STANDEX INTERNATIONAL CORP/DE/
Form 10-Q
May 02, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2012 Commission File Number 1-7233

STANDEX INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE	31-0596149
(State of incorporation)	*(IRS Employer Identification No.)*
11 KEEWAYDIN DRIVE, SALEM, NEW HAMPSHIRE	03079
(Address of principal executive offices)	*(Zip Code)*

(603) 893-9701

(Registrant s telephone number, including area code)

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 [X] NO [ ]

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 [X] NO [ ]

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 the definitions of large accelerated filer, accelerated filer, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer __

Accelerated filer X

Non-accelerated filer __

Smaller Reporting Company __

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES [ ] NO [X]

The number of shares of Registrant's Common Stock outstanding on April 25, 2012 was 12,623,533

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PART I. FINANCIAL INFORMATION

ITEM 1

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Balance Sheets

(In thousands)	March 31, 2012	June 30, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,165	$ 14,407
Accounts receivable, net	90,229	95,716
Inventories, net	76,158	74,805
Prepaid expenses and other current assets	16,578	5,345
Deferred tax asset	11,895	11,337
Current assets - discontinued operations	-	18,939
Total current assets	227,025	220,549
Property, plant, and equipment, net	83,994	87,088
Goodwill	101,311	102,439
Intangible assets, net	20,493	22,554
Other non-current assets	22,568	18,028
Non-current assets - discontinued operations	-	24,247
Total non-current assets	228,366	254,356
Total assets	$ 455,391	$ 474,905
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Short-term debt	$ -	$ 1,800
Current portion of long-term debt	3,300	3,300
Accounts payable	51,279	68,205
Accrued expenses	42,993	43,825
Income taxes payable	3,693	3,404
Current liabilities - discontinued operations	-	7,603
Total current liabilities	101,265	128,137
Long-term debt	50,000	46,500
Accrued pension and other non-current liabilities	46,560	48,175
Non-current liabilities - discontinued operations	-	6,480
Total non-current liabilities	96,560	101,155
Stockholders' equity:		
Common stock, par value $1.50 per share - 60,000,000		

shares authorized, 27,984,278 issued, 12,536,325 and				
12,448,632 outstanding at March 31, 2012 and June 30, 2011		41,976		41,976
Additional paid-in capital		34,119		33,228
Retained earnings		492,118		477,726
Accumulated other comprehensive loss		(47,480)		(44,928)
Treasury shares (15,447,953 shares at March 31, 2012				
and 15,535,646 shares at June 30, 2011)		(263,167)		(262,389)
Total stockholders' equity		257,566		245,613
Total liabilities and stockholders' equity	$	455,391	$	474,905

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011	Nine Months Ended March 31, 2012	Nine Months Ended March 31, 2011
Net sales	$150,666	$134,321	$464,840	$419,675
Cost of sales	102,499	91,944	313,657	280,723
Gross profit	48,167	42,377	151,183	138,952
Selling, general, and administrative expenses	37,149	34,058	108,452	101,143
Gain on sale of real estate	(4,776)	-	(4,776)	(3,368)
Restructuring costs	229	167	1,452	1,469
Total operating expenses	32,602	34,225	105,128	99,244
Income from operations	15,565	8,152	46,055	39,708
Interest expense	(646)	(467)	(1,546)	(1,648)
Other non-operating income (expense)	7	(141)	292	(86)
Income from continuing operations before income taxes	14,926	7,544	44,801	37,974
Provision for income taxes	3,401	1,648	11,380	10,871
Income from continuing operations	11,525	5,896	33,421	27,103
Loss from discontinued operations, net of income taxes	(2,405)	(806)	(16,459)	(2,006)
Net income (loss)	9,120	5,090	16,962	25,097
Basic earnings (loss) per share:				
Continuing operations	$ 0.92	$ 0.47	$ 2.67	$ 2.17
Discontinued operations	(0.19)	(0.06)	(1.31)	(0.16)
Total	$ 0.73	$ 0.41	$ 1.36	$ 2.01
Diluted earnings (loss) per share:				
	$ 0.90	$ 0.46	$ 2.62	$ 2.13

