £m	Other net assets £m	Total £m	Total £m
Assets						
Long-term savings	**863**	**3,888**	**1,309**	**2,356**	**8,416**	7,874
General insurance, health, and other business	**3,852**	**1,281**	**1,908**	**(1,837)**	**5,204**	5,397
	4,715	**5,169**	**3,217**	**519**	**13,620**	13,271
Goodwill					**2,553**	2,491
Additional and acquired value of in-force long-term business and intangible assets					**7,349**	7,257
Assets backing total capital employed					**23,522**	23,019
External debt					**(815)**	(1,002)
Net internal debt					**(1,431)**	(1,663)
Subordinated debt					**(2,811)**	(2,808)
					18,465	17,546
Minority interests					**(1,743)**	(1,457)
Direct capital instrument					**(990)**	(990)
Preference capital					**(200)**	(200)
Equity shareholders' funds					**15,532**	14,899

Return on capital employed

	30 June 2006			31 December 2005
	Normalised after-tax return £m	Opening equity capital £m	Return on capital	Return on capital
Long-term savings	**706**	**15,598**	**9.3%**	9.0%
General insurance and health	**571**	**5,581**	**21.5%**	20.0%
Other business	**(21)**	**1,876**	**(2.2)%**	9.3%
Corporate	**(24)**	**(36)**	**177.8%**	30.6%
	1,232	**23,019**	**11.0%**	11.5%
Borrowings	**(106)**	**(5,473)**	**3.9%**	4.5%
	1,126	**17,546**	**13.2%**	14.1%
Minority interests	**(106)**	**(1,457)**	**15.1%**	16.1%
Direct capital instrument	**–**	**(990)**	**–**	2.9%
Preference capital	**(9)**	**(200)**	**8.5%**	8.5%
Equity shareholders' funds	**1,011**	**14,899**	**14.0%**	15.0%

The return on capital is calculated as the after-tax return on opening equity capital, based on Group operating profit, including Life EEV operating return.


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We are
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to conducting our business
in a
responsible
manner

Information on the European Embedded Value (EEV) basis

Alternative method of reporting long-term business
Summarised consolidated income statement – EEV basis
For the six months ended 30 June 2006

Page	6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
		Operating profit before tax attributable to shareholders' profits			
63	**1,501**	Life EEV operating return	**1,021**	857	1,814
35	**49**	Fund management[1]	**33**	26	83
35	**1,274**	General insurance and health	**866**	694	1,551
		Other:			
37	**42**	Other operations[2]	**29**	37	28
37	**(107)**	Corporate costs	**(73)**	(83)	(136)
37	**(260)**	Unallocated interest charges	**(177)**	(213)	(436)
	2,499	**Operating profit before tax attributable to shareholders' profits**	**1,699**	1,318	2,904
		Adjusted for the following:			
	–	Impairment of goodwill	**–**	(10)	(43)
	(15)	Amortisation and impairment of intangibles	**(10)**	(8)	(21)
	9	Financial Services Compensation Scheme and other levies	**6**	–	–
	(1,389)	Variation from longer-term investment return	**(944)**	839	2,805
	693	Effect of economic assumption changes	**471**	(531)	(406)
33	**126**	Profit on the disposal of subsidiaries and associates	**86**	145	153
34	**(35)**	Integration costs	**(24)**	(14)	(109)
	1,888	**Profit before tax**	**1,284**	1,739	5,283
	(843)	Tax on operating profit	**(573)**	(412)	(927)
	73	Tax on other activities	**49**	(118)	(674)
	1,118	**Profit for the period**	**760**	1,209	3,682
		Attributable to:			
	991	Equity shareholders of Aviva plc	**674**	1,120	3,470
	127	Minority interests	**86**	89	212
	1,118		**760**	1,209	3,682

All profit is from continuing operations.

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

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

Earnings per share – EEV basis
For the six months ended 30 June 2006

6 months 2006	Earnings per share	6 months 2006	6 months 2005	Full year 2005
	Operating profit on an EEV basis after tax, attributable to ordinary shareholders in respect of Aviva plc			
61.9c	Basic (pence per share)	**42.1p**	35.6p	74.5p
61.3c	Diluted (pence per share)	**41.7p**	35.2p	73.9p
	Profit after tax for the period on an EEV basis, attributable to ordinary shareholders of Aviva plc			
40.7c	Basic (pence per share)	**27.7p**	48.3p	146.3p
40.3c	Diluted (pence per share)	**27.4p**	47.8p	145.1p

Summarised consolidated statement of recognised income and expense – EEV basis

For the six months ended 30 June 2006

6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
	Fair value (losses)/gains on AFS securities, owner-occupied properties			
(84)	and hedging instruments	**(57)**	(79)	92
(6)	Fair value (losses)/gains transferred to profit	**(4)**	74	14
–	Impairment losses on revalued assets	**–**	–	(45)
695	Actuarial gains/(losses) on pension schemes	**473**	(46)	(547)
–	Share of fair value changes in joint ventures and associates taken to equity	**–**	4	–
(35)	Foreign exchange rate movements	**(24)**	(340)	(44)
(194)	Aggregate tax effect – shareholder tax	**(132)**	18	224
376	**Net income/(expense) recognised directly in equity**	**256**	(369)	(306)
1,118	Profit for the period	**760**	1,209	3,682
1,494	**Total recognised income and expense for the period**	**1,016**	840	3,376
	Attributable to:			
1,369	Equity shareholders of Aviva plc	**931**	774	3,184
125	Minority interests	**85**	66	192
1,494		**1,016**	840	3,376

Summarised reconciliation of movements in consolidated shareholders' funds – EEV basis

For the six months ended 30 June 2006

6 months 2006 €m		6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
25,429	**Balance at 1 January**	**17,546**	14,011	14,011
1,472	Total recognised income and expense for the period	**1,016**	840	3,376
(619)	Dividends and appropriations (note 15)	**(427)**	(373)	(657)
–	Issue of share capital for the acquisition of RAC plc	**–**	530	530
68	Other issues of share capital, net of transaction costs	**47**	27	59
112	Shares issued in lieu of dividends	**77**	12	100
51	Capital contribution from minority shareholders	**35**	93	212
(83)	Minority share of dividends declared in the period	**(57)**	(36)	(70)
323	Minority interest in acquired/(disposed) subsidiaries	**223**	–	(36)
7	Reserves credit for equity compensation plans	**5**	2	22
–	Other movements	**–**	–	(1)
26,760	**Total equity**	**18,465**	15,106	17,546
(2,525)	**Minority interests**	**(1,743)**	(1,283)	(1,457)
24,235	**Balance at 30 June/31 December**	**16,722**	13,823	16,089

Alternative method of reporting long-term business continued
Summarised consolidated balance sheet – EEV basis
As at 30 June 2006

