News release

30 July 2008

Aviva plc

Interim results for the six months ended 30 June 2008

Growth in operating profit and dividend

- EEV operating profit up 12% to £1,719 million
- IFRS operating profit up 7% to £1,233 million
- Dividend up 10% to 13.09p, reflecting confidence in delivery of stated targets and future prospects

Financial strength in an uncertain economic environment

- Net asset value per share of 702 pence
- Strong balance sheet and sound capital position despite unrealised investment losses leading to overall loss after tax

Resilient business flows driven by composite model and geographic spread

- Life and pensions sales up 11% to £17,283 million at increased margin
- General insurance result ahead of 'meet or beat' combined operating ratio target at 97%
- Difficult conditions in global markets reduce asset management result; plans on track for Aviva Investors launch

Accelerating transformational change of existing business for the benefit of customers and shareholders

- Reaffirmed commitment to growth and efficiency targets
- Increase in cost savings target to £500 million (from £350 million)

Reattribution offer agreed with policyholder advocate#

- £1 billion offer to eligible policyholders funded from existing shareholder resources: £400 minimum and £1,000 average cash payment to customers
- With special distribution, around 70% of value of inherited estate released to policyholders, totalling £3.1 billion
- Internal rate of return on reattribution of 11.5%~, creating a one-off EV profit of £225 million and a one-off IFRS profit of £390 million~ for shareholders and underpinning confidence in future dividend stream

Andrew Moss, group chief executive, commented:

"In the face of economic headwinds Aviva has made real progress in the last six months. Operating profit and dividend are well ahead of last year and we maintain a strong balance sheet despite significant unrealised investment losses affecting our bottom line earnings. We are accelerating our transformational change programme to deliver a unified and more profitable company in line with our 'One Aviva, twice the value' vision. Short term economic uncertainties persist but we remain positive about our prospects.

"We're pleased to have reached an agreement with Clare Spottiswoode, the policyholder advocate, for our inherited estate reattribution in the UK. Policyholders and shareholders will benefit from this ground-breaking deal, that is fair to all parties involved."

Worldwide highlights	**6 Months 2008**	6 Months 2007	Growth %
Operating profit – EEV basis*	**£1,719 m**	£1,541m	12 %
(Loss)/profit after tax – EEV basis	**£(1,275)m**	£1,502m	(185)%
Operating profit – IFRS basis**†	**£1,233 m**	£1,151m	7 %
(Loss)/profit after tax – IFRS basis	**£(81)m**	£890m	(109)%
(Loss)/earnings per share (total IFRS return)	**(3.9)p**	31.0p	(113)%
Interim dividend per share	**13.09p**	11.90p	10%
Net asset value per share	**702p**	772p^	(9)%
Equity shareholders' funds***	**£18,672m**	£20,253m^	(8)%
Return on equity shareholders' funds	**10.3%**	11.3%^	–

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

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

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

† 2007 comparative restated for the change in IFRS operating profit definition announced 22 November 2007.

^ As at 31 December 2007.

\# Detailed press release on the reattribution offer is available from the media centre at www.aviva.com

~ Based on 30 June 2008 values and an assumed 100% take-up rate. The value created by the reattribution will be highly dependent on the performance of equity and property markets, and the level of policyholders who accept the offer. Estimate of profit to be recognised once transaction completed, subject to approvals.

Segmental analysis of Group operating profit

For the six months to 30 June

	6 months 2008 £m	6 months 2007 £m	Growth %
Continuing operations			
Life EEV operating return			
United Kingdom	**471**	413	14 %
France	**297**	225	32 %
Ireland	**30**	37	(19)%
Italy	**89**	72	24 %
Netherlands (including Belgium and Germany)	**139**	166	(16)%
Poland	**103**	71	45 %
Spain	**157**	107	47 %
Other Europe	**8**	1	700 %
Europe	**823**	679	21 %
North America	**139**	112	24 %
Asia	**23**	24	(4)%
Australia	**24**	23	4 %
Asia Pacific	**47**	47	–
	1,480	1,251	18 %
Fund management[1]			
Aviva Investors	**20**	29	(31)%
United Kingdom[2]	**(8)**	(4)	(100)%
Netherlands	**6**	9	(33)%
Other Europe	**3**	2	50 %
Europe	**9**	11	(18) %
Asia Pacific	**9**	9	–
	30	45	(33)%
General insurance and health			
United Kingdom[3]	**326**	284	15 %
France	**30**	31	(3)%
Ireland	**41**	80	(49)%
Netherlands	**44**	70	(37)%
Other Europe	**22**	22	–
Europe	**137**	203	(33)%
North America	**76**	70	9 %
Asia Pacific	**(1)**	3	(133)%
	538	560	(4)%
Other operations and regional costs[4]	**(57)**	(45)	(27)%
Regional operating profit before tax	**1,991**	1,811	10 %
Corporate centre	**(71)**	(80)	11 %
Group debt costs and other interest	**(201)**	(190)	(6)%
Group operating profit before tax[5]	**1,719**	1,541	12 %

1. Excludes the proportion of the results of Aviva Investors and other fund management businesses within the group that arise from the provision of fund management services to our life businesses. These results are included within the Life EEV operating return consistent with CFO Forum EEV principles.
2. Investment business trading as Norwich Union and our collective investment joint venture business with RBSG.
3. UK general insurance includes the results of the group's reinsurance operations
4. Excludes the results of Norwich Union Equity Release. Also excludes the proportion of the results of Norwich Union Life Services relating to the services provided to the UK life business. These results are included within the Life EEV operating return.
5. Group operating profit before tax. All operating profit is from continuing operations.

Group Chief Executive's Statement

Group Results

Overview

In the face of an uncertain economic environment Aviva has delivered a solid financial result. EEV operating profit is up 12% to £1,719 million (six months to 30 June 2007: £1,541 million) and IFRS operating profit is up 7% to £1,233 million (six months to 30 June 2007: £1,151m). This is reinforced by a dividend increase of 10% underlining our confidence in the future prospects of Aviva's increasingly global business.

Our global composite model is working well for us. Having a balance of long-term savings, asset management and general insurance across the world provides a firm foundation for growing our business. This model underpins our strong balance sheet and sound capital position.

Everyone is well aware of today's investment market conditions. The group's loss after tax on both an EEV and IFRS basis reflects the reduction in value of the group's assets. Overall, our long-term savings new business flows and margins have proved resilient. Sales in the faster growing markets of North America and Asia Pacific have offset the more challenging markets of Europe, including the UK. Customers have naturally shown a preference for products with guarantees. Over the medium term economic analysis shows us that in tough times people do return to saving. They first cut discretionary spending, reduce debt and then focus on providing financial security for themselves and their families. Aviva can benefit from this behaviour.

We have remained focused on making the most of our existing businesses and in these turbulent times this strategy has served us well. Improving our efficiency and managing risk and capital effectively has led to better customer service and will create shareholder value. Today we have announced a £150 million increase in our overall cost saving target to £500 million. In addition, we have successfully concluded our negotiations with the policyholder advocate in the reattribution of the £2.1 billion inherited estate of two of our with-profit funds. This is an excellent result for our customers and shareholders, bringing average cash payments of £1,000 to eligible customers, while enabling us to manage capital more effectively and creating a one-off EV profit of £225 million and a one-off IFRS profit of £390 million for our shareholders and underpinning confidence in our future dividend stream.

Strategy update

Our 'one Aviva, twice the value' vision represents the transformation of our business to grow and operate more efficiently. We have made significant progress against the clear targets we have set ourselves.

Our move to a global brand next year is a key milestone. In the summer of 2009 Norwich Union will become Aviva in the UK while Hibernian (Ireland) and Commercial Union (Poland) will change at the end of 2009. Uniting our businesses under a global brand is one of the most tangible examples of our 'one Aviva, twice the value' vision. Over time we will benefit from increased consumer awareness, increased brand strength and greater efficiency by investing in one brand rather than several.

At the heart of our global business are our 45 million customers and most already know us as Aviva. We want to improve their experience by giving them better and more individual service. We need to increase significantly the number of customers who recommend us to others and we will measure this by a new single measure of customer advocacy across Aviva.

Engaging our 57,000 staff in the cultural change needed to achieve our vision has been a high priority. We have brought our top 450 leaders together in a series of high-level summits, creating, for the first time in Aviva's history, a shared goal to improve our business for our customers and shareholders. The energy, enthusiasm and personal commitment shown has been immense and we will engage a further 1,000 leaders in the autumn.

Transforming our global businesses to work as one and deliver superior customer service means we have to invest for the future. We are investing in our brand and will launch a single global intranet later this year to bring our people even closer together as part of our new global IT strategy. We see opportunities for shared services in each of our regions and we estimate our new global purchasing process could bring savings of more than £50 million.

We are also investing in a global finance programme to ensure compliance with future changes in regulation and reporting standards, and improvements in our financial control and risk frameworks. This will deliver Sarbanes-Oxley compliance and would enable us to consider a US listing of our shares in 2009.

Aviva Investors, our new global asset management business, is another example of our vision in action. Aviva Investors launches in September bringing a new way of managing our £307 billion assets under management across 15 countries.

We recently announced the sale of our offshore operations and an agreement for the supply of offshore services to the UK, Ireland and Canada. Our teams across the world have worked together to bring a single solution to maximise economies of scale and realise the investment we have made in our offshore operations.

We have made two new key appointments in the last few months. Andrea Moneta has recently joined as CEO, Aviva Europe, bringing significant European financial services knowledge into some of our key businesses. Amanda Mackenzie has also joined the group as group marketing director and the first dedicated 'voice of the customer' at our executive table.

Regional performance

United Kingdom

- Life and pension sales up 1% to £5,863 million
- Life EEV operating profit up 14% to £471 million
- Life new business gross margin stable at 3.1%
- UK general insurance result up 15% to £326 million and COR of 98%

UK Life: We continue to transform our UK life business and grow its profitability. Our objective is to grow new business sales at least as fast as the market, while maintaining margins, and to drive value from our existing business. In challenging conditions we have delivered strong and profitable growth and record sales in the first half. We have increased our market share in a declining market. Our financial strength enables us to provide products that are attractive to customers in the current market conditions.

We are making tough decisions; we are changing our wrap platform to provide wrap functionality in a way that better serves our customers through a new strategic partnership with Scottish Friendly. Transforming our business means simplifying our systems and reducing costs to give customers even better service. Our cost reduction programme is already contributing to profit and we are on track to deliver £100 million of savings by the end of 2009. We have made great progress in simplifying our complex legacy systems, turning off 118 product systems. We have added new products as a result of listening to feedback from our customers and intermediaries.

We anticipate that the UK market will remain subdued in the second half of the year but we will continue to maintain a market leading position and our profit outlook is on track for continued growth.

UK General Insurance: Our general insurance result improved as a result of more normal weather patterns in the first half of 2008, when compared with last year's terrible floods.

We are transforming our UK general insurance business. It is a competitive market and tough decisions have been necessary to improve performance. Core to this transformation is simplifying our operating model, which is the result of a series of mergers and acquisitions over a number of years. We will focus our core insurance skills to improve customer service and drive profitable growth. We have completed the first phase and are on track to deliver cost savings of £200 million in 2008 as a result.

Phase two of the transformation, announced in June, is the creation of nine modern customer-facing centres of insurance expertise to deliver consistent first-class service. This and associated initiatives will deliver an extra £150 million in savings a year by 2010 and we are aiming for a market-leading expense ratio of less than 11%. As previously announced, there will be some impact on our staff from these changes. Any job loss is regrettable and we will manage this process with sensitivity and ensure compulsory redundancies are minimised.

We believe that market conditions will remain challenging into 2009. We are focused on managing for long-term profitable growth but expect this to place some pressure on business volumes in the short term.

Europe

- Life and pension sales up 15% to £8,431 million
- Life EEV operating profit up 21% to £823 million
- Life new business gross margin up to 4.1%
- COR of 95%

In Europe we have a strong geographical portfolio of more mature businesses in northern and southern Europe combined with the faster growing markets of central and eastern Europe. Naturally we have benefited from a stronger euro during the period. Our target is to deliver average long-term savings new business growth of 10% a year to 2010, while growing new business profit at least as fast. Our growth in profits ahead of sales in the first half of the year demonstrates that we are firmly focused on creating value.

Our multi-distribution model also brings strength. Around half of our life business in Europe is through long-term bancassurance partnerships and the other half through intermediaries and direct sales. Understandably in current conditions, some of our bank partners have been focused on marketing deposits ahead of long-term savings products but our range of distribution channels means we will continue to drive overall growth and we are confident that bank channels will return to growth in due course.

Conditions will remain challenging for the rest of 2008 but we are confident of achieving our medium term growth and profitability target.

Our general insurance combined operating ratio of 95% was ahead of our group target. General insurance and health were up 17% with some benefit from the strong euro, while operating profit was down 33% reflecting competitive market conditions, investment in our new direct motor business in Poland and higher claims costs in Ireland.

Regional performance continued

North America
- Life and pensions sales up 28% to £2,205 million
- Life EEV operating profit up 24% to £139 million
- Life new business gross margin up to 4.2%
- COR of 98%

In the US, we delivered another outstanding performance despite the difficult economic climate and became the number one provider of indexed annuities. This supplements our long-standing position as leader in the indexed life market, which is the fastest growing segment of the US life insurance market. Indexed annuities are particularly attractive in volatile markets as they bring valuable guarantees to the 'Baby Boomer' generation who have already saved for the future. The Aviva name continues to bring us new distribution and we now work with almost double the number of Independent Marketing Organisations than we have in the previous two years and have added over 2,300 new agents to our distribution network in the first half of 2008.

We continue to innovate to meet customer needs and aspirations. Our 'Wellness for Life' programme is the first in the US to offer life insurance discounts to customers who follow simple health measures. Our associated exclusive arrangement with the world-renowned Mayo Clinic brings attractive benefits to customers.

We are building on solid foundations in the US following the acquisition of the former AmerUs business in 2006. On a proforma basis, since June 2006 we have increased total sales by 76%. We remain firmly on track to meet our target of doubling sales within three years of the acquisition while maintaining margins.

In Canada, our general insurance business remains number two in the market and continues to achieve growth without compromising profitability.

Asia Pacific
- Life and pension sales up 20% to £784 million
- Life EEV operating profit in line with prior period at £47 million
- Life new business gross margin down to 4.3%

Our business in Asia Pacific continues to go from strength to strength and is an increasingly important part of the Aviva group with a presence in nine countries in the region. We remain firmly on track to deliver our target to grow long-term savings new business sales by at least 20% a year to 2010.

In the high potential markets of India and China we are now an established player. We are now the number two foreign life insurer in China. These are vast markets and we have gained ground quickly. Over the past year we have started business in Taiwan, Malaysia and, very recently, South Korea. We have used our bancassurance expertise to establish ourselves at speed. We have centralised our product development for the region to enable us to deliver new products to market fast.

We are investing for the future. The region holds significant potential for us and we continue to seek opportunities to extend our footprint where we can create value. We will share knowledge, skills and experience across the Asia Pacific region and beyond to augment our growth plans.

Aviva Investors
- IFRS operating profit down 16% to £49 million
- Group funds under management at 30 June 2008 down 3% to £307 billion

Plans are on track for the launch of Aviva Investors in September 2008. We are bringing together our strengths in investment manufacturing and distribution to operate globally as a single business across the UK, Europe, North America and Asia Pacific. We aim to grow the business significantly and accelerate its contribution to group profits.

The half year result reflects the challenging conditions in global financial markets.

Summary and outlook

Despite the turbulence in world financial markets, we have grown our operating profit and dividend, and maintained a strong balance sheet. We are focused on improving and realising the full potential of our business for the benefit of customers and shareholders in line with our 'one Aviva, twice the value' vision.

We are committed to our growth and efficiency targets and are investing for the future. We continue to watch, plan and respond to developments in world markets and have the flexibility to adjust our course to achieve our vision. We are not complacent but remain positive about future growth prospects over time.

Andrew Moss
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 0025 Quote: Aviva, Andrew Moss.

ANALYSTS: A presentation to investors and analysts will take place at 9.30am (BST) at the London Stock Exchange, 10 Paternoster Square, London, EC4M 7LS. The investors and analysts presentation is being filmed for live webcast and can be viewed on the Group's website www.aviva.com or on www.cantos.com. In addition a replay will be available on these websites later today. There will also be a live teleconference link to the investor and analyst meeting on +44 (0) 20 7806 1955. A replay facility will be available until 11 August 2008 on +44 (0)20 7806 1970. The pass code is 4843238# for the whole presentation including the question & answer session or 4665957# for the question & answer session only.

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

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

Notes to editors

– Aviva is a leading provider of life and pensions to Europe with substantial positions in other markets around the world, making it the world's fifth largest insurance group based on gross worldwide premiums at 31 December 2007.

– Aviva's principal business activities are long-term savings, fund management and general insurance, with worldwide total sales* of £49.2 billion at 31 December 2007 and total funds under management of £359 billion at 30 June 2008.

*Based on life and pensions PVNBP, total investment sales and general insurance and health net written premiums including share of associates' premiums.

– Income statements and cash flows of foreign entities are translated at average exchange rates while their balance sheets are translated at the closing exchange rates on 30 June 2008.

– 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 in sterling.

– This interim announcement may include oral and written "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. These forward-looking statements sometimes use words such as 'anticipate', 'target', 'expect', 'estimate', 'intend', 'plan', 'goal', 'believe' or other words of similar meaning. By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances which may be beyond Aviva's control, including, among other things, UK domestic and global economic and 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, the possible effects of inflation or deflation, the timing impact and other uncertainties relating to acquisitions by the Aviva Group and relating to other future acquisitions or combinations within relevant industries, the impact of tax and other legislation and regulations in the jurisdictions in which Aviva and its affiliates operate, as well as the other risks and uncertainties set forth in our 2007 Annual Report to Shareholders. 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, and persons receiving this announcement should not place undue reliance on forward-looking statements.

– Aviva undertakes no obligation to update the forward-looking statements made in this announcement or any other forward-looking statements we may make. Forward-looking statements made in this announcement are current only as of the date on which such statements are made.

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2 Operating and financial review

1 – Group operating profit before tax

In an uncertain economic environment, the group's operating profit before tax, including Life EEV operating return, increased by 12% to £1,719 million (six months to 30 June 2007: £1,541 million). This solid performance has been driven by strong results in the life segment, and lower profit in the general insurance and health segment, once again demonstrating the strength of our composite model. On an IFRS basis, worldwide operating profit before tax increased by 7% to £1,233 million (six months to 30 June 2007 restated: £1,151 million).

	EEV basis		IFRS basis	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	Restated[1] 6 months 2007 £m
Life operating return	**1,480**	1,251	**970**	834
Fund management[2]	**30**	45	**63**	76
General insurance and health	**538**	560	**538**	560
Other:				
Other operations and regional costs	**(57)**	(45)	**(66)**	(49)
Corporate centre	**(71)**	(80)	**(71)**	(80)
Group debt costs and other interest	**(201)**	(190)	**(201)**	(190)
Operating profit before tax	**1,719**	1,541	**1,233**	1,151
(Loss)/profit before tax attributable to shareholders' profits	**(1,671)**	2,031	**(17)**	1,198
Equity shareholders' funds	**18,672**	19,136	**11,530**	12,395

1. 30 June 2007 comparatives restated for the change in IFRS operating profit definition (impact on EEV was £nil).
2. On an EEV basis, this excludes the proportion of the results of Aviva Investors and other fund management operations within the Group that arise from the provision of fund management services to our Life businesses. These results are included within the Life EEV operating return.

2 – Long-term savings

Total long-term business sales for the first six months of the year were up 2% to £19,700 million (six months to 30 June 2007: £19,294 million). This performance is driven by 11% growth in life and pensions sales of £17,283 million (six months to 30 June 2007: £15,543 million), up 4% on a local currency basis. This was offset by a decrease of 36% in investment sales to £2,417 million (six months to 30 June 2007: £3,751 million) which have been impacted across all our regions by the current economic climate and volatile market conditions. Before the impact of exchange rate movements total sales were down 5%.

	30 June 2008			**Sterling growth**		
	Life and pensions £m	**Retail investments £m**	**Total £m**	**Life and pensions %**	**Retail investments %**	**Total %**
Long-term saving sales						
United Kingdom	**5,863**	**840**	**6,703**	**1%**	**(47)%**	**(10)%**
Europe	**8,431**	**526**	**8,957**	**15%**	**(32)%**	**10%**
North America	**2,205**	**–**	**2,205**	**28%**	**–**	**28%**
Asia Pacific	**784**	**1,051**	**1,835**	**20%**	**(24)%**	**(10)%**
Total new business sales on a present value of new business premium (PVNBP) basis	**17,283**	**2,417**	**19,700**	**11%**	**(36)%**	**2%**

In the United Kingdom total sales were down 10% to £6,703 million (2007: £7,415 million). Life and pensions sales were up 1% at £5,863 million (2007: £5,820 million) with growth in annuities and individual pensions sales offsetting a decrease in the sales of bonds. Investments sales were £840 million (2007: £1,595 million).

Aviva Europe delivered long-term business sales of £8,957 million (2007: £8,131 million), up 10%. Within this, life and pension sales were up 15% to £8,431 million (2007: £7,353 million). Removing the impact of the strong euro, sales were flat on a local currency basis, due to large decreases in Italy and Ireland, principally driven by the uncertain financial markets, offset by strong growth in the Netherlands and central and eastern Europe. Investment sales were down 32% to £526 million (2007: £778 million).

Sales in North America were up 28% to £2,205 million (2007: £1,716 million), reflecting higher funding agreement sales which increased by 147% to £375 million (2007: £152 million) and annuity sales of £1,579 million (2007: £1,293 million), up 22%.

Total long-term savings sales for Asia Pacific were £1,835 million (2007: £2,032 million). Within this, life and pension sales for the first half of the year grew by 20% to £784 million (2007: £654 million). This performance reflects the growth seen in China and India as well as the impact of the new businesses in Taiwan and Malaysia, together with favourable movements in exchange rates. Investment product sales fell 24% to £1,051 million (2007: £1,378 million).

2 – Long-term savings continued

Geographical analysis of life, pensions and investment sales

	Present value of new business premiums[1]			
	6 months 2008 £m	6 months 2007 £m	Growth Sterling %	Growth Local Currency %
Life and pensions business				
United Kingdom	**5,863**	5,820	1%	1%
France	**2,010**	1,832	10%	(4)%
Ireland	**648**	889	(27)%	(36)%
Italy	**1,275**	1,818	(30)%	(38)%
Netherlands (including Germany and Belgium)	**1,991**	1,146	74%	53%
Poland	**739**	379	95%	57%
Spain	**1,259**	1,114	13%	(1)%
Other Europe	**509**	175	191%	174%
Europe	**8,431**	7,353	15%	–
North America	**2,205**	1,716	28%	29%
Australia	**204**	240	(15)%	(25)%
China	**126**	48	163%	142%
Hong Kong	**138**	162	(15)%	(15)%
India	**95**	57	67%	59%
Singapore	**149**	138	8%	(1)%
Other Asia	**72**	9	700%	691%
Asia Pacific	**784**	654	20%	11%
Total life and pensions	**17,283**	15,543	11%	4%
Investment sales[2]				
United Kingdom	**840**	1,595	(47)%	(47)%
Netherlands	**221**	365	(39)%	(47)%
Poland	**46**	141	(67)%	(74)%
Other Europe	**259**	272	(5)%	(16)%
Europe	**526**	778	(32)%	(42)%
Australia	**840**	1,030	(18)%	(28)%
Singapore	**211**	348	(39)%	(45)%
Asia Pacific	**1,051**	1,378	(24)%	(32)%
Total investment sales	**2,417**	3,751	(36)%	(40)%
Total long term savings	**19,700**	19,294	2%	(5)%
Navigator sales (included above)	**978**	1,298	(25)%	(33)%

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

2 – Long-term savings continued

United Kingdom
Against a backdrop of difficult market conditions UK life increased life and pensions sales by 1% in a declining market, consolidating the 39% sales growth delivered over the last two financial years. First quarter market share grew to 11.4% (full year 2007: 10.5%). This has been achieved through the focused execution of our strategy, leveraging our broad product offering and distribution reach.

Life and pensions sales were £5,863 million (2007: £5,820 million). Investments sales were £840 million (2007: £1,595 million), as current economic conditions continue to impact consumer attitudes to saving for the future.

Total sales included another strong half year from our bancassurance partnership with the Royal Bank of Scotland Group. Sales were up 12% on the same period of 2007 reflecting the commitment of both partners to the ongoing development of this successful relationship.

Total pensions sales were broadly in line with the equivalent period last year. Pensions sold directly to individuals performed particularly strongly, up 22%, supported by sales of our new SIPP-Lite product. Annuities were up 39% to £1,286 million which includes BPA sales of £418 million. Individual annuities sold through the open market option increased 70% on the same period last year.

In a market which has been adversely impacted by a steep reduction in mortgage applications, we held the level of our protection sales, benefiting from the strength of our joint venture with RBSG and other partnerships. Bond sales fell 16% as the market re-aligned to the new tax regime. Falls in unit-linked bonds were offset by strong performances elsewhere, with 55% growth in with-profits bonds to £885 million and 65% growth in offshore unit-linked bonds to £149 million.

We have a programme of new product initiatives and we continue to focus on further strengthening our distribution footprint. To date we have made our successful Simplified Life protection product available through IFAs; expanded our enhanced annuity proposition, making it available to a wider range of customers; realigned our stakeholder pensions pricing to reflect the more price competitive proposition that this segment requires; launched our SIPP-Lite product, as part of our retirement solutions strategy; launched our Capital Protected Plan, responding to increasing customer demand for more certainty from their investments, and most recently enhanced our pricing capabilities for annuity business, increasing the number of factors we consider during quotation to optimise rates for over 70% of customers.

The market has remained volatile during the first half of the year and we expect this to continue throughout 2008. Product categories most susceptible to the economic situation, in particular protection and single premium savings, will face low or negative growth compared to the same period last year, leading to an overall flat or slightly falling market for the full year. Our ongoing investment in propositions and the development of our distribution footprint will enable us to deliver sales at least in line with the market whilst maintaining margins.

Europe
Overall sales in Europe were up 10% to £8,957 million (2007: £8,131 million) supported by the strength of the euro. On a local currency basis sales were down 4%, following growth of 14% in the first six months of 2007, reflecting difficult market conditions for life and pensions business and investment sales in a number of countries within the region. This is a resilient performance, achieved through the strength of our geographical diversity and a multi-channel distribution strategy.

We have had strong growth in the Netherlands, where three group pension schemes contributed £758 million, and growth has also been strong across central and eastern Europe. However, a number of countries have experienced lower consumer demand for long-term savings products and the performance of the bancassurance distribution channel has been significantly affected by banks prioritising their savings products following reduced liquidity in the banking sector. Trading conditions in Ireland, Italy and Spain were particularly challenging, although Spain benefited from sales of £180 million, including one-off transfers amounting to £151 million, through Cajamurcia, our most recent Spanish bancassurance partnership.

In Ireland, overall life and pension sales were down 27% against the same period last year. This reflects the slowdown in economic growth, a falling property market and the one-off impact of maturing Special Savings Incentive Account (SSIA) contracts in 2007. In Italy, sales were down 30% reflecting difficult market conditions and the timing of marketing campaigns.

The life and pensions business in France increased by 10% against the same period last year, reflecting the strength of the euro. On a local currency basis sales declined by 4% as sales through the bank and broker channels decreased due to lower demand for unit-linked products. However, we out-performed the overall market, which declined by 7%[1] mainly due to growth in sales through our partnership with AFER, France's largest savings association, following last year's successful product modernisation.

Our businesses in central and eastern Europe grew life and pension sales 125% to £1,248 million (2007: £554 million). In Poland sales increased by 95%. This reflects a strong performance by Aviva's direct sales force in the pensions market, the success of our new regular premium product, Nowa Perspectywa, sold through the broker channel and a limited-period promotion of a savings product in the first quarter of the year in the bank channel. Significant growth was experienced in Romania, where sales were boosted by an initial surge of pension contracts written as a result of government reforms to the provision of compulsory pensions. While we expect some additional sales resulting from this reform in the third quarter, these sales are one-off in nature and boosted our sales by £252 million in the first half of the year. In Turkey, sales increased by 50% reflecting the commencement of our bancassurance arrangement with Akbank and success in the pensions market.

1. In GWP terms, the Fédération Française des Sociétés d'Assurance (FFSA) states that the French market for life individual products has declined 7% as at 30 June 2008.

2 – Long-term savings continued

We have a strong portfolio of businesses across Europe and while 2008 is expected to continue to present challenging conditions in a number of countries across the region we remain confident in achieving our medium term growth target to deliver average long-term savings new business growth of 10% over the period 2007 to 2010, while growing new business profit at least as fast.

North America
In the United States, we have built upon the impressive growth achieved in 2007 with a further increase of 28% in new business sales to £2,205 million (2007: £1,716 million). This strong growth was accomplished despite a volatile economic environment in the US and we remain fully confident in our target to double the sales in our US business while maintaining margins within three years of the acquisition of the former AmerUs business.

In the first quarter of 2008, we became the number one seller in both the indexed annuity market and the indexed life insurance market. In the indexed annuity market we now have a 21% market share with three of our products appearing in the top 10. In the first half of 2008 we contracted with nearly as many Independent Marketing Organisations (IMOs) as we did in the past two years combined and we added more than 2,300 new agents to our annuity distribution network.

Sales of annuities increased by 22% to £1,579 million (2007: £1,293 million), a significant accomplishment given a challenging economic environment that was highlighted by increasing competitive pressures, volatile equity markets and changing interest rates. Our continued growth demonstrates a consumer demand for products with guarantees, particularly in light of the current investment climate. While competitive pressures have increased, current and future product launches, combined with marketing programmes and expanding distribution, support our ongoing confidence for future growth.

On 25 June, the U.S. Securities & Exchange Commission held an open meeting and one of the topics covered was a proposed new rule that would have the effect of classifying equity indexed annuities as securities for regulatory purposes. Indexed annuities are valuable products that fill an important financial need for many consumers and we expect indexed products to be an important part of our product offering for years to come.

Life sales totalled £251 million (2007: £271 million), a decrease of 7% from prior year reflecting our product rationalisation programme, implemented during late 2007, to focus on higher margin life products. We expect higher new sales in the second half of this year through a combination of new product launches, marketing programmes and growth in the indexed life insurance market.

Funding agreement sales were very strong at £375 million (2007: £152 million), an increase of 147% over the prior period as we took advantage of favourable market circumstances. Funding agreement sales, an integral part of our product portfolio, are large corporate transactions and will continue to grow as market opportunities arise.

Asia Pacific
Total long-term savings sales for Asia Pacific were £1,835 million (2007: £2,032 million). Within this, life and pension sales for the first half of the year grew by 20% to £784 million (2007: £654 million). This performance reflects both the growth seen in China and India as well as the impact of the new businesses in Taiwan and Malaysia, together with favourable movements in exchange rates.

In China, sales through the joint venture life business Aviva-COFCO increased by 163% reflecting ongoing distribution expansion. We have increased our presence in the country to eight provinces, with a total of 32 city branches (2007: seven provinces, 17 city branches). In India our share of total sales from Aviva's joint venture with the Dabur Group increased 67% reflecting the on-going expansion of the direct sales force and development of bancassurance partnerships.

In Australia, sales were down 15%. However, 2007 included the benefit of a one-off transfer of group pensions business of £64 million as well as the £21 million impact of a favourable change to superannuation legislation. Excluding the one-offs and the impact of exchange rate movements, underlying sales grew by 16% against the prior year, driven by higher sales of protection and retail products.

Life and pension sales in Singapore increased by 8%, mainly due to the favourable effect of exchange rate movements. On a local currency basis sales were 1% down on the prior year following the withdrawal of the 'Big-e' product, which contributed £70 million of sales in half year 2007, partly offset by the impact of new product initiatives. In Hong Kong, our products are mainly investment related and aggressive competition together with the volatile market contributed to a 15% decrease in sales.

Investment sales in the period under review fell by 24% to £1,051 million (2007: £1,378 million), affected by the current volatile market conditions. Further to this, investment sales in Singapore were adversely impacted by a change to local pension laws which restricts external contributions from the government pension fund. Prior year investment sales were boosted by a one-off impact of £227 million due to the favourable changes in Australian superannuation legislation.

Looking forward, the second half of the year will remain challenging if the markets continue to be volatile. However, given our plans to continue to expand our distribution network and develop our relationships with our business partners, we remain confident in achieving our medium-term sales target to grow long-term savings new business sales by an average of at least 20% a year to 2010.

Operating and financial review continued

2 – Long-term savings continued

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

					6 months 2008	6 months 2007
	Regular Premiums £m	WACF	Present value of regular premiums £m	Single premiums £m	PVNBP £m	PVNBP £m
United Kingdom						
Individual pensions	218	4.3	929	1,068	1,997	1,819
Group pensions	40	5.6	225	202	427	582
Annuities	–	–	–	1,286	1,286	927
Bonds	–	–	–	1,628	1,628	1,939
Protection	80	4.8	384	61	445	443
Equity release	–	–	–	80	80	110
United Kingdom	338	4.6	1,538	4,325	5,863	5,820
France						
Euro funds[1]	13	5.6	73	1,291	1,364	979
Unit-linked funds	23	5.2	120	435	555	780
Protection business	14	6.4	89	2	91	73
Total life and pensions	50	5.6	282	1,728	2,010	1,832
Ireland						
Life and savings	19	5.0	95	201	296	459
Pensions	46	3.7	169	183	352	430
Total life and pensions	65	4.1	264	384	648	889
Italy	58	5.4	316	959	1,275	1,818
Netherlands (including Belgium and Germany)						
Life	34	6.6	225	255	480	420
Pensions	45	8.3	372	1,139	1,511	726
Total life and pensions	79	7.6	597	1,394	1,991	1,146
Poland						
Life and savings	23	5.2	120	323	443	205
Pensions	26	8.3	215	81	296	174
Total life and pensions	49	6.8	335	404	739	379
Spain						
Life and savings	61	5.4	331	541	872	898
Pensions	36	5.4	193	194	387	216
Total life and pensions	97	5.4	524	735	1,259	1,114
Other Europe	64	6.9	440	69	509	175
Europe	462	6.0	2,758	5,673	8,431	7,353
United States						
Life	30	8.0	239	12	251	271
Annuity	–	–	–	1,579	1,579	1,293
Funding agreements	–	–	–	375	375	152
North America	30	8.0	239	1,966	2,205	1,716
Asia	69	4.8	330	250	580	414
Australia	32	3.2	103	101	204	240
Asia Pacific	101	4.3	433	351	784	654
Total life and pensions	931	5.3	4,968	12,315	17,283	15,543

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

2 – Long-term savings continued

Analysis of sales via bancassurance channels

	Present value of new business premiums [1]		
	6 months 2008 £m	6 months 2007 £m	Growth local currency[2] %
Life and pensions			
United Kingdom	**628**	575	9%
France	**487**	417	3%
Ireland	**349**	435	(30)%
Italy			
Unicredit Group	**575**	1,106	(54)%
Banca Popolare Italiana group	**127**	175	(36)%
Banca delle Marche	**13**	39	(71)%
Banca Popolari Unite	**526**	479	(4)%
	1,241	1,799	(39)%
Netherlands	**227**	199	–
Poland	**291**	46	409%
Spain			
Bancaja	**312**	405	(32)%
Caixa Galicia	**137**	201	(40)%
Unicaja	**330**	258	12%
Caja España	**114**	89	13%
Caja de Granada	**54**	59	(20)%
Cajamurcia	**180**	–	–
	1,127	1,012	(2)%
Other Europe	**27**	–	–
Europe	**3,749**	3,908	(16)%
North America	**6**	27	(78)%
Asia Pacific	**312**	166	79%
Total life and pension sales	**4,695**	4,676	(9)%
Investment Sales[3]			
United Kingdom	**242**	202	20%
Total bancassurance sales	**4,937**	4,878	(8)%

1. 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.
2. Growth rates are calculated based on constant rates of exchange.
3. Investment sales are calculated as new single premium plus annualised value of new regular premiums.

