

9 August 2006

AVIVA PLC INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2006

- Record half-year results with strong performance across all businesses and geographies
- Worldwide EEV operating profit up 27% to £1,699m; IFRS operating profit up 45% to £1,376m
- Strong and profitable growth in long-term savings with worldwide sales up 25%:
 - UK: up 43% to £6,899m (2005: £4,825m)
 - Continental Europe: up 10% to £7,227m (2005: £6,593m)
 - US: up 24% to £289m (2005: £222m)
 - Asia: up 80% to £386m (2005: £201m)
 - Bancassurance sales up 24% to £4,055m, representing 26% of new business sales
 - Group new business margin remains strong at 3.5% (2005: 3.6%)
- Life EEV operating profit up 19% to £1,021m, with 66% coming from international businesses
- Excellent general insurance result: Best ever combined operating ratio (COR) of 92%, ahead of 'meet or beat' commitment of 98%; general insurance and health operating profit up 23% to £866m
- Interim dividend increased by 10% to 10.82 pence per share

Richard Harvey, group chief executive, commented:

"Aviva has once again delivered top and bottom line growth around the world. We've grown premiums, profit and dividend and are reaping the benefits of being in the right markets at the right time. Especially pleasing is our increased market share in a stronger UK market and, in line with our ambitions, international life profits growth continues to outpace excellent sales. Bancassurance continues to be an important contributor to our growth.

"Looking to the future, Europe and the US will be the two biggest long-term savings markets over the next decade. We're in prime position to capture a significant share of European growth, having secured an early and leading franchise that cannot easily be replicated. In a single step, our acquisition of AmerUs in the United States will give us a scaleable platform to capture growth in the biggest savings market in the world. Meanwhile we continue to build scale in Asia where the savings market will offer significant rewards over the longer term.

"Our general insurance business has delivered its best combined operating ratio ever, demonstrating again the sustainability of our general insurance results. The integration of RAC is complete and we are on track to deliver our cost and revenue targets for this business.

"These results highlight the fundamental competitive advantage that Aviva derives from its balanced international portfolio of life and general insurance businesses. Our increase in profit is evenly spread, and we are poised to deliver further profitable growth both by business and geography."

Worldwide highlights	6 months 2006	6 months 2005	Growth in constant currency
Operating profit – EEV basis*	£1,699m	£1,318m	27%
Operating profit – IFRS basis**	£1,376m	£943m	45%
Life EEV operating return	£1,021m	£857m	19%
General insurance and health operating profit	£866m	£694m	23%
Long-term savings new business sales	£15,631m	£12,510m	25%
New business contribution – gross	£459m	£393m	17%
New business contribution – net of required capital, tax & minorities	£194m	£158m	23%
Interim dividend per share	10.82p	9.83p	10%
Equity shareholders' funds***	£15,532m	£14,899m [^]	-
Return on equity shareholders' funds	14.0%	14.6%	-
Net asset value per share	643p	622p [^]	-

All operating profit is from continuing operations and all growth rates quoted are at constant rates of exchange.

* Including life EEV operating return, before tax and exceptional items.

** Before tax and exceptional items.

*** Measured on an EEV basis, excluding preference shares, direct capital instrument and minority interests.

[^] As at 31 December 2005

Segmental analysis of Group operating profit*

For the six months ended 30 June

	6 months 2006 £m	6 months 2005 at 2006 exchange rates £m	6 months 2005 £m
Continuing operations			
Life EEV operating return¹			
France	196	157	158
Ireland	8	21	22
Italy	53	46	47
Netherlands (including Belgium, Germany and Luxembourg)	185	124	125
Poland	66	50	48
Spain	112	91	92
Other Europe	(3)	2	(1)
Asia	19	9	9
Australia	19	17	17
United States	16	11	10
Aviva International	671	528	527
United Kingdom	350	330	330
	1,021	858	857
Fund Management^{2, 3}			
France	5	2	2
Netherlands	10	8	8
Other Europe	5	7	5
International	7	6	6
United Kingdom	6	5	5
	33	28	26
General insurance and health			
United Kingdom	555	431	431
France	27	17	17
Ireland	88	83	83
Netherlands	80	55	55
Other Europe	19	19	19
Canada	85	77	67
Other	12	22	22
Aviva International	311	273	263
	866	704	694
Non-insurance operations^{2, 4}	29	38	37
Corporate costs	-	(27)	(28)
	(73)	(55)	(55)
Unallocated interest charges	-	(130)	(130)
	(109)	(101)	(101)
	(106)	(101)	(101)
	38	18	18
Group operating profit before tax*	1,699	1,333	1,318

* Group operating profit before tax. All operating profit is from continuing operations.

1 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. 2005 figures have been reclassified accordingly.

2 Delta Lloyd Asset Management previously included within non-insurance has been reclassified to fund management and 2005 figures reclassified accordingly.

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

4 Excludes the results of Norwich Union Equity Release. Also excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the Life EEV operating return.

The total IFRS operating profit for the six months to 30 June 2006 was £1,376 million (2005: £943 million; £949 million restated at constant exchange rates).

GROUP CHIEF EXECUTIVE'S STATEMENT

I am delighted to report strong growth in premiums, profit and dividend for Aviva in the first six months of 2006. Our businesses are growing sales and profits, on the back of offering competitive products in each of our markets. Operating profit before tax is up 27% on an EEV basis to £1,699 million (2005: £1,318 million), representing an annualised return on equity shareholders' funds of 14.0% (2005: annualised of 14.6%), ahead of our group target of 12.5%. On an IFRS basis, operating profit before tax reached £1,376 million (2005: £943 million), an increase of 45%.

The Board is announcing an interim dividend increase of 10% to 10.82 pence net per share.

Financial highlights

Long-term savings

We have delivered strong life new business growth across our portfolio with total long-term savings new business sales up 25% to £15,631 million (2005: £12,510 million). This was led by sound growth from our International businesses and the return of growth to the UK market. Over 55% of Aviva's life new business sales and profit came from outside the UK in the first half of this year.

The Group continues to focus on increasing value. Groupwide life and pension sales grew by 19% to £13,147 million (2005: £11,016 million), with new business contribution after required capital increasing by 24% to £352 million (2005: £286 million). On a post-minorities basis, new business sales and post-tax new business profit rose in line to maintain margins. Our total life operating profit before tax grew 19% to £1,021 million on an EEV basis.

We are pleased to report new momentum in the UK life market with our UK life business delivering its fifth consecutive quarter of growth. Sales increased ahead of the market and Norwich Union became the UK market leader once again with a market share of 11.8% at the end of the first quarter. Total sales were up 43% to £6,899 million (2005: £4,825 million) with margins increasing to 2.9% (first quarter 2006: 2.8%). Individual pension sales led this increase with sales up 86%, boosted by A-day. This increased level of market activity is expected to continue for the rest of the year and into 2007 before moving back to lower, more normal levels thereafter. Our bancassurance partnership with the Royal Bank of Scotland Group generated best ever quarterly sales, with half year sales increasing 87% to £598 million (2005: £319 million). We continue to benefit from developing our collective investment capability, with sales doubling to just over £1 billion (2005: £513 million). We also continue to focus on delivering further service improvements in the advisor market. The new management structure for our UK operations gives us opportunities to align our customer proposition under the Norwich Union and RAC brands and we anticipate further benefits from more integrated management of our UK businesses.

In June we announced growth ambitions for our international life operations to deliver average organic growth of at least 10% per annum over the next 5 years, while growing new business profit at least as quickly¹. Our experienced management teams around the world are strongly positioned in the right markets with the right capabilities to achieve this.

International life and pension sales grew strongly by 10% to £7,331 million, with new business contribution after required capital growing well ahead of sales by 22% to £217 million. Business mix changes towards less capital intensive products continue to be made in France and Italy. We have once again seen strong growth in sales from our US business with life and pension sales up 24% to £289 million (2005: £222 million). The acquisition of AmerUs will increase the size of our US business four-fold.

In Asia we continue to build leadership positions in selected markets which will position us well to capture the long-term growth this market will bring. Total sales grew by 80% to £386 million (2005: £201 million). We are now the 6th largest private provider in the Indian life market and the market leader in the bancassurance market. In China, we have also recently received permission to open a branch in Changsha, the capital city of Hunan province which will bring the total number of major city licences to six, with sales offices in a further seven cities.

General insurance and health

With our best ever combined operating ratio (COR) at 92%, our worldwide general insurance performance is comfortably ahead of our stated commitment to meet or beat 98%. Aviva's general insurance and health operations continue to outperform with operating profit of £866 million (2005: £694 million) demonstrating the continued resilience of the returns, notwithstanding the benefit of £125 million benign weather experience in the UK.

In the UK we have continued to produce excellent results with an operating profit of £555 million, up 29% from £431 million. The COR of 92% demonstrates the success of our focused general insurance strategy and the benefits of our scale, including our successful offshore operations, which together bring cost benefits and sustainable profits in competitive markets. In the UK, motor claims costs continue to rise and so premium rates have been increased.

Fund management

Our fund management operations continue to deliver improved performance. Worldwide investment sales increased 66% to £2,484 million (2005: £1,494 million). On an IFRS basis, operating profit before tax increased from £41 million to £61 million and assets under management at 30 June 2006 grew to over £332 billion (31 December 2005: £322 billion). New business flows, tight management of our cost base, an increase in fee income and the strong performance of global investment markets have all contributed to this improved result. Third party funds also increased to £55 billion (31 December 2005: £52 billion).

¹ Compound annual growth rate, post minorities, before acquisitions, and assuming no major changes in conditions. New business contribution growth after cost of capital, tax and minorities.

A strong track record

These strong results have been achieved by our core focus on growing our existing businesses supplemented by a number of successful acquisitions and distribution deals. Since Aviva was formed in May 2000, we have driven value for shareholders by integrating and developing new businesses both internationally and in the UK.

Our international bancassurance business has grown seven fold since 2000, delivering £5,439 million of new business sales in 2005 and £3,457 million (2005: £2,955 million) in the first half of 2006. We are now a partner of choice for banks worldwide due to the depth of our experience and successful track record of making these arrangements work. This year has continued to be as exciting in terms of developing new international distribution with the start of new bancassurance arrangements with Allied Irish Banks in Ireland, Centurion Bank of Punjab in India and National Development Bank in Sri Lanka. Additionally, our access to Unicredit Group branches in Italy has nearly doubled to approximately 1,000.

The integration of RAC with our UK general insurance business is now complete and RAC businesses contributed £86 million to the Group's operating profit. This includes the benefit of £43 million of cost savings in the first half of the year. We are on track to deliver cost savings of £100 million in total in 2006 and operating profits of £220 million per annum by 2008 for businesses retained. The disposal of non-core RAC businesses is now complete with proceeds totalling £354 million, generating a run-rate return on investment in 2008 of 18.8%.

On 13 July 2006, we announced the acquisition of AmerUs for approximately £1.6 billion in cash, financed by a successful £900 million equity placing, internal resources and external debt. In a single step AmerUs creates a scaleable platform for Aviva in the US long-term savings market and makes the USA our fourth largest life business. As AmerUs is a leader in the high growth US equity-indexed market, Aviva will become the market leader in the equity-indexed life insurance market and number three for equity-indexed annuities, complementing our existing US product range. The acquisition of AmerUs provides us with the platform from which we can grow organically in the US and is expected to complete in the final quarter of 2006. Annual pre-tax cost savings of approximately \$45 million (£24 million) by 2008 are anticipated and we expect significant revenue benefits from the enhanced national distribution platform and the superior financial strength and ratings of Aviva. We expect the investment to generate a post-tax return on investment of over 10% by 2009.

Strongly positioned for further organic growth

Our first priority is the continued profitable growth of our existing businesses. Our stated growth and profitability targets demonstrate our confidence in our international life growth ambitions for the next five years and the strength of our general insurance results. We anticipate further momentum in the UK market during this year, albeit at a more modest rate. We will continue to supplement organic growth through new distribution deals while focusing our efforts on the successful integration of AmerUs. Our success in the first half of 2006 highlights the fundamental competitive advantage that we derive from our balanced international portfolio of life and general insurance businesses. These businesses are poised to deliver further profitable growth.

Richard Harvey
Group Chief Executive

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NEWSWIRES: There will be a conference call today for wire services at 8.15am (BST) on +44 (0)20 7162 0125 Quote: Aviva, Richard Harvey.

ANALYSTS: A presentation to investors and analysts will take place at 9.30am (BST) at St Helen's, 1 Undershaft, London, EC3P 3DQ. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Group's website www.aviva.com or on www.cantos.com. In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0)20 7365 1833. A replay facility will be available until 23 August 2006 on +44 (0)20 7806 1970. The pass code is 5270491# for the whole presentation including Question & Answer session or 5865654# for Question & Answer session only.

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

The Aviva media centre at www.aviva.com/media includes images, company information and news release archive. High resolution images are also available for the media to view and download free of charge from www.vismedia.co.uk.

Notes to editors

- Aviva is one of the leading providers of life and pensions to Europe with substantial positions in other markets around the world, making it the world's fifth largest insurance group based on gross worldwide premiums at 31 December 2005.
- Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide total sales* of £36 billion and assets under management of £322 billion at 31 December 2005.
* Based on life and pensions PVNBP, total investment sales and general insurance and health net written premiums including share of associates' premiums.
- Overseas currency results are translated at average exchange rates.
- The present value of new business premiums (PVNBP) is equal to total single premium sales received in the year plus the discounted value of annual premiums expected to be received over the term of the new contracts, and is expressed at the point of sale.
- All growth rates are quoted at constant currency, which excludes the impact of changes in exchange rates between periods.
- This interim announcement may contain "forward-looking statements" with respect to certain of Aviva's plans and its current goals and expectations relating to its future financial condition, performance and results. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which are beyond Aviva's control, including amongst other things, UK domestic and global economic business conditions, market-related risks such as fluctuations in interest rates and exchange rates, the policies and actions of regulatory authorities, the impact of competition, inflation, deflation, the timing impact and other uncertainties of future acquisitions or combinations within relevant industries, as well as the impact of tax and other legislation and other regulations in the jurisdictions in which Aviva and its affiliates operate. As a result, Aviva's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in Aviva's forward-looking statements. Aviva undertakes no obligation to update the forward-looking statements contained in this presentation or any other forward-looking statements we may make.

