ACUITY BRANDS INC
Form 10-Q
March 30, 2011

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended February 28, 2011

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	**58-2632672**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
1170 Peachtree Street, N.E., Suite 2400, Atlanta, Georgia	**30309**
(Address of principal executive offices)	**(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 x 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 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 x 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer x		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 Exchange Act.):
Yes o No x

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 43,306,065 shares as of March 28, 2011.

ACUITY BRANDS, INC.
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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)

	February 28, 2011 (unaudited)	August 31, 2010
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 125.5	$ 191.0
Accounts receivable, less reserve for doubtful accounts of $1.7 at February 28, 2011 and $2.0 at August 31, 2010	243.7	255.1
Inventories	174.1	149.0
Deferred income taxes	16.3	17.3
Prepayments and other current assets	22.3	13.9
Total Current Assets	581.9	626.3
Property, Plant, and Equipment, at cost:		
Land	8.2	7.6
Buildings and leasehold improvements	120.2	113.7
Machinery and equipment	357.5	337.5
Total Property, Plant, and Equipment	485.9	458.8
Less Accumulated depreciation and amortization	340.8	320.4
Property, Plant, and Equipment, net	145.1	138.4
Other Assets:		
Goodwill	571.3	515.6
Intangible assets	212.5	199.5
Deferred income taxes	3.8	3.7
Other long-term assets	22.4	20.1
Total Other Assets	810.0	738.9
Total Assets	$ 1,537.0	$ 1,503.6
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	$ 175.7	$ 195.0
Accrued compensation	31.3	51.8
Accrued pension liabilities, current	1.1	1.1
Other accrued liabilities	79.1	73.4
Total Current Liabilities	287.2	321.3

Long-Term Debt		353.4		353.3
Accrued Pension Liabilities, less current portion		72.5		71.1
Deferred Income Taxes		15.1		10.2
Self-Insurance Reserves, less current portion		7.8		7.6
Other Long-Term Liabilities		53.0		45.7
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; 50,859,487 issued and 42,604,732 outstanding at February 28, 2011; and 50,441,634 issued and 42,116,473 outstanding at August 31, 2010		0.5		0.5
Paid-in capital		670.8		661.9
Retained earnings		491.0		459.0
Accumulated other comprehensive loss items		(61.5)		(71.3)
Treasury stock, at cost, 8,254,755 shares at February 28, 2011 and 8,325,161 shares at August 31, 2010		(352.8)		(355.7)
Total Stockholders Equity		748.0		694.4
Total Liabilities and Stockholders Equity	$	1,537.0	$	1,503.6

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

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

	Three Months Ended February 28,		Six Months Ended February 28,	
	2011	**2010**	**2011**	**2010**
Net Sales	$ 416.1	$ 383.5	$ 841.2	$ 775.2
Cost of Products Sold	252.3	231.2	501.2	461.6
Gross Profit	163.8	152.3	340.0	313.6
Selling, Distribution, and Administrative Expenses	126.6	119.1	257.3	237.7
Special Charge		5.4		5.4
Operating Profit	37.2	27.8	82.7	70.5
Other Expense (Income):				
Interest expense, net	7.5	8.1	15.0	14.8
Miscellaneous expense, net	0.7	(0.6)	2.0	(0.1)
Loss on early debt extinguishment		10.5		10.5
Total Other Expense	8.2	18.0	17.0	25.2
Income before Provision for Income Taxes	29.0	9.8	65.7	45.3
Provision for Income Taxes	9.1	2.6	21.4	14.8
Income from Continuing Operations	19.9	7.2	44.3	30.5
Income from Discontinued Operations		0.6		0.6
Net Income	$ 19.9	$ 7.8	$ 44.3	$ 31.1
Earnings Per Share:				
Basic Earnings per Share from Continuing Operations	$ 0.46	$ 0.17	$ 1.03	$ 0.71
Basic Earnings per Share from Discontinued Operations		0.01		0.01
Basic Earnings per Share	$ 0.46	$ 0.18	$ 1.03	$ 0.72
Basic Weighted Average Number of Shares Outstanding	42.3	42.5	42.2	42.4
Diluted Earnings per Share from Continuing Operations	$ 0.45	$ 0.16	$ 1.01	$ 0.69
Diluted Earnings per Share from Discontinued Operations		0.01		0.01
Diluted Earnings per Share	$ 0.45	$ 0.17	$ 1.01	$ 0.70
Diluted Weighted Average Number of Shares Outstanding	43.0	43.3	42.9	43.2
Dividends Declared per Share	$ 0.13	$ 0.13	$ 0.26	$ 0.26

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

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

	Six Months Ended February 28,	
	2011	2010
Cash Provided by (Used for) Operating Activities:		
Net income	$ 44.3	$ 31.1
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	19.2	18.8
Noncash compensation expense, net	1.9	3.0
Excess tax benefits from share-based payments	(3.5)	(0.3)
Loss on early debt extinguishment		10.5
Loss on the sale or disposal of property, plant, and equipment	0.1	0.1
Asset impairments		3.7
Deferred income taxes	(0.9)	(1.7)
Other non-cash items	0.1	
Change in assets and liabilities, net of effect of acquisitions, divestitures and effect of exchange rate changes:		
Accounts receivable	21.9	2.3
Inventories	(14.4)	(7.3)
Prepayments and other current assets	(5.7)	(12.3)
Accounts payable	(22.6)	(4.5)
Other current liabilities	(16.7)	(1.0)
Other	5.0	5.0
Net Cash Provided by Operating Activities	28.7	47.4
Cash Provided by (Used for) Investing Activities:		
Purchases of property, plant, and equipment	(11.8)	(9.5)
Acquisitions of businesses and intangible assets	(80.5)	
Net Cash Used for Investing Activities	(92.3)	(9.5)
Cash Provided by (Used for) Financing Activities:		
Repayments of long-term debt		(237.9)
Issuance of long-term debt		346.5
Repurchases of common stock	(2.9)	
Proceeds from stock option exercises and other	5.3	2.9
Excess tax benefits from share-based payments	3.5	0.3
Dividends paid	(11.2)	(11.3)
Net Cash (Used for) Provided by Financing Activities	(5.3)	100.5
Effect of Exchange Rate Changes on Cash	3.4	(1.3)
Net Change in Cash and Cash Equivalents	(65.5)	137.1

Cash and Cash Equivalents at Beginning of Period	191.0	18.7
Cash and Cash Equivalents at End of Period	$ 125.5	$ 155.8
Supplemental Cash Flow Information:		
Income taxes paid during the period	$ 16.6	$ 23.3
Interest paid during the period	$ 7.5	$ 15.8

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 indoor and outdoor lighting fixtures and related products, including lighting controls, and services for commercial and institutional, industrial, infrastructure, and residential applications for various markets throughout North America and select international markets. The Company has one operating segment.

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 since the date of acquisition are not material to the Company s financial condition, results of operations, or cash flows.

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 products headquartered in 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 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 February 28, 2011, the consolidated results of operations for the three and six months ended February 28, 2011 and 2010, and the consolidated cash flows for the six months ended February 28, 2011 and 2010. 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, 2010 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 29, 2010 (File No. 001-16583) (Form 10-K).

The results of operations for the three and six months ended February 28, 2011 and 2010 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 2011.

2. Discontinued Operations

Acuity Brands completed the spin-off of its specialty products business (the Spin-off), Zep Inc. (Zep) on October 31, 2007, by distributing all of the shares of Zep common stock, par value $0.01 per share, to the Company s stockholders of record as of October 17, 2007. As a result of the Spin-off, the Company s financial statements have been prepared with the results of operations and cash flows of the specialty products business presented as discontinued operations.

In conjunction with the Spin-off, Acuity Brands and Zep entered into various agreements that address the allocation of assets and liabilities between them and that define their relationship after the separation, including a distribution agreement, a tax disaffiliation agreement, an employee benefits agreement, and a transition services agreement. During the second quarter of fiscal 2010, income from discontinued operations was recognized in the amount of $0.6 related to the revision of estimates of certain legal reserves established at the time of the Spin-off. As with the original reserve, the income from discontinued operations had no income tax effect.

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

3. 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 current year presentation.

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 February 28, 2011 and for the three and six months ended February 28, 2011.

Revenue Recognition

The Company records revenue when the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the Company s price to the customer is fixed and determinable, and collectability is reasonably assured. Delivery is not considered to have occurred until the customer assumes the risks and rewards of ownership. Customers take delivery at the time of shipment for terms designated free on board shipping point. For sales designated free on board destination, customers take delivery when the product is delivered to the customer s delivery site. Provisions for certain rebates, sales incentives, product returns, and discounts to customers are recorded in the same period the related revenue is recorded. The Company also maintains one-time or on-going marketing and trade-promotion programs with certain customers that require the Company to estimate and accrue the expected costs of such programs. These arrangements include cooperative marketing programs, merchandising of the Company s products, and introductory marketing funds for new products and other trade-promotion activities conducted by the customer. Costs associated with these programs are reflected within the Company s *Consolidated Statements of Income* in accordance with the Accounting Standards Codification (ASC) Topic 605, *Revenue Recognition* (ASC 605), which in most instances requires such costs be recorded as a reduction of revenue.

The Company provides for limited product return rights to certain distributors and customers, primarily for slow moving or damaged items subject to certain defined criteria. The Company monitors product returns and, at the time revenue is recognized, records a provision for the estimated amount of future returns based primarily on historical experience and specific notification of pending returns. Although historical product returns generally have been within expectations, there can be no assurance that future product returns will not exceed historical amounts. A significant increase in product returns could have a material impact on the Company s operating results in future periods.

Revenue is earned on services and the sale of products. Revenue is recognized for services rendered in the period of performance.

Revenue Recognition for Arrangements with Multiple Deliverables

A small portion of the Company s revenues are derived from (i) the sale and license of its products, (ii) fees associated with training, installation, and technical support services, and (iii) monitoring and control services. Certain agreements, particularly related to lighting controls systems, represent multiple-element arrangements that include tangible products that contain software that is essential to the functionality of the systems and undelivered elements that primarily relate to installation and monitoring and control services. The undelivered elements associated with installations and monitoring and control services are reviewed and analyzed to determine separability in relation to the delivered elements and appropriate pricing treatment based on (a) vendor-specific objective evidence, (b) third-party evidence, or (c) estimates. If deemed separate units of accounting, the revenue and associated cost of sales related to the delivered elements are realized at the time of delivery, while those related to the undelivered elements are recognized appropriately based on the period of performance. If the separation criterion for the undelivered elements is not met due to the undelivered elements being essential to the functionality of the lighting controls systems, all revenue and cost of sales attributable to the contract are deferred at the time of sale and are both generally recognized on a straight-line basis over the respective contract periods.

For a description of other significant accounting policies, see the *Summary of Significant Accounting Policies* footnote to the Financial Statements included in the Company s Form 10-K. There have been no material changes to the Company s significant accounting policies since the filing of the Company s Form 10-K, except as noted above and in the *New Accounting Pronouncements* footnote.

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

4. New Accounting Pronouncements

Accounting Standards Adopted in Fiscal 2011

In September 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2009-13, *Revenue Recognition (Topic 605) Multiple-Deliverable Revenue Arrangements* (ASU 2009-13). ASU 2009-13 addresses the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. Specifically, this guidance amends the criteria in Subtopic 605-25, *Revenue Recognition-Multiple-Element Arrangements,* for separating consideration in multiple-deliverable arrangements. A selling price hierarchy is established for determining the selling price of a deliverable, which is based on: (a) vendor-specific objective evidence; (b) third-party evidence; or (c) estimates. This guidance also eliminates the residual method of allocation and requires that arrangement consideration be allocated at the inception of the arrangement to all deliverables using the relative selling price method. Additional disclosures related to a vendor s multiple-deliverable revenue arrangements are also required by this update. ASU 2009-13 is effective prospectively for revenue arrangements entered into, or materially modified, in fiscal years beginning on or after June 15, 2010 with early adoption permitted. Therefore, ASU 2009-13 became effective on a prospective basis for the Company on September 1, 2010. The adoption of ASU 2009-13 had an immaterial impact on the Company s results of operations, financial condition, and cash flows.

In September 2009, the FASB issued ASU No. 2009-14, *Software (Topic 985) Certain Revenue Arrangements That Include Software Elements* (ASU 2009-14). ASU 2009-14 changes the accounting model for revenue arrangements that include both tangible products and software elements to allow for alternatives when vendor-specific objective evidence does not exist. Under this guidance, tangible products containing software components and non-software components that function together to deliver the tangible product s essential functionality and hardware components of a tangible product containing software components are excluded from the software revenue guidance in Subtopic 985-605, *Software-Revenue Recognition*; thus, these arrangements are excluded from this update. ASU 2009-14 is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 with early adoption permitted. Therefore, ASU 2009-14 became effective on a prospective basis for the Company on September 1, 2010. The adoption of ASU 2009-14 had an immaterial impact on the Company s results of operations, financial condition, and cash flows.

