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Capital Research Company
(A Wholly Owned Subsidiary of
Capital Research and
Management Company)

*Financial Statements for the Years
Ended June 30, 2012 and 2011 and
Independent Auditors' Report*

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COMPANIES HOUSE

Company Number FC017708



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INDEPENDENT AUDITORS' REPORT

Capital Research Company

We have audited the accompanying balance sheets of Capital Research Company (the "Company") as of June 30, 2012 and 2011 and the related statements of income, stockholder's equity and comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Company at June 30, 2012 and 2011 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

September 17, 2012

CAPITAL RESEARCH COMPANY
(A Wholly Owned Subsidiary of Capital Research and Management Company)

BALANCE SHEETS

JUNE 30, 2012 AND 2011

(Dollars in thousands, except per share amounts)

ASSETS	2012	2011
CURRENT ASSETS		
Cash and cash equivalents	\$ 49,291	\$ 54,837
Investment securities available-for-sale	107,998	181,377
Receivables	30,269	36,927
Prepaid expenses	7,137	1,474
Deferred income taxes - net	11,971	9,957
Total current assets	206,666	284,572
DEFERRED INCOME TAXES - net	11,494	11,006
PROPERTY - at cost		
Land	38,471	38,471
Buildings	228,673	227,979
Furniture, equipment and software	10,303	10,213
Leasehold improvements	47,388	47,689
Total	324,835	324,352
Accumulated depreciation and amortization	(105,648)	(92,036)
Property - net	219,187	232,316
DEPOSITS, DEFERRED CHARGES AND OTHER ASSETS	9,878	9,900
TOTAL	\$447,225	\$537,794

(Continued)

CAPITAL RESEARCH COMPANY
(A Wholly Owned Subsidiary of Capital Research and Management Company)

BALANCE SHEETS

JUNE 30, 2012 AND 2011

(Dollars in thousands, except per share amounts)

LIABILITIES AND STOCKHOLDER'S EQUITY	2012	2011
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 21,470	\$ 23,496
Accrued compensation and employee benefits	32,608	36,306
Income tax payable	<u>2,525</u>	<u>1,956</u>
Total current liabilities	56,603	61,758
NONCURRENT LIABILITIES - Accrued postretirement and postemployment benefits	<u>7,521</u>	<u>5,657</u>
Total liabilities	<u>64,124</u>	<u>67,415</u>
STOCKHOLDER'S EQUITY		
Capital stock, \$10 par value - authorized, 150,000 shares, issued and outstanding, 100,000	1,000	1,000
Additional paid-in capital	2	2
Retained earnings	383,511	466,861
Accumulated other comprehensive (loss) income, net of taxes	<u>(1,412)</u>	<u>2,516</u>
Total stockholder's equity	<u>383,101</u>	<u>470,379</u>
TOTAL	<u><u>\$447,225</u></u>	<u><u>\$537,794</u></u>

(Concluded)

See notes to financial statements

Company Number FC017708

CAPITAL RESEARCH COMPANY
(A Wholly Owned Subsidiary of Capital Research and Management Company)

STATEMENTS OF INCOME
YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in thousands)

	2012	2011
OPERATING REVENUES		
Research fees	\$293,859	\$299,423
Other	<u>17,637</u>	<u>17,660</u>
Total operating revenues	<u>311,496</u>	<u>317,083</u>
OPERATING EXPENSES		
Compensation and employee benefits (including contribution to profit sharing plan)	188,034	197,677
Other expenses - including administrative, information technology, office facilities, human resources and travel expenses	<u>99,905</u>	<u>96,507</u>
Total operating expenses	<u>287,939</u>	<u>294,184</u>
INCOME FROM OPERATIONS	23,557	22,899
OTHER INCOME - net (principally interest)	<u>3,645</u>	<u>5,288</u>
INCOME BEFORE INCOME TAXES	27,202	28,187
INCOME TAXES	<u>10,552</u>	<u>11,276</u>
NET INCOME	<u>\$ 16,650</u>	<u>\$ 16,911</u>

See notes to financial statements

CAPITAL RESEARCH COMPANY
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STATEMENTS OF STOCKHOLDER'S EQUITY AND COMPREHENSIVE INCOME
YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in thousands)