6 months 2006 €m		6 June 2006 £m	30 June 2005 £m	31 December 2005 £m
	Assets			
3,386	Goodwill	**2,336**	2,289	2,274
1,455	Acquired value of in-force business and intangible assets	**1,004**	918	803
9,195	Additional value of in-force long-term business	**6,345**	5,335	6,454
3,507	Investments in joint ventures	**2,420**	1,394	2,129
1,300	Investments in associates	**897**	893	885
1,280	Property and equipment	**883**	875	885
20,451	Investment property	**14,111**	11,073	13,275
35,477	Loans	**24,479**	21,921	24,544
	Financial investments			
144,132	Debt securities	**99,451**	98,739	103,917
79,281	Equity securities	**54,704**	47,905	52,044
44,611	Other investments	**30,782**	22,734	26,427
10,998	Reinsurance assets	**7,589**	8,780	7,130
949	Deferred tax assets	**655**	839	1,018
125	Current tax assets	**86**	49	87
12,550	Receivables and other financial assets	**8,660**	9,575	7,706
5,422	Deferred acquisition costs and other assets	**3,741**	3,215	3,766
4,338	Prepayments and accrued income	**2,993**	2,580	2,363
22,128	Cash and cash equivalents	**15,268**	14,405	13,732
1,461	Assets of operations classified as held for sale	**1,008**	111	462
402,046	**Total assets**	**277,412**	253,630	269,901
	Equity			
875	Ordinary share capital	**604**	594	599
6,493	Capital reserves	**4,480**	4,411	4,438
1,116	Other reserves	**770**	509	834
4,984	Retained earnings	**3,439**	2,079	2,597
9,042	Additional retained profit on an EEV basis	**6,239**	5,040	6,431
22,510	**Equity attributable to ordinary shareholders of Aviva plc**	**15,532**	12,633	14,899
1,725	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
2,525	Minority interests	**1,743**	1,283	1,457
26,760	**Total equity**	**18,465**	15,106	17,546
	Liabilities			
192,852	Gross insurance liabilities	**133,068**	128,060	132,602
120,081	Gross liability for investment contracts	**82,856**	71,005	77,309
11,935	Unallocated divisible surplus	**8,235**	7,732	8,978
4,464	Net asset value attributable to unitholders	**3,080**	2,469	3,137
3,426	Provisions	**2,364**	2,501	2,875
3,367	Deferred tax liabilities	**2,323**	1,655	2,458
1,387	Current tax liabilities	**957**	1,077	1,033
16,043	Borrowings	**11,070**	10,700	11,013
13,596	Payables and other financial liabilities	**9,381**	8,774	9,485
6,935	Other liabilities	**4,785**	4,518	3,320
1,200	Liabilities of operations classified as held for sale	**828**	33	145
375,286	**Total liabilities**	**258,947**	238,524	252,355
402,046	**Total equity and liabilities**	**277,412**	253,630	269,901

Approved by the Board on 8 August 2006

Andrew Moss, Director

Segmentation of summarised consolidated balance sheet – EEV basis
As at 30 June 2006

			30 June 2006			30 June 2005	31 December 2005
	Life and related businesses £m	General business and other £m	Group £m	Life and related businesses £m	General business and other £m	Group £m	Group £m
Total assets before acquired additional value of in-force long-term business	**231,790**	**38,916**	**270,706**	211,209	36,760	247,969	263,132
Acquired additional value of in-force long-term business	**361**	**–**	**361**	326	–	326	315
Total assets included in the statutory IFRS balance sheet	**232,151**	**38,916**	**271,067**	211,535	36,760	248,295	263,447
Liabilities of the long-term business	**(222,264)**	**–**	**(222,264)**	(203,113)	–	(203,113)	(215,624)
Liabilities of the general insurance and other businesses	**–**	**(36,683)**	**(36,683)**	–	(35,411)	(35,411)	(36,731)
Net assets on a statutory IFRS basis	**9,887**	**2,233**	**12,120**	8,422	1,349	9,771	11,092
Additional value of in-force long-term business[1]	**6,345**	**–**	**6,345**	5,335	–	5,335	6,454
Net assets on an EEV basis[2]	**16,232**	**2,233**	**18,465**	13,757	1,349	15,106	17,546
Equity capital, capital reserves, shares held by employee trusts and other reserves			**5,854**			5,514	5,871
IFRS basis retained earnings			**3,439**			2,079	2,597
Additional EEV basis retained profit			**6,239**			5,040	6,431
Equity attributable to ordinary shareholders of Aviva plc on an EEV basis			**15,532**			12,633	14,899
Preference share capital and direct capital instrument			**1,190**			1,190	1,190
Minority interests			**1,743**			1,283	1,457
EEV basis total equity			**18,465**			15,106	17,546

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

	30 June 2006 £m	31 December 2005 £m	Movement in the period £m
Group's share included in shareholders' funds	**6,239**	6,431	(192)
Minority interest share	**339**	329	10
Movement in AFS securities	**(233)**	(306)	73
Balance at 30 June/31 December	**6,345**	6,454	(109)

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

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Long-term business net assets on an EEV basis	**16,232**	13,757	15,598
Comprises:			
Embedded value	**15,532**	12,989	15,113
RBSG goodwill	**217**	217	217
Goodwill and other intangibles allocated to long-term business	**696**	551	631
Notional allocation of IAS 19 pension fund deficit to long-term business[3]	**(213)**	–	(363)
Long-term business net assets on an EEV basis	**16,232**	13,757	15,598

3. Effective from 31 December 2005, the value of the Aviva Staff Pension Scheme deficit has been notionally allocated between segments, based on current funding and the life proportion has been included within the long-term business net assets on an EEV basis. Accordingly 30 June 2005 figures have not been restated.

Alternative method of reporting long-term business continued

Basis of preparation – EEV basis

The consolidated income statement and balance sheet on pages 56 to 58 present the Group's results and financial position for the life and related businesses on the European Embedded Value (EEV) basis and for its non-life businesses on the International Financial Reporting Standards (IFRS) basis. The EEV methodology adopted is in accordance with the EEV Principles introduced by the CFO Forum in May 2004. In October 2005 the CFO Forum published Additional Guidance on EEV Disclosures applicable for financial reporting for the year ending 31 December 2006 which has been reflected as far as is possible in this interim announcement, in accordance with our previous reporting.

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

The Group's approach to establishing economic assumptions (specifically investment returns, required capital and discount rates) was reviewed by Tillinghast, a firm of actuarial consultants, at the time of adopting the EEV principles in 2004. The approach is based on the well-established capital asset pricing model theory and is in line with the EEV Principles and Guidance.

The results for the six month periods to 30 June 2006 and 30 June 2005 are unaudited but have been reviewed by our auditors. Their report in respect of 30 June 2006 is included on page 78. The interim accounts do not constitute statutory accounts as defined by Section 240 of the Companies Act 1985. The results for the full year 2005 have been taken from the Group's 2005 Annual Report and Accounts.

Covered business

The EEV calculations cover the following lines of business: life insurance, long-term health and accident insurance, savings, pensions and annuity business written by our life insurance subsidiaries, including managed pension fund business and our share of the other life and related business written in our associated undertakings and joint ventures, as well as the equity release business written in the UK. The adoption of IFRS has resulted in no change to the Group's definition of new business under EEV and so includes contracts that meet the definition of "non-participating investment" contracts under IFRS.

Covered business includes the Group's share of our joint venture operations including our arrangement with The Royal Bank of Scotland Group (RBSG) and our operations in India and China. In addition, the results of Group companies providing significant administration, investment management and other services and of Group holding companies have been included to the extent that they relate to covered business. Together these businesses are referred to as "Life and related businesses".

New business premiums

New business premiums include:

– premiums arising from the sales of new contracts during the year;

– non-contractual additional premiums, including future Department of Work and Pensions (DWP) rebate premiums; and

– expected renewals on new contracts and expected future contractual alterations to new contracts.

For products sold to individuals, premiums are generally considered to represent new business in certain circumstances, including where a new contract has been signed, or where underwriting has been performed. Renewal premiums include contractual renewals, non-contractual variations that are reasonably predictable and recurrent single premiums that are pre-defined and reasonably predictable.

For group products, new business includes new contracts and increases to aggregate premiums under existing contracts. Renewal premiums are based on the level of premium received during the reporting period and allow for premiums expected to be received beyond the expiry of any guaranteed premium rates.