Operating and financial review continued

2 – Long-term savings continued

Detailed worldwide life and pension new business

	Single			Regular			PVNBP
	6 months 2008 £m	6 months 2007 £m	Local currency growth[1]	**6 months 2008 £m**	6 months 2007 £m	Local currency growth[1]	Local currency growth[1]
United Kingdom							
Individual pensions	**1,068**	959	11%	**218**	211	3%	10%
Group pensions	**202**	367	(45)%	**40**	42	(5)%	(27)%
Annuities	**1,286**	927	39%	**–**	–	–	39%
Bonds	**1,628**	1,939	(16)%	**–**	–	–	(16)%
Protection	**61**	107	(43)%	**80**	63	27%	–
Equity release	**80**	110	(27)%	**–**	–	–	(27)%
United Kingdom	**4,325**	4,409	(2)%	**338**	316	7%	1%
France							
Euro funds[2]	**1,291**	925	23%	**13**	9	30%	22%
Unit-linked funds	**435**	631	(39)%	**23**	28	(28)%	(38)%
Protection business	**2**	1	100%	**14**	12	–	10%
Total life and pensions	**1,728**	1,557	(2)%	**50**	49	(11)%	(4)%
Ireland							
Life and savings	**201**	337	(48)%	**19**	26	(37)%	(43)%
Pensions	**183**	257	(38)%	**46**	46	(12)%	(28)%
Total life and pensions	**384**	594	(43)%	**65**	72	(21)%	(36)%
Italy							
Life and savings	**959**	1,456	(42)%	**58**	72	(29)%	(38)%
Netherlands **(including Belgium and Germany)**							
Life	**255**	219	2%	**34**	32	(6)%	–
Pensions	**1,139**	394	154%	**45**	40	(2)%	83%
Total life and pensions	**1,394**	613	100%	**79**	72	(4)%	53%
Poland							
Life and savings	**323**	130	98%	**23**	14	35%	74%
Pensions	**81**	64	1%	**26**	16	30%	36%
Total life and pensions	**404**	194	66%	**49**	30	32%	57%
Spain							
Life and savings	**541**	669	(29)%	**61**	43	24%	(15)%
Pensions	**194**	126	36%	**36**	16	100%	57%
Total life and pensions	**735**	795	(19)%	**97**	59	45%	(1)%
Other Europe	**69**	51	19%	**64**	31	92%	174%
Europe	**5,673**	5,260	(6)%	**462**	385	5%	–
United States							
Life	**12**	26	(54)%	**30**	35	(14)%	(7)%
Annuity	**1,579**	1,290	23%	**–**	1	(100)%	23%
Funding agreements	**375**	152	148%	**–**	–	–	148%
North America	**1,966**	1,468	35%	**30**	36	(17)%	29%
Asia	**250**	184	28%	**69**	48	38%	34%
Australia	**101**	146	(39)%	**32**	29	(3)%	(25)%
Asia Pacific	**351**	330	(3)%	**101**	77	22%	11%
Total life and pensions	**12,315**	11,467	1%	**931**	814	7%	4%

1. Growth rates 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.

2 – Long-term savings continued

Detailed worldwide investment sales analysis

	Single			Regular			PVNBP
	6 months 2008 £m	6 months 2007 £m	**Local currency growth[1]**	**6 months 2008 £m**	6 months 2007 £m	**Local currency growth[1]**	**Local currency growth[1]**
United Kingdom							
Peps/ISAs/Unit Trusts/OIECS/SIPPs	**732**	1,475	**(50)%**	**44[2]**	44[2]	**–**	**(47)%**
United Kingdom	**732**	1,475	**(50)%**	**44**	44	**–**	**(47)%**
Netherlands (including Belgium and Germany)							
Unit Trusts	**221**	365	**(47)%**	**–**	–	**–**	**(47)%**
Poland							
Mutual Funds	**43**	139	**(75)%**	**3**	2	**–**	**(74)%**
Other Europe							
UCITS	**259**	272	**(16)%**	**–**	–	**–**	**(16)%**
Europe	**523**	776	**(42)%**	**3**	2	**–**	**(42)%**
Asia Pacific							
Unit Trusts	**73**	80	**(20)%**	**–**	–	**–**	**(20)%**
Navigator	**978**	1,298	**(33)%**	**–**	–	**–**	**(33)%**
Asia Pacific	**1,051**	1,378	**(32)%**	**–**	–	**–**	**(32)%**
Total investment sales	**2,306**	3,629	**(41)%**	**47**	46	**–**	**(40)%**

1. Growth rates are calculated based on constant rates of exchange.
2. UK regular premium investment sales include SIPP products. These are similar in nature to pension products and their payment pattern is stable and predictable and accordingly they have been capitalised. Regular premium SIPP sales for the 6 months to 30 June 2008 totalled £16 million (2007: £19 million) and have been multiplied using a weighted average capitalisation factor of 5.0 (2007: 5.0). As such, regular premium SIPP sales have produced an overall contribution to investment sales of £80 million (2007: £95 million) out of the total UK investment sales of £840 million (2007: £1,595 million).

3 – Life EEV operating return

Worldwide Life EEV operating return before tax was 18% higher at £1,480 million (six months to 30 June 2007: £1,251 million) due to increased contributions from both new and existing business. New business contribution after the effect of required capital was 16% higher at £488 million (six months to 30 June 2007: £419 million) with the Group's new business margin after the effect of required capital improving to 2.8% (six months to 30 June 2007: 2.7%).

	6 months 2008 £m	6 months 2007 £m
Life EEV return		
New business contribution (after the effect of required capital)	**488**	419
Profit from existing business		
– expected return	**694**	600
– experience variances	**43**	(19)
– operating assumption changes	**(46)**	11
Expected return on shareholders' net worth	**301**	240
Life EEV operating return before tax	**1,480**	1,251
Analysed by:		
United Kingdom	**471**	413
Europe	**823**	679
North America	**139**	112
Asia Pacific	**47**	47
	1,480	1,251

3 – Life EEV operating return continued

	6 months 2008 £m	6 months 2007 £m
New business value post cost of capital	**488**	419
Persistency experience variances	**(9)**	(10)
Persistency assumption changes	**(1)**	–
Net flows after persistency	**478**	409
Other experience variances	**52**	(9)
Other operating assumption changes	**(45)**	11
Net flows after all operating experience and variances	**485**	411

After adjusting for adverse persistency experience and assumption changes of £10 million (six months to 30 June 2007: £10 million adverse) we continue to generate positive net flows into our life and pension book.

Geographical analysis of new business

	Present value of new business premiums		Before the effect of required capital: New business contribution		Before the effect of required capital: New business margin[1]		After the effect of required capital: New business contribution		After the effect of required capital: New business margin[1]	
	6 months		6 months		6 months		6 months		6 months	
	2008 £m	2007 £m	2008 £m	2007 £m	2008 %	2007 %	2008 £m	2007 £m	2008 %	2007 %
United Kingdom	**5,863**	5,820	**183**	178	**3.1%**	3.1%	**154**	143	**2.6%**	2.5%
France	**2,010**	1,832	**84**	80	**4.2%**	4.4%	**52**	54	**2.6%**	2.9%
Ireland	**648**	889	**5**	14	**0.8%**	1.6%	**2**	12	**0.3%**	1.3%
Italy	**1,275**	1,818	**37**	49	**2.9%**	2.7%	**29**	37	**2.3%**	2.0%
Netherlands (including Belgium and Germany)	**1,991**	1,146	**60**	37	**3.0%**	3.2%	**15**	24	**0.8%**	2.1%
Poland	**739**	379	**21**	17	**2.8%**	4.5%	**18**	15	**2.4%**	4.0%
Spain	**1,259**	1,114	**133**	88	**10.6%**	7.9%	**124**	79	**9.8%**	7.1%
Other Europe	**509**	175	**7**	(2)	**1.4%**	(1.1)%	**5**	(3)	**1.0%**	(1.7)%
Europe	**8,431**	7,353	**347**	283	**4.1%**	3.8%	**245**	218	**2.9%**	3.0%
North America	**2,205**	1,716	**92**	57	**4.2%**	3.3%	**68**	35	**3.1%**	2.0%
Asia	**580**	414	**22**	20	**3.8%**	4.8%	**15**	16	**2.6%**	3.9%
Australia	**204**	240	**12**	12	**5.9%**	5.0%	**6**	7	**2.9%**	2.9%
Asia Pacific	**784**	654	**34**	32	**4.3%**	4.9%	**21**	23	**2.7%**	3.5%
Total life and pensions business	**17,283**	15,543	**656**	550	**3.8%**	3.5%	**488**	419	**2.8%**	2.7%

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

United Kingdom

Our UK Life business delivered strong life and pension sales, up 1% at £5,863 million (six months to 30 June 2007: £5,820 million) in a declining market. Life EEV operating return increased 14% to £471 million (six months to 30 June 2007: £413 million), reflecting the increased profitability of our new business and strong improvement in expense experience.

New business margin was maintained at 3.1% (30 June 2007: 3.1%), as strong annuity volumes and expenses savings enabled us to absorb the impacts of a very competitive market and the transition to a 1% charge on stakeholder pensions. After required capital, our new business contribution was £154 million (six months to 30 June 2007: £143 million), with a margin of 2.6% (30 June 2007: 2.5%).

Total experience variances have improved to show an adverse variance of £5 million (six months to 30 June 2007: £37 million adverse). We have further reduced our adverse expense variance to £24 million (six months to 30 June 2007: £52 million) as we embed initiatives previously announced as part of our operational review. We continue to focus on extracting further value from our business as we simplify our infrastructure and streamline our operations. In October 2007 we announced that we were targeting a further £100 million savings. By the end of June 2008, we have achieved annualised savings of £30 million, which contributed £14 million to our half year financial performance. Adverse lapse experience of £10 million (six months to 30 June 2007: £6 million adverse) reflects the impact of changes to capital gains tax rules for unit-linked bonds. We continue to focus on customer retention activities in light of the current economic conditions.

3 – Life EEV operating return continued

Europe
We have a strong portfolio of businesses across Europe with operations in both mature economies and the fast growing central and eastern European states. This diversity has enabled us to deliver resilient sales despite a challenging economic environment.

Life and pensions sales in Aviva Europe increased by 15% to £8,431 million (six months to 30 June 2007: £7,353 million). The strength of the euro has had a positive impact on these results and, on a local currency basis, sales in the region were flat. The results reflect both the volatile investment market conditions reducing customers' appetite for long term savings and banks' current emphasis on offering higher rate deposits instead of long-term savings products in response to reduced liquidity in the market.

Life EEV operating return increased 21% to £823 million (six months to 30 June 2007: £679 million). New business contribution after the effect of required capital increased to £245 million (six months to 30 June 2007: £218 million), with strong growth in Spain partly offset by falls in Ireland and Italy where volumes were lower. New business margins before and after required capital were 4.1% and 2.9% respectively (30 June 2007: 3.8% and 3.0% respectively).

Expected returns on existing business and shareholders' net worth were higher at £562 million (six months to 30 June 2007: £429 million), reflecting higher start of year embedded value. Experience variances were £71 million favourable (six months to 30 June 2007: £19 million), largely reflecting stronger cost control in the Netherlands. Operating assumption changes were £55 million adverse (six months to 30 June 2007: £13 million favourable) reflecting strengthening of allowances for annuitant mortality in the Netherlands.

In France, our sales of £2,010 million (six months to 30 June 2007: £1,832 million) reflect the strength of the euro. On a constant currency basis sales declined by 4% against prior year, however we out-performed the overall market which declined by 7%. The operating return on an EEV basis increased by 32% to £297 million (six months to 30 June 2007: £225 million) reflecting both the strong euro, continued positive experience variances on mortality and the reduction in cost of required capital arising from the recognition of an increased value of implicit items.

Ireland sales were down 27% to £648 million (six months to 30 June 2007: £889 million). The slowdown was mainly due to reduced demand for property and investment funds and less buoyant economic conditions. New business contribution of £5 million (six months to 30 June 2007: £14 million) reflected the fall in volumes and operating profit on an EEV basis was £30 million (six months to 30 June 2007: £37 million).

Sales in Italy were down 30% to £1,275 million (six months to 30 June 2007: £1,818 million), reflecting market volatility and a change in timing of marketing campaigns as our bank partners focused more on attracting bank deposits rather than marketing long-term savings products in response to reduced liquidity in the banking sector. EEV operating profit increased to £89 million (six months to 30 June 2007: £72 million), reflecting the strength of the euro and favourable experience variances which have offset lower returns resulting from decreased sales.

Netherlands sales were higher at £1,991 million (six months to 30 June 2007: £1,146 million), boosted by three large group pension scheme contracts totalling £758 million and a strong performance in Belgium. EEV operating return was down on the prior period at £139 million (six months to 30 June 2007: £166 million) reflecting adverse assumption changes for mortality and unit-linked contract charges partly offset by favourable experience variances.

In Spain, sales were up 13% to £1,259 million (six months to 30 June 2007: £1,114 million) with new business margin up to 10.6% (30 June 2007: 7.9%) reflecting the benefit of the Cajamurcia risk portfolio transfer. Operating return on an EEV basis was £157 million (six months to 30 June 2007: £107 million) largely due to the higher new business contribution.

Our businesses in central and eastern Europe grew life and pension sales by 125% to £1,248 million (six months to 30 June 2007: £554 million). Operating return for the period increased by 54% to £111 million (six months to 30 June 2007: £72 million) reflecting higher new business contribution and favourable mortality and lapse variances in Poland.

North America
Our business in the United States has continued the outstanding growth since the acquisition of the former AmerUs Group, with total new business sales of £2,205 million (six months to 30 June 2007: £1,716 million), an increase of 28% over the prior period. This strong growth was accomplished despite a volatile economic environment in the US.

New business margins were consistent with full year 2007 at 4.2% and up from the prior period of 3.3%. This is largely due to favourable margins achieved on funding agreement sales combined with improved life margins including a no lapse guarantee, offset by reduced annuity margins due to higher option costs. New business contribution has improved to £92 million (six months to 30 June 2007: £57 million) as a result of these higher margins combined with increased sales levels.

Life EEV operating return was £139 million (six months to 30 June 2007: £112 million), an increase of 24% driven by the increases in new business contribution and higher expected returns partly offset by adverse persistency experience.

3 – Life EEV operating return continued

Asia Pacific
Life and pension sales growth was 20% at £784 million (six months to 30 June 2007: £654 million) mainly driven by China and India.

New business contribution of £34 million (six months to 30 June 2007: £32 million) was slightly ahead of the prior year reflecting the growth in premium income, while the margin fell to 4.3% (30 June 2007: 4.9%) due to a higher proportion of business being generated by our expanding businesses in India and China and the start up nature of operations in Malaysia and Taiwan. After the effect of required capital, the margin was 2.7% (30 June 2007: 3.5%).

Life EEV operating return was £47 million (six months to 30 June 2007: £47 million) mainly reflecting higher expected return arising from an increasing in-force business offset by a decrease in new business contribution and higher adverse experience variances.

4 – Bancassurance margins – before required capital, tax and minority interest

	Present value of new business premiums		New business contribution[2]		New business margin[3]	
	6 months 2008 £m	6 months 2007[1] £m	**6 months 2008 £m**	6 months 2007[1] £m	**6 months 2008 %**	6 months 2007[1] %
United Kingdom	**628**	575	**27**	24	**4.3%**	4.2%
France	**487**	417	**23**	19	**4.7%**	4.6%
Ireland	**349**	435	**4**	9	**1.1%**	2.1%
Italy	**1,241**	1,799	**36**	49	**2.9%**	2.7%
Netherlands	**227**	199	**7**	7	**3.1%**	3.5%
Poland	**291**	46	**1**	–	**0.3%**	–
Spain	**1,127**	1,012	**134**	87	**11.9%**	8.6%
Other Europe	**27**	–	**2**	–	**7.4%**	–
Europe	**3,749**	3,908	**207**	171	**5.5%**	4.4%
North America	**6**	27	**–**	(1)	**–**	(3.7)%
Asia Pacific	**312**	166	**9**	10	**2.9%**	7.2%
Bancassurance channels	**4,695**	4,676	**243**	204	**5.2%**	4.4%

1. Comparative periods restated to reflect all bancassurance channels, whereas previously we only reflected principal bancassurance channels.
2. Before effect of required capital which amounted to £41 million (six months to 30 June 2007: £32 million).
3. New business margin represents the ratio of new business contribution to present value of new business premiums, expressed as a percentage.

United Kingdom
Life and pension sales through the bancassurance agreement with The Royal Bank of Scotland Group continued to grow strongly, up 9% to £628 million (six months to 30 June 2007: £575 million) reflecting the commitment of both partners to the ongoing development of this successful relationship. New business margins increased slightly to 4.3% (30 June 2007: 4.2%). Including investment products, sales were up 12%.

Europe
In France, the new business margin of our bancassurance joint venture was stable at 4.7% (30 June 2007: 4.6%). In Ireland, new business margin was lower at 1.1% (30 June 2007: 2.1%) reflecting lower sales through our partnership with AIB which decreased by 20% in difficult market conditions. In Italy, our bancassurance partnerships produced lower sales of £1,241 million (six months to 30 June 2007: £1,799 million) but increased new business margin to 2.9% (30 June 2007: 2.7%). The new business bancassurance margin in Spain increased to 11.9% (30 June 2007: 8.6%), following the one-off transfer of a large risk portfolio into the Cajamurcia joint venture and the change in business mix across other venture partners. Our bancassurance agreement with ABN AMRO in the Netherlands generated a margin of 3.1% (30 June 2007: 3.5%) reflecting a change in business mix and increased competition.

North America
Sales were down to £6 million (six months to 30 June 2007: £27 million) reflecting the rationalisation of the Boston bancassurance channels as a result of the AmerUs acquisition.

Asia Pacific
Life and pension sales grew by 88% to £312 million (six months to 30 June 2007: £166 million), mainly driven by the impact of new product initiatives in Singapore, new businesses in Taiwan and Malaysia and sales growth from distribution expansion in China. New business margin at 2.9% (30 June 2007: 7.2%), reflected a higher proportion of business being generated in China, change in product mix and re-design brought about by legislative changes in India, and the start-up nature of operations in Malaysia and Taiwan.

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

New business contribution after required capital, tax and minority interest increased by 17% to £280 million (six months to 30 June 2007: £240 million) with a resultant new business margin of 1.8% (30 June 2007: 1.8%).

	Present value of new business premiums[1]		New business contribution[2]		New business margin[3]	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 %**	6 months 2007 %
Bancassurance channels	**2,894**	2,586	**80**	71	**2.8%**	2.7%
Other distribution channels	**12,319**	10,716	**200**	169	**1.6%**	1.6%
Total life and pensions business	**15,213**	13,302	**280**	240	**1.8%**	1.8%
Analysed by:						
United Kingdom	**5,863**	5,820	**111**	100	**1.9%**	1.7%
Europe	**6,364**	5,116	**109**	99	**1.7%**	1.9%
North America	**2,205**	1,716	**44**	23	**2.0%**	1.3%
Asia Pacific	**781**	650	**16**	18	**2.0%**	2.8%
	15,213	13,302	**280**	240	**1.8%**	1.8%

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

6 – 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 £970 million (six months to 30 June 2007 restated: £834 million), an increase of 16%. The increase is primarily driven by the special distribution in the United Kingdom and increased profits in Europe, especially in the Netherlands.

United Kingdom

IFRS operating profit was 20% higher at £428 million (six months to 30 June 2007 restated: £357 million) driven by the with-profits business and supported by a £107 million profit relating to the shareholder proportion of the first phase of the special distribution announced in February this year.

The non-profit result was down by 17% to £226 million (six months to 30 June 2007 restated: £272 million). The prior year included a £76 million one-off benefit from the implementation of the reserving changes introduced by PS06/14. Excluding this item, earnings of the non-profit business were up 15% on an underlying basis reflecting the benefit of cost saving initiatives.

Europe

In Europe life IFRS operating profit increased to £486 million (six months to 30 June 2007 restated: £395 million), driven primarily by increased profits in France, the Netherlands, Poland and Spain. Elsewhere investment market volatility has impacted profits through reduced sales.

In France operating profit increased to £145 million (six months to 30 June 2007 restated: £136 million) reflecting the favourable impact of the euro partly offset by reduced unit-linked income. Operating profit in Ireland was down on the prior period at £28 million (six months to 30 June 2007 restated: £31 million) driven by higher expenses and adverse claims and lapse experience. In the Netherlands operating profit was £134 million (six months to 30 June 2007 restated: £94 million) including £20 million one off release of a surplus in a staff pension provision partially offset by new business strain particularly on the new corporate pension schemes. In Poland operating profit increased to £76 million (six months to 30 June 2007 restated: £53 million) reflecting higher life and pension sales and favourable foreign exchange. Operating profit in Spain was higher at £74 million (six months to 30 June 2007 restated: £57 million) reflecting the acquisition of Cajamurcia Vida in the latter half of 2007. In Italy we have seen operating profit remain steady at £37 million (six months to 30 June 2007 restated: £38 million) despite the downturn in sales.

Aviva Europe's remaining businesses in central and eastern Europe contributed an improved operating loss of £8 million (six months to 30 June 2007 restated: £14 million loss), as we continue to build scale and market share in these developing countries.

North America

Life operating profit decreased by 28% to £42 million (six months to 30 June 2007 restated: £58 million) primarily due to margin compression from increased competitive pressures and higher cost of options to support product guarantees.

Asia Pacific

Life operating profit decreased to £14 million (six months to 30 June 2007 restated: £24 million), reflecting increased expenses arising from distribution expansion in China and India, and start-up costs in relation to the new businesses in Malaysia, Taiwan and Korea.

7 – Fund management

Our worldwide fund management operating profit decreased by 17% to £63 million (six months to 30 June 2007: £76 million) on an IFRS basis. Funds under management by Aviva at 30 June 2008 were £307 billion (31 December 2007: £316 billion) reflecting challenging global investment markets.

	6 months 2008 £m	6 months 2007[1] £m	Full year 2007[1] £m
Aviva Investors	**49**	58	123
United Kingdom	**(8)**	(4)	(10)
Europe	**13**	13	27
Asia Pacific	**9**	9	15
Total	**63**	76	155

1. Prior periods have been restated to reflect the new management structure including France and Canada.

On an EEV basis, the total operating profit from our fund management businesses was £30 million (six months to 30 June 2007: £45 million) and represents the profit from those funds managed on behalf of third parties and the Group's non-life businesses.

Aviva Investors
On 28 February, as part of the "one Aviva, twice the value" vision, we announced our plans to combine the asset management companies within Aviva to create a single, globally integrated asset manager to be known as Aviva Investors. We have started the transition to one global business and by 30 June 2008 had moved France and Canada to join the existing Morley business.

The combined Aviva Investors businesses reported operating profit of £49 million (six months to 30 June 2007: £58 million). This decrease was primarily due to the extremely poor conditions in global financial markets.

Within this, United Kingdom reported operating profit of £28 million for the six months ended 30 June 2008 (six months to 30 June 2007: £33 million) against a backdrop of turbulent investment markets. The commercial property market in the UK remains difficult, but our global property capability continues to be a market leader and many of our funds performed well on a relative basis.

France reported an operating profit of £16 million in line with the prior period (six months to 30 June 2007: £16 million). On a local currency basis, operating profit has decreased by 13% reflecting the downturn in fund management fees income as a consequence of investment market volatility during the period.

Other fund management businesses
United Kingdom operating loss of £8 million comprises £2 million loss (six months ended 30 June 2007: £nil) from our Norwich Union retail investment business and £6 million loss (six months to 30 June 2007: £4 million loss) from our collective investment business with RBSG.

Europe operating profit of £13 million (six months to 30 June 2007: £13 million) reflected positive foreign exchange movements offset by lower fee income from funds under management, which have been affected by volatile stock markets.

Asia Pacific, comprising our Navigator business in Australia and Singapore, contributed £9 million in line with the prior period.

8 – General insurance and health operating profit

The group's net written premiums from its worldwide general insurance and health businesses increased by 5% to £5,800 million for the six month period to 30 June 2008 (six months to 30 June 2007: £5,498 million).

Group operating profit from general insurance and health businesses decreased by 4% to £538 million (six months to 30 June 2007: £560 million). The worldwide general insurance combined operating ratio (COR) has remained stable at 97% (30 June 2007: 97%).

The general insurance and health underwriting result increased to £58 million (six months to 30 June 2007: £49 million). The worldwide GI expense ratio has decreased to 12.7% (30 June 2007: 12.9%), primarily driven by cost savings achieved by our UK general insurance business.

The longer-term investment return (LTIR) on general insurance and health business assets was lower at £480 million (six months to 30 June 2007: £511 million) resulting from the changes in asset mix due to equity de-risking that took place in the latter half of 2007 and lower levels of investments following payment of flood claims in the United Kingdom.

We continue to apply our reserving policy consistently and 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 conservatism applied in setting the reserves, there are releases of £230 million, net of reinsurance, in 2008 which reflect releases from the 2007 accident year and prior.

8 – General insurance and health operating profit continued

	Net written premiums		Underwriting result		Operating profit	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m
United Kingdom	**2,832**	2,950	**37**	(46)	**326**	284
Europe	**2,183**	1,869	**7**	88	**137**	203
North America	**771**	665	**15**	5	**76**	70
Asia Pacific	**14**	14	**(1)**	2	**(1)**	3
Continuing operations	**5,800**	5,498	**58**	49	**538**	560

United Kingdom

Total operating profit of £326 million (six months to 30 June 2007: £ 284 million) includes contributions of £21 million from our captive reinsurance operations and health business. Our group captive reinsurer, Aviva Re, reported an operating profit of £19 million (six months to 30 June 2007: £17 million) and PMI health result was a profit of £2 million (six months to 30 June 2007: £2 million loss), reflecting higher underlying profitablility and withdrawal from less profitable international business. The following commentary relates to Norwich Union Insurance, our UK general insurance business only.

Norwich Union Insurance is the leading general insurer in the United Kingdom. We provide a range of insurance products focused on personal and small business customers, together with a range of motoring solutions through the RAC and associated brands.

Net written premiums have decreased by 4% to £2,589 million (2007: £2,699 million). The reduction in premiums reflects lower levels of creditor business resulting from the ongoing uncertainty in the creditor market generally, coupled with our determination to write business for profit rather than volumes. In personal motor we have achieved rate increases of 5% (2007: 8%). Homeowner rates have increased by 10% (2007: 5%), reflecting the action initiated in August 2007 as a response to almost a decade of flat rates in that market. Rates in commercial lines have been steadily increasing and we have achieved an overall average annualised increase of 2% (2007: 3% decrease). However, this market remains extremely competitive and we have seen volumes decrease as a result.

For the six month period to 30 June 2008, general insurance profits increased to £305 million (2007: £269 million), despite a continuation of the challenging market conditions seen throughout 2007. Our combined operating ratio improved to 98% (2007: 102%) and is now in line with the Group target.

The principal factor in the improved profitability was that weather-related claims were in line with normal expectations compared with a £235 million adverse impact in the first half of 2007. The result includes savings on prior year claims development of £160 million (six months to 30 June 2007: £245 million). Performance in the first half of the year has also been impacted by the difficult market conditions and an increase in commission costs, driven by consolidation within the broker market. These factors have outweighed the benefits we have derived from our initiatives to deliver cost savings and control claims inflation.

Longer-term investment return (LTIR) is 13% lower on the prior period to £273 million (six months to 30 June 2007: £315 million) driven by the de-risking of the portfolio, which has seen higher yielding equities replaced by more secure fixed interest securities, and adverse cash flow in both 2007 and 2008 which has resulted in lower levels of investments held.

In October 2007 we announced a programme to leverage the investments we have made in recent years and deliver cost savings of £200 million in 2008 from the first phase of this programme. We are on track to deliver these savings and our expense ratio for the half year has improved to 12.8% (30 June 2007: 13.6%) and, notwithstanding the pressure on business volumes, we expect the full year ratio will be in line with the target of 12.4% presented at the analyst day in October 2007.

In June 2008 we announced details of the second phase of the programme to transform our business. This phase is designed to improve service and drive growth and will involve the redesign of the Operations function, simplification of processes, improvements in customer services and the consolidation of expertise into nine modern insurance centres of excellence. We expect this phase, together with additional actions being taken in other areas (most notably in the IT function), will deliver further cost savings of £150 million per annum and an expense ratio of less than 11% by 2010 (based on current volumes of business), giving us significant competitive advantage in the UK market.

Europe

Aviva Europe's net written premiums increased by 17% to £2,183 million (six months to 30 June 2007: £1,869 million), reflecting the strength of the euro whilst the underlying trend is one of increasing price competition across a number of countries. Our general insurance and health businesses recorded operating profits of £137 million (six months to 30 June 2007: £203 million) reflecting the current competitive nature of the insurance markets particularly in Ireland and the Netherlands.

In France we recorded net written premiums of £485 million (six months to 30 June 2007: £421 million) and an operating profit of £30 million (six months to 30 June 2007: £31 million). A small underwriting profit of £1 million was achieved against a breakeven result in 2007 reflecting favourable claims experience and control of costs. An improved general insurance COR was achieved at 96% (30 June 2007: 97%).

8 – General insurance and health operating profit continued

Our market-leading Irish business has continued to experience intense competitive pressures within the market which have impacted the operating profit, down to £41 million for the period (six months to 30 June 2007: £80 million). The combined operating ratio worsened to 98% (30 June 2007: 78%) reflecting increased claims frequency and large claims during the first half of 2008, which impacted the underwriting result of £8 million (six months to 30 June 2007: £53 million). Net written premiums were £266 million for the period (six months to 30 June 2007: £245 million). We recently announced the acquisition of VIVAS Health, rebranded as Hibernian Health in June, which will enable us to compete strongly in the health market and add to our competitive strength.

In the Netherlands, our general insurance and health business recorded an operating profit of £44 million (six months to 30 June 2007: £70 million). Net written premiums increased to £1,233 million (six months to 30 June 2007: £1,055 million) driven by higher volumes and ratings increases and the acquisition of Erasmus in April 2007. The general insurance business recorded an operating profit of £57 million (six months to 30 June 2007: £86 million) and the COR worsened to 92% (30 June 2007: 76%) reflecting deterioration in claims experience, particularly motor, lower reserve releases in 2008 as well as pressure on premium rates. The health business reported an operating loss of £13 million (six months to 30 June 2007: £16 million loss) as rating improvements in late 2007 took effect. The health business has been shown as held for sale as at 30 June 2008 as we have previously announced the sale of this business to OWM CZ Groep Zorgverkeraar, which is expected to complete on 1 January 2009. In the meantime Delta Lloyd has commenced selling its products to CZ's existing customer base. Delta Lloyd has recently launched a new online insurer, iZio, in the Netherlands, offering competitively priced general insurance products including home contents and car insurance.

Our other general insurance operations in Italy, Turkey and Poland contributed operating profit of £22 million (six months to 30 June 2007: £22 million) and net written premiums of £199 million (six months to 30 June 2007: £148 million).

North America
In the highly competitive Canadian market, we continue to achieve growth without compromising profitability. Net written premiums were £771 million (six months to 30 June 2007: £665 million). On a constant currency basis, this is an increase of 4%, reflecting growth in commercial lines.

The underwriting result was £15 million (six months to 30 June 2007: £5 million) with a favourable movement in COR to 98% (30 June 2007: 99%). Strong premium growth and favourable prior year claims development were partially offset by claims inflation, increases in claim frequency combined with losses from the record winter snowfall.

Operating profit was £76 million (six months to 30 June 2007: £70 million) with the positive movement in the underwriting result being partly offset by lower investment income following the equity de-risking that took place in the latter half of 2007.

Asia Pacific
The businesses in Asia Pacific reported an operating loss of £1 million (six month period to 30 June 2007: £3 million profit) due to higher claims from the health business in Singapore, fire related claims in Malaysia and flood related claims in Sri Lanka.

9 – Other operations and regional costs

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Europe	**(12)**	–	(11)
North America	**(5)**	–	(2)
Asia Pacific	**(9)**	–	(3)
Regional costs	**(26)**	–	(16)
United Kingdom	**(33)**	(23)	(8)
Europe	**(10)**	(22)	(38)
North America	**1**	–	(2)
Asia Pacific	**2**	(4)	(10)
Other operations	**(40)**	(49)	(58)
Total	**(66)**	(49)	(74)

United Kingdom
The £33 million loss for the period (six months to 30 June 2007: £23 million loss) mainly comprises a £23 million loss arising from the Lifetime wrap platform and a £12 million increase in the provision for interest on disputed tax liabilities, £5 million of which is exchange rate related. This is partly offset by a £5 million profit from the Norwich Union Insurance non-insurance operations. Following a strategic review of the Lifetime platform, a decision has been made to enter into a strategic partnership with Scottish Friendly to run the Lifetime back office administration and migrate the wrap onto their existing platform. This has given rise to impairment losses and restructuring costs as discussed on page 18.

Europe
The loss of £22 million for the period (six months to 30 June 2007: £22 million loss) principally reflects the inclusion of Aviva Europe regional office costs of £12 million, following regionalisation in July 2007. Head office costs in our French business have increased due to higher staff and finance strategy costs while in the Netherlands, lower staff incentive plan costs were partly offset by lower profit in the Dutch banking division.

9 – Other operations and regional costs continued

North America
The loss of £4 million (six months to 30 June 2007: £nil) reflects the inclusion of regional costs and other non-insurance businesses.

Asia Pacific
The increased loss of £7 million (six months to 30 June 2007: £4 million loss) reflects the new regional costs.

10 – Corporate centre

The corporate centre result for the period was lower at £71 million (six months to 30 June 2007: £80 million) due to lower central spend and staff incentive costs. Within this total, project spend has increased to £20 million (six months to 30 June 2007: £13 million), driven by the corporate centre's share of the ongoing implementation of the global finance strategy. This project will allow us to deliver new reporting requirements under MCEV and Solvency II and compliance with Sarbanes-Oxley (which would support a potential US listing). Further expenditure to deliver this project is also included in each region's operating profit.

11 – Group debt costs and other interest

Group debt costs and other interest of £201 million (six months to 30 June 2007: £190 million) comprise internal and external interest on borrowings, subordinated debt and intra-group loans not allocated to local business operations. Interest costs remained at prior period levels of £223 million (six months to 30 June 2007: £222 million). Within this, external interest costs were £128 million (six months to 30 June 2007: £129 million) reflecting higher interest on subordinated debt, due to hybrid debt issue in May 2008, offset by lower commercial paper interest as the proceeds were used to repay some commercial paper. Internal interest costs remain unchanged at £95 million (six months to 30 June 2007: £93 million). Also included is UK net pension income which represents the expected return on pension scheme assets less the interest charge on pension scheme liabilities. Net pension income fell to £22 million (six months to 30 June 2007: £32 million) reflecting lower asset returns due to equity de-risking.

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 is settled in accordance with IFRS and will be reflected in the second half of the year.

12 – (Loss)/profit before tax

	EEV basis		IFRS basis	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m
Operating profit before tax	**1,719**	1,541	**1,233**	1,151
Investment return variances and economic assumption changes on long-term business	**(2,783)**	542	**(636)**	107
Short-term fluctuation in return on investments backing general insurance and health business	**(314)**	37	**(314)**	37
Impairment of goodwill	**(42)**	(3)	**(42)**	(3)
Amortisation and impairment of intangibles	**(44)**	(41)	**(51)**	(49)
Profit/(loss) on the disposal of subsidiaries and associates	**9**	(5)	**9**	(5)
Integration and restructuring costs	**(132)**	(40)	**(132)**	(40)
Exceptional costs for termination of operations	**(84)**	–	**(84)**	–
(Loss)/profit before tax / (Loss)/profit before tax attributable to shareholders' profits	**(1,671)**	2,031	**(17)**	1,198

Loss before tax on an EEV basis was £1,671 million (six months to 30 June 2007: £2,031 million profit), and includes unfavourable investment variance and economic assumption changes on long-term business of £2,783 million (six months to 30 June 2007: £542 million favourable). These variances reflect the impact of the worsening economic conditions prevailing during the period and volatile investment markets.

The IFRS long-term business unfavourable investment variance of £636 million (six months to 30 June 2007: £107 million favourable) was driven by increasing risk free rates, widening credit spreads and poor equity performance across all regions. The effect of these together with non-life investment market movements and integration costs are included in the IFRS loss before tax attributable to shareholders' of £17 million (six months to 30 June 2007: £1,198 million profit).

The adverse short-term fluctuation in return on investments backing general insurance and health business of £314 million (six months to 30 June 2007: £37 million positive) is due to lower market returns compared to our longer-term investment return assumptions. The group reduced its exposure to equities through an active sell off of part of our equity book in the second half of 2007.