	Capital Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Comprehensive Income
BALANCE JULY 1, 2010	\$ 1,000	\$ 2	\$ 549,950	\$ 3,086	
Cash dividends			(100,000)		
Comprehensive income					
Net income			16,911		\$ 16,911
Foreign exchange translation adjustments - net of taxes of \$302				412	412
Net unrealized holding loss on investments available-for-sale arising during the period - net of taxes of \$(642)				(1,004)	(1,004)
Reclassification adjustment for gain of investments available-for-sale included in net income - net of taxes of \$(44)				(69)	(69)
Changes in postretirement and postemployment benefits plans- net of taxes of \$58				91	91
Total comprehensive income					<u>\$ 16,341</u>
BALANCE, JUNE 30, 2011	<u>1,000</u>	<u>2</u>	<u>466,861</u>	<u>2,516</u>	
Cash dividends			(100,000)		
Comprehensive income					
Net income			16,650		\$ 16,650
Foreign exchange translation adjustments - net of taxes of \$(1,654)				(2,586)	(2,586)
Net unrealized holding loss on investments available-for-sale arising during the period - net of taxes of \$(584)				(913)	(913)
Changes in postretirement and postemployment benefits plans- net of taxes of \$(275)				(429)	(429)
Total comprehensive income					<u>\$ 12,722</u>
BALANCE, JUNE 30, 2012	<u>\$ 1,000</u>	<u>\$ 2</u>	<u>\$ 383,511</u>	<u>\$ (1,412)</u>	

See notes to financial statements

CAPITAL RESEARCH COMPANY
(A Wholly Owned Subsidiary of Capital Research and Management Company)

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in thousands)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16,650	\$ 16,911
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	13,712	14,967
Net loss (gain) on disposition of property	2	(17)
Amortization of investment discounts	2,117	2,720
Realized gain on investment securities available-for-sale	-	(113)
Deferred income taxes	9	2,249
Changes in assets and liabilities		
Receivables	6,658	10,357
Prepaid expenses	(5,663)	17
Accounts payable and accrued expenses	(2,026)	(8,356)
Accrued compensation and employee benefits	(3,698)	1,494
Income tax receivable/payable	449	(10,741)
Accrued postretirement and postemployment benefits	1,160	1,014
Total adjustments	12,720	13,591
Net cash provided by operating activities	29,370	30,502
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property	(585)	(1,758)
Proceeds from disposition of property	-	23
Purchases of investment securities available-for-sale	(41,574)	(28,865)
Proceeds from maturities of investment securities available-for-sale	111,340	28,250
Proceeds from sale of investment securities available-for-sale	-	29,523
Decrease (increase) in deposits, deferred charges and other assets	143	(561)
Net cash provided by investing activities	69,324	26,612
CASH FLOWS FROM FINANCING ACTIVITIES - Dividends paid	(100,000)	(100,000)
EFFECTS OF EXCHANGE RATE CHANGES ON CASH	(4,240)	714
NET DECREASE IN CASH AND CASH EQUIVALENTS	(5,546)	(42,172)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	54,837	97,009
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 49,291</u>	<u>\$ 54,837</u>

See notes to financial statements

CAPITAL RESEARCH COMPANY
(A Wholly Owned Subsidiary of Capital Research and Management Company)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2012 AND 2011
(Dollars in thousands)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations—Capital Research Company (the “Company”) is a wholly owned subsidiary of Capital Research and Management Company (the “Parent”) and a second-tier subsidiary of The Capital Group Companies, Inc. (“Capital Group”). The Company was organized to provide investment research for companies, which represents the Company’s principal source of revenue. Other revenue includes rent charged to affiliates.

Basis of Presentation—The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“U S GAAP”).

Estimates—The preparation of the financial statements in conformity with U S GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Cash and Cash Equivalents—Cash includes demand deposit accounts. Cash equivalents consist principally of shares of a money market fund for which the Parent serves as the investment adviser. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of these instruments.

Depreciation and Amortization of Property—Depreciation of buildings, furniture, equipment and software is computed generally on the straight-line method based upon estimated useful lives of 3 to 39 years. Amortization of leasehold improvements is computed on the straight-line method based upon the life of the related asset or the term of the lease, whichever is shorter.