Foreign exchange adjustments

Embedded value and other balance sheet items denominated in foreign currencies have been translated to sterling using the appropriate closing exchange rate. New business contribution and other income statement items have been translated using an average exchange rate for the relevant period. The exchange rates adopted in this report are shown on page 31.

EEV methodology

Overview

Under the EEV methodology, profit is recognised as it is earned over the life of products defined within covered business. The total profit recognised over the lifetime of a policy is the same as under the IFRS basis of reporting, but the timing of recognition is different.

Calculation of the embedded value

The shareholders' interest in the life and related businesses is represented by the embedded value. The embedded value is the total of the net worth of the life and related businesses and the value of in-force covered business. Calculations are performed separately for each business and are based on the cash flows of that business, after allowing for both external and intra-group reinsurance. Where one life business has an interest in another life business, the net worth of that business excludes the interest in the dependent company.

The embedded value is calculated on an after-tax basis applying current legislation and practice together with future known changes. Profits are then grossed up for tax at the full rate of corporation tax for the UK and at an appropriate rate for each of the other countries based on opening year tax rates.

EEV methodology continued

Net worth

The net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets, and consists of the required capital and free surplus. Required capital is reported net of implicit items permitted on a local regulatory basis to cover minimum solvency margins which are assessed at a local entity basis. The level of required capital for each business, which ranges between 100% and 150% of the EU minimum solvency requirement for our main European businesses, reflects the level of capital considered by the directors to be appropriate to manage the business, allowing for our internal assessment of the level of market, insurance and operating risk inherent in the underlying products. The same definition of required capital is used for both existing and new business. The free surplus comprises the market value of shareholder assets in excess of local statutory reserves and required capital.

Value of in-force covered business

The value of in-force covered business is the present value at the appropriate risk discount rate (which incorporates a risk margin) of the distributable profits to shareholders arising from the in-force covered business projected on a best estimate basis, less a deduction for the cost of holding the required level of capital.

In the UK, shareholders' distributable profits arise when they are released following actuarial valuations. These valuations are carried out in accordance with statutory requirements designed to ensure and demonstrate solvency in long-term business funds. Future distributable profits will depend on experience in a number of areas such as investment return, discontinuance rates, mortality, administration costs, as well as management and policyholder actions. Releases to shareholders arising in future years from the in-force covered business and associated required capital can be projected using best estimate assumptions of future experience. In overseas businesses generally, there are similar requirements restricting payments to shareholders from life businesses.

The value of in-force covered business includes an allowance for the impact of financial options and guarantees arising from best estimate assumptions (the intrinsic value) and from additional costs related to the variability of investment returns (the time value). The intrinsic value is included in the underlying value of the in-force covered business using deterministic assumptions. The time value of financial options and guarantees has been determined using stochastic modelling techniques.

Stochastic modelling typically involves projecting the future cash flows of the business under thousands of economic scenarios that are representative of the possible future outcomes for market variables such as interest rates and equity returns. Allowance is made, where appropriate, for the effect of management and/or policyholder actions in different economic conditions on future assumptions such as asset mix, bonus rates and surrender rates. The time value is determined by deducting the average value of shareholder cash flows under these economic scenarios from the deterministic shareholder value under best estimate assumptions.

The cost of holding required capital is the difference between the required capital and the present value at the appropriate risk discount rate of the projected release of the required capital and investment earnings on the assets deemed to back the required capital. Where the required capital is covered by policyholder assets, for example in the UK with-profit funds, there is no impact of cost of capital on shareholder value. The assets regarded as covering the required capital are those that the operation deems appropriate.

The value of in-force covered business includes the capitalised value of profits and losses arising from subsidiary companies providing administration, investment management and other services to the extent that they relate to covered business. This is referred to as the "look through" into service company expenses. In addition, expenses arising in holding companies that relate directly to acquiring or maintaining covered business have been allowed for. Where external companies provide services to the life and related businesses, their charges have been allowed for in the underlying projected cost base.

Risk discount rates

Under the EEV methodology, a risk discount rate (RDR) is required to express a stream of expected future distributable profits as a single value at a particular date (the present value). It is the interest rate that an investment equal to the present value would have to earn in order to be able to replicate exactly the stream of future profits. The RDR is a combination of a risk free rate to reflect the time value of money plus a risk margin to make prudent allowance for the risk that experience in future years may differ from that assumed. In particular, a risk margin is added to allow for the risk that expected additional returns on certain asset classes (e.g. equities) are not achieved.

Risk discount rates for our life businesses have been calculated using a risk margin based upon a Group Weighted Average Cost of Capital (WACC). The Group WACC is calculated using a gross risk free interest rate, an equity risk margin, a market assessed risk factor (beta), and an allowance for the gearing impact of debt financing (including subordinated debt) on a market value basis. The market assessed risk factor captures the market's view of the effect of all types of risk on our business, including operational and other non-economic risk.

The RDR is only one component of the overall allowance for risk in EEV calculations. Risk is also allowed for in the cost of holding statutory reserving margins, additional required capital and in the time value of options and guarantees. Hence to derive the RDR the Group WACC is adjusted to reflect the average level of required capital assumed to be held, and to reflect the explicit valuation of the time value of options and guarantees.

Alternative method of reporting long-term business continued

EEV methodology continued
In order to derive risk discount rates for each of our life businesses, the adjusted Group WACC is expressed as a risk margin in excess of the gross risk free interest rate used in the WACC calculation as described above. Business-specific discount rates are then calculated as the sum of this risk margin and the appropriate local gross risk free rate at the valuation date, based on returns on government bonds. A common risk free rate, and hence a common RDR, is used for all of our businesses within the Eurozone. Additional country-specific risk margins are applied to smaller businesses to reflect additional economic, political and business-specific risk. For example, risk margins ranging from 3.7% to 8.7% are applied to the Group's eastern European and Asian operations. Within each business, a constant RDR has been applied in all future time periods and in each of the economic scenarios underlying the calculation of the time value of options and guarantees.

At each valuation date, the risk margin is reassessed based on current economic factors and is updated only if a significant change has occurred. In particular, changes in risk profile arising from movements in asset mix are allowed for via the updated risk margin calculation.

Participating business
Future regular bonuses on participating business are projected in a manner consistent with current bonus rates and expected future returns on assets deemed to back the policies.

For with-profit funds in the UK and Ireland, for the purpose of recognising the value of the estate, it is assumed that terminal bonuses are increased to exhaust all of the assets in the fund over the future lifetime of the in-force with-profit policies. However, under stochastic modelling there may be some extreme economic scenarios when the total assets in the Group's with-profit funds are not sufficient to pay all policyholder claims. The average additional shareholder cost arising from this shortfall has been included in the time value of options and guarantees.

For profit sharing business in continental Europe, where policy benefits and shareholder value depend on the timing of realising gains, apportionment of unrealised gains between policyholders' benefits and shareholders reflect contractual requirements as well as existing practice. Where under certain economic scenarios additional shareholder injections are required to meet policyholder payments, the average additional cost has been included in the time value of options and guarantees.

Consolidation adjustments
The effect of transactions between our life companies such as loans and reinsurance arrangements has been included in results split by territory in a consistent manner. No elimination is required on consolidation.

As the EEV methodology incorporates the impact of profits and losses arising from subsidiary companies providing administration, investment management and other services to the Group's life companies, the equivalent profits and losses have been removed from the relevant segment (non insurance or fund management) and are instead included within the results of life and related businesses. In addition, the underlying basis of calculation for these profits has changed from the IFRS basis to the EEV basis.

