ACUITY BRANDS INC
Form 10-Q
July 02, 2012
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

R	QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the quarterly period ended May 31, 2012.
OR	
o	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to .

Commission file number 001-16583.

ACUITY BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	58-2632672 (I.R.S. Employer Identification Number)
1170 Peachtree Street, N.E., Suite 2400, Atlanta, Georgia (Address of principal executive offices)	30309-7676 (Zip Code)

(404) 853-1400
(Registrant's telephone number, including area code)
None
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ	Accelerated Filer o	Non-accelerated Filer o (Do not check if a smaller reporting company)	Smaller Reporting Company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock — $0.01 par value — 42,349,589 shares as of June 29, 2012.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACUITY BRANDS, INC.
CONSOLIDATED BALANCE SHEETS
(In millions, except share and per-share data)

	May 31, 2012 (unaudited)	August 31, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$228.3	$170.2
Accounts receivable, less reserve for doubtful accounts of $1.7 at May 31, 2012 and $1.8 at August 31, 2011	269.6	262.6
Inventories	168.7	165.9
Deferred income taxes	15.3	16.0
Prepayments and other current assets	22.2	15.8
Total Current Assets	704.1	630.5
Property, Plant, and Equipment, at cost:		
Land	6.9	8.4
Buildings and leasehold improvements	113.4	121.2
Machinery and equipment	360.4	355.3
Total Property, Plant, and Equipment	480.7	484.9
Less — Accumulated depreciation and amortization	348.3	341.7
Property, Plant, and Equipment, net	132.4	143.2
Other Assets:		
Goodwill	554.0	559.2
Intangible assets	233.5	234.2
Deferred income taxes	1.8	2.0
Other long-term assets	30.7	28.3
Total Other Assets	820.0	823.7
Total Assets	$1,656.5	$1,597.4
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$202.7	$203.8
Accrued compensation	40.4	45.0
Accrued pension liabilities, current	1.2	1.2
Other accrued liabilities	86.8	81.4
Total Current Liabilities	331.1	331.4
Long-Term Debt	353.5	353.4
Accrued Pension Liabilities, less current portion	52.6	60.5
Deferred Income Taxes	38.5	36.4
Self-Insurance Reserves, less current portion	7.2	7.3
Other Long-Term Liabilities	54.6	51.4
Commitments and Contingencies (see Commitments and Contingencies footnote)		
Stockholders' Equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; none issued	—	—
Common stock, $0.01 par value; 500,000,000 shares authorized; 51,454,820 issued and 41,735,565 outstanding at May 31, 2012; and 50,956,137 issued and	0.5	0.5

41,488,882 outstanding at August 31, 2011		
Paid-in capital	697.8	680.3
Retained earnings	607.6	541.0
Accumulated other comprehensive loss items	(66.8)	(53.8)
Treasury stock, at cost, 9,719,255 at May 31, 2012 and 9,467,255 shares at August 31, 2011	(420.1)	(411.0)
Total Stockholders' Equity	819.0	757.0
Total Liabilities and Stockholders' Equity	$1,656.5	$1,597.4

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF INCOME (Unaudited)
(In millions, except per-share data)

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2012	2011	2012	2011
Net Sales	$487.5	$458.3	$1,419.5	$1,299.5
Cost of Products Sold	285.5	268.6	841.9	769.9
Gross Profit	202.0	189.7	577.6	529.6
Selling, Distribution, and Administrative Expenses	142.8	139.5	419.5	396.7
Special Charge	1.9	—	11.2	—
Operating Profit	57.3	50.2	146.9	132.9
Other Expense (Income):				
Interest Expense, net	7.7	7.5	23.1	22.5
Miscellaneous (Income) Expense, net	(2.7)	0.9	(4.5)	2.9
Total Other Expense	5.0	8.4	18.6	25.4
Income before Provision for Income Taxes	52.3	41.8	128.3	107.5
Provision for Income Taxes	18.7	14.7	45.2	36.2
Net Income	$33.6	$27.1	$83.1	$71.3
Earnings Per Share:				
Basic Earnings per Share	$0.80	$0.63	$1.97	$1.66
Basic Weighted Average Number of Shares Outstanding	41.6	42.5	41.4	42.3
Diluted Earnings per Share	$0.79	$0.62	$1.95	$1.63
Diluted Weighted Average Number of Shares Outstanding	42.0	43.1	41.9	42.9
Dividends Declared per Share	$0.13	$0.13	$0.39	$0.39