Impairment of goodwill of £42 million (six months to 30 June 2007: £3 million) is mainly driven by £39 million impairment of goodwill balances in the Netherlands.

12 – (Loss)/profit before tax continued

Amortisation and impairment of intangibles on an IFRS basis was £51 million (2007: £49 million). This mainly reflects the amortisation of the intangible benefit from acquired distribution channels in North America and Europe and the amortisation of capitalised development costs and exclusivity rights in the United Kingdom.

Integration and restructuring costs of £132 million (six months to 30 June 2007: £40 million) comprises phase one restructuring costs of £38 million announced in October 2007 and phase two restructuring costs of £83 million announced in June 2008. The balance mainly related to the implementation of Aviva Investors.

Exceptional costs for termination of operations of £84 million (six months to 30 June 2007: £nil) are due to the migration of the wrap platform in the UK to a third party provider, Scottish Friendly. These costs include write-downs of goodwill and intangible assets.

13 – Taxation

The taxation credit for the six month period was £396 million (six months to 30 June 2007: £529 million charge) on an EEV basis and includes a charge of £523 million (six months to 30 June 2007: £416 million) in respect of operating profit, which is equivalent to an effective rate of 30.4% (2007: 27.0%) mainly reflecting increased profits in France, Spain and the US which are taxed at higher rates. The effective tax rate on IFRS operating profit is 28.7% (2007: 28.6%).

14 – Earnings per share

Our IFRS loss per share, on a total return basis, for the six month period is a loss of 3.9 pence (six months to 30 June 2007: 31.0 pence profit). The 7% increase in operating profit to £1,233 million (six months to 30 June 2007: £1,151 million) is more than offset by the impact of investment variances and economic assumption changes in our long-term business and adverse short-term fluctuations in our general insurance businesses, resulting from the current economic climate and volatile investment markets, of £950 million (six months to 30 June 2007: £144 million favourable).

15 – Dividends

Ordinary dividends
The Board has recommended a 10% increase in the interim dividend to 13.09 pence net per share (30 June 2007: 11.90 pence) payable on 17 November 2008 to shareholders on the register on 26 September 2008.

Preference dividends

8 3/8% cumulative irredeemable preference shares of £1 each
The Board has recommended a dividend of 4.1875% per share for the six month period ending 30 September 2008 payable on 30 September 2008 to preference shareholders that were on the register on 15 August 2008.

8 3/4% cumulative irredeemable preference shares of £1 each
The Board has recommended a dividend of 4.375% per share for the six month period ending 31 December 2008 payable on 31 December 2008 to preference shareholders on the register on 14 November 2008.

16 – Pension fund deficit

At 30 June 2008, the Group's overall pension fund deficit less surpluses had increased by £337 million to £515 million (gross of tax). This was mainly due to a £998 million loss on assets offset by the payment of £320 million into the scheme (which completes our commitment to provide funding of £700 million) and £230 million of net gains from changes in the assumptions and better demographic experience than expected.

17 – Return on equity shareholders' funds

The Group's annualised post-tax operating return on equity shareholders' funds was 10.3% (30 June 2007: 11.6%; 31 December 2007: 11.3%), reflecting the impact of a higher opening capital base partly offset by a 5% increase in post tax EEV operating profit reflecting the improvement in long-term business results.

18 – Capital

Capital management objectives

Aviva's capital management philosophy is focused on capital efficiency and effective risk management to support a progressive dividend policy and EPS growth. Rigorous capital allocation is one of the group's primary strategic priorities and is ultimately governed by the Group Executive Committee.

The group's overall capital risk appetite is set and managed with reference to the requirements of a range of different stakeholders including shareholders, policyholders, regulators and rating agencies. In managing capital we seek to:

– maintain sufficient, but not excessive, financial strength to support new business growth and satisfy the requirements of our stakeholders;

– optimise our overall debt to equity structure to enhance our returns to shareholders, subject to our capital risk appetite and balancing the requirements of the range of stakeholders;

– retain financial flexibility by maintaining strong liquidity, including significant unutilised committed credit lines and access to a range of capital markets;

– allocate capital rigorously across the group, to drive value adding growth in accordance with risk appetite;

– increase the dividend on a basis judged prudent, while retaining capital to support future business growth, using dividend cover on an IFRS operating earnings after tax basis in the 1.5 to 2.0 times range as a guide.

Capital resources

The primary sources of capital used by the group are equity shareholders' funds, preference shares, subordinated debt and borrowings. We also consider and, where efficient to do so, utilise alternative sources of capital such as reinsurance and securitisation in addition to the more traditional sources of funding. Targets are established in relation to regulatory solvency, ratings, liquidity and dividend capacity and are a key tool in managing capital in accordance with our risk appetite and the requirements of our various stakeholders.

Overall, the group 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, Aa3 ("excellent") with a stable outlook from Moody's and A+ ("Superior") with a stable outlook from AM Best. These ratings reflect the group's strong liquidity, competitive position, capital base, increasing underlying earnings and strategic and operational management. The Group is subject to a number of regulatory capital tests and also employs economic capital measures to manage capital and risk.

Capital allocation

Capital allocation is undertaken based on a rigorous analysis of a range of financial, strategic, risk and capital factors to ensure that capital is allocated efficiently to value adding business opportunities. A clear management decision making framework, incorporating ongoing operational and strategic performance review, periodic longer term strategic and financial planning and robust due diligence over capital allocation is in place, governed by the Group Executive Committee and Group Capital Management Committee. These processes incorporate various capital profitability metrics, including an assessment of return on capital employed and internal rates of return in relation to hurdle rates to ensure capital is allocated efficiently and that excess business unit capital is repatriated where appropriate.

Different measures of capital

In recognition of the requirements of different stakeholders, the group measures its capital on a number of different bases, all of which are taken into account when managing and allocating capital across the group. These include measures which comply with the regulatory regimes within which the group operates and those which the directors consider appropriate for the management of the business. The primary measures which the group uses are:

(i) Accounting bases

The group reports its results on both an IFRS and a European Embedded Value basis. The directors consider that the European Embedded Value principles provide a more meaningful measure of the long term underlying value of the capital employed in the group's life and related businesses. This basis allows for the impact of uncertainty in the future investment returns more explicitly and is consistent with the way the life business is priced and managed. Accordingly, in addition to IFRS, we analyse and measure the net asset value and total capital employed for the group on this basis. This is the basis on which group return on equity is measured and against which the corresponding Group target is expressed.

(ii) Regulatory bases

Individual regulated subsidiaries measure and report solvency based on applicable local regulations, including in the UK the regulations established by the Financial Services Authority (FSA). These measures are also consolidated under the European Insurance Groups Directive (IGD) to calculate regulatory capital adequacy at an aggregate Group level. The Group has fully complied with these regulatory requirements during the year.

(iii) Rating agency bases

The group's ratings are an important indicator of financial strength and maintenance of these ratings is one of the key drivers of capital risk appetite. Certain rating agencies have proprietary capital models which they use to assess available capital resources against capital requirements, as a component of their overall criteria for assigning ratings. In addition, rating agency measures and targets in respect of gearing and fixed charge cover are important in evaluating the level of borrowings utilised by the group. While not mandatory external requirements, in practice rating agency capital measures tend to act as one of the primary drivers of capital requirements, reflecting the capital strength required in relation to our target ratings.

18 – Capital continued

(iv) Economic bases
The group also measures its capital using an economic capital model that takes into account a more realistic set of financial and non-financial assumptions. This model has been developed considerably over the past few years and is increasingly relevant in the internal management and external assessment of the group's capital resources. The economic capital model is used to assess the group's capital strength in accordance with the Individual Capital Assessment (ICA) requirements established by the FSA. Further developments are planned to meet the emerging requirements of the Solvency II framework.

Accounting basis and capital employed by segment
The table below shows how our capital, on an EEV basis, is deployed by segment and how that capital is funded.

	30 June 2008 £m	31 December 2007 £m
Long-term savings	**22,900**	23,272
General insurance and health	**5,212**	5,487
Other business including fund management	**684**	1,056
Corporate[1]	**(32)**	(31)
Total capital employed	**28,764**	29,784
Financed by:		
Equity shareholders funds	**18,672**	20,253
Minority interests	**3,385**	3,131
Direct capital instrument	**990**	990
Preference shares	**200**	200
Subordinated debt	**3,911**	3,054
External debt	**721**	1,257
Net internal debt	**885**	899
	28,764	29,784
Net asset value per share – EEV basis	**702p**	772p

1. The "Corporate" net liabilities represent the element of the pension scheme deficit held centrally.

At 30 June 2008 the group had £28.8 billion (31 December 2007: £29.8 billion) of total capital employed in its trading operations, measured on an EEV basis. Net asset value per ordinary share, based on equity shareholders' funds, has decreased to 702 pence per share (31 December 2007: 772 pence per share).

Total capital employed is financed by a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings. In addition to our external funding sources, we have certain internal borrowing arrangements in place which allow some of the assets that support technical liabilities to be invested in a pool of central assets for use across the group. These internal debt balances allow for the capital allocated to business operations to exceed the externally sourced capital resources of the group. Although intra-group in nature, they are included as part of the capital base for the purpose of capital management. These arrangements arise in relation to the following:

- Certain subsidiaries, subject to continuing to satisfy standalone capital and liquidity requirements, loan funds to corporate and holding entities, these loans satisfy arms length criteria and all interest payments are made when due.
- Aviva International Insurance (AII) Ltd acts as both a UK general insurer and as the primary holding company for the group's foreign subsidiaries. Internal capital management mechanisms in place allocate a portion of the total capital of the company to the UK general insurance operations. These mechanisms also allow for some of the assets backing technical liabilities to be made available for use across the group. Balances in respect of these arrangements are also treated as internal debt for capital management purposes.

Net internal debt represents the balance of the above amounts due from corporate and holding entities, less the tangible net assets held by these entities.

On 13 May 2008 the group issued £0.8 billion equivalent of Lower Tier 2 hybrid in a dual-tranche transaction (£400 million and €500 million). £0.6 billion of the proceeds was used to repay short-term Commercial Paper borrowings. This transaction had a positive impact on Group IGD Solvency and Economic capital measures.

Financial leverage, the ratio of the group's external senior and subordinated debt to EEV capital and reserves, was 20% (31 December 2007: 17%). Fixed charge cover, which measures the extent to which external interest costs, including subordinated debt interest and preference dividends, are covered by EEV operating profit was 11.8 times (31 December 2007: 9.8 times).

18 – Capital continued

Regulatory bases

Regulatory basis – Group: European Insurance Groups Directive

	30 June 2008	31 December 2007
Insurance Groups Directive (IGD) excess solvency	**£1.8 billion**	£2.9 billion
Cover (times) over EU minimum	**1.3 times**	1.5 times

The group has a regulatory obligation to have positive solvency on a regulatory IGD basis at all times. The group's risk management processes ensure adequate review of this measure. At 30 June 2008, the estimated excess regulatory capital was £1.8 billion (31 December 2007: £2.9 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 I Directive. In broad terms, for EU operations, this is set at 4% and 1% of non-linked and unit-linked life reserves respectively and for Aviva's general insurance portfolio of business is the higher of 18% of gross premiums or 26% of gross claims, in both cases adjusted to reflect the level of reinsurance recoveries. For the Group's major non-European businesses (the US, Australia and Canada) a risk charge on assets and liabilities approach is used. The IGD is a pure aggregation test with no credit given for the considerable diversification benefits of Aviva.

Our excess solvency of £1.8 billion reflects a net decrease of £1.1 billion since 31 December 2007 mainly reflecting the market downturn over the last six months.

Regulatory basis - General insurance and International

Our principal UK general insurance regulated subsidiary is Aviva International Insurance Group (AII). The combined businesses of the AII group have a strong solvency position as set out in the table below. On an aggregate basis the estimated excess solvency margin (representing the regulatory value of excess available assets over the required minimum margin) amounted to £1.9 billion (31 December 2007: £3.5 billion) after covering the minimum capital base of £6.3 billion (31 December 2007: £5.5 billion).

	30 June 2008	31 December 2007
Capital resources	**£8.2 billion**	£9.0 billion
Capital resources requirement	**£6.3 billion**	£5.5 billion
Solvency surplus	**£1.9 billion**	£3.5 billion
Cover	**1.3 times**	1.6 times

Regulatory basis – Long-term businesses

For the group's non-participating worldwide life assurance businesses, our capital requirements, expressed as a percentage of the EU minimum, are set for internal management and embedded value reporting purposes as the higher of:

- Target levels set by reference to internal risk assessment and internal objectives, taking account of the level of operational, demographic, market and currency risk
- Minimum capital level (i.e. level of solvency capital at which local regulator is empowered to take action)

The required capital across the group's life businesses varies between 100% and 250% of EU minimum or equivalent. The weighted average level of required capital for the group's non-participating life business, expressed as a percentage of the EU minimum (or equivalent) solvency margin has remained stable at 130% (31 December 2007: 130%).

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 2008 the aggregate regulatory requirements based on the EU minimum test amounted to £5.5 billion (31 December 2007: £5.1 billion). At this date, the actual net worth held in the group's long-term business was £9.7 billion (31 December 2007: £10.5 billion) which represents 176% (31 December 2007: 205%) of these minimum requirements.

Regulatory basis – UK Life with-profit funds

The available capital of the with-profit funds is represented by the realistic inherited estate. The estate represents the assets of the long-term with-profit funds less the realistic liabilities for non-profit policies within the funds, less asset shares aggregated across the with-profit policies and any additional amounts expected at the valuation date to be paid to in-force policyholders in the future in respect of smoothing costs, guarantees and promises. Realistic balance sheet information is shown below for the three main UK with-profit funds; CGNU Life, Commercial Union Life Assurance Company (CULAC) and Norwich Union Life & Pensions (NUL&P). These realistic liabilities have been included within the long-term business provision and the liability for insurance and investment contracts on the group's IFRS balance sheet at 30 June 2008 and 31 December 2007.

18 – Capital continued

	30 June 2008					31 December 2007
	Estimated realistic assets £bn	Estimated realistic liabilities[1,2] £bn	Estimated realistic inherited estate[3] £bn	Estimated risk capital margin[4] £bn	Estimated excess £bn	Estimated excess £bn
CGNU Life	**13.5**	**(12.4)**	**1.1**	**(0.3)**	**0.8**	1.1
CULAC	**13.0**	**(12.0)**	**1.0**	**(0.3)**	**0.7**	0.8
NUL&P[5]	**23.3**	**(21.6)**	**1.7**	**(0.4)**	**1.3**	1.3
Aggregate	**49.8**	**(46.0)**	**3.8**	**(1.0)**	**2.8**	3.2

1. These realistic liabilities include the shareholders' share of future bonuses of £0.9 billion (31 December 2007: £1.2 billion). Realistic liabilities adjusted to eliminate the shareholders' share of future bonuses are £45.1 billion (31 December 2007: £48.8 billion).
2. These realistic liabilities make provision for guarantees, options and promises on a market consistent stochastic basis. The value of the provision net of charges included within realistic liabilities is £0.8 billion, £0.8 billion and £2.3 billion for CGNU Life, CULAC and NUL&P respectively (31 December 2007: £0.6 billion, £0.7 billion and £2.3 billion for CGNU Life, CULAC and NUL&P respectively).
3. Estimated realistic inherited estate at 31 December 2007 was £1.4 billion, £1.2 billion and £1.9 billion for CGNU Life, CULAC and NUL&P respectively.
4. The risk capital margin (RCM) is 3.9 times covered by the inherited estate (31 December 2007: 3.7 times).
5. The NUL&P fund includes the Provident Mutual (PM) fund which has realistic assets of £1.9 billion and liabilities of £1.9 billion and therefore does not impact the realistic inherited estate.

Investment mix

The aggregate investment mix of the assets in the three main with-profit funds at 30 June 2008 was:

	30 June 2008 %	31 December 2007 %
Equity	**30%**	37%
Property	**13%**	13%
Fixed interest	**42%**	37%
Other	**15%**	13%
	100%	100%

The equity backing ratios, including property, supporting with-profit asset shares are 69% in CGNU Life and CULAC and 68% in NUL&P. New with-profit business is mainly written through CGNU Life.

Reattribution of inherited estate

Aviva has been pursuing the possibility of a reattribution of the inherited estate of two of Norwich Union's with-profit funds (CGNU Life and Commercial Union Life Assurance Company (CULAC)). As part of this process in November 2006 Aviva appointed Clare Spottiswoode as independent Policyholder Advocate, a consumer led role created to represent policyholders under the Financial Services Authority (FSA) rules governing reattribution. Following eighteen months of negotiations between Aviva and the Policyholder Advocate on the reattribution of the inherited estate of the two funds, negotiations have now concluded and an offer of £1 billion has been agreed for the one million eligible policyholders. The intention is to make an offer later this year to each policyholder, that will give them a free choice as to whether to accept the offer or not in a voting process. Norwich Union and Aviva will take into account a number of factors (including financial and practical considerations) before finally deciding to make offers to individual eligible policyholders. The FSA has conducted a preliminary review and has not objected to the offer being put to policyholders, and will make its final review once the policyholder election is complete. Once the election process concludes, the reattribution and associated fund transfer will also require the approval of the High Court and final confirmation by the boards of Aviva and the relevant Norwich Union Life companies. Payments are currently expected to be made in summer 2009.

Regulatory basis – Solvency II

Solvency II represents new legislation which proposes a fundamental review of the capital adequacy regime for the European insurance industry. It aims to establish a revised set of EU-wide capital requirements and risk management standards that will replace the current requirements applicable to European insurance firms and groups. Solvency II is a unique opportunity to modernise the regulation of insurance companies and groups. Aviva's vision for Solvency II is to establish a risk based and transparent European 'best in class' solvency regime, under which the industry's stakeholders, including customers, investors and regulators, will have greater confidence in the entire industry. Aviva is fully committed to contributing to its success and continues to play an active role in its development through participation in the consultation and quantitative impact studies run by the European Commission and European regulators, as well as working with industry forums and working parties.

Solvency II has the potential to align regulatory capital with internal risk processes and measures, provided the possible problems and pitfalls are avoided. The European Commission published its draft proposal for the high level principles, "Level 1 Framework Directive", in July 2007. Negotiations on the Framework Directive are gradually drawing to a conclusion and it is hoped significant political agreement will be reached by the end of 2008. It is envisaged that the full suite of rules will be in place by the end of 2010, with full implementation by 2012.

18 – Capital continued

Rating agency bases

Ratings are important in supporting access to debt capital markets and in providing assurance to business partners and policyholders over the financial strength of the group and its ability to service contractual obligations. In recognition of this, the group has solicited rating relationships with a number of rating agencies. Rating agencies generally assign ratings based on an assessment of a range of financial (e.g. capital strength, gearing and fixed charge cover ratios) and non-financial (e.g. competitive position and quality of management) factors. Managing our capital and liquidity position in accordance with the group's target rating levels is a core consideration in all material capital management and capital allocation decisions.

Economic bases

The group uses a risk based capital model to assess its economic capital requirements and to aid in risk and capital management across the group. This model is also used to support the group's Individual Capital Assessments (ICA) which are reported to the FSA for all UK regulated insurance businesses. The model is based on a framework for identifying the risks to which business units, and the group as a whole, are exposed. A mixture of scenario based approaches and stochastic models are used to capture the group's market risk, credit risk, insurance risk and operational risk. Scenarios are specified centrally to provide consistency across businesses and to achieve a minimum standard. Where appropriate, businesses also supplement these with additional risk models specific to their own risk profile. When aggregating capital requirements at business unit and group level, we allow for diversification benefits between risks and between businesses, with restrictions to allow for non-fungibility of capital when appropriate. This means that the aggregate capital requirement is less than the sum of capital required to cover all of the individual risks.

For internal management purposes, our economic capital model is calibrated to our target capital adequacy rating. Financial modelling techniques enhance our practice of active risk and capital management, ensuring sufficient capital is available to protect against unforeseen events and adverse scenarios. Our aim continues to be the optimal usage of capital through appropriate allocation to our businesses. We continue to develop our economic capital modelling capability for all our businesses as part of our development programme to increase the focus on economic capital management.

The FSA uses the results of our ICA process when setting target levels of capital for the UK regulated businesses. In line with FSA requirements, the ICA estimates the capital required to mitigate the risk of insolvency to a 99.5% confidence level over a one year time horizon (equivalent to events occurring in 1 out of 200 years) against financial and non-financial tests.

18 – Capital continued

Capital Generation and Utilisation

As part of its capital management processes, the group regularly reviews the generation and deployment of capital. The table below demonstrates the net capital generation of the group on a regulatory basis. The net capital generated can be considered as a measure of the change in the group's surplus capital on a regulatory basis. A reconciliation of the movement in IGD surplus is also shown.

	30 June 2008 £bn	30 June 2007 £bn	31 December 2007 £bn
Operational capital generation:			
Life in-force profits	**1.1**	1.1	1.9
New business strain	**(0.4)**	(0.3)	(0.6)
Non-life profits	**0.3**	0.4	0.6
Operational capital generated	**1.0**	1.2	1.9
Increase in capital requirements	**(0.3)**	(0.2)	(0.5)
Free operational capital generated	**0.7**	1.0	1.4
Interest cost	**(0.1)**	(0.1)	(0.2)
External dividend	**(0.6)**	(0.5)	(0.9)
Scrip dividend	**0.2**	0.2	0.3
Capital generation after financing	**0.2**	0.6	0.6
Investment return variances and economic assumption changes	**(1.7)**	0.5	0.2
Profit on disposals	**–**	–	0.1
Capital raising	**0.8**	–	–
Cost of acquisitions	**(0.3)**	(0.1)	(0.6)
Qualifying assets acquired net of capital requirements	**0.1**	–	0.1
Pension funding and restructuring costs	**(0.4)**	–	(0.1)
Foreign exchange impact on surplus capital	**0.1**	(0.1)	0.2
Other	**(0.1)**	0.1	–
Net capital (consumed)/generated	**(1.3)**	1.0	0.5

Reconciliation to movement in IGD surplus			
Opening IGD surplus	**2.9**	3.5	3.5
Net capital (consumed)/generated	**(1.3)**	1.0	0.5
Regulatory changes	**(0.4)**	(0.2)	(0.4)
Additional capital requirements over regulatory minimum	**0.2**	0.1	0.4
Non-IGD qualifying capital generated within life funds	**0.3**	(0.4)	(0.6)
Minorities	**(0.1)**	(0.1)	(0.2)
Other	**0.2**	0.1	(0.3)
Closing IGD surplus	**1.8**	4.0	2.9

Free operational capital generated represents the net of the following:

- Operating profits emerging on a statutory basis for the life in-force business, net of new business strain and before any changes in inadmissible assets, and IFRS operating profits earned by the group's non-life businesses.
- The increase in capital requirements of the group's ongoing businesses. Capital requirements represent target operating capital levels rather than regulatory minimum levels, as this is considered a better reflection of capital utilised in the business. For the life businesses this is the capital used in the calculation of the group's embedded value to evaluate the cost of locked in capital. For general insurance businesses we have calculated target capital based on two times the regulatory minimum. Where appropriate, the increase in capital requirements shown has been adjusted for the impact of foreign exchange movements and other one off changes to required capital.

The reconciliation of the net capital generated to the movement in the group's IGD surplus takes into account capital generated within life funds which fall outside the perimeter of the group's IGD calculation.

Glossary

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.
AII (previously named 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 EEV Principles, been applied.
EU solvency	The excess of assets over liabilities and the world-wide minimum solvency margins, excluding goodwill and the additional value of in-force long-term business, and excluding the surplus held in the Group's life funds. The Group solvency calculation is determined according to the UK Financial Services Authority application of EU Insurance Groups Directive rules.
Financial options and guarantees	Features of the covered business conferring potentially valuable guarantees underlying, or options to change, the level or nature of policyholder benefits and exercisable at the discretion of the policyholder, whose potential value is impacted by the behaviour of financial variables.
Free surplus	The amount of any capital and surplus allocated to, but not required to support, the in-force covered business.
Funds under management	Represents all assets actively managed or administered by or on behalf of the Group including those funds managed by third parties.
Funds under management by Aviva	Represents all assets actively managed or administered by the fund management operations of the Group.
Gross risk free yields	Gross of tax yields on risk free fixed interest investments, generally Government bonds.
Holding company	A legal entity with a function of being a consolidating entity for primary financial reporting of covered business.
IFRS operating profit	From continuing operations on an IFRS basis, stated before tax attributable to shareholders' profits, impairment of goodwill and exceptional items.
Implicit items	Amounts allowed by local regulators to be deducted from capital amounts when determining the EU required minimum margin.
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.
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.
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.
Net worth	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.
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.

Glossary continued

Present value of new business premiums (PVNBP)	Present value of new regular premiums plus 100% of single premiums, calculated using assumptions consistent with those used to determine new business contribution.
Required capital	The amount of assets, over and above the value placed on liabilities in respect of covered business, whose distribution to shareholders is restricted.
Service companies	Companies providing administration or fund management services to the covered business.
Solvency cover	The excess of the regulatory value of total assets over total liabilities, divided by the regulatory value of the required minimum solvency margin.
Statutory basis	The valuation basis and approach used for reporting financial statements to local regulators.
Stochastic techniques	Techniques that incorporate the potential future variability in assumptions.
Time value and intrinsic value	A financial option or guarantee has two elements of value, the time value and intrinsic value. The intrinsic value is the discounted value of the option or guarantee at expiry, assuming that future economic conditions follow best estimate assumptions. The time value is the additional value arising from uncertainty about future economic conditions.

European Embedded Value (EEV) Basis

Summarised consolidated income statement – EEV basis
For the six months ended 30 June 2008

6 months 2008 €m		6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
	Operating profit before tax attributable to shareholders' profits			
1,922	Life EEV operating return	**1,480**	1,251	2,753
39	Fund management[1]	**30**	45	90
699	General insurance and health	**538**	560	1,033
	Other:			
(75)	Other operations and regional costs[2]	**(57)**	(45)	(70)
(92)	Corporate centre	**(71)**	(80)	(157)
(261)	Group debt costs and other interest	**(201)**	(190)	(363)
2,232	**Operating profit before tax attributable to shareholders' profits**	**1,719**	1,541	3,286
	Adjusted for the following:			
(3,425)	Variation from longer term investment return on long-term business	**(2,638)**	241	(450)
(188)	Effect of economic assumption changes on long-term business	**(145)**	301	517
(408)	Short-term fluctuation in return on investments backing general insurance and health business	**(314)**	37	(184)
(55)	Impairment of goodwill	**(42)**	(3)	(10)
(57)	Amortisation and impairment of intangibles	**(44)**	(41)	(89)
12	Profit/(loss) on the disposal of subsidiaries and associates	**9**	(5)	20
(171)	Integration and restructuring costs	**(132)**	(40)	(153)
(110)	Exceptional costs for termination of operations	**(84)**	–	–
(2,170)	**(Loss)/profit before tax**	**(1,671)**	2,031	2,937
(679)	Tax on operating profit	**(523)**	(416)	(992)
1,193	Tax on other activities	**919**	(113)	189
(1,656)	**(Loss)/profit for the period**	**(1,275)**	1,502	2,134
	Attributable to:			
(1,749)	Equity shareholders of Aviva plc	**(1,347)**	1,380	1,869
93	Minority interests	**72**	122	265
(1,656)		**(1,275)**	1,502	2,134

All (loss)/profit is from continuing operations.

1. Excludes the proportion of the results of Aviva Investors and other fund management operations within the Group that arise from the provision of fund management services to our Life businesses. These results are included within the Life EEV operating return consistent with CFO Forum EEV principles.
2. Excludes the proportion of the results of subsidiaries providing services to the Life businesses. These results are included within the Life EEV operating return.

Earnings per share – EEV basis
For the six months ended 30 June 2008

6 months 2008	Earnings per share	6 months 2008	6 months 2007	Full year 2007
	Operating profit on an EEV basis after tax, attributable to ordinary shareholders of Aviva plc			
51.7c	Basic (pence per share)	**39.4p**	38.6p	76.5p
51.3c	Diluted (pence per share)	**39.1p**	38.2p	75.8p
	(Loss)/profit after tax for the period on an EEV basis, attributable to ordinary shareholders of Aviva plc			
(66.5)c	Basic (pence per share)	**(51.5)p**	53.3p	70.1p
(65.9)c	Diluted (pence per share)	**(51.1)p**	52.8p	69.5p

Consolidated statement of recognised income and expense – EEV basis
For the six months ended 30 June 2008

6 months 2008 €m		6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
(169)	Fair value (losses)/gains on AFS securities, owner-occupied properties and hedging instruments	(130)	48	45
83	Fair value losses/(gains) transferred to profit	64	–	(12)
(896)	Actuarial (losses)/gains on pension schemes *(IFRS section: note 19)*	(690)	830	648
92	Actuarial gains/(losses) on pension schemes transferred to unallocated divisible surplus and other movements	71	(84)	(61)
1,222	Foreign exchange rate movements	941	(47)	1,122
15	Aggregate tax effect – shareholder tax	11	(231)	(246)
347	**Net income recognised directly in equity**	**267**	516	1,496
(1,656)	(Loss)/profit for the period	**(1,275)**	1,502	2,134
(1,309)	**Total recognised (expense)/income for the period**	**(1,008)**	2,018	3,630
	Attributable to:			
(1,618)	Equity shareholders of Aviva plc	**(1,246)**	1,900	3,194
309	Minority interests	**238**	118	436
(1,309)		**(1,008)**	2,018	3,630

Reconciliation of movements in consolidated shareholders' equity – EEV basis
For the six months ended 30 June 2008

6 months 2008 €m		6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
31,106	**Balance at 1 January**	**24,574**	20,858	20,858
(1,275)	Total recognised (expense)/income for the period	**(1,008)**	2,018	3,630
(713)	Dividends and appropriations (*IFRS section: note 16*)	**(563)**	(501)	(871)
39	Issues of share capital, net of transaction costs	**31**	30	48
215	Shares issued in lieu of dividends	**170**	152	301
139	Capital contributions from minority shareholders	**110**	75	307
(95)	Minority share of dividends declared in the period	**(75)**	(63)	(66)
75	Minority interest in acquired subsidiaries	**59**	142	317
(98)	Changes in minority interest in existing subsidiaries	**(78)**	–	–
34	Reserves credit for equity compensation plans	**27**	24	50
29,427	**Total equity**	**23,247**	22,735	24,574
(4,286)	**Minority interests**	**(3,385)**	(2,409)	(3,131)
25,141	**Balance at 30 June/31 December**	**19,862**	20,326	21,443

Summarised consolidated balance sheet – EEV basis
As at 30 June 2008

30 June 2008 €m		30 June 2008 £m	Restated 30 June 2007 £m	Restated 31 December 2007 £m
	Assets			
3,858	Goodwill	**3,048**	2,912	3,082
4,013	Acquired value of in-force business and intangible assets	**3,170**	2,836	3,197
9,912	Additional value of in-force long-term business	**7,830**	7,183	7,982
3,276	Interests in, and loans to, joint ventures	**2,588**	2,557	2,576
1,533	Interests in, and loans to, associates	**1,211**	891	1,206
1,261	Property and equipment	**996**	857	942
18,567	Investment property	**14,668**	15,682	15,077
47,325	Loans	**37,387**	30,207	36,193
	Financial investments			
157,184	Debt securities	**124,176**	111,035	119,743
61,414	Equity securities	**48,517**	58,924	56,018
48,704	Other investments	**38,476**	36,517	40,413
10,541	Reinsurance assets	**8,327**	7,832	8,109
315	Deferred tax assets	**249**	765	590
676	Current tax assets	**534**	268	376
13,619	Receivables and other financial assets	**10,760**	10,957	8,629
6,423	Deferred acquisition costs and other assets	**5,074**	3,929	4,487
4,029	Prepayments and accrued income	**3,183**	2,773	2,986
23,776	Cash and cash equivalents	**18,783**	14,534	16,089
8,409	Assets of operations classified as held for sale	**6,643**	1,297	1,128
424,835	**Total assets**	**335,620**	311,956	328,823
	Equity			
841	Ordinary share capital	**664**	647	655
5,716	Capital reserves	**4,516**	4,484	4,494
2,025	Other reserves	**1,600**	514	1,177
6,506	Retained earnings	**5,140**	6,098	6,233
8,547	Additional retained profit on an EEV basis	**6,752**	7,393	7,694
23,635	**Equity attributable to ordinary shareholders of Aviva plc**	**18,672**	19,136	20,253
1,506	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
4,286	Minority interests	**3,385**	2,409	3,131
29,427	**Total equity**	**23,247**	22,735	24,574
	Liabilities			
195,935	Gross insurance liabilities	**154,789**	144,687	153,040
124,844	Gross liabilities for investment contracts	**98,627**	92,101	98,244
5,146	Unallocated divisible surplus	**4,065**	9,489	6,785
8,372	Net asset value attributable to unitholders	**6,614**	4,624	5,101
3,035	Provisions	**2,398**	1,930	1,937
1,587	Deferred tax liabilities	**1,254**	3,013	2,529
1,381	Current tax liabilities	**1,091**	1,157	1,189
16,928	Borrowings	**13,373**	12,196	12,657
24,962	Payables and other financial liabilities	**19,720**	14,166	18,060
5,743	Other liabilities	**4,537**	4,808	3,765
7,475	Liabilities of operations classified as held for sale	**5,905**	1,050	942
395,408	**Total liabilities**	**312,373**	289,221	304,249
424,835	**Total equity and liabilities**	**335,620**	311,956	328,823

Segmentation of summarised consolidated balance sheet – EEV basis

As at 30 June 2008

	30 June 2008					Restated 30 June 2007	Restated 31 December 2007
	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	**282,605**	**43,379**	**325,984**	263,390	39,603	302,993	319,143
Acquired additional value of in-force long-term business	**1,806**	**–**	**1,806**	1,744	–	1,744	1,698
Total assets included in the statutory IFRS balance sheet	**284,411**	**43,379**	**327,790**	265,134	39,603	304,737	320,841
Liabilities of the long-term business	**(269,341)**	**–**	**(269,341)**	(251,372)	–	(251,372)	(264,429)
Liabilities of the general insurance and other businesses	**–**	**(43,032)**	**(43,032)**	–	(37,849)	(37,849)	(39,820)
Net assets on a statutory IFRS basis	**15,070**	**347**	**15,417**	13,762	1,754	15,516	16,592
Additional value of in-force long-term business[1]	**7,830**	**–**	**7,830**	7,219	–	7,219	7,982
Net assets on an EEV basis[2]	**22,900**	**347**	**23,247**	20,981	1,754	22,735	24,574
Equity capital, capital reserves, shares held by employee trusts and other reserves			**6,780**			5,645	6,326
IFRS basis retained earnings			**5,140**			6,098	6,233
Additional EEV basis retained profit			**6,752**			7,393	7,694
Equity attributable to ordinary shareholders of Aviva plc on an EEV basis			**18,672**			19,136	20,253
Preference share capital and direct capital instrument			**1,190**			1,190	1,190
Minority interests			**3,385**			2,409	3,131
EEV basis total equity			**23,247**			22,735	24,574

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

	30 June 2008 £m	31 December 2007 £m	Movement in the period £m
Group's share included in shareholders' funds	**6,752**	7,694	(942)
Minority interests' share	**688**	578	110
Movement in AFS securities	**390**	(290)	680
Per balance at 30 June/31 December*	**7,830**	7,982	(152)

* Additional value of in-force long-term business of £7,219 million as at 30 June 2007 includes £36 million shown within assets of operations held for sale on the balance sheet.

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

	30 June 2008 £m	Restated 30 June 2007 £m	31 December 2007 £m
Embedded value	**19,867**	18,704	20,319
RBSG goodwill	**217**	217	217
Goodwill and intangible assets allocated to long-term business	**2,118**	1,652	2,036
Notional allocation of IAS 19 pension fund deficit to long-term business[3,4]	**(140)**	(56)	(58)
Minority interest in property investment vehicles	**838**	464	758
Long-term business net assets on an EEV basis[5]	**22,900**	20,981	23,272

3. The value of the Aviva Staff Pension Scheme deficit has been notionally allocated between segments, based on current funding and the life proportion has been included within the long-term business net assets on an EEV basis.
4. The pension fund deficit notionally allocated to long-term business is net of the proportion of funding borne by the UK with-profit funds.
5. The long-term business net assets on an EEV basis have been restated to include the minority interest on property investment vehicles held in the UK. This change recognises that the embedded value reflects these investments post minority interest, whereas IFRS reports these investments gross. Prior year comparatives have been restated accordingly.