Continuing operations				
Discontinued operations	(0.19)	(0.06)	(1.29)	(0.16)
Total	$ 0.71	$ 0.40	$ 1.33	$ 1.97
Cash dividends per share	$ 0.07	$ 0.06	$ 0.20	$ 0.17

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

Unaudited Condensed Consolidated Statements of Cash Flows

	Nine Months Ended March 31,	
(In thousands)	**2012**	**2011**
Cash flows from operating activities		
Net income	$16,962	$25,097
Loss from discontinued operations	16,459	2,006
Income from continuing operations	33,421	27,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,146	9,562
Stock-based compensation	2,818	2,306

Gain from sale of real estate	(4,776)	(3,368)
Non-cash portion of restructuring charges	94	476
Net changes in operating assets and liabilities	(18,574)	(3,248)
Net cash provided by operating activities - continuing operations	23,129	32,831
Net cash (used in) operating activities - discontinued operations	(2,510)	(8,945)
Net cash provided by operating activities	20,619	23,886
Cash flows from investing activities		
Expenditures for property, plant, and equipment	(8,213)	(4,831)
Expenditures for acquisitions, net of cash acquired	-	(26,603)
Proceeds from sales of real estate and equipment	5,163	5,745
Other investing activity	(238)	(1,641)
Net cash (used in) investing activities - continuing operations	(3,288)	(27,330)
Net cash provided by (used in) investing activities - discontinued operations	14,710	(103)
Net cash provided by (used in) investing activities	11,422	(27,433)
Cash flows from financing activities		
Borrowings on revolving credit facility	195,500	64,000
Payments of revolving credit facility	(192,000)	(66,500)
Short-term borrowings, net	(1,800)	1,600
Other financing activity	(8,969)	-
Activity under share-based payment plans	247	259
Excess tax benefit from share-based payment activity	665	247
Purchases of treasury stock	(4,429)	(5,114)
Cash dividends paid	(2,506)	(2,127)
Net cash (used in) financing activities - continuing operations	(13,292)	(7,635)
Net cash (used in) financing activities - discontinued operations	-	-
Net cash (used in) financing activities	(13,292)	(7,635)
Effect of exchange rate changes on cash and cash equivalents	(991)	1,631
Net change in cash and cash equivalents	17,758	(9,551)
Cash and cash equivalents at beginning of year	14,407	33,630
Cash and cash equivalents at end of period	$32,165	$24,079

See notes to unaudited condensed consolidated financial statements

STANDEX INTERNATIONAL CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1)

Management Statement

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three and nine months ended March 31, 2012 and 2011, the cash flows for the nine months ended March 31, 2012 and 2011 and the financial position of the Company at March 31, 2012. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2011. The condensed consolidated balance sheet at June 30, 2011 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2011. Unless otherwise noted, references to years are to the Company s fiscal years.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. We evaluated subsequent events through the date and time our unaudited condensed consolidated financial statements were issued.

Recently Issued Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued amended accounting guidance for goodwill in order to simplify how companies test goodwill for impairment. The amendments permit a company to first assess the qualitative factors to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. The more-likely-than-not threshold is defined as having a likelihood of more than 50 percent. If, after assessing the totality of events or circumstances, a company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing the two-step impairment test is unnecessary. The amendments are effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We do not expect the adoption of this accounting pronouncement to have a material effect on our financial statements when implemented.

In June 2011, the FASB issued an amendment to the accounting guidance for presentation of comprehensive income. Under the amended guidance, a company may present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In either case, a company is required to present each component of net income along with total net income, each component of other comprehensive income along with a total for other comprehensive income, and a total amount for comprehensive income. Regardless of choice in presentation, of which we are currently evaluating, a company is required to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement(s) where the components of net income and the components of other comprehensive income are presented. In December 2011, the FASB delayed indefinitely the portion of the guidance related to the presentation of reclassification adjustments in the income statement. For public companies, these amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011, and shall be applied retrospectively. Early adoption is permitted. Other than a change in presentation, the implementation of this accounting pronouncement is not expected to have a material impact on our financial statements when implemented.

In September 2011, the FASB issued an accounting standard update that requires employers that participate in multiemployer pension plans to provide additional quantitative and qualitative disclosures. The amended disclosures provide users with more detailed information about an employer's involvement in multiemployer pension plans and are effective for annual periods ending after December 15, 2011. Certain U.S. employees of the Company are covered by union-sponsored, multi-employer pension plans. We are currently evaluating the disclosure requirements of this accounting standard update.

2)

Discontinued Operations

In December 2011, the Company entered into a plan to divest its Air Distribution Products (ADP) business unit in order to allow the Company to focus its financial assets and managerial resources on its remaining portfolio of businesses. The Company has concluded that all criteria of ASC 360-10 have been met as of December 31, 2011 to classify the business as an asset group held for sale. In conjunction with classifying ADP as held for sale, the Company conducted an assessment of the recoverability of the net assets of the underlying business compared to its net realizable value based on a range of expected sale prices. As a result of this assessment, the Company recorded impairment charges of $14.9 million to goodwill and $5.0 million to fixed assets in order to reflect the carrying value of ADP at its net realizable value.

On March 30, 2012, the Company completed the sale of the ADP business to a private equity buyer for consideration of $16.1 million, of which $3.0 million was a note secured by a first mortgages on ADP facilities in three locations. During the quarter ended March 31, 2012, additional pre-tax charges of $2.6 million were taken in connection with the sale. These charges related primarily to the impairment of a non-cancellable lease liability that the buyer elected not to assume as part of the purchase.

As a result of these actions, the Company is reporting the ADP segment as a discontinued operation for all periods presented in accordance with ASC 205-20. Results of the ADP segment in current and prior periods have been classified as discontinued in the Condensed Consolidated Financial Statements to exclude the results from continuing operations. Activity related to ADP and other discontinued operations for the three and nine months ended March 31, 2012 and 2011 is as follows (amounts in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	2011	2012	2011
Net sales	$13,307	$12,270	$43,536	$39,498
Pre-tax earnings	(3,689)	(1,274)	(25,789)	(3,036)
(Provision) benefit for taxes	1,284	468	9,330	1,030
Net loss from discontinued operations	($2,405)	($806)	($16,459)	($2,006)

Assets and liabilities related to discontinued operations to be retained by the Company recorded in the Condensed Consolidated Balance Sheets are as follows (in thousands):

	March 31, 2012
Current assets	377
Other non-current assets	3,396
Accrued expenses	2,586
Accrued pension and other non-current liabilities	3,049

3)

Fair Value Measurements

Certain of our assets and liabilities, shown below, are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in our balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities and the methodologies used in valuation are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities. The Company s KEYSOP and deferred compensation plan assets consist of shares in various mutual funds (for the deferred compensation plan, investments are participant-directed) which invest in a broad portfolio of debt and equity securities. These assets are valued based on publicly quoted market prices for the funds shares as of the balance sheet dates.

Level 2 Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data. For foreign exchange forward contracts and interest rate swaps, the Company values the instruments based on the market price of instruments with similar terms, which are based on spot and forward rates as of the balance sheet dates. The Company has considered the creditworthiness of counterparties in valuing all assets and liabilities

Level 3 Unobservable inputs based upon the Company s best estimate of what market participants would use in pricing the asset or liability. The Company does not hold any Level 3 instruments as of the balance sheet dates.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value.

Items presented at fair value at March 31, 2012 and June 30, 2011 were (in thousands):

		March 31, 2012			
		Total	**Level 1**	**Level 2**	**Level 3**
Assets					
	Marketable securities - KEYSOP Assets	$ 4,419	$ 4,419	$ -	$ -
	Marketable securities - deferred compensation plan	1,819	1,819	-	-
	Foreign exchange contracts	187	-	187	-
Liabilities					
	Interest rate swaps	$ 2,647	$ -	$ 2,647	$ -
	Foreign exchange contracts	146	-	146	-

		June 30, 2011			
		Total	**Level 1**	**Level 2**	**Level 3**
Assets					
	Marketable securities - KEYSOP Assets	$ 6,009	$ 6,009	$ -	$ -
	Marketable securities - deferred compensation plan	1,366	1,366	-	-
	Foreign exchange contracts	366	-	366	-

Liabilities				
Interest rate swaps	$ 1,486	$ -	$ 1,486	$ -

During the three and nine months ended March 31, 2012, there were no transfers of assets or liabilities between hierarchical levels. The Company s policy is to recognize transfers between levels as of the date they occur.

4)

Inventories

Inventories are comprised of the following (in thousands):

	March 31, 2012	June 30, 2011

Raw materials	$	33,750	$	31,292
Work in process		23,357		22,014
Finished goods		19,051		21,499
Total	$	76,158	$	74,805

Distribution costs associated with the sale of inventory are recorded as a component of selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of operations and were $4.8 million and $14.7 million for the three and nine months ended March 31, 2012, and $3.7 million and $12.7 million for the three and nine months ended March 31, 2011, respectively.

5)

Goodwill

Changes to goodwill during the nine months ended March 31, 2012 were as follows (in thousands):

		June 30, 2011		Translation Adjustment and Other		March 31, 2012
Food Service Equipment Group	$	46,149	$	(354)	$	45,795
Engraving Group		20,993		(238)		20,755
Engineering Technologies Group		11,370		52		11,422
Electronics Products Group		20,868		(588)		20,280
Hydraulics Products Group		3,059		-		3,059
Total	$	102,439	$	(1,128)	$	101,311

6)

Intangible Assets

Intangible assets consist of the following (in thousands):

		Customer Relationships		Trademarks		Other	Total
March 31, 2012							
Cost	$	26,799	$	9,406	$	3,841	$ 40,046

Accumulated amortization	(15,979)	-	(3,574)	(19,553)
Balance, March 31, 2012	$ 10,820	$ 9,406	$ 267	$ 20,493
June 30, 2011				
Cost	$ 27,549	$ 9,406	$ 4,736	$ 41,691
Accumulated amortization	(14,647)	-	(4,490)	(19,137)
Balance, June 30, 2011	$ 12,902	$ 9,406	$ 246	$ 22,554

Amortization expense for the three and nine months ended March 31, 2012 was $0.4 million and $1.5 million, respectively. Amortization expense for the three and nine months ended March 31, 2011 was $0.5 million and $1.6 million, respectively. At March 31, 2012, amortization expense is estimated to be $0.6 million in the remainder of 2012, $2.3 million in 2013, $1.9 million in 2014, $1.6 million in 2015, and $1.2 million in 2016.

7)

Debt

As of March 31, 2012, the Company s debt is due as follows (in thousands):

Fiscal Year	
2012	$ -
2013	-

2014		-
2015		-
2016		-
Thereafter		53,300
	$	53,300

Bank Credit Agreements

On January 5, 2012, the Company entered into a five-year $225 million unsecured Revolving Credit Facility (Credit Agreement), which includes a letter of credit sub-facility with a limit of $30 million and a $100 million accordion feature. The new credit facility replaces the company s existing $150 million five-year credit agreement that was scheduled to expire in September 2012. Interest is payable on borrowings at either a LIBOR or base rate benchmark rate plus an applicable margin, which will fluctuate based on financial performance. The Credit Agreement requires a ratio of funded debt to EBITDA (as defined in the Credit Agreement) of no greater than 3.5:1, an interest coverage ratio of no less than 3:1, as well as customary affirmative and negative covenants and events of default. The Credit Agreement also includes certain requirements related to acquisitions and dispositions. Borrowings under the Credit Agreement are guaranteed by the Company s domestic subsidiaries and are unsecured. The Company intends to use this Credit Agreement to fund potential acquisitions, to support organic growth initiatives and working capital needs, and for general corporate purposes.

As of March 31, 2012, the Company had the ability to borrow $175.0 million under this facility. The Company also utilizes an uncommitted money market credit facility to help manage daily working capital needs. The amount outstanding under this facility was $0 and $1.8 million at March 31, 2012 and June 30, 2011, respectively.

At March 31, 2012, the carrying value of the current borrowings under the facility approximated cost.