Contents

	Page
Operating and financial review	1
European Embedded Value (EEV) basis	
Summarised consolidated income statement – EEV basis	24
Earnings per share – EEV basis	24
Summarised consolidated statement of recognised income and expense – EEV basis	25
Summarised reconciliation of movements in consolidated shareholders' funds – EEV basis	25
Summarised consolidated balance sheet – EEV basis	26
Segmentation of summarised consolidated balance sheet – EEV basis	27
Basis of preparation – EEV basis	28
EEV methodology	28
Components of life EEV return	31
New business contribution	32
EEV basis – new business contribution before and after the effect of required capital, tax and minority interest	33
Post-tax internal rate of return on life and pensions new business	34
Experience variances	35
Operating assumption changes	35
Geographical analysis of life EEV operating return	36
Analysis of movement in life and related businesses embedded value	37
Segmental analysis of life and related businesses embedded value	38
Time value of options and guarantees	39
Minority interest in life and related businesses' EEV results	39
Principal economic assumptions – deterministic calculations	40
Principal economic assumptions – stochastic calculations	41
Other assumptions	42
Sensitivity analysis – economic assumptions	43
Sensitivity analysis – non-economic assumptions	45
IFRS basis	
Summarised consolidated income statement – IFRS basis	46
Earnings per share – IFRS basis	46
Proforma reconciliation of Group operating profit to retained profit in the period – IFRS basis	47
Summarised consolidated statement of recognised income and expense – IFRS basis	48
Summarised reconciliation of movements in consolidated shareholders' funds – IFRS basis	48
Summarised consolidated balance sheet – IFRS basis	49
Summarised consolidated cash flow statement – IFRS basis	50
Basis of preparation – IFRS basis	51
Exchange rates	51
Acquisitions	52
Other income - profit on the disposal of subsidiaries and associates	54
Integration Costs	55
Operations classified as held for sale	55
Geographical analysis of life IFRS operating profit	55
Geographical analysis of fund management operating profit	56
Geographical analysis of general insurance and health	57
Analysis of other operations' operating profit	58
Corporate costs	59
Unallocated interest charges	59
Tax	59
Earnings per share	60
Dividends and appropriations	62
Segmental information	62
Statistical supplement	
Segmental analysis of the components of life EEV operating return	74
Supplementary analyses	77
General insurance business only: geographical analysis	79
General insurance business only: class of business analyses	80
Appendix: Group capital structure	82
Shareholder information	88

OPERATING AND FINANCIAL REVIEW**Group operating profit before tax**

The Group's operating profit before tax, including life EEV operating return, increased by 27% to £1,699 million (2005: £1,318 million) driven by strong operational performances across all of our business segments. 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. This, combined with the Group's strong capital position, has allowed us to grow our interim dividend by 10% to 10.82 pence per share.

	EEV basis		IFRS basis	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m
Life EEV operating return / IFRS long-term business profit	1,021	857	710	510
Fund management	33	26	61	41
General insurance and health	866	694	866	694
Other:				
Other operations	29	37	(11)	(6)
Corporate costs	(73)	(83)	(73)	(83)
Unallocated interest charges	(177)	(213)	(177)	(213)
Operating profit before tax	1,699	1,318	1,376	943
Profit before tax attributable to shareholders	1,284	1,739	1,248	1,124
Equity shareholders' funds	15,532	14,899 [^]	9,526	8,774 [^]

[^] As at 31 December 2005

Long-term savings

Our worldwide long-term savings new business sales grew strongly by 25% to £15.6 billion (2005: £12.5 billion) benefiting from a combination of excellent UK sales growth of 43% to £6.9 billion and our strong and well diversified international portfolio where sales grew by 14% to £8.7 billion and accounted for 56% of overall sales. Worldwide life and pension sales increased by 19% to £13.1 billion (2005: £11.0 billion) and we achieved substantial growth in investment sales of 66% to £2.5 billion (2005: £1.5 billion). We expect continued growth albeit at a more modest rate due to strong comparatives in the second half of 2005 as we continue to benefit from our multi-distribution networks, product expertise and diversified portfolio.

	6 months 2006			Local currency growth		
	Life and pensions £m	Retail investments £m	Total £m	Life and pensions %	Retail investments %	Total %
Long-term savings sales						
<i>Continental Europe</i>	6,645	582	7,227	9%	32%	10%
<i>Rest of the World</i>	686	819	1,505	19%	51%	34%
International	7,331	1,401	8,732	10%	42%	14%
United Kingdom	5,816	1,083	6,899	35%	111%	43%
Total new business sales on a present value of new business premium (PVNBP) basis	13,147	2,484	15,631	19%	66%	25%

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

Life EEV operating return

	6 months 2006 £m	6 months 2005 £m
New business contribution (after the effect of required capital)	352	286
Profit from existing business		
– expected return	503	434
– experience variances	(9)	(31)
– operating assumption changes	3	7
Expected return on shareholders' net worth	172	161
Life EEV operating return before tax	1,021	857
Analysed by:		
<i>Continental Europe</i>	617	491
<i>Rest of the World</i>	54	36
International	671	527
United Kingdom	350	330

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 the Group's new business margin after the effect of required capital increased to 2.7% (2005: 2.6%), reflecting improved business mix and our value focus. Aviva International now accounts for 62% of new business contribution after the effect of required capital.

	Present value of new business premiums		New business contribution ⁽¹⁾		New business margin ^(1, 2)		New business contribution ⁽³⁾		New business margin ^(2,3)	
	6 months 2006	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005
	£m	£m	£m	£m	%	%	£m	£m	%	%
<i>Continental Europe</i>	6,645	6,150	268	239	4.0%	3.9%	202	170	3.0%	2.8%
<i>Rest of the World</i>	686	554	24	18	3.5%	3.2%	15	10	2.2%	1.8%
International	7,331	6,704	292	257	4.0%	3.8%	217	180	3.0%	2.7%
United Kingdom	5,816	4,312	167	136	2.9%	3.2%	135	106	2.3%	2.5%
Total life and pensions business	13,147	11,016	459	393	3.5%	3.6%	352	286	2.7%	2.6%

(1) Before effect of required capital which amounted to £107 million (2005: £107 million).

(2) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

(3) After deducting the effect of required capital.

The expected returns on existing business and shareholders' net worth increased to £675 million (2005: £595 million) reflecting the higher start of year embedded values. Adverse experience variances of £9 million (2005: £31 million adverse) were partially offset by positive operating assumption changes of £3 million (2005: £7 million positive).

Continental Europe

Life EEV operating return from our continental European businesses has increased 26% to £617 million (2005: £491 million).

New business contribution after the effect of required capital increased to £202 million (2005: £170 million), with strong performances in France, Spain and Poland, mainly reflecting a combination of sales growth and margin improvements.

New business margins before and after required capital were 4.0% and 3.0% (2005: 3.9% and 2.8%), respectively. The increase in new business margin after required capital reflects a change in business mix towards less capital intensive products, with higher sales of unit-linked and single premium savings products notably in France and Italy.

Expected returns were higher at £360 million (2005: £315 million), reflecting higher start of year embedded value. Experience variances were higher at £52 million (2005: £1 million loss) mainly reflecting a favourable mortality experience of £42 million (2005: £28 million) in the Netherlands, France and Poland. Operating assumption changes were £3 million (2005: £7 million).

Rest of the World

The life EEV operating return increased to £54 million (2005: £36 million), benefiting from a higher expected return primarily resulting from the growth in embedded values achieved in our developing businesses during 2005. New business margins before and after the effect of required capital increased to 3.5% and 2.2%, respectively (2005: 3.2% and 1.8%, respectively) reflecting improving margins in our Asian operations.

UK

Norwich Union's 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.

New business contribution after the effect of required capital 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 balance between focus on value while retaining a market-leading position.

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 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 (2005: £11 million).

Bancassurance margins – before required capital, tax and minority interests

The weighted average bancassurance new business margins before the effect of required capital in the six months were 4.7% (2005: 4.6%). This increase mainly reflects a change in business mix in our partnerships in France and Spain. After the effect of required capital, the bancassurance margin was 3.9% (2005: 3.7%).

Total life and pensions	Present value of new business premiums		New business contribution ⁽¹⁾		New business margin ⁽²⁾	
	6 months	6 months	6 months	6 months	6 months	6 months
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	%	%
France	504	411	23	17	4.6%	4.1%
Ireland	223	-	4	-	1.8%	n/a
Italy	1,559	1,240	37	32	2.4%	2.6%
Netherlands	258	347	11	9	4.3%	2.6%
Spain	812	855	86	76	10.6%	8.9%
Asia	101	102	10	8	9.9%	7.8%
United Kingdom	501	267	16	7	3.2%	2.6%
Total bancassurance channels	3,958	3,222	187	149	4.7%	4.6%

(1) Before effect of required capital which amounted to £32 million (2005: £31 million).

(2) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

In France, our bancassurance joint venture produced an increased new business margin of 4.6% (2005: 4.1%). In Ireland, Ark Life's new business margin was 1.8% (first quarter 2006: 1.7%) reflecting competitive pressures. The new business bancassurance margin in Italy was 2.4% (2005: 2.6%), reflecting the increased proportion of lower margin unit-linked business and the lower proportion of traditional business which has a higher margin before the cost of capital. In Spain, our bancassurance partnerships produced an increased margin of 10.6% (2005: 8.9%) benefiting from demand for protection products in the period.

Our bancassurance agreement with ABN AMRO in the Netherlands generated a margin of 4.3% (2005: 2.6%) as the comparative was affected by a special promotion on lower margin annuity business in the first quarter of 2005. The new business bancassurance margin from our partnership with DBS in Singapore and Hong Kong was 9.9% (2005: 7.8%) reflecting the profitable growth of these developing operations. The new business margin generated by our partnership in the UK with the Royal Bank of Scotland Group (RBSG) increased to 3.2% (2005: 2.6%) reflecting the sales momentum in this distribution channel and cost management.

New business contribution – after deducting required capital, tax and minority interest

New business contribution after required capital, tax and minority interest increased by 23% to £194 million while sales on a post minority basis grew by 20%. The total new business margin therefore remained unchanged at 1.7% when compared with the first half of 2005, with bancassurance accounting for 30% of new business contribution within the period.

	Present value of new business premiums ⁽¹⁾		New business contribution ⁽²⁾		New business margin ⁽³⁾	
	6 months	6 months	6 months	6 months	6 months	6 months
	2006	2005	2006	2005	2006	2005
	£m	£m	£m	£m	%	%
Bancassurance channels	2,218	1,678	59	42	2.7%	2.5%
Other distribution channels	8,932	7,597	135	116	1.5%	1.5%
Total life and pensions business	11,150	9,275	194	158	1.7%	1.7%
Analysed:						
<i>Continental Europe</i>	4,651	4,409	87	75	1.9%	1.7%
<i>Rest of the World</i>	683	554	12	8	1.8%	1.4%
International	5,334	4,963	99	83	1.9%	1.7%
UK	5,816	4,312	95	75	1.6%	1.7%

(1) Stated after deducting the minority interest.

(2) Stated after deducting the effect of required capital, tax and minority interest.

(3) New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

Long-term business operating profit on an International Financial Reporting Standard (IFRS) basis

On an IFRS basis, our long-term business operating profit before shareholder tax was £710 million (2005: £510 million), an increase of 39%. The increase is primarily driven by the effect of increases in long-term interest rates in the Netherlands.

The UK life operating profit on an IFRS basis was £213 million (2005: £209 million). Within this, the operating profit of the with-profits business increased to £68 million (2005: £33 million) as strong with-profits fund investment performance in 2005 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.

In Continental Europe, life IFRS operating profit increased significantly to £497 million (2005: £317 million), driven primarily by increased profits in the Netherlands.

In France, the operating profit reduced to £116 million (2005: £131 million) reflecting the higher investment gains in the prior period. In Ireland, operating profit of £31 million (2005: £14 million) included £14 million in respect of our partnership with AIB which was acquired in January 2006. In the Netherlands, the operating profit of £225 million (2005: £62 million) was substantially higher than in the prior year. This was mainly driven by increased interest rates which led to a £94 million release in the provision for guarantees set up in earlier years (2005: £70 million charge). Our businesses in Poland and Lithuania achieved an operating profit of £56 million (2005: £48 million) driven by increased income from higher funds under management. Operating profit in Spain increased to £48 million (2005: £39 million) due to higher profits from the growing portfolio of protection business which generate statutory profits in the first year.

Our Rest of the World businesses improved to a break-even result from a loss of £16 million in 2005, with the prior year affected by a change in valuation basis in Asia introduced on 1 January 2005.

Fund management operating profit

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.

In the UK, our fund management businesses comprise our institutional business Morley Fund Management (Morley), our retail investment business trading as Norwich Union, and our collective investment joint venture business with RBSG. These businesses reported an operating profit of £18 million (2005: £11 million) in the period. Our international operations consist of Morley's overseas businesses based in Melbourne, Dublin, Warsaw, Boston, Milan and Madrid, Aviva Gestion d'Actifs in France, Delta Lloyd Asset Management in the Netherlands, and other businesses including our fund administration business Navigator. Our international fund management operating profit was £43 million (2005: £30 million).

	6 months 2006 £m	6 months 2005 £m
Morley		
UK	23	11
International	8	7
UK (excluding Morley)	(5)	-
France	16	10
Netherlands	13	8
Other Europe and Rest of the World	6	5
Fund management operating profit – IFRS basis	61	41

The Morley group as a whole reported a 45% increase in total operating profit to £32 million (2005: £22 million), including the £1 million (2005: £4 million) contribution 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 revenue while maintaining the underlying cost base improved our cost/income ratio to 74% (2005: 80%).

In May, Morley completed the take-on of £2.3 billion of funds from the Ark Life Assurance company resulting from Aviva's bancassurance joint venture with AIB. In addition to the Ark Life Assurance funds, new funded external mandates totalled £2.7 billion, principally from UK retail and institutional investors but also including contributions in respect of property partnerships vehicles and overseas operations.

In June, Morley completed the purchase of a 56% stake in a hedge fund management company ORN Capital as part of their strategy to accelerate their alternatives business, adding one multi-strategy and four single-strategy hedge funds to their range of absolute return products. Furthermore, the growth of Morley's 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. Our Socially Responsible Investment 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.

Norwich Union's retail investment business reported a loss of £1 million in the period (2005: £3 million profit) while our collective investment business with RBSG recorded a loss of £4 million (2005: £3 million loss) due to increased new business strain.

Operating profit from our French business, Aviva Gestion d'Actifs (AGA), increased to £16 million (2005: £10 million) as a result of increased fee income from increased funds under management. We have continued to earn industry awards for the sustained performance of our funds. Over the 5 years to 30 June 2006, 97% of AGA funds were ranked in the first and second quartiles. The financial newspaper 'Le Revenu' awarded 5 prizes to AGA's funds for their high performance over both the past 3 and 10 years.

Operating profit from our fund management business in the Netherlands was £13 million (2005: £8 million previously reported within non-insurance business). The increase in the result reflects the impact of increased funds under management.

Operating profits across our Other Europe and Rest of the World businesses rose to £6 million (2005: £5 million).

On an EEV basis, the total operating profit from our fund management businesses was £33 million (2005: £26 million) and represents the profit from those funds managed on behalf of third parties and the Group's non-life businesses.

General insurance and health operating profit

The Group's net written premiums from its worldwide general insurance and health businesses increased by 7% to £5.7 billion, driven by an increase in the UK of 6% to £3.1 billion and 22% growth to £1.0 billion in the Netherlands.

Group operating profit from general insurance and health businesses increased by 23% to £866 million (2005: £694 million). The worldwide general insurance combined operating ratio (COR) improved to 92% (2005: 95%), comfortably meeting our stated commitment to meet or beat a worldwide COR of 98% for the foreseeable future. While our scale advantages, focused underwriting, claims management and efficiencies continue to provide us with ongoing benefits, we are actively seeking to maximise these through knowledge sharing across our businesses.

The general insurance and health underwriting profit improved to £346 million (2005: £182 million) including better than expected weather claims experience in the UK of £125 million (2005: neutral). The underlying improvement was driven by our disciplined approach to underwriting, claims management and lower claims frequency across most of our major businesses. The worldwide expense ratio was 11.6% (2005: 11.2%), reflecting the change in distribution mix towards the direct channel and strategic investment in the business to gain competitive advantage.

The longer-term investment return (LTIR) on general insurance and health business assets was £520 million (2005: £512 million). The higher start-of-year asset base and positive cash inflows were offset by the application of lower LTIR rates in 2006.

The reserves in the Group are set conservatively with the aim to protect against adverse future claims experience and development. Our business is predominantly short tail in nature and loss development experience is generally stable. As a result of the prudence applied in setting the reserves, there are 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 in our reserves over the past few years and have maintained our reserves at very strong levels.