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

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ACUITY BRANDS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Nine Months Ended May 31, 2012	2011
Cash Provided by (Used for) Operating Activities:		
Net income	$83.1	$71.3
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	29.7	29.7
Share-based compensation expense, net	6.8	5.2
Excess tax benefits from share-based payments	(4.3)	(5.1)
Loss on the sale or disposal of property, plant, and equipment	0.2	0.1
Asset impairments	0.1	0.1
Deferred income taxes	(0.8)	(1.4)
Other non-cash items	0.1	—
Change in assets and liabilities, net of effect of acquisitions and effect of exchange rate changes:		
Accounts receivable	(9.8)	10.2
Inventories	(3.7)	(17.6)
Prepayments and other current assets	(2.1)	0.6
Accounts payable	0.2	(10.1)
Other current liabilities	6.0	(2.9)
Other	(2.7)	1.5
Net Cash Provided by Operating Activities	102.8	81.6
Cash Provided by (Used for) Investing Activities:		
Purchases of property, plant, and equipment	(18.8)	(17.4)
Proceeds from sale of property, plant, and equipment	—	1.3
Acquisitions of businesses and intangible assets, net of cash acquired	(3.8)	(90.4)
Net Cash Used for Investing Activities	(22.6)	(106.5)
Cash Provided by (Used for) Financing Activities:		
Repurchases of common stock	(9.2)	(2.9)
Proceeds from stock option exercises and other	6.5	5.8
Excess tax benefits from share-based payments	4.3	5.1
Dividends paid	(16.5)	(16.9)
Net Cash Used for Financing Activities	(14.9)	(8.9)
Effect of Exchange Rate Changes on Cash	(7.2)	3.6
Net Change in Cash and Cash Equivalents	58.1	(30.2)
Cash and Cash Equivalents at Beginning of Period	170.2	191.0
Cash and Cash Equivalents at End of Period	$228.3	$160.8
Supplemental Cash Flow Information:		
Income taxes paid during the period	$38.2	$21.6
Interest paid during the period	$19.5	$19.0

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

ACUITY BRANDS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)
(Amounts in millions, except per-share data and as indicated)

1. Description of Business and Basis of Presentation

Acuity Brands, Inc. (“Acuity Brands”) is the parent company of Acuity Brands Lighting, Inc. (“ABL”), and other subsidiaries (collectively referred to herein as “the Company”). The Company designs, produces, and distributes a broad array of lighting solutions and services for commercial, institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company’s lighting solutions include devices such as luminaires, lighting controls, power supplies, prismatic skylights, light-emitting diode (“LED”) lamps, and integrated lighting systems for indoor and outdoor applications utilizing a combination of light sources, including daylight, and other devices controlled by software that monitors and manages light levels while optimizing energy consumption (collectively referred to herein as “lighting solutions”). The Company has one operating segment serving the North American lighting market and select international markets.

Since fiscal 2010, the Company has made the following acquisitions to expand and enhance its portfolio of lighting solutions.

On May 12, 2011, the Company acquired for cash all of the ownership interests in Healthcare Lighting, Inc. (“Healthcare Lighting”), a leading provider of specialized, high-performance lighting solutions for healthcare facilities based in Fairview, Pennsylvania. The operating results for Healthcare Lighting have been included in the Company’s consolidated financial statements since the date of acquisition.

On February 23, 2011, the Company acquired for cash all of the ownership interests in Washoe Equipment, Inc., d/b/a Sunoptics Prismatic Skylights, and CBC Plastics LLC (collectively, “Sunoptics”), a premier designer, manufacturer, and marketer of high-performance, prismatic daylighting solutions based in Sacramento, California. The operating results for Sunoptics have been included in the Company’s consolidated financial statements since the date of acquisition.

On October 14, 2010, the Company acquired for cash all of the outstanding capital stock of Winona Lighting, Inc. (“Winona Lighting”), a premier provider of architectural and high-performance indoor and outdoor lighting solutions headquartered in Winona, Minnesota. The operating results for Winona Lighting have been included in the Company’s consolidated financial statements since the date of acquisition.

