(or disposal group), an active program to locate a buyer and complete the plan should be initiated, and the asset (or disposal group) should be actively marketed at a price which is reasonable in relation to its current fair value, and the sale should be expected to be completed within one year from the date of classification. Assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs necessary to make the sale. Any excess of the carrying amount over the fair value less costs to sell is included as an impairment loss. Depreciation of such assets is discontinued as from their classification as held for sale. Comparative balance sheet information for prior periods is not restated to reflect the new classification in the balance sheet.

Contingencies

Contingent assets are not recognized in the financial statements. They are disclosed if the inflow of economic benefits is probable. Contingent liabilities are not recognized in the financial statements, except if they arise from a business combination. They are disclosed unless the possibility of a loss is remote.

Events after the balance sheet date

Events after the balance sheet date which provide additional information about the company's position as at the balance sheet date (adjusting events) are reflected in the financial statements. Events after the balance sheet date which are not adjusting events are disclosed in the notes if material.

3. Critical accounting judgments and key sources of estimation uncertainty

3.1. General business risks

Like many global companies, Bekaert is exposed to risks affecting businesses which are expanding around the world both in mature markets and in rapidly developing growth markets. The growth of these economies, the potential political and financial risks they present, the emergence of new technologies and competitors, the shifting economic flows between continents, the growing environmental awareness, the volatile supply of and demand for raw materials and the probability of consolidation of all or part of industrial segments present as many risks for the Group as they create opportunities. The Bekaert Group Executive, the Strategic Committee and the Board of Directors monitor these developments closely and take the actions they consider necessary to safeguard the Group's future as effectively as possible.

With regard to the uncertain economic outlook, Bekaert is confident that its broad geographical coverage with a strong presence in emerging markets, as well as its growing portfolio of product innovations, are of strategic importance. Bekaert continues to monitor market developments and customer requirements closely, so advantage can be taken of opportunities the moment they arise.

3.2. Critical judgments in applying the entity's accounting policies

- Management assessed that a constructive obligation exists to provide pre-retirement schemes for employees as from the first day of service (see note 6.14. 'Employee benefit obligations') and therefore these pre-retirement schemes are treated as defined-benefit plans using the projected unit credit method.

- Management concluded that the criteria for capitalizing development expenditure were not met (see note 6.1. 'Intangible assets').

- Management concluded that the functional currency of Bekaert Izmit Celik Kord Sanayi ve Ticaret AS (Turkey) is the euro, consistent with the economic substance of the transactions relevant to that entity. For the same reason, management concluded that the functional currency of Vicson SA (Venezuela) is the US dollar. Consequently, hyperinflationary accounting is not applicable to Vicson SA.

- In accordance with Venezuelan laws, all US dollar transactions concluded by Venezuelan companies should be approved by the monetary foreign exchange control authorities (CADIVI). US dollars received should be sold to CADIVI at the official rate and approved payments in US dollars are effected via CADIVI at the official rate. Since the government introduced a dual-rate foreign exchange system in January 2010, imports designated as "non-essential" receive a rate of 4.3 VEF/USD, and "essential" goods are exchanged at a rate of 2.6 VEF/USD. The fact that, at least until the reform enacted in May 2010, transactions in certain securities were exempted from the CADIVI regulations, created a parallel foreign currency exchange market in Venezuela through which entities could obtain foreign currency, albeit generally at a higher rate than the official ones. As announced in last year's annual report, management decided to use the parallel rate for unapproved transactions, which was 5.97 VEF/USD at 31 December 2009 and 7.70 VEF/USD before the parallel market was closed down in May 2010. In early June 2010, the government introduced additional regulations including currency exchange bands under a newly regulated system (the SITME or Sistema de Transacciones cib Titulos en Moneda Extranjera) controlled by the Central Bank of Venezuela (BCV). Under the new regulations, entities domiciled in Venezuela can access the SITME by buying US dollar denominated securities through banks authorized by the BCV, up to a maximum of USD 350 000 per month. Next to the SITME system, Vicson can also subscribe to government bonds to cover its remaining foreign currency needs. Therefore, management concluded that the restrictions of the SITME system do not imply a loss of control. Any foreign currency transaction outside the CADIVI or SITME system could be considered illegal, and hence the use of the parallel rate to remeasure foreign currency transactions is deemed inappropriate. Therefore, management decided to use the SITME rate established by the BCV, which was 5.40 at the balance sheet date. The effect of translating the monetary items at the SITME rate at balance sheet date is included in other financial income and expenses (see note 5.4. 'Other financial income and expenses').