	Net written premiums		Underwriting result*		Operating profit*	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m
United Kingdom	3,073	2,891	225	104	555	431
<i>Continental Europe</i>	1,783	1,605	99	57	214	174
<i>Rest of the World</i>	794	708	22	21	97	89
International	2,577	2,313	121	78	311	263
Continuing operations	5,650	5,204	346	182	866	694

* Excludes the Financial Services Compensation Scheme credit of £6 million (2005: nil).

UK

Norwich Union Insurance (NUI) 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 the 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 2005. Premiums in our direct operation grew by 5% and 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 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, has 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 also 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 period 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 investment of 18.8%.

RAC has signed a new deal with Lex Vehicle Leasing to provide roadside assistance and glass replacement for six years, and a UK roadside contract with AssetCo for two years. RAC has successfully renewed its contracts with Porsche, Volvo and Budget.

NU Healthcare provides private medical insurance (PMI), 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 the result was a loss of £6 million (2005: break even) reflecting continuing investment in the business.

Continental Europe

In Continental Europe, our general insurance and health businesses recorded an operating profit of £214 million (2005: £174 million).

In France, our general insurance and health business achieved an operating profit of £27 million (2005: £17 million) with an underwriting loss of £1 million (2005: loss of £12 million). Net written premiums increased to £435 million (2005: £424 million) reflecting selective rate increases in a competitive market, notably in commercial lines. The general insurance COR improved to 98% (2005: 100%) reflecting these higher premium rates together with expense improvements including cost savings due to our head office relocation.

In Ireland, our general insurance business achieved an underwriting profit of £63 million (2005: £53 million) and a COR of 74% (2005: 80%). This strong performance reflected continuing favourable weather claims experience of £5 million (2005: £3 million) and reduced frequency of bodily injury claims. As a result of increased competition for market share and selective underwriting, net written premiums decreased to £251 million (2005: £262 million).

In the Netherlands, the operating profits from general insurance and health operations increased to £80 million (2005: £55 million) reflecting an improvement in the underwriting profit to £34 million (2005: £14 million). The general insurance COR was 82% (2005: 94%) due to the 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 which merged public and private health care provision at the start of 2006. Market changes in the Netherlands 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 and Inkomen to create a new organisation with four million customers representing a quarter of the market, in which Delta Lloyd would hold a minimum 25% share. This organisation would 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.

Other general insurance operations are based in Italy, Poland and Turkey and achieved a total operating profit of £19 million (2005: £19 million).

Rest of the World

Operating profit in our general insurance and health businesses in the Rest of the World improved to £97 million (2005: £89 million).

In Canada, net written premiums have increased by 1% to £724 million (2005: £627 million). Within this, the benefit of strengthening rates on personal motor and homeowner and premiums from our corporate partnership with Loblaw's were offset by the continued softening of the commercial lines market although all lines remain profitable.

The COR for our Canadian business has improved to 96% (2005: 98%) and operating profit to £85 million (2005: £67 million) as a result of careful management of underwriting and costs, together with a lower level of weather-related claims which benefited the result by £6 million (2005: £5 million). This strong performance is also due to our continued investment in improving risk selection, operational efficiency and the customer's experience.

The operating profit from our other Rest of the World businesses, including the Group's captive reinsurer, amounted to £12 million (2005: £22 million including pre-disposal profits from our general insurance operations in Asia). Our Asian health business and our recently acquired general insurance business in Sri Lanka as part of the acquisition of Eagle Insurance recorded an operating profit of £1 million.

Other operations

The Group's other operations recorded an operating loss of £11 million (2005: loss of £6 million) on an IFRS basis. This comprises £20 million profit from RAC non-insurance operations (2005: £11 million), a loss from NU Life Services Ltd of £42 million (2005: £38 million loss) reflecting higher development costs, a £6 million loss 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 reflecting the inclusion of results for the entire period (2005: £11 million post acquisition). 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. Total proceeds were £354 million. Both operations were classified as held for sale at 31 December 2005 and the profit before tax on the disposals was £66 million. These businesses contributed an operating profit of £17 million in the period. This completes the disposal programme regarding the RAC non-core businesses.

On an EEV basis, operating profit from 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

The non-recurrence of global finance transformation programme (GFTP) costs lowered the Group's corporate costs to £73 million (2005: £83 million of which £28 million related to GFTP). Costs excluding GFTP have increased reflecting increased brand spend plus higher pension and bonus costs.

Unallocated interest charges

Unallocated interest charges of £177 million (2005: £213 million) comprise internal and external interest on borrowings, subordinated debt and intra-group loans not allocated to local business operations. Also included is net pension income which represents the expected return on pension scheme assets less the interest charge on pension scheme liabilities. Interest costs in the period were lower at £215 million (2005: £231 million). Within this, external interest costs reduced to £109 million (2005: £130 million) reflecting repayment of senior debt while internal interest costs amounted to £106 million (2005: £101 million). Net pension income increased to £38 million (2005: £18 million).

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

Profit on ordinary activities before tax

	EEV basis		IFRS basis	
	6 months 2006 £m	6 months 2005 £m	6 months 2006 £m	6 months 2005 £m
Operating profit before tax	1,699	1,318	1,376	943
Impairment of goodwill	-	(10)	-	(10)
Amortisation of acquired additional value of in-force long-term business	-	-	(33)	(44)
Amortisation and impairment of intangibles	(10)	(8)	(19)	(16)
Financial Services Compensation Scheme and other levies	6	-	6	-
Profit on disposal of subsidiary and associates	86	145	147	145
Short-term fluctuations on return of investments backing general insurance and health business	(205)	120	(205)	120
Variation from longer-term investment return – life business	(739)	719	-	-
Effect of economic assumption changes	471	(531)	-	-
Integration costs	(24)	(14)	(24)	(14)
Profit before tax/ Profit before tax attributable to shareholders' profits	1,284	1,739	1,248	1,124

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).

During the first half 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 at fair value resulting in a profit on an EEV basis of £26 million and £87 million on an IFRS basis as, under the latter, the additional value of long-term in-force business is excluded from the IFRS balance sheet. Other small disposals in the period amounted to a total loss of £6 million. The integration of RAC successfully completed 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 previously announced.

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 long-term 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.

Included within the investment variances is a one off charge reflecting changes in the UK Inland Revenue legislation introduced by the 2006 Finance Bill amounting to £75 million on a post tax 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, profit on disposal, and integration costs are included in the IFRS profit before tax attributable to shareholders' profits of £1,248 million (2005: £1,124 million).

The taxation charge for the period was £524 million (2005: £530 million) on an EEV basis and includes 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%). 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 which reduced the tax charge.

Dividends

Ordinary dividends

The Board has recommended a 10% increase in the interim dividend to 10.82 net pence per share (2005: 9.83 pence) payable on 17 November 2006 to shareholders on the register on 18 August 2006. This follows the removal of the 5% growth target at the end of 2005 while enabling the Group to invest in its future growth.

Preference dividends

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

The Board has recommended a dividend of 4 3/16 % per share for the six month period ending 30 September 2006 payable on 30 September 2006 to preference shareholders on the register on 1 September 2006.

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

The Board has recommended a dividend of 4 3/8 % per share for the six month period ending 31 December 2006 payable on 31 December 2006 to preference shareholders on the register on 1 December 2006.

Pension fund deficit

As previously announced we are close to finalising our negotiations on the appropriate proportion to be borne by the UK with-profit funds. These funds could contribute up to 12% of the future deficit funding payments to the Norwich Union pension fund. Currently substantially all of the deficit is borne by shareholders as historic contractual arrangements have, to date, meant no deficit funding has been recharged to the Group's UK with-profits funds. At 30 June 2006 the Group's overall pension fund deficit had reduced by £687 million to £784 million (gross of tax), benefiting from the favourable impact on the valuation of liabilities of a 30 basis point increase in real interest rates during the period. It remains our intention to make additional deficit funding contributions totalling £540 million by early 2008.

Group capital structure

The Group maintains an efficient capital structure from a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings, consistent with the Group's risk profile and the regulatory and market requirements of its business. The Group is subject to a number of regulatory capital tests and also employs a number of realistic tests to allocate capital and manage risk. Overall, the Group comfortably meets all of these requirements and, as reported below, has significant resources and financial strength.

The ratings of the Group's main operating subsidiaries are AA/AA- ("very strong") with a stable outlook from Standard & Poor's and Aa2 ("excellent") with a negative outlook from Moody's. These ratings were reaffirmed at the time of the AmerUs acquisition announcement in July and reflect the Group's strong liquidity, competitive position, capital base, increasing underlying earnings and positive strategic management. As a result of the AmerUs acquisition, Aviva's rating from Moody's is on review for downgrade due to AmerUs' lower credit rating.

Capital management

In managing its capital, the Group seeks to:

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

An important aspect of the Group's overall capital management process is the setting of target risk-adjusted rates of return for individual business units, which are aligned to performance objectives and ensure that the Group is focused on the creation of value for shareholders. The Group has a number of sources of capital available to it and seeks to optimise its debt to equity structure in order to ensure that it can consistently maximise returns to shareholders. The Group considers not only the traditional sources of capital funding but the alternative sources of capital including reinsurance and securitisation, as appropriate, when assessing its deployment and usage of capital.

Return on equity shareholders' funds

The Group's annualised post-tax operating return on equity shareholders' funds was 14.0% (2005: 14.6%) ahead of our target of 12.5%. Opening shareholders' funds were £3.2 billion higher impacting the return as previously indicated. This return is based on the post-tax operating profit from continuing operations, including the EEV operating return, expressed as a percentage of the opening equity shareholders' funds.

Different measures of capital

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

- i) **Accounting bases**
Although the Group is required to report its results on an IFRS basis, the directors consider that the European Embedded Value principles provide a more accurate and meaningful reflection of the Group's life operations and accordingly we analyse and measure the net asset value and total capital employed for the Group on this basis.
- ii) **Regulatory bases**
In reporting the financial strength of our insurance subsidiaries the Group measures the capital and solvency using the regulations prescribed by the Financial Services Authority (FSA). These regulatory capital tests are based upon required levels of solvency capital and a series of prudent assumptions in respect of the type of business written by the Group's insurance subsidiaries.
- iii) **Economic bases**
Notwithstanding the required levels of capital laid out by the FSA, the Group also measures its capital using various risk based capital models that take into account a more realistic set of financial and non-financial assumptions. These models have been under considerable development over the past few years and have become more relevant in the internal assessment of the Group's financial strength. In addition, these models include measures used by rating agencies in measuring and assessing the financial strength of the Group.

Group*Accounting bases*

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

At 30 June 2006 the Group had £23.5 billion (31 December 2005: £23.0 billion) of total capital employed in its trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings.

	30 June 2006	31 December 2005
Total shareholders' funds – EEV basis (including minority interests)	£18.5 billion	£17.5 billion
Total capital employed by business operations	£23.5 billion	£23.0 billion
Net asset value per share	643 pence	622 pence

The significant increase in shareholders' funds reflects the strong operational performance in the period. Net asset value per ordinary share, based on equity shareholders' funds, was higher at 643 pence per share.

Regulatory bases

EU Groups directive

	30 June 2006	31 December 2005
Insurance Groups Directive (IGD) excess solvency	£4.2 billion	£3.6 billion
Cover (times) over EU minimum	1.9 times	1.8 times

Aviva Group had an estimated excess regulatory capital, as measured under the EU Groups Directive, of £4.2 billion at 30 June 2006 (31 December 2005: £3.6 billion). This measure represents the excess of the aggregate value of regulatory capital employed in our business over the aggregate minimum solvency requirements imposed by local regulators, excluding the surplus held in the Group's UK life funds. The minimum solvency requirement for the Group's European businesses is based on the Solvency 1 Directive. In broad terms, for EU operations, this is set at 4% and 1% of non-linked and unit-linked life reserves, respectively and for Aviva's general insurance portfolio of business is the higher of 18% of gross premiums or 26% of gross claims, in both cases adjusted to reflect the level of reinsurance recoveries. For the Group's major non-European businesses (the US, Australia and Canada) a risk charge on assets and liabilities approach is used. The IGD is a pure aggregation test with no credit given for the considerable diversification benefits of Aviva.

The increase in IGD excess solvency was driven by the Group's strong solvency capital generation of £0.6 billion reflecting operational performance in the period. From 1 January 2006, the Group is required to have a positive IGD basis solvency level at all times. The Group's risk management processes ensure adequate review of this measure at all times.

Economic bases

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

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

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

General insurance

Regulatory basis

Our principal UK general insurance regulated subsidiaries are CGU International Insurance group (CGUII) and Norwich Union Insurance (NUI). The combined businesses of the CGUII group and NUI group have strong solvency positions. On an aggregate basis the estimated excess solvency margin (representing the regulatory value of excess available assets over the required minimum margin) amounted to £6.8 billion (31 December 2005: £5.7 billion) after covering the minimum capital base of £4.5 billion (31 December 2005: £4.4 billion).

The table below sets out the regulatory basis of these general insurance groups at 30 June 2006 and 31 December 2005.

	30 June 2006			31 December 2005		
	NUI plc	CGUII Group	NUI and CGUII Group pro forma	NUI plc	CGUII Group	NUI and CGUII Group pro forma
Regulated asset value £bn	£1.1 bn	£10.2 bn	£11.3 bn	£1.3 bn	£8.8 bn	£10.1 bn
Required minimum margin £bn	£0.4 bn	£4.1 bn	£4.5 bn	£0.4 bn	£4.0 bn	£4.4 bn
Excess solvency margin £bn	£0.7 bn	£6.1 bn	£6.8 bn	£0.9 bn	£4.8 bn	£5.7 bn
Cover (times)	3.0 times	2.5 times	2.6 times	3.4 times	2.2 times	2.3 times

Economic bases - Risk based capital

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

Our traditional risk based capital measure for general insurance business assesses insurance market and credit risks and makes prudent allowance for diversification benefits. The underlying model looks at the level of capital necessary to enable the general insurance business to meet the statutory minimum solvency margin over a five year period with 99% probability of not requiring further capital. We consider risks over a five year period allowing for planned levels of business growth. Based on this model, our risk based capital requirement may be expressed at 34% of net written premiums which is equivalent to £3.7 billion (31 December 2005: £3.5 billion) of capital. This compares with a total of £5.6 billion (31 December 2005: £5.6 billion) of shareholders' capital employed in our general insurance businesses.

Life operations

Economic bases

For the Group's non-participating worldwide life assurance business the Group has set its capital requirements as the higher of:

- Target levels set by reference to own internal risk assessment and internal objectives
- Minimum capital level (i.e. level of solvency capital at which local regulator is empowered to take action)

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

The required capital across all the Group's businesses varies depending on the level of operational, market and currency risk, between 100% and 200% of EU minimum or equivalent. In the UK we have assessed the required capital for our annuity book at 150% of the EU minimum and the remainder of the non-profit portfolio has been set at 100% of the EU minimum. The weighted average level of required capital for the Group's non-participating life business, expressed as a percentage of the EU minimum solvency margin is 128% (2005: 135%) reflecting the change in annuity required capital in the second half of 2005. This is a blended rate and we would expect this to change over time with product mix.

These levels of required capital are used in the calculation of the Group's embedded value to evaluate the cost of locked in capital. At 30 June 2006 the aggregate regulatory requirements based on the EU minimum test amounted to £4.1 billion (31 December 2005: £3.9 billion). At this date, the actual net worth held in the Group's long-term business was £7.3 billion (31 December 2005: £7.2 billion) which represents 178% (31 December 2005: 183%) of these minimum requirements.