The capitalised value of the future profits and losses from such service companies are included in the embedded value and new business contribution calculations for the relevant territory, but the net assets (representing historical profits and other amounts) remain under non insurance or fund management. In order to reconcile the profits arising in the financial period within each segment with the assets on the opening and closing balance sheets, a transfer of IFRS profits from life and related business to the appropriate segment is deemed to occur. An equivalent approach has been adopted for expenses within our holding companies.

Components of life EEV return

The life EEV return comprises the following components:

– new business contribution written during the period including value added between the point of sale and end of the period;

– the profit from existing business equal to:

- the expected return on the value of the in-force covered business at the beginning of the period,
- experience variances caused by the differences between the actual experience during the period and expected experience based on the operating assumptions used to calculate the start of year value,
- the impact of changes in operating assumptions including risk margins;

– the expected investment return on the shareholders' net worth, based upon assumptions applying at the start of the year;

– investment return variances caused by differences between the actual return in the period and the expected return based on economic assumptions used to calculate the start of year value; and

– the impact of changes in economic assumptions in the period.

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

Life EEV return	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
New business contribution (after the effect of required capital)	**352**	286	612
Profit from existing business			
– expected return	**503**	434	895
– experience variances	**(9)**	(31)	(39)
– operating assumption changes	**3**	7	17
Expected return on shareholders' net worth	**172**	161	329
Life EEV operating return before tax	**1,021**	857	1,814
Investment return variances	**(739)**	719	2,288
Effect of economic assumption changes	**471**	(531)	(406)
Life EEV return before tax	**753**	1,045	3,696
Tax on operating profit	**(315)**	(266)	(566)
Tax charge on other ordinary activities	**75**	(65)	(579)
Life EEV return after tax	**513**	714	2,551

There were no separate development costs reported in these periods.

Alternative method of reporting long-term business continued

New business contribution

The following tables set out the premium volumes and contribution from new business written by the life and related businesses, consistent with the definition of new business set out on page 60.

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

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

	Annual premium equivalent		Present value of new business premiums		New business contribution before the effect of required capital		New business margin before the effect of required capital[1]	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 %	6 months 2005 %
Life and pensions								
France	**219**	202	**2,028**	1,854	**87**	71	**4.3%**	3.8%
Ireland	**80**	51	**558**	349	**11**	9	**2.0%**	2.6%
Italy	**176**	145	**1,583**	1,333	**38**	33	**2.4%**	2.5%
Netherlands (including Belgium, Germany and Luxembourg)	**135**	159	**1,170**	1,383	**34**	39	**2.9%**	2.8%
Poland	**36**	21	**264**	137	**14**	7	**5.3%**	5.1%
Spain	**112**	113	**916**	965	**88**	80	**9.6%**	8.3%
Other Europe	**26**	24	**126**	129	**(4)**	–	**(3.2)%**	–
Continental Europe	**784**	715	**6,645**	6,150	**268**	239	**4.0%**	3.9%
Asia	**43**	30	**252**	172	**12**	8	**4.8%**	4.7%
Australia	**27**	31	**145**	160	**7**	6	**4.8%**	3.8%
United States	**31**	28	**289**	222	**5**	4	**1.7%**	1.8%
Rest of the World	**101**	89	**686**	554	**24**	18	**3.5%**	3.2%
International	**885**	804	**7,331**	6,704	**292**	257	**4.0%**	3.8%
United Kingdom	**746**	542	**5,816**	4,312	**167**	136	**2.9%**	3.2%
Total (before the effect of required capital)	**1,631**	1,346	**13,147**	11,016	**459**	393	**3.5%**	3.6%

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

1. New business margin represents the ratio of new business contribution before the effect of required capital to PVNBP, expressed as a percentage.

New business contribution before the effect of required capital includes minority interests for the six months to 30 June 2006 of £92 million (30 June 2005: £77 million). This comprises minority interests in France of £14 million (30 June 2005: £11 million), Ireland £3 million (30 June 2005: nil), Italy £22 million (30 June 2005: £20 million), Netherlands £6 million (30 June 2005: £5 million), Poland £2 million (30 June 2005: £1 million), and Spain £45 million (30 June 2005: £40 million).

New business contribution continued

	Present value of new business premiums		New business contribution after the effect of required capital		New business margin after the effect of required capital[1]	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 %	6 months 2005 %
Life and pensions						
France	**2,028**	1,854	**64**	48	**3.2%**	2.6%
Ireland	**558**	349	**8**	8	**1.4%**	2.3%
Italy	**1,583**	1,333	**26**	20	**1.6%**	1.5%
Netherlands (including Belgium, Germany and Luxembourg)	**1,170**	1,383	**17**	18	**1.5%**	1.3%
Poland	**264**	137	**12**	6	**4.5%**	4.4%
Spain	**916**	965	**80**	70	**8.7%**	7.3%
Other Europe	**126**	129	**(5)**	–	**(4.0)%**	–
Continental Europe	**6,645**	6,150	**202**	170	**3.0%**	2.8%
Asia	**252**	172	**10**	5	**4.0%**	2.9%
Australia	**145**	160	**3**	3	**2.1%**	1.9%
United States	**289**	222	**2**	2	**0.7%**	0.9%
Rest of the World	**686**	554	**15**	10	**2.2%**	1.8%
International	**7,331**	6,704	**217**	180	**3.0%**	2.7%
United Kingdom	**5,816**	4,312	**135**	106	**2.3%**	2.5%
Total (after the effect of required capital)	**13,147**	11,016	**352**	286	**2.7%**	2.6%

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

1. New business margin represents the ratio of new business contribution after deducting the effect of required capital to PVNBP, expressed as a percentage.

New business contribution after the effect of required capital includes minority interests in the six months ended 30 June 2006 of £73 million (30 June 2005: £58 million). This comprises minority interests in France of £9 million (30 June 2005: £6 million), Ireland £2 million (30 June 2005: nil), Italy £15 million (30 June 2005: £12 million), Netherlands £5 million (30 June 2005: £4 million), Poland £2 million (30 June 2005: £1 million), and Spain £40 million (30 June 2005: £35 million).

Alternative method of reporting long-term business continued

New business contribution before the effect of required capital, tax and minority interest

	Annual premium equivalent		Present value of new business premiums		New business contribution[1]		New business margin[2]	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 %	6 months 2005 %
Analysed between:								
– Bancassurance channels	**472**	369	**3,958**	3,222	**187**	149	**4.7%**	4.6%
– Other distribution channels	**1,159**	977	**9,189**	7,794	**272**	244	**3.0%**	3.1%
Total	**1,631**	1,346	**13,147**	11,016	**459**	393	**3.5%**	3.6%

1. Stated before the effect of required capital.

2. New business margin represents the ratio of new business contribution before the effect of required capital to PVNBP, expressed as a percentage.

New business contribution after the effect of required capital, tax and minority interest

	Annual premium equivalent		Present value of new business premiums[1]		New business contribution[2]		New business margin[3]	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 %	6 months 2005 %
Analysed between:								
– Bancassurance channels	**267**	197	**2,218**	1,678	**59**	42	**2.6%**	2.5%
– Other distribution channels	**1,133**	955	**8,932**	7,597	**135**	116	**1.5%**	1.5%
Total	**1,400**	1,152	**11,150**	9,275	**194**	158	**1.7%**	1.7%

1. Stated after deducting minority interests.

2. Contribution stated after deducting the effect of required capital, tax and minority interests.

3. New business margin represents the ratio of new business contribution after deducting the effect of required capital, tax and minority interests to PVNBP after deducting the minority interests, expressed as a percentage.