Bekaert initially uses the SITME rate when recording any foreign currency transaction and recognizes a realized exchange result when the dollars are obtained at another rate (including the CADIVI rates).

- Management concluded that Bekaert, given its non-controlling interest of 13.0% at year-end 2010, has no significant influence in Shougang Concord Century Holdings Ltd and therefore the investment is treated as a financial asset available for sale.

- Given its global presence, Bekaert is exposed to tax risks in many jurisdictions. Tax authorities in those jurisdictions conduct regular tax audits which may reveal potential tax issues. While the outcome of such tax audits is not certain, management is convinced that Bekaert, based on an overall evaluation of potential tax liabilities, has recorded adequate tax liabilities in its consolidated financial statements.

- Management concluded that the Company has control over Bekaert Ansteel Tire Cord (Chongqing) Co Ltd and accordingly consolidates this entity.

- Management concluded that the assumptions used for the impairment test performed on Vicson SA in June 2010 were still valid at year-end 2010. Consequently, it has not made any changes to the impairment loss of USD 16.4 million recognized in the financial statements for the first semester of 2010.

3.3. Key sources of estimation uncertainty

- Deferred tax assets are recognized for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized. In making its judgment, management takes into account elements such as long-term business strategy and tax planning opportunities (see note 6.6. 'Deferred tax assets and liabilities').

- Based on the expected economic life of specific product lines, which is expected to be significantly shorter than average, higher depreciation rates are applied to dedicated assets which are not expected to be reallocated to another product line. Consequently, depreciation percentages ranging from 10% to 25% are used instead of 8% for plant, machinery and equipment. R&D testing equipment dedicated to specific product lines is also depreciated at 25% p.a. Other R&D testing equipment is depreciated at 16.7% p.a.

- Credit risk related to customers: management closely reviews the outstanding trade receivables, also considering ageing, payment history and credit risk coverage. Specific and general bad debt allowances recognized are based on management's best estimates at the balance sheet date (see note 6.7. ‘Operating working capital’).

- Employee benefit obligations: the defined-benefit obligations are based on actuarial assumptions such as discount rate and expected rate of return on plan assets, which are extensively detailed in note 6.14. ‘Employee benefit obligations’.

- Provisions for environmental issues: at each year-end an estimate is made of future expenses in respect of soil pollution, based on the advice of an external expert (see note 6.15. ‘Provisions’).

- Impairment: the Group performs annual impairment tests on goodwill and on cash-generating units for which there are indicators that the carrying amount might be higher than the recoverable amount. This analysis is based upon assumptions such as market evolution, market share, margin evolution and discount rates (see note 6.2. ‘Goodwill’).

- Tax receivable (ICMS) in Brazil: recovery of the tax receivables of Belgo Bekaert Arames Ltda and BMB-Belgo Mineira Bekaert Artefatos de Arame Ltda is deemed highly probable as several action plans have already been successfully implemented. Other tax claims in Brazil, including claims relating to the taxability of ICMS incentives received by Belgo Bekaert Nordeste, have not been provided for, supported by legal advice (see note 6.4. ‘Investments in joint ventures and associates’).

- Fair value adjustments for business combinations: in accordance with IFRS 3, Business Combinations (revised 2008), Bekaert remeasures the assets, liabilities and contingent liabilities acquired through a business combination to fair value. Similarly, contingent consideration is also measured at fair value. Where possible, fair value adjustments are based on external appraisals or valuation models, e.g. for contingent liabilities and intangible assets which were not recognized by the acquiree. Internal benchmarks are often used for valuing specific production equipment. All of these valuation methods rely on various assumptions such as estimated future cash flows, remaining useful economic life etc.