Investment Securities—The Company classifies its investments in debt securities (with readily determinable fair values) as available-for-sale, and these investments are recorded at fair value. Unrealized gains and losses on investments are reported, net of tax, in accumulated other comprehensive income within stockholder’s equity.

The specific identification method is used to compute realized gains or losses on the sale of these assets. The effective interest method is used to account for the amortization of investment premiums and discounts. Interest and dividends are recorded when earned and are included in other income.

The Company evaluates the carrying value of investment securities for impairment on an annual basis. In its impairment analysis, the Company takes into consideration numerous criteria, including the duration and extent of a decline in fair value, as well as the Company’s intent to sell its investment in the issuer before anticipated recovery in market value. If the decline is determined to be other than temporary, the carrying value of the security is written down to fair value.

Fair Value of Financial Instruments—Cash and cash equivalents, receivables, and payables are recorded at carrying amounts that approximate fair value. Investment securities available-for-sale are recorded at fair value, as discussed above. Receivables and payables from affiliates are carried at cost as it is not practical to estimate fair values due to the related-party nature of such amounts.

Revenue Recognition—Revenue from providing research services is recognized during the period in which services are performed. The revenue is determined based on a percentage of the Company's operating expenses.

Income Taxes—The Company's results are included in consolidated tax returns filed by Capital Group, and the Company is allocated income taxes based on the separate return method. However, if the Company incurs a loss which is utilized by Capital Group, the loss is characterized as realized and the Company is reimbursed. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases using currently enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are subject to a valuation allowance if, in the Company's opinion, it is more likely than not that these benefits will not be realized.

The Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 740, *Income Taxes*, as amended by Accounting Standards Update (ASU) No. 2009-06, *Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities* provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. A tax position is recognized as a benefit only if it is more likely than not that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more likely than not test, no tax benefit is recorded. The Company reviews and evaluates tax positions in its major jurisdictions and determines whether or not there are uncertain tax positions that require financial statement recognition. The Company recognized a tax liability and an offsetting tax asset at June 30, 2012 and 2011, respectively, related to the allocation of certain income items between the U.S. and non-U.S. jurisdictions. The asset and liability are not expected to increase or decrease in the year ended June 30, 2013.

The Company recognizes the accrual of interest and penalties on uncertain tax positions in other income. For the years ended June 30, 2012 and 2011, the Company did not recognize any material tax related interest or penalties.

The Company is subject to examination by U.S. federal tax authorities for tax returns filed for the prior three years and by state tax authorities for the prior four years. The time allowed for foreign tax authorities to examine tax returns varies by country.

Postretirement Benefits—The expected costs of providing postretirement benefits are recognized during the years that the associates render service with the Company, based on actuarial estimates.

Postemployment Benefits—The Company recognizes the liability for future costs of compensation and benefits to be paid to employees on disability leave, based on actuarial estimates.

Foreign Currency Translation—Foreign currency transactions are translated into U S dollars (the functional currency) as follows: assets and liabilities at year-end exchange rates and revenues and expenses at average rates during the year. Unrealized translation gains and losses are reported, net of tax, in accumulated other comprehensive income within stockholder's equity.

Recent Accounting Pronouncements— In January 2010, the FASB issued ASU No. 2010-06, *Improving Disclosures about Fair Value Measurements*, to add additional disclosures about the different classes of assets and liabilities measured at fair value, the valuation techniques and inputs used, and the activity in Level 3 fair value measurements. The adoption of provisions of this update, which relate to disclosures in the Level 3 roll forward of activity, did not have a significant impact on the Company's financial statements.

In May 2011 the FASB issued ASU No. 2011-04 *Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in US GAAP and International Financial Reporting Standards ("IFRS")*. ASU No. 2011-04 represents the converged guidance of the FASB and the IASB (the "Boards") on fair value measurements. The collective efforts of the Boards and their staffs have resulted in common requirements for measuring fair value and for disclosing information about fair value measurements, including a consistent meaning of the term "fair value." The amendments in this ASU are required to be applied prospectively, and are effective for fiscal year 2013.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income*. ASU No. 2011-05 requires that all nonowner changes in stockholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The adoption of ASU No. 2011-05 is effective for fiscal year 2014.