Experience variances

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

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**29**	18	32
Netherlands (including Belgium, Germany and Luxembourg)	**15**	(13)	2
Rest of Europe	**8**	(6)	13
Continental Europe	**52**	(1)	47
Rest of the World	**6**	1	9
International	**58**	–	56
United Kingdom	**(67)**	(31)	(95)
Total	**(9)**	(31)	(39)

Germany has been reclassified from Other Europe to the Netherlands and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

Operating assumption changes
Changes in operating assumptions are made when the assumed future levels of expenses, mortality or other operating assumptions are expected to change permanently.

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**–**	–	14
Netherlands (including Belgium, Germany and Luxembourg)	**20**	7	55
Rest of Europe	**(17)**	–	2
Continental Europe	**3**	7	71
Rest of the World	**–**	–	2
International	**3**	7	73
United Kingdom	**–**	–	(56)
Total	**3**	7	17

Germany has been reclassified from Other Europe to the Netherlands and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

Geographical analysis of life EEV operating return

	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	**196**	158	321
Ireland	**8**	22	20
Italy	**53**	47	96
Netherlands (including Belgium, Germany and Luxembourg)	**185**	125	349
Poland	**66**	48	132
Spain	**112**	92	214
Other Europe	**(3)**	(1)	(6)
Continental Europe	**617**	491	1,126
Asia	**19**	9	30
Australia	**19**	17	44
United States	**16**	10	25
Rest of the World	**54**	36	99
International	**671**	527	1,225
United Kingdom	**350**	330	589
Total	**1,021**	857	1,814

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

Life EEV operating return includes minority interests in the six months ended 30 June 2006 of £126 million (30 June 2005: £98 million). This comprises minority interests in France of £19 million (30 June 2005: £13 million), Ireland £2 million (30 June 2005: nil), Italy £29 million (30 June 2005: £26 million), Netherlands £9 million (30 June 2005: £7 million), Poland £10 million (30 June 2005: £6 million), Spain £56 million (30 June 2005: £45 million), Other Europe nil (30 June 2005: £1 million), and Asia £1 million (30 June 2005: nil).

Alternative method of reporting long-term business continued

Analysis of movement in life and related businesses embedded value

The following tables provide an analysis of the movement in embedded value for the life and related businesses for the six months ended 30 June 2006 and 2005. The analysis is shown separately for net worth and the value of in-force covered business, and includes amounts transferred between these categories. The transfer to life and related businesses from other segments consists of service company profits and losses during the reported period that have emerged from the value of in-force. Since the "look through" into service companies includes only future profits and losses, these amounts must be eliminated from the closing embedded value. All figures are shown net of tax.

			6 months 2006
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period – Free surplus	**2,772**		
– Required capital[1]	**4,448**		
Total	**7,220**	**7,893**	**15,113**
New business contribution (after the effect of required capital)	**(344)**	**586**	**242**
Expected return on existing business – return on VIF	**–**	**353**	**353**
Expected return on existing business – transfer to net worth	**488**	**(488)**	**–**
Experience variances and operating assumption changes	**179**	**(188)**	**(9)**
Expected return on shareholders' net worth	**119**	**–**	**119**
Investment return variances and economic assumption changes	**(114)**	**(78)**	**(192)**
Life EEV return after tax	**328**	**185**	**513**
Exchange rate movements	**(9)**	**(20)**	**(29)**
Embedded value from business acquired	**170**	**176**	**346**
Amounts injected into life and related businesses	**100**	**–**	**100**
Amounts released from life and related businesses	**(551)**	**–**	**(551)**
Transfer to life and related businesses from other segments	**40**	**–**	**40**
Embedded value at the end of the period – Free surplus	**2,682**		
– Required capital[1]	**4,616**		
Total	**7,298**	**8,234**	**15,532**

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

The embedded value of business acquired in the six months to 30 June 2006 of £346 million represents the embedded value of Ark Life Assurance Company Limited and Eagle Insurance Company Limited.

Analysis of movement in life and related businesses embedded value continued

Required capital has increased in the period by £168 million. The movement comprises an increase of £275 million in relation to new business written, a reduction of £216 million in relation to in-force business, £118 million additional in-force required capital relating to acquisitions during the period and a £9 million decrease due to foreign exchange rate movements. The decrease in the in-force required capital includes the effect of the increase in long-term interest rates, which has decreased statutory reserves and, therefore, capital requirements.

	6 months 2005		
	Net worth £m	Value of in-force £m	Total £m
Embedded value at the beginning of the period – Free surplus	1,894		
– Required capital[1]	4,362		
Total	6,256	6,758	13,014
New business contribution (after the effect of required capital)	(210)	405	195
Expected return on existing business – return on VIF	–	303	303
Expected return on existing business – transfer to net worth	455	(455)	–
Experience variances and operating assumption changes	81	(98)	(17)
Expected return on shareholders' net worth	110	–	110
Investment return variances and economic assumption changes	288	(165)	123
Life EEV return after tax	724	(10)	714
Exchange rate movements	(165)	(129)	(294)
Amounts injected into life and related businesses	192	–	192
Amounts released from life and related businesses	(647)	–	(647)
Transfer to life and related businesses from other segments	10	–	10
Embedded value at the end of the period – Free surplus	2,122		
– Required capital[1]	4,248		
Total	6,370	6,619	12,989

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

Segmental analysis of life and related businesses embedded value

	Net worth		Value of in-force covered business		Total
30 June 2006	Required capital[1] £m	Free surplus £m	Present value of in-force £m	Cost of required capital £m	Embedded value £m
France	**1,130**	**183**	**1,099**	**(231)**	**2,181**
Ireland	**266**	**193**	**543**	**(46)**	**956**
Italy	**314**	**309**	**205**	**(63)**	**765**
Netherlands (including Belgium, Germany and Luxembourg)	**1,074**	**1,213**	**1,377**	**(321)**	**3,343**
Poland	**98**	**69**	**461**	**(29)**	**599**
Spain	**268**	**7**	**533**	**(59)**	**749**
Other	**19**	**23**	**68**	**(12)**	**98**
Continental Europe	**3,169**	**1,997**	**4,286**	**(761)**	**8,691**
Rest of the World	**277**	**194**	**313**	**(74)**	**710**
International	**3,446**	**2,191**	**4,599**	**(835)**	**9,401**
United Kingdom	**1,170**	**491**	**4,906**	**(436)**	**6,131**
Total	**4,616**	**2,682**	**9,505**	**(1,271)**	**15,532**

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

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

Alternative method of reporting long-term business continued

Segmental analysis of life and related businesses embedded value continued

	Net worth		Value of in-force covered business		Embedded value	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m
France	**1,313**	1,156	**868**	716	**2,181**	1,872
Ireland	**459**	277	**497**	318	**956**	595
Italy	**623**	571	**142**	111	**765**	682
Netherlands (including Belgium, Germany and Luxembourg)	**2,287**	1,729	**1,056**	761	**3,343**	2,490
Poland	**167**	155	**432**	361	**599**	516
Spain	**275**	236	**474**	397	**749**	633
Other	**42**	38	**56**	55	**98**	93
Continental Europe	**5,166**	4,162	**3,525**	2,719	**8,691**	6,881
Rest of the World	**471**	488	**239**	125	**710**	613
International	**5,637**	4,650	**3,764**	2,844	**9,401**	7,494
United Kingdom	**1,661**	1,720	**4,470**	3,775	**6,131**	5,495
Total	**7,298**	6,370	**8,234**	6,619	**15,532**	12,989

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

The shareholders' net worth is the market value of the shareholders' funds and the shareholders' interest in the surplus held in the non-profit component of the long-term business funds, determined on a statutory solvency basis and adjusted to add back any non-admissible assets. Required capital, net of implicit items, of £4,616 million at 30 June 2006 (30 June 2005: £4,248 million) is included within the net worth.

