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5 Goodwill and other intangible fixed assets

Movements in the goodwill and other intangible fixed assets are shown in the table.

(x EUR million)	Goodwill	Other intangible fixed assets	Total intangible fixed assets
Cost price	488.3	42.5	530.8
Depreciation	-	-29.1	-29.1
Impairments	-403.7	-5.2	-408.9
Book value as per 1 January 2015	84.6	8.2	92.8
Changes in book value:			
- Investments	-	4.5	4.5
- Acquisitions	-	-	-
- Depreciation	-	-2.0	-2.0
- Impairment	-	-0.6	-0.6
- Foreign exchange rate differences	1.2	0.1	1.3
Cost price	489.5	47.1	536.6
Depreciation	-	-31.1	-31.1
Impairments	-403.7	-5.8	-409.5
Book value as per 31 December 2015	85.8	10.2	96.0
Changes in book value:			
- Investments	-	6.0	6.0
- Acquisitions	4.9	-	4.9
- Depreciation	-	-3.8	-3.8
- Foreign exchange rate differences	-2.2	-0.1	-2.3
Cost price	492.2	53.0	545.2
Depreciation	-	-34.9	-34.9
Impairments	-403.7	-5.8	-409.5
Book value as per 31 December 2016	88.5	12.3	100.8

Goodwill

Cash-generating unit

In its structure, Q-Park has divided the various countries in which it is active into regions. The regions are managed by the responsible regional management team consisting of a general regional director and a financial regional director. The country directors are managed by, report to, and are appraised by the regional management teams. These teams report over the regions and the Executive Board bases its decisions on this regional reporting. Consequently, Q-Park identifies its cash-generating units at regional level.

The regional structure is defined as follows:

- | Region 'Mid' – Netherlands and Germany;
- | Region 'West' – United Kingdom and Ireland;
- | Region 'South' – France and Belgium;
- | Region 'North' – Denmark, Sweden, Norway, and Finland.

Impairment calculations

Goodwill impairment calculations are conducted annually in accordance with IAS 36. Per cash-generating unit (region), the net book value (carrying amount) is compared with the recoverable amount. This recoverable amount is defined as the greater of the net recoverable amount according to the 'value in use' (VIU) methodology and net recoverable amount according to the 'fair value less costs of disposal' (FVLCD) methodology. For the goodwill impairment test calculations of Q-Park's CGUs, the FVLCD methodology is applied. The detailed FVLCD calculation is performed by an external expert. Additionally, the FVLCD outcome is benchmarked in the market.

In accordance with IFRS 13, the FVLCD calculation used classifies as a 'level 3' valuation method.

In the impairment calculations, the future operational cash flows and investment cash flows used in the business plan calculations are discounted. The calculations can be divided into the following components:

- | the cash flows in the first 5 years are based on the most recent business plans;
- | for the years after the explicit forecast period, inflationary revenue growth and stable margins have been assumed;
- | the level of capital expenditures and depreciation has been brought towards a steady state based on the asset intensity of the cash-generating unit;
- | the terminal value is calculated by dividing the cash flow in the final years by the weighted average cost of capital (WACC) minus the growth included in the calculation (WACC –/– g). The growth in the residual value is calculated on the basis of the Gordon growth formula.

The present value of these components is determined on the basis of a CGU-specific WACC.

Book value and goodwill impairment results

The goodwill impairment test conducted in 2016 confirms the book value of the cash-generating units and did not result in impairment of the goodwill at the close of 2016 (2015 impairment: EUR 0 million). The book value of the goodwill at the end of the financial year and the change in the course of the financial year are shown in the table.

(x EUR million)	Region 'Mid'	Region 'West'	Region 'South'	Region 'North'	Total
Goodwill per 1 January	-	-	27.8	58.0	85.8
Additions	-	-	4.9	-	4.9
Impairment result	-	-	-	-	-
Foreign exchange rate differences	-	-	-	-2.2	-2.2
Goodwill per 31 December	-	-	32.7	55.8	88.5

The goodwill arising from the acquisition of business combinations concerning inclusion of the deferred tax liabilities from fair value correction of the identifiable assets is not part of the goodwill included in the impairment test. At the end of the financial year this goodwill amounted to EUR 25.5 million (2015: EUR 24.7 million). The amount of EUR 25.5 million is fully attributable to 'South'.

Assumptions and sensitivity analysis

The primary assumptions as applied in the goodwill impairment calculation are shown in the table.

Cash-generating unit	Pre-tax WACC		Growth residual value	
	2016	2015	2016	2015
Region 'South'	8.9%	8.9%	2.0%	2.0%
Region 'North'	8.5%	8.8%	1.9%	2.0%

The break-even point for impairment lies in an adjustment of the WACC and growth of the residual value as shown in the following table:

(x EUR million)	Region 'South'	Region 'North'
Adjustment WACC	0.50%	0.60%
Adjustment residual value growth	-0.40%	-0.70%

When determining the impact as shown in the table, we have not incorporated the possible effect that the adjustments might have on the value of the investment properties. As a result of the level of goodwill in 'South' that is excluded in the impairment test (see previous paragraph) an adjustment below the break-even point would only have a limited impact on the goodwill of the region South.

Other intangible fixed assets

The investments in other intangible fixed assets are mainly related to the investments in software associated with the development and implementation of a new digital platform.