Other Long-Term Borrowings

The Company is a borrower under industrial revenue bonds totaling $3.3 million at March 31, 2012. Because these bonds are remarketed on a monthly basis and a failed remarketing would trigger repayment of the bonds via a renewable letter of credit arrangement, they are classified as a current liability. The Company does not anticipate a failed remarketing of the bonds and expects their repayment to occur upon their final maturity in 2018.

8) Derivative Financial Instruments

Interest Rate Swaps

From time to time as dictated by market opportunities, the Company enters into interest rate swap agreements designed to manage exposure to interest rates on the Company s variable rate indebtedness. The Company recognizes all derivatives on its balance sheet at fair value. The Company has designated its interest rate swap agreements, including those that are forward-dated, as cash flow hedges, and changes in the fair value of the swaps are recognized in other comprehensive income until the hedged items are recognized in earnings. Hedge ineffectiveness, if any, associated with the swaps will be reported by the Company in interest expense.

The Company s effective swap agreements convert the base borrowing rate on $50.0 million of debt due under our revolving credit agreement from a variable rate equal to LIBOR to a weighted average fixed rate of 2.29% at March 31, 2012. The fair value of the swaps recognized in accrued expenses and in other comprehensive income is as follows (in thousands):

				Fair Value (in thousands)	
Effective	**Notional**	**Fixed**		**March 31,**	**June 30,**

Date	Amount	Rate	Maturity	2012	2011
June 1, 2010	$ 5,000,000	2.495%	May 24, 2015	$ (294)	$ (203)
June 1, 2010	5,000,000	2.495%	May 24, 2015	(294)	(203)
June 8, 2010	10,000,000	2.395%	May 26, 2015	(553)	(365)
June 9, 2010	5,000,000	2.340%	May 26, 2015	(268)	(172)
June 18, 2010	5,000,000	2.380%	May 24, 2015	(276)	(180)
September 21, 2011	5,000,000	1.280%	September 21, 2013	(71)	(52)
September 21, 2011	5,000,000	1.595%	September 22, 2014	(137)	(55)
March 15, 2012	10,000,000	2.745%	March 15, 2016	(754)	(256)
				$ (2,647)	$ (1,486)

The Company reported no losses for the three and nine months ended March 31, 2012, as a result of hedge ineffectiveness. Future changes in these swap arrangements, including termination of the agreements, may result in a reclassification of any gain or loss reported in accumulated other comprehensive income (loss) into earnings as an adjustment to interest expense. Accumulated other comprehensive loss related to these instruments is being amortized into interest expense concurrent with the hedged exposure.

Foreign Exchange Contracts

Forward foreign currency exchange contracts are used to limit the impact of currency fluctuations on certain anticipated foreign cash flows, such as foreign sales, foreign purchases of materials, and loan payments to and from subsidiaries. The Company enters into such contracts for hedging purposes only. For hedges of intercompany loan payments, the Company has not elected hedge accounting due to the general short-term nature and predictability of the transactions, and records derivative gains and losses directly to the statement of operations. At March 31, 2012 and June 30, 2011, the Company had outstanding forward contracts related to hedges of intercompany loans with net unrealized gains of $0.0 million and $0.4 million, respectively, which approximate the unrealized gains and losses on the related loans. In general, these contracts mature in less than one year. The notional amounts of the Company s forward contracts, by currency, are as follows:

	Notional Amount (in native currency)	
Currency	March 31, 2012	June 30, 2011
Mexican Peso	19,185,086	15,756,000
Euro	7,334,925	5,964,800
British Pound Sterling	3,341,927	1,000,750

Canadian Dollar	2,550,950	2,875,350
Singapore Dollar	500,000	1,000,000
Australian Dollar	170,150	527,700

9)

Retirement Benefits

Net Periodic Benefit Cost for the Company s U.S. and Foreign pension benefit plans for the three and nine months ended March 31, 2012 and 2011 consisted of the following components:

	U.S. Plans			
	Three Months Ended March 31,		**Nine Months Ended March 31,**	
(in thousands)	**2012**	**2011**	**2012**	**2011**