The value of in-force covered business includes the effect of holding shareholders' capital to support the level of required capital and allowing for projected future releases. This impact reduces the value of in-force covered business at 30 June 2006 by £1,271 million (30 June 2005: £1,178 million).

The embedded value at 30 June 2006 includes minority interests of £1,283 million (30 June 2005: £903 million). This comprises minority interests in France of £151 million (30 June 2005: £135 million), Ireland £232 million (30 June 2005: nil), Italy £396 million (30 June 2005: £347 million), Netherlands £73 million (30 June 2005: £62 million), Poland £98 million (30 June 2005: £84 million), Spain £322 million (30 June 2005: £267 million) and Other Europe nil (30 June 2005: £8 million), and Rest of the World £11 million (30 June 2005: nil).

Time value of options and guarantees

The following table sets out the time value of options and guarantees relating to covered business by territory at 30 June 2006, 30 June 2005 and 31 December 2005.

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
France	**56**	81	84
Ireland	**5**	2	3
Italy	**17**	12	19
Netherlands (including Belgium, Germany and Luxembourg)	**117**	112	118
Poland	**5**	4	5
Spain	**4**	8	8
Other Europe	**–**	1	2
Continental Europe	**204**	220	239
Rest of the World	**15**	12	16
International	**219**	232	255
United Kingdom	**46**	44	48
Total	**265**	276	303

Germany has been reclassified from Other Europe to the Netherlands, Lithuania has been reclassified from Other Europe to Poland and Norwich Union's Dublin-based offshore life and savings business has been reclassified from Other Europe to the United Kingdom.

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

The TVOG has decreased to £265 million reflecting the £39 million impact of the 80 and 60 basis point increases in Continental Europe and the UK respectively over the period. Also included is an increase of £12 million due to the allowance within new business contribution which is offset by the expected reduction in TVOG for existing business.

Minority interest in life and related businesses' EEV results

			30 June 2006	31 December 2005
	Shareholders' interest £m	Minority interest £m	Group £m	Group £m
New business contribution before effect of required capital	**367**	**92**	**459**	808
Effect of required capital	**(88)**	**(19)**	**(107)**	(196)
New business contribution including effect of required capital	**279**	**73**	**352**	612
Life EEV operating return before tax	**895**	**126**	**1,021**	1,814
Life EEV return before tax	**655**	**98**	**753**	3,696
Attributed tax	**(205)**	**(35)**	**(240)**	(1,145)
Life EEV return after tax	**450**	**63**	**513**	2,551
Closing life and related businesses' embedded value	**14,249**	**1,283**	**15,532**	15,113

Principal economic assumptions – deterministic calculations

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

Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Future assumed reinvestment rates are consistent with implied market returns at 30 June 2006. Rates have been derived using rates from the current yield curve at a duration based on the term of the liabilities, or directly from forward yield curves where considered appropriate. Assumptions about future investment mix are consistent with long-term plans. In most cases, the investment mix is assumed to continue unchanged throughout the projection period. The changes in assumptions between reporting dates reflect the actual movements in risk free yields in the United Kingdom, the Eurozone and other territories. The principal economic assumptions used are as follows:

				UK				France
	30 June 2006	31 December 2005	30 June 2005	31 December 2004	30 June 2006	31 December 2005	30 June 2005	31 December 2004
Risk discount rate	**7.4%**	6.8%	6.9%	7.3%	**6.8%**	6.0%	5.9%	6.4%
Pre-tax investment returns:								
Base government fixed interest	**4.7%**	4.1%	4.2%	4.6%	**4.1%**	3.3%	3.2%	3.7%
Ordinary shares	**7.7%**	7.1%	7.2%	7.6%	**7.1%**	6.3%	6.2%	6.7%
Property	**6.7%**	6.1%	6.2%	6.6%	**6.1%**	5.3%	5.2%	5.7%
Future expense inflation	**3.3%**	3.2%	3.1%	3.3%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**30.0%**	30.0%	30.0%	30.0%	**34.4%**	34.4%	34.9%	34.9%
Required capital (% EU minimum)	**150%/ 100%**	150%/ 100%	200%/ 100%	200%/ 100%	**115%**	115%	115%	115%

				Ireland				Italy
	30 June 2006	31 December 2005	30 June 2005	31 December 2004	30 June 2006	31 December 2005	30 June 2005	31 December 2004
Risk discount rate	**6.8%**	6.0%	5.9%	6.4%	**6.8%**	6.0%	5.9%	6.4%
Pre-tax investment returns:								
Base government fixed interest	**4.1%**	3.3%	3.2%	3.7%	**4.1%**	3.3%	3.2%	3.7%
Ordinary shares	**7.1%**	6.3%	6.2%	6.7%	**7.1%**	6.3%	6.2%	6.7%
Property	**6.1%**	5.3%	5.2%	5.7%	**6.1%**	5.3%	5.2%	5.7%
Future expense inflation	**4.0%**	4.0%	4.0%	4.0%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**12.5%**	12.5%	12.5%	12.5%	**38.3%**	38.3%	38.3%	38.3%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**115%**	115%	115%	115%

Alternative method of reporting long-term business continued

Principal economic assumptions – deterministic calculations continued

	Netherlands				Poland			
	30 June 2006	31 December 2005	30 June 2005	31 December 2004	30 June 2006	31 December 2005	30 June 2005	31 December 2004
Risk discount rate	**6.8%**	6.0%	5.9%	6.4%	**8.8%**	8.6%	8.7%	9.7%
Pre-tax investment returns:								
Base government fixed interest	**4.1%**	3.3%	3.2%	3.7%	**5.1%**	4.9%	5.0%	6.0%
Ordinary shares	**7.1%**	6.3%	6.2%	6.7%	**8.1%**	7.9%	8.0%	9.0%
Property	**6.1%**	5.3%	5.2%	5.7%	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**3.5%**	3.3%	2.4%	3.4%
Tax rate	**29.1%**	29.1%	31.5%	31.5%	**19.0%**	19.0%	19.0%	19.0%
Required capital (% EU minimum)	**150%**	150%	150%	150%	**150%**	150%	150%	150%

	Spain			
	30 June 2006	31 December 2005	30 June 2005	31 December 2004
Risk discount rate	**6.8%**	6.0%	5.9%	6.4%
Pre-tax investment returns:				
Base government fixed interest	**4.1%**	3.3%	3.2%	3.7%
Ordinary shares	**7.1%**	6.3%	6.2%	6.7%
Property	**6.1%**	5.3%	5.2%	5.7%
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**35.0%**	35.0%	35.0%	35.0%
Required capital (% EU minimum)	**125%/ 110%**	125%/ 110%	125%/ 110%	125%/ 110%

For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company.
Future returns on corporate fixed interest investments are calculated from prospective yields less an adjustment for credit risk.
Required capital in the United Kingdom is 150% EU minimum for Norwich Union Annuity Limited and 100% for other companies.
Required capital in Spain is 125% EU minimum for Aviva Vida y Pensiones and 110% for bancassurance companies.

Other economic assumptions

Required capital relating to with-profit business is assumed to be covered by the surplus within the with-profit funds and no effect has been attributed to shareholders.