On July 26, 2010, the Company acquired for cash the remaining outstanding capital stock of Renaissance Lighting, Inc. (“Renaissance”), a privately-held innovator of solid-state light-emitting diode (“LED”) architectural lighting devices based in Herndon, Virginia. Previously, the Company entered into a strategic partnership with Renaissance, which included a noncontrolling interest in Renaissance and a license to Renaissance’s intellectual property estate. The operating results of Renaissance have been included in the Company’s consolidated financial statements since the date of acquisition.

The Consolidated Financial Statements have been prepared by the Company in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) and present the financial position, results of operations, and cash flows of Acuity Brands and its wholly-owned subsidiaries. References made to years are for fiscal year periods.

The unaudited interim consolidated financial statements included herein have been prepared by the Company in accordance with U.S. GAAP and present the financial position, results of operations, and cash flows of the Company. These interim consolidated financial statements reflect all normal and recurring adjustments which are, in the opinion of management, necessary to present fairly the Company’s consolidated financial position as of May 31, 2012, the consolidated results of operations for the three and nine months ended May 31, 2012 and 2011, and the consolidated cash flows for the nine months ended May 31, 2012 and 2011. Certain information and footnote disclosures normally included in the Company’s annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted. However, the Company believes that the disclosures included herein are adequate to make the information presented not misleading. These financial statements should be read in conjunction with the audited consolidated financial statements of the Company as of and for the three years ended August 31, 2011 and notes thereto included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission (the “SEC”) on

October 28, 2011 (File No. 001-16583) (“Form 10-K”).

The results of operations for the three and nine months ended May 31, 2012 and 2011 are not necessarily indicative of the results to be expected for the full fiscal year because the net sales and net income of the Company historically have been higher in the second half of its fiscal year and because of the continued uncertainty of general economic conditions that may impact the key end markets of the Company for the remainder of fiscal 2012.

2. Significant Accounting Policies

Use of Estimates

The preparation of financial statements and related disclosures in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Reclassifications

Certain prior-period amounts have been reclassified to conform to the current year presentation. No material reclassifications have occurred during the current period.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure for occurrences and transactions after the date of the condensed financial statements at May 31, 2012.

3. New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2012

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2011-04, Fair Value Measurement (Topic 820) - Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs (“ASU 2011-04”), which clarifies the wording and disclosures required in Accounting Standards Codification (“ASC”) Topic 820, Fair Value Measurement (“ASC 820”), to converge with those used in International Financial Reporting Standards (“IFRS”). The update explains how to measure and disclose fair value under ASC 820. However, the FASB does not expect the changes in this update to alter the current application of the requirements in ASC 820. The provisions of ASU 2011-04 are effective for public entities prospectively for interim and annual periods beginning after December 15, 2011. Early adoption is prohibited. Therefore, ASU 2011-04 became effective for the Company on a prospective basis on March 1, 2012. As ASU 2011-04 pertained only to additional disclosures, the adoption of the update did not have a material effect on the Company’s results of operations, financial condition, and cash flows.

Accounting Standards Yet to Be Adopted

In June 2011, the FASB issued ASU No. 2011-05, Comprehensive Income (Topic 220) - Presentation of Comprehensive Income (“ASU 2011-05”). ASU 2011-05 changes the presentation of comprehensive income in the financial statements for all periods reported and eliminates the option under the current guidance that allows for presentation of other comprehensive income as part of the Statement of Stockholders' Equity. The update allows two options for the proper presentation of comprehensive income: 1) a single Statement of Comprehensive Income, which includes all components of net income and other comprehensive income; or 2) a Statement of Income followed immediately by a Statement of Comprehensive Income, which includes the summarized net income and all components of other comprehensive income. Additionally, the update requires the presentation of reclassification adjustments out of accumulated other comprehensive income on the face of the Statement of Income and the Statement of Comprehensive Income. The provisions of ASU 2011-05 are effective for public entities retrospectively for annual periods, and interim periods within those years, beginning after December 15, 2011, with early adoption permitted. Therefore, ASU 2011-05 is effective for the Company in the first quarter of fiscal 2013. Although the provisions of this update will change the presentation of the consolidated financial statements of the Company, no material impact is expected on the Company’s results of operations, financial condition, and cash flows.

In September 2011, the FASB issued ASU No. 2011-08, Intangibles - Goodwill and Other (Topic 350) - Testing Goodwill for Impairment (“ASU 2011-08”), which allows companies to assess qualitative factors prior to the use of the two-step quantitative method to determine if goodwill has been impaired. If the qualitative factors reviewed do not indicate that it is more likely than not that the fair value of a reporting unit does not exceed the carrying value, ASU

2011-08 deems any further impairment testing to be unnecessary. In the event that the qualitative review indicates otherwise, the company is required to perform further quantitative impairment testing as prescribed by Topic 350. Other indefinite-lived intangible assets are not affected by the provisions of this update. ASU 2011-08 is effective for fiscal years beginning after December 31, 2011, with early adoption permitted. The Company is currently reviewing the provisions of ASU 2011-08 but does not expect it to have a

material effect on the Company’s results of operations, financial condition, and cash flows.
In December 2011, the FASB issued ASU No. 2011-12, Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05 (“ASU 2011-12”). This update defers the provisions within ASU 2011-05 requiring the presentation on the face of the financial statements of the effects of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income. The deferral will allow the FASB further time to deliberate on operational concerns expressed by constituents. ASU 2011-12 is effective concurrently with the adoption of ASU 2011-05. Therefore, ASU 2011-12 is effective for the Company in the first quarter of fiscal 2013.

4. Acquisitions

The Company has actively pursued opportunities for investment and growth through acquisitions. Since the fourth quarter of fiscal 2010, the Company has acquired a number of businesses that participate in the North American lighting market, as discussed below. As with previous acquisitions, the companies were purchased to further expand and complement the Company’s lighting solutions portfolio and were fully incorporated into the Company’s operations. None of the business combinations-individually or in the aggregate-represented a material transaction as compared with the Company’s financial condition, results of operations, or cash flows in any of the periods in which control was obtained.

Healthcare Lighting Acquisition

On May 12, 2011, the Company acquired for cash all of the ownership interests in Healthcare Lighting, a leading provider of specialized, high-performance lighting solutions for healthcare facilities. Based in Fairview, Pennsylvania, Healthcare Lighting exclusively focused on servicing the healthcare industry through the design and manufacture of medical lighting products meant to enhance the visual environment in healthcare settings. The operating results of Healthcare Lighting have been included in the Company’s consolidated financial statements since the date of acquisition. Management finalized the acquisition accounting for Healthcare Lighting during fiscal 2012, and the amounts are reflected in the Consolidated Balance Sheets as of May 31, 2012. There were no material changes to the Company’s financial statements as a result of the finalization of the acquisition accounting.

Sunoptics Acquisition

On February 23, 2011, the Company acquired for cash all of the ownership interests in Sunoptics, a premier provider of high-performance, prismatic daylighting solutions based in Sacramento, California. Sunoptics' high-performance prismatic skylights optimized lighting performance through the use of sustainable and energy-efficient solutions for retail, industrial, warehouse, educational, governmental, and office applications. The operating results of Sunoptics have been included in the Company’s consolidated financial statements since the date of acquisition. Management finalized the acquisition accounting for Sunoptics during the second quarter of fiscal 2012, and the amounts are reflected in the Consolidated Balance Sheets as of May 31, 2012. There were no material changes to the Company’s financial statements as a result of the finalization of the acquisition accounting.

5. Assets Held For Sale

The Company classifies long-lived assets as held for sale and ceases the depreciation and amortization of the assets upon the development of a plan for disposal and in accordance with applicable U.S. GAAP. During the first quarter of fiscal 2012, the Company ceased operations at one manufacturing facility and is currently actively marketing the site for sale. As of May 31, 2012, the carrying value of the property transferred to assets held for sale (included in Prepayments and other current assets) from Property, Plant, and Equipment, net, on the Consolidated Balance Sheets equaled $4.8.
Further details regarding the Company’s other assets held for sale are included within the Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements within the Company’s Form 10-K.

6. Fair Value Measurements

The Company determines a fair value measurement based on the assumptions a market participant would use in pricing an asset or liability. ASC 820 establishes a three level hierarchy making a distinction between market participant assumptions based on (i) unadjusted quoted prices for identical assets or liabilities in an active market (Level 1), (ii) quoted prices in

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markets that are not active or inputs that are observable either directly or indirectly for substantially the full term of the asset or liability (Level 2), and (iii) prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement (Level 3).