In December 2011, the FASB issued ASU No. 2011-12, *Comprehensive Income (Topic 220) Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05*. The amendments in this update defer those changes in ASU No. 2011-05 that relate to the presentation of reclassifications out of accumulated other comprehensive income on the components of net income and other comprehensive income for all periods presented. All other requirements in ASU No. 2011-05 are not affected by this update. The adoption of ASU No. 2011-05 is effective for fiscal year 2014.

The Company is currently evaluating the impact of the adoption of the above mentioned amended guidance on its financial statements.

2. INVESTMENT SECURITIES

Investment securities classified as available-for-sale and carried at fair value are as follows

June 30, 2012				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current Assets				
U S treasury securities				
Due in one year or less	\$ 78,101	\$ 610	\$ -	\$ 78,711
Due after one year through five years	28,722	565	-	29,287
	<u>\$ 106,823</u>	<u>\$ 1,175</u>	<u>\$ -</u>	<u>\$ 107,998</u>
June 30, 2011				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Current Assets				
U S Treasury and agency securities				
Due in one year or less	\$ 70,165	\$ 555	\$ -	\$ 70,720
Due after one year through five years	108,541	2,116	-	110,657
	<u>\$ 178,706</u>	<u>\$ 2,671</u>	<u>\$ -</u>	<u>\$ 181,377</u>

There were no sales of securities in 2012. Proceeds from the sales of securities available-for-sale in 2011 totaled \$29,523, and net realized gains were \$113.

3. FAIR VALUE DISCLOSURES

ASC 820, *Fair Value Measurements and Disclosures*, establishes a hierarchy that prioritizes the inputs of valuation methods used to measure fair value for financial assets that are carried at fair value. The hierarchy consists of three levels that are prioritized based on observable and unobservable inputs. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Company's determination of assumptions that market participants might reasonably use in valuing the securities.

The Company's valuation levels are as follows

	June 30, 2012			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 42,133	\$ -	\$ -	\$ 42,133
Investments available-for-sale -				
U S Treasury securities	-	107,998	-	107,998
Other assets - Equity mutual funds	2,285	-	-	2,285
	<u>\$ 44,418</u>	<u>\$ 107,998</u>	<u>\$ -</u>	<u>\$ 152,416</u>

	June 30, 2011			
	Level 1	Level 2	Level 3	Total
Cash equivalents	\$ 45,967	\$ -	\$ -	\$ 45,967
Investments available-for-sale -				
U S Treasury and agency securities	-	181,377	-	181,377
Other assets - Mutual funds	2,378	-	-	2,378
	<u>\$ 48,345</u>	<u>\$ 181,377</u>	<u>\$ -</u>	<u>\$ 229,722</u>

Transfers in or out are recognized based on the beginning fair value of the year in which they occurred. There were no significant transfers of investments between Level 1 and Level 2 during the years ended June 30, 2012 and 2011.

The Company uses the following methods and inputs to establish the fair value of its assets and liabilities. Use of particular methods and inputs may vary over time based on availability and relevance as market and economic conditions evolve.

Cash equivalents include money market mutual fund instruments, which are short term in nature with readily-determinable values derived from active markets. Shares of money market mutual funds are valued at quoted market prices, which represent the net asset value of shares.

U S Treasury and agency securities are valued using standard inputs and interest rate volatilities.

Mutual funds are valued at quoted market prices which represent the net asset value of the shares. The net asset value of each mutual fund is calculated based on the policies and procedures of the mutual fund.

4. INCOME TAXES

The income tax provision consists of the following

	2012	2011
Federal		
Current	\$ 8,002	\$ 4,124
Deferred	<u>(746)</u>	<u>2,054</u>
Federal provision	<u>7,256</u>	<u>6,178</u>
State and foreign.		
Current	2,541	4,903
Deferred	<u>755</u>	<u>195</u>
State and foreign provision	<u>3,296</u>	<u>5,098</u>
Total income tax provision	<u>\$ 10,552</u>	<u>\$ 11,276</u>