Bonus rates on participating business have been set at levels consistent with the economic assumptions and Aviva's medium-term bonus plans. The distribution of profit between policyholders and shareholders within the with-profit funds assumes that the shareholder interest in conventional with-profit business in the United Kingdom and Ireland continues at the current rate of one ninth of the cost of bonus.

Principal economic assumptions – stochastic calculations

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

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

United Kingdom

Model

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

Asset classes

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

Principal economic assumptions – stochastic calculations continued

Summary statistics

The following table sets out the means and standard deviations (StDev) of future returns at 30 June 2006 for the three most significant asset classes. Interest rates are assumed to have a lognormal distribution with an annualised standard deviation of 13% pa for the natural logarithm of the interest rate.

	Mean[1]	StDev[2]
Equities	7.7%	20%
Property	6.7%	15%
Government Bonds	4.7%	3.25%–4.75%[3]

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).

2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

3. Depending on the duration of the portfolio.

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

Europe (excluding UK) and the Rest of the World

Model

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

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

Asset classes

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

Summary statistics

The following table sets out the means and standard deviations of future euro returns at 30 June 2006 for the three most significant asset classes: equities, short-term bonds (defined to be of one year duration) and long-term bonds (defined to be 10 year zero coupon bonds). In the accumulation of 10 year bonds, it is assumed that these are held for one year, sold as nine year bonds then the proceeds are reinvested in 10 year bonds, although in practice businesses follow more complex asset strategies or tend to adopt a buy and hold strategy. Correlations between asset classes have been set using the same approach as described for the United Kingdom.

	5-year return		10-year return		20-year return	
	Mean[1]	StDev[2]	Mean[1]	StDev[2]	Mean[1]	StDev[2]
Short Government Bonds	3.6%	1.9%	3.8%	3.4%	4.0%	6.0%
Long Government Bonds	4.2%	4.3%	4.3%	3.3%	4.4%	3.6%
Equities	6.9%	19.6%	7.0%	19.2%	7.0%	19.0%

1. Means have been calculated by accumulating a unit investment for the required number of years in each simulation, averaging the accumulation across all simulations, and converting the result to an equivalent annual rate (by taking the nth root of the average accumulation minus 1).

2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.

Other assumptions

Taxation

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

Demographic assumptions

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

Alternative method of reporting long-term business continued

Other assumptions continued

Expense assumptions

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

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

Valuation of debt

Borrowings in the EEV consolidated balance sheet are valued on an IFRS basis, consistent with the primary financial statements. At 30 June 2006 the market value of the Group's external debt, subordinated debt, preference shares including General Accident plc preference shares of £250 million (classified as minority interests) and direct capital instrument was £5,407 million (31 December 2005: £5,868 million).

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Borrowings per summarised consolidated balance sheet – EEV basis	**11,070**	10,700	11,013
Less: Securitised mortgage funding	**(6,689)**	(5,481)	(6,303)
Borrowings excluding non-recourse funding – EEV basis	**4,381**	5,219	4,710
Less: Operational financing by businesses	**(762)**	(881)	(900)
External debt and subordinated debt – EEV basis	**3,619**	4,338	3,810
Add: Preference shares (including General Accident plc) and direct capital instrument	**1,440**	1,440	1,440
External debt, subordinated debt, preference shares and direct capital instrument – EEV basis	**5,059**	5,778	5,250
Effect of marking these instruments to market	**354**	605	618
Market value of external debt, subordinated debt, preference shares and direct capital instrument	**5,413**	6,383	5,868

Other

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

Sensitivity analysis – economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2006 and the new business contribution before the effect of required capital for the six months to 30 June 2006 to:

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

Sensitivity analysis – economic assumptions continued

In each sensitivity calculation, all other assumptions remain unchanged except where they are directly affected by the revised economic conditions. For example, future bonus rates are automatically adjusted to reflect sensitivity changes to future investment returns.

Embedded value (net of tax) 30 June 2006	As reported on page 70 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
France	**2,181**	**(125)**	**140**	**(95)**	**55**
Ireland	**956**	**(45)**	**50**	**(40)**	**45**
Italy	**765**	**(20)**	**25**	**5**	**(20)**
Netherlands (including Belgium, Germany and Luxembourg)	**3,343**	**(160)**	**190**	**(10)**	**(165)**
Poland	**599**	**(30)**	**35**	**(5)**	**5**
Spain	**749**	**(45)**	**50**	**(35)**	**35**
Other	**98**	**(5)**	**5**	**–**	**–**
Continental Europe	**8,691**	**(430)**	**495**	**(180)**	**(45)**
Rest of the World	**710**	**(30)**	**35**	**(10)**	**5**
International	**9,401**	**(460)**	**530**	**(190)**	**(40)**
United Kingdom	**6,131**	**(450)**	**525**	**(295)**	**360**
Total	**15,532**	**(910)**	**1,055**	**(485)**	**320**

Embedded value (net of tax) 30 June 2006	As reported on page 70 £m	1% increase in equity/ property returns £m	1% decrease in equity/ property returns £m	10% rise in equity/ property market values £m	10% fall in equity/ property market values £m	EU minimum capital (or equivalent) £m
France	**2,181**	**80**	**(80)**	**125**	**(130)**	**40**
Ireland	**956**	**25**	**(25)**	**35**	**(35)**	**15**
Italy	**765**	**10**	**(10)**	**10**	**(15)**	**10**
Netherlands (including Belgium, Germany and Luxembourg)	**3,343**	**205**	**(205)**	**350**	**(340)**	**105**
Poland	**599**	**5**	**(5)**	**5**	**(5)**	**10**
Spain	**749**	**25**	**(25)**	**20**	**(20)**	**5**
Other	**98**	**–**	**–**	**–**	**–**	**–**
Continental Europe	**8,691**	**350**	**(350)**	**545**	**(545)**	**185**
Rest of the World	**710**	**5**	**(5)**	**5**	**(5)**	**20**
International	**9,401**	**355**	**(355)**	**550**	**(550)**	**205**
United Kingdom	**6,131**	**225**	**(235)**	**420**	**(430)**	**95**
Total	**15,532**	**580**	**(590)**	**970**	**(980)**	**300**

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

Sensitivities will also vary according to the current economic assumptions, mainly due to the impact of changes to both the intrinsic cost and time value of options and guarantees. Options and guarantees are the main reason for the asymmetry of the sensitivities where the guarantee impacts to different extents under the different scenarios. This can be seen in the sensitivity of a 1% movement in the interest rate for the Netherlands, where there is a significant amount of business with investment return guarantees. The increase of 80 basis points to the assumed pre-tax investment returns at 30 June 2006 has significantly decreased this sensitivity, reflecting the level of the guarantees relative to the interest rate assumption.

