NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 SPECIFIC ITEMS

Included within the specific items column are:

		2017				Restated 2016			
	Notes	Cash in-year £m	Cash in future £m	Non-cash £m	Total £m	Cash in-year £m	Cash in future £m	Non-cash £m	Total £m
Cost of sales – continuing:									
Co-op contract dispute		–	–	–	–	–	–	42.3	42.3
Impairment of life and pension assets		–	–	5.5	5.5	–	–	–	–
Total cost of sales – continuing		–	–	5.5	5.5	–	–	42.3	42.3
Administrative expenses – continuing:									
Amortisation of acquired intangibles	15	–	–	124.3	124.3	–	–	147.9	147.9
Impairment of acquired intangibles	15	–	–	14.0	14.0	–	–	14.7	14.7
Impairment of loan and investment		–	–	9.0	9.0	–	–	2.6	2.6
Impairment of contract related assets	14/15	–	–	–	–	–	–	58.3	58.3
Impairment of other non-current assets	14/15	–	–	63.5	63.5	–	–	–	–
Impairment of goodwill	16	–	–	551.6	551.6	–	–	66.6	66.6
Co-op contract dispute		–	–	–	–	1.8	4.9	4.2	10.9
Impairment of life and pension assets	14/15	–	–	55.7	55.7	–	–	–	–
Claims and litigation provisions	27	–	30.0	–	30.0	–	–	–	–
Contingent consideration movements	28	–	–	(2.5)	(2.5)	–	–	1.2	1.2
Professional fees on acquisitions	17	1.0	0.5	–	1.5	6.4	2.0	–	8.4
Stamp duty paid on acquisitions	17	0.2	–	–	0.2	0.6	–	–	0.6
Total administrative expenses – continuing		1.2	30.5	815.6	847.3	8.8	6.9	295.5	311.2
Operating loss – continuing		1.2	30.5	821.1	852.8	8.8	6.9	337.8	353.5
Net finance costs – continuing					(2.1)				7.7
Income tax credit – continuing					(54.0)				(47.1)
Loss for the year – continuing					796.7				314.1
Administrative expenses – discontinued:									
Amortisation of acquired intangibles	15	–	–	0.6	0.6	–	–	4.3	4.3
Capita Asset Services indemnity and settlement provision	27	(0.7)	69.1	(2.8)	65.6	0.9	12.5	–	13.4
Total administrative expenses – discontinued		(0.7)	69.1	(2.2)	66.2	0.9	12.5	4.3	17.7
Operating loss – discontinued	5	(0.7)	69.1	(2.2)	66.2	0.9	12.5	4.3	17.7
Net finance costs – discontinued					(0.8)				(0.1)
Income tax expense/(credit) – discontinued					0.7				(3.9)
Loss for the year – discontinued					66.1				13.7
Total loss for the year					862.8				327.8

The above items are presented as specific non-underlying items as the Board have concluded that it is appropriate to do so. These amounts are (or have been) material, and require separate disclosure in order for the users of the financial statements to obtain a proper understanding of the financial information and the underlying performance of the business. The tax impact of the above items is a £53.3m credit. These items are discussed below:

6 SPECIFIC ITEMS CONTINUED

Continuing:

The Co-operative Bank contract dispute: the impact of the dispute with The Co-operative Bank on the prior year financial statements was a charge of £53.2m representing the write-off of contract fulfilment assets relating to the transformation plan of £42.3m to cost of sales; and software licence costs of £4.2m (included within other intangibles, see note 15), other costs of £5.8m and a provision for 2017 legal costs of £0.9m to administrative expenses. This was included within specific items because it was one-off in nature and was due to a contractual dispute rather than service credit penalties.

Impairment of life and pensions assets: The Group's life and pension business has developed a platform to support an existing life and pensions contract, but which could provide services to multiple clients in the future. The Group's transformation plan has identified there is no longer a market for this platform and accordingly the carrying value of this and associated assets has been written off. The impact on the financial statements is a non-underlying charge of £61.2m (£54.7m property, plant and equipment – see note 14; £1.0m capitalised software intangible assets – see note 15; £5.5m contract fulfilment asset – see note 18) representing the write-off of the non-current assets. The charge has been included within non-underlying as the assets have no further value to the Group.

Amortisation and impairment of acquired intangible assets: the Group carries on its balance sheet significant balances related to acquired intangible assets. The amortisation of these assets, and any impairment charges, are reported separately as they distort the in-year trading results, and performance of the acquired businesses is assessed through the underlying operational results.

Impairment of loan and investment: the Group has fully impaired a historic loan and investment in the year. The charge is reported separately due to its nature and to be consistent to prior years.

Impairment of contract related assets: as part of its year-end close process in 2016, Capita undertook a comprehensive review across its major contracts. Following this review management took the decision to impair, at 31 December 2016, a number of historical assets relating to a few specific contracts, which were being amortised over their contract life. Non-current assets amounting to £58.3m (£16.5m property, plant and equipment – see note 14; £41.8m capitalised software development intangible assets – see note 15) were written off as a non-underlying charge as the assets have no further value to the Group.

Impairment and disposals of other non-current assets: as part of its year-end close process in 2017, Capita has undertaken a comprehensive review of its tangible and intangible assets. Following the review, management has taken a decision to impair, at 31 December 2017, a number of assets relating to specific programmes resulting from changes in client and Capita strategy in the second half of 2017. These impairments will have no adverse impact on future cash or trading. Non-current assets amounting to £63.5m (£35.2m property, plant and equipment – see note 14; £28.3m capitalised software intangible assets – see note 15) have been written off as a non-underlying charge as the assets have no further value to the Group.

Impairment of goodwill: the Group carries on its balance sheet significant balances related to acquired goodwill. Goodwill is subject to annual impairment testing, and any impairment charges are reported separately as they distort the in-year trading results and IFRS does not permit the recognition of enhanced value of acquisitions, potentially leading to an unbalanced picture being shown over time. Refer to note 16 for further detail on the impairments.

Claims and litigation provisions: these significant litigation costs provided in the year, relate to two claims in respect of:

1. a contract within the Group's Real Estate and Infrastructure business and was notified to the Group during 2017. The related contract began in 2007; and
2. a contract within the Group's Employee Benefits business where more information on the progress of the claim has become apparent. The related contract was delivered from 2009.

The amount provided in respect of these two claims has been recognised in non-underlying specific items due to their age and significance.

Contingent consideration movements: in accordance with IFRS 3, movements in the fair value of contingent consideration on acquisitions go through the Group income statement. These are reported separately because performance of the acquired businesses is assessed through the underlying operational results and such a charge/credit movement would distort underlying results.

Acquisition-related costs and stamp duty: these costs incurred with acquisitions are not included in the assessment of business performance which is based on the underlying results. IFRS requires certain costs incurred in connection with acquired businesses to be recorded within the Group income statement. These charges are not included in the internal assessment of business performance which as above is based on the underlying operational results. These charges are therefore separately disclosed as specific items.

Discontinued:

Amortisation of intangible assets: the Group carries on its balance sheet significant balances related to acquired intangible assets. The amortisation of these assets, are reported separately as they distort the in-year trading results and performance of the acquired businesses is assessed through the underlying operational results. The discontinued element of the amortisation of intangible assets charge relates to the Capita Asset Services businesses disposed of in the year.

Capita Asset Services indemnity and settlement provision: these significant litigation costs are historical in nature, being tied to previous acquisitions, comprising mainly £69.1m of provisions for future costs (see note 27), and are included in specific items due to their size and nature. The discontinued element relates to the Capita Asset Services businesses disposed of in the year. The prior year charge was £13.4m.