UK Life operations*Available capital*

The available capital of the with-profit funds is represented by the realistic inherited estate. The estate represents the assets of the long-term with-profits funds less the realistic liabilities for non-profit policies, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs, guarantees and promises. Realistic balance sheet information is shown below for the three main UK with-profits funds; CGNU Life, Commercial Union Life Assurance Company (CULAC) and Norwich Union Life & Pensions (NUL&P). These realistic liabilities have been included within the long-term business provision and the liability for insurance and investment contracts on the Group's IFRS balance sheet at 30 June 2006 and 31 December 2005.

	30 June 2006					31 December 2005
	Estimated Realistic assets £bn	Realistic liabilities* ¹ £bn	Estimated Realistic inherited estate ² £bn	Estimated required capital margin ³ £bn	Estimated excess £bn	Estimated excess £bn
CGNU Life	13.9	(11.7)	2.2	0.6	1.6	1.6
CULAC	13.6	(11.6)	2.0	0.6	1.4	1.3
NUL&P	25.4	(23.8)	1.6	1.0	0.6	0.4
Provident Mutual	2.3	(2.3)	-	-	-	-
Aggregate	55.2	(49.4)	5.8	2.2	3.6	3.3

* These realistic liabilities include the shareholders' share of future bonuses of £0.7 billion (31 December 2005: £0.7 billion). Realistic liabilities adjusted to eliminate the shareholders' share of future bonuses are £48.7 billion (31 December 2005: £50.5 billion).

1 These realistic liabilities make provision for guarantees, options and promises on a market consistent stochastic basis. The value of the provision included within realistic liabilities is £0.7 billion, £0.9 billion and £2.8 billion for CGNU Life, CULAC and NUL&P respectively (31 December 2005: £0.7 billion, £0.9 billion and £3.4 billion for CGNU Life, CULAC and NUL&P respectively).

2 Estimated realistic inherited estate at 31 December 2005 was £2.1 billion, £1.9 billion and £1.2 billion for CGNU Life, CULAC and NUL&P respectively.

3 The required capital margin (RCM) is 2.6 times covered by the inherited estate (31 December 2005: 2.7 times).

Possible reattribution of inherited estate

As previously announced, Aviva is reviewing the possibility of a reattribution of the inherited estate, or orphan assets, of two of our with-profit funds: CGNU Life and CULAC. At 30 June 2006, the estimated inherited estates of the CGNU Life and CULAC with-profits funds were £2.2 billion and £2.0 billion, respectively. At this stage, no decision has been taken to proceed with a reattribution. This will only be undertaken if there are clear benefits for both policyholders and shareholders.

As announced in February, Aviva has nominated Clare Spottiswoode as the Policyholder Advocate, as required under the new FSA rules for the reattribution of an inherited estate. The actual appointment of the Policyholder Advocate would happen when the FSA has fully considered the outline of any reattribution scheme and if Aviva is 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.

Investment mix

The aggregate investment mix of the assets in the three main with-profit funds at 30 June 2006 was:

	30 June 2006 %	31 December 2005 %
Equity	45%	42%
Property	15%	15%
Fixed interest	36%	37%
Other	4%	6%
	100%	100%

The equity backing ratio, including property, supporting with-profit asset shares is 76% in CGNU Life and CULAC and 63% in NUL&P. New with-profit business is mainly written through CGNU Life.

Group capital statement

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

					30 June 2006		31 December 2005
	UK with-profit funds ³ £bn	Other UK life operations £bn	Overseas life operations £bn	Total life £bn	Other operations ⁴ £bn	Total £bn	Total £bn
Total shareholders' funds	-	2.6	6.8	9.4	2.7	12.1	11.1
Other sources of capital ¹	-	-	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 ²	-	(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

1 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.

2 Including an adjustment for minorities

3 Includes the PM with-profit fund

4 Other operations include general insurance and fund management businesses.

LIFE NEW BUSINESS SALES

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

	Present value of new business premiums ¹			New business contribution ³			New business margin ⁴	
	6 months 2006 £m	6 months 2005 £m	Local currency growth ²	6 months 2006 £m	6 months 2005 £m	Local currency growth ²	6 months 2006	6 months 2005
Life and pensions business								
France	2,028	1,854	10%	87	71	23%	4.3%	3.8%
Ireland	558	349	61%	11	9	23%	2.0%	2.6%
Italy	1,583	1,333	20%	38	33	16%	2.4%	2.5%
Netherlands (including Germany, Belgium and Luxembourg)	1,170	1,383	(15)%	34	39	(12)%	2.9%	2.8%
Poland	264	137	85%	14	7	104%	5.3%	5.1%
Spain	916	965	(4)%	88	80	11%	9.6%	8.3%
Other Europe	126	129 ⁵	(5)% ⁵	(4)	- ⁵	-	(3.2)%	0.0%
<i>Continental Europe</i>	6,645	6,150	9%	268	239	13%	4.0%	3.9%
Asia	252	172	37%	12	8	48%	4.8%	4.7%
Australia	145	160	(10)%	7	6	16%	4.8%	3.8%
United States	289	222	24%	5	4	19%	1.7%	1.8%
<i>Rest of the World</i>	686	554	19%	24	18	31%	3.5%	3.2%
International	7,331	6,704	10%	292	257	14%	4.0%	3.8%
United Kingdom	5,816	4,312	35%	167	136	23%	2.9%	3.2%
Total life and pensions	13,147	11,016	19%	459	393	17%	3.5%	3.6%
Investment sales⁶								
Netherlands	211	180	18%					
Poland	62	26	128%					
Other Europe	309	237	31%					
<i>Continental Europe</i>	582	443	32%					
Australia	685	509	34%					
Asia	134	29	331%					
<i>Rest of the World</i>	819	538	51%					
International	1,401	981	42%					
United Kingdom	1,083	513	111%					
Total investment sales	2,484	1,494	66%					
Total long-term savings	15,631	12,510	25%					
Navigator sales (included above)	723	432	65%					

1 All references to sales in this announcement refer to the present value of new business premiums (PVNBP) unless otherwise stated. PVNBP is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

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

3 Stated before the effect of required capital

4 New business margin represents the ratio of new business contribution before the effect of required capital to present value of new business premiums, expressed as a percentage.

5 2005 figures include new business sales of £36 million and new business contribution of £1 million from the Portuguese business, which was disposed in October 2005. Excluding Portugal, Other Europe sales growth would have been 30%.

6 Investment sales are calculated as new single premium plus annualised value of new regular premiums.

Overview

Aviva achieved excellent sales growth in the six months to 30 June 2006, with total long-term savings new business sales 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).

Aviva International's 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 its key markets. Life and pensions new business sales were 10% higher at £7,331 million (2005: £6,704 million) while investment sales growth was even stronger, up 42% to £1,401 million (2005: £981 million). New business contribution before the effect of required capital increased by 14% to £292 million (2005: £257 million), reflecting higher volumes and improved product mix. After the effect of required capital, new business contribution increased faster than sales, up 22% to £217 million (2005: £180 million), reflecting the importance that Aviva attaches to both sales volumes and shareholders' profits.

On 1 June 2006, Aviva International announced its plan to achieve average annual organic sales growth¹, after minorities, of at least 10% a year across the international life operations over the next five years, while growing new business profit² at least as quickly as sales. On 13 July, Aviva announced its agreement to acquire AmerUs, a leader in the high growth US equity-indexed market, consistent with its focus on achieving profitable growth and strategy of developing strong businesses in attractive markets. The transaction is expected to complete in the fourth quarter of 2006.

Aviva UK's total long-term saving new 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. New business contribution before the effect of required capital was also higher at £167 million (2005: £136 million), as Aviva UK continues to focus on actively managing margin, volume and business mix.

Aviva International

Continental Europe

France:

Aviva France's sales increased by 10% to £2,028 million (2005: £1,854 million), including sales through Aviva's bancassurance partner, Crédit du Nord, of £504 million (2005: £411 million). Overall market growth³ in the same period was 24%, driven primarily by changes to the tax benefits attached to 'Plan d'Epargne Logement' (PEL) banking products. These benefits were restricted with effect from 1 January 2006, prompting significant transfers from these accounts into insurance products, mostly benefiting pure bancassurers (with growth of 30% compared with 13% amongst the traditional insurers). Transfers from PEL products have started to decrease from April and they are expected to decline further during the rest of 2006.

Aviva France continues to focus on unit-linked sales, while delivering high quality customer service and advice. Total unit-linked sales were 29% higher at £949 million (2005: £740 million), representing 49% (2005: 40%) of savings sales (excluding protection sales). In AFER, France's largest savings association, unit-linked sales were 56% higher at £302 million (2005: £195 million), reflecting the preference for products offering an element of equity exposure during a time of reducing returns available on pure Euro funds. Consequently, Aviva's Euro fund sales were £991 million (2005: £1,029 million). Aviva expects its proportion of unit-linked business to remain stable despite a slow-down in the growth of equity markets.

Since late in 2005, Aviva's distribution networks have been proactive in encouraging policyholders to transfer existing 100% Euro funds into more balanced Euro and unit-linked portfolios, while ensuring that policyholders are receiving best advice. In particular, AFER has been successful in such transfers and achieved over 53,000 policy conversions, with £1 billion transferred to unit-linked funds. While these transfers are not included in new business figures, this initiative brings benefits through increasing the proportion of existing investment in less capital-intensive unit-linked funds and enabling a greater proportion of future new business from existing customers to be unit-linked.

New business contribution has increased to £87 million (2005: £71 million) with a margin of 4.3% (2005: 3.8%). The increased margin reflects the benefit of higher volumes combined with an increased proportion of unit-linked sales.

Ireland:

In Ireland, Aviva's new business sales increased by 61% to £558 million (2005: £349 million), including sales of £223 million through the new bancassurance partnership with Allied Irish Banks (AIB), Ireland's largest retail bank, which commenced at the end of January. The integration of Ark Life (the life company purchased from AIB) and Hibernian Life & Pensions is proceeding well, in line with our plans.

The sales of £223 million through AIB in the five months since acquisition comprised £150 million of life sales, consisting primarily of single premium bonds, and £73 million of pension sales.

Life sales through Aviva's existing Hibernian broker channel were 23% higher at £131 million (2005: £108 million), with strong sales of single premium unit-linked business reflecting the continued success of the guaranteed fund prior to its closure in June. In July, Hibernian announced the re-opening of its popular property fund.

Pension sales through Aviva's existing broker channel were £204 million (2005: £241 million), with the decrease reflecting an exceptional level of investment only pension contracts sold in 2005. Single premium pension sales tend to fluctuate from quarter to quarter due to the timing and size of these contracts.

¹ The growth ambition is a compound annual growth rate, post minorities, before acquisitions, and assuming no major changes in conditions.

² New business contribution after cost of capital, tax and minorities.

³ Based on gross written premium

Further growth is expected in 2006 and early 2007, as Special Savings Incentive Accounts (SSIA) reach maturity, and from the continued development of the product range on offer through AIB's branch network.

New business contribution was £11 million (2005: £9 million) with a margin of 2.0% (2005: 2.6%). The reduction in the margin reflects continuing competitive pressures and changes in assumptions since June 2005.

Italy:

In Aviva Italy total sales grew strongly by 20% to £1,583 million (2005: £1,333 million, including one-off single premium direct sales £73 million). This growth contrasted with the Italian market, which showed a decline in total sales of 10%⁴.

Sales through UniCredit Group increased by 80% to £898 million (2005: £502 million), benefiting from access to nearly 400 additional branches in the UniCredit Group network since January 2006. From July 2006 Aviva Italy gained access to a further 150 branches, bringing the total number of UniCredit branches to approximately 1,000. Regular premium product sales were up by 141% to £190 million (2005: £79 million), reflecting a greater focus on regular premium business in 2006. Marketing campaigns carried out by UniCredit Group in the first half of the year contributed to the strong sales performance.

Sales through Banche Popolari Unite were £356 million (2005: £350 million). Further new products are planned for the second half of the year.

Sales through the Banca Popolare Italiana Group network were £281 million (2005: £305 million) as demand for structured bonds was lower than last year. Marketing campaigns that were carried out in the first half of 2005 are expected to take place in the second half of this year.

Sales through Banca delle Marche were lower at £24 million (2005: £83 million), resulting from a significant change in sales mix from regular premium products to single premium.

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

New business contribution increased to £38 million (2005: £33 million), reflecting the growth in sales, with a margin of 2.4% (2005: 2.5%).

Netherlands (including Germany, Belgium and Luxembourg):

Delta Lloyd's total sales, including investment sales, were £1,381 million (2005: £1,563 million). The Dutch life insurance market has been adversely affected in 2006 by regulatory and fiscal changes that have removed some of the tax advantages of pre-retirement products.

Pension and annuity sales fell by 9% to £645 million (2005: £714 million). Volumes of annuity sales were lower at £155 million (2005: £250 million), reflecting high volumes in the first half of 2005 driven by limited period special offers in ABN AMRO and the direct channel, and fiscal changes in 2006. Delta Lloyd's pension sales tend to fluctuate from quarter to quarter due to the timing and size of group contracts; the first quarter of 2006 included a premium from the Delta Lloyd pension scheme amounting to £125 million.

Life and savings sales were £525 million (2005: £669 million), with the reduction mainly due to lower sales in Germany and Belgium. In the Netherlands, savings sales have been affected by competition from alternative banking products. In Germany, sales in the first quarter last year included a late influx of endowment sales following a change in the tax law. In Belgium, sales were lower following the introduction of a 1.1% insurance tax levy on life insurance premiums from 1 January 2006.

Investment sales increased by 18% to £211 million (2005: £180 million), benefiting from Delta Lloyd's broad distribution network, which includes ABN AMRO and Rabobank and strong sales of the structured dividend fund.

New business contribution was £34 million (2005: £39 million) with margins of 2.9% (2005: 2.8%). The 2005 margin was depressed by the low margin annuity sales in the first quarter last year which were not repeated in 2006. The 2006 margin incorporates the adverse impact of the 40 basis point decrease in the bond yield within the European Embedded Value assumptions at the end of 2005.

The Dutch market currently faces a large amount of regulatory and fiscal change. In this challenging market environment, Delta Lloyd continues to focus on maintaining profitability while searching out new sales opportunities.

⁴ Based on new business single premium plus regular premiums for the five months to 31 May 2006.

Poland (including Lithuania):

Aviva's life and pension operations in Poland and Lithuania are leading businesses in their respective markets. Total sales, including investment sales, were £326 million (2005: £163 million).

Life sales in Poland increased strongly to £136 million (2005: £62 million), including a one-off group scheme of £16 million. This performance reflects strong sales of single premium unit-linked business, driven by a favourable equity market and positive results from continued development of the direct sales force. Aviva's bancassurance partnership with Deutsche Bank also contributed to the strong sales result.

Pension sales increased significantly to £103 million (2005: £50 million) mainly as a result of higher receipts of contributions from the State pension agency and higher levels of pension transfers from other private providers.

Life and savings sales in Lithuania were stable at £25 million (2005: £25 million).

Investment sales in Poland were £62 million (2005: £26 million) reflecting a buoyant equity market and the benefit of a new distribution agreement with a leading broker.

Total new business contribution from life and pension sales was £14 million (2005: £7 million), driven by the strong growth in sales, with a new business margin of 5.3% (2005: 5.1%).

The Polish insurance and investment markets continue to offer strong long-term growth potential, supported by a favourable economic outlook. 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 ranks second in the market overall following an increase in market share in the first quarter of 2006⁵.

Aviva Spain's sales fell to £916 million (2005: £965 million, including one-offs of £25 million), reflecting a decline in the Spanish market of 3% in the first quarter of 2006. Sales of savings products were adversely affected by uncertainty surrounding proposed tax changes in 2007 and 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.

Sales through Aviva's bancassurance partnerships were £812 million (2005: £855 million). This performance was supported by marketing campaigns carried out by the bank partners in the first half of the year. Aviva continues to focus on higher margin protection products which benefit from the buoyant housing market.

Sales through Aviva Vida y Pensiones, which distributes through direct sales force and intermediaries, were £104 million (2005: £110 million including one-off sales of £25 million) and benefited from increased sales of unit-linked business in the favourable equity market conditions.

The new business contribution grew by 11% to £88 million (2005: £80 million) and the margin to 9.6% (2005: 8.3%), reflecting a greater proportion of sales of higher margin protection products.

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

Other Europe:

Life and pension sales in Aviva's other Continental European businesses in the Czech Republic, Hungary, Romania, Russia and Turkey amounted to £126 million (2005: £129 million, including £36 million of sales in the Portuguese business which was sold in 2005). Strong growth of 30% was achieved from continuing businesses, principally from an increase in sales through the broker channel in **Hungary**.

In **Turkey**, where Aviva is a top-five life and pensions provider, total sales were £65 million (2005: £75 million) reflecting reduced activity in transfers from existing life to pension policies ahead of the regulatory deadline⁶ and increased competition to recruit sales advisers.

Aviva **Russia** was granted its licence in March 2006. This business is being positioned to take advantage of the rapid growth expected to occur as the life insurance industry develops. Aviva expects to achieve at least a top five market position and a 10% share in the life insurance market in the next five years.

Investment sales in **Luxembourg** were £309 million (2005: £237 million), continuing the strong performance achieved in 2005.

⁵ Based on gross written premium.

⁶ Turkish legislation for pension business, which came into effect from August 2004, allows for transfers from existing life policies to new pension policies with the same life company until October 2006. Pensions business has advantages in terms of the range of investment funds and a lower tax charge on benefits at maturity/retirement.

Rest of the World

Asian businesses:

In line with its long-term strategic ambitions for the region, Aviva continues to achieve a strong rate of growth in new business sales. Total sales from operations in Asia were up 80% to £386 million (2005: £201 million). New business contribution from life and pension sales increased by 48% to £12 million (2005: £8 million) with a new business margin of 4.8% (2005: 4.7%), reflecting the overall growth in the region.

Singapore: Total sales increased by 54% to £226 million (2005: £137 million). Life and pension sales were £93 million (2005: £108 million), reflecting lower bancassurance sales through Aviva's partnership with DBS. However, Aviva remains second in the bancassurance market and the leader in the developing broker market as well as the employee benefits and healthcare segment.

Sales through Navigator, the investment fund administration business, increased significantly to £134 million (2005: £29 million), reflecting strong distribution relationships with key brokers, a comprehensive range of funds offered and a buoyant equity market in the first five months.

Hong Kong: Sales increased significantly to £90 million (2005: £35 million), due to strong Independent Financial Adviser (IFA) sales that now account for 50% of the total, together with good performance from the partnership with DBS in Hong Kong.

China: Sales through the joint venture life business, Aviva-COFCO were £38 million (2005: £32 million). Year-on-year comparatives are affected by the volatility of group business. Aviva's 50% share was £19 million (2005: £16 million). Aviva recently received approval to open a branch in Changsha, the capital city of Hunan province and is now licensed in six major cities, with sales offices in a further seven cities.

India: Total sales from Aviva's joint venture with the Dabur Group increased strongly to £173 million (2005: £50 million) and Aviva's 26% share of new business sales was £45 million (2005: £13 million). Aviva is the sixth largest private insurer in India and the leader in the bancassurance market⁷. In January 2006, Aviva entered into a major new bancassurance partnership with Centurion Bank of Punjab and now has 22 distribution agreements with banks. Aviva's direct sales force now numbers more than 11,800 agents, with an additional 1,500 in training.

Sri Lanka: On 1 February 2006, Aviva acquired a 51% stake 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 sales since acquisition amount to £6 million.

Australia:

Total sales increased by 23% to £830 million (2005: £669 million), driven primarily by significantly higher investment sales through Navigator, the master trust fund administration business.

Life and pension sales were £145 million (2005: £160 million). Strong growth from protection products has continued following product enhancements. However, changes in legislation in July 2005⁸ have resulted in a shift of corporate pension sales for Aviva towards Navigator retirement funds and this trend is expected to continue. Changes in tax legislation implemented towards the end of 2005 and recently announced changes to pension laws are expected to have a beneficial impact on the long-term savings industry. New distribution agreements have been established with AON and Bendigo Bank for the distribution of Aviva protection products in Australia.

Sales through Navigator increased by 45% to £589 million (2005: £403 million) as a result of ongoing improvements in product offerings, an increase in retirement fund business, sustained customer service levels and the strategic investments in key distributors. Recent budget changes and cuts in personal income tax should encourage consumer investment in retirement funds. Other investment sales were £96 million (2005: £106 million).

New business contribution from life and pension sales was £7 million (2005: £6 million). The new business margin increased to 4.8% (2005: 3.8%), reflecting the growth in higher margin protection business.

United States:

Life and pension sales increased by 24% to £289 million (2005: £222 million) driven by a strong performance in structured settlement sales following the A.M. Best rating upgrade to A+ 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.

New business contribution increased to £5 million (2005: £4 million) reflecting the growth in sales with a margin of 1.7% (2005: 1.8%).

⁷ Measured in terms of first year weighted premium income in the fiscal year to date (April 2006 – May 2006).

⁸ From 1 July 2005, for the first time, individuals were entitled to choose where superannuation contributions made on their behalf by their employer were directed. Previously the employer would choose the plan.

Aviva United Kingdom

United Kingdom:

A record half year from Norwich Union with total sales, including investments, up 43% to £6,899 million (2005: £4,825 million). Total pension sales for the period were exceptionally strong, up 67% to more than £2.7 billion and collective investment sales exceeded £1 billion in a six month period for the first time.

The new business margin for the half year improved to 2.9% from the first quarter 2006 figure of 2.8% and was in line with the full year 2005 figure of 2.9%. This reflects the company's continued focus on managing margin, volume and business mix.

Individual pension sales, which include group personal pensions, were exceptional, up 86% to £2,188 million (2005: £1,175 million). Norwich Union performed very strongly in the run up to, and post, A-Day as advisers revisited their clients' pension provisions, and took advantage of the simplified tax regime and product enhancements. The company believes there has been a marked increase in activity triggered by A-Day, the market impact of which will continue throughout the rest of the year and into 2007. Despite a higher pension lapse experience, Norwich Union believes it will have gained further market share in the individual pension market. Group pension sales were up by 19% to £569 million (2005: £478 million), including strong sales of group life products, up 22%.

Excellent bond and collective investment sales benefited from buoyant equity markets, with investor confidence remaining strong despite some market volatility during the second quarter.

Bond sales for the half year increased substantially by 33% to £1,626 million (2005: £1,226 million). This excellent performance was underpinned by a strong showing in unit-linked products up 34% to £1,216 million and with-profits business up 22% to £297 million, boosted by the company's unique Retail Price Index guarantee bond.

An outstanding performance in collective investments resulted in sales more than doubling in the first half of the year to £1,083 million (2005: £513 million). Norwich Union's strong property offerings from Morley Fund Management have continued to be very popular during the first half of the year.

Total annuity sales of £748 million were lower by 5% (2005: £787 million) as the company continued to price for value. Norwich Union confirmed its entry into the bulk purchase annuity market and expects to start writing business during the second half of 2006.

Protection sales grew strongly by 11% to £520 million (2005: £467 million). Norwich Union further strengthened its product range in the first half of the year with the launch of a new pension term assurance product.

Norwich Union continued to lead the equity release market with sales in the first half of the year of £165 million, slightly lower than last year (2005: £179 million), as the market remained subdued. The company has recently announced the launch of its new income drawdown product as it seeks to consolidate further its market leading position.

Norwich Union's bancassurance partnership with the Royal Bank of Scotland Group (RBSG) delivered significant growth with total sales for the first half of the year of £853 million, 79% ahead of 2005 (2005: £476 million). Norwich Union's share was £598 million, 87% ahead of the same period last year (2005: £319 million). The company is confident that the increase in the salesforce and product initiatives planned for the second half of 2006 will continue to deliver good growth. New business margin improved to 3.2% (2005: 2.6%). This reflects enhanced economies of scale, strong product level margins and improved cost management.

Norwich Union has seen all distribution channels performing strongly, especially the IFA sector. It has continued to focus on improving service levels to the adviser market during the first half of the year and has made significant progress. By mid-June, the company was achieving its service level targets on all standard new business applications for protection, investment bonds, annuities and individual pensions. Delivering additional service enhancements remains a top priority for the company during the second half of 2006.

Following on from an excellent first half of 2006, Norwich Union expects further underlying growth in all key product areas, albeit at a more modest rate for pension sales due to changes in its Stakeholder pension charging structure and strong comparative pension sales in the second half of 2005.

Present value of life new business premiums

The present value of new business premiums (PVNBP) is derived from the single and regular premiums of the products sold during the financial period and is expressed at the point of sale. The PVNBP calculation is equal to total single premium sales received in the year plus the discounted value of regular premiums expected to be received over the term of the new contracts. The 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.

The discounted value of regular premiums is also expressed as annualised regular premiums multiplied by a Weighted Average Capitalisation Factor (WACF). The WACF will vary over time depending on the mix of new products sold, the average outstanding term of the new contracts and the projection assumptions. The table below sets out the factors required to derive the present value of regular premiums by business units, and combined with single premium sales derives the present value of future new business premiums.

					6 months 2006	6 months 2005
	Regular premiums £m	Weighted average capitalisation factor	Present value of regular premiums £m	Single premiums £m	Present value of new business premiums £m	Present value of new business premiums £m
France						
Euro funds ¹	5	5.6	28	963	991	1,029
Unit-linked funds	24	6.1	147	802	949	740
Protection business	13	6.7	87	1	88	85
Total life and pensions	42	6.2	262	1,766	2,028	1,854
Ireland						
Life and savings	16	4.9	78	203	281	108
Pensions	31	4.7	147	130	277	241
Total life and pensions	47	4.8	225	333	558	349
Italy						
Life and savings	48	6.3	301	1,282	1,583	1,333
Total life and pensions	48	6.3	301	1,282	1,583	1,333
Netherlands (including Belgium, Germany and Luxembourg)						
Life	46	7.0	321	204	525	669
Pensions	30	8.7	261	384	645	714
Total life and pensions	76	7.7	582	588	1,170	1,383
Poland						
Life and savings	15	5.4	81	80	161	87
Pensions	9	7.0	63	40	103	50
Total life and pensions	24	6.0	144	120	264	137
Spain						
Life and savings	36	6.3	226	479	705	780
Pensions	16	5.9	94	117	211	185
Total life and pensions	52	6.2	320	596	916	965
Other Europe						
Life and pensions	23	4.1	94	32	126	129
Total life and pensions	23	4.1	94	32	126	129
Rest of the World						
Asia	35	4.7	165	87	252	172
Australia	18	3.3	60	85	145	160
United States	4	4.3	17	272	289	222
Total Life and pensions	57	4.2	242	444	686	554
International total life and pensions	369	5.9	2,170	5,161	7,331	6,704
United Kingdom						
Individual pensions	216	5.2	1,122	1,066	2,188	1,175
Group pensions	49	5.6	275	294	569	478
Annuities	-	-	-	748	748	787
Bonds	-	-	-	1,626	1,626	1,226
Protection	82	5.1	417	103	520	467
Equity release	-	-	-	165	165	179
Total life and pensions	347	5.2	1,814	4,002	5,816	4,312
Total	716	5.6	3,984	9,163	13,147	11,016

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

Analysis of sales via principal bancassurance channels

	Present value of new business premiums ²		
	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹
Life and pensions			
France			
Crédit du Nord	504	411	23%
	504	411	23%
Ireland			
Ark	223	-	-
	223	-	-
Italy			
UniCredit Group	898	502	80%
Banca Popolare Italiana Group	281	305	(7)%
Banca delle Marche	24	83	(71)%
Banche Popolari Unite	356	350	2%
	1,559	1,240	27%
Netherlands			
ABN AMRO	258	347	(25)%
	258	347	(25)%
Spain			
Bancaja	359	402	(10)%
Caixa Galicia	153	191	(19)%
Unicaja	157	131	21%
Caja España	80	78	4%
Caja de Granada	63	53	20%
	812	855	(4)%
Asia			
DBS	101	102	(7)%
	101	102	(7)%
United Kingdom			
Royal Bank of Scotland Group	501	267	88%
	501	267	88%
Total life and pensions	3,958	3,222	23%
Investment sales³			
United Kingdom			
Royal Bank of Scotland Group	97	52	87%
	97	52	87%
Total bancassurance sales	4,055	3,274	24%

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

2 Present value of new business premiums (PVNBP) is the present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.

3 Investment sales are calculated as new single premium plus annualised value of new regular premiums.

Detailed worldwide long-term savings new business analysis

	Single			Regular			PVNBP	
	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	Local currency growth ¹	
France								
Euro funds ²	963	990	(2)%	5	7	(28)%	(3)%	
Unit-linked funds	802	616	31%	24	21	15%	29%	
Protection business	1	1	1%	13	13	1%	4%	
	1,766	1,607	11%	42	41	3%	10%	
Ireland								
Life and savings	203	68	201%	16	8	101%	162%	
Pensions	130	123	6%	31	24	30%	16%	
	333	191	76%	47	32	48%	61%	
Italy								
Life and savings	1,282	1,146	13%	48	30	61%	20%	
	1,282	1,146	13%	48	30	61%	20%	
Netherlands (including Germany, Belgium & Luxembourg)								
Life	204	270	(24)%	46	53	(13)%	(21)%	
Pensions	384	445	(13)%	30	34	(11)%	(9)%	
Total life and pensions	588	715	(17)%	76	87	(12)%	(15)%	
Unit trusts	211	180	18%	-	-	-	18%	
	799	895	(10)%	76	87	(12)%	(11)%	
Poland								
Life and savings	80	23	232%	15	11	40%	125%	
Pensions	40	12	218%	9	6	33%	45%	
Total life and pensions	120	35	227%	24	17	37%	85%	
Mutual funds	60	24	139%	2	2	(5)%	128%	
	180	59	191%	26	19	31%	91%	
Spain								
Life and savings	479	548	(12)%	36	34	7%	(9)%	
Pensions	117	90	31%	16	15	7%	15%	
	596	638	(6)%	52	49	7%	(4)%	
Other Europe								
Life and pensions	32	47	(33)%	23	21	6%	(5)%	
UCITS	309	237	31%	-	-	-	31%	
	341	284	21%	23	21	6%	18%	
Rest of the World								
Asia	87	48	70%	35	25	32%	37%	
Australia	85	97	(13)%	18	21	(15)%	(10)%	
United States	272	181	43%	4	10	(62)%	24%	
Life and pensions	444	326	31%	57	56	(2)%	19%	
Unit trusts	96	106	(10)%	-	-	-	(10)%	
Navigator	723	432	65%	-	-	-	65%	
	1,263	864	43%	57	56	(2)%	34%	
Aviva International								
Life and pensions	5,161	4,705	10%	369	333	10%	10%	
Total investments	1,399	979	42%	2	2	(5)%	42%	
	6,560	5,684	16%	371	335	10%	14%	
United Kingdom								
Individual pensions	1,066	564	89%	216	120	80%	86%	
Group pensions	294	238	24%	49	44	11%	19%	
Annuities	748	787	(5)%	-	-	-	(5)%	
Bonds	1,626	1,226	33%	-	-	-	33%	
Protection	103	130	(21)%	82	66	24%	11%	
Equity release	165	179	(7)%	-	-	-	(7)%	
Total life and pensions	4,002	3,124	28%	347	230	50%	35%	
Peps/Isas/Unit trusts/Oeics	1,065	504	111%	18	9	100%	111%	
	5,067	3,628	40%	365	239	53%	43%	
Total long-term savings	11,627	9,312	25%	736	574	28%	25%	
<i>Analysed between:</i>								
Life and pensions	9,163	7,829	17%	716	563	27%	19%	
Investment sales	2,464	1,483	66%	20	11	80%	66%	
	11,627	9,312	25%	736	574	28%	25%	

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

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

Analysis of UK long-term savings by distribution channel

	Single			Regular			Annual Premium Equivalent ²	
	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	6 months 2006 £m	Local currency growth ¹
IFA								
life & pension products	2,932	2,284	28%	271	181	50%	564	38%
investment products	761	247	208%	1	-	-	77	208%
	3,693	2,531	46%	272	181	50%	641	47%
Bancassurance partnership with RBSG								
life & pension products	316	231	37%	36	9	300%	68	111%
investment products	81	43	88%	17	9	89%	25	93%
	397	274	45%	53	18	194%	93	106%
Other partnerships and Direct								
life & pension products	754	609	24%	40	40	-	116	15%
investment products	223	214	4%	-	-	-	22	6%
	977	823	19%	40	40	0%	138	13%
Total UK long-term savings	5,067	3,628	40%	365	239	53%	872	45%

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

2 Annual premium equivalent (APE) is the UK industry's standard measure of new regular premiums plus 10% of single premiums.