Notes to the consolidated financial statements – EEV basis

1 – Basis of preparation – EEV basis

The summarised consolidated income statement and balance sheet on pages 28 to 31 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 and the Additional Guidance on EEV Disclosures published by the CFO Forum in October 2005. Detailed information on the basis of preparation and EEV methodology is set out in Aviva plc's 2007 Report and Accounts; any updates are detailed below.

The directors consider that the EEV methodology represents a more meaningful basis of reporting the value of the Group's life and related businesses and the drivers of performance than IFRS methodology. This basis allows for the impact of uncertainty in the future investment returns more explicitly and is consistent with the way the business is priced and managed.

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

The results for the six month periods to 30 June 2008 and 30 June 2007 are unaudited but have been reviewed by Ernst & Young LLP. Their independent report in respect of 30 June 2008 is included in the Group's half year report on page 94 of that document. The half year accounts for the six months ended 30 June 2008 do not constitute statutory accounts as defined in Section 240 of the Companies Act 1985.

Covered business
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, China, Turkey, Malaysia, Taiwan and South Korea.

Risk discount rates
Following review at 30 June 2008, the directors have decided to maintain the life embedded value risk margin at 2.7%. The market assessed risk factor (beta) has reduced since the initial risk margin was originally set, implying a reduction of the risk in the life business. Management will keep the risk margin under review and will make adjustments as necessary to reflect past trends and future expected trends in the riskiness of the life business, based on the beta.

The sensitivity disclosures on pages 47 to 50 indicate the impact to the embedded value that would arise from a change in the risk discount rate.

2 – Components of life EEV return

The life EEV return comprises the following components:

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

2 – Components of life EEV return continued

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

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Life EEV return			
New business contribution (after the effect of required capital)	**488**	419	912
Profit from existing business			
– expected return	**694**	600	1,266
– experience variances	**43**	(19)	(16)
– operating assumption changes	**(46)**	11	114
Expected return on shareholders' net worth	**301**	240	477
Life EEV operating return before tax	**1,480**	1,251	2,753
Investment return variances	**(2,638)**	241	(450)
Effect of economic assumption changes	**(145)**	301	517
Life EEV return before tax	**(1,303)**	1,793	2,820
Tax on operating profit	**(432)**	(373)	(819)
Tax credit/(charge) on other activities	**782**	(146)	(1)
Life EEV return after tax	**(953)**	1,274	2,000

There were no separate development costs reported in these periods.

3 – New business contribution

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

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

Notes to the consolidated financial statements – EEV basis continued

3 – New business contribution continued

(a) Geographical analysis of new business

	Annual premium equivalent		Present value of new business premiums		Before the effect of required capital: New business contribution		Before the effect of required capital: New business margin[1]		After the effect of required capital: New business contribution		After the effect of required capital: New business margin[1]	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 %**	6 months 2007 %	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 %**	6 months 2007 %
Life and pensions												
United Kingdom	**771**	757	**5,863**	5,820	**183**	178	**3.1%**	3.1%	**154**	143	**2.6%**	2.5%
France	**223**	205	**2,010**	1,832	**84**	80	**4.2%**	4.4%	**52**	54	**2.6%**	2.9%
Ireland	**103**	131	**648**	889	**5**	14	**0.8%**	1.6%	**2**	12	**0.3%**	1.3%
Italy	**154**	218	**1,275**	1,818	**37**	49	**2.9%**	2.7%	**29**	37	**2.3%**	2.0%
Netherlands (including Belgium and Germany)	**219**	133	**1,991**	1,146	**60**	37	**3.0%**	3.2%	**15**	24	**0.8%**	2.1%
Poland	**90**	49	**739**	379	**21**	17	**2.8%**	4.5%	**18**	15	**2.4%**	4.0%
Spain	**170**	139	**1,259**	1,114	**133**	88	**10.6%**	7.9%	**124**	79	**9.8%**	7.1%
Other Europe	**70**	36	**509**	175	**7**	(2)	**1.4%**	(1.1)%	**5**	(3)	**1.0%**	(1.7)%
Europe	**1,029**	911	**8,431**	7,353	**347**	283	**4.1%**	3.8%	**245**	218	**2.9%**	3.0%
North America	**227**	183	**2,205**	1,716	**92**	57	**4.2%**	3.3%	**68**	35	**3.1%**	2.0%
Asia	**94**	66	**580**	414	**22**	20	**3.8%**	4.8%	**15**	16	**2.6%**	3.9%
Australia	**42**	44	**204**	240	**12**	12	**5.9%**	5.0%	**6**	7	**2.9%**	2.9%
Asia Pacific	**136**	110	**784**	654	**34**	32	**4.3%**	4.9%	**21**	23	**2.7%**	3.5%
Total life and pensions	**2,163**	1,961	**17,283**	15,543	**656**	550	**3.8%**	3.5%	**488**	419	**2.8%**	2.7%
Investment sales	**278**	410	**2,417**	3,751								
Total long-term savings (including share of associates and joint ventures)[2]	**2,441**	2,371	**19,700**	19,294								

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

3 – New business contribution continued

(b) Analysis of new business by distribution channel

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

	Annual premium equivalent		Present value of new business premiums		New business contribution		New business margin	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 %**	6 months 2007 %
Analysed between:								
–Bancassurance channels	**598**	557	**4,695**	4,541	**243**	204	**5.2%**	4.5%
–Other distribution channels	**1,565**	1,404	**12,588**	11,002	**413**	346	**3.3%**	3.1%
Total	**2,163**	1,961	**17,283**	15,543	**656**	550	**3.8%**	3.5%

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

	Annual premium equivalent		Present value of new business premiums		New business contribution		New business margin	
	6 months 2008 £m	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 £m**	6 months 2007 £m	**6 months 2008 %**	6 months 2007 %
Analysed between:								
–Bancassurance channels	**372**	320	**2,894**	2,586	**80**	71	**2.8%**	2.7%
–Other distribution channels	**1,528**	1,367	**12,319**	10,716	**200**	169	**1.6%**	1.6%
Total	**1,900**	1,687	**15,213**	13,302	**280**	240	**1.8%**	1.8%

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

The internal rate of return (IRR) on life and pensions new business for the Group was 14.0% for the six months to 30 June 2008 (full year to 31 December 2007: 14.1%).

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 2008
	Internal rate of return %	**Initial capital £m**	**Required capital £m**	**Total invested capital £m**
United Kingdom	**13%**	**136**	**60**	**196**
France	**12%**	**21**	**68**	**89**
Ireland	**8%**	**30**	**14**	**44**
Italy	**17%**	**5**	**22**	**27**
Netherlands (including Belgium and Germany)	**7%**	**77**	**115**	**192**
Poland	**20%**	**16**	**7**	**23**
Spain	**45%**	**13**	**40**	**53**
Other Europe	**11%**	**32**	**7**	**39**
Europe	**14%**	**194**	**273**	**467**
North America	**14%**	**57**	**110**	**167**
Asia Pacific	**21%**	**28**	**27**	**55**
Total	**14%**	**415**	**470**	**885**

The total initial capital for life and pensions new business for the six months to 30 June 2008 of £415 million (six months to 30 June 2007: £338 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 £372 million (six months to 30 June 2007: £318 million) shown on page 39, 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.

Notes to the consolidated financial statements – EEV basis continued

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

6 months 2008
£m

	UK	France	Ireland	Italy	Netherlands	Poland	Spain	Other Europe	Europe	North America	Asia	Australia	Asia Pacific	Total
New business contribution (after the effect of required capital)	**154**	**52**	**2**	**29**	**15**	**18**	**124**	**5**	**245**	**68**	**15**	**6**	**21**	**488**
Profit from existing business														
– expected return	**243**	**108**	**28**	**21**	**104**	**46**	**43**	**8**	**358**	**70**	**10**	**13**	**23**	**694**
– experience variances:														
Maintenance expenses	**6**	**–**	**(1)**	**(1)**	**(4)**	**3**	**(2)**	**(3)**	**(8)**	**–**	**–**	**–**	**–**	**(2)**
Project and other related expenses[1]	**(30)**	**–**	**(5)**	**–**	**(2)**	**–**	**(1)**	**(3)**	**(11)**	**(1)**	**(1)**	**(1)**	**(2)**	**(44)**
Mortality/ Morbidity[2]	**11**	**14**	**2**	**1**	**(7)**	**10**	**(2)**	**1**	**19**	**1**	**–**	**1**	**1**	**32**
Lapses[3]	**(10)**	**–**	**(1)**	**–**	**18**	**20**	**(12)**	**(3)**	**22**	**(18)**	**(3)**	**–**	**(3)**	**(9)**
Other[4]	**18**	**10**	**(5)**	**12**	**33**	**(2)**	**2**	**(1)**	**49**	**1**	**(3)**	**1**	**(2)**	**66**
	(5)	**24**	**(10)**	**12**	**38**	**31**	**(15)**	**(9)**	**71**	**(17)**	**(7)**	**1**	**(6)**	**43**
– operating assumption changes:														
Maintenance expenses	**–**	**–**	**(1)**	**–**	**1**	**–**	**–**	**1**	**1**	**(7)**	**(1)**	**–**	**(1)**	**(7)**
Project and other related expenses	**(7)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(7)**
Mortality/ Morbidity[5]	**(11)**	**–**	**–**	**–**	**(37)**	**–**	**(6)**	**1**	**(42)**	**–**	**–**	**–**	**–**	**(53)**
Lapses	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**–**	**(1)**	**(1)**
Other[6]	**30**	**61**	**–**	**–**	**(74)**	**–**	**–**	**(1)**	**(14)**	**4**	**2**	**–**	**2**	**22**
	12	**61**	**(1)**	**–**	**(110)**	**–**	**(6)**	**1**	**(55)**	**(3)**	**–**	**–**	**–**	**(46)**
Expected return on shareholders' net worth	**67**	**52**	**11**	**27**	**92**	**8**	**11**	**3**	**204**	**21**	**5**	**4**	**9**	**301**
Life EEV operating return before tax	**471**	**297**	**30**	**89**	**139**	**103**	**157**	**8**	**823**	**139**	**23**	**24**	**47**	**1,480**

1. Project and other related expenses in the UK reflect project costs associated with strategic initiatives, including developments designed to offer simpler products to customers, and the simplification of systems and processes.
2. Mortality experience continues to be better than the assumptions set across a number of our businesses.
3. Lapse experience has been volatile, in part reflecting wider economic volatility. In the UK, lapse experience for non-profit pension and bond products was worse than expected. In Poland, lapse experience continued to be better than the long-term assumptions for both Life and Pension products. In Spain, the adverse lapse experience was observed on both protection and saving products. In the Netherlands, the positive lapse variance mainly reflects better than expected persistency in the group pension business. In the USA, the surrender experience reflects a temporary increase in partial withdrawals on annuities.
4. In the UK, other experience profits include better than assumed default experience on corporate bonds and mortgages. In the Netherlands, this mainly reflects improved profitability of group pension business, principally driven by higher than expected salary increases.
5. The mortality assumption change in the Netherlands reflects the impact of using the new industry mortality basis.
6. In the UK, other operating assumptions reflect the distribution of a special bonus to with profit policyholders. In France, the impact reflects the reduction in the cost of required capital arising from the recognition of an increased value of an implicit item. In the Netherlands, the impact reflects a provision for restricting charges on existing unit linked contracts in line with the Ombudsman recommendation.

4 – Geographical analysis of the components of life EEV operating return continued

6 months 2007
£m

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

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

4 – Geographical analysis of the components of life EEV operating return continued

Year ended 31 December 2007
£m

	UK	France	Ireland	Italy	Netherlands	Poland	Spain	Other Europe	Europe	North America	Asia	Australia	Asia Pacific	Total
New business contribution (after the effect of required capital)	305	117	25	61	53	32	173	(5)	456	108	27	16	43	912
Profit from existing business														
– expected return	538	163	45	37	192	62	65	16	580	114	13	21	34	1,266
– experience variances:														
Maintenance expenses	10	4	(4)	(2)	(3)	3	(1)	(5)	(8)	(2)	(1)	–	(1)	(1)
Project and other related expenses[1]	(90)	9	(3)	–	(19)	–	(2)	(8)	(23)	(17)	(2)	(3)	(5)	(135)
Mortality/ Morbidity[2]	14	27	(1)	1	7	14	(4)	3	47	(3)	8	3	11	69
Lapses[3]	(5)	10	3	(6)	(9)	23	(9)	3	15	–	(4)	(1)	(5)	5
Other[4]	26	3	(5)	7	(3)	9	10	(3)	18	(1)	–	3	3	46
	(45)	53	(10)	–	(27)	49	(6)	(10)	49	(23)	1	2	3	(16)
– operating assumption changes:														
Maintenance expenses[5]	7	2	(1)	(2)	–	5	–	(8)	(4)	(30)	1	–	1	(26)
Project and other related expenses	(2)	(1)	–	–	(7)	–	–	(9)	(17)	–	–	–	–	(19)
Mortality/ Morbidity[6]	(133)	(2)	–	3	(31)	14	(8)	(1)	(25)	–	(1)	4	3	(155)
Lapses[7]	(6)	–	–	(2)	2	35	(16)	4	23	(8)	(4)	(2)	(6)	3
Other[8]	108	122	–	7	12	–	16	5	162	42	–	(1)	(1)	311
	(26)	121	(1)	6	(24)	54	(8)	(9)	139	4	(4)	1	(3)	114
Expected return on shareholders' net worth	92	83	18	33	158	9	15	3	319	52	6	8	14	477
Life EEV operating return before tax	**864**	**537**	**77**	**137**	**352**	**206**	**239**	**(5)**	**1,543**	**255**	**43**	**48**	**91**	**2,753**

1. Project and other related expenses in the UK reflect project costs associated with strategic initiatives, including developments designed to offer simpler products to customers, and the simplification of systems and processes. In the Netherlands, project costs mainly represent one-off restructuring costs in the Dutch businesses. In the USA, expenses reflect a number of one-off expenses including management incentive rewards, brand awareness and investment in strategic systems.
2. Mortality experience continues to be better than the assumptions set across a number of our businesses.
3. Lapse experience in Poland continues to be better than the long-term assumptions set for both Life and Pension products.
4. In the UK, other experience profits include better than assumed default experience on corporate bonds and commercial mortgages.
5. In the USA, expense assumptions have been strengthened following investment to support the growth in the business.
6. In the UK, the allowance for annuitant mortality improvement has been strengthened, by increasing the minimum rates of improvement.
7. In Poland, lapse assumptions have been changed following continued favourable experience. In Spain, lapse assumptions have been strengthened mainly on risk products.
8. In the UK, other operating assumption changes include the reduction in the level of required capital assumed on the Company's annuity portfolio. In France, other operating assumption changes reflect increased profitability driven by product development and the increased proportion of unit-linked assets within managed funds. In the USA, other assumption changes relate to the implementation of the AXXX securitisation, an efficient financing solution to free up capital previously held to support excessive regulatory reserves.

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

The following tables provide an analysis of the movement in embedded value for the life and related businesses for the six months to 30 June 2008 and the six months to 30 June 2007. 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 2008		
	Net worth £m	**Value of in-force £m**	**Total £m**
Embedded value at the beginning of the period – Free Surplus	**4,127**		
– Required capital[1]	**6,331**		
Total	**10,458**	**9,861**	**20,319**
New business contribution (after the effect of required capital)	**(372)**	**716**	**344**
Expected return on existing business – return on VIF	**–**	**498**	**498**
Expected return on existing business – transfer to net worth	**702**	**(702)**	**–**
Experience variances and operating assumption changes	**141**	**(149)**	**(8)**
Expected return on shareholders' net worth	**214**	**–**	**214**
Investment return variances and economic assumption changes	**(1,464)**	**(537)**	**(2,001)**
Life EEV return after tax	**(779)**	**(174)**	**(953)**
Exchange rate movements	**531**	**400**	**931**
Embedded value from business acquired	**175**	**50**	**225**
Net amounts released from life and related businesses	**(626)**	**–**	**(626)**
Transfer from life and related businesses to other segments	**(29)**	**–**	**(29)**
Embedded value at the end of the period – Free Surplus	**2,979**		
– Required capital[1]	**6,751**		
Total	**9,730**	**10,137**	**19,867**

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 2008 of £225 million represents the embedded value of UBI Assicurazioni Vita SpA in Italy, Swiss Life Belgium and LIG Life Insurance Co. Ltd, in South Korea.

Required capital has increased in the period by £420 million. The movement comprises an increase of £470 million in relation to new business written, a reduction of £398 million regarding in-force business, a reduction £145 million due to an increase in implicit items, £153 million additional in-force required capital relating to the acquisitions during the period and a £340 million increase due to foreign exchange rate movements.

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

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

6 – Segmental analysis of life and related businesses embedded value

	Net worth		Value of in-force covered business		Total
30 June 2008	**Required capital[1] £m**	**Free surplus £m**	**Present value of in-force £m**	**Cost of required capital £m**	**Embedded value £m**
United Kingdom	**1,329**	**998**	**4,569**	**(349)**	**6,547**
France	**1,495**	**22**	**1,422**	**(337)**	**2,602**
Ireland	**285**	**215**	**584**	**(48)**	**1,036**
Italy	**391**	**514**	**338**	**(72)**	**1,171**
Netherlands (including Belgium and Germany)	**1,649**	**910**	**1,789**	**(589)**	**3,759**
Poland	**150**	**80**	**832**	**(48)**	**1,014**
Spain	**341**	**130**	**790**	**(79)**	**1,182**
Other Europe	**25**	**44**	**127**	**(11)**	**185**
Europe	**4,336**	**1,915**	**5,882**	**(1,184)**	**10,949**
North America[2,3]	**804**	**(82)**	**1,159**	**(167)**	**1,714**
Asia Pacific	**282**	**148**	**310**	**(83)**	**657**
Total	**6,751**	**2,979**	**11,920**	**(1,783)**	**19,867**

1. Required capital is shown net of implicit items permitted by local regulators to cover minimum solvency margins.
2. Aviva USA holding company debt amounting to £356 million at 30 June 2008 (30 June 2007: £349 million; 31 December 2007: £349 million) has been included within other operations.
3. The temporary negative free surplus in Aviva USA reflects the different impact of reduced equity markets on regulatory reserves and the matching derivative protection for equity indexed products.

	Net worth		Value of in-force covered business		Total
31 December 2007	Required capital[1] £m	Free surplus £m	Present value of in-force £m	Cost of required capital £m	Embedded value £m
United Kingdom	1,307	1,338	4,816	(355)	7,106
France	1,510	74	1,416	(340)	2,660
Ireland	267	213	564	(45)	999
Italy	305	464	299	(61)	1,007
Netherlands (including Belgium and Germany)	1,456	1,557	1,605	(442)	4,176
Poland	129	128	726	(41)	942
Spain	316	87	714	(69)	1,048
Other Europe	24	33	110	(11)	156
Europe	4,007	2,556	5,434	(1,009)	10,988
North America	776	46	918	(152)	1,588
Asia Pacific	241	187	281	(72)	637
Total	6,331	4,127	11,449	(1,588)	20,319

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

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

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

7 – Time value of options and guarantees

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

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
United Kingdom	**49**	46	50
France	**120**	79	89
Ireland	**2**	2	2
Italy	**24**	18	22
Netherlands (including Belgium and Germany)	**166**	105	129
Poland	**5**	5	4
Spain	**5**	4	4
Other Europe	**1**	1	1
Europe	**323**	214	251
North America	**66**	55	85
Asia Pacific	**6**	6	6
Total	**444**	321	392

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

The TVOG has increased by £52 million to £444 million reflecting the increase from exchange rates and the additional TVOG from acquisitions.

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

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

	30 June 2008			31 December 2007
	Fund management £m	Other operations £m	Total £m	Total £m
United Kingdom	**139**	**(141)**	**(2)**	2
France	**141**	**29**	**170**	169
Netherlands	**100**	**(62)**	**38**	33
Other	**29**	**10**	**39**	35
Total	**409**	**(164)**	**245**	239

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 businesses operating expenditure, comprising acquisition, maintenance and project costs. Costs are recharged to the UK Life companies (the product companies) on the basis of pre-determined Management Services Agreements (MSAs) which will be reviewed in 2008.

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

9 – Analysis of fund management operating profit

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

	6 months 2008 £m	6 months 2007[1] £m	Full year 2007[1] £m
United Kingdom	**13**	18	40
France	**5**	5	10
Canada	**1**	1	3
Other	**1**	5	11
Aviva Investors	**20**	29	64
United Kingdom	**(8)**	(4)	(10)
Netherlands	**6**	9	17
Other Europe	**3**	2	4
Europe	**9**	11	21
Asia Pacific	**9**	9	15
Total	**30**	45	90

1. Prior periods have been restated to reflect the new management structure to include France and Canada. Norwich Union's retail investment business and the collective investment business with RBSG do not form part of Aviva Investors UK operations.

On 28 February, as part of the "one Aviva, twice the value" vision, we announced our plans to combine the asset management companies within Aviva to create a single, globally integrated asset manager to be known as Aviva Investors.

10 – Analysis of other operations and regional costs

The summarised consolidated income statement – EEV basis, includes the results of the Group's other operations as analysed below. Where subsidiaries provide services to our life businesses, that proportion has been excluded. These results are included within the life EEV operating return.

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Europe	**(12)**	–	(11)
North America	**(5)**	–	(2)
Asia Pacific	**(9)**	–	(3)
Regional costs	**(26)**	–	(16)
United Kingdom	**(33)**	(23)	(8)
Europe	**(1)**	(18)	(34)
North America	**1**	–	(2)
Asia Pacific	**2**	(4)	(10)
Other operations	**(31)**	(45)	(54)
Total	**(57)**	(45)	(70)

11 – Summary of minority interest in life and related businesses' EEV results

6 months 2008	France £m	Ireland £m	Italy £m	Netherlands £m	Poland £m	Spain £m	Europe £m	Asia Pacific £m	Total £m	Shareholders interest £m	Group £m
Minority interest											
New business contribution before effect of required capital	**15**	**1**	**22**	**3**	**2**	**70**	**113**	**–**	**113**	**543**	**656**
Effect of required capital	**(8)**	**(1)**	**(5)**	**(3)**	**–**	**(4)**	**(21)**	**–**	**(21)**	**(147)**	**(168)**
New business contribution after effect of required capital	**7**	**–**	**17**	**–**	**2**	**66**	**92**	**–**	**92**	**396**	**488**
Life EEV operating return before tax	**25**	**7**	**50**	**13**	**13**	**80**	**188**	**2**	**190**	**1,290**	**1,480**
Life EEV return after tax	**2**	**(8)**	**22**	**2**	**8**	**32**	**58**	**–**	**58**	**(1,011)**	**(953)**
Closing life and related businesses' embedded value	**222**	**253**	**619**	**146**	**129**	**532**	**1,901**	**11**	**1,912**	**17,955**	**19,867**

6 months 2007	France £m	Ireland £m	Italy £m	Netherlands £m	Poland £m	Spain £m	Europe £m	Asia Pacific £m	Total £m	Shareholders interest £m	Group £m
Minority interest											
New business contribution before effect of required capital	13	3	28	3	2	45	94	1	95	455	550
Effect of required capital	(6)	(1)	(7)	(1)	–	(4)	(19)	–	(19)	(112)	(131)
New business contribution after effect of required capital	7	2	21	2	2	41	75	1	76	343	419
Life EEV operating return before tax	19	8	40	8	9	55	139	1	140	1,111	1,251
Life EEV return after tax	6	9	31	4	10	33	93	1	94	1,180	1,274
Closing life and related businesses' embedded value	165	224	438	105	92	391	1,415	10	1,425	17,279	18,704

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

12 – Principal economic assumptions

(a) Deterministic calculations

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

Investment return assumptions are generally derived by major product class, based on hypothecating the assets at the valuation date. Future assumed reinvestment rates are consistent with implied market returns at 30 June 2008. 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 2008	31 Dec 2007	30 June 2007	31 Dec 2006	**30 June 2008**	31 Dec 2007	30 June 2007	31 Dec 2006
Risk discount rate	**7.9%**	7.3%	8.0%	7.3%	**7.5%**	7.1%	7.3%	6.7%
Pre-tax investment returns:								
Base government fixed interest	**5.2%**	4.6%	5.3%	4.6%	**4.8%**	4.4%	4.6%	4.0%
Ordinary shares	**8.2%**	7.6%	8.3%	7.6%	**7.8%**	7.4%	7.6%	7.0%
Property	**7.2%**	6.6%	7.3%	6.6%	**6.8%**	6.4%	6.6%	6.0%
Future expense inflation	**4.2%**	3.5%	3.5%	3.4%	**2.5%**	2.5%	2.5%	2.5%
Tax rate	**28.0%**	28.0%	28.0%	30.0%	**34.4%**	34.4%	34.4%	34.4%
Required Capital (% EU minimum)	**100%**	100%	150%/ 100%	150%/ 100%	**115%**	115%	115%	115%

	Ireland				Italy			
	30 June 2008	31 Dec 2007	30 June 2007	31 Dec 2006	**30 June 2008**	31 Dec 2007	30 June 2007	31 Dec 2006
Risk discount rate	**7.5%**	7.1%	7.3%	6.7%	**7.5%**	7.1%	7.3%	6.7%
Pre-tax investment returns:								
Base government fixed interest	**4.8%**	4.4%	4.6%	4.0%	**4.8%**	4.4%	4.6%	4.0%
Ordinary shares	**7.8%**	7.4%	7.6%	7.0%	**7.8%**	7.4%	7.6%	7.0%
Property	**6.8%**	6.4%	6.6%	6.0%	**6.8%**	6.4%	6.6%	6.0%
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%	**32.4%**	32.4%	38.3%	38.3%
Required Capital (% EU minimum)	**150%**	150%	150%	150%	**115%**	115%	115%	115%

	Netherlands				Poland			
	30 June 2008	31 Dec 2007	30 June 2007	31 Dec 2006	**30 June 2008**	31 Dec 2007	30 June 2007	31 Dec 2006
Risk discount rate	**7.5%**	7.1%	7.3%	6.7%	**9.7%**	9.4%	9.2%	8.7%
Pre-tax investment returns:								
Base government fixed interest	**4.8%**	4.4%	4.6%	4.0%	**6.0%**	5.7%	5.5%	5.0%
Ordinary shares	**7.8%**	7.4%	7.6%	7.0%	**9.0%**	8.7%	8.5%	8.0%
Property	**6.8%**	6.4%	6.6%	6.0%	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**4.4%**	4.1%	3.9%	3.4%
Tax rate	**25.5%**	25.5%	25.5%	25.5%	**19.0%**	19.0%	19.0%	19.0%
Required Capital (% EU minimum)	**150%**	150%	150%	150%	**150%**	150%	150%	150%

12 – Principal economic assumptions continued

				Spain				United States
	30 June 2008	31 Dec 2007	30 June 2007	31 Dec 2006	**30 June 2008**	31 Dec 2007	30 June 2007	31 Dec 2006
Risk discount rate	**7.5%**	7.1%	7.3%	6.7%	**6.7%**	6.7%	7.7%	7.4%
Pre-tax investment returns:								
Base government fixed interest	**4.8%**	4.4%	4.6%	4.0%	**4.0%**	4.0%	5.0%	4.7%
Ordinary shares	**7.8%**	7.4%	7.6%	7.0%	**7.0%**	7.0%	8.0%	7.7%
Property	**6.8%**	6.4%	6.6%	6.0%	**n/a**	n/a	n/a	n/a
Future expense inflation	**2.5%**	2.5%	2.5%	2.5%	**3.0%**	3.0%	3.0%	3.0%
Tax rate	**30.0%**	30.0%	30.0%	30.0%	**35.0%**	35.0%	35.0%	35.0%
Required Capital (% EU minimum)	**125%/ 110%**	125%/ 110%	125%/ 110%	125%/ 110%	**250%**	250%	250%	250%

For service companies, expense inflation relates to the underlying expenses rather than the fees charged to the life company. Future returns on corporate fixed interest investments are calculated from prospective yields less an adjustment for credit risk. Following the change made in 2007 to the required capital in Norwich Union Annuity Limited (NUA), required capital in the United Kingdom is now 100%. Required capital in Spain is 125% EU minimum for Aviva Vida y Pensiones and 110% for bancassurance companies. The level of required capital for the US business is 250% of the risk based capital, at the company action level, set by the National Association of Insurance Commissioners. The required capital is equivalent to 5% of the insurance liabilities on a local regulatory basis which is broadly equivalent to the required capital we hold for our main European businesses.

Other economic assumptions

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

(b) Stochastic calculations

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

This section describes the models used to generate future investment simulations and gives some sample statistics for the simulations used. Two separate models have been used, for the UK businesses and for International businesses, to 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 the correlations between them.

Asset classes

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

Summary statistics

The following table sets out the mean and standard deviations (StDev) of future returns at 30 June 2008 for the three most significant asset classes. Interest rates are assumed to have a lognormal distribution with an annualised standard deviation of 11.5% p.a. for the natural logarithm of the interest rate.

	Mean[1]	StDev[2]
Equities	8.2%	25.5%
Property	7.2%	15%
Government Bonds	5.2%	3.5 – 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 one).
2. Standard deviations have been calculated by accumulating a unit investment for the required number of years in each simulation, taking the natural logarithm of the result, calculating the variance of this statistic, dividing by the projection period (n years) and taking the square root. This makes the result comparable to implied volatilities quoted in investment markets.
3. Depending on the duration of the portfolio.

12 – Principal economic assumptions continued

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

International

Model

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

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

Asset classes

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

Summary statistics

The following table sets out the means and standard deviations of future euro and US dollar returns at 30 June 2008 for the three most significant asset classes: equities (in the case of euro), short-term bonds (defined to be of one year duration) and long-term bonds (defined to be ten year zero coupon bonds). In the accumulation of ten year bonds, it is assumed that these are held for one year, sold as nine year bonds then the proceeds are reinvested in ten 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]
Euro						
Short Government Bonds	4.5%	2.0%	4.5%	3.9%	4.8%	7.0%
Long Government Bonds	5.2%	5.1%	5.1%	3.8%	5.1%	4.2%
Equities	7.8%	19.9%	7.7%	19.7%	7.7%	19.6%
US dollar						
Short Government Bonds	3.3%	1.7%	4.0%	3.9%	4.5%	7.1%
Long Government Bonds	4.1%	5.4%	4.8%	3.9%	5.2%	4.1%

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

(c) Other assumptions

Taxation

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

Demographic assumptions

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

Expense assumptions

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

12 – Principal economic assumptions continued
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 2008 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 £5,753 million (31 December 2007: £5,774 million).

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Borrowings per summarised consolidated balance sheet – EEV basis	**13,373**	12,196	12,657
Add: amount included within held for sale	**13**	11	12
Less: Securitised mortgage funding	**(7,620)**	(6,825)	(7,295)
Borrowings excluding non-recourse funding – EEV basis	**5,766**	5,382	5,374
Less: Operational financing by businesses	**(1,134)**	(1,176)	(1,063)
External debt and subordinated debt – EEV basis	**4,632**	4,206	4,311
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	**6,072**	5,646	5,751
Effect of marking these instruments to market	**(319)**	50	23
Market value of external debt, subordinated debt, preference shares and direct capital instrument	**5,753**	5,696	5,774

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

13 – Sensitivity analysis

(a) Economic assumptions
The following tables show the sensitivity of the embedded value as at 30 June 2008 and the new business contribution before the effect of required capital for the six months to 30 June 2008 to:

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

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

13 – Sensitivity analysis continued

Embedded value (net of tax) 30 June 2008	As reported on page 40 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	6,547	(430)	495	(340)	405
France	2,602	(180)	210	(175)	155
Ireland	1,036	(40)	45	(45)	55
Italy	1,171	(35)	40	20	(45)
Netherlands (including Belgium and Germany)	3,759	(245)	285	(130)	(10)
Poland	1,014	(55)	65	(20)	20
Spain	1,182	(55)	65	(30)	30
Other Europe	185	(10)	5	–	5
Europe	10,949	(620)	715	(380)	210
North America	1,714	(70)	75	(145)	135
Asia Pacific	657	(25)	25	(5)	(5)
Total	19,867	(1,145)	1,310	(870)	745

Embedded value (net of tax) 30 June 2008	As reported on page 40 £m	1% increase in equity/ property returns £m	1% decrease in equity/ property returns £m	10% rise in equity/ property market values £m	10% fall in equity/ property market values £m	EU minimum capital (or equivalent) £m
United Kingdom	6,547	215	(210)	405	(420)	–
France	2,602	100	(100)	135	(140)	60
Ireland	1,036	15	(20)	25	(30)	15
Italy	1,171	10	(10)	5	(15)	10
Netherlands (including Belgium and Germany)	3,759	310	(320)	425	(425)	160
Poland	1,014	15	(15)	20	(20)	15
Spain	1,182	10	(10)	20	(15)	10
Other Europe	185	–	–	–	–	–
Europe	10,949	460	(475)	630	(645)	270
North America	1,714	10	(10)	–	–	95
Asia Pacific	657	10	(10)	15	(15)	15
Total	19,867	695	(705)	1,050	(1,080)	380

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.

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.

13 – Sensitivity analysis continued

New business contribution before required capital (gross of tax) 6 months 2008	As reported on page 34 £m	1% increase in discount rates £m	1% decrease in discount rates £m	1% increase in interest rates £m	1% decrease in interest rates £m
United Kingdom	183	(25)	27	(11)	14
France	84	(8)	9	(2)	4
Ireland	5	(2)	2	(1)	1
Italy	37	(2)	2	–	(1)
Netherlands (including Belgium and Germany)	60	(15)	19	3	(12)
Poland	21	(2)	2	–	–
Spain	133	(8)	10	(2)	2
Other Europe	7	(1)	1	(1)	2
Europe	347	(38)	45	(3)	(4)
North America	92	(5)	5	(7)	2
Asia Pacific	34	(3)	3	2	(3)
Total	656	(71)	80	(19)	9

New business contribution before required capital (gross of tax) 6 months 2008	As reported on page 34 £m	1% increase in equity/ property returns £m	1% decrease in equity/ property returns £m
United Kingdom	183	11	(11)
France	84	4	(2)
Ireland	5	1	(1)
Italy	37	–	–
Netherlands (including Belgium and Germany)	60	32	(34)
Poland	21	1	(1)
Spain	133	2	(2)
Other Europe	7	1	–
Europe	347	41	(40)
North America	92	2	(2)
Asia Pacific	34	1	(1)
Total	656	55	(54)

(b) Non-economic assumptions

The tables below show the sensitivity of the embedded value as at 30 June 2008 and the new business contribution before the effect of required capital for the six months to 30 June 2008 to the following changes in non-economic assumptions:

– 10% decrease in maintenance expenses (a 10% sensitivity on a base expense assumption of £10 p.a. would represent an expense assumption of £9 p.a.). 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% p.a. would represent a lapse rate of 4.5% p.a.);

– 5% decrease in both mortality and morbidity rates disclosed separately for life assurance and annuity business.