The net deferred tax asset consists of the following

	2012	2011
Deferred tax assets		
Accrued compensation and benefits	\$ 13,312	\$ 13,825
Accrued expenses and other	2,913	3,503
Depreciation and amortization	6,418	5,970
Unrealized loss on foreign exchange translation	440	-
Postretirement benefits	<u>1,143</u>	<u>360</u>
Total deferred tax assets	<u>24,226</u>	<u>23,658</u>
Deferred tax liabilities		
State franchise taxes	303	438
Unrealized gain on investment securities available-for-sale	458	1,042
Unrealized gain on foreign exchange translation	<u>-</u>	<u>1,215</u>
Total deferred tax liabilities	<u>761</u>	<u>2,695</u>
Net deferred tax asset	<u>\$ 23,465</u>	<u>\$ 20,963</u>

The Company has not established a valuation allowance against the net deferred tax asset, as it has been determined that it is more likely than not that the asset will be realized

Income taxes paid to Capital Group by the Company amounted to \$6,496 and \$15,618 during 2012 and 2011, respectively. The income tax receivable/payable balances primarily relate to amounts receivable/payable between Capital Group and the Company for jurisdictions in which Capital Group and the Company file a consolidated/combined tax return.

The effective income tax rate differs from the federal statutory rate primarily due to state income taxes and permanent differences between taxable income and financial statement income related to items such as non-deductible expenses

5. RETIREMENT PLANS

The Company participates with Capital Group and affiliates in defined contribution retirement plans covering substantially all of its associates. The Company annually contributes up to 15% of each participant's eligible compensation. Contributions for certain employees residing outside the United States are made to local plans. Total retirement plan expenses were \$8,974 and \$8,081 in 2012 and 2011, respectively.

The Company also has a supplemental retirement plan for certain senior executives. The liability for benefits under the plan is included in accrued postemployment and postretirement benefits. Deposits, deferred charges and other assets include investments of \$2,285 and \$2,378 at June 30, 2012 and 2011, respectively, held solely for the purpose of providing benefits under the plan. These investments are carried at fair value and held in a trust for the plan participants. Effective October 2002, contributions to the supplemental retirement plan were discontinued.

6. TRANSACTIONS WITH AFFILIATES

Research fee revenues include charges to affiliates of \$293,859 and \$299,423 in 2012 and 2011, respectively. Other revenues include rent charged to affiliates of \$17,637 and \$17,660 in 2012 and 2011, respectively. Other operating expenses include charges from affiliated companies for administrative services, information technology, office facilities and human resources of \$33,520 and \$31,568 in 2012 and 2011, respectively. Receivables at June 30, 2012 and 2011 include \$29,052 and \$35,633, respectively, and accounts payable and accrued expenses at June 30, 2012 and 2011 include \$14,410 and \$18,135, respectively, relating to transactions with affiliates. Receivables at June 30, 2012 and 2011 are primarily related to research fees and accounts payable and accrued expenses at June 30, 2012 and 2011 are primarily related to compensation and employee benefits.

7. INDEMNIFICATIONS, GUARANTEES, AND COMMITMENTS

Management has reviewed the indemnification provisions of its material contracts. In the normal course of its business, the Company enters into contracts in which it makes representations and warranties as well as standard "hold harmless" indemnifications to counterparties. These agreements include a real estate lease under which the Company may be required to indemnify property owner for claims arising from the Company's use of the applicable premise. The obligation amounts of these types of agreements are not explicitly stated, therefore, the overall maximum amount of the obligations cannot be reasonably estimated. However, management believes that it is unlikely that the Company will have to make material payments under these agreements, and no liabilities related to these agreements have been recognized in the Company's financial statements.

The Company is obligated under leases for office space requiring minimum annual rentals as follows

**Years Ending
June 30**

2013	\$ 9,654
2014	9,654
2015	9,654
2016	9,654
2017	9,654
	<u>9,654</u>
Total	<u>\$ 48,270</u>

A portion of this leased space is utilized by affiliates and others that are allocated or charged a proportionate share of the lease cost. Total minimum rentals to be received from affiliates and others under these leases are \$9,716 over the life of the leases.

In addition, Capital Group and other affiliates lease equipment and office facilities that are utilized by the Company. The Company is allocated its proportionate share of the expense. Rental expense was \$16,913 and \$14,598 in 2012 and 2011, respectively. In 2011, the Company recognized an impairment charge of \$1,574 due to the discontinued use of certain leased facilities, which is included in other expenses.

