Notes to the consolidated financial statements continued

G. Other statement of consolidated financial position notes continued

G2.2 Acquired in-force business

Acquired in-force business ('AVIF') on investment contracts without DPF represents the difference between the fair value of the contractual rights under these contracts and the liability measured at fair value which is determined using a valuation technique to provide a reliable estimate of the amount for which the liability could be transferred in an orderly transaction between market participants at the measurement date, subject to a minimum equal to the surrender value. AVIF on these investment contracts is amortised in line with emergence of economic benefits over their expected term. AVIF balances are assessed for impairment where an indicator of impairment has been identified.

AVIF of £16 million was recognised during the year upon acquisition of SLF of Canada UK Limited. Further details are included in note H2.

On 23 February 2021, the Group entered into an agreement with abrdn plc to simplify the arrangements of their Strategic Partnership. Under the terms of the transaction, the Group will sell its UK investment and platform related products, comprising Wrap SIPP, Onshore bond and UK TIP to abrdn plc and this will be effected through a Part VII transfer. Since 2021, the balances in the statement of consolidated financial position relating to this business have been classified as a disposal group held for sale.

The total proceeds of disposal for this business were not expected to exceed the carrying value of the related net assets and accordingly the disposal group was recognised at fair value less costs to sell. The value of the AVIF at 23 February 2021, which relates to the SIPP and Onshore business, was £122 million and an impairment charge of £67 million was recognised in 2021. A further impairment of £28 million has been recognised during the year (2022: £17 million). The AVIF balance classified as held for sale has not been amortised up to 31 December 2023.

As at 31 December 2023, the insured funds element of the Wrap SIPP and Onshore Bond businesses will no longer transfer to abrdn (see note H3 for further details). As a result, this business no longer meets the requirements to be classified as held for sale. Consequently, the AVIF, which has a carrying value of £9 million at 31 December 2023, will be classified within the AVIF line in the consolidated statement of financial position. The AVIF will be amortised in line with the transfer of the economic risk and rewards for this business to abrdn plc via the profit transfer arrangement.

G2.3 Brands

An intangible asset was recognised at cost on acquisition of AXA Wealth and represents the value attributable to the SunLife brand as at 1 November 2016. The intangible asset was valued on a 'multi-period excess earnings' basis and was recognised at a cost of £20 million. Impairment testing was performed in a combined test with the AXA goodwill (see section G2.1). The value in use continues to exceed its carrying value. This brand intangible is being amortised over a 10 year period. The carrying value of the AXA Wealth brand as at 31 December 2023 is £6 million (2022: £8 million).

On 23 February 2021, the Group entered into an agreement to acquire ownership of the Standard Life brand as part of a larger transaction with abrdn plc, which transferred to the Group in May 2021. The Standard Life brand was initially recognised at a value of £111 million which represented the fair value attributable to the brand as at the transaction date. The intangible asset was valued on a 'multi-period excess earnings' basis and is being amortised over a period of 30 years. The carrying value of the Standard Life brand as at 31 December 2023 is £100 million (2022: £104 million).

G3. Property, plant and equipment

Owner-occupied property is stated at its revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and impairment. Owner-occupied property is depreciated over its estimated useful life, which is taken as 20 – 50 years. Land is not depreciated. Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the owner-occupied property and the net amount is restated to the revalued amount of the asset. Gains and losses on owner-occupied property are recognised in other comprehensive income.

The right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairments, and adjusted for certain remeasurements of the lease liability. The right-of-use assets are depreciated over the remaining lease term which is between 1 and 11 years (2022: 1 and 11 years).

Equipment consists primarily of computer equipment and fittings. Equipment is stated at historical cost less deprecation. Where acquired in a business combination, historical cost equates to the fair value at the acquisition date. Depreciation on equipment is charged to the consolidated income statement over its estimated useful life of between 2 and 15 years.