The following table presents information about assets and liabilities required to be carried at fair value and measured on a recurring basis as of May 31, 2012 and August 31, 2011:

	Fair Value Measurements as of:			
	May 31, 2012		August 31, 2011	
	Level 1	Total Fair Value	Level 1	Total Fair Value
Assets:				
Cash and cash equivalents	$228.3	$228.3	$170.2	$170.2
Short-term investments[(1)]	0.6	0.6	0.8	0.8
Long-term investments[(1)]	0.7	0.7	1.2	1.2
Liabilities:				
Deferred compensation plan obligations[(1)] (current portion)	$0.6	$0.6	$0.8	$0.8
Deferred compensation plan obligations[(1)] (long-term portion)	$0.7	$0.7	$1.2	$1.2

(1) The Company maintains certain investments that generate returns that offset changes in certain liabilities related to a self-directed, non-qualified deferred compensation plan structured as a rabbi trust primarily for certain retired executives and other highly compensated employees.

The Company utilizes valuation methodologies to determine the fair values of its financial assets and liabilities in conformity with the concepts of “exit price” and the fair value hierarchy as prescribed in ASC 820. All valuation methods and assumptions are validated at least quarterly to ensure the accuracy and relevance of the fair values. There were no material changes to the valuation methods or assumptions used to determine fair values during the current period.

The Company used the following valuation methods and assumptions in estimating the fair value of the following assets and liabilities:

Cash and cash equivalents are classified as Level 1 assets. The carrying amounts for cash reflect the assets’ fair values, and the fair values for cash equivalents are determined based on quoted market prices.

Short-term and long-term investments are classified as Level 1 assets. These investments consist primarily of publicly traded marketable equity securities and fixed income securities, and the fair values are obtained through market observable pricing.

Deferred compensation plan liabilities are classified as Level 1 liabilities within the hierarchy. The fair values of the liabilities are directly related to the valuation of the short-term and long-term investments held in trust for the plan. Hence, the carrying value of the deferred compensation liability represents the fair value of the investment assets.

No transfers between the levels of the fair value hierarchy occurred during the current fiscal period. In the event of a transfer in or out of a level within the fair value hierarchy, the transfers would be recognized on the date of occurrence.

Disclosures of fair value information about financial instruments (whether or not recognized in the balance sheet), for which it is practicable to estimate that value, are required each reporting period in addition to any financial instruments carried at fair value on a recurring basis as prescribed by ASC Topic 825, Financial Instruments (“ASC 825”). In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows.

The carrying values and estimated fair values of certain of the Company’s financial instruments were as follows at May 31, 2012 and August 31, 2011:

	May 31, 2012		August 31, 2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Liabilities:				
Senior unsecured public notes, net of unamortized discount	$349.5	$403.0	$349.4	$373.9
Industrial revenue bond	4.0	4.0	4.0	4.0

The senior unsecured public notes are carried at the outstanding balance, including bond discounts, as of the end of the reporting period. Fair value is estimated based on the discounted future cash flows using rates currently available for debt of similar terms and maturity (Level 2).
The tax-exempt industrial revenue bond is carried at the outstanding balance as of the end of the reporting period. The industrial revenue bond is a tax-exempt, variable-rate instrument that resets on a weekly basis, and, therefore, the Company estimates that the face amount of the bond approximates fair value as of May 31, 2012 based on bonds of similar terms and maturity (Level 2).
ASC 825 excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value to the Company. In many cases, the fair value estimates cannot be substantiated by comparison to independent markets, nor can the disclosed value be realized in immediate settlement of the instruments. In evaluating the Company's management of liquidity and other risks, the fair values of all assets and liabilities should be taken into consideration, not only those presented above.