8. POSTRETIREMENT BENEFITS

Capital Group sponsors a plan to subsidize health care insurance coverage for retired United States based associates who meet certain age and service requirements, if they elect to contribute a portion of the cost. The Company, or an affiliate, may fund the Company's portion of postretirement benefits in cash through a §401(h) account up to the maximum deductible amount allowed by the Internal Revenue Code. All plan assets are invested in a combination of equity and fixed-income commingled funds and money market mutual funds and are held in Employee Benefit Trust accounts managed by an affiliate. The measurement date for the Company's portion of the plan's actuarial valuation is June 30.

	2012	2011
Accumulated postretirement benefit obligation	\$ 6,255	\$ 4,452
Plan assets at fair value	<u>3,292</u>	<u>3,517</u>
Underfunded status/liability	<u>\$ (2,963)</u>	<u>\$ (935)</u>

The Company's liability is recognized in accrued postretirement and postemployment benefits.

Asset allocation targets of the plan are established based on the long-term return and volatility characteristics of the investment classes and recognize the benefit of diversification and the profiles of the plan's liabilities. The actual and target allocation of the Company at June 30, 2012 are as follows:

	Actual	Target Allocation
Money market mutual fund	0.4%	0% to 15%
Fixed-income commingled funds	19.8%	10% to 50%
Equity commingled funds	79.8%	35% to 90%
	<u>100.0%</u>	

The Company's portion of the plan's money market mutual fund investments of \$12 and \$32 at June 30, 2012 and 2011, respectively, are valued using quoted prices in active markets and are classified as Level 1 under the ASC 820 fair value hierarchy. The Company's portion of the plan's fixed-income commingled fund investment values are \$651 and \$734 at June 30, 2012 and 2011, respectively. The Company's portion of the plan's equity commingled fund investment values are \$2,629 and \$2,751 at June 30, 2012 and 2011, respectively. Investments in equity and fixed-income commingled funds are valued at net asset value per unit as reported by the commingled fund managers and are classified as Level 2 and are redeemable on a semi-monthly basis.

The plan's weighted-average assumptions as of June 30:

	2012	2011
Discount rate	4.5%	6.0%
Expected return on plan assets	6.0%	6.0%
Medical trend		
Ultimate trend	5.0%	5.0%
Initial trend	8.5%	8.5%
Year ultimate trend reached	2019	2019

The plan's discount rate assumption is based upon the review of high quality corporate bond rates and the change in these rates during the year. The expected return on plan assets and health care cost trend rates are based upon an evaluation of the plan's historical trends and experience, taking into account current and expected future market conditions.

The Company's portion for periods ended June 30:

	2012	2011
Net periodic benefit costs	\$ 437	\$ 367
Benefit payments to retirees	\$ 111	\$ 97

The Company's components of net periodic benefit costs are as follows

	2012	2011
Service costs	\$ 332	\$ 286
Interest costs	284	221
Expected return on plan assets	(209)	(176)
Amortization of prior service costs	(11)	(11)
Amortization of net actuarial loss	41	47
Net periodic benefit costs	<u>\$ 437</u>	<u>\$ 367</u>

The Company's estimated future payments to retirees are as follows

Years Ending

June 30

2013	\$ 42
2014	49
2015	55
2016	64
2017	76
2018 through 2022	568

The amounts recorded in accumulated other comprehensive loss (AOCL) for postretirement and postemployment benefit plans at June 30 that have not been recognized as components of net periodic benefit costs by the Company are as follows

	2012	2011
Net prior service costs	\$ 334	\$ 323
Net actuarial loss	1,980	1,287
Pre-tax amount recorded in AOCL	<u>\$ 2,314</u>	<u>\$ 1,610</u>
After-tax amount recorded in AOCL	<u>\$ 1,410</u>	<u>\$ 981</u>

Estimated pre-tax amounts in AOCL as of June 30, 2012 expected to be recognized as components of net periodic benefit costs by the Company in 2013 are as follows

Net prior service benefit	\$ (11)
Net actuarial loss	198
Total	<u>\$ 187</u>

There were no plan assets returned to the Company in 2012, nor does the Company expect any plan assets to be returned to the Company in 2013

9. