COLUMBUS MCKINNON CORP
Form 10-Q
July 31, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-Q

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

For the quarterly period ended June 30, 2014
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: 0-27618

Columbus McKinnon Corporation
(Exact name of registrant as specified in its charter)

New York	16-0547600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

140 John James Audubon Parkway, Amherst, NY	14228-1197
(Address of principal executive offices)	(Zip code)

(716) 689-5400
(Registrant's telephone number, including area code)

(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. : ý Yes o 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý 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 Act.

Large accelerated filer o | Accelerated filer x
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). o Yes ý No

The number of shares of common stock outstanding as of July 25, 2014 was: 19,937,783 shares.

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June 30, 2014

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Part I. Financial Information
Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (unaudited)	March 31, 2014
ASSETS:	(In thousands)	
Current assets:		
Cash and cash equivalents	$114,085	$112,309
Trade accounts receivable	81,729	93,223
Inventories	102,659	97,576
Prepaid expenses and other	22,668	23,444
Total current assets	321,141	326,552
Property, plant, and equipment, net	77,558	78,687
Goodwill	119,135	119,303
Other intangibles, net	20,087	20,842
Marketable securities	22,574	21,941
Deferred taxes on income	20,811	23,406
Other assets	7,355	7,943
Total assets	$588,661	$598,674
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Trade accounts payable	$26,769	$35,359
Accrued liabilities	48,443	52,348
Current portion of long term debt	1,589	1,588
Total current liabilities	76,801	89,295
Senior debt, less current portion	1,679	2,020
Subordinated debt	148,753	148,685
Other non current liabilities	61,552	67,388
Total liabilities	288,785	307,388
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 19,930,958 and 19,806,300 shares issued and outstanding	199	198
Additional paid in capital	199,592	198,546
Retained earnings	140,553	133,820
ESOP debt guarantee	(41)	(142)
Accumulated other comprehensive loss	(40,427)	(41,136)
Total shareholders' equity	299,876	291,286
Total liabilities and shareholders' equity	$588,661	$598,674

See accompanying notes.

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COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS
(UNAUDITED)

	Three Months Ended	
	June 30, 2014	June 30, 2013
	(In thousands, except per share data)	
Net sales	$142,932	$138,891
Cost of products sold	97,367	95,400
Gross profit	45,565	43,491
Selling expenses	17,891	16,747
General and administrative expenses	14,079	12,849
Amortization of intangibles	589	459
	32,559	30,055
Income from operations	13,006	13,436
Interest and debt expense	3,369	3,371
Investment income	(202)	(216)
Foreign currency exchange loss (gain)	(43)	226
Other expense (income), net	(177)	89
Income before income tax expense	10,059	9,966
Income tax expense	3,326	2,946
Net income	6,733	7,020
Retained earnings - beginning of period	133,820	104,191
Retained earnings - end of period	$140,553	$111,211
Average basic shares outstanding	19,850	19,520
Average diluted shares outstanding	20,095	19,779
Basic income per share:		
Net income	$0.34	$0.36
Diluted income per share:		
Net income	$0.34	$0.35

See accompanying notes.

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended	
	June 30, 2014	June 30, 2013
	(In thousands)	
Net income	$6,733	$7,020
Other comprehensive income (loss), net of tax:		
Foreign currency translation adjustments	331	(130)
Change in derivatives qualifying as hedges, net of taxes of $(71) and $(25)	116	86
Change in pension liability and postretirement obligation, net of taxes of $(1) and $3	1	(5)
Adjustments for unrealized gain on investments:		
Unrealized holding gain (loss) arising during the period, net of taxes of $(150) and $234	277	(434)
Reclassification adjustment for gain included in net income, net of taxes of $9 and $127	(16)	(235)
Net change in unrealized gain on investments	261	(669)
Total other comprehensive income (loss)	709	(718)
Comprehensive income	$7,442	$6,302

See accompanying notes.

COLUMBUS McKINNON CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended	
	June 30, 2014	June 30, 2013
	(In thousands)	
OPERATING ACTIVITIES:		
Net income	$6,733	$7,020
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,708	2,992
Deferred income taxes and related valuation allowance	(337)	(786)
Gain on sale of real estate, investments, and other	(56)	(347)
Stock-based compensation	836	717
Amortization of deferred financing costs and discount on subordinated debt	217	171
Changes in operating assets and liabilities, net of effects of business acquisition:		
Trade accounts receivable	11,686	4,854
Inventories	(4,948)	(6,961)
Prepaid expenses	456	(3,724)
Other assets	439	865
Trade accounts payable	(5,976)	(4,550)
Accrued liabilities	(3,839)	408
Non-current liabilities	(2,448)	(2,567)
Net cash provided by (used for) operating activities	6,471	(1,908)
INVESTING ACTIVITIES:		
Proceeds from sale of marketable securities	416	952
Purchases of marketable securities	(764)	(1,613)
Capital expenditures	(4,616)	(3,614)
Purchase of business	—	(5,847)
Net cash used for investing activities	(4,964)	(10,122)
FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	1,051	412
Repayment of debt	(332)	(266)
Change in ESOP guarantee	101	104
Dividends paid	(793)	—
Net cash provided by (used for) financing activities	27	250
Effect of exchange rate changes on cash	242	519
Net change in cash and cash equivalents	1,776	(11,261)
Cash and cash equivalents at beginning of period	112,309	121,660
Cash and cash equivalents at end of period	$114,085	$110,399
Supplementary cash flow data:		
Interest paid	$265	$367
Income taxes paid, net of refunds	$1,808	$2,131

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
June 30, 2014

1. Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at June 30, 2014, the results of its operations for the three month periods ended June 30, 2014 and June 30, 2013, and cash flows for the three months ended June 30, 2014 and June 30, 2013, have been included. Results for the period ended June 30, 2014 are not necessarily indicative of the results that may be expected for the year ending March 31, 2015. The balance sheet at March 31, 2014 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2014.

The Company is a leading designer, marketer and manufacturer of material handling products and services which efficiently and safely move, lift, position and secure material. Key products include hoists, rigging tools, cranes, and actuators. The Company’s material handling products are sold globally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During the quarter ended June 30, 2014, approximately 57% of sales were to customers in the U.S.

2. Acquisitions

On June 1, 2013, the Company acquired 100% of the outstanding common shares of Hebetechnik Gesellschaft m.b.H (“Hebetechnik”) located in Austria, a privately owned company with annual sales of approximately $10,000,000. Hebetechnik has been a value-added partner of the Company in the lifting industry in the Austrian market for over 20 years. The results of Hebetechnik are included in the Company’s condensed consolidated financial statements from the date of acquisition. The acquisition of Hebetechnik is not considered significant to the Company’s consolidated financial position and results of operations.

The acquisition of Hebetechnik was funded with existing cash. The purchase price has been allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $5,324,000 was recorded as goodwill. The identifiable intangible asset consisted of order backlog at the date of the acquisition and was estimated to have a three month useful life. Goodwill recorded in connection with the acquisition is deductible for Austrian tax purposes. The assignment of purchase consideration to the assets acquired and liabilities assumed was as follows (in thousands):

Working capital	$212	
Other current assets	58	
Property, plant and equipment	446	
Goodwill	5,324	
Long term debt	(193	)
Total	$5,847	

On February 28, 2014 the Company acquired 100% of the outstanding common shares of Unified Industries, Inc. (“Unified”) located in Howell, Michigan, a privately-owned company with annual sales of approximately $13,000,000.

Unified designs, manufacturers and markets overhead aluminum light rail workstations primarily used in automotive and other industrial applications. Unified's products are a natural extension of the Company's hoist portfolio and are expected to broaden the scope of the Company's bundled product solutions. The results of Unified are included in the Company’s consolidated financial statements from the date of acquisition. The acquisition of Unified is not considered significant to the Company’s consolidated financial position and results of operations.

The acquisition of Unified was funded with existing cash. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of $6,980,000 was recorded as goodwill. The identifiable intangible assets acquired include engineered drawings of $4,960,000, customer relationships of $2,300,000, trademark and trade names of $1,200,000, backlog of $185,000, and non-compete agreements of $14,000. The weighted average life of the acquired identifiable intangible assets subject to amortization was estimated at 20.3 years at the time of acquisition. Goodwill recorded in connection with the acquisition is not deductible for U.S. income tax purposes.
The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	$3,854	
Property, plant and equipment	210	
Identifiable intangible assets	8,659	
Other long term assets	97	
Other long term liabilities	(3,293	)
Goodwill	6,980	
Total	$16,507	

For both Unified and Hebetechnik, goodwill represents future economic benefits arising from other assets acquired that do not meet the criteria for separate recognition apart from goodwill, including assembled workforce, growth opportunities and increased presence in the markets served by the target companies.

3. Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 “Fair Value Measurements and Disclosures” establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the valuation techniques that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The hierarchy is separated into three levels based on the reliability of inputs as follows:

Level 1 - Valuations based on quoted prices in active markets for identical assets or liabilities that the Company has the ability to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly, involving some degree of judgment.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement. The degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The availability of observable inputs can vary and is affected by a wide variety of factors, including the type of asset/liability, whether the asset/liability is established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes the level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, assumptions are required to reflect those that market participants would use in pricing the asset or liability at the measurement date.

The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company's derivatives is based on Level 2 inputs. The Company uses quoted prices in an inactive market when valuing its Subordinated Debt, represented by the 7 7/8% Notes due 2019, registered under the Securities Act of 1933, as amended (7 7/8% Notes) and, consequently, the fair value is based on Level 2 inputs. The carrying value of the Company's senior debt approximates fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, its fair value is based on Level 2 inputs.

The following table provides information regarding financial assets and liabilities measured or disclosed at fair value (in thousands):

	Fair value measurements at reporting date using			
	June 30,	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Description	2014	(Level 1)	(Level 2)	(Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$22,574	$22,574	$—	$—
Derivative Assets	4	—	4	—
Disclosed at fair value:				
Subordinated debt	$(159,375)	$—	$(159,375)	$—
Senior debt	(3,268)	—	(3,268)	—

	Fair value measurements at reporting date using			
	March 31,	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs
Description	2014	(Level 1)	(Level 2)	(Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	$21,941	$21,941	$—	$—
Derivative liabilities	(42)	—	(42)	—
Disclosed at fair value:				
Subordinated debt	$(161,250)	$—	$(161,250)	$—
Senior debt	(3,608)	—	(3,608)	—

The Company did not have any nonfinancial assets and liabilities that are recognized at fair value on a recurring basis.

The carrying amount of these financial assets and liabilities are the same as their fair value with the exception of the subordinated debt whose carrying value is a liability of $148,753,000 at June 30, 2014 and $148,685,000 at March 31, 2014.

Interest and dividend income on marketable securities are recorded in investment (income) loss. Changes in the fair value of derivatives are recorded in foreign currency exchange (gain) loss or other comprehensive loss, to the extent that the derivative qualifies as a hedge under the provisions of ASC Topic 815. Interest and dividend income on marketable securities are measured based upon amounts earned on their respective declaration dates.

Assets and liabilities that were measured on a non-recurring basis during the period ended March 31, 2014 include assets and liabilities acquired in connection with the acquisitions of Hebetechnik and Unified described in Note 2. The estimated fair values allocated to the assets acquired and liabilities assumed relied upon fair value measurements based primarily on Level 3 inputs. The valuation techniques used to allocate fair values to working capital items; property, plant, and equipment; and identifiable intangible assets included the cost approach, market approach, and other income approaches. The valuation techniques relied on a number of inputs which included the cost and condition of property, plant, and equipment and forecasted net sales and income. For Unified, significant valuation inputs included an attrition rate of 8% for customer relationships, an engineering cost per hour of $57.20 for the engineered drawings, and a royalty rate of 1.5% for trademark and trade names. For Hebetechnik, significant valuation inputs included a weighted average cost of capital of 12.3%.

4. Inventories

Inventories consisted of the following (in thousands):

	June 30, 2014	March 31, 2014
At cost - FIFO basis:		
Raw materials	$57,537	$55,072
Work-in-process	13,410	12,338
Finished goods	49,934	49,649
	120,881	117,059
LIFO cost less than FIFO cost	(18,222)	(19,483)
Net inventories	$102,659	$97,576

An actual valuation of inventory under the LIFO method can be made only at the end of each year based on the inventory levels and costs at that time. Accordingly, interim LIFO calculations must necessarily be based on management's estimates of expected year-end inventory levels and costs. Because these are subject to many factors beyond management's control, estimated interim results are subject to change in the final year-end LIFO inventory valuation.

5. Marketable Securities

All of the Company’s marketable securities, which consist of equity securities and fixed income securities, have been classified as available-for-sale securities and are therefore recorded at their fair values with the unrealized gains and losses, net of tax, reported in accumulated other comprehensive loss in the shareholders’ equity section of the condensed balance sheet unless unrealized losses are deemed to be other-than-temporary. In such instances, the unrealized losses are reported in the consolidated statements of operations within investment income. Estimated fair value is based on quoted market prices at the balance sheet dates. The cost of securities sold is based on the specific identification method. Interest and dividend income are included in investment income in the consolidated statements of operations.

Marketable securities are carried as long-term assets since they are held for the settlement of the Company’s general and products liability insurance claims filed through CM Insurance Company, Inc., a wholly owned captive insurance subsidiary. The marketable securities are not available for general working capital purposes.

In accordance with ASC Topic 320-10-35-30 “Investments – Debt & Equity Securities – Subsequent Measurement,” the Company reviews its marketable securities for declines in market value that may be considered other-than-temporary.

The Company generally considers market value declines to be other-than-temporary if there are declines for a period longer than six months and in excess of 20% of original cost, or when other evidence indicates impairment. We also consider the nature of the underlying investments, our intent and ability to hold the investments until their market values recover, and other market conditions in making this assessment. Based on this assessment, no other-than-temporary impairment charge has been recorded for the three months ended June 30, 2014 or June 30, 2013.

The following is a summary of available-for-sale securities at June 30, 2014 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$20,309	$2,347	$82	$22,574

The aggregate fair value of investments and unrealized losses on available-for-sale securities in an unrealized loss position at June 30, 2014 are as follows (in thousands):

	Aggregate Fair Value	Unrealized Losses
Securities in a continuous loss position for less than 12 months	$291	$1
Securities in a continuous loss position for more than 12 months	5,354	81
	$5,645	$82

Net realized gains related to sales of marketable securities were $25,000 and $36,000, in the three month periods ended June 30, 2014 and June 30, 2013, respectively.

The following is a summary of available-for-sale securities at March 31, 2014 (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Marketable securities	$20,078	$2,013	$150	$21,941

6. Goodwill and Intangible Assets

Goodwill is not amortized but is tested for impairment at least annually, in accordance with the provisions of ASC Topic 350-20-35-1. Goodwill impairment is deemed to exist if the net book value of a reporting unit exceeds its estimated fair value. The fair value of a reporting unit is determined using a discounted cash flow methodology. The Company's reporting units are determined based upon whether discrete financial information is available and reviewed regularly, whether those units constitute a business, and the extent of economic similarities between those reporting units for purposes of aggregation. The Company's reporting units identified under ASC Topic 350-20-35-33 are at the component level, or one level below the reporting segment level as defined under ASC Topic 280-10-50-10 "Segment Reporting – Disclosure." The Company has five reporting units. Only three of the five reporting units carried goodwill at June 30, 2014 and March 31, 2014.

When we evaluate the potential for goodwill impairment, we assess a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and services, regulatory and political developments, entity specific factors such as strategy and changes in key personnel and overall financial performance. If, after completing this assessment, it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying value, we proceed to a two-step impairment test.

In accordance with ASC Topic 350-20-35-3, the measurement of impairment of goodwill consists of two steps. In the first step, the Company compares the fair value of each reporting unit to its carrying value. As part of the impairment analysis, the Company determines the fair value of each of its reporting units with goodwill using the income approach. The income approach uses a discounted cash flow methodology to determine fair value. This methodology

recognizes value based on the expected receipt of future economic benefits. Key assumptions in the income approach include a free cash flow projection, an estimated discount rate, a long-term growth rate and a terminal value. These assumptions are based upon the Company's historical experience, current market trends and future expectations.

We performed our qualitative assessment during the fourth quarter of fiscal year 2014 and determined that it was not more likely than not that the fair value of each of its reporting units other than Duff-Norton was less than that its applicable carrying value. Accordingly, the Company did not perform the two-step goodwill impairment test for any of its reporting units other than the Duff-Norton reporting unit. The Company performed step one of the two-step impairment test for the Duff-Norton reporting unit.

Based on the results of the two-step impairment test, the Company determined that the Duff-Norton reporting unit's fair value was not less than its applicable carrying value.

Future impairment indicators, such as declines in forecasted cash flows, may cause additional significant impairment charges. Impairment charges could be based on such factors as the Company’s stock price, forecasted cash flows, assumptions used, control premiums or other variables.

A summary of changes in goodwill during the three months ended June 30, 2014 is as follows (in thousands):

Balance at April 1, 2014	$119,303
Currency translation	(168)
Balance at June 30, 2014	$119,135

Identifiable intangible assets acquired in a business combination are amortized over their useful lives unless their useful lives are indefinite, in which case those intangible assets are tested for impairment annually (or upon identification of impairment indicators) and not amortized until their lives are determined to be finite.

Identifiable intangible assets are summarized as follows (in thousands):

	June 30, 2014			March 31, 2014		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Trademark	$5,935	$(1,870)	$4,065	$5,969	$(1,799)	$4,170
Indefinite lived trademark	1,200	—	1,200	1,200	—	$1,200
Customer relationships	17,364	(8,144)	9,220	17,453	(7,779)	9,674
Acquired technology	4,960	(66)	4,894	4,960	(17)	$4,943
Other	1,164	(456)	708	1,135	(280)	855
Total	$30,623	$(10,536)	$20,087	$30,717	$(9,875)	$20,842

Based on the current amount of identifiable intangible assets, the estimated amortization expense for each of the fiscal years 2015 through 2019 is expected to be approximately $2,400,000.

7. Derivative Instruments

The Company uses derivative instruments to manage selected foreign currency exposures. The Company does not use derivative instruments for speculative trading purposes. All derivative instruments must be recorded on the balance sheet at fair value. For derivatives designated as cash flow hedges, the effective portion of changes in the fair value of the derivative is recorded as accumulated other comprehensive gain (loss), or “AOCL,” and is reclassified to earnings when the underlying transaction has an impact on earnings. The ineffective portion of changes in the fair value of the derivative is reported in foreign currency exchange (gain) loss in the Company’s condensed consolidated statement of operations and retained earnings. For derivatives not classified as cash flow hedges, all changes in market value are recorded as a foreign currency exchange (gain) loss in the Company’s condensed consolidated statements of operations and retained earnings. The cash flow effects of derivatives are reported within net cash provided by operating activities.

The Company has foreign currency forward agreements in place to hedge changes in the value of recorded foreign currency assets and liabilities due to changes in foreign exchange rates at the settlement date. The notional amount of those derivatives is $3,515,000 and all contracts mature within five months. These contracts are marked to market

each balance sheet date and are not designated as hedges.

The Company has foreign currency forward agreements that are designated as cash flow hedges to hedge a portion of forecasted inventory purchases denominated in a foreign currency. The notional amount of those derivatives is $2,179,000 and all contracts mature within eleven months of June 30, 2014.

The Company is exposed to credit losses in the event of non performance by the counterparties on its financial instruments. All counterparties have investment grade credit ratings. The Company anticipates that these counterparties will be able to fully satisfy their obligations under the contracts. The Company has derivative contracts with two counterparties as of June 30, 2014.

The Company's agreements with its foreign exchange contract counterparties contain provisions pursuant to which the Company could be declared in default of its derivative obligations. As of June 30, 2014, the Company had not posted any collateral related to these agreements. If the Company had breached any of these provisions as of June 30, 2014, it could have been required to settle its obligations under these agreements at amounts which approximate the June 30, 2014 fair values reflected in the table below. During the three months ended June 30, 2014, the Company was not in default of any of its derivative obligations.

From its June 30, 2014 balance of accumulated other comprehensive loss, the Company expects to reclassify approximately $83,000 out of accumulated other comprehensive loss during the next 12 months.

The following is the effect of derivative instruments on the condensed consolidated statements of operations and retained earnings for the three months ended June 30, 2014 and 2013 (in thousands):

June 30,	Derivatives Designated as Cash Flow Hedges (Foreign Exchange Contracts)	Amount of Gain or (Loss) Recognized in Other Comprehensive Income (Loss) on Derivatives (Effective Portion)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Reclassified from AOCL into Income (Effective Portion)
2014	Foreign exchange contracts	$3	Cost of products sold	$(113)
2013	Foreign exchange contracts	91	Cost of products sold	5

June 30,	Derivatives Not Designated as Hedging Instruments (Foreign Exchange Contracts)	Location of Gain (Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives
2014	Foreign exchange contracts	Foreign currency exchange loss	$(42)
2013	Foreign exchange contracts	Foreign currency exchange gain	130

As of June 30, 2014, the Company had no derivatives designated as net investments or fair value hedges in accordance with ASC Topic 815, “Derivatives and Hedging.”

The following is information relative to the Company’s derivative instruments in the condensed consolidated balance sheets as of June 30, 2014 (in thousands):

		Fair Value of Asset (Liability)	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	June 30, 2014	March 31, 2014
Foreign exchange contracts	Other Assets	$—	$—
Foreign exchange contracts	Accrued Liabilities	$(71)	$(141)

Derivatives Not Designated as Hedging Instruments	Balance Sheet Location	June 30, 2014	March 31, 2014
Foreign exchange contracts	Other Assets	$96	$163

Foreign exchange contracts	Accrued Liabilities	$(21)	$(64)

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8. Debt

At June 30, 2014 and 2013 the Company has access to borrow funds under a revolving credit facility (Current Revolving Credit Facility). The Current Revolving Credit Facility provides availability up to a maximum of $100,000,000 and has an initial term ending October 31, 2017.

Provided there is no default, the Company may request an increase in the availability of the Current Revolving Credit Facility by an amount not exceeding $75,000,000, subject to lender approval. The unused portion of the Current Revolving Credit Facility totaled $94,576,000 net of outstanding borrowings of $0 and outstanding letters of credit of $5,424,000 as of June 30, 2014. The outstanding letters of credit at June 30, 2014 consisted of $0 in commercial letters of credit and $5,424,000 of standby letters of credit.

Commitment fees are payable against the unused portion of the revolver based on the applicable rate. Interest on an outstanding borrowing used against the revolver is payable at varying rates depending on the type of outstanding borrowing and its associated interest rate plus its associated applicable rate. The two potential interest rates used are either a Base Rate (equivalent to a fluctuating rate per annum equal to the higher of (a) the Federal Funds Rate plus 1/2 of 1%, (b) the rate of interest in effect for such day as publicly announced from time to time by Bank of America as its "prime rate.", or (c) LIBOR plus 100 basis points or a Eurocurrency Rate (equivalent to LIBOR plus a Mandatory Cost).

The applicable rate is determined based on the pricing grid in the Current Revolving Credit Facility which varies based on the Company's total leverage ratio and borrowing type at June 30, 2014. The mandatory cost is intended to compensate the lenders for the cost of European banking requirements.

The Current Revolving Credit Facility is secured by all U.S. inventory, receivables, equipment, real property, subsidiary stock (limited to 65% of non-U.S. subsidiaries) and intellectual property.

The corresponding credit agreement associated with the Current Revolving Credit Facility places certain debt covenant restrictions on the Company, including certain financial requirements and restrictions on dividend payments, with which the Company was in compliance as of June 30, 2014. Key financial covenants include a minimum fixed charge coverage ratio of 1.25x, a maximum total leverage ratio, net of cash, of 3.50x and maximum annual capital expenditures of $30,000,000.

At June 30, 2014 and 2013, the Company has outstanding $150,000,000 7 7/8% Senior Subordinated Notes due 2019 registered under the Securities Act of 1933, as amended (7 7/8% Notes). The offering price of the notes was 98.545% of par after adjustment for original issue discount.

Provisions of the 7 7/8% Notes include, without limitation, restrictions on indebtedness, asset sales, and dividends and other restricted payments. On or after February 1, 2015, the 7 7/8% Notes are redeemable at the option of the Company, in whole or in part, at a redemption price of 103.938%, reducing to 101.969% and 100% on February 1, 2016 and February 1, 2017, respectively and are due February 1, 2019. In the event of a Change of Control (as defined in the indenture for such notes), each holder of the 7 7/8% Notes may require the Company to repurchase all or a portion of such holder’s 7 7/8% Notes at a purchase price equal to 101% of the principal amount thereof. The 7 7/8% Notes are guaranteed by certain existing and future U.S. subsidiaries and are not subject to any sinking fund requirements.

The gross balances of deferred financing costs were $4,133,000 and $4,133,000 as of June 30, 2014 and March 31, 2014 respectively. The accumulated amortization balances were $1,680,000 and $1,531,000 as of June 30, 2014 and

March 31, 2014 respectively.

On June 22, 2007, the Company recorded a capital lease resulting from the sale and partial leaseback of its facility in Charlotte, NC under a 10 year lease agreement. The Company also has capital leases on certain production machinery and equipment. The outstanding balance on the capital lease obligations of $3,268,000 and $3,608,000 as of June 30, 2014 and March 31, 2014 respectively, are included in senior debt in the consolidated balance sheets.

The current and long term portion of the Company's other senior debt consists primarily of capital lease obligations.

Unsecured and uncommitted lines of credit are available to meet short-term working capital needs for certain of our subsidiaries operating outside of the U.S. The lines of credit are available on an offering basis, meaning that transactions under the line of credit will be on such terms and conditions, including interest rate, maturity, representations, covenants and events of default, as mutually agreed between our subsidiaries and the local bank at the time of each specific transaction. As of June 30, 2014, unsecured credit lines totaled approximately $7,119,000, of which $0 was drawn. In addition, unsecured lines of $13,075,000 were available for bank guarantees issued in the normal course of business of which $4,692,000 was utilized.

Refer to the Company's consolidated financial statements included in its annual report on Form 10-K for the year ended March 31, 2014 for further information on its debt arrangements.

9. Net Periodic Benefit Cost

The following table sets forth the components of net periodic pension cost for the Company's defined benefit pension plans (in thousands):

	Three months ended	
	June 30, 2014	June 30, 2013
Service costs	$560	$624
Interest cost	2,529	2,409
Expected return on plan assets	(3,549)	(3,157)
Net amortization	1,069	1,577
Net periodic pension cost	$609	$1,453

The Company currently plans to contribute approximately $11,000,000 to its pension plans in fiscal 2015.

The following table sets forth the components of net periodic postretirement benefit cost for the Company's defined benefit postretirement plans (in thousands):

	Three months ended	
	June 30, 2014	June 30, 2013
Interest cost	$54	$62
Amortization of plan net losses	19	21
Net periodic postretirement cost	$73	$83

For additional information on the Company's defined benefit pension and postretirement benefit plans, refer to the consolidated financial statements included in the Company's annual report on Form 10-K for the year ended March 31, 2014.

10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands):

	Three Months Ended	
	June 30, 2014	June 30, 2013
Numerator for basic and diluted earnings per share:		
Net income	$6,733	$7,020
Denominators:		
Weighted-average common stock outstanding – denominator for basic EPS	19,850	19,520
Effect of dilutive employee stock options and other share-based awards	245	259
Adjusted weighted-average common stock outstanding and assumed conversions – denominator for diluted EPS	20,095	19,779

Stock options and performance shares with respect to 15,000 and 98,000 common shares for the three month periods ended June 30, 2014 and 2013, respectively, were not included in the computation of diluted earnings per share because they were antidilutive.

On July 26, 2010, the shareholders of the Company approved the 2010 Long Term Incentive Plan (“LTIP”). The Company grants share based compensation to eligible participants under the LTIP. The total number of shares of common stock with respect to which awards may be granted under the plan is 1,250,000 including shares not previously authorized for issuance under any of the Prior Stock Plans and any shares not issued or subject to outstanding awards under the Prior Stock Plans.

During the first three months of fiscal 2015 and 2014, a total of 60,073 and 68,217 shares of stock were issued upon the exercising of stock options related to the Company’s stock option plans. During the fiscal year ended March 31, 2014, 89,729 shares of restricted stock units vested and were issued.

On July 28, 2014 the Company's Board of Directors declared a dividend of $0.04 per common share. The dividend will be paid on August 18, 2014 to shareholders of record on August 8, 2014. The dividend payment is expected to be approximately $800,000.

Refer to the Company’s consolidated financial statements included in its Form 10-K for the year ended March 31, 2014 for further information on its earnings per share and stock plans.

11. Loss Contingencies

Like many industrial manufacturers, the Company is involved in asbestos-related litigation. In continually evaluating costs relating to its estimated asbestos-related liability, the Company reviews, among other things, the incidence of past and recent claims, the historical case dismissal rate, the mix of the claimed illnesses and occupations of the plaintiffs, its recent and historical resolution of the cases, the number of cases pending against it, the status and results of broad-based settlement discussions, and the number of years such activity might continue. Based on this review, the Company has estimated its share of liability to defend and resolve probable asbestos-related personal injury claims. This estimate is highly uncertain due to the limitations of the available data and the difficulty of forecasting with any certainty the numerous variables that can affect the range of the liability. The Company will continue to study the variables in light of additional information in order to identify trends that may become evident and to assess their impact on the range of liability that is probable and estimable.

Based on actuarial information, the Company has estimated its asbestos-related aggregate liability including related legal costs to range between $7,000,000 and $12,000,000 using actuarial parameters of continued claims for a period of 18 to 30 years from June 30, 2014. The Company's estimation of its asbestos-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $8,929,000, which has been reflected as a liability in the consolidated financial statements as of June 30, 2014. The recorded liability does not consider the impact of any potential favorable federal legislation. This liability will fluctuate based on the uncertainty in the number of future claims that will be filed and the cost to resolve those claims, which may be influenced by a number of factors, including the outcome of the ongoing broad-based settlement negotiations, defensive strategies, and the cost to resolve claims outside the broad-based settlement program. Of this amount, management expects to incur asbestos settlement payments and legal defense costs of approximately $2,000,000 over the next 12 months. Because payment of these costs is likely to extend over many years, management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

The Company is also involved in other unresolved legal actions that arise in the normal course of business. The most prevalent of these unresolved actions involve disputes related to product design, manufacture and performance. The Company's estimation of its product-related aggregate liability that is probable and estimable, in accordance with U.S. generally accepted accounting principles approximates $5,737,000, which has been reflected as a liability in the consolidated financial statements as of June 30, 2014. In some cases, we cannot reasonably estimate a range of loss because there is insufficient information regarding the matter. Management believes that the potential additional costs for claims will not have a material effect on the financial condition of the Company or its liquidity, although the effect of any future liabilities recorded could be material to earnings in a future period.

12. Income Taxes

Income tax expense as a percentage of income from continuing operations before income tax expense was 33% and 30% in the quarter ended June 30, 2014 and June 30, 2013, respectively. Typically these percentages vary from the U.S. statutory rate primarily due to varying effective tax rates at the Company's foreign subsidiaries, and the jurisdictional mix of taxable income for these subsidiaries. We estimate that the effective tax rate related to continuing operations will be approximately 28% to 33% for fiscal 2015.

13. Summary Financial Information

The following information (in thousands) sets forth the condensed consolidating summary financial information of the parent and guarantors, which guarantee the 7 7/8% Senior Subordinated Notes, and the nonguarantors. The guarantors are 100% owned and the guarantees are full, unconditional, joint and several.

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
As of June 30, 2014					
ASSETS					
Current assets:					
Cash and cash equivalents	$71,253	$—	$42,832	$—	$ 114,085
Trade accounts receivable, less allowance for doubtful accounts	35,964	4,563	41,202	—	81,729
Inventories	33,930	8,263	60,466	—	102,659
Prepaid expenses and other	13,963	227	8,478	—	22,668
Total current assets	155,110	13,053	152,978	—	321,141
Net property, plant, and equipment	47,355	6,739	23,464	—	77,558
Goodwill	40,696	31,025	47,414	—	119,135
Other intangibles, net	328	—	19,759	—	20,087
Intercompany	24,965	55,083	(80,048)	—	—
Marketable securities	—	—	22,574	—	22,574
Deferred taxes on income	10,285	2,590	7,936	—	20,811
Investment in subsidiaries	219,695	—	—	(219,695)	—
Other assets	5,919	1,378	58	—	7,355
Total assets	$504,353	$109,868	$194,135	$ (219,695)	$ 588,661
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade accounts payable	$11,460	$1,771	$13,538	$—	$ 26,769
Accrued liabilities	22,855	2,335	23,253	—	48,443
Current portion of long-term debt	267	362	960	—	1,589
Total current liabilities	34,582	4,468	37,751	—	76,801
Senior debt, less current portion	381	1,203	95	—	1,679
Subordinated debt	148,753	—	—	—	148,753
Other non-current liabilities	20,761	5,411	35,380	—	61,552
Total liabilities	204,477	11,082	73,226	—	288,785
Total shareholders' equity	299,876	98,786	120,909	(219,695)	299,876
Total liabilities and shareholders' equity	$504,353	$109,868	$194,135	$ (219,695)	$ 588,661

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended June 30, 2014:					
Net sales	$78,640	$12,805	$65,356	$(13,869)	$142,932
Cost of products sold	55,080	10,138	46,018	(13,869)	97,367
Gross profit	23,560	2,667	19,338	—	45,565
Selling expenses	5,982	1,290	10,619	—	17,891
General and administrative expenses	8,821	366	4,892	—	14,079
Amortization of intangibles	21	—	568	—	589
Income from operations	8,736	1,011	3,259	—	13,006
Interest and debt expense	3,239	38	92	—	3,369
Investment income		—	(202)	—	(202)
Foreign currency exchange loss (gain)	(12)	—	(31)	—	(43)
Other expense and (income), net	(330)	(839)	992	—	(177)
Income before income tax expense	5,839	1,812	2,408	—	10,059
Income tax expense (benefit)	1,833	792	701	—	3,326
Equity in income from continuing operations of subsidiaries	2,727	—	—	(2,727)	—
Net income	$6,733	$1,020	$1,707	$(2,727)	$6,733

For the Three Months Ended June 30, 2014	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$6,733	$1,020	$1,707	$(2,727)	$6,733
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	(477)	808	—	331
Change in derivatives qualifying as hedges, net of tax	116	—	—	—	116
Change in pension liability and post-retirement obligations, net of tax	—	—	1	—	1
Adjustments:					
Unrealized holding gains (losses) arising during the period, net of tax	—	—	277	—	277
Reclassification adjustment for loss included in net income, net of tax	—	—	(16)	—	(16)
Total adjustments	—	—	261	—	261
Total other comprehensive income (loss)	116	(477)	1,070	—	709
Comprehensive income (loss)	$6,849	$543	$2,777	$(2,727)	$7,442

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended June 30, 2014:					
Operating activities:					
Net cash provided by (used for) operating activities	$15,030	$158	$(8,717)	$—	$6,471
Investing activities:					—
Proceeds from sale of marketable securities	—	—	416	—	416
Purchases of marketable securities	—	—	(764)	—	(764)
Capital expenditures	(2,145)	(73)	(2,398)	—	(4,616)
Intercompany transactions	(13,303)	—	13,303	—	—
Net cash provided by (used for) investing activities	(15,448)	(73)	10,557	—	(4,964)
Financing activities:					
Proceeds from exercise of stock options	1,051	—	—	—	1,051
Repayment of debt	(53)	(85)	(194)	—	(332)
Change in ESOP debt guarantee	101			—	101
Dividends paid	(793)	—	—	—	(793)
Net cash provided by (used for) financing activities	306	(85)	(194)	—	27
Effect of exchange rate changes on cash	—	—	242	—	242
Net change in cash and cash equivalents	(112)	—	1,888	—	1,776
Cash and cash equivalents at beginning of year	71,365	—	40,944	—	112,309
Cash and cash equivalents at end of year	$71,253	$—	$42,832	$—	$114,085

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
As of March 31, 2014:					
ASSETS					
Current assets:					
Cash and cash equivalents	$71,365	$—	$40,944	$—	$112,309
Trade accounts receivable, less allowance for doubtful accounts	45,960	4,264	42,999	—	93,223
Inventories	31,076	8,374	58,126	—	97,576
Prepaid expenses and other	13,970	600	8,874	—	23,444
Total current assets	162,371	13,238	150,943	—	326,552
Net property, plant, and equipment	47,644	6,976	24,067	—	78,687
Goodwill	40,696	31,025	47,582	—	119,303
Other intangibles, net	322	—	20,520	—	20,842
Intercompany	21,892	55,593	(77,485)	—	—
Marketable securities	—	—	21,941	—	21,941
Deferred taxes on income	13,516	2,590	7,300	—	23,406
Investment in subsidiaries	216,968	—	—	(216,968)	—
Other assets	6,460	1,378	105	—	7,943
Total assets	$509,869	$110,800	$194,973	$(216,968)	$598,674
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Trade accounts payable	$18,508	$2,218	$14,633	$—	$35,359
Accrued liabilities	24,268	2,661	25,419	—	52,348
Current portion of long-term debt	271	351	966	—	1,588
Total current liabilities	43,047	5,230	41,018	—	89,295
Senior debt, less current portion	430	1,299	291	—	2,020
Subordinated debt	148,685	—	—	—	148,685
Other non-current liabilities	26,421	5,429	35,538	—	67,388
Total liabilities	218,583	11,958	76,847	—	307,388
Total shareholders' equity	291,286	98,842	118,126	(216,968)	291,286
Total liabilities and shareholders' equity	$509,869	$110,800	$194,973	$(216,968)	$598,674

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended June 30, 2013:					
Net sales	$60,000	$34,822	$58,443	$(14,374)	$138,891
Cost of products sold	41,246	27,341	41,187	(14,374)	95,400
Gross profit	18,754	7,481	17,256	—	43,491
Selling expenses	5,740	1,409	9,598	—	16,747
General and administrative expenses	3,835	4,225	4,789	—	12,849
Amortization of intangibles	23	—	436	—	459
Income from operations	9,156	1,847	2,433	—	13,436
Interest and debt expense	3,244	46	81	—	3,371
Investment income	—	—	(216)	—	(216)
Foreign currency exchange gain	16	—	210	—	226
Other expense and (income), net	(688)	(764)	1,541	—	89
Income before income tax expense	6,584	2,565	817	—	9,966
Income tax expense (benefit)	2,267	883	(204)	—	2,946
Equity in income from continuing operations of subsidiaries	2,703	—	—	(2,703)	—
Net income	$7,020	$1,682	$1,021	$(2,703)	$7,020

For the Three Months Ended June 30, 2013	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
Net income	$7,020	$1,682	$1,021	$(2,703)	$7,020
Other comprehensive income (loss), net of tax:					
Foreign currency translation adjustments	—	1,319	(1,449)	—	(130)
Change in derivatives qualifying as hedges, net of tax	(49)	—	135	—	86
Change in pension liability and post-retirement obligations, net of tax	—	—	(5)	—	(5)
Adjustments:					
Unrealized holding gain (losses) arising during the period, net of tax	—	—	(434)	—	(434)
Reclassification adjustment for loss included in net income, net of tax	—	—	(235)	—	(235)
Total adjustments	—	—	(669)	—	(669)
Total other comprehensive income (loss)	(49)	1,319	(1,988)	—	(718)
Comprehensive income (loss)	$6,971	$3,001	$(967)	$(2,703)	$6,302

	Parent	Guarantors	Non Guarantors	Eliminations	Consolidated
For the Three Months Ended June 30, 2013:					
Operating activities:					
Net cash provided by (used for) operating activities	$(1,844)	$131	$(195)	$—	$(1,908)
Investing activities:					
Proceeds from sale of marketable securities	—	—	952	—	952
Purchases of marketable securities	—	—	(1,613)	—	(1,613)
Capital expenditures	(2,485)	(57)	(1,072)	—	(3,614)
Proceeds from sale of assets	—	—	(5,847)	—	(5,847)
Intercompany loan	(5,179)	—	5,179		
Net cash provided by (used for) investing activities	(7,664)	(57)	(2,401)	—	(10,122)
Financing activities:					
Proceeds from exercise of stock options	412	—	—	—	412
Repayment of debt	—	(74)	(192)	—	(266)
Change in ESOP debt guarantee	104	—	—	—	104
Net cash provided by (used for) financing activities	516	(74)	(192)	—	250
Effect of exchange rate changes on cash	—	—	519	—	519
Net change in cash and cash equivalents	(8,992)	—	(2,269)	—	(11,261)
Cash and cash equivalents at beginning of year	79,412	—	42,248	—	121,660
Cash and cash equivalents at end of year	$70,420	$—	$39,979	$—	$110,399

14. Changes in Other Comprehensive Loss

Changes in AOCL by component for the three-month period ended June 30, 2014 are as follows (in thousands):

	Three months ended June 30, 2014				
	Unrealized Investment Gain	Retirement Obligations	Foreign Currency	Change in Derivatives Qualifying as Hedges	Total
Beginning balance net of tax	$1,768	$(47,977)	$5,272	$(199)	$(41,136)
Other comprehensive income (loss) before reclassification	277	(761)	331	3	(150)
Amounts reclassified from other comprehensive loss	(16)	762	—	113	859
Net current period other comprehensive income (loss)	261	1	331	116	709
Ending balance	$2,029	$(47,976)	$5,603	$(83)	$(40,427)

Details of amounts reclassified out of AOCL for the three-month period ended June 30, 2014 are as follows (in thousands):

Details of AOCL Components	Amount reclassified from AOCL		Affected line item on condensed consolidated statement of operations and retained earnings
Unrealized gain on investments			
	$(25	)	Investment income
	(25	)	Total before tax
	9		Tax expense
	$(16	)	Net of tax
Net amortization of prior service cost			
	$1,088		(1)
	1,088		Total before tax
	326		Tax benefit
	$762		Net of tax
Change in derivatives qualifying as hedges			