Analysis of France long-term savings by fund

	Single			Regular			PVNBP	
	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	6 months 2006 £m	6 months 2005 £m	Local currency growth ¹	Local currency growth ¹	
AFER								
- Euro funds ²	627	670	(6)%	-	-	-	(6)%	
- Unit-linked funds	302	195	56%	-	-	-	56%	
	929	865	8%	-	-	-	8%	
Bancassurance partnership with Crédit du Nord								
- Euro funds	232	200	17%	2	2	(3)%	16%	
- Unit-linked funds	194	140	40%	10	10	7%	31%	
- Protection	-	-	-	1	1	-	49%	
	426	340	26%	13	13	6%	23%	
Other								
- Euro funds	104	120	(13)%	3	5	(39)%	(19)%	
- Unit-linked funds	306	281	10%	14	11	23%	14%	
- Protection	1	1	-	12	12	-	2%	
	411	402	3%	29	28	2%	4%	
Total France long-term savings	1,766	1,607	11%	42	41	3%	10%	

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

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

Glossary

Life profits reporting

In reporting the headline operating profit, life profits have been included using the European Embedded Value basis. This is used throughout the Aviva Group to assess performance, having adopted the EEV Principles. We have focused on the EEV basis, as we believe EEV operating return is a more realistic measure of the performance of the businesses than IFRS basis. The IFRS basis is used in our financial statements and, on this basis, the operating profit before tax on continuing operations amounted to £1,376 million (2005: £943 million). The EEV methodology adopted is in accordance with the EEV Principles introduced by the CFO Forum.

Definitions of Group key performance indicators and other terms

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

EEV basis

Summarised consolidated income statement – EEV basis

For the six months ended 30 June 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			
31	1,501	Life EEV operating return	1,021	857	1,814
56	49	Fund management ¹	33	26	83
57	1,274	General insurance and health Other:	866	694	1,551
58	42	Other operations ²	29	37	28
59	(107)	Corporate costs	(73)	(83)	(136)
59	(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)
54	126	Profit on the disposal of subsidiaries and associates	86	145	153
55	(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 and			
(84) 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

Summarised consolidated balance sheet – EEV basis
As at 30 June 2006

30 June 2006 €m	30 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

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 basis²	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.

Basis of preparation – EEV basis

The consolidated income statement and balance sheet on pages 24 to 27 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 6 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 in the interim report on page 78 of that document. The interim accounts do not constitute statutory accounts as defined by section 240 of the Companies Act 85. 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 announcement are shown on page 51.

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.

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.

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.

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 28.

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)%	-
<i>Continental Europe</i>	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%
<i>Rest of the World</i>	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).

Life and pensions	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	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005
	£m	£m	£m	£m	%	%
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)%	-
<i>Continental Europe</i>	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%
<i>Rest of the World</i>	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).

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	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005
	£m	£m	£m	£m	£m	£m	%	%
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	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005	6 months 2006	6 months 2005
	£m	£m	£m	£m	£m	£m	%	%
Analysed between:								
– Bancassurance channels	267	197	2,218	1,678	59	42	2.7%	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.

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

The internal rate of return (IRR) on life and pensions new business for the Group was 11.8% for the six months to 30 June 2006 (full year to 31 December 2005: 12.5%).

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

	6 months 2006			
	Internal rate of return %	Initial capital £m	Required capital £m	Total invested capital £m
<i>Continental Europe</i>				
France	14%	13	52	65
Ireland	9%	27	14	41
Italy	11%	17	33	50
Netherlands (including Belgium, Germany and Luxembourg)	8%	26	47	73
Poland	18%	5	3	8
Spain	29%	8	28	36
Other Europe	6%	17	1	18
<i>Rest of the World</i>	16%	25	21	46
International	13%	138	199	337
UK	10%	219	76	295
Total	12%	357	275	632

The total initial capital for life and pensions new business for the six months to 30 June 2006 of £357 million (six months to 30 June 2005: £258 million) shown above is expressed at the point of sale. Hence it is higher than the impact of writing that new business on net worth of £344 million (six months to 30 June 2005: £210 million) shown on page 37, because the latter amount includes expected profits from the point of sale to the end of the reporting period, partly offset by the expected return on the initial capital.

Aviva's reported internal rates of return calculations are based on the total invested capital used to support the writing of the new business. However, this underestimates the returns due to the Group's shareholders as the total invested capital includes the cash flows attributable to both the Group's debt holders as well as the Group's shareholders. As the cost of debt capital is significantly lower than the Group's IRRs this underestimates the returns on new business for our shareholders measured through the reported internal rate of return calculations.

The Group could equally have defined the internal rate of return calculations based on the cash flows that are attributable to the Group's shareholders as opposed to total cash flows.

The effect on the reported calculation of the internal rates of return on this basis is to increase the IRR for UK Life from 10.3% to 12.1%. The revised calculation assumes that the external capital composition of the Group, 30% debt and 70% equity, is used to finance the initial and required capital, and allows for the cost of debt by deducting the relevant proportion of the Group's debt servicing costs from the future cash flows earned over the life time of the products.

The leveraged new business returns comfortably exceed the Group's cost of equity at 30 June 2006 of 8.0% (based on a risk free rate of 4.7%, an equity risk margin of 3% and a market assessed beta of 1.1).

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
<i>Continental Europe</i>	52	(1)	47
<i>Rest of the World</i>	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, 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.

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
<i>Continental Europe</i>	3	7	71
<i>Rest of the World</i>	-	-	2
International	3	7	73
United Kingdom	-	-	(56)
Total	3	7	17

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.

Further disclosures on experience variances and operating assumption changes on an EEV basis are provided on pages 74, 75 and 76.

Geographical analysis of life EEV operating return

	6 months	6 months	Full year
	2006	2005	2005
	£m	£m	£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)
<i>Continental Europe</i>	617	491	1,126
Asia	19	9	30
Australia	19	17	44
United States	16	10	25
<i>Rest of the World</i>	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).

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.

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
	Required capital ¹ £m	Free surplus £m	Present value of in-force £m	Cost of required capital £m	Embedded value £m
30 June 2006					
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
<i>Continental Europe</i>	3,169	1,997	4,286	(761)	8,691
<i>Rest of the World</i>	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.

	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
<i>Continental Europe</i>	5,166	4,162	3,525	2,719	8,691	6,881
<i>Rest of the World</i>	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	30 June 2005	31 December 2005
	£m	£m	£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
<i>Continental Europe</i>	204	220	239
<i>Rest of the World</i>	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:

	United Kingdom				France			
	30 June 2006	31 Dec 2005	30 June 2005	31 Dec 2004	30 June 2006	31 Dec 2005	30 June 2005	31 Dec 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 Dec 2005	30 June 2005	31 Dec 2004	30 June 2006	31 Dec 2005	30 June 2005	31 Dec 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%
	Netherlands				Poland			
	30 June 2006	31 Dec 2005	30 June 2005	31 Dec 2004	30 June 2006	31 Dec 2005	30 June 2005	31 Dec 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 Dec 2005	30 June 2005	31 Dec 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.

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% p.a. 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 n^{th} 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.

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).

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 38 £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	-	-
<i>Continental Europe</i>	<i>8,691</i>	<i>(430)</i>	<i>495</i>	<i>(180)</i>	<i>(45)</i>
<i>Rest of the World</i>	<i>710</i>	<i>(30)</i>	<i>35</i>	<i>(10)</i>	<i>5</i>
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 38 £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	-	-	-	-	-
<i>Continental Europe</i>	<i>8,691</i>	<i>350</i>	<i>(350)</i>	<i>545</i>	<i>(545)</i>	<i>185</i>
<i>Rest of the World</i>	<i>710</i>	<i>5</i>	<i>(5)</i>	<i>5</i>	<i>(5)</i>	<i>20</i>
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.

**New business contribution
before required capital
(gross of tax)
6 months to 30 June 2006**

	As reported on page 32 £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)
<i>Continental Europe</i>	268	(24)	28	10	(26)
<i>Rest of the World</i>	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 32 £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)	-	-
<i>Continental Europe</i>	268	14	(13)
<i>Rest of the World</i>	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 43.

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 £10pa would represent an expense assumption of £9pa). Where there is a “look through” into service company expenses, the fee charged by the service company is unchanged while the underlying expense decreases;
- 10% decrease in lapse rates (a 10% sensitivity on a base assumption of 5%pa would represent a lapse rate of 4.5%pa);
- 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 38 £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	-
<i>Continental Europe</i>	<i>8,691</i>	<i>150</i>	<i>130</i>	<i>25</i>
<i>Rest of the World</i>	<i>710</i>	<i>10</i>	<i>10</i>	<i>20</i>
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) 6 months to 30 June 2006	As reported on page 32 £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)	-
<i>Continental Europe</i>	<i>268</i>	<i>13</i>	<i>18</i>	<i>13</i>
<i>Rest of the World</i>	<i>24</i>	<i>1</i>	<i>2</i>	<i>1</i>
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.

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			
71, 73	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
54	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
	(396)	Tax expense			
	(238)	United Kingdom tax	(269)	(443)	(1,150)
	(634)	Overseas tax	(162)	(152)	(402)
	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.

	6 months 2006		6 months 2006	6 months 2005	Full year 2005
		Earnings per share – IFRS basis			
61	51.9c	Basic (pence per share)	35.3p	32.5p	73.5p
62	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 10.82p (interim 2005: 9.83p) 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 17.44p per ordinary share (final dividend for 2004: 16.00p) totalling £418 million (six months to 30 June 2005: £364 million).

Proforma 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			
55	1,044	Long-term business	710	510	1,065
56	90	Fund management	61	41	124
57	1,274	General insurance and health	866	694	1,551
		Other:			
58	(16)	Other operations	(11)	(6)	(40)
59	(107)	Corporate costs	(73)	(83)	(136)
59	(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:			
70	-	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	-	-
		Short-term fluctuation in return on investments backing			
57	(301)	general insurance and health business	(205)	120	517
54	216	Profit on the disposal of subsidiaries and associates	147	145	153
55	(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			
59	(544)	Operating profit	(370)	(256)	(536)
59	75	Other activities	51	(51)	(94)
	1,366	Profit for the period	929	817	1,898

	6 months 2006		6 months 2006	6 months 2005	Full year 2005
		Earnings per share – IFRS operating profit basis			
61	56.6c	Basic (pence per share)	38.5p	27.1p	60.5p
62	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)/gains 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

**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 flows 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).

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

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 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.

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)
<i>Continental Europe</i>	497	317	685
<i>Rest of the World</i>	-	(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
<i>Continental Europe</i>	<i>214</i>	<i>174</i>	<i>390</i>	<i>99</i>	<i>57</i>	<i>164</i>
Canada	85	67	147	24	14	35
Other	12	22	40	(2)	7	3
<i>Rest of the World</i>	<i>97</i>	<i>89</i>	<i>187</i>	<i>22</i>	<i>21</i>	<i>38</i>
International	311	263	577	121	78	202
United Kingdom	555	431	974	225	104	303
Total	866	694	1,551	346	182	505
<i>Analysed by:</i>						
General insurance	862	675	1,496	373	192	507
Health	4	19	55	(27)	(10)	(2)
Total	866	694	1,551	346	182	505

(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
<i>Continental Europe</i>	<i>85</i>	<i>114</i>	<i>202</i>	<i>115</i>	<i>117</i>	<i>226</i>
Canada	50	44	95	61	53	112
Other	13	15	27	14	15	37
<i>Rest of the World</i>	<i>63</i>	<i>59</i>	<i>122</i>	<i>75</i>	<i>68</i>	<i>149</i>
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 fluctuation; full year 2005: £517 million favourable fluctuation) 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.

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

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 page 40 of this announcement.

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

	Longer-term rates of return Equities		Longer-term rates of return Properties	
	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:

Movement in investment return for	By	Change in	6 months	6 months
			2006 £m	2005 £m
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)

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

14. Earnings per share (continued)

(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.

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 38.1p (30 June 2005: 26.8p; 31 December 2005: 60.0p).

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 – 16.00p per share, paid on 17 May 2005	-	364	364
Interim 2005 – 9.83p per share, paid on 17 November 2005	-	-	234
Final 2005 – 17.44p per share, paid on 17 May 2006	418	-	-
	<u>418</u>	<u>364</u>	<u>598</u>
Preference dividends declared and charged to equity in the period	9	9	17
Coupon payments on direct capital instrument	-	-	42
	<u>427</u>	<u>373</u>	<u>657</u>

Subsequent to 30 June 2006, the directors proposed an interim dividend for 2006 of 10.82p 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.

16. Segmental information (continued)**General insurance and health**

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

Other

Other activities not related to the core business segments or which are not reportable segments due to their immateriality, such as 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.

(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

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

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

Proforma 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:					
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
(Profit)/loss 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

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 investment contracts provisions	(3,002)	-	-	-	(3,002)
Change in unallocated divisible surplus	(355)	-	-	-	(355)
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 other 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)**(c) Segmental results of the income statement – primary reporting format – business segments (continued)****Proforma 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 of acquired value of in-force business	44	-	-	-	44
Impairment of other 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

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)**(d) Segmental results of the income statement – primary reporting format – business segments for the year ended 31 December 2005 (continued)****Proforma reconciliation to operating profit before tax attributable to shareholders' profits**

	Long-term business £m	Fund management £m	General insurance and health £m	Other £m	Total £m
Segment result before tax	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.

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.

(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.