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

13 – Sensitivity analysis continued

Embedded value (net of tax) 30 June 2008	As reported on page 40 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	5% decrease in mortality/ morbidity rates – life assurance £m	5% decrease in mortality/ morbidity rates – annuity business £m
United Kingdom	6,547	165	100	50	(130)
France	2,602	40	45	25	(5)
Ireland	1,036	15	20	5	(5)
Italy	1,171	10	10	5	–
Netherlands (including Belgium and Germany)	3,759	110	20	25	(50)
Poland	1,014	25	50	15	–
Spain	1,182	15	55	20	(5)
Other Europe	185	5	5	–	–
Europe	10,949	220	205	95	(65)
North America	1,714	30	10	15	–
Asia Pacific	657	15	15	10	–
Total	19,867	430	330	170	(195)

New business contribution before required capital (gross of tax) 6 months 2008	As reported on page 34 £m	10% decrease in maintenance expenses £m	10% decrease in lapse rates £m	5% decrease in mortality/ morbidity rates – life assurance £m	5% decrease in mortality/ morbidity rates – annuity business £m
United Kingdom	183	11	9	10	(6)
France	84	2	4	2	–
Ireland	5	2	2	–	–
Italy	37	1	1	–	–
Netherlands (including Belgium and Germany)	60	5	3	2	–
Poland	21	1	2	1	–
Spain	133	4	11	2	–
Other Europe	7	2	3	2	(1)
Europe	347	17	26	9	(1)
North America	92	2	1	2	–
Asia Pacific	34	3	3	2	–
Total	656	33	39	23	(7)

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

IFRS Basis

Summarised consolidated income statement – IFRS basis
For the six months to 30 June 2008

6 months 2008 €m		6 months 2008 £m	Restated 6 months 2007 £m	Restated Full year 2007 £m
	Income			
22,138	Premiums written net of reinsurance	**17,046**	14,505	29,333
(247)	Net change in provision for unearned premiums	**(190)**	(237)	(21)
21,891	Net earned premiums	**16,856**	14,268	29,312
1,234	Fee and commission income	**950**	919	1,760
(12,369)	Net investment income	**(9,524)**	6,945	9,890
(447)	Share of (loss)/profit after tax of joint ventures and associates	**(344)**	(80)	(304)
12	Profit/(loss) on the disposal of subsidiaries and associates	**9**	(5)	49
10,321		**7,947**	22,047	40,707
	Expenses			
(18,358)	Claims and benefits paid, net of recoveries from reinsurers	**(14,136)**	(13,307)	(27,121)
4,508	Change in insurance liabilities, net of reinsurance	**3,471**	(638)	(3,507)
5,914	Change in investment contract provisions	**4,554**	(2,466)	(2,018)
3,566	Change in unallocated divisible surplus	**2,746**	27	2,922
(3,030)	Fee and commission expense	**(2,333)**	(2,277)	(4,445)
(2,901)	Other expenses	**(2,234)**	(1,662)	(3,473)
(915)	Finance costs	**(704)**	(505)	(1,208)
(11,216)		**(8,636)**	(20,828)	(38,850)
(895)	**(Loss)/profit before tax**	**(689)**	1,219	1,857
873	Tax attributable to policyholders' returns	**672**	(21)	(15)
(22)	**(Loss)/profit before tax attributable to shareholders' profits**	**(17)**	1,198	1,842
	Tax expense			
830	United Kingdom tax	**639**	(114)	(97)
(40)	Overseas tax	**(31)**	(215)	(255)
790		**608**	(329)	(352)
(873)	Less: tax attributable to policyholders' returns	**(672)**	21	15
(83)	Tax attributable to shareholders' profits	**(64)**	(308)	(337)
(105)	**(Loss)/profit for the period**	**(81)**	890	1,505
	Attributable to:			
(122)	Equity shareholders of Aviva plc	**(94)**	807	1,327
17	Minority interests	**13**	83	178
(105)		**(81)**	890	1,505

All (loss)/profit is from continuing operations.

Earnings per share – IFRS basis
For the six months to 30 June 2008

6 months 2008		6 months 2008	6 month 2007	Full year 2007
(5.1)c	Basic (pence per share)	**(3.9)p**	31.0p	49.2p
(5.1)c	Diluted (pence per share)	**(3.9)p**	30.7p	48.7p

Subsequent to 30 June 2008, the directors proposed an interim dividend for 2008 of 13.09p (interim 2007: 11.90p) per ordinary share, amounting to £347 million (interim 2007: £309 million) in total. The dividend will be paid on 17 November 2008 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008.

During the six months to 30 June 2008, the directors declared a final dividend for 2007 of 21.10p per ordinary share (final 2006: 19.18p) totalling £554 million (6 months to 30 June 2007: £492 million).

Pro forma reconciliation of Group operating profit to profit before tax – IFRS basis
For the six months to 30 June 2008

6 months 2008 €m		6 months 2008 £m	Restated 6 months 2007 £m	Full year 2007 £m
	IFRS Operating profit before tax attributable to shareholders' profits			
1,260	Long-term business *(note 7)*	**970**	834	1,634
82	Fund management *(note 9)*	**63**	76	155
699	General insurance and health *(note 10)*	**538**	560	1,033
	Other:			
(87)	Other operations and regional costs *(note 11)*	**(66)**	(49)	(74)
(92)	Corporate centre *(note 12)*	**(71)**	(80)	(157)
(261)	Group debt costs and other interest *(note 13)*	**(201)**	(190)	(363)
1,601	**Operating profit before tax attributable to shareholders' profits**	**1,233**	1,151	2,228
	Adjusted for the following:			
(825)	Investment return variances and economic assumption changes on long-term business *(note 8)*	**(636)**	107	15
(408)	Short-term fluctuation in return on investments backing general insurance and health business *(note 10)*	**(314)**	37	(184)
(55)	Impairment of goodwill	**(42)**	(3)	(10)
(66)	Amortisation and impairment of intangibles	**(51)**	(49)	(103)
12	Profit/(loss) on the disposal of subsidiaries and associates *(note 4)*	**9**	(5)	49
(171)	Integration and restructuring costs *(note 5)*	**(132)**	(40)	(153)
(110)	Exceptional costs for termination of operations *(note 5)*	**(84)**	–	–
(22)	**(Loss)/profit before tax**	**(17)**	1,198	1,842
(460)	Tax on operating profit	**(354)**	(329)	(607)
377	Tax on other activities	**290**	21	270
(83)		**(64)**	(308)	(337)
(105)	**(Loss)/profit for the period**	**(81)**	890	1,505

Six months 2007 has been restated to reflect the change in the definition of group operating profit on an International Financial Reporting Standards ("IFRS") basis. See the Basis of preparation note on page 57.

Earnings per share – IFRS operating profit basis
For the six months to 30 June 2008

6 months 2008 €m		6 months 2008 £m	Restated 6 months 2007 £m	Full year 2007 £m
39.1c	Basic (pence per share)	**30.1p**	28.1p	53.2p
38.8c	Diluted (pence per share)	**29.9p**	27.8p	52.7p

Consolidated statement of recognised income and expense – IFRS basis

For the six months ended 30 June 2008

6 months 2008 €m		6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
(1,100)	Fair value (losses)/gains on AFS securities, owner-occupied properties and hedging instruments	**(847)**	346	172
(178)	Fair value gains transferred to profit	**(136)**	(117)	(391)
193	Impairment loss	**148**	–	–
(10)	Share of fair value changes in joint ventures and associates taken to equity	**(8)**	8	9
(896)	Actuarial (losses)/gains on pension schemes *(note 19)*	**(690)**	830	648
92	Actuarial (gains)/losses on pension schemes transferred to unallocated divisible surplus and other movements	**71**	(84)	(61)
761	Foreign exchange rate movements	**586**	(50)	739
–	Aggregate tax effect – policyholder tax	**–**	(1)	–
131	Aggregate tax effect – shareholder tax	**101**	(229)	(179)
(1,007)	**Net (expense)/income recognised directly in equity**	**(775)**	703	937
(105)	(Loss)/profit for the period	**(81)**	890	1,505
(1,112)	**Total recognised (expense)/income for the period**	**(856)**	1,593	2,442
	Attributable to:			
(1,278)	Equity shareholders of Aviva plc	**(984)**	1,514	2,145
166	Minority interests	**128**	79	297
(1,112)		**(856)**	1,593	2,442

Reconciliation of movements in consolidated shareholders' equity – IFRS basis

For the six months ended 30 June 2008

6 months 2008 €m		6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
21,003	**Balance at 1 January**	**16,592**	14,064	14,064
(1,084)	Total recognised (expense)/income for the period	**(856)**	1,593	2,442
(713)	Dividends and appropriations *(note 16)*	**(563)**	(501)	(871)
39	Issues of share capital, net of transaction costs	**31**	30	48
215	Shares issued in lieu of dividends	**170**	152	301
139	Capital contributions from minority shareholders	**110**	75	307
(95)	Minority share of dividends declared in the year	**(75)**	(63)	(66)
75	Minority interest in acquired subsidiaries	**59**	142	317
(98)	Changes in minority interest in existing subsidiaries	**(78)**	–	–
34	Reserves credit for equity compensation plans	**27**	24	50
19,515	**Total equity**	**15,417**	15,516	16,592
(3,414)	**Minority interests**	**(2,697)**	(1,931)	(2,553)
16,101	**Balance at 30 June/31 December**	**12,720**	13,585	14,039

Summarised consolidated balance sheet – IFRS basis
As at 30 June 2008

30 June 2008 €m		30 June 2008 £m	Restated 30 June 2007 £m	Restated 31 December 2007 £m
	Assets			
3,858	Goodwill	**3,048**	2,912	3,082
4,013	Acquired value of in-force business and intangible assets	**3,170**	2,836	3,197
3,276	Interests in, and loans to, joint ventures	**2,588**	2,557	2,576
1,533	Interests in, and loans to, associates	**1,211**	891	1,206
1,261	Property and equipment	**996**	857	942
18,567	Investment property	**14,668**	15,682	15,077
47,325	Loans	**37,387**	30,207	36,193
	Financial investments			
157,184	Debt securities	**124,176**	111,035	119,743
61,414	Equity securities	**48,517**	58,924	56,018
48,704	Other investments	**38,476**	36,517	40,413
10,541	Reinsurance assets *(note 22)*	**8,327**	7,832	8,109
315	Deferred tax assets	**249**	765	590
676	Current tax assets	**534**	268	376
13,619	Receivables and other financial assets	**10,760**	10,957	8,629
6,423	Deferred acquisition costs and other assets	**5,074**	3,929	4,487
4,029	Prepayments and accrued income	**3,183**	2,773	2,986
23,776	Cash and cash equivalents	**18,783**	14,534	16,089
8,409	Assets of operations classified as held for sale *(note 6)*	**6,643**	1,261	1,128
414,923	**Total assets**	**327,790**	304,737	320,841
	Equity			
841	Ordinary share capital	**664**	647	655
5,716	Capital reserves	**4,516**	4,484	4,494
1,532	Other reserves	**1,210**	1,166	1,467
6,506	Retained earnings	**5,140**	6,098	6,233
14,595	**Equity attributable to ordinary shareholders of Aviva plc**	**11,530**	12,395	12,849
1,506	Preference share capital and direct capital instrument	**1,190**	1,190	1,190
3,414	Minority interests	**2,697**	1,931	2,553
19,515	**Total equity**	**15,417**	15,516	16,592
	Liabilities			
195,935	Gross insurance liabilities *(note 20)*	**154,789**	144,687	153,040
124,844	Gross liabilities for investment contracts *(note 21)*	**98,627**	92,101	98,244
5,146	Unallocated divisible surplus *(note 24)*	**4,065**	9,489	6,785
8,372	Net asset value attributable to unitholders	**6,614**	4,624	5,101
3,035	Provisions	**2,398**	1,930	1,937
1,587	Deferred tax liabilities	**1,254**	3,013	2,529
1,381	Current tax liabilities	**1,091**	1,157	1,189
16,928	Borrowings *(note 25)*	**13,373**	12,196	12,657
24,962	Payables and other financial liabilities	**19,720**	14,166	18,060
5,743	Other liabilities	**4,537**	4,808	3,765
7,475	Liabilities of operations classified as held for sale *(note 6)*	**5,905**	1,050	942
395,408	**Total liabilities**	**312,373**	289,221	304,249
414,923	**Total equity and liabilities**	**327,790**	304,737	320,841

Summarised consolidated cash flow statement – IFRS basis

For the six months to 30 June 2008

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

			6 months 2008	Restated 6 months 2007	Restated Full year 2007
	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*	**2,793**	**847**	**3,640**	2,159	4,934
Tax paid	**(358)**	**(76)**	**(434)**	(300)	(801)
Net cash from operating activities	**2,435**	**771**	**3,206**	1,859	4,133
Cash flows from investing activities:					
Acquisition of subsidiaries, joint ventures and associates, net of cash acquired	**(247)**	**(70)**	**(317)**	(359)	(769)
Disposal of subsidiaries, joint ventures and associates, net of cash transferred	**65**	**–**	**65**	272	283
Purchase of minority interest in subsidiary	**(81)**	**–**	**(81)**	–	–
Loans to joint ventures and associates	**–**	**–**	**–**	184	33
Purchases of property and equipment	**(22)**	**(68)**	**(90)**	(72)	(227)
Proceeds on sale of property and equipment	**5**	**1**	**6**	39	93
Purchases of intangible assets	**–**	**–**	**–**	(29)	(48)
Net cash (used in)/from investing activities	**(280)**	**(137)**	**(417)**	35	(635)
Cash flows from financing activities:					
Proceeds from issue of ordinary shares, net of transaction costs	**–**	**31**	**31**	30	48
New borrowings drawn down, net of expenses	**279**	**2,695**	**2,974**	3,690	6,322
Repayment of borrowings	**(377)**	**(2,516)**	**(2,893)**	(3,483)	(6,000)
Net drawdown of borrowings	**(98)**	**179**	**81**	207	322
Interest paid on borrowings	**(364)**	**(340)**	**(704)**	(446)	(1,208)
Preference dividends paid	**–**	**(9)**	**(9)**	(9)	(17)
Ordinary dividends paid	**–**	**(385)**	**(385)**	(340)	(500)
Coupon payments on direct capital instrument	**–**	**–**	**–**	–	(53)
Finance lease payments	**–**	**(1)**	**(1)**	(1)	(7)
Capital contributions from minority shareholders	**105**	**5**	**110**	75	307
Dividends paid to minority interests of subsidiaries	**(63)**	**(12)**	**(75)**	(63)	(66)
Non-trading cash flows between operations	**(623)**	**623**	**–**	–	–
Net cash (used in)/from financing activities	**(1,043)**	**91**	**(952)**	(547)	(1,174)
Net increase in cash and cash equivalents	**1,112**	**725**	**1,837**	1,347	2,324
Cash and cash equivalents at 1 January	**11,132**	**4,432**	**15,564**	12,635	12,635
Effect of exchange rate changes on cash and cash equivalents	**472**	**48**	**520**	(1)	605
Cash and cash equivalents at 30 June/31 December	**12,716**	**5,205**	**17,921**	13,981	15,564
Cash and cash equivalents at 30 June/31 December comprised:					
Cash at bank and in hand	**7,546**	**1,286**	**8,832**	4,817	4,004
Cash equivalents	**5,567**	**4,795**	**10,362**	9,790	12,181
	13,113	**6,081**	**19,194**	14,607	16,185
Bank overdrafts	**(397)**	**(876)**	**(1,273)**	(626)	(621)
	12,716	**5,205**	**17,921**	13,981	15,564

* Cash generated from operations is stated after net purchases/sales of investment property, loans and financial investments.

Of the total cash and cash equivalents shown above, £411 million has been classified as held for sale (30 June 2007: £73 million; 31 December 2007: £96 million).

Cash and cash equivalents in long-term business operations are primarily held for the benefit of policyholders and so are generally not available for use by the Group.

Notes to the consolidated financial statements – IFRS basis

1 – Basis of preparation – IFRS

(a) The results for the six months to 30 June 2008 have been prepared using International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and endorsed by the European Union (EU). These include IAS 34, *Interim Financial Reporting*, which specifically addresses the contents of interim announcements. The results apply the accounting policies set out in Aviva plc's 2007 Annual Report and Accounts, except that segmental information is now given in accordance with the requirements of IFRS 8, *Operating Segments*, as described in note 1(d) below.

The results for the six months to 30 June 2008 and 2007 are unaudited but have been reviewed by the auditor, Ernst & Young LLP. The interim results do not constitute statutory accounts as defined in section 240 of the Companies Act 1985. The results for the full year 2007 have been taken from the Group's 2007 Annual Report and Accounts. The auditor has reported on the 2007 financial statements and the report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The Group's 2007 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 presentational 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) Restatement of prior period figures

(i) Change to definition of operating profit

During 2007, the Group changed its definition of IFRS operating profit. The key changes to our definition of IFRS operating profit are set out in the 2007 Report and Accounts and were presented in this manner. Results to 30 June 2007 have been restated to reflect the changes.

(ii) Gross up for cash collateral received

The Group enters into stock lending transactions and receives cash or non-cash collateral to reduce the Group's exposure to counterparty credit risk. Collateral received in the form of cash is then either lent out at market rates of interest or held as cash. During 2007, we identified that certain cash collateral transactions should have been historically recognised on the balance sheet, with a corresponding obligation to return this collateral, instead of showing a net nil position.

The cash collateral transactions were accounted for correctly in the 2007 Report and Accounts but, as a result, the figures for loan assets, cash and cash equivalents, and payables and other financial liabilities as at 30 June 2007 have been restated by increasing them by £3,396 million, £147 million and £3,543 million respectively. The equivalent adjustment at 1 January 2007, the start of the comparative period, was to increase loan assets and payable and other financial liabilities by £2,129 million.

The 30 June 2007 comparative figures in the cash flow statement for cash generated from operations, net increase in cash and cash equivalents and cash and cash equivalents at 30 June 2007 have also been restated for the increase in cash and cash equivalents of £147 million detailed above.

In addition, we identified that the interest paid on cash collateral received and the interest earned from onlending this cash had previously been offset and reported as net investment income. The 30 June 2007 comparative figures have therefore been restated in order to report this interest expense and interest income separately, by increasing both by £59 million.

Neither of these adjustments have any impact on profit for the period, operating profit or earnings per share for the six months ended 30 June 2007, nor on retained earnings, net assets or total equity at either 1 January 2007 or 30 June 2007.

(iii) Consolidation of managed fund

The Group manages a number of specialised investment vehicles around the world, in which our insurance and investment funds have invested. The Group's percentage ownership in these vehicles can fluctuate from day to day according to the Group's and third party participation in them, and control is determined based on an analysis of the guidance in IAS 27. During 2008, we identified that one such vehicle, a UK cash deposit fund, required consolidation in accordance with IAS 27 which therefore results in grossing up assets and liabilities for the effect of the third party participation.

As a result, the figures for cash and cash equivalents, financial investments (debt securities) and net asset value attributable to unitholders as at 31 December 2007 have been restated by increasing them by £315 million, £806 million and £1,121 million respectively. The equivalent figures as at 30 June 2007 have been restated by increasing them by £242 million, £392 million and £634 million respectively. The impact on the full year 2007 income statement has been to restate net investment income and fee and commission expense by increasing both by £62 million (6 months to 30 June 2007: increase both by £40 million).

None of these adjustments has any impact on profit for the period, operating profit or earnings per share in either the full year 2007 or the 6 months to 30 June 2007, nor on retained earnings, net assets or total equity at either 1 January 2007, 30 June 2007 or 31 December 2007. The effect of restating items in the cash flow statements for these periods is given in section (iv) below.

(iv) Restatement of cash equivalents

During 2007, we reviewed the policy for cash and cash equivalents and determined that certain investments, previously classified as cash equivalents, would be more appropriately classified as financial investments.

This treatment was adopted in the 2007 Report and Accounts but the application of this review to the 30 June 2007 balances has led to a reduction of the cash equivalents balance at that date by £980 million and a corresponding increase in the debt securities total of the same amount.

This restatement has no impact on net assets or total equity. The effect of the restatements described in sections (iii) and (iv) on cash flows for the 6 months to 30 June 2007 is to reduce cash equivalents at 1 January 2007 and 30 June 2007 by £1,211 million and £738 million respectively, and to increase cash flows from operating activities by £473 million. The effect on the year to 31 December 2007 is to increase cash equivalents at 1 January 2007 and 31 December 2007 by £214 million and £315 million respectively, and to increase cash flows from operating activities by £101 million.

(d) In November 2006, the IASB issued IFRS 8, Operating Segments. Although its requirements are applicable for accounting periods beginning on or after 1 January 2009, the Group has decided to adopt IFRS 8 early and reflect its impact in the 2008 financial statements. Accordingly, the segmental information given in these interim results reflect the adoption of this standard.

The Group has determined its operating segments along regional lines and the results for the period to 30 June 2008 are presented on this basis, using NU Life and NUI within the United Kingdom, Europe, North America, Asia Pacific and Aviva Investors as the main segments.

(i) The NUI region covers the Group's UK general insurance business and includes the results of Aviva Re, the Group's captive reinsurance business;

(ii) Europe incorporates all European operations excluding the UK as set out above;

(iii) North America is made up of our life business in the United States and general insurance business in Canada;

(iv) Asia Pacific includes all our Asian and Australian businesses; and,

(v) Aviva Investors comprises the business of Morley, as well as the asset management businesses in France and Canada.

2 – Exchange rates

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

The results and cash flows of these operations have been translated into sterling at an average rate for the period of 1 euro = £0.77 (6 months to 30 June 2007: 1 euro = £0.68; full year 2007: 1 euro = £0.68). Assets and liabilities have been translated at the period end rate of 1 euro = £0.79 (30 June 2007: 1 euro = £0.67; 31 December 2007: 1 euro = £0.73).

The US dollar rates used for translation are an average of £1 = US$1.98 (6 months to 30 June 2007: £1 = US$1.97; full year 2007: £1 = US$2.00) and a closing rate of £1 = US$2.00 (30 June 2007: £1 = US$1.99; 31 December 2007: £1 = US$1.99).

3 – Acquisitions

(i) Acquisition of VIVAS Health

On 15 May 2008, the Group's Irish subsidiary, Hibernian Group plc, acquired a 70% holding in VIVAS Group Ltd. (VIVAS Health), an Irish health insurance company, for £26 million. Allied Irish Banks plc (AIB) will continue to hold the remaining 30% equity, further strengthening AIB and Hibernian's existing relationship. The company has since been re-branded as Hibernian Health. Its health insurance products will be distributed through Hibernian and AIB's distribution channels, including Hibernian Health's existing direct and non-direct channels.

The acquisition of this shareholding has given rise to goodwill on acquisition of £22 million, calculated as follows:

Purchase cost:	£m
Cash paid	25
Attributable costs	1
Total consideration	**26**

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

	Book value £m	Fair value and accounting policy adjustments £m	Fair value £m
Assets			
Reinsurance assets	31	–	31
Cash and cash equivalents	28	–	28
Receivables and financial assets	33	–	33
Other assets	1	–	1
Total assets	**93**	**–**	**93**
Liabilities			
Insurance liabilities	51	–	51
Payables and other financial liabilities	31	–	31
Other liabilities	5	–	5
Total liabilities	**87**	**–**	**87**
Total net assets	**6**	**–**	**6**
Net assets acquired (70%)			**4**
Goodwill arising on acquisition of this holding			**22**

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

3 – Acquisitions continued

(ii) Acquisition of UBI Vita

On 18 June 2008, the Group acquired 50% plus one share in UBI Assicurazioni Vita SpA. (UBI Vita), an Italian life insurance company, from Unione di Banche Italiane Scpa (UBI Banca), for a consideration of £51 million. UBI Vita distributes life insurance products through a bancassurance agreement with Banca Popolare di Ancona and other channels.

The acquisition of this shareholding has given rise to goodwill on acquisition of £6 million, calculated as follows:

Purchase cost:	£m
Cash paid	51
Attributable costs	–
Total consideration	**51**

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

	Book value £m	Fair value and accounting policy adjustments £m	Fair value £m
Assets			
Intangible assets	–	35	35
Reinsurance assets	128	–	128
Prepayment and accrued income	22	–	22
Cash and cash equivalents	50	–	50
Debt securities	1,768	(2)	1,766
Other investments	444	1	445
Property and equipment	18	1	19
Receivables and other financial assets	15	1	16
Other assets	2	(1)	1
Total assets	**2,447**	**35**	**2,482**
Liabilities			
Insurance liabilities	2,241	–	2,241
Borrowings	30	–	30
Payables and other financial liabilities	140	(12)	128
Other liabilities	(10)	4	(6)
Total liabilities	**2,401**	**(8)**	**2,393**
Total net assets	**46**	**43**	**89**
Net assets acquired (50%)			**45**
Goodwill arising on acquisition of this holding			**6**

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

(iii) Acquisition of Swiss Life Belgium

On 30 June 2008, the Group acquired 100% of the shares in Swiss Life Belgium, a multi-line insurer, from SNS REAAL for £112 million. By combining Swiss Life Belgium with its Belgian insurance operation, managed through its Dutch subsidiary Delta Lloyd, the Group will further strengthen its position in the Belgian life insurance market.

The acquisition of this shareholding has given rise to goodwill on acquisition of £nil, calculated as follows:

Purchase cost:	£m
Cash paid	112
Attributable costs	–
Total consideration	**112**

3 – Acquisitions continued

The estimated book and fair values of 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 contracts	–	55	55
Prepayment and accrued income	45	–	45
Cash and cash equivalents	89	–	89
Equity securities	130	–	130
Debt securities	2,221	–	2,221
Other investments	21	–	21
Receivables and other financial assets	39	–	39
Other assets	113	–	113
Total assets	**2,658**	**55**	**2,713**
Liabilities			
Insurance liabilities	2,195	–	2,195
Liabilities for investment contracts – gross	277	–	277
Borrowings	49	–	49
Payables and other financial liabilities	35	(3)	32
Other liabilities	48	–	48
Total liabilities	**2,604**	**(3)**	**2,601**
Total net assets	**54**	**58**	**112**
Net assets acquired (100%)			**112**
Goodwill arising on acquisition			**–**

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

(iv) Addition to existing shareholding in Cajamurcia Vida
As disclosed in the 2007 financial statements, on 6 June 2007 the Group acquired 5% of the share capital of Caja Murcia Vida y Pensiones, de Seguros y Reaseguros SA (Cajamurcia Vida) from the Spanish savings bank Caja de Ahorros de Murcia (Cajamurcia). Cajamurcia Vida was fully consolidated as a subsidiary from that date, as the Group has the power to govern its financial and operating policies, through having the majority vote at meetings of the company's board of directors.

On signing the shareholders' agreement, Cajamurcia granted the Group a call option over a further 45% of the shares in Cajamurcia Vida. On 27 March 2008, the Group exercised this option and acquired 45% of the shares for £81 million. The fair value of the net assets of the company at the date the option was exercised was £176 million, and the acquisition of the additional shareholding gave rise to additional goodwill of £3 million.

(v) Investment in LIG Life
On 4 April 2008, the Group acquired 40.65% of LIG Life Insurance Co. Ltd (LIG Life), a South Korean life insurance company, for £34 million. LIG Life distributes life insurance products through multiple distribution channels and focuses on the Busan metropolitan area in the south-eastern region of the country. Further shareholdings of 5.51% and 0.63 % were acquired on 7 April and 29 May 2008 respectively for a total of £4 million. This investment has been accounted for as an interest in a joint venture.

4 – Profit/(loss) on the disposal of subsidiaries and associates

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
United Kingdom	**–**	(7)	(7)
Turkey	**–**	–	71
Other small operations	**9**	2	(15)
Profit/(loss) on disposal before tax	**9**	(5)	49
Tax on profit/(loss) on disposal	**–**	3	3
Profit/(loss) on disposal after tax	**9**	(2)	52

5 – Integration and restructuring costs

(a) Integration and restructuring costs of £132 million (six months to 30 June 2007: £40 million) comprises phase one restructuring costs of £38 million announced in October 2007, phase two restructuring costs of £83 million announced in June 2008. The balance relates mainly to the implementation of Aviva Investors.

(b) Exceptional costs for termination of operation of £84 million (six months to 30 June 2007: £nil) are due to the closure of the wrap platform in the UK and migration of the operation to a third party provider, Scottish Friendly. These costs include write-downs of goodwill and intangible assets.

6 – Operations classified as held for sale

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Intangible assets	**260**	52	–
Investments and property and equipment	**5,072**	–	316
Deferred acquisition costs and other assets	**57**	74	–
Receivables and other financial assets	**587**	1,062	554
Prepayments and accrued income	**247**	–	145
Tax assets	**9**	–	17
Cash and cash equivalents	**411**	73	96
Total assets	**6,643**	1,261	1,128
Gross insurance liabilities/liability for investment contracts	**(5,253)**	(871)	(627)
Borrowings	**(13)**	(11)	(12)
Payables and financial liabilities	**(197)**	(68)	(72)
Other liabilities	**(369)**	(100)	(220)
Tax liabilities and other provisions	**(73)**	–	(11)
Total liabilities	**(5,905)**	(1,050)	(942)
Net assets	**738**	211	186

(i) Dutch health insurance business

On 16 July 2007, the Group announced that its Dutch subsidiary, Delta Lloyd Group ("DL"), had reached an agreement to sell its health insurance business to OWM CZ Groep Zorgverkeraar UA ("CZ"), a mutual health insurer, and create a long-term alliance for the cross-selling of insurance products. Under the terms of the agreement, CZ will purchase the DL health insurance business and take on its underwriting risk and policy administration. DL will continue to market and distribute health insurance products from CZ to its existing customers and continue to provide asset management for the transferred business. DL will also have exclusive rights to market life, general insurance and income protection products to CZ's customers. The transaction is expected to take effect on 1 January 2009, subject to regulatory, competition and other relevant approvals.

The relevant assets and liabilities of the DL health insurance business have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2008.

(ii) Dutch bancassurance business with ABN AMRO

On 20 May 2008, the Group announced that its Dutch subsidiary, Delta Lloyd Group, had received notice from ABN AMRO that, in accordance with its contractual entitlement, as a consequence of a change of control of ABN AMRO, it wished to end their 30-year bancassurance agreement signed in 2003, covering life and general insurance, and intended to buy out Delta Lloyd's 51% shareholding in Delta Lloyd ABN AMRO Verzekeringen Holding BV. The transaction is expected to complete in 2009.

The relevant assets and liabilities of the Dutch bancassurance business with ABN AMRO have been classified as held for sale, at their carrying values, in the consolidated balance sheet as at 30 June 2008. Gross assets were £4,716 million and net assets were £388 million.

(iii) UK non-core businesses

In the current period, the Group commenced a strategic review of certain UK non-core operations. As a consequence, certain assets and liabilities have been classified as held for sale at their carrying values in the consolidated balance sheet at 30 June 2008.

(iv) Non-adjusting post-balance sheet event

On 10 July 2008 we announced the sale of our offshore operations, known as Aviva Global Services ("AGS") to WNS. As part of this agreement, we have also entered into a master services contract with WNS, who will provide offshoring services to Aviva's UK, Irish and Canadian businesses for the next eight years and four months. Aviva will receive total cash consideration of £115 million.

7 – Analysis of long-term business IFRS operating profit

	6 months 2008 £m	Restated 6 months 2007[1] £m	Full year 2007 £m
With-profit	**202**	85	178
Non-profit	**226**	272	545
United Kingdom	**428**	357	723
France	**145**	136	243
Ireland	**28**	31	73
Italy	**37**	38	78
Netherlands (including Belgium and Germany)	**134**	94	181
Poland	**76**	53	110
Spain	**74**	57	119
Other Europe	**(8)**	(14)	(27)
Europe	**486**	395	777
North America	**42**	58	103
Asia	**(7)**	3	(6)
Australia	**21**	21	37
Asia Pacific	**14**	24	31
Total	**970**	834	1,634

1. See page 57 for details of the change in long-term business operating profit definition.

8 – Long-term business economic volatility

(a) Definitions
Operating profit for long-term business is based on expected investment returns on financial investments backing shareholder and policyholder funds over the period, with consistent allowance for the corresponding expected movements in liabilities. Operating profit includes the effect of variance in experience for non-economic items, such as mortality, persistency and expenses, and the effect of changes in non-economic assumptions. Changes due to economic items, such as market value movement and interest rate changes, which give rise to variances between actual and expected investment returns, and the impact of changes in economic assumptions on liabilities, are disclosed separately outside operating profit.

(b) Economic volatility
The investment variances and economic assumption changes excluded from the long-term business operating profit are as follows:

	Long-term business		
	6 months 2008 £m	Restated 6 months 2007 £m	Full year 2007 £m
Investment variances and economic assumption changes	**(636)**	107	15

Economic items had a significantly negative impact on profit in the six months to 30 June 2008. This was driven primarily by increases in market risk free rates and widening credit spreads on debt securities, partly mitigated by higher liability valuation interest rates, and by the impact of falling equity and property market values.

(c) Assumptions
The expected rate of investment return is determined using consistent assumptions between operations, having regard to local economic and market forecasts of investment return and asset classification under IFRS.

Where assets are classified as fair value through profit or loss, the Group has applied the same 'real-world' economic assumptions for fixed interest securities, equities and properties as are used under EEV principles. The principal assumptions underlying the calculation of the expected investment return are:

	Expected return fixed interest		Expected return equities		Expected return properties	
	2008 %	2007 %	2008 %	2007 %	2008 %	2007 %
United Kingdom	**4.6%**	4.6%	**7.6%**	7.6%	**6.6%**	6.6%
Eurozone	**4.4%**	4.0%	**7.4%**	7.0%	**6.4%**	6.0%

Where fixed interest securities are classified as available for sale, the expected investment return comprises the expected interest or dividend payments and amortisation of the premium or discount at purchase.

9 – Analysis of fund management operating profit

	6 months 2008 £m	6 months 2007[1] £m	Full year 2007[1] £m
United Kingdom	**28**	33	70
France	**16**	16	33
Canada	**1**	1	3
Other	**4**	8	17
Aviva Investors	**49**	58	123
United Kingdom	**(8)**	(4)	(10)
Netherlands	**10**	11	23
Other Europe	**3**	2	4
Europe	**13**	13	27
Asia Pacific	**9**	9	15
Total	**63**	76	155

1. Prior periods have been restated to reflect the new management structure to include France and Canada. Norwich Union's retail investment business and the collective investment business with RBSG do not form part of Aviva Investors UK operations.

On 28 February, as part of the "one Aviva, twice the value" vision, we announced our plans to combine the asset management companies within Aviva to create a single, globally integrated asset manager to be known as Aviva Investors.

10 – Analysis of general insurance and health

(a) Operating result

	Operating profit			Underwriting result		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m
United Kingdom	**326**	284	433	**37**	(46)	(214)
France	**30**	31	70	**1**	–	11
Ireland	**41**	80	162	**8**	53	101
Netherlands	**44**	70	169	**(7)**	29	75
Other	**22**	22	41	**5**	6	10
Europe	**137**	203	442	**7**	88	197
North America	**76**	70	154	**15**	5	18
Asia Pacific	**(1)**	3	4	**(1)**	2	3
Total	**538**	560	1,033	**58**	49	4
Analysed by:						
General insurance	**543**	574	1,037	**84**	92	47
Health	**(5)**	(14)	(4)	**(26)**	(43)	(43)
Total	**538**	560	1,033	**58**	49	4

10 – Analysis of general insurance and health continued

(b) Investment return information

	Actual investment return credited to income			Longer-term investment return		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m
United Kingdom	**301**	302	575	**289**	330	647
France	**27**	17	42	**29**	31	59
Ireland	**32**	23	52	**33**	27	61
Netherlands	**47**	37	79	**51**	41	94
Other	**18**	10	23	**17**	16	31
Europe	**124**	87	196	**130**	115	245
North America	**60**	55	120	**61**	65	136
Asia Pacific	**–**	–	–	**–**	1	1
Total longer-term investment return				**480**	511	1,029
Total actual investment income	**485**	444	891			
Realised gains	**24**	160	579			
Unrealised losses	**(343)**	(56)	(625)			
Total actual investment return	**166**	548	845			

The total short-term adverse fluctuation in investment return of £314 million (30 June 2007: £37 million favourable; 31 December 2007: £184 million adverse) is the difference between the total actual investment return of £166 million (30 June 2007: £548 million; 31 December 2007: £845 million) and the total longer-term investment return of £480 million (30 June 2007: £511 million; 31 December 2007: £1,029 million).

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

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

The Group has calculated the longer-term investment return for its general insurance and health business using the same start of year economic assumptions for equities and properties as those used for EEV reporting as shown on page 44 of this announcement.

The total assets supporting the general insurance and health business, which contribute towards the longer-term return, were £18,379 million (30 June 2007: £18,957 million; 31 December 2007: £18,291 million). Total assets comprise debt securities £10,578 million (30 June 2007: £8,724 million; 31 December 2007: £10,757 million), equity securities £1,130 million (30 June 2007: £3,389 million; 31 December 2007: £1,195 million), properties £294 million (30 June 2007: £340 million; 31 December 2007: £360 million), cash and cash equivalents £3,354 million (30 June 2007: £3,261 million; 31 December 2007: £3,178 million) and other assets £3,023 million (30 June 2007: £3,242 million; 31 December 2007: £2,801 million).