2023	Owner-occupied properties £m	Right-of-use assets – property £m	Equipment £m	Total £m
Cost or valuation				
At 1 January	32	96	67	195
Additions	1	–	8	9
Revaluation losses	(5)	–	–	(5)
At 31 December	28	96	75	199
Depreciation				
At 1 January	–	(32)	(38)	(70)
Depreciation	–	(10)	(13)	(23)
At 31 December	–	(42)	(51)	(93)
Carrying amount at 31 December	28	54	24	106

2022	Owner-occupied properties £m	Right-of-use assets – property £m	Equipment £m	Total £m
Cost or valuation				
At 1 January	29	94	61	184
Additions	9	3	8	20
Revaluation losses	(6)	–	–	(6)
Disposals	–	(1)	(2)	(3)
At 31 December	32	96	67	195
Depreciation				
At 1 January	–	(24)	(30)	(54)
Depreciation	–	(9)	(10)	(19)
Disposals	–	1	2	3
At 31 December	–	(32)	(38)	(70)
Carrying amount at 31 December	32	64	29	125

Owner-occupied properties have been valued by accredited independent valuers at 31 December 2023 on an open market basis in accordance with the Royal Institution of Chartered Surveyors' requirements, which is deemed to equate to fair value. The fair value measurement for the properties of £28 million (2022: £32 million) has been categorised as Level 3 based on the non-observable inputs to the valuation technique used. Unrealised loss for the current year is £5 million (2022: £6 million).

The fair value of the owner-occupied properties was derived using the investment method supported by comparison with similar market transactions for similar properties. The significant non-observable inputs used in the valuations are the expected rental values per square foot and the capitalisation rates.

The fair value of the owner-occupied properties valuation would increase (decrease) if the expected rental values per square foot were to be higher (lower) and the capitalisation rates were to be lower (higher).

G4. Investment property

Investment property, including right of use assets, is initially recognised at cost, including any directly attributable transaction costs. Subsequently investment property is measured at fair value. Fair value is the price that would be received to sell a property in an orderly transaction between market participants at the measurement date. Fair value is determined without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses arising from the change in fair value are recognised as income or an expense in the statement of comprehensive income.

Investment property includes right-of-use assets, where the Group acts as lessee. Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Where investment property is leased out by the Group, rental income from these operating leases is recognised as income in the consolidated income statement on a straight-line basis over the period of the lease.

	2023 £m	2022 £m
At 1 January	6,233	8,592
Additions	49	104
Acquisition of SLF of Canada UK Limited (note H2)	283	–
Improvements	27	27
Disposals	(484)	(1,141)
Remeasurement of right-of-use asset	–	2
Movement in foreign exchange	(4)	12
Losses on adjustments to fair value (recognised in consolidated income statement)	(362)	(1,363)
	5,742	6,233
Less amounts classified as held for sale (see note H3)	(2,044)	(2,506)
At 31 December	3,698	3,727
Unrealised losses on properties held at end of year	(180)	(1,582)

As at 31 December 2023, a property portfolio including amounts classified held for sale of £5,621 million (2022: £6,070 million) is held by the life companies in a mix of commercial sectors, spread geographically throughout the UK and Europe.

Investment properties also includes £42 million (2022: £62 million) of property reversions arising from sales of the NPI Extra Income Plan (see note E5 for further details) and £64 million (2022: £80 million) from the Group's interest in the residential property of policyholders who have previously entered into an Equity Release Income Plan ('ERIP') policy.

Certain investment properties held by the life companies possess a ground rent obligation which gives rise to both a right-of-use asset and a lease liability. The right-of-use asset associated with the ground rent obligation is valued at fair value and is included within the total investment property valuation. The value of the ground rent right-of-use asset as at 31 December 2023 was £15 million (2022: £21 million). The remeasurement resulted in no change in value of the ground rent right-of-use asset (2022: increase of £2 million). There were no additions (2022: £2 million) and £6 million disposals (2022: £4 million) of ground rent right-of-use assets during the period.