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

Alternative method of reporting long-term business continued

Sensitivity analysis – economic assumptions continued

New business contribution before required capital (gross of tax) 6 months to 30 June 2006	As reported on page 64 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
France	**87**	**(7)**	**9**	**1**	**(3)**
Ireland	**11**	**(2)**	**3**	**(1)**	**1**
Italy	**38**	**(2)**	**2**	**2**	**(5)**
Netherlands (including Belgium, Germany and Luxembourg)	**34**	**(5)**	**6**	**12**	**(22)**
Poland	**14**	**(1)**	**1**	**–**	**–**
Spain	**88**	**(6)**	**7**	**(4)**	**4**
Other	**(4)**	**(1)**	**–**	**–**	**(1)**
Continental Europe	**268**	**(24)**	**28**	**10**	**(26)**
Rest of the World	**24**	**(4)**	**4**	**–**	**–**
International	**292**	**(28)**	**32**	**10**	**(26)**
United Kingdom	**167**	**(32)**	**37**	**(14)**	**16**
Total	**459**	**(60)**	**69**	**(4)**	**(10)**

New business contribution before required capital (gross of tax) 6 months to 30 June 2006	As reported on page 64 £m	1% increase in equity/ property returns £m	1% decrease in equity/ property returns £m
France	**87**	**4**	**(4)**
Ireland	**11**	**1**	**(1)**
Italy	**38**	**1**	**(1)**
Netherlands (including Belgium, Germany and Luxembourg)	**34**	**8**	**(7)**
Poland	**14**	**–**	**–**
Spain	**88**	**–**	**–**
Other	**(4)**	**–**	**–**
Continental Europe	**268**	**14**	**(13)**
Rest of the World	**24**	**1**	**(1)**
International	**292**	**15**	**(14)**
United Kingdom	**167**	**16**	**(15)**
Total	**459**	**31**	**(29)**

One of the key assumptions underpinning the new business contribution is the appropriate level of required capital supporting different types of products. The effect of the assumptions relating to levels of required capital is most significant in relation to annuity business written in the UK. Following a review of the Individual Capital Assessment results in the third quarter of 2005, Aviva concluded that the appropriate level of capital required to support the risks for this business is equivalent to 150% (30 June 2005: 200%) of the EU required minimum margins (RMM), notwithstanding the prudent margins incorporated in the technical provisions. This brings the required capital used to report business performance closer in line with the economic capital required to support the business.

Changing the assumption of the required capital backing annuities to 100%, increases the reported value of new business contribution reported after the effect of required capital for the six months to 30 June 2006 by £5 million and increases the embedded value by £95 million, as shown on page 75.

Sensitivity analysis – non-economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2006 and the new business contribution before the effect of required capital for the six months to 30 June 2006 to the following changes in non-economic assumptions:

– 10% decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 pa would represent an expense assumption of £9 pa). Where there is a "look through" into service company expenses, the fee charged by the service company is unchanged while the underlying expense decreases;

– 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 5% pa would represent a lapse rate of 4.5% pa);

– 10% decrease in both mortality and morbidity rates.

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

Embedded value (net of tax) 30 June 2006	As reported on page 70 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	10% decrease in mortality/ morbidity rates £m
France	**2,181**	**30**	**25**	**35**
Ireland	**956**	**20**	**15**	**–**
Italy	**765**	**5**	**–**	**5**
Netherlands (including Belgium, Germany and Luxembourg)	**3,343**	**65**	**15**	**(45)**
Poland	**599**	**20**	**35**	**15**
Spain	**749**	**10**	**35**	**15**
Other	**98**	**–**	**5**	**–**
Continental Europe	**8,691**	**150**	**130**	**25**
Rest of the World	**710**	**10**	**10**	**20**
International	**9,401**	**160**	**140**	**45**
United Kingdom	**6,131**	**195**	**75**	**(125)**
Total	**15,532**	**355**	**215**	**(80)**

New business contribution before required capital (gross of tax) 30 June 2006	As reported on page 64 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	10% decrease in mortality/ morbidity rates £m
France	**87**	**3**	**4**	**4**
Ireland	**11**	**1**	**1**	**–**
Italy	**38**	**1**	**1**	**1**
Netherlands (including Belgium, Germany and Luxembourg)	**34**	**5**	**2**	**1**
Poland	**14**	**1**	**2**	**2**
Spain	**88**	**2**	**9**	**5**
Other	**(4)**	**–**	**(1)**	**–**
Continental Europe	**268**	**13**	**18**	**13**
Rest of the World	**24**	**1**	**2**	**1**
International	**292**	**14**	**20**	**14**
United Kingdom	**167**	**17**	**12**	**14**
Total	**459**	**31**	**32**	**28**

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

Independent auditors' report

We have been instructed by the Company to review the financial information on pages 26 to 77 for the six months ended 30 June 2006 which comprises the Summarised consolidated income statement – IFRS basis, the Pro forma reconciliation of Group operating profit to retained profit for the period – IFRS basis, the Summarised consolidated statement of recognised income and expense – IFRS basis, the Summarised reconciliation of movements in consolidated shareholders' funds – IFRS basis, the Summarised consolidated balance sheet – IFRS basis, the Summarised consolidated cash flow statement – IFRS basis, the related notes 1 to 17, and the Information on the EEV basis. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006.

Ernst & Young LLP
London
8 August 2006

Shareholder services

Managing your shareholding
Shareholders who have any queries in respect of their shareholding should contact the Company's Registrar, Lloyds TSB Registrars. Contact details can be found on the final page of this interim report. 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 the Company's communications 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 directly 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 20 October 2006 in order to be effective for the 2006 interim dividend.

A range of shareholder frequently asked questions is available online at www.aviva.com/shareholders

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

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 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 and register for shareholder e-communications.

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

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 the Registrar. For telephone purchases or sales call 0870 850 0852* between 8.00 am and 4.30 pm, Monday to Friday and for internet purchases or sales log on to 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). Barclays Stockbrokers is the group name for the businesses of: Barclays Stockbrokers Limited, a member of the London Stock Exchange and OFEX. Registered No. 1986161; Barclays Sharedealing, Registered No. 2092410; Barclays Bank Trust Company Limited, Registered No. 920880. All companies are registered in England and the registered address is 1 Churchill Place, London E14 5HP. All companies are authorised and regulated by the Financial Services Authority.
- NatWest Stockbrokers Limited provide a Share Dealing Service via the telephone for Aviva Share Account holders. For more information, please contact NatWest Stockbrokers Limited on 0845 122 0689. NatWest Stockbrokers Limited is a member of the London Stock Exchange and OFEX and is authorised and regulated by the Financial Services Authority, Registered No. 123495. Registered Office: Waterhouse Square, 138–142 Holborn, London EC1N 2TH. Registered in England, Company No. 1959479. NatWest Stockbrokers Limited is operated by a joint venture between The Royal Bank of Scotland Group plc and The Toronto-Dominion Bank.

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

Shareholder services continued

ShareGift
The Orr Mackintosh Foundation operates a 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 or can be obtained from the Company's Registrar.

Share price
Shareholders can access the current share price of Aviva ordinary shares at www.aviva.com or alternatively can call 0906 843 2197†.

Group financial calendar for 2006

Announcement of third quarter long-term savings new business figures	26 October
Ordinary shares	
Ex-dividend date	16 August
Record date	18 August
Scrip dividend price available	23 August
Last date for scrip dividend forms to be received in order to be effective for 2006 interim dividend	20 October
Dividend payment date	17 November
Preference shares	
8⅜% cumulative irredeemable preference shares:	
Ex-dividend date	30 August
Record date	1 September
Second payment date	30 September
8¾% cumulative irredeemable preference shares:	
Ex-dividend date	29 November
Record date	1 December
Second payment date	31 December

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	0870 600 3952*
Corporate and single company Peps	Barclays Stockbrokers Limited	Tay House 300 Bath Street Glasgow G2 4LH	0870 514 3263*
Individual Savings Accounts ("ISAs")	Lloyds TSB Registrars (ISA Manager)	The Causeway Worthing West Sussex BN99 6DA	0870 242 4244*

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

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

* 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 8.00 am to 6.00 pm 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.

2006 Annual General Meeting – voting results
The voting results, including proxy votes and votes withheld, from Aviva's Annual General Meeting held on 10 May 2006 can be viewed on the Company's website at www.aviva.com

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