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	
	2008 %	2007 %	**2008 %**	2007 %
United Kingdom	**7.6%**	7.6%	**6.6%**	6.6%
France	**7.4%**	7.0%	**6.4%**	6.0%
Ireland	**7.4%**	7.0%	**6.4%**	6.0%
Netherlands	**7.4%**	7.0%	**6.4%**	6.0%
Canada	**7.6%**	7.1%	**6.6%**	6.1%

10 – Analysis of general insurance and health continued

(c) Analysis of operating profit – general insurance business only

	Operating profit			Longer-term investment return			Underwriting result		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m
United Kingdom	**324**	286	433	**286**	327	642	**38**	(41)	(209)
France	**25**	27	54	**23**	25	47	**2**	2	7
Ireland	**41**	80	162	**33**	27	61	**8**	53	101
Netherlands	**57**	86	193	**39**	21	73	**18**	65	120
Other Europe	**22**	22	41	**17**	16	31	**5**	6	10
Europe	**145**	215	450	**112**	89	212	**33**	126	238
North America	**76**	70	154	**61**	65	136	**15**	5	18
Asia Pacific	**(2)**	3	–	**–**	1	–	**(2)**	2	–
Total	**543**	574	1,037	**459**	482	990	**84**	92	47

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

	Claims ratio			Expense ratio			Combined operating ratio		
	6 months 2008 %	6 months 2007 %	Full Year 2007 %	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %
United Kingdom	**60.0%**	64.5%	65.9%	**12.8%**	13.6%	13.9%	**98%**	102%	106%
France	**70.0%**	73.4%	72.7%	**8.7%**	8.9%	10.2%	**96%**	97%	99%
Ireland	**71.2%**	54.5%	54.2%	**15.2%**	12.5%	14.3%	**98%**	78%	80%
Netherlands	**60.3%**	41.8%	45.1%	**14.7%**	14.1%	18.8%	**92%**	76%	85%
Canada	**64.7%**	67.2%	65.9%	**14.2%**	13.2%	13.6%	**98%**	99%	98%
Total	**62.4%**	63.1%	63.7%	**12.7%**	12.9%	13.9%	**97%**	97%	100%

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.

(e) Combined operating profit ratio analysis – class of business analysis

(i) United Kingdom (excluding Group reinsurance)

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %
Personal									
Motor	**693**	706	1,431	**(18)**	(12)	(25)	**102%**	103%	102%
Homeowner	**585**	625	1,223	**(27)**	(177)	(296)	**105%**	126%	124%
Other	**301**	355	797	**(8)**	18	10	**107%**	101%	100%
	1,579	1,686	3,451	**(53)**	(171)	(311)	**103%**	111%	110%
Commercial									
Motor	**330**	338	636	**22**	43	61	**92%**	85%	91%
Property	**418**	403	807	**(9)**	2	(175)	**99%**	100%	124%
Other	**262**	272	546	**72**	79	192	**74%**	70%	68%
	1,010	1,013	1,989	**85**	124	78	**90%**	86%	98%
Total	**2,589**	2,699	5,440	**32**	(47)	(233)	**98%**	102%	106%

During the six month period to 30 June 2008, annualised rating increases were as follows: personal motor 5%; homeowner 10% (including indexation); commercial motor 3%; commercial property 2%; commercial liability 2%.

10 – Analysis of general insurance and health continued

(ii) France

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %
Motor	**164**	147	254	**(3)**	(2)	(2)	**100%**	99%	101%
Property and other	**222**	189	320	**5**	4	9	**93%**	96%	97%
Total	**386**	336	574	**2**	2	7	**96%**	97%	99%

(iii) Netherlands

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %
Motor	**150**	131	267	**(7)**	19	42	**105%**	83%	84%
Property	**174**	138	249	**(5)**	7	19	**98%**	89%	93%
Liability	**50**	34	61	**(2)**	3	13	**97%**	82%	79%
Other	**188**	142	211	**32**	36	46	**73%**	52%	77%
Total	**562**	445	788	**18**	65	120	**92%**	76%	85%

(iv) Canada

	Net written premiums			Underwriting result			Combined operating ratio		
	6 months 2008 £m	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 £m**	6 months 2007 £m	Full Year 2007 £m	**6 months 2008 %**	6 months 2007 %	Full Year 2007 %
Motor	**450**	376	795	**37**	1	7	**91%**	100%	99%
Property	**229**	204	450	**(25)**	3	10	**112%**	98%	96%
Liability	**79**	73	143	**(2)**	(2)	(5)	**101%**	97%	103%
Other	**13**	12	24	**5**	3	6	**58%**	68%	68%
Total	**771**	665	1,412	**15**	5	18	**98%**	99%	98%

11 – Analysis of other operations and regional costs

	6 months 2008 £m	Restated 6 months 2007 £m	Full year 2007 £m
Europe	**(12)**	–	(11)
North America	**(5)**	–	(2)
Asia Pacific	**(9)**	–	(3)
Regional costs	**(26)**	–	(16)
United Kingdom	**(33)**	(23)	(8)
Europe	**(10)**	(22)	(38)
North America	**1**	–	(2)
Asia Pacific	**2**	(4)	(10)
Other operations	**(40)**	(49)	(58)
Total	**(66)**	(49)	(74)

The 30 June 2007 results have been restated to remove the covered business element of the NULS result (previously included in the UK line) to the life segment.

12 – Corporate Centre

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Project spend	**(20)**	(13)	(26)
Share awards and other incentive schemes	**(8)**	(12)	(17)
Central spend	**(43)**	(55)	(114)
Total	**(71)**	(80)	(157)

13 – Group debt costs and other interest

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
External			
Subordinated debt	**(94)**	(88)	(179)
Other	**(34)**	(41)	(80)
Internal	**(95)**	(93)	(179)
Net finance income on pension schemes	**22**	32	75
Total	**(201)**	(190)	(363)

14 – Tax

(a) Tax (credited)/charged to the income statement

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Current tax:			
For the period	**286**	329	888
Prior year adjustments	**(67)**	(77)	(94)
Total current tax	**219**	252	794
Deferred tax:			
Origination and reversal of temporary differences	**(827)**	145	(348)
Changes in tax rates or tax laws	**–**	(99)	(88)
Write down of deferred tax assets	**–**	31	(6)
Total deferred tax	**(827)**	77	(442)
Total tax (credited)/charged to income statement	**(608)**	329	352
Analysed between:			
Tax (credit)/charge attributable to policyholders' returns	**(672)**	21	15
Tax charge on IFRS operating profit before tax attributable to shareholders' profits from continuing operations	**354**	329	607
Tax credit on profit on other activities	**(290)**	(21)	(270)
	(608)	329	352

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

14 – Tax continued

(b) Tax (credited)/charged to equity

(i) Total tax (credit)/charge comprises:

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Current tax credit	**–**	(1)	(19)
Deferred tax (credit)/charge	**(101)**	231	198
Total tax (credited)/charged to equity	**(101)**	230	179

(ii) The tax expense attributable to policyholders' returns included in the charge above is £nil (six months to 30 June 2007: £1 million charge; full year 2007: £nil).

(c) Tax reconciliation

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

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
(Loss)/Profit before tax	**(689)**	1,219	1,857
Tax calculated at standard UK corporation tax rate of 28.5% (2007: 30%)	**(196)**	366	557
Different basis of tax for UK life insurance	**(465)**	–	5
Adjustment to tax charge in respect of prior years	**(55)**	(3)	(49)
Non-assessable dividends	**(19)**	(61)	(124)
Non-taxable profit on sale of subsidiaries and associates	**(3)**	(2)	(18)
Disallowable expenses	**26**	17	7
Different local basis of tax on overseas profits	**95**	53	56
Reduction in future UK tax rate (net of movement in unallocated divisible surplus)	**–**	(69)	(64)
Deferred tax valuation difference	**17**	28	1
Other	**(8)**	(6)	(19)
Tax (credited)/charged to the income statement	**(608)**	329	352

15 – Earnings per share

(a) Basic earnings per share

(i) The profit attributable to ordinary shareholders is:

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
(Loss)/profit for the period	**(81)**	890	1,505
Amount attributable to minority interests	**(13)**	(83)	(178)
Cumulative preference dividends for the year	**(9)**	(9)	(17)
Coupon payments in respect of direct capital instruments (net of tax)	**–**	–	(37)
(Loss)/profit attributable to ordinary shareholders	**(103)**	798	1,273

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

	6 months 2008			Restated 6 months 2007			Full year 2007		
	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	**1,233**	**792**	**30.1**	1,151	723	28.1	2,228	1,376	53.2
Adjusted for the following:									
– Investment return variances and economic assumption changes on long-term business	**(636)**	**(490)**	**(18.6)**	107	89	3.5	15	79	3.1
– Impairment of goodwill	**(42)**	**(38)**	**(1.4)**	(3)	(3)	(0.1)	(10)	(10)	(0.4)
– Amortisation and impairment of intangibles	**(51)**	**(36)**	**(1.4)**	(49)	(35)	(1.4)	(103)	(72)	(2.8)
– Short-term fluctuation in return on investments backing general insurance and health business	**(314)**	**(171)**	**(6.5)**	37	53	2.1	(184)	(38)	(1.5)
– Profit on the disposal of subsidiaries and associates	**9**	**9**	**0.3**	(5)	(2)	(0.1)	49	52	2.0
– Integration and restructuring costs	**(132)**	**(105)**	**(4.0)**	(40)	(27)	(1.1)	(153)	(114)	(4.4)
– Exceptional items	**(84)**	**(64)**	**(2.4)**	–	–	–	–	–	–
(Loss)/profit attributable to ordinary shareholders	**(17)**	**(103)**	**(3.9)**	1,198	798	31.0	1,842	1,273	49.2

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 2,632 million (six months 30 June 2007: 2,571 million; full year 2007: 2,588 million) ordinary shares in issue, after deducting shares owned by the employee share trusts. The actual number of shares in issue at 30 June 2008 was 2,658 million (30 June 2007: 2,595 million; 31 December 2007: 2,622 million).

15 – Earnings per share continued

(b) Diluted earnings per share

(i) Diluted earnings per share is calculated as follows:

	6 months 2008			6 months 2007			Full year 2007		
	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
(Loss)/profit attributable to ordinary shareholders	(103)	2,632	(3.9)	798	2,571	31.0	1,273	2,588	49.2
Dilutive effect of share awards and options	–	21	–	–	27	(0.3)	–	24	(0.5)
Diluted earnings per share	**(103)**	**2,653**	**(3.9)**	798	2,598	30.7	1,273	2,612	48.7

(ii) Diluted earnings per share on operating profit attributable to ordinary shareholders is calculated as follows:

	6 months 2008			Restated 6 months 2007			Full year 2007		
	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
Operating profit attributable to ordinary shareholders	792	2,632	30.1	723	2,571	28.1	1,376	2,588	53.2
Dilutive effect of share awards and options	–	21	(0.2)	–	27	(0.3)	–	24	(0.5)
Diluted earnings per share	**792**	**2,653**	**29.9**	723	2,598	27.8	1,376	2,612	52.7

16 – Dividends and appropriations

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Ordinary dividends declared and charged to equity in the year			
Final 2006 – 19.18 pence per share, paid on 18 May 2007	–	492	492
Interim 2007 – 11.90 pence per share, paid on 16 November 2007	–	–	309
Final 2007 – 21.10 pence per share, paid on 16 May 2008	**554**	–	–
	554	492	801
Preference dividends declared and charged to equity in the year	**9**	9	17
Coupon payments on direct capital instrument – gross of tax	–	–	53
	563	501	871

Subsequent to 30 June 2008, the directors proposed an interim dividend for 2008 of 13.09 pence per ordinary share (six months 2007: 11.90 pence), amounting to £347 million (six months 2007: £309 million) in total. The dividend will be paid on 17 November 2008 and will be accounted for as an appropriation of retained earnings in the year ending 31 December 2008.

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 29 July 2008.

17 – Segmental information

(a) Operating segments

As explained in note 1(d), the Group has determined its operating segments along regional lines. These reflect the management structure whereby a member of the Executive Management team is accountable to the Group Chief Executive for the operating segment for which he is responsible. The activities of each operating segment are described below:

United Kingdom

The United Kingdom comprises two operating segments – Norwich Union Life (NU Life) and Norwich Union Insurance (NUI). The principal activities of NU Life are life insurance, long-term health and accident insurance, savings, pensions and annuity business, whilst NUI 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. NUI also includes the RAC motor recovery business and the group reinsurance result.

Europe

Activities reported in the Europe operating segment, exclude operations in the UK and include those in Russia and Turkey. Principal activities are long-term business in France, the Netherlands, Ireland, Italy, Poland and Spain, and general insurance in France, the Netherlands and Ireland.

North America

Our activities in North America principally comprise our long-term business operations in the USA and general insurance business operation in Canada.

Asia Pacific

Our activities in Asia Pacific principally comprise our long-term business operations in Australia, China, India, Singapore, Hong Kong, Sri Lanka, Taiwan, Malaysia, and South Korea.

Aviva Investors

Aviva Investors operates in most of the regions in which the Group operates, in particular the UK, France and Canada, managing policyholders' and shareholders' invested funds, providing investment management services for institutional pension fund mandates and managing a range of retail investment products, including investment funds, unit trusts, OEICs and ISAs. Fund management activities in the Netherlands are included in the Europe operating segment.

Other

Investment return on centrally held assets, head office expenses, such as Group treasury and finance functions, together with certain taxes and financing costs arising on central borrowings are included in "Other".

Similarly central core structural borrowings and certain tax balances are included in "Other" in the segmental balance sheet. Also included are small run-off businesses not managed directly by regions.

Measurement basis

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. The Group evaluates performance of operating segments on the basis of:

(i) profit or loss from operations before tax attributable to shareholders.

(ii) profit or loss from operations before tax attributable to shareholders, adjusted for non-operating items outside the segment management's control, including investment market performance and fiscal policy changes.

17 – Segmental information continued

(b) Segmental results of the income statement for the six months ended 30 June 2008

	United Kingdom NU Life £m	United Kingdom NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors £m	Other £m	Total £m
Gross written premiums	3,801	2,867	8,272	2,662	326	–	–	17,928
Premiums ceded to reinsurers	(252)	(265)	(229)	(101)	(35)	–	–	(882)
Internal reinsurance revenue	–	26	(21)	(4)	(1)	–	–	–
Net written premiums	3,549	2,628	8,022	2,557	290	–	–	17,046
Net change in provision for unearned premiums	(3)	75	(244)	(17)	(1)	–	–	(190)
Net earned premiums	3,546	2,703	7,778	2,540	289	–	–	16,856
Fee and commission income	158	178	349	19	90	158	(2)	950
	3,704	2,881	8,127	2,559	379	158	(2)	17,806
Net investment income	(5,969)	243	(3,823)	380	(134)	(88)	(133)	(9,524)
Inter-segment revenue	–	–	–	–	–	68	–	68
Share of loss of joint ventures and associates	(326)	–	(3)	–	(15)	–	–	(344)
Profit on the disposal of subsidiaries and associates	–	–	9	–	–	–	–	9
Segmental income[1]	**(2,591)**	**3,124**	**4,310**	**2,939**	**230**	**138**	**(135)**	**8,015**
Insurance claims and benefits paid and change in insurance liabilities (net)	(367)	(1,621)	(3,708)	(2,476)	66	–	(1)	(8,107)
Investment contract claims and benefits paid and change in liabilities	2,493	–	(402)	(50)	(154)	109	–	1,996
Change in unallocated divisible surplus	883	–	1,863	–	–	–	–	2,746
Amortisation of deferred acquisition costs and acquired value of in-force business	–	–	(18)	(74)	(2)	–	–	(94)
Depreciation and other amortisation expense	(60)	(43)	(70)	(22)	(2)	(2)	–	(199)
Other operating expenses	(677)	(1,412)	(1,391)	(262)	(145)	(206)	(10)	(4,103)
Impairment losses[2]	–	–	(155)	(16)	–	–	–	(171)
Inter-segment expenses	(55)	(2)	(9)	–	(2)	–	–	(68)
Finance costs	(233)	(1)	(320)	(9)	–	–	(141)	(704)
Segmental expenses	**1,984**	**(3,079)**	**(4,210)**	**(2,909)**	**(239)**	**(99)**	**(152)**	**(8,704)**
(Loss)/profit before tax	(607)	45	100	30	(9)	39	(287)	(689)
Tax attributable to policyholders' returns	651	–	14	–	7	–	–	672
(Loss)/profit before tax attributable to shareholders	44	45	114	30	(2)	39	(287)	(17)
Adjusted for non-operating items								
Investment return variances and economic assumption changes	264	–	288	68	16	–	–	636
Short-term fluctuation in return on investments backing general insurance and health business	–	115	157	(4)	–	–	46	314
Impairment of goodwill	–	–	42	–	–	–	–	42
Amortisation and impairment of intangibles	1	13	14	21	1	1	–	51
Profit on the disposal of subsidiaries and associates	–	–	(9)	–	–	–	–	(9)
Exceptional item	84	–	–	–	–	–	–	84
Integration and restructuring costs	7	107	9	–	–	9	–	132
Operating profit before tax attributable to shareholders	**400**	**280**	**615**	**115**	**15**	**49**	**(241)**	**1,233**

1. Total reported income, excluding inter-segment revenue, is split United Kingdom £533 million, France £106 million, Netherlands £3,808 million, USA £2,106 million and Rest of the World £1,394 million. Income is attributed on the basis of geographical origin which does not materially differ from revenue by geographical destination, as most risks are located in the countries where the contracts were written.

2. Impairment losses, and reversal of such losses, recognised directly in equity were £148 million and £nil

17 – Segmental information continued

(c) Segmental results of the income statement for the six months ended 30 June 2007

	United Kingdom NU Life £m	United Kingdom NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors[3] £m	Other £m	Restated Total £m
Gross written premiums	2,888	2,982	6,905	2,235	319	–	–	15,329
Premiums ceded to reinsurers	(253)	(259)	(192)	(92)	(28)	–	–	(824)
Internal reinsurance revenue	–	20	(13)	(6)	(1)	–	–	–
Net written premiums	2,635	2,743	6,700	2,137	290	–	–	14,505
Net change in provision for unearned premiums	(18)	15	(216)	(16)	(2)	–	–	(237)
Net earned premiums	2,617	2,758	6,484	2,121	288	–	–	14,268
Fee and commission income	187	203	341	18	75	95	–	919
	2,804	2,961	6,825	2,139	363	95	–	15,187
Net investment income	2,669	437	2,856	577	222	151	33	6,945
Inter-segment revenue	–	–	–	–	–	81	–	81
Share of profit/(loss) of joint ventures and associates	(83)	3	1	–	(1)	–	–	(80)
Profit/(loss) on the disposal of subsidiaries and associates	–	(8)	–	–	–	–	3	(5)
Segmental income[1]	5,390	3,393	9,682	2,716	584	327	36	22,128
Insurance claims and benefits paid and change in insurance liabilities (net)	(1,722)	(1,781)	(5,231)	(2,184)	(176)	–	(1)	(11,095)
Investment contract claims and benefits paid and change in liabilities	(2,179)	–	(2,718)	(57)	(256)	(106)	–	(5,316)
Change in unallocated divisible surplus	(382)	–	409	–	–	–	–	27
Amortisation of deferred acquisition costs and acquired value of in-force business	–	–	(25)	(90)	(2)	–	8	(109)
Depreciation and other amortisation expense	(9)	(44)	(22)	(23)	(2)	(6)	–	(106)
Other operating expenses	(637)	(1,356)	(1,102)	(260)	(106)	(161)	(81)	(3,703)
Impairment losses[2]	–	–	(23)	2	–	–	–	(21)
Inter-segment expenses	(69)	–	(8)	–	(1)	–	(3)	(81)
Finance costs	(147)	–	(216)	(5)	–	–	(137)	(505)
Segmental expenses	(5,145)	(3,181)	(8,936)	(2,617)	(543)	(273)	(214)	(20,909)
Profit before tax	245	212	746	99	41	54	(178)	1,219
Tax attributable to policyholders' returns	3	–	(17)	–	(6)	(1)	–	(21)
Profit/(loss) before tax attributable to shareholders	248	212	729	99	35	53	(178)	1,198
Adjusted for non-operating items								
Investment return variances and economic assumption changes	82	–	(167)	(17)	(5)	–	–	(107)
Short-term fluctuation in return on investments backing general insurance and health business	–	(45)	14	23	–	–	(29)	(37)
Impairment of goodwill	–	–	–	–	–	3	–	3
Amortisation and impairment of intangibles	3	14	8	21	1	2	–	49
Profit/(loss) on the disposal of subsidiaries and associates	–	8	–	–	–	–	(3)	5
Integration and restructuring costs	2	30	5	3	–	–	–	40
Operating profit before tax attributable to shareholders	335	219	589	129	31	58	(210)	1,151

1. Total reported income, excluding inter-segment revenue, is split United Kingdom £8,783 million, France £3,463 million, Netherlands £2,836 million, USA £2,014 million and Rest of the World £4,951 million. Income is attributed on the basis of geographical origin which does not materially differ from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2. Impairment losses, and reversal of such losses, recognised directly in equity were £nil and £nil.
3. Aviva Investors comprises the Morley UK, France, Canada and International fund management businesses.

17 – Segmental information continued

(d) Segmental results of the income statement for the year ended 31 December 2007

	United Kingdom NU Life £m	United Kingdom NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors[3] £m	Other £m	Restated Total £m
Gross written premiums	6,128	6,039	13,538	4,628	658	–	–	30,991
Premiums ceded to reinsurers	(444)	(577)	(388)	(195)	(54)	–	–	(1,658)
Internal reinsurance revenue	–	28	(19)	(7)	(2)	–	–	–
Net written premiums	5,684	5,490	13,131	4,426	602	–	–	29,333
Net change in provision for unearned premiums	(18)	60	(22)	(40)	(1)	–	–	(21)
Net earned premiums	5,666	5,550	13,109	4,386	601	–	–	29,312
Fee and commission income	246	385	638	37	168	292	(6)	1,760
	5,912	5,935	13,747	4,423	769	292	(6)	31,072
Net investment income	5,186	708	2,786	896	286	44	(16)	9,890
Inter-segment revenue	–	–	–	–	–	168	–	168
Share of profit/(loss) of joint ventures and associates	(304)	3	6	–	(9)	–	–	(304)
Profit/(loss) on the disposal of subsidiaries and associates	–	(7)	(5)	–	–	–	61	49
Segmental income[1]	10,794	6,639	16,534	5,319	1,046	504	39	40,875
Insurance claims and benefits paid and change in insurance liabilities (net)	(7,199)	(3,647)	(9,348)	(4,408)	(375)	–	2	(24,975)
Investment contract claims and benefits paid and change in liabilities	(3,224)	–	(3,885)	(153)	(364)	(45)	–	(7,671)
Change in unallocated divisible surplus	1,882	–	1,040	–	–	–	–	2,922
Amortisation of deferred acquisition costs and acquired value of in-force business	–	–	(35)	(122)	(3)	–	–	(160)
Depreciation and other amortisation expense	(24)	(104)	(53)	(45)	(6)	(17)	–	(249)
Other operating expenses	(1,116)	(2,784)	(2,328)	(561)	(249)	(332)	(82)	(7,452)
Impairment losses[2]	–	–	(50)	(7)	–	–	–	(57)
Inter-segment expenses	(141)	(4)	(18)	(1)	(3)	–	(1)	(168)
Finance costs	(405)	(3)	(509)	(17)	–	–	(274)	(1,208)
Segmental expenses	(10,227)	(6,542)	(15,186)	(5,314)	(1,000)	(394)	(355)	(39,018)
Profit before tax	567	97	1,348	5	46	110	(316)	1,857
Tax attributable to policyholders' returns	(9)	–	6	–	(9)	(3)	–	(15)
Profit/(loss) before tax attributable to shareholders	558	97	1,354	5	37	107	(316)	1,842
Adjusted for non-operating items								
Investment return variances and economic assumption changes	112	–	(309)	183	(1)	–	–	(15)
Short-term fluctuation in return on investments backing general insurance and health business	–	82	112	9	–	–	(19)	184
Impairment of goodwill	–	–	1	–	–	9	–	10
Amortisation and impairment of intangibles	4	28	21	40	3	7	–	103
(Loss)/profit on the disposal of subsidiaries and associates	–	7	5	–	–	–	(61)	(49)
Integration and restructuring costs	8	114	12	19	–	–	–	153
Operating profit before tax attributable to shareholders	682	328	1,196	256	39	123	(396)	2,228

1. Total reported income, excluding inter-segment revenue, is split United Kingdom £17,433 million, France £5,753 million, Netherlands £5,984 million, USA £3,793 million and Rest of the World £7,744 million. Income is attributed on the basis of geographical origin which does not materially differ from revenue by geographical destination, as most risks are located in the countries where the contracts were written.
2. Impairment losses, and reversal of such losses, recognised directly in equity were £nil and £1 million.
3. Aviva Investors comprises the Morley UK, France, Canada and International fund management businesses.

17 – Segmental information continued

(e) Segmental balance sheet as at 30 June 2008

	United Kingdom							
	NU Life £m	NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors £m	Other £m	Total £m
Goodwill	51	1,166	1,121	668	42	–	–	3,048
Acquired value of in-force business and intangible assets	53	284	1,174	1,621	25	13	–	3,170
Interests in, and loans to, joint ventures and associates	2,888	–	645	1	265	–	–	3,799
Property and equipment	167	318	424	39	39	7	2	996
Investment property	10,299	181	3,315	5	27	841	–	14,668
Loans	19,881	899	15,172	1,392	43	–	–	37,387
Financial investments	76,744	3,353	105,828	18,468	3,951	1,950	875	211,169
Deferred acquisition costs	1,488	1,158	1,092	1,280	42	3	11	5,074
Other assets	11,654	4,955	24,176	2,644	572	2,233	2,245	48,479
Total assets	**123,225**	**12,314**	**152,947**	**26,118**	**5,006**	**5,047**	**3,133**	**327,790**
Insurance liabilities								
Long-term business and outstanding claims provisions	61,957	6,094	57,885	18,836	1,833	–	28	146,633
Unearned premiums	182	3,356	1,280	823	19	–	–	5,660
Other insurance liabilities	–	91	2,325	80	–	–	–	2,496
Liability for investment contracts	39,114	–	52,692	2,110	1,966	2,745	–	98,627
Unallocated divisible surplus	3,994	–	68	–	3	–	–	4,065
Net asset value attributable to unitholders	1,049	–	3,450	–	210	1,905	–	6,614
External borrowings	2,171	11	6,612	115	–	–	4,464	13,373
Other liabilities, including inter-segment liabilities	10,113	(352)	19,352	1,585	188	247	3,772	34,905
Total liabilities	**118,580**	**9,200**	**143,664**	**23,549**	**4,219**	**4,897**	**8,264**	**312,373**
Total equity								**15,417**
Total equity and liabilities								**327,790**
Capital expenditure (excluding business combinations)	27	48	8	115	2	1	–	201

Central borrowings are borrowings by holding companies within the Group which are not allocated to operating companies are included in "Other".

17 – Segmental information continued

(f) Segmental balance sheet as at 30 June 2007

	United Kingdom							
	NU Life £m	NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors £m	Other £m	Restated Total £m
Goodwill	50	1,273	895	640	36	6	12	2,912
Acquired value of in-force business and intangible assets	60	363	699	1,669	29	16	–	2,836
Interests in, and loans to, joint ventures and associates	3,192	–	156	1	99	–	–	3,448
Property and equipment	184	289	332	22	24	6	–	857
Investment property	11,759	259	2,528	–	15	1,121	–	15,682
Loans	16,218	690	12,221	1,044	34	–	–	30,207
Financial investments	83,015	3,960	95,161	16,577	3,729	2,156	1,878	206,476
Deferred acquisition costs	1,268	1,143	856	602	36	3	21	3,929
Other assets	11,435	5,958	15,643	2,791	447	944	1,172	38,390
Total assets	127,181	13,935	128,491	23,346	4,449	4,252	3,083	304,737
Insurance liabilities								
Long-term business and outstanding claims provisions	62,370	6,826	51,773	16,229	1,567	–	31	138,796
Unearned premiums	179	3,496	1,119	727	17	–	–	5,538
Other insurance liabilities	–	92	189	72	–	–	–	353
Liability for investment contracts	40,762	–	44,694	1,455	1,960	3,230	–	92,101
Unallocated divisible surplus	7,215	–	2,271	–	3	–	–	9,489
Net asset value attributable to unitholders	1,420	–	2,398	–	167	639	–	4,624
External borrowings	2,208	12	5,824	82	–	–	4,070	12,196
Other liabilities, including inter-segment liabilities	8,736	(297)	11,669	2,070	186	233	3,527	26,124
Total liabilities	122,890	10,129	119,937	20,635	3,900	4,102	7,628	289,221
Total equity								15,516
Total equity and liabilities								304,737
Capital expenditure (excluding business combinations)	4	63	49	42	2	3	–	163

17 – Segmental information continued

(g) Segmental balance sheet as at 31 December 2007

	United Kingdom NU Life £m	United Kingdom NUI £m	Europe £m	North America £m	Asia Pacific £m	Aviva Investors £m	Other £m	Restated Total £m
Goodwill	71	1,276	1,053	642	40	–	–	3,082
Acquired value of in-force business and intangible assets	65	349	1,164	1,579	28	12	–	3,197
Interests in, and loans to, joint ventures and associates	2,972	–	594	1	215	–	–	3,782
Property and equipment	177	317	374	28	37	7	2	942
Investment property	10,773	252	3,061	–	25	966	–	15,077
Loans	20,153	900	13,895	1,206	39	–	–	36,193
Financial investments	84,244	3,634	103,430	17,252	3,934	2,205	1,475	216,174
Deferred acquisition costs	1,477	1,212	914	830	45	4	5	4,487
Other assets	10,535	5,033	16,086	2,834	500	1,522	1,397	37,907
Total assets	130,467	12,973	140,571	24,372	4,863	4,716	2,879	320,841
Insurance liabilities								
Long-term business and outstanding claims provisions	65,017	6,580	56,517	17,345	1,820	–	28	147,307
Unearned premiums	179	3,468	973	815	15	–	–	5,450
Other insurance liabilities	–	92	113	78	–	–	–	283
Liability for investment contracts	41,845	–	49,551	1,756	1,952	3,140	–	98,244
Unallocated divisible surplus	4,944	–	1,838	–	3	–	–	6,785
Net asset value attributable to unitholders	1,111	–	2,680	–	189	1,121	–	5,101
External borrowings	2,184	12	6,153	139	–	–	4,169	12,657
Other liabilities, including inter-segment liabilities	10,474	(366)	13,129	1,627	160	279	3,119	28,422
Total liabilities	125,754	9,786	131,954	21,760	4,139	4,540	7,316	304,249
Total equity								16,592
Total equity and liabilities								320,841
Capital expenditure (excluding business combinations)	30	140	113	10	7	6	2	308

17 – Segmental information continued

(h) Segmental results of the income statement – products and services for the six months ended 30 June 2008

	Long-term business £m	Fund management £m	General insurance and health[2] £m	Non-insurance[3] £m	Total £m
Gross written premiums[1]	**11,735**	**–**	**6,193**	**–**	**17,928**
Premiums ceded to reinsurers	**(489)**	**–**	**(393)**	**–**	**(882)**
Net written premiums	**11,246**	**–**	**5,800**	**–**	**17,046**
Net change in provision for unearned premiums	**(2)**	**–**	**(188)**	**–**	**(190)**
Net earned premiums	**11,244**	**–**	**5,612**	**–**	**16,856**
Fee and commission income	**415**	**260**	**61**	**214**	**950**
	11,659	**260**	**5,673**	**214**	**17,806**
Net investment (expense)/income	**(10,018)**	**65**	**157**	**272**	**(9,524)**
Inter-segment revenue	**–**	**61**	**–**	**–**	**61**
Share of loss of joint ventures and associates	**(329)**	**(6)**	**(2)**	**(7)**	**(344)**
Profit on the disposal of subsidiaries and associates	**–**	**–**	**–**	**9**	**9**
Segmental income	**1,312**	**380**	**5,828**	**488**	**8,008**
Segmental expenses	**(1,696)**	**(327)**	**(5,707)**	**(967)**	**(8,697)**
Tax attributable to policyholder returns	**672**	**–**	**–**	**–**	**672**
Profit/(loss) before tax attributable to shareholders	**288**	**53**	**121**	**(479)**	**(17)**
Adjusted for non-operating items	**682**	**10**	**417**	**141**	**1,250**
Operating profit before tax attributable to shareholders' profits	**970**	**63**	**538**	**(338)**	**1,233**

1. Gross written premiums includes inward reinsurance premiums assumed from other companies amounting to £105 million, of which £97 million relates to property and liability insurance and the remainder health business.
2. General insurance and health business segment includes gross written premiums of £991 million and premiums ceded to other companies of £8 million relating to health business. The remaining business relates to property and liability insurance.
3. Non-insurance includes the RAC non-insurance operations, our banking businesses, service companies, head office expenses, such as Group treasury and finance functions, and certain financing costs and taxes not allocated to business segments.

(i) Segmental results of the income statement – products and services for the six months ended 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Non-insurance £m	Restated Total £m
Gross written premiums	9,461	–	5,868	–	15,329
Premiums ceded to reinsurers	(454)	–	(370)	–	(824)
Net written premiums	9,007	–	5,498	–	14,505
Net change in provision for unearned premiums	–	–	(237)	–	(237)
Net earned premiums	9,007	–	5,261	–	14,268
Fee and commission income	382	228	89	220	919
	9,389	228	5,350	220	15,187
Net investment income	6,157	51	538	199	6,945
Inter-segment revenue	–	74	–	–	74
Share of (loss)/profit of joint ventures and associates	(78)	(4)	3	(1)	(80)
(Loss)/profit on the disposal of subsidiaries and associates	–	–	(7)	2	(5)
Segmental income	15,468	349	5,884	420	22,121
Segmental expenses	(14,519)	(278)	(5,333)	(772)	(20,902)
Tax attributable to policyholder returns	(21)	–	–	–	(21)
Profit before tax attributable to shareholders	928	71	551	(352)	1,198
Adjusted for non-operating items	(94)	5	9	33	(47)
Operating profit before tax attributable to shareholders' profits	834	76	560	(319)	1,151

Notes to the consolidated financial statements – IFRS basis continued

17 – Segmental information continued

(j) Segmental results of the income statement – products and services for the year ended 31 December 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Non-insurance £m	Restated Total £m
Gross written premiums	19,622	–	11,369	–	30,991
Premiums ceded to reinsurers	(858)	–	(800)	–	(1,658)
Net written premiums	18,764	–	10,569	–	29,333
Net change in provision for unearned premiums	–	–	(21)	–	(21)
Net earned premiums	18,764	–	10,548	–	29,312
Fee and commission income	698	488	179	395	1,760
	19,462	488	10,727	395	31,072
Net investment income	8,529	107	827	427	9,890
Inter-segment revenue	–	152	–	–	152
Share of (loss)/profit of joint ventures and associates	(297)	(9)	3	(1)	(304)
Profit/(loss) on the disposal of subsidiaries and associates	–	–	(7)	56	49
Segmental income	27,694	738	11,550	877	40,859
Segmental expenses	(26,123)	(599)	(10,833)	(1,447)	(39,002)
Tax attributable to policyholder returns	(15)	–	–	–	(15)
Profit before tax attributable to shareholders	1,556	139	717	(570)	1,842
Adjusted for non-operating items	78	16	316	24	386
Operating profit before tax attributable to shareholders' profits	1,634	155	1,033	(594)	2,228

(k) Segmental balance sheet – products and services as at 30 June 2008

	Long-term business £m	**Fund management £m**	**General insurance and health £m**	**Non-insurance £m**	**Total £m**
Segment assets	**284,411**	**2,525**	**24,239**	**16,615**	**327,790**
Segment liabilities	**(269,341)**	**(2,213)**	**(18,850)**	**(21,969)**	**(312,373)**
Net assets	**15,070**	**312**	**5,389**	**(5,354)**	**15,417**

(l) Segmental balance sheet – products and services as at 30 June 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Non-insurance £m	Restated Total £m
Segment assets	265,134	1,270	24,296	14,037	304,737
Segment liabilities	(251,372)	(963)	(18,664)	(18,222)	(289,221)
Net assets	13,762	307	5,632	(4,185)	15,516

(m) Segmental balance sheet – products and services as at 31 December 2007

	Long-term business £m	Fund management £m	General insurance and health £m	Non-insurance £m	Restated Total £m
Segment assets	279,718	1,871	24,406	14,846	320,841
Segment liabilities	(264,428)	(1,517)	(18,743)	(19,561)	(304,249)
Net assets	15,290	354	5,663	(4,715)	16,592

18 – Assets under management

	30 June 2008			Restated 31 December 2007
	Life and related business £m	General business and other £m	Total £m	Total £m
Total IFRS assets included in the balance sheet	**284,411**	**43,379**	**327,790**	320,841
Third party funds under management:				
Unit trusts, OEICs, PEPs and ISAs			**23,929**	24,747
Segregated funds			**52,223**	54,422
			403,942	400,010
Non-managed assets			**(44,627)**	(36,092)
Funds under management			**359,315**	363,918
Funds not managed by Aviva fund managers			**(51,839)**	(48,017)
Funds under management by Aviva fund managers			**307,476**	315,901

19 – Pension schemes

(a) Pension scheme deficits in consolidated balance sheet

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

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Deficits in the staff pension schemes	**543**	131	205
Other obligations to staff pension schemes – Insurance policies issued by Group companies[1]	**1,109**	1,117	1,025
Total IAS 19 obligations to staff pension schemes	**1,652**	1,248	1,230
Restructuring provisions	**182**	172	136
Other provisions	**578**	510	571
Less: Amounts classified as held for sale	**(14)**	–	–
Total provisions	**2,398**	1,930	1,937

1. Pension assets in our Dutch pension schemes include insurance policies which are non-transferable under the terms of IAS19 so have been treated as other obligations to staff pension scheme within provisions above.