7. Goodwill and Intangible Assets
Through multiple acquisitions, the Company acquired intangible assets consisting primarily of trademarks and trade names associated with specific products with finite lives, definite-lived distribution networks, patented technology, non-compete agreements, and customer relationships, which are amortized over their estimated useful lives. Indefinite lived intangible assets consist of trade names that are expected to generate cash flows indefinitely.
Current year increases in the gross carrying amounts for acquired intangible assets, including goodwill, of $2.6 were due primarily to acquisitions and adjustments to the estimated values of goodwill and intangible assets associated with the acquisitions of Sunoptics and Healthcare Lighting less the impact of foreign currency changes during the period. As of May 31, 2012, the acquisition accounting adjustments for Sunoptics and Healthcare Lighting were completed, and the adjustments had no material impact on the Company's financial statements as a result of the finalization.
The Company recorded amortization expense of $2.7 and $3.0 related to intangible assets with finite lives during the three months ended May 31, 2012 and 2011, respectively. The Company recorded amortization expense of $8.5 and $7.7 related to intangible assets with finite lives during the nine months ended May 31, 2012 and 2011, respectively. Amortization expense is generally recorded on a straight-line basis and is expected to be approximately $11.1 in fiscal 2012, $10.0 in fiscal 2013, $10.0 in fiscal 2014, $9.7 in fiscal 2015, and $9.1 in fiscal 2016.
Further discussion of the Company's goodwill and other intangible assets is included within the Significant Accounting Policies footnote of the Notes to Consolidated Financial Statements within the Company's Form 10-K.

8. Inventories
Inventories include materials, labor, in-bound freight, and related manufacturing overhead, are stated at the lower of cost (on a first-in, first-out or average cost basis) or market, and consist of the following:

	May 31, 2012	August 31, 2011
Raw materials and supplies	$89.9	$90.5
Work in process	7.7	7.1
Finished goods	80.8	78.5
	178.4	176.1
Less: Reserves	(9.7)	(10.2)
Total Inventory	$168.7	$165.9

9. Earnings Per Share
Basic earnings per share is computed by dividing net earnings available to common stockholders by the weighted average number of common shares outstanding, which has been modified to include the effects of all participating

securities (unvested share-based payment awards with a right to receive nonforfeitable dividends) as prescribed by the two-class method under ASC

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Topic 260, Earnings Per Share ("ASC 260"), during the period. Diluted earnings per share is computed similarly but reflects the potential dilution that would occur if dilutive options were exercised and other distributions related to deferred stock agreements were incurred. Stock options of approximately 144,610 and 138,848 (whole units) were excluded from the diluted earnings per share calculation for the three months ended May 31, 2012 and 2011, respectively, as the effect of inclusion would have been antidilutive. Stock options of approximately 221,976 and 119,470 (whole units) were excluded from the diluted earnings per share calculation for the nine months ended May 31, 2012 and 2011, respectively, as the effect of inclusion would have been antidilutive. Further discussion of the Company's stock options and restricted stock awards is included within the Common Stock and Related Matters and Share-Based Payments footnotes of the Notes to Consolidated Financial Statements within the Company's Form 10-K.
The following table calculates basic earnings per common share and diluted earnings per common share for the three and nine months ended May 31, 2012 and 2011:

	Three Months Ended		Nine Months Ended	
	May 31, 2012	May 31, 2011	May 31, 2012	May 31, 2011
Basic Earnings per Share:				
Net income	$33.6	$27.1	$83.1	$71.3
Less: Income attributable to participating securities	(0.6)	(0.5)	(1.6)	(1.3)
Net income available to common shareholders	$33.0	$26.6	$81.5	$70.0
Basic weighted average shares outstanding	41.6	42.5	41.4	42.3
Basic earnings per share	$0.80	$0.63	$1.97	$1.66
Diluted Earnings per Share:				
Net income	$33.6	$27.1	$83.1	$71.3
Less: Income attributable to participating securities	(0.6)	(0.5)	(1.6)	(1.3)
Net income available to common shareholders	$33.0	$26.6	$81.5	$70.0
Basic weighted average shares outstanding	41.6	42.5	41.4	42.3
Common stock equivalents	0.4	0.6	0.5	0.6
Diluted weighted average shares outstanding	42.0	43.1	41.9	42.9
Diluted earnings per share	$0.79	$0.62	$1.95	$1.63

10. Comprehensive Income

Comprehensive income represents the measures of all changes in equity that result from recognized transactions and other economic events other than transactions with owners in their capacity as owners. Other comprehensive income includes foreign currency translation and pension adjustments. The calculation of comprehensive income is as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2012	May 31, 2011	May 31, 2012	May 31, 2011
Net income	$33.6	$27.1	$83.1	$71.3
Reclassification adjustments for amortization of pension costs	0.7	0.8	2.0	2.4
Foreign currency translation adjustments	(9.5)	4.1	(15.0)	13.9
Comprehensive income	$24.8	$32.0	$70.1	$87.6

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