S02.02-AS-02-I.6

I - Goodwill (and Business Combination): General principles

5. Goodwill Impairment Testing Procedure

In order to comply with IFRS requirements (IAS 36), an enterprise shall test goodwill, any intangible asset with an indefinite useful life or any intangible asset not yet available for use for impairment **at least annually** by comparing its carrying amount with its recoverable amount.

The following hyperlink provides a format for allowing to perform the required test.

The GBU's shall prepare discounted cash flow (**DCF**) models for all groups of cash-generating units (**CGU**) which have allocated goodwill.

The DCF shall be based on reasonable and supportable documented assumptions. The terminal value is determined by capitalizing the last cash flow of the plan by the difference between the weighted-average cost-of-capital and the long-term growth rate estimated for each group of CGU's.

The DCF model has been established with an estimated long-term growth rate of 2% and a tax rate of 30%. If the CGU being tested has an estimated long-term growth rate that is greater than or less than 2%, or if the tax rate is greater than or less than 30%, **the estimated long-term growth rate and the tax rate in the DCF model has to be adjusted**.

Note that the long-term growth rate should generally be the GDP or the weighted-average GDP of the country(ies) of the CGU’s activities.

The terminal value assumes that

a. depreciation and amortization and capital spending in the last year of the business plan and
b. working capital increases (defined as the working capital in the last year of the business plan times the long-term growth rate)

are representative of the terminal period.

If that is not the case, change these assumptions at the top of the DCF model.

In addition, the terminal value assumes that the residual value of the assets equals the costs of disposal.

If the assets have a residual value in excess of the costs to dispose, or if the costs to dispose are in excess of the residual value, then the calculation of the terminal value shall be adjusted.

If an impairment loss is recognized (i.e., the carrying value exceeds the fair value), the impairment is allocated first to the goodwill, until goodwill is reduced to zero, and then to the assets that are included in the group of CGU’s being tested based on a prorated share of their carrying amounts.

However, in no case shall a CGU, included in the group of CGU’s being tested, be written below the higher of its fair value less costs to sell, its value in use or zero.

Future cash flows shall be estimated for the asset in its current condition.

Estimates of future cash flows shall not include estimated future cash inflows or outflows that are expected to arise from:

a. a future restructuring to which an entity is not yet committed; or
b. improving or enhancing the asset’s performance

Forecasts to be used for the carrying value:

- March N testing (if needed): --> Forecasts N, N+1, N+2, N+3, N+4
- June, September (if needed) and December testing: --> Forecasts N+1, N+2, N+3, N+4, N+5