Service cost	$ 111	$ 111	$ 335	$ 333
Interest cost	2,994	3,037	8,981	9,113
Expected return on plan assets	(3,833)	(3,944)	(11,500)	(11,833)
Recognized net actuarial loss	1,203	1,086	3,611	3,257
Amortization of prior service cost	28	35	84	106
Net periodic benefit cost	$ 503	$ 325	$ 1,511	$ 976

	Non-U.S. Plans			
	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2012	2011	2012	2011
Service cost	$ 9	$ 10	$ 26	$ 30
Interest cost	436	424	1,325	1,246
Expected return on plan assets	(379)	(377)	(1,148)	(1,109)
Recognized net actuarial loss	132	152	396	448
Amortization of prior service cost	(14)	(15)	(45)	(44)
Net periodic benefit cost	$ 184	$ 194	$ 554	$ 571

The Company expects to pay $1.4 million in required contributions to the plans during 2012. Contributions of $0.3 million and $1.0 million were made during the three and nine months ended March 31, 2012, respectively.

10)

Income Taxes

The Company's effective tax rate for the three months ended March 31, 2012 was 22.8% compared with 21.8% for the same period last year. The effective tax rates for the third quarters of 2012 and 2011 both reflect the impact of the reversal of income tax reserves for uncertain tax positions. These reserves were determined to be no longer needed due to the expiration of applicable statutes of limitations. The Company's effective tax rate for the nine months ended March 31, 2012 was 25.4% compared with 28.6% for same period last year. The lower effective tax rate includes the impact of a decrease in the statutory tax rate in the United Kingdom on deferred tax liabilities recorded in prior periods due to a change in U.K. tax law enacted in the second quarter of 2012 and the impact of the reversal of income tax contingency reserves during the third quarter of 2012.

The Company and its subsidiaries are subject to U.S. Federal income tax as well as the income tax of multiple state and non-U.S. jurisdictions. The Company's U.S. tax returns for the years ended June 30, 2009 and June 30, 2010 are currently under audit with the IRS. The Company anticipates completion of the audit in the fourth quarter with no unfavorable adjustments.

11)

Earnings Per Share

The following table sets forth a reconciliation of the number of shares (in thousands) used in the computation of basic and diluted earnings per share:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2012	**2011**	**2012**	**2011**
Basic - Average shares outstanding	12,527	12,450	12,514	12,484
Effect of dilutive securities:				
Unvested stock awards	231	267	243	258
Diluted - Average shares outstanding	12,758	12,717	12,757	12,742

Earnings available to common stockholders are the same for computing both basic and diluted earnings per share. No options to purchase common stock were excluded from the calculation of diluted earnings per share as anti-dilutive for the three and nine months ended March 31, 2012 and 2011, respectively.

52,047 and 60,642 performance stock units are excluded from the diluted earnings per share calculation as the performance criteria have not been met for the three and nine months ended March 31, 2012 and 2011, respectively.

12)

Comprehensive Income (Loss)

The components of the Company s accumulated other comprehensive loss are as follows (in thousands):

	March 31, 2012	June 30, 2011
Foreign currency translation adjustment	$ 11,663	$ 15,617
Unrealized pension losses, net of tax	(57,498)	(59,572)
Unrealized losses on derivative instruments, net of tax	(1,645)	(973)
Total	$ (47,480)	$ (44,928)

Total comprehensive income (loss) and its components in detail, including reclassification adjustments, for the three and nine months ended March 31, 2012 and 2011 were as follows (in thousands):

	Three Months Ended March 31,		Nine Months Ended March 31,	
(in thousands)	2012	2011	2012	2011
Net income (loss):	$ 9,120	$ 5,090	$16,962	$25,097
Other comprehensive income (loss):				
Defined benefit pension plans:				
Actuarial gains (losses) and other changes in unrecognized costs	(190)	(296)	(30)	(743)
Amortization of unrecognized costs	1,391	1,312	4,214	3,903
Derivative instruments:				
	(91)	91	(1,653)	(157)

Change in unrealized gains and losses				
Amortization of unrealized gains and losses into interest expense	137	167	573	614
Other comprehensive income (loss) before tax:	1,247	1,274	3,104	3,617