Accounting Standards Yet to Be Adopted

In December 2010, the FASB issued ASU No. 2010-29, *Business Combinations (Topic 805) Disclosure of Supplementary Pro Forma Information for Business Combinations* (ASU 2010-29). This standard update clarifies that, when presenting comparative financial statements, SEC registrants should disclose revenue and earnings of the combined entity as though the current period business combinations had occurred as of the beginning of the comparable prior annual reporting period only. The update also expands the supplemental pro forma disclosures to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the reported pro forma revenue and earnings. ASU 2010-29 is effective prospectively for material (either on an individual or aggregate basis) business combinations entered into in fiscal years beginning on or after December 15, 2010 with early adoption permitted. ASU 2010-29 is therefore effective for the Company for acquisitions made after the beginning of fiscal 2012. The Company does not expect ASU 2010-29 to have a material effect on the Company s results of operations, financial condition, and cash flows; however, the Company may have additional disclosure requirements if a material acquisition occurs.

5. Acquisitions

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 optimize lighting performance through the use of sustainable and energy-efficient solutions for retail, industrial, warehouse, education, government, and office applications.

Due to the provisions of ASC 805, *Business Combinations* (ASC 805), the Company expensed an immaterial amount in acquisition costs in current quarter earnings.

The operating results of Sunoptics since the date of acquisition are not material to the Company s financial condition, results of operations, or cash flows. Preliminary opening balance sheet amounts related to the acquisition are reflected in the *Consolidated Balance Sheets* as of February 28, 2011. These amounts are deemed to be provisional until disclosed otherwise as the Company continues to gather information related to the identification and valuation of intangible and other acquired assets and liabilities.

Refer to the *Goodwill and Intangible Assets* footnote for preliminary details around the business combination.

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

Winona Lighting 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 products headquartered in Minnesota. Recognized throughout the architectural design community, Winona Lighting served the commercial, retail, and institutional markets with a product portfolio of high-quality and design-oriented luminaires suitable for decorative, custom, asymmetric, and landscape lighting applications.

Due to the provisions of ASC 805, the Company expensed an immaterial amount in acquisition costs during the first half of fiscal 2011.

The operating results of Winona Lighting have been included in the Company s consolidated financial statements since the date of acquisition and are not material to the Company s financial condition, results of operations, or cash flows. Preliminary amounts related to the acquisition are reflected in the *Consolidated Balance Sheets* as of February 28, 2011. These amounts are deemed to be provisional until disclosed otherwise as the Company continues to gather information related to the identification and valuation of intangible and other acquired assets and liabilities.

Refer to the *Goodwill and Intangible Assets* footnote for preliminary details around the business combination.

Renaissance Acquisition

On July 26, 2010, the Company acquired for cash the remaining outstanding capital stock of Renaissance. Renaissance, based in Herndon, Virginia, offered a full range of LED-based specification-grade downlighting luminaires and had developed an extensive intellectual property portfolio related to advanced LED optical solutions and technologies.

The operating results of Renaissance have been included in the Company s consolidated financial statements since the date of acquisition and are not material to the Company s financial condition, results of operations, or cash flows. These amounts are deemed to be provisional until disclosed otherwise as the Company continues to gather information related to the identification and valuation of intangible and other acquired assets and liabilities. For a detailed discussion of the Renaissance acquisition, please refer to 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, *Fair Value Measurements and Disclosures* (ASC 820), established 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 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 February 28, 2011 and August 31, 2010:

	Fair Value Measurements as of:			
	February 28, 2011		August 31, 2010	
	Level 1	Total Fair Value	Level 1	Total Fair Value
Assets:				
Cash and cash equivalents	$ 125.5	$ 125.5	$ 191.0	$ 191.0
Short-term investments (1)	0.8	0.8	1.3	1.3
Long-term investments (1)	1.3	1.3	1.8	1.8
Liabilities:				
Deferred compensation plan (2)	2.1	2.1	3.1	3.1

(1) The Company maintains certain investments that generate returns that offset changes in certain liabilities related to deferred compensation arrangements.

(2) The Company maintains a self-directed, non-qualified deferred compensation plan 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

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

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 within the hierarchy. The fair values of the liabilities are directly related to the valuation of the 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.

The Company does not have any assets or liabilities that are carried at fair value and measured on a recurring basis classified as Level 2 or Level 3 assets or liabilities. In addition, 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 Level 1, 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 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 February 28, 2011 and August 31, 2010:

	February 28, 2011		August 31, 2010	
	Carrying Value	Fair Value	Carrying Value	Fair Value