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

	<u>Net written premiums</u>			<u>Fee and commission income</u>			<u>Profit before tax</u>		
	6 months	6 months	Full year	6 months	6 months	Full year	6 months	6 months	Full year
	2006	2005	2005	2006	2005	2005	2006	2005	2005
	£m	£m	£m	£m	£m	£m	£m	£m	£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)
<i>Continental Europe</i>	<i>5,292</i>	<i>4,893</i>	<i>9,386</i>	<i>217</i>	<i>194</i>	<i>394</i>	<i>459</i>	<i>281</i>	<i>649</i>
<i>Rest of the World</i>	<i>456</i>	<i>347</i>	<i>826</i>	<i>20</i>	<i>11</i>	<i>27</i>	<i>2</i>	<i>(16)</i>	<i>8</i>
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	6 months	Full year
	2006	2005	2005
	£m	£m	£m
RBSG	133	102	217
India	16	6	14
China	13	13	30
	162	121	261

(ii) Balance sheet

	<u>Segmental total assets</u>			<u>Segmental net assets</u>		
	30 June	30 June	31	30 June	30 June	31
	2006	2005	December	2006	2005	2005
	£m	£m	£m	£m	£m	£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
<i>Continental Europe</i>	<i>105,767</i>	<i>91,782</i>	<i>98,524</i>	<i>6,477</i>	<i>5,156</i>	<i>5,927</i>
<i>Rest of the World</i>	<i>7,355</i>	<i>6,911</i>	<i>7,429</i>	<i>675</i>	<i>730</i>	<i>752</i>
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
<i>Continental Europe</i>	<i>4,717</i>	<i>4,379</i>	<i>8,555</i>	<i>312</i>	<i>277</i>	<i>553</i>	<i>5,292</i>	<i>4,893</i>	<i>9,386</i>
<i>Rest of the World</i>	<i>444</i>	<i>326</i>	<i>798</i>	<i>57</i>	<i>56</i>	<i>113</i>	<i>485</i>	<i>366</i>	<i>870</i>
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.

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
<i>Continental Europe</i>	<i>1,783</i>	<i>1,605</i>	<i>2,754</i>	<i>17</i>	<i>18</i>	<i>27</i>	<i>209</i>	<i>263</i>	<i>437</i>
Canada	724	627	1,324	4	-	11	40	94	178
Other	70	81	106	-	-	-	4	61	86
<i>Rest of the World</i>	<i>794</i>	<i>708</i>	<i>1,430</i>	<i>4</i>	<i>-</i>	<i>11</i>	<i>44</i>	<i>155</i>	<i>264</i>
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
<i>Continental Europe</i>	<i>7,463</i>	<i>9,053</i>	<i>9,512</i>	<i>1,648</i>	<i>1,513</i>	<i>1,792</i>
Canada	3,469	3,291	3,742	668	710	850
Other	360	544	380	247	328	249
<i>Rest of the World</i>	<i>3,829</i>	<i>3,835</i>	<i>4,122</i>	<i>915</i>	<i>1,038</i>	<i>1,099</i>
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

Statistical supplement

Segmental analysis of the components of life EEV operating return**6 months ended 30 June 2006 £m**

	UK	France	Ireland	Italy	Netherlands	Poland	Spain	Other Europe	Rest of the World	Total
New business contribution (after the effect of required capital)	135	64	8	26	17	12	80	(5)	15	352
Profit from existing business										
- expected return	236	69	19	14	84	26	27	6	22	503
- experience variances:										
Maintenance expenses ¹	(1)	4	-	(1)	(12)	4	(1)	-	-	(7)
Exceptional expenses ²	(75)	-	(1)	-	(6)	-	-	(1)	-	(83)
Mortality/Morbidity ³	20	14	(2)	-	20	8	-	2	6	68
Lapses ⁴	(35)	5	(5)	(2)	4	6	-	(3)	-	(30)
Other ⁵	24	6	(1)	2	9	5	-	(2)	-	43
	(67)	29	(9)	(1)	15	23	(1)	(4)	6	(9)
- operating assumption changes:										
Maintenance expenses ⁶	-	-	(10)	-	-	-	-	-	-	(10)
Exceptional expenses	-	-	-	-	-	-	-	-	-	-
Mortality/Morbidity	-	-	-	-	-	-	-	-	-	-
Lapses ⁷	-	-	(7)	-	-	-	-	-	-	(7)
Other ⁸	-	-	-	-	20	-	-	-	-	20
	-	-	(17)	-	20	-	-	-	-	3
Expected return on shareholders' net worth	46	34	7	14	49	5	6	-	11	172
Life EEV operating return before tax	350	196	8	53	185	66	112	(3)	54	1,021

¹ Maintenance expenses in the Netherlands reflect the impact of expense overruns in Belgium.

² Exceptional expenses in the UK reflect £18 million relating to the ongoing transformation of the life business and £57 million of other exceptional and project costs associated with strategic initiatives, regulatory change and developments designed to increase future new business volumes such as those relating to pensions simplification.

³ Mortality experience continues to be better than the assumptions set across many of our businesses, notably for term and protection business in the UK and AFER in France. In addition there is a one-off reserve release associated with the review of a large group pension scheme in the Netherlands.

⁴ Lapse experience in the UK has been worse than assumed and primarily relates to bonds and pensions.

⁵ In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages.

⁶ Maintenance expenses in Ireland relate to a change in assumptions regarding the future attribution of investment income and expenses between policyholders and shareholders.

⁷ In Ireland, the lapse assumption change relates to the Celebration Bond and life linked bonds.

⁸ In the Netherlands, the assumption changes relate to reduced asset management fees and a change in the asset mix in Belgium.

Segmental analysis of the components of life EEV operating return**6 months ended 30 June 2005 £m**

	UK	France	Ireland	Italy	Netherlands	Poland	Spain	Other Europe	Rest of the World	Total
New business contribution (after the effect of required capital)	106	48	8	20	18	6	70	-	10	286
Profit from existing business										
- expected return	206	61	16	16	72	24	23	-	16	434
- experience variances:										
Maintenance expenses	(1)	1	-	(1)	(6)	3	(2)	-	(2)	(8)
Exceptional expenses ¹	(81)	1	(2)	-	(6)	-	(1)	1	-	(88)
Mortality/Morbidity ²	41	11	3	-	8	7	(1)	-	3	72
Lapses ³	(5)	(2)	(6)	(3)	(6)	-	(3)	(3)	(1)	(29)
Other ⁴	15	7	(2)	1	(3)	2	1	-	1	22
	(31)	18	(7)	(3)	(13)	12	(6)	(2)	1	(31)
- operating assumption changes:										
Maintenance expenses	-	-	-	-	-	-	-	-	-	-
Exceptional expenses	-	-	-	-	-	-	-	-	-	-
Mortality/Morbidity	-	-	-	-	-	-	-	-	-	-
Lapses	-	-	-	-	-	-	-	-	-	-
Other ⁵	-	-	-	-	7	-	-	-	-	7
	-	-	-	-	7	-	-	-	-	7
Expected return on shareholders' net worth	49	31	5	14	41	6	5	1	9	161
Life EEV operating return before tax	330	158	22	47	125	48	92	(1)	36	857

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 Exceptional expenses in the UK reflect £30 million relating to the ongoing transformation of the Life business and £51 million of other exceptional project costs associated with regulatory change.

² Mortality experience continues to be better than assumed across most of our businesses, and particularly for protection and annuity business in the UK and AFER in France.

³ Lapse experience in the UK has been worse than assumed and mainly relates to with-profit bonds. In Ireland, the adverse persistency has mainly arisen on unit-linked pensions business. In the Netherlands the adverse persistency has mainly arisen on group business.

⁴ In the UK, other experience profits primarily relate to better than assumed default experience on corporate bonds and commercial mortgages.

⁵ In the Netherlands, other operating assumption changes mainly relate to the reduction of the guaranteed investment return on certain products in Belgium.

Segmental analysis of the components of life EEV operating return**Year ended 31 December 2005 £m**

	UK	France	Ireland	Italy	Netherlands	Poland	Spain	Other Europe	Rest of the World	Total
New business contribution (after the effect of required capital)	217	91	13	36	58	14	155	(4)	32	612
Profit from existing business										
- expected return	425	122	29	30	148	50	48	10	33	895
- experience variances:										
Maintenance expenses	12	3	(2)	(2)	3	5	(2)	1	(4)	14
Exceptional expenses ¹	(151)	-	(5)	-	(12)	-	(2)	-	-	(170)
Mortality/Morbidity ²	86	29	(1)	2	16	16	5	-	5	158
Lapses ³	(78)	(4)	(9)	(4)	2	5	1	(5)	9	(83)
Other ⁴	36	4	(4)	4	(7)	10	2	(2)	(1)	42
	(95)	32	(21)	-	2	36	4	(6)	9	(39)
- operating assumption changes:										
Maintenance expenses	(20)	-	1	(3)	25	3	1	(6)	(9)	(8)
Exceptional expenses	(4)	(3)	-	-	(2)	-	-	1	-	(8)
Mortality/Morbidity ⁵	19	1	(4)	4	(25)	8	-	1	5	9
Lapses ⁶	(130)	-	(8)	-	(10)	-	(2)	(2)	4	(148)
Other ⁷	79	16	-	-	67	11	(2)	(1)	2	172
	(56)	14	(11)	1	55	22	(3)	(7)	2	17
Expected return on shareholders' net worth	98	62	10	29	86	10	10	1	23	329
Life EEV operating return before tax	589	321	20	96	349	132	214	(6)	99	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.

- ¹ Exceptional expenses in the UK reflect £47 million relating to ongoing transformation of the life business and £104 million of other exceptional and project costs associated with regulatory change and strategic initiatives.
- ² Mortality experience continues to be better than assumed across most of our businesses, and particularly for protection business in the UK, AFER and unit-linked business in France and group business in the Netherlands.
- ³ Lapse experience in the UK has been worse than assumed and mainly relates to bonds and pension business. In Ireland, the adverse persistency has mainly arisen on unit-linked pensions business.
- ⁴ In the UK, other experience profits includes better than assumed default experience on corporate bonds and commercial mortgages.
- ⁵ Mortality assumptions have been revised in the Netherlands following the publication of new annuitant mortality tables used for group business.
- ⁶ In the UK, the adverse lapse assumption change reflects a more prudent allowance for future persistency experience in the UK following recent experience. In Ireland, the lapse assumption change mainly relates to unit-linked pension business. Lapse assumption changes in the Netherlands largely relate to group business in the intermediary division.
- ⁷ Other operating assumption changes in the UK primarily relate to the change in annuitant required capital to 150% of required minimum margins which results in a £110 million one-off benefit. In France, other operating assumptions represent an allowance for further tax benefits arising from dividends from subsidiaries. In the Netherlands, they reflect a variety of changes including increased annual management fees on unit-linked contracts, favourable change in asset mix, and the reduction of future guaranteed returns on group pensions business in Belgium. In Poland, it was previously assumed that the introduction of new individual pension products would lead to significant conversion of existing policies. The prudent allowance made for this is no longer required.

Supplementary analyses**(a) Analysis of service companies and fund management businesses within embedded value**

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

	30 June 2006			31 December 2005
	Fund Management £m	Non-Insurance £m	Total £m	Total £m
United Kingdom ¹	75	(163)	(88)	(102)
France	58	3	61	47
Other Europe and Rest of the World	67	(9)	58	27
	200	(169)	31	(28)

¹ Reflecting Additional Guidance on EEV Disclosures published by the CFO Forum, the pension scheme deficit is now accounted for on an IAS 19 basis. Consequently, the element that had previously been included within the embedded value of service companies, being the present value of agreed deficit funding arrangements, has been removed.

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

NU Life Services Limited (NULS) is the main provider of administration services to the UK Life business. NULS incurs substantially all of the UK Life businesses operating expenditure, comprising acquisition, maintenance and project costs. Costs are recharged to the UK Life companies (the product companies) on the basis of a pre-determined Management Services Agreement (MSA) which was negotiated in 1998 and will be reviewed in 2008.

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

(b) Pension scheme deficits in the consolidated balance sheet

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

	30 June 2006 £m	30 June 2005 £m	31 December 2005 £m
Deficits in the staff pension schemes	784	1,220	1,471
Other obligations to staff pension schemes – Insurance policies issued by Group companies	1,057	813	875
Total IAS 19 obligations to staff pension schemes	1,841	2,033	2,346
Other provisions	523	468	529
Provisions	2,364	2,501	2,875

At 30 June 2006 the Group's overall pension deficit reduced by £687 million to £784 million (gross of tax), benefiting from actuarial gains of £473 million mostly reflecting the favourable impact on the valuation of liabilities of a 30 basis point increase in real interest rates during the period, deficit contributions paid by the company of £135 million, and other items totalling £79 million which include gains on curtailment and finance income.

(c) Long-term savings new business

	Present value of new business premiums ¹			Annual premium equivalent		
	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	2,028	1,854	3,530	219	202	384
Ireland	558	349	665	80	51	100
Italy	1,583	1,333	2,294	176	145	252
Netherlands (including Belgium, Germany and Luxembourg)	1,170	1,383	2,739	135	159	323
Poland	264	137	320	36	21	47
Spain	916	965	2,013	112	113	240
Other Europe	126	129	240	26	24	51
<i>Continental Europe</i>	6,645	6,150	11,801	784	715	1,397
Asia	252	172	397	43	30	66
Australia	145	160	337	27	31	63
United States	289	222	526	31	28	64
<i>Rest of the World</i>	686	554	1,260	101	89	193
International	7,331	6,704	13,061	885	804	1,590
United Kingdom	5,816	4,312	9,185	746	542	1,156
Total (before the effect of required capital)	13,147	11,016	22,246	1,631	1,346	2,745
Investment sales						
Netherlands	211	180	563	21	18	56
Poland	62	26	53	8	4	9
Other Europe	309	237	410	30	24	41
<i>Continental Europe</i>	582	443	1,026	59	46	106
<i>Rest of the World (including Navigator sales)</i>	819	538	1,151	82	54	115
International	1,401	981	2,177	141	100	221
United Kingdom	1,083	513	1,160	125	59	135
Total investment sales	2,484	1,494	3,337	266	159	356
Total long-term savings (including share of associates and joint ventures)	15,631	12,510	25,583	1,897	1,505	3,101

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.

Sales from the Navigator funds administration business, previously excluded from investment sales figures, are now included in the figures above. This change has increased the total investment sales for the six months to 30 June 2006 by £723 million (six months to 30 June 2005: £432 million; full year 2005: £938 million).

1 Investment sales are calculated as new single premiums plus annualised value of new regular premiums.

(d) Assets under management

	30 June 2006			31 December 2005
	Life and related business £m	General business and other £m	Group £m	Group £m
Total IFRS assets included in the balance sheet	232,151	38,916	271,067	263,447
Additional value of in-force long-term business	6,345	-	6,345	6,454
Total EEV assets included in the balance sheet	238,496	38,916	277,412	269,901
Third party funds under management:				
Unit trusts, Oeics, Peps and Isas			16,094	16,188
Segregated funds			38,479	35,427
Total assets under management			331,985	321,516

Third party funds under management now include funds administered under the Navigator platform. This change has increased the total assets under management at 30 June 2006 by £4,675 million (full year 2005: £4,606 million).