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

	6 months 2008 £m	Full year 2007 £m
Surplus in the Irish scheme	**27**	56
Deficit in all other schemes	**(205)**	(1,029)
Net deficits in the schemes at 1 January	**(178)**	(973)
Employer contributions	**487**	297
Charge to net operating expenses (see (c) below)	**(84)**	(188)
Credit to investment income	**27**	99
Actuarial (losses)/gains	**(768)**	612
Acquisitions	**–**	(19)
Buy-outs and other transfers	**–**	–
Exchange rate movements in foreign plans	**1**	(6)
Net deficits in the schemes at 30 June/31 December	**(515)**	(178)
Surplus in the Irish scheme	**28**	27
Deficit in all other schemes	**(543)**	(205)

The current period surplus in the Irish schemes of £28 million (31 December 2007: £27 million surplus) is included in other assets whilst the deficits in the other schemes of £543 million (31 December 2007: £205 million) are included in provisions.

Notes to the consolidated financial statements – IFRS basis continued

19 – Pension Schemes continued

(c) The total pension expense for these schemes comprises:

	6 months 2008 £m	6 months 2007 £m	Full year 2007 £m
Current service cost	**(83)**	(87)	(173)
Past service cost	**–**	(3)	–
Loss on curtailments	**(1)**	(17)	(15)
Total pension cost	**(84)**	(107)	(188)
Expected return on scheme assets	**315**	300	614
Less: income on insurance policy assets accounted for elsewhere	**(30)**	(24)	(49)
	285	276	565
Interest charge on scheme liabilities	**(288)**	(256)	(515)
(Charge)/credit to investment income	**(3)**	20	50
Total charge to income	**(87)**	(87)	(138)
Expected return on scheme assets	**(315)**	(300)	(614)
Actual (negative)/positive return on these assets	**(683)**	319	404
Actuarial (losses)/gains on scheme assets	**(998)**	19	(210)
Less: losses on insurance policy assets accounted for elsewhere	**78**	15	72
Actuarial (losses)/gains on admissible assets	**(920)**	34	(138)
Experience gains/(losses) arising on scheme liabilities	**66**	(8)	(80)
Changes in assumptions underlying the present value of the scheme liabilities	**164**	813	902
Loss on acquisitions	**–**	(9)	(36)
Actuarial (losses)/gains recognised in the statement of recognised income and expense	**(690)**	830	648

The cumulative amount of actuarial gains and losses on the pension schemes recognised in the statement of recognised income and expenses since 1 January 2004 (the date of transition to IFRS) is a loss of £851 million at 30 June 2008 (30 June 2007: £21 million gain; 31 December 2007: £161 million loss).

20 – Insurance liabilities

(a) Carrying amount

	30 June 2008 Long-term business £m	30 June 2008 General Insurance and health £m	30 June 2008 Total £m	30 June 2007 Total £m	31 December 2007 Total £m
Long-term business provisions					
Participating	**64,563**	**–**	**64,563**	63,161	66,093
Unit-linked non-participating	**21,948**	**–**	**21,948**	20,835	20,601
Other non-participating	**52,266**	**–**	**52,266**	43,522	48,618
	138,777	**–**	**138,777**	127,518	135,312
Outstanding claims provisions	**916**	**10,778**	**11,694**	10,908	11,569
Provision for claims incurred but not reported	**–**	**2,239**	**2,239**	2,643	2,300
	916	**13,017**	**13,933**	13,551	13,869
Provision for unearned premiums	**–**	**5,760**	**5,760**	5,536	5,484
Provision arising from liability adequacy tests	**–**	**33**	**33**	48	24
Other technical provisions	**2,195**	**8**	**2,203**	22	3
Total	**141,888**	**18,818**	**160,706**	146,675	154,692
Less: Obligations to staff pension schemes transferred to provisions	**(1,109)**	**–**	**(1,109)**	(1,117)	(1,025)
Less: amounts classified as held for sale	**(3,854)**	**(954)**	**(4,808)**	(871)	(627)
	136,925	**17,864**	**154,789**	144,687	153,040

Other long-term technical provisions of £2,195 million relate to the acquisition of Swiss Life Belgium (see note 3 (iii)). Due to the timing of completion of this acquisition the provisions have not yet been analysed into their correct categories, this will be done in advance of the year end.

(b) Movements in long-term business provisions

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**135,312**	126,614
Provisions in respect of new business	**6,288**	10,470
Expected change in existing business provisions	**(2,920)**	(6,280)
Impact of assumption changes	**(1,584)**	(874)
Effect of special bonus to with-profit policyholders	**–**	1,728
Variance between actual and expected experience, and other movements	**(5,075)**	(1,201)
Change in liability recognised as an expense	**(3,291)**	3,843
Effect of portfolio transfers, acquisitions and disposals	**2,129**	571
Foreign exchange rate movements	**4,627**	4,284
Carrying amount at 30 June/31 December	**138,777**	135,312

20 – Insurance liabilities continued

(c) Movements in general insurance and health claims provisions

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**13,142**	12,718
Impact of changes in assumptions	**4**	1
Claim losses and expenses incurred in the current year	**4,188**	8,273
Decrease in estimated claim losses and expenses incurred in prior years	**(468)**	(937)
Incurred claims losses and expenses	**3,724**	7,337
Less:		
Payments made on claims incurred in the current year	**(1,684)**	(4,408)
Payments made on claims incurred in prior years	**(2,627)**	(3,686)
Recoveries on claim payments	**163**	315
Claims payments made in the year, net of recoveries	**(4,148)**	(7,779)
Other movements in the claims provisions	**–**	36
Changes in claims reserve recognised as an expense	**(424)**	(406)
Effect of portfolio transfers, acquisitions and disposals	**16**	175
Foreign exchange rate movements	**283**	655
Carrying amount at 30 June/31 December	**13,017**	13,142

21 – Liability for investment contracts

(a) Carrying amount

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Long-term business			
Participating contracts	**54,979**	49,924	53,609
Non-participating contracts at fair value	**42,480**	41,609	43,608
Non-participating contracts at amortised cost	**1,614**	568	1,027
	44,094	42,177	44,635
Less: Amounts classified as held for sale	**(446)**	–	–
Total	**98,627**	92,101	98,244

(b) Movements in participating investment contracts

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**53,609**	49,400
Provisions in respect of new business	**1,801**	3,009
Expected change in existing business provisions	**(946)**	(1,978)
Impact of assumption changes	**(88)**	175
Effect of special bonus to with-profit policyholders	**–**	399
Variance between actual and expected experience, and other movements	**(2,272)**	(580)
Change in liability recognised as an expense	**(1,505)**	1,025
Foreign exchange rate movements	**2,875**	3,184
Carrying amount at 30 June/31 December	**54,979**	53,609

(c) Movements in non-participating investment contracts

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**44,635**	38,958
Provisions in respect of new business	**2,987**	8,575
Expected change in existing business provisions	**(835)**	(1,094)
Impact of assumption changes	**(120)**	18
Variance between actual and expected experience, and other movements	**(3,946)**	(3,170)
Change in liability recognised as an expense	**(1,914)**	4,329
Effect of portfolio transfers, acquisitions and disposals	**277**	254
Foreign exchange rate movements	**1,096**	1,094
Carrying amount at 30 June/31 December	**44,094**	44,635

22 – Reinsurance assets

(a) Carrying amount

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
Long-term business			
Insurance contracts	**4,622**	4,099	4,298
Participating investment contracts	**23**	–	22
Non-participating investment contracts	**1,400**	1,429	1,461
	6,045	5,528	5,781
Outstanding claims provisions	**117**	85	94
Less: Amounts classified as held for sale	**(4)**	–	–
	6,158	5,613	5,875
General insurance and health			
Outstanding claims provisions	**1,607**	1,630	1,634
Provisions for claims incurred but not reported	**–**	62	84
	1,607	1,692	1,718
Provision for unearned premiums	**556**	520	511
Other technical provisions	**19**	7	5
Less: Amounts classified as held for sale	**(13)**	–	–
	2,169	2,219	2,234
Total	**8,327**	7,832	8,109

(b) Movements in respect of long-term business provisions

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**5,781**	5,534
Asset in respect of new business	**143**	216
Expected change in existing business asset	**52**	(124)
Impact of assumption changes	**(169)**	(108)
Variance between actual and expected experience, and other movements	**(112)**	12
Change in reinsurance asset recognised as income	**(86)**	(4)
Effect of portfolio transfers, acquisitions and disposals	**123**	24
Foreign exchange rate movements	**227**	227
Carrying amount at 30 June/31 December	**6,045**	5,781

(c) Movements in respect of general insurance and health outstanding claims provisions and IBNR

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**1,718**	1,738
Impact of changes in assumptions	**–**	–
Reinsurers' share of incurred claim losses and expenses	**(16)**	201
Reinsurance recoveries received in the year	**(118)**	(298)
Other movements	**–**	–
Change in reinsurance asset recognised as income	**(134)**	(97)
Effect of portfolio transfers, acquisitions and disposals	**8**	39
Foreign exchange rate and other movements	**15**	38
Carrying amount at 30 June/31 December	**1,607**	1,718

Notes to the consolidated financial statements – IFRS basis continued

23 – Effect of changes in assumptions and estimates during the period

This disclosure only allows for the impact on liabilities and related assets, such as reinsurance, deferred acquisition costs and acquired value of in-force business, and does not allow for offsetting movements in the value of backing financial assets.

	30 June 2008 £m	31 December 2007 £m
Assumptions		
Long-term insurance business		
Interest rates	**1,136**	850
Expenses	**–**	(13)
Persistency rates	**–**	(2)
Mortality for assurance contracts	**–**	16
Mortality for annuity contracts	**–**	11
Tax and other assumptions	**(58)**	60
Investment contracts		
Interest rates	**(1)**	12
Expenses	**–**	5
Persistency rates	**–**	–
Tax and other assumptions	**–**	7
General insurance and health business		
Change in loss ratio assumptions	**(2)**	–
Change in discount rate assumptions	**–**	3
Change in expense ratio assumptions	**(1)**	(4)
Total	**1,074**	945

The impact of interest rates for long-term business relates primarily to the UK and the Netherlands. This results from the use of higher valuation interest rates for UK and Dutch traditional business, reflecting the rise in market interest rates over the year. Other assumption changes in the UK relate to the recapture of reinsured business and expense inflation.

24 – Unallocated divisible surplus

The following movements have occurred in the period:

	6 months 2008 £m	Full year 2007 £m
Carrying amount at 1 January	**6,785**	9,465
Change in participating contract assets	**(6,935)**	2,463
Change in participating contract liabilities	**4,245**	(3,244)
Effect of special bonus to with-profit policyholders	**–**	(2,127)
Other movements	**(56)**	(14)
Change in liability recognised as an expense	**(2,746)**	(2,922)
Effect of portfolio transfers, acquisitions and disposals	**–**	3
Movement in respect of change in pension scheme deficit	**13**	61
Foreign exchange rate and other movements	**13**	178
Carrying amount at 30 June/31 December	**4,065**	6,785

25 – Borrowings

Movements in borrowings during the period were:

	30 June 2008 £m	30 June 2007 £m	31 December 2007 £m
New borrowings drawn down, net of expenses	**2,974**	3,690	6,322
Repayment of borrowings	**(2,893)**	(3,483)	(6,000)
Net cash inflow	**81**	207	322
Foreign exchange rate movements	**628**	(10)	632
Acquisitions	**79**	–	18
Borrowings reclassified to other liabilities	**–**	–	(174)
Fair value movements	**(49)**	(128)	(268)
Amortisation of discounts and other non-cash items	**(22)**	1	2
Movements in the year	**717**	70	532
Balance at 1 January	**12,669**	12,137	12,137
	13,386	12,207	12,669
Less: Amounts classified as held for sale *(note 6)*	**(13)**	(11)	(12)
Balance at 30 June/31 December	**13,373**	12,196	12,657

26 – Sensitivity analysis

The Group uses a number of sensitivity test-based risk management tools to understand the volatility of earnings, the volatility of its capital requirements, and to manage its capital more efficiently. Primarily EEV, Financial Condition Reporting (a medium term projection of the financial health of the business under a variety of economic and operating scenarios), and increasingly Individual Capital Assessment (ICA) are used. Sensitivities to economic and operating experience are regularly produced on all of the Group's financial performance measurements as part of the Group's decision making and planning process, and as part of the framework for identifying and quantifying the risks that each of its business units, and the Group as a whole are exposed to.

For long-term business in particular, sensitivities of EEV performance indicators to changes in both economic and non-economic experience are continually used to manage the business and to inform the decision making process. More information on EEV sensitivities can be found in the presentation of results in the EEV section of this announcement.

Life insurance and investment contracts
The nature of long-term business is such that a number of assumptions are made in compiling the financial statements. Assumptions are made about investment returns, expenses, mortality rates, and persistency in connection with the in-force policies for each business unit. Assumptions are best estimates based on historic and expected experience of the business.

General insurance and health business
General insurance and health claim liabilities are estimated by using standard actuarial claims projection techniques. These methods extrapolate the claims development for each accident year based on the observed development of earlier years. In most cases, no explicit assumptions are made as projections are based on assumptions implicit in the historic claims development on which the projections are based. As such, in the analysis below, the sensitivity of general insurance claim liabilities is primarily based on the financial impact of changes to the reported loss ratio.

Some results of sensitivity testing for long-term business and general insurance and health business are set out below. For each sensitivity test the impact of a change in a single factor is shown, with other assumptions left unchanged.

Sensitivity Factor	Description of sensitivity factor applied
Interest rate & investment return	The impact of a change in market interest rates by ± 1% (e.g. if a current interest rate is 5%, the impact of an immediate change to 4% and 6%). The test allows consistently for similar changes to investment returns and movements in the market value of backing fixed interest securities.
Equity/property market values	The impact of a change in equity/property market values by ± 10%
Expenses	The impact of an increase in maintenance expenses by 10%
Assurance mortality/morbidity (life insurance only)	The impact of an increase in mortality/morbidity rates for assurance contracts by 5%
Annuitant mortality (life insurance only)	The impact of a reduction in mortality rates for annuity contracts by 5%
Gross loss ratios (non-life insurance only)	The impact of an increase in gross loss ratios for general insurance and health business by 5%

The above sensitivity factors are applied using actuarial and statistical models, with the following pre-tax impacts on profit and shareholders' equity at 30 June 2008:

Long-term business
Sensitivities as at 30 June 2008
Impact on profit before tax (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality –5%
Insurance participating	(65)	(20)	–	(50)	–	–	–
Insurance non-participating	(240)	250	30	(5)	(10)	(15)	(285)
Investment participating	(65)	(30)	10	(25)	(10)	–	–
Investment non-participating	(5)	–	65	(70)	–	–	–
Assets backing life shareholders' funds	(160)	190	195	(195)	–	–	–
Total	**(535)**	**390**	**300**	**(345)**	**(20)**	**(15)**	**(285)**

26 – Sensitivity analysis continued

Sensitivities as at 30 June 2008
Impact before tax on shareholders equity (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%	Expenses +10%	Assurance mortality +5%	Annuitant mortality –5%
Insurance participating	(90)	5	–	(50)	–	–	–
Insurance non-participating	(425)	445	215	(190)	(10)	(15)	(285)
Investment participating	(65)	(30)	10	(25)	(10)	–	–
Investment non-participating	(135)	150	65	(70)	–	–	–
Assets backing life shareholders' funds	(205)	240	290	(290)	–	–	–
Total	**(920)**	**810**	**580**	**(625)**	**(20)**	**(15)**	**(285)**

General insurance and health
Sensitivities as at 30 June 2008
Impact on profit before tax (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%	Expenses +10%	Gross loss ratios +5%
Net of reinsurance	**(325)**	**350**	**90**	**(90)**	**(90)**	**(180)**

Impact before tax on shareholders equity (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%	Expenses +10%	Gross loss ratios +5%
Net of reinsurance	**(325)**	**350**	**90**	**(90)**	**(35)**	**(180)**

Fund management and non-insurance business
Sensitivities as at 30 June 2008
Impact on profit before tax (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%
Total	**(20)**	**20**	**55**	**(55)**

Impact before tax on shareholders equity (£m)

	Interest rates +1%	Interest rates –1%	Equity/ property +10%	Equity/ property –10%
Total	**(20)**	**20**	**55**	**(55)**

Limitations of sensitivity analysis
The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is correlation between the assumptions and other factors. It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation, adjusting bonuses credited to policyholders, and taking other protective action.

A number of the business units use passive assumptions to calculate their long-term business liabilities. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value on the balance sheet. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity. Similarly, for general insurance liabilities, the interest rate sensitivities only affect profit and equity where explicit assumptions are made regarding interest (discount) rates or future inflation.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

Appendices

Contents

Appendix A – Group Capital Structure

The Group maintains an efficient capital structure financed by 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's capital structure, analysed on an EEV basis, is set out below.

A1 – Capital employed by segment

	30 June 2008 £m	31 December 2007 £m
Long-term savings	**22,900**	23,272
General insurance and health	**5,212**	5,487
Other business including fund management	**684**	1,056
Corporate[1]	**(32)**	(31)
Total capital employed	**28,764**	29,784
Financed by		
Equity shareholders' funds	**18,672**	20,253
Minority interests	**3,385**	3,131
Direct capital instrument	**990**	990
Preference shares	**200**	200
Subordinated debt	**3,911**	3,054
External debt	**721**	1,257
Net internal debt	**885**	899
	28,764	29,784

1. The "Corporate" net liabilities represent the element of the pension scheme deficit held centrally.

At 30 June 2008 the Group had £28.8 billion (31 December 2007: £29.8 billion) of total capital employed in its trading operations, measured on an EEV basis.

Total capital employed is financed by a combination of equity shareholders' funds, preference capital, subordinated debt and borrowings. In addition to our external funding sources, we have certain internal borrowing arrangements in place which allow some of the assets that support technical liabilities to be invested in a pool of central assets for use across the Group. These internal debt balances allow for the capital allocated to business operations to exceed the externally sourced capital resources of the Group. Although intra-group in nature, they are included as part of the capital base for the purpose of capital management. These arrangements arise in relation to the following:

- Certain subsidiaries, subject to continuing to satisfy standalone capital and liquidity requirements, loan funds to corporate and holding entities, these loans satisfy arms length criteria and all interest payments are made when due.
- Aviva International Insurance (AII) Ltd acts as both a UK general insurer and as the primary holding company for the Group's foreign subsidiaries. Internal capital management mechanisms in place allocate a portion of the total capital of the company to the UK general insurance operations. These mechanisms also allow for some of the assets backing technical liabilities to be made available for use across the Group. Balances in respect of these arrangements are also treated as internal debt for capital management purposes.

Net internal debt represents the balance of the above amounts due from corporate and holding entities, less the tangible net assets held by these entities.

On 13 May 2008 the Group issued £0.8bn equivalent of Lower Tier 2 hybrid in a dual-tranche transaction (£400m and €500m). £0.6bn of the proceeds was used to repay short-term Commercial Paper borrowings. This transaction had a positive impact on Group IGD Solvency and Economic capital measures.

Financial leverage, the ratio of the Group's external senior and subordinated debt to EEV capital and reserves was 20% (31 December 2007: 17%). Fixed charge cover, which measures the extent to which external interest costs, including subordinated debt interest and preference dividends, are covered by EEV operating profit was 11.8 times (31 December 2007: 9.8 times).

At 30 June 2008 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 interest, and direct capital instrument was £5,753 million (31 December 2007: £5,774 million), with a weighted average cost of 4.7% (31 December 2007: 4.2%). The group WACC is 7.5% and has been calculated by reference to the cost of equity and the cost of debt at the relevant date. The cost of equity at 30 June 2008 was 8.6% based on a risk free rate of 5.1%, an equity risk premium of 3% and a market beta of 1.2.

A2 – Deployment of equity shareholders' funds

In order to better reflect the risk to shareholder funds the following table 'looks through' unitised investments which are classified as "other" within the IFRS balance sheet and makes adjustments for minority holdings that are fully consolidated on the balance sheet. In addition, we have explicitly shown the market risks within the staff pension schemes.

	Equities £m	Property £m	Cash, Loans & Debt securities £m	Other Invest-ments £m	Other net assets £m	30 June 2008 Total £m	Restated 31 December 2007 Total £m
Total assets included in the statutory IFRS balance sheet	**48,517**	**15,664**	**180,346**	**38,476**	**44,787**	**327,790**	320,841
Goodwill[1]					**(3,265)**	**(3,265)**	(3,299)
Acquired value of in-force business and intangible assets					**(3,170)**	**(3,170)**	(3,197)
Liabilities of the long-term, general & other businesses	**(42,377)**	**(12,391)**	**(172,062)**	**(33,997)**	**(51,546)**	**(312,373)**	(304,249)
Pension fund deficit					**515**	**515**	178
Debt					**5,517**	**5,517**	5,210
Liabilities of the long-term, General & other businesses excluding pension fund deficit and debt	**(42,377)**	**(12,391)**	**(172,062)**	**(33,997)**	**(45,514)**	**(306,341)**	(298,861)
Minorities and other investments reclassification[2]	**(30)**	**102**	**(680)**	**(3,050)**	**3,658**	**–**	–
Shareholder funds	**6,110**	**3,375**	**7,604**	**1,429**	**(3,504)**	**15,014**	15,484
Pension fund	**4,407**	**583**	**3,592**	**994**	**(10,091)**	**(515)**	(178)
Adjusted shareholder funds	**10,517**	**3,958**	**11,196**	**2,423**	**(13,595)**	**14,499**	15,306
Goodwill[1]						**3,265**	3,299
Additional and acquired value of in-force long-term business and intangible assets						**11,000**	11,179
Assets backing total capital employed in continuing operations						**28,764**	29,784
External debt						**(721)**	(1,257)
Net internal debt[3]						**(885)**	(899)
Subordinated debt						**(3,911)**	(3,054)
						23,247	24,574
Minority interests						**(3,385)**	(3,131)
Direct capital instrument						**(990)**	(990)
Performance capital						**(200)**	(200)
Equity shareholders' funds						**18,672**	20,253

Notes:

1. Includes goodwill relating to the joint venture with the Royal Bank of Scotland Group.
2. Minority and other investments reclassification represent the reallocation of unit trusts to their constituent parts net of net asset value attributable to unitholders.
3. Net internal debt represents the upstream of internal loans from business operations to corporate and holding entities net of tangible assets held by those entities.

A3 – Sensitivity Analysis

The sensitivity of the Group's shareholders' funds on an EEV basis at 30 June 2008 to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

31 December 2007 £bn		30 June 2008 £bn	Equities down 10% Direct £bn	Equities down 10% Indirect £bn	Interest rates up 1% £bn
23.3	Long-term savings[1]	**22.9**	**(0.4)**	**(0.5)**	**(0.9)**
6.5	General insurance and other	**5.8**	**(0.4)**	**–**	**(0.3)**
(5.2)	Borrowings	**(5.5)**	**–**	**–**	**–**
24.6	**Shareholders' funds**	**23.2**	**(0.8)**	**(0.5)**	**(1.2)**

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

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

The table above incorporates the effect on the value of the pension scheme assets of a 10% decrease in equity and a 1% increase in fixed income bond yields. The latter sensitivity also assumes an equivalent movement in both inflation and discount rate (i.e. no change to real interest rates) and therefore, incorporates the offsetting effects of these items on the pension scheme liabilities. A 1% increase in the real interest rate only has the effect of reducing the pension scheme liability by £1.5 billion thereby enhancing shareholders' funds by £1.2 billion (after deducting tax).

Group IGD

The sensitivity of the group's IGD surplus reflects the impact of the hedges we have put in place as part of our long-term strategy to protect the group from extreme market movements. At 30 June 2008 the sensitivity to a 10% fall in global equity markets or a rise of 1% in global interest rates is as follows:

	30 June 2008 £bn	Equities down 10% £bn	Interest rates up 1% £bn
IGD Group surplus	**1.8**	(0.4)	(0.6)

Since the period end we have put in place further protection. The sensitivity of the group's IGD surplus to further falls in the global equity markets is as follows:

	£bn
Equities down 10%	(0.4)
Equities down 20%	(0.7)
Equities down 30%	(1.0)
Equities down 40%	(1.3)

Risk management – Equity hedges

Our risk management processes ensure close and on-going monitoring of all our capital measures. The following table shows the material equity derivatives within the Group's shareholder funds at 30 June 2008 that are used as part of a long-term strategy to manage equity risk. It excludes derivatives used for portfolio management purposes:

Derivative	Notional £bn[1]	Market fall below protection level[2,4]	Market fall required before protection starts[3,4]	Outstanding Duration
(a)	0.6	8%	–	3 months
(b)	1.4	–	28%	9-13 months
(c)	0.4	1%	–	9-21 months

Notes:

1. The notional amount represents the market value as at 30 June 2008 of the equities covered by the hedge.
2. The 'Market fall below protection level' shows the percentage the market has fallen below the protection level as at 30 June 2008. Both derivative (a) and (c) are therefore in the money at this date.
3. The 'Market fall required before protection starts' shows the percentage the market would have to fall from the 30 June 2008 positions before the derivative moves into the money.
4. The strike prices used in these calculations exclude the effect of dividends.

A4 – Shareholders' funds, including minority interest

	Note	30 June 2008 Closing shareholders funds IFRS net assets £m	Internally generated AVIF £m	Total equity £m	31 December 2007 Closing shareholders funds IFRS net assets £m	Internally generated AVIF £m	Total equity £m
Life assurance	1,2						
United Kingdom		**4,402**	**3,158**	**7,560**	4,428	3,680	8,108
France		**1,504**	**1,098**	**2,602**	1,447	1,214	2,661
Ireland		**988**	**195**	**1,183**	943	195	1,138
Italy		**1,171**	**229**	**1,400**	1,020	204	1,224
Netherlands (including Belgium and Germany)		**2,464**	**1,252**	**3,716**	2,994	1,152	4,146
Poland		**253**	**767**	**1,020**	276	671	947
Spain		**1,168**	**764**	**1,932**	1,122	630	1,752
Other Europe		**494**	**(200)**	**294**	346	(90)	256
Europe		**8,042**	**4,105**	**12,147**	8,148	3,976	12,124
North America		**2,112**	**376**	**2,488**	2,202	154	2,356
Asia Pacific		**514**	**191**	**705**	512	172	684
		15,070	**7,830**	**22,900**	15,290	7,982	23,272
General insurance and health	1,2						
United Kingdom		**2,664**	**–**	**2,664**	2,960	–	2,960
France		**274**	**–**	**274**	301	–	301
Ireland		**461**	**–**	**461**	423	–	423
Netherlands		**723**	**–**	**723**	756	–	756
Other Europe		**308**	**–**	**308**	295	–	295
Europe		**1,766**	**–**	**1,766**	1,775	–	1,775
North America		**765**	**–**	**765**	726	–	726
Asia Pacific		**17**	**–**	**17**	26	–	26
		5,212	**–**	**5,212**	5,487	–	5,487
Other business	1,2	**684**	**–**	**684**	1,056	–	1,056
Corporate		**(32)**	**–**	**(32)**	(31)	–	(31)
External debt		**(721)**	**–**	**(721)**	(1,257)	–	(1,257)
Internal debt		**(885)**	**–**	**(885)**	(899)	–	(899)
Subordinated debt		**(3,911)**	**–**	**(3,911)**	(3,054)	–	(3,054)
		(4,865)	**–**	**(4,865)**	(4,185)	–	(4,185)
Shareholders' funds, including minority interests		**15,417**	**7,830**	**23,247**	16,592	7,982	24,574
Comprising:							
Equities		**10,517**	**–**	**10,517**	11,741	–	11,741
Property		**3,958**	**–**	**3,958**	4,644	–	4,644
Cash, loans and debt securities		**11,196**	**–**	**11,196**	11,986	–	11,986
Other investments		**2,423**	**–**	**2,423**	1,865	–	1,865
Other net assets and pension liability		**(13,595)**	**–**	**(13,595)**	(14,930)	–	(14,930)
Intangible assets	3	**6,435**	**7,830**	**14,265**	6,496	7,982	14,478
Borrowings		**(5,517)**	**–**	**(5,517)**	(5,210)	–	(5,210)
Shareholders' funds, including minority interests		**15,417**	**7,830**	**23,247**	16,592	7,982	24,574

Notes

IFRS net assets shown above include the allocation of tax assets and liabilities and hence differ from segmental net assets disclosed on pages 76 and 78.

1. Goodwill of £3,265 million (31 December 2007: £3,299 million) has been allocated as follows: life assurance £1,702 million (31 December 2007: £1,631 million); general insurance and health £448 million (31 December 2007: £418 million); other businesses £1,115 million (31 December 2007: £1,250 million).
2. Intangibles of £1,077 million (31 December 2007: £1,191 million) have been allocated as follows: life assurance £633 million (31 December 2007: £622 million); general insurance and health £370 million (31 December 2007: £424 million); other businesses £74 million (31 December 2007: £145 million).
3. Total intangible assets of £14,265 million (31 December 2007: £14,478 million) comprise goodwill of £3,265 million (31 December 2007: £3,299 million); acquired value of in-force long-term business and intangibles of £3,170 million (31 December 2007: £3,197 million) and additional value of in-force long-term business of £7,830 million (31 December 2007: £7,982 million). The associated deferred tax liability on the intangibles of £871 million (31 December 2007: £811 million) is included within other net assets.
4. The post-tax pension fund deficit of £498 million (31 December 2007: £157 million) has been allocated as follows: life operations £122 million (31 December 2007: £58 million), general insurance and health: £220 million (31 December 2007: £66 million), other business £124 million (31 December 2007: £2 million) and corporate of £32 million (31 December 2007: £31 million).

Appendix A – Group Capital Structure continued

A5 – Analysis of return on capital employed

For the six months ended 30 June 2008

	Operating return[1] Before tax £m	Operating return[1] After tax £m	Opening shareholders' funds including minority interests £m	Annualised return on capital %
Life assurance				
United Kingdom	**471**	**339**	**8,108**	**8.4%**
France	297	195	2,661	14.7%
Ireland	30	26	1,138	4.6%
Italy	89	60	1,224	9.8%
Netherlands (including Belgium and Germany)	139	103	4,146	5.0%
Poland	103	84	947	17.7%
Spain	157	110	1,752	12.6%
Other Europe	8	6	256	4.7%
Europe	**823**	**584**	**12,124**	**9.6%**
North America	**139**	**90**	**2,356**	**7.6%**
Asia Pacific	**47**	**35**	**684**	**10.2%**
	1,480	**1,048**	**23,272**	**9.0%**
General insurance and health				
United Kingdom	**282**	**198**	**2,960**	**13.4%**
France	30	19	301	12.6%
Ireland	41	36	423	17.0%
Netherlands	44	32	756	8.5%
Other Europe	22	15	295	10.2%
Europe	**137**	**102**	**1,775**	**11.5%**
North America	**76**	**49**	**726**	**13.5%**
Asia Pacific	**(1)**	**(1)**	**26**	**(7.7)%**
	494	**348**	**5,487**	**12.7%**
Fund management	30	21	355	11.8%
Other business	(57)	(40)	701	(11.4)%
Corporate	(49)	(54)	(31)	348.4%
External debt	(34)	(24)	(1,257)	3.8%
Net internal debt[2]	(51)	(36)	(899)	8.0%
Subordinated debt	(94)	(67)	(3,054)	4.4%
	1,719	**1,196**	**24,574**	**9.7%**
Less:				
Minority interests		(149)	(3,131)	9.6%
Direct capital instrument		–	(990)	–
Preference capital		(9)	(200)	8.6%
Return on equity shareholders' funds		**1,038**	**20,253**	**10.3%**

Notes

1. The operating return is based upon Group EEV operating profit, which is stated before impairment of goodwill, amortisation of intangibles, exceptional items, investment variance and tax including policyholder tax.
2. The net internal debt return loss before tax of £51 million comprises investment return of £44 million offset by Group internal debt costs and other interest of £95 million.

A5 – Analysis of return on capital employed continued

For the year ended 31 December 2007

	Operating return[1] Before tax £m	Operating return[1] After tax £m	Opening shareholders' funds including minority interests £m	Return on capital %
Life assurance				
United Kingdom	864	605	7,160	8.4%
France	537	351	2,291	15.3%
Ireland	77	67	1,019	6.6%
Italy	137	85	803	10.6%
Netherlands (including Belgium and Germany)	352	261	3,837	6.8%
Poland	206	167	719	23.2%
Spain	239	167	1,375	12.1%
Other Europe	(5)	–	106	–
Europe	1,543	1,098	10,150	10.8%
North America	255	165	2,288	7.2%
Asia Pacific	91	68	496	13.7%
	2,753	**1,936**	**20,094**	**9.6%**
General insurance and health				
United Kingdom	306	214	2,887	7.4%
France	70	45	333	13.5%
Ireland	162	142	423	33.6%
Netherlands	169	123	684	18.0%
Other Europe	41	29	161	18.0%
Europe	442	339	1,601	21.2%
North America	154	100	666	15.0%
Asia Pacific	4	3	22	13.6%
	906	**656**	**5,176**	**12.7%**
Fund management	90	63	305	20.7%
Other business	(70)	(49)	754	(6.5)%
Corporate	(82)	(95)	(19)	500.0%
External debt	(79)	(55)	(1,258)	4.4%
Net internal debt[2]	(53)	(37)	(1,257)	2.9%
Subordinated debt	(179)	(125)	(2,937)	4.3%
	3,286	2,294	20,858	11.0%
Less:				
Minority interests		(259)	(2,137)	12.1%
Direct capital instrument		(37)	(990)	3.7%
Preference capital		(17)	(200)	8.5%
Return on equity shareholders' funds		1,981	17,531	11.3%

Notes

1. The operating return is based upon Group EEV operating profit, which is stated before impairment of goodwill, amortisation of intangibles, exceptional items, investment variance and tax including policyholder tax.
2. The net internal debt return loss before tax of £53 million comprises investment return of £127 million and Group internal debt costs and other interest of £180 million.

Appendix B – Cost Savings

Cost savings commitments for targets announced since October 2007

This note provides details of the group's published commitments to deliver cost savings, and represents an interim update on the information provided at full year 2007. As part of the full year 2008 results, the table will be further updated, and accompanied by the movement analysis of the operating cost base as disclosed at full year 2007.

Movement in Cost Savings target (recurring, annualised savings)	Cost Savings targets b/fwd £m	New targets announced in year £m	Less: Cost savings achieved £m	Savings now to be delivered in future years £m	Savings over/ (under) delivered £m	Impact of economic changes on targets c/fwd £m	Cost Savings targets c/fwd £m
Savings expected to be achieved in:							
Six months ended 30 June 2008	211	–	(211)	–	–	–	–
Six months ended 31 December 2008	79	11	–	(10)	–	–	80
Year ended 31 December 2009	60	78	–	10	–	–	148
Year ended 31 December 2010	–	61	–	–	–	–	61
	350	**150**	**(211)**	**–**	**–**	**–**	**289**
Savings achieved in prior years:	–						
Total	**350**						

Targets brought forward include £200 million for Norwich Union Insurance, £100 million for Norwich Union Life and £50 million for Europe. The new target announced in the current year reflects £150 million for Norwich Union Insurance.