General insurance business only: geographical analysis**(a) General insurance**

	Operating profit			Longer-term investment return			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	6 months 2006 £m	6 months 2005 £m	Full year 2005 £m
France	23	14	26	22	22	44	1	(8)	(18)
Ireland	88	83	171	25	30	55	63	53	116
Netherlands	74	39	97	23	21	42	51	18	55
Canada	85	67	147	61	53	112	24	14	35
Other	31	41	85	30	32	68	1	9	17
International	301	244	526	161	158	321	140	86	205
United Kingdom	561	431	970	328	325	668	233	106	302
Total	862	675	1,496	489	483	989	373	192	507

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

	Claims ratio			Expense ratio			Combined operating ratio		
	6 months 2006 %	6 months 2005 %	Full year 2005 %	6 months 2006 %	6 months 2005 %	Full year 2005 %	6 months 2006 %	6 months 2005 %	Full year 2005 %
France	72.6%	72.3%	73.7%	9.5%	10.3%	12.0%	98%	100%	101%
Ireland	52.6%	59.2%	56.8%	11.6%	11.1%	11.6%	74%	80%	78%
Netherlands	50.2%	60.0%	60.0%	11.1%	12.9%	12.0%	82%	94%	93%
Canada	65.0%	66.4%	66.0%	12.6%	12.5%	11.9%	96%	98%	97%
International	62.6%	64.8%	64.3%	11.1%	11.8%	12.2%	91%	94%	94%
United Kingdom	58.5%	64.3%	61.8%	11.9%	10.8%	10.9%	92%	96%	96%
Total	60.1%	64.5%	62.7%	11.6%	11.2%	11.4%	92%	95%	95%

Ratios are measured in local currency.

The total Group ratios are based on average exchange rates applying to the respective periods.

Definitions:

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

(c) General insurance business only: class of business analyses**(i) United Kingdom**

	Net written premiums			Underwriting result			Combined operating ratio		
	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 %	6 months 2005 %	Full year 2005 %
Personal									
Motor	889	774	1,641	(33)	(14)	(40)	105%	102%	102%
Homeowner	629	572	1,300	88	25	69	87%	97%	97%
Other	348	309	772	9	7	8	98%	96%	100%
	1,866	1,655	3,713	64	18	37	97%	99%	100%
Commercial									
Motor	341	364	679	19	17	55	94%	95%	94%
Property	434	451	877	113	56	164	76%	85%	84%
Other	257	266	563	37	15	46	86%	94%	93%
	1,032	1,081	2,119	169	88	265	84%	91%	88%
	2,898	2,736	5,832	233	106	302	92%	96%	96%

During the six months to 30 June 2006, annualised rating increases were as follows; personal motor: 2% to 5%; homeowners: 6% (including indexation); commercial motor: 2% decrease; commercial property: 3% decrease; and commercial liability: 4% decrease.

(ii) France

	Net written premiums			Underwriting result			Combined operating ratio		
	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 %	6 months 2005 %	Full year 2005 %
Motor	211	221	378	(15)	(6)	(10)	104%	100%	102%
Property and other	286	264	446	17	(6)	(16)	93%	99%	101%
€m	497	485	824	2	(12)	(26)	98%	100%	101%
£m	341	335	564	1	(8)	(18)	98%	100%	101%

(iii) Netherlands

	Net written premiums			Underwriting result			Combined operating ratio		
	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 %	6 months 2005 %	Full year 2005 %
Property	204	207	351	31	23	44	79%	92%	88%
Motor	149	178	370	25	12	(1)	82%	93%	100%
Liability	84	48	83	-	-	15	98%	102%	84%
Other	163	189	242	19	(9)	23	77%	105%	91%
€m	600	622	1,046	75	26	81	82%	94%	93%
£m	411	429	716	51	18	55	82%	94%	93%

(iv) Canada

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2006 C\$m	6 months 2005 C\$m	Full year 2005 C\$m	6 months 2006 C\$m	6 months 2005 C\$m	Full year 2005 C\$m	6 months 2006 %	6 months 2005 %	Full year 2005 %
Automobile	910	863	1,756	12	11	70	98%	99%	96%
Property	399	418	831	22	25	(2)	96%	93%	100%
Liability	139	151	281	2	(7)	(9)	98%	105%	102%
Other	22	22	43	12	4	18	63%	80%	73%
C\$m	1,470	1,454	2,911	48	33	77	96%	98%	97%
£m	724	627	1,324	24	14	35	96%	98%	97%

Appendix

Group capital structure

	Page
Capital employed by segment	82
Deployment of equity shareholders' funds	83
Return on capital employed	83
Sensitivity analysis	84
Shareholders' funds, including minority interests	85
Geographical analysis of return on capital employed	86

Group capital structure

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

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

Capital employed by segment

	30 June 2006 £m	31 December 2005 £m
Long-term savings	16,232	15,598
General insurance and health	5,572	5,581
Other business	1,744	1,876
Corporate	(26)	(36)
Total capital employed	23,522	23,019
Financed by		
Equity shareholders' funds and minority interests	17,275	16,356
Direct capital instrument	990	990
Preference shares	200	200
Subordinated debt	2,811	2,808
External debt	815	1,002
Net internal debt	1,431	1,663
	23,522	23,019

At 30 June 2006 the Group had £23.5 billion (31 December 2005: £23.0 billion) of total capital employed in our trading operations which is efficiently financed by a combination of equity shareholders' funds, preference capital, direct capital instruments, subordinated debt and internal and external borrowings.

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

The presentation of internal debt depicts a net debt position which represents the upstream of internal loans from business operations to corporate and holding entities net of tangible assets held by these entities. The corporate net liabilities represent the element of the pension scheme deficit held centrally.

The ratio of the Group's external debt plus subordinated debt to shareholders' funds was 20% (31 December 2005: 22%). Fixed charge cover on an EEV basis, which measures the extent to which external interest costs are covered by EEV operating profit, was 13.0 times (31 December 2005: 9.6 times).

At 30 June 2006 the market value of the Group's external debt, subordinated debt, preference shares, including both the Aviva plc preference shares and the General Accident plc preference shares of £250 million, within minority interests, and direct capital instrument was £5,413 million (31 December 2005: £5,868 million), with a weighted average cost of 4% (31 December 2005: 3.8%). The Group WACC is 7.1% and has been calculated by reference to the cost of equity and cost of debt at the relevant date. The cost of equity at 30 June 2006 was 8.0%, based on a risk free rate of 4.7%, an equity market premium of 3% and a market beta of 1.1.

Group capital structure (continued)**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.

Sensitivity analysis

The sensitivity of the Group's shareholders' funds on an EEV basis at 30 June 2006 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2005 £bn	30 June 2006 £bn	Equities down 10% £bn	Interest rates up 1% £bn
15.6 Long-term savings ¹	16.2	15.3	15.7
7.4 General insurance and other	7.3	6.9	7.1
(5.5) Borrowings ²	(5.0)	(5.0)	(5.0)
17.5 Shareholders' funds	18.5	17.2	17.8

These sensitivities assume a full tax charge/credit on market value assumptions.

- 1 Assumes EEV assumptions adjusted to reflect revised bond yields.
- 2 Comprising internal, external and subordinated debt, net of corporate tangible net assets.

The table above incorporates the effect on the value of the pension scheme assets of a 10% decrease in equity and a 1% increase in fixed income bond yields. The latter sensitivity also assumes an equivalent movement in both inflation and discount rate (i.e. no change to real interest rates) and, therefore, incorporates the offsetting effects of these items on the pension scheme liabilities. A 1% increase in the discount rate only has the effect of reducing the pension scheme liability by £1.6 billion thereby enhancing shareholders' funds by £1.1 billion (after deducting tax).

Group capital structure (continued)
Shareholders' funds, including minority interests

	Note	30 June 2006			31 December 2005		
		Closing shareholders' funds			Closing shareholders' funds		
		IFRS net assets £m	Internally generated AVIF £m	Total Equity £m	IFRS net assets £m	Internally generated AVIF £m	Total Equity £m
Life assurance	1						
France		1,195	985	2,180	1,177	890	2,067
Ireland		993	78	1,071	410	72	482
Italy		658	118	776	639	88	727
Netherlands (including Belgium, Germany and Luxembourg)		2,359	903	3,262	2,229	826	3,055
Poland		149	450	599	193	465	658
Spain		801	455	1,256	790	438	1,228
Other Europe		58	99	157	56	102	158
Rest of the World		641	107	748	702	60	762
United Kingdom		3,033	3,150	6,183	2,948	3,513	6,461
		9,887	6,345	16,232	9,144	6,454	15,598
General insurance and health	1,2						
France		308	-	308	362	-	362
Ireland		474	-	474	545	-	545
Netherlands		530	-	530	553	-	553
Other Europe		284	-	284	302	-	302
Canada		691	-	691	848	-	848
Rest of the World		244	-	244	246	-	246
United Kingdom		3,041	-	3,041	2,725	-	2,725
		5,572	-	5,572	5,581	-	5,581
Other business	1,2	1,744	-	1,744	1,876	-	1,876
Corporate		(26)	-	(26)	(36)	-	(36)
External debt		(815)	-	(815)	(1,002)	-	(1,002)
Internal debt		(1,431)	-	(1,431)	(1,663)	-	(1,663)
Subordinated debt		(2,811)	-	(2,811)	(2,808)	-	(2,808)
		(3,339)	-	(3,339)	(3,633)	-	(3,633)
Shareholders' funds, including minority interests		12,120	6,345	18,465	11,092	6,454	17,546
Comprising							
Equities		4,715	-	4,715	4,503	-	4,503
Debt and fixed income securities		5,169	-	5,169	6,130	-	6,130
Property		1,415	-	1,415	957	-	957
Deposits and other investments		1,802	-	1,802	1,190	-	1,190
Intangible assets	3	3,557	6,345	9,902	3,294	6,454	9,748
Other net assets		519	-	519	491	-	491
Borrowings		(5,057)	-	(5,057)	(5,473)	-	(5,473)
		12,120	6,345	18,465	11,092	6,454	17,546

Notes

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.

IFRS net assets shown above include the allocation of tax assets and liabilities and hence differ from segmental net assets disclosed on pages 69 and 71.

- Goodwill of £2,553 million (31 December 2005: £2,491 million) has been allocated as follows: life assurance £878 million (31 December 2005: £848 million); general insurance and health £400 million (31 December 2005: £398 million); other businesses £1,275 million (31 December 2005: £1,245 million).
- Intangibles of £414 million (31 December 2005: £379 million) have been allocated as follows: life assurance £45 million (31 December 2005: nil); general insurance and health £259 million (31 December 2005: £265 million); other businesses £110 million (31 December 2005: £114 million).

Group capital structure (continued)**Shareholders' funds, including minority interests (continued)**

Notes (continued)

3. Total intangible assets of £9,902 million (31 December 2005: £9,748 million) comprise goodwill of £2,553 million (31 December 2005: £2,491 million); acquired value of in-force long-term business and intangibles of £1,004 million (31 December 2005: £803 million) and additional value of in-force long-term business of £6,345 million (31 December 2005: £6,454 million). The associated deferred tax liability on the intangibles of £118 million (31 December 2005: £123 million) is included within other net assets.
4. The post-tax pension fund deficit of £540 million (31 December 2005: £989 million) has been allocated as follows: life operations £213 million (31 December 2005: £363 million), general insurance and health: £283 million (31 December 2005: £532 million), other business £18 million (31 December 2005: £58 million) and corporate of £26 million (31 December 2005: £36 million).

Geographical analysis of return on capital employed**For the six months ended 30 June 2006**

	Note	Operating return (Note1)		Opening shareholders' funds including minority interests	Annualised return on capital
		Before tax £m	After tax £m	£m	%
Life assurance					
France		196	128	2,067	12.8%
Ireland		8	7	482	2.9%
Italy		53	33	727	9.3%
Netherlands (including Belgium, Germany and Luxembourg)		185	129	3,055	8.6%
Poland		66	54	658	16.9%
Spain		112	73	1,228	12.2%
Other Europe		(3)	(2)	158	(2.8)%
Rest of the World		54	39	762	10.5%
United Kingdom		350	245	6,461	7.7%
		1,021	706	15,598	9.3%
General insurance and health					
France		27	18	362	10.2%
Ireland		88	77	545	30.3%
Netherlands		80	56	553	21.3%
Other Europe		19	13	302	8.8%
Canada		85	55	848	13.4%
Other Rest of the World		12	8	246	6.6%
United Kingdom		492	344	2,725	26.9%
		803	571	5,581	21.5%
Other business		62	(21)	1,876	(2.2)%
Corporate		(35)	(24)	(36)	177.8%
External debt		(25)	(17)	(1,002)	3.4%
Net internal debt	2	(43)	(30)	(1,663)	3.6%
Subordinated debt		(84)	(59)	(2,808)	4.2%
		1,699	1,126	17,546	13.2%

Notes

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 operating return is based upon Group operating profit, which is stated before impairment of goodwill, amortisation of additional value of in-force business, exceptional items and tax including policyholder tax, adjusted for the short-term fluctuation in investment return.
- The return before tax of £(43) million comprises investment return of £63 million and unallocated interest of £(106) million.

Group capital structure (continued)**Geographical analysis of return on capital employed (continued)**

For the year ended 31 December 2005

	Note	Operating return (Note1)		Opening	Return on
		Before tax £m	After tax £m	shareholders' funds including minority interests £m	Capital %
Life assurance					
France		321	209	1,819	11.5%
Ireland		20	17	651	2.6%
Italy		96	60	550	10.9%
Netherlands (including Belgium, Germany and Luxembourg)		348	236	2,485	9.5%
Poland		132	107	557	19.2%
Spain		214	139	1,040	13.4%
Other Europe		(5)	(4)	196	(2.0)%
Rest of the World		99	71	646	11.0%
United Kingdom		589	413	5,882	7.0%
		1,814	1,248	13,826	9.0%
General insurance and health					
France		35	23	416	5.5%
Ireland		171	150	498	30.1%
Netherlands		137	94	461	20.4%
Other Europe		47	32	162	19.8%
Canada		147	95	687	13.8%
Other Rest of the World		40	28	277	10.1%
United Kingdom		827	580	2,504	23.2%
		1,404	1,002	5,005	20.0%
Other business		111	78	838	9.3%
Corporate		(104)	(114)	(372)	30.6%
External debt		(79)	(67)	(1,452)	4.6%
Net internal debt	2	(73)	(52)	(987)	5.3%
Subordinated debt		(169)	(118)	(2,847)	4.1%
		2,904	1,977	14,011	14.1%

Notes

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. The operating return is based upon Group operating profit, which is stated before impairment of goodwill, amortisation of additional value of in-force business, exceptional items and tax including policyholder tax, adjusted for the short-term fluctuation in investment return.
2. The return before tax of £(73) million comprises investment return of £147 million and unallocated interest of £(220) million.

Shareholder services

Managing your shareholding

Shareholders who have any queries in respect of their shareholding should contact the Company's Registrar, Lloyds TSB Registrars. Contact details can be found on the final page of this announcement. 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 direct to their bank accounts in local currencies.

Consolidated tax vouchers

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

Scrip dividend

The Aviva Scrip Dividend Scheme (the Scheme) provides shareholders with the opportunity to receive their dividends in the form of new ordinary shares instead of cash. Shareholders who have not joined the Scheme but wish to do so should contact Lloyds TSB Registrars and request a mandate form. The mandate form will need to be received by Lloyds TSB Registrars no later than 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 8.00am and 4.30pm, 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.

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

8½% cumulative irredeemable preference shares:	
Ex-dividend date	30 August
Record date	1 September
Second payment date	30 September
8¼% 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 8.00am to 6.00pm Monday to Friday, excluding Bank Holidays.

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

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 web site at www.aviva.com

Aviva plc

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