Movement in initial costs to deliver Cost Savings targets (total expenses incurred)	Costs to deliver b/fwd £m	Cost of delivery of new targets in year £m	Less: Costs incurred in year £m	Costs now to be incurred in future years £m	Increase/ (decrease) in costs of delivery £m	Impact of economic changes on targets c/fwd £m	Costs to deliver c/fwd £m
Costs expected to be incurred in:							
Six months ended 30 June 2008	38	83	(121)	–	–	–	–
Six months ended 31 December 2008	140	112	–	(12)	–	–	240
Year ended 31 December 2009	70	85	–	4	–	–	159
Year ended 31 December 2010	–	10	–	8	–	–	18
	248	**290**	**(121)**	**–**	**–**	**–**	**417**
Costs incurred in prior years:	82						
Total	**330**						

All £121 million of costs incurred in the year were classified as restructuring costs in the Income Statement.

1. Cost savings initiatives included in this note are supported by detailed operational implementation plans, which identify the activities, timeframe and expected costs of delivering the planned initiatives.
2. Cost savings targets brought forward represent commitments made in prior years that are due to be delivered in 2008 or future years. In this interim update, all Cost savings targets are measured at the value of the relevant recurring costs in the year ended 31 December 2007.
3. Cost savings "achieved" are the annualised, recurring costs eliminated for the six months ended 30 June 2008, measured at the value of the relevant costs for the year ended 31 December 2007.
4. Cost savings "recognised" are the actual cost savings recognised in the Income Statement for the year and, for EEV reporting, excludes the benefit of any reduction in related unit cost assumptions. The timing of the recognition of savings in the Income Statement may be later than when the annualised saving is reported as achieved.
5. "Initial costs to deliver Cost Savings targets" are the total one-off, initial costs that will be required to complete and deliver announced cost savings programmes. They are measured at the real value of the initial costs expected to be incurred.

Appendix C – Analysis of Assets

C1 – Key highlights

– The quality of Aviva's balance sheet asset base continues to be strong, despite challenging economic and market conditions.

– Balance sheet assets have been appropriately valued with 82% of assets (including 100% of financial investments) measured at fair value.

– Except for tax asset and interests in joint ventures and associates (which are equity accounted) the remaining assets are recognised at cost/amortised cost and tested for impairment.

– The principle asset classes are Debt Securities (£124 billion), Equities (£49 billion), Other Financial Investments (£38 billion) and Loans (£37 billion).

– The majority (94%) of debt securities are investment grade (with 1% below investment grade and 5% not rated).

– The Group has very limited exposure to Sub-prime RMBS/ABS, Alt A, Wrapped Credit, CDO's and CLO's; with these investments representing less than 0.5% of total balance sheet assets.

– Of the group's total asset base of £325 billion analysed in this disclosure, shareholders are only directly exposed to market and credit risk on £122 billion.

  – Of this, £44 billion (36%) are debt securities, 90% of which are investment grade.

  – Only 7% of shareholder assets are held in equities and other financial investments – equities and other financial investments are principally held to back Policyholder liabilities (in unit linked and participating funds) and as such reflect policyholder investment mandates.

  – £28 billion of shareholder assets are loans.

  – £7.8 billion of these loans are secured through non-recourse borrowings in our UK Life and Dutch business whereby the risk is passed to the note holders.

  – 78% of non-securitised mortgages are commercial loans rather than residential mortgages; which are typically held to back annuity liabilities.

  – All our USA loan portfolio is commercial loans.

– The Group's Loan portfolio continues to perform well with 99% of the portfolio neither past due nor impaired. However, the fall in property values has led to a deterioration in loan to value (LTV) ratios so that now £890 million loans have an LTV greater than 100% with an "at risk" element of £47 million.

C2 – Introduction

With the continued volatility and uncertainty in the credit and equity markets, we are again presenting extensive and transparent disclosure of the quality of the assets recognised on the Group's balance sheet.

This disclosure evidences the quality of the Aviva Group's balance sheet assets by providing:

– an analysis of assets to reflect whether the shareholder or policyholder ultimately bears the underlying credit and market risk;

– details of the valuation bases used, specifically showing the portion of balance sheet assets carried at fair value thereby reflecting the full impact of changes in market conditions;

– a breakdown of debt securities held by product type and credit ratings to demonstrate the risk exposure associated with these investments; and,

– details of the exposure to mortgage loans with loan to value and arrears information.

C3 – Total assets – Shareholder/Policyholder exposure to risk

Within this disclosure, the Group's total assets have been segmented based on where the market and credit risks are held, according to the following guidelines.

Policyholder Assets
The Group writes unit-linked business in a number of long-term business operations. In unit-linked business, the policyholder bears the investment risk on the assets in the unit-linked funds, as the policy benefits are directly linked to the value of the assets in the funds. These assets are managed according to the investment mandates of the funds which are consistent with the expectations of the policyholders. By definition, there is a precise match between the investment assets and the policyholder liabilities, and so the market risk and credit risk lie with policyholders. The shareholders' exposure on this business is limited to the extent that income arising from asset management charges is based on the value of assets in the funds.

Participating Fund Assets
Some insurance and investment contracts in our long-term businesses contain a discretionary participating feature, which is a contractual right to receive additional benefits as a supplement to guaranteed benefits. These are referred to as participating contracts. The market risk and credit risk in relation to assets held within Participating Funds (including 'with-profit' funds) are shared between policyholders and shareholders in differing proportions. In general, the risks and rewards of participating funds rest primarily with the policyholders.

The assets within Participating Funds cover liabilities for participating insurance contracts and participating investment contracts in addition to other liabilities within the participating funds.

Shareholder Assets
Assets held within long-term businesses that are not backing unit-linked liabilities or participating funds, directly expose the Shareholders of Aviva plc to market and credit risks. Likewise, assets held within General Insurance & Health, Fund Management and non-insurance businesses also expose our shareholders to market and credit risks. The Group has established comprehensive risk management policies to monitor and mitigate these risks.

	Policyholder assets £m	Participating fund assets £m	Shareholder assets £m	Total assets analysed £m	Less assets of operations classified as held for sale £m	Swiss Life Belgium operations £m	Balance sheet total £m
Assets							
Goodwill and Acquired value of in-force business and intangible assets	–	–	6,423	6,423	(260)	55	6,218
Interests in joint ventures and associates	557	1,865	1,377	3,799	–	–	3,799
Property and equipment	47	95	864	1,006	(15)	5	996
Investment property	4,985	6,768	2,915	14,668	–	–	14,668
Loans	106	8,957	28,324	37,387	–	–	37,387
Financial investments							
Debt securities	16,951	64,169	44,240	125,360	(3,405)	2,221	124,176
Equity securities	25,591	18,896	5,418	49,905	(1,518)	130	48,517
Other investments	23,932	12,106	2,551	38,589	(134)	21	38,476
Reinsurance assets	1,876	709	5,752	8,337	(17)	7	8,327
Deferred tax assets	–	–	249	249	–	–	249
Current tax assets	–	–	543	543	(9)	–	534
Receivables and other financial assets	828	2,711	7,752	11,291	(570)	39	10,760
Deferred acquisition costs and other assets	130	293	4,607	5,030	(57)	101	5,074
Prepayments and accrued income	181	1,434	1,770	3,385	(247)	45	3,183
Cash and cash equivalents	4,978	5,325	8,914	19,217	(411)	(23)	18,783
Assets of operations classified as held for sale	–	–	–	–	6,643	–	6,643
Total assets	**80,162**	**123,328**	**121,699**	**325,189**	**–**	**2,601**	**327,790**
	24.7%	37.9%	37.4%				

As can be seen from the table above, 37% of assets can be directly attributed to shareholder assets where the apportionment of assets is predominantly weighted towards debt securities and loans. In comparison equities, investment property and other investments (e.g. unit trusts) are weighted more towards policyholder and participating assets, reflecting the underlying policyholder investment mandates.

Note, the remainder of this disclosure is prepared based on gross assets prior to the adjustment for assets of operations classified as held for sale and excludes the assets consolidated following the acquisition of Swiss Life Belgium on 30 June 2008.

C4 – Total assets – Valuation bases/fair value hierarchy

Valuation Bases

The valuation of the Group's assets can be categorised into four major categories:

(i) Fair Value – Fair value is the amount for which an asset can be exchanged between knowledgeable, willing parties in an arm's length transaction;

(ii) Cost/Amortised Cost – The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortisation (using the effective interest method) of any difference between the initial amount and the maturity amount, and less any reduction for impairment or uncollectibility. The cost/amortised cost of a non-financial asset is the amount at which the asset is initially recognised less any cumulative amortisation/depreciation (if applicable), and less any reduction for impairment.

(iii) Equity Accounted – Investments in associates and joint ventures are accounted for using the equity method of accounting. Under this method, the cost of the investment in a given associate or joint venture, together with the Group's share of that entity's post-acquisition changes to shareholders' funds, is included as an asset in the consolidated balance sheet. The Group's share of their post-acquisition profits or losses is recognised in the income statement and its share of post-acquisition movements in reserves is recognised in reserves. Distributions received from the investee reduce the Group's carrying amount of the investment; and

(iv) Tax Assets – Within the Group's balance sheet, assets are recognised for deferred tax and current tax. The valuation basis of these assets does not directly fall within any of the categories outlined above. As such, these assets have been reported separately within the analysis of the Group's assets in the table below.

	Fair value £m	Amortised cost £m	Equity accounted/ tax assets £m	Total £m
Assets - Total				
Goodwill and Acquired value of in-force business and intangible assets	–	6,423	–	6,423
Interests in joint ventures and associates	–	–	3,799	3,799
Property and equipment	531	475	–	1,006
Investment property	14,668	–	–	14,668
Loans	18,785	18,602	–	37,387
Financial investments				
Debt securities	125,360	–	–	125,360
Equity securities	49,905	–	–	49,905
Other investments	38,589	–	–	38,589
Reinsurance assets	–	8,337	–	8,337
Deferred tax assets	–	–	249	249
Current tax assets	–	–	543	543
Receivables and other financial assets	–	11,291	–	11,291
Deferred acquisition costs and other assets	–	5,030	–	5,030
Prepayments and accrued income	–	3,385	–	3,385
Cash and cash equivalents	19,217	–	–	19,217
Total assets	**267,055**	**53,543**	**4,591**	**325,189**
	82.1%	16.5%	1.4%	

As shown in the above table, 82% for the Group's total assets are carried at fair value (inclusive of cash and cash equivalents).

With such a significant portion of the Group's total assets carried at fair value, the impact of market risks and credit risks of these assets has been fully reflected within the Group's reported 30 June 2008 financial position. Furthermore, all other assets have been tested for impairment and, in the case of financial assets carried at amortised cost, this has included a specific analysis of the recoverability of the assets by reference to the credit risk of the counterparty.

The carrying values of assets on the different valuation bases are analysed in the tables below between Policyholder, Participating Fund and Shareholder Assets respectively.

Appendix C – Analysis of Assets continued

C4 – Total assets – Valuation bases/fair value hierarchy continued

	Fair value £m	Amortised cost £m	Equity accounted/ tax assets £m	Total £m
Assets – Policyholder assets				
Goodwill and Acquired value of in-force business and intangible assets	–	–	–	–
Interests in joint ventures and associates	–	–	557	557
Property and equipment	–	47	–	47
Investment property	4,985	–	–	4,985
Loans	106	–	–	106
Financial investments				
Debt securities	16,951	–	–	16,951
Equity securities	25,591	–	–	25,591
Other investments	23,932	–	–	23,932
Reinsurance assets	–	1,876	–	1,876
Deferred tax assets	–	–	–	–
Current tax assets	–	–	–	–
Receivables and other financial assets	–	828	–	828
Deferred acquisition costs and other assets	–	130	–	130
Prepayments and accrued income	–	181	–	181
Cash and cash equivalents	4,978	–	–	4,978
Assets – Policyholder assets	**76,543**	**3,062**	**557**	**80,162**
	95.5%	3.8%	0.7%	

	Fair value £m	Amortised cost £m	Equity accounted/ tax assets £m	Total £m
Assets – Participating fund assets				
Goodwill and Acquired value of in-force business and intangible assets	–	–	–	–
Interests in joint ventures and associates	–	–	1,865	1,865
Property and equipment	60	35	–	95
Investment property	6,768	–	–	6,768
Loans	797	8,160	–	8,957
Financial investments				
Debt securities	64,169	–	–	64,169
Equity securities	18,896	–	–	18,896
Other investments	12,106	–	–	12,106
Reinsurance assets	–	709	–	709
Deferred tax assets	–	–	–	–
Current tax assets	–	–	–	–
Receivables and other financial assets	–	2,711	–	2,711
Deferred acquisition costs and other assets	–	293	–	293
Prepayments and accrued income	–	1,434	–	1,434
Cash and cash equivalents	5,325	–	–	5,325
Assets – Participating fund assets	**108,121**	**13,342**	**1,865**	**123,328**
	87.7%	10.8%	1.5%	

C4 – Total assets – Valuation bases/fair value hierarchy continued

	Fair value £m	Amortised cost £m	Equity accounted/ tax assets £m	Total £m
Assets – Shareholder assets				
Goodwill and Acquired value of in-force business and intangible assets	–	6,423	–	6,423
Interests in joint ventures and associates	–	–	1,377	1,377
Property and equipment	471	393	–	864
Investment property	2,915	–	–	2,915
Loans	17,882	10,442	–	28,324
Financial investments				
Debt securities	44,240	–	–	44,240
Equity securities	5,418	–	–	5,418
Other investments	2,551	–	–	2,551
Reinsurance assets	–	5,752	–	5,752
Deferred tax assets	–	–	249	249
Current tax assets	–	–	543	543
Receivables and other financial assets	–	7,752	–	7,752
Deferred acquisition costs and other assets	–	4,607	–	4,607
Prepayments and accrued income	–	1,770	–	1,770
Cash and cash equivalents	8,914	–	–	8,914
Assets – Shareholder assets	**82,391**	**37,139**	**2,169**	**121,699**
	67.7%	30.5%	1.8%	

68% of shareholder assets are measured at fair value (inclusive of cash and cash equivalents). The remaining assets include goodwill, loans, reinsurance assets and receivables; all carried at amortised cost and are subject to regular impairment reviews.

C5 – Loans

The Group loan portfolio is principally made up of:

- Policy loans which are generally collateralised by a lien or charge over the underlying policy;
- Loans and advances to banks which primarily relate to loans of cash collateral received in stock lending transactions. These loans amount to £8 billion, are made to highly rated backing counterparties and are fully collateralised by other securities;
- Residential mortgage loans (securitised and non-securitised). Securitised mortgages are secured by non-recourse borrowings;
- Non-securitised commercial loans which are primarily held to back annuity liabilities; and,
- Other loans which typically represent loans and advances to customers of our banking business

Shareholder exposure to non-securitised mortgage loans is predominantly to commercial, rather than residential, mortgages. These are typically held to back annuity liabilities. Historical data has shown the portfolio to be of very high quality, with minimal bad debts incurred on the large UK portfolio in the last 15 years.

Securitised mortgage loans of £7.8 billion are secured through non-recourse borrowings in our UK Life and Dutch businesses.

Arrears

		Financial assets that are due but not impaired					
	Neither past due nor impaired £m	0-3 months £m	3–6 months £m	6 months – 1 year £m	Greater than 1 year £m	Financial assets that have been impaired £m	Total £m
Total loans	**37,200**	**155**	**13**	**2**	**1**	**16**	**37,387**
	99.6%	0.4%	0.0%	0.0%	0.0%	0.0%	
Policyholder assets	105	–	–	–	–	1	106
Participating fund assets	8,957	–	–	–	–	–	8,957
Shareholder assets	28,138	155	13	2	1	15	28,324
Total loans	**37,200**	**155**	**13**	**2**	**1**	**16**	**37,387**

Over 99% of the loan portfolio is neither past due nor impaired, the level of arrears is negligible in relation to the size of the portfolio (which includes the various types of loans outlined above).

Appendix C – Analysis of Assets continued

C5 – Loans continued

Loan to Value

The following section provides an analysis of the loan to value of the securitised and non-securitised mortgage loans.

	LTV >100% £m	LTV 95–100% £m	LTV 90–95% £m	LTV 80–90% £m	LTV 70–80% £m	LTV <70% £m	Total £m
Mortgage loans – Loan to value (LTV)							
Securitised mortgage loans – residential	–	135	2,086	3,070	251	2,262	7,804
Securitised mortgage loans – commercial	–	–	–	–	–	–	–
Total Securitised mortgage loans	–	135	2,086	3,070	251	2,262	7,804
Non-securitised mortgage loans – residential	7	76	1,158	1,623	74	987	3,925
Non-securitised mortgage loans – commercial	883	1,612	1,583	3,742	2,765	3,654	14,239
Total Non-securitised mortgage loans	890	1,688	2,741	5,365	2,839	4,641	18,164
Total	**890**	**1,823**	**4,827**	**8,435**	**3,090**	**6,903**	**25,968**
	3.4%	7.0%	18.6%	32.5%	11.9%	26.6%	

The loan to value data is based on an estimated current property valuation.

The Group's loan portfolio includes £18.1 billion of non-securitised and £7.8 billion of securitised mortgages. The securitised mortgages are secured through non-recourse borrowings in our UK Life and Dutch business whereby the risk is passed to the note holders. As such, the comments on LTVs here are focused on the Group's non-securitised mortgage portfolio.

The majority of non-securitised mortgages are commercial mortgages with 78% of the Group's portfolio being commercial and 22% being residential.

Our entire US mortgage portfolio is commercial. The LTVs of our US portfolio are strong with 94% of the US loan portfolio having a LTV of less than 70%.

The commercial mortgages shown above with the LTV's of greater than 100% are from our UK businesses. The un-collateralised portion of these loans is £47 million.

The LTV of a loan is only one measure of evaluating the recoverability of the loan. The Group also focuses on the credit quality of the counterparty, the quality and level of rental income (where appropriate) and the level of loan service cover when issuing and monitoring the loan book.

Commercial loans are principally held by our UK Life Business to back annuity liabilities. The portfolio is well diversified in terms of property type, location and tenants as well as the spread of loans written over time. The UK portfolio has had an excellent track record with minimal losses in the last 15 years. A high proportion of borrowers are long term property investors and long standing customers of Aviva with a strong track record.

The Dawnay Day Group companies have been borrowers from Norwich Union since the mid-1980s and have built up their portfolio with us since that time.

There are total loans of £642m with three companies, Starlight Investment, Insureprofit and Dawnay Day Properties Limited, which are now in administrative receivership.

In addition, there are loans of £141m with other related Dawnay Day companies (including joint venture companies) and £116m of other loans are held in a trust company. The average loan to value (LTV) ratio of these loans is 86%, average loan service cover is 1.1 times and none of these is currently in default.

The £642m loans with Starlight Investment, Insureprofit and Dawnay Day Properties are secured by a fixed charge over properties (where the average LTV is 91%) and a floating charge over the remaining assets of the businesses. The loans are supported by a well-diversified tenant base (by geographic region and by business sector) and there is currently sufficient rental income to meet loan service payments.

As a result, no provision for impairment of these loans is considered necessary but we will keep these under close and continuous review.

C6 – Debt securities

The tables below provide further details of the products included within debt securities and their ratings.

	Ratings						
	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Not-rated £m	Total £m
Debt Securities – Total							
UK government	16,923	22	–	–	–	25	16,970
Non-UK government	15,265	7,161	5,364	155	4	1,319	29,268
Corporate – Listed – UK	838	2,812	3,066	2,038	120	136	9,010
Corporate – Listed – Non-UK	13,528	14,491	14,150	7,036	1,169	1,917	52,291
Corporate – Unlisted – UK	5	205	448	669	14	124	1,465
Corporate – Unlisted – Non-UK	328	725	1,171	641	85	586	3,536
Certificates of deposits	23	1,251	85	6	–	20	1,385
Sub-prime RMBS	84	1	2	3	1	–	91
Sub-prime CDO	–	–	–	–	–	–	–
Sub-prime ABS	30	3	–	1	–	1	35
Alt-A	185	4	–	–	–	–	189
CDO	120	50	94	34	–	155	453
CLO	57	–	–	2	–	13	72
RMBS	2,832	144	21	116	–	108	3,221
ABS	762	83	53	30	–	86	1,014
CMBS	1,300	292	84	44	–	–	1,720
ABCP – conduit	58	534	23	–	–	–	615
ABCP – SIV	–	33	34	–	–	–	67
ABFRN	53	13	1	2	–	4	73
Wrapped credit	299	291	65	14	–	–	669
Other debt securities	262	446	1,411	(1)	–	1,153	3,271
Less: Above assets not recognised as Debt Securities							
Assets recognised as other assets	(29)	(7)	(14)	–	–	(5)	(55)
Total Debt Securities	**52,923**	**28,554**	**26,058**	**10,790**	**1,393**	**5,642**	**125,360**
	42.2%	22.8%	20.8%	8.6%	1.1%	4.5%	

The overall quality of the portfolio is very good. 94% of Debt securities are investment grade, with 1% below investment grade and 5% non-rated. 37% of total holdings are in government bonds. A further 49% of holdings are listed corporate bonds with an average rating between AA and A.

Where shareholder risk is skewed toward the lower rating categories in the tables below, this is typically to back specific product lines and the risk is commensurate with the investment objectives.

The Group has extremely limited exposure to 'Sub-prime' debt securities and also limited exposure to CDOs and CLOs.

'Wrapped credit' is credit exposure that has been insured with monoline insurers to achieve a better credit rating. Aviva is a long-term holder of this debt and will not be a forced seller in the event that the monolines are downgraded. The exposure is diversified across several monolines and the underlying bonds are diversified across many different counterparties. Consequently, this is believed to represent a small level of risk in relation to the size of the Group.

The majority of the Residential Mortgage-Backed Securities (RMBS) are US investments with 92% being rated AAA or AA. The bulk of these RMBS's are backed by one of the US Government Sponsored Entities such as Fannie Mae and Freddie Mac.

Approximately half of the unlisted corporate bonds, relate to private placements with public and private companies by our US business. While these private placements are not all rated by the major rating agencies they all are rated by the national Securities Valuation Office (SVO) of the National Association of Insurance Commissioners (NAIC), a national regulating agency. The SVO rates 96% of our US private placement holdings as investment grade with a weighted average equivalent rating of the portfolio being A-, however as this rating is not assigned by the main rating agencies, these investments are disclosed above as non-rated.

Non-rated other debt securities primarily relate to our French businesses holding of bond UCITS (Undertakings for Collective Investments in Transferable Securities) rather than direct holding in debt securities. Due to the nature of these UCITS as collective investments they do not have a rating. The underlying ratings of these bonds within these investments are typically investment grade.

£2.5 billion of the non-rated debt securities are from our Dutch life business which report ratings based exclusively on S&P ratings. As such, the non-rated amount includes £1.4 billion that has been rated by Moody's as investment grade of which £1.3 billion are rated the equivalent to AAA.

Appendix C – Analysis of Assets continued

C6 – Debt securities continued

	Ratings						
	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Not-rated £m	Total £m
Debt Securities – Policyholder assets							
UK government	4,842	3	–	–	–	–	4,845
Non-UK government	1,127	281	838	38	–	60	2,344
Corporate – Listed – UK	184	300	322	130	17	47	1,000
Corporate – Listed – Non-UK	1,041	2,228	1,396	352	49	437	5,503
Corporate – Unlisted – UK	–	9	–	–	–	–	9
Corporate – Unlisted – Non-UK	18	135	184	20	–	107	464
Certificates of deposits	–	–	7	2	–	20	29
Sub-prime RMBS	25	1	–	–	–	–	26
Sub-prime CDO	–	–	–	–	–	–	–
Sub-prime ABS	7	–	–	–	–	–	7
Alt-A	–	–	–	–	–	–	–
CDO	6	4	–	–	–	2	12
CLO	36	–	–	–	–	–	36
RMBS	319	4	–	–	–	9	332
ABS	33	–	–	–	–	3	36
CMBS	22	36	6	–	–	–	64
ABCP – conduit	–	378	–	–	–	–	378
ABCP – SIV	–	–	17	–	–	–	17
ABFRN	35	4	1	–	–	–	40
Wrapped credit	36	–	–	–	–	–	36
Other debt securities	1	121	1,134	(1)	–	518	1,773
Less: Above assets not recognised as Debt Securities							
Assets recognised as other assets	–	–	–	–	–	–	–
Debt Securities – Policyholder assets	**7,732**	**3,504**	**3,905**	**541**	**66**	**1,203**	**16,951**
	45.6%	20.7%	23.0%	3.2%	0.4%	7.1%	

C6 – Debt securities continued

	Ratings						
	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Not-rated £m	Total £m
Debt Securities – Participating Fund assets							
UK government	10,862	1	–	–	–	–	10,863
Non-UK government	8,741	5,380	2,825	24	–	279	17,249
Corporate – Listed – UK	273	1,351	1,417	1,005	83	33	4,162
Corporate – Listed – Non-UK	8,780	9,089	7,082	3,183	225	139	28,498
Corporate – Unlisted – UK	–	26	80	340	9	10	465
Corporate – Unlisted – Non-UK	60	159	176	116	16	87	614
Certificates of deposits	–	44	2	–	–	–	46
Sub-prime RMBS	9	–	–	–	–	–	9
Sub-prime CDO	–	–	–	–	–	–	–
Sub-prime ABS	4	1	–	–	–	–	5
Alt-A	4	–	–	–	–	–	4
CDO	8	–	–	–	–	–	8
CLO	3	–	–	–	–	–	3
RMBS	419	7	7	1	–	–	434
ABS	151	1	13	13	–	–	178
CMBS	148	86	24	–	–	–	258
ABCP – conduit	–	60	–	–	–	–	60
ABCP – SIV	–	–	5	–	–	–	5
ABFRN	9	1	–	1	–	–	11
Wrapped credit	35	96	6	4	–	–	141
Other debt securities	153	313	277	–	–	413	1,156
Less: Above assets not recognised as Debt Securities							
Assets recognised as other assets	–	–	–	–	–	–	–
Debt Securities – Participating Fund assets	**29,659**	**16,615**	**11,914**	**4,687**	**333**	**961**	**64,169**
	46.2%	25.9%	18.6%	7.3%	0.5%	1.5%	

Appendix C – Analysis of Assets continued

C6 – Debt securities continued

	Ratings						
	AAA £m	AA £m	A £m	BBB £m	Less than BBB £m	Not-rated £m	Total £m
Debt Securities – Shareholder assets							
UK government	1,219	18	–	–	–	25	1,262
Non-UK government	5,397	1,500	1,701	93	4	980	9,675
Corporate – Listed – UK	381	1,050	1,327	903	20	56	3,848
Corporate – Listed – Non-UK	3,707	3,174	5,672	3,501	895	1,341	18,290
Corporate – Unlisted – UK	5	170	368	329	5	114	991
Corporate – Unlisted – Non-UK	250	431	811	505	69	392	2,458
Certificates of deposits	23	1,207	76	4	–	–	1,310
Sub-prime RMBS	50	–	2	3	1	–	56
Sub-prime CDO	–	–	–	–	–	–	–
Sub-prime ABS	19	2	–	1	–	1	23
Alt-A	181	4	–	–	–	–	185
CDO	106	46	94	34	–	153	433
CLO	18	–	–	2	–	13	33
RMBS	2,094	133	14	115	–	99	2,455
ABS	578	82	40	17	–	83	800
CMBS	1,130	170	54	44	–	–	1,398
ABCP – conduit	58	96	23	–	–	–	177
ABCP – SIV	–	33	12	–	–	–	45
ABFRN	9	8	–	1	–	4	22
Wrapped credit	228	195	59	10	–	–	492
Other debt securities	108	12	–	–	–	222	342
Less: Above assets not recognised as Debt Securities							
Assets recognised as other assets	(29)	(7)	(14)	–	–	(5)	(55)
Debt Securities – Shareholder assets	**15,532**	**8,435**	**10,239**	**5,562**	**994**	**3,478**	**44,240**
	35.1%	19.1%	23.1%	12.6%	2.2%	7.9%	

C7 – Pension fund assets

In addition to the assets recognised directly on the Group's balance sheet outlined in the disclosures above, the Group is also exposed to the 'Plan Assets' that are shown net of the present value of scheme liabilities within the IAS19 net pension deficit. The net pension deficit is recognised within Provisions on the Group's balance sheet.

Plan Assets include investments in Group-managed funds in the consolidated balance sheet of £123 million in the UK scheme, and insurance policies of £142 million and £1,109 million in the UK and Dutch schemes respectively. Where the investment and insurance policies are in segregated funds with specific asset allocations, they are included in the appropriate lines in the table below, otherwise they appear in "Other". The Dutch insurance policies are considered non-transferable under the terms of IAS19 and so have been excluded as assets of the relevant scheme in this table.

The total strict IAS19 assets (i.e. excluding the non-transferable insurance policies) of the schemes are analysed as follows:

	30 June 2008				
	United Kingdom £m	Netherlands £m	Canada £m	Ireland £m	Total £m
Equities	3,702	–	130	238	4,070
Bonds	2,678	–	75	179	2,932
Property	490	–	–	40	530
Other	928	3	3	1	935
Total fair value of assets	**7,798**	**3**	**208**	**458**	**8,467**

C8 – Available funds

To ensure access to liquidity as and when needed, the Group maintains over £2 billion of undrawn committed central borrowing facilities with various highly rated banks. £1 billion of this is allocated to support the credit rating of Aviva plc's £2 billion commercial paper programme. The expiry profile of the undrawn committed central borrowing facilities is as follows:

	30 June 2008 £m
Expiring within one year	**400**
Expiring beyond one year	**1,700**
Total	**2,100**

Shareholder services

Managing your shareholding

Shareholders who have any queries in respect of their shareholding should contact the Company's Registrar, Equiniti. Contact details can be found on page 110.

In addition to assisting with general queries, the Registrar can also help with the following:

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

Dividend payments directly to your bank or building society account
As an alternative to having dividends paid by cheque, shareholders can, if they wish, have them credited directly into their bank or building society account on the dividend payment date. Having the dividend paid directly into their bank account offers shareholders the benefit of avoiding the risk of cheques being lost in the post and is more convenient as payment is credited automatically on the payment date. An annual tax voucher is sent to the shareholder's registered address at the time of the Company's annual report mailing to shareholders, usually in March. Shareholders wishing to set up a dividend mandate can do so via the Company's website **www.aviva.com/dividendmandate** or by contacting the Company's Registrar, Equiniti on 0871 384 2953*. For overseas shareholders, an overseas payment service is available, which allows shareholders in over 30 countries worldwide to have dividends credited directly into their bank accounts in local currencies, normally costing less than paying in a sterling cheque. Dividend mandate forms for overseas shareholders can be obtained on the Company's website at **www.aviva.com/dividendmandate** or by contacting Equiniti on +44 (0) 121 415 7046.

Dividend Tax Vouchers
Private shareholders who currently have dividends paid directly into their bank or building society account receive one consolidated tax voucher each year instead of a voucher with each dividend payment, unless they request otherwise. Those shareholders who have a dividend mandate and have also elected for e mail communications, will instead receive an electronic tax voucher, viewable through their shareview portfolio from each dividend payment date. An e mail will be sent to each eligible shareholder to notify them of its availability.

Dividend Reinvestment Plan
The Aviva Dividend Reinvestment Plan (the "Plan") provides shareholders with the opportunity to use their cash dividend to purchase additional Aviva ordinary shares on the dividend payment date. Shareholders who have not joined the Plan but wish to do so should contact Equiniti to request a personalised application form. The completed application form will need to be received by Equiniti no later than 20 October 2008 in order to be effective for the 2008 interim dividend. Further details are included on the Company's website **www.aviva.com/dividend**

Online Shareholder Centre
A useful shareholder guide covering a range of shareholder frequently asked questions including practical help on transferring shares and updating personal details is available online at **www.aviva.com/shareholders**. The Company's Online Shareholder Centre also contains useful information on shareholder communications, electronic voting and other matters of interest to the private shareholder. Also included is advice on keeping shareholder information safe. The Company is continuing to work with Equiniti to review its procedures and where possible to restrict the opportunities for fraud. All shareholders must remain vigilant and if any unsolicited mail or advice is received, should contact Equiniti on 0871 384 2953* immediately.

Corporate Nominee
Shareholders can hold their shares through the Company's nominee service, the Aviva Share Account, administered by Equiniti. Shareholders' personal details will not appear on the public register but they will continue to have a right to receive shareholder communications and attend general meetings. For further details contact the Registrar or visit **www.aviva.com/shareholders** to view the account terms and conditions which can be found in the Guide section.

* Calls to 0871 numbers are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.

Share dealing

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

Share dealing facilities for UK shareholders/Share Account members –

– Buy and sell shares online at **www.shareview.co.uk/dealing**, by telephone on 08456 037 037 between 8.00am and 4.30pm, Monday to Friday or by calling 0871 384 2953* and having a postal form sent to you. For real time price information, useful guides, articles and tools visit **www.shareview.co.uk/dealing**. These services are provided by Equiniti Financial Services Limited, which is authorised and regulated by the Financial Services Authority, registered number 6208699.

– 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 an Aviva Share Account statement). To check instructions and maintain high quality service standards, Barclays Stockbrokers may record and monitor calls. New Business Development hours are between 8.00am and 6.00pm Monday to Friday, excluding Bank Holidays. Barclays Stockbrokers also offer a postal share dealing service. For further information and a postal share dealing form telephone 0870 514 3263. Barclays Stockbrokers is authorised and regulated by the Financial Services Authority, registered number 124247.

– NatWest Stockbrokers provide a share dealing service either over the telephone or at certain NatWest branches for Aviva Share Account holders only. For more information contact NatWest Stockbrokers on 0845 122 0689. NatWest Stockbrokers Limited (“NWS”) is a member of the London Stock Exchange and PLUS. NWS is authorised and regulated by the Financial Services Authority, and entered on its register (**www.fsa.gov.uk/register/**), with number 124395. Registered Office: Waterhouse Square, 138–142 Holborn, London EC1N 2TH. Registered in England and Wales, registered number 1959479. NWS is operated by a joint venture between The Royal Bank of Scotland Group plc and The Toronto-Dominion Bank.

Share dealing for overseas shareholders

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

Shareholder information

2008 Annual General Meeting – voting results

The voting results, including proxy votes and votes withheld, from Aviva’s Annual General Meeting (“AGM”) held on 1 May 2008 can be viewed on the Company’s website at **www.aviva.com/shareholders**. In addition you will also find the Chairman’s and Chief Executive’s 2008 AGM presentation and a webcast of the formal business of the meeting. Information relating to previous Annual General Meetings since 2002 is also included.

Group financial calendar for 2008

Announcement of Interim Management Statement Q3 2008	22 October

Ordinary shares – 2008 interim dividend

Ex-dividend date	24 September
Record date	26 September
Last date for DRIP forms to be received in order to be effective for 2008 interim dividend	20 October
Dividend payment date	17 November

Preference shares

8⅜% cumulative irredeemable preference shares	
Ex-dividend date	13 August
Record date	15 August
Second payment date	30 September
8¾% cumulative irredeemable preference shares	
Ex-dividend date	12 November
Record date	14 November
Second payment date	31 December

* Calls to 0871 numbers are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.

Shareholder services continued

Share price

Share price – Shareholders can access the current share price of Aviva plc ordinary shares at **www.aviva.com** or alternatively can call 09058 171690. Calls are currently charged at 75 pence per minute at all times from a BT landline. Charges from other telephone providers may vary. The average time to access the share price is approximately one minute.

Useful contact details

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

General shareholding, administration and Aviva Share Account queries
Equiniti
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
www.shareview.co.uk
email: aviva@equiniti.com
0871 384 2953*
(+44 121 415 7046
for overseas shareholders)

Corporate and single company Peps
Barclays Stockbrokers Limited
Tay House, 300 Bath Street
Glasgow G2 4LH
0870 514 3263
www.stockbrokers.barclays.co.uk

Individual Savings Accounts ("ISAs")
Equiniti (ISA) Manager
Aspect House, Spencer Road
Lancing, West Sussex BN99 6DA
0871 384 2244*

* Calls to 0871 numbers are charged at 8 pence per minute from a BT landline. Charges from other telephone providers may vary.

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

ShareGift

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

Aviva plc

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Alternative format

If you would like to request a copy of our Annual Report and Accounts or Annual Review in an alternative format, for example, large print, braille or audio cassette, please contact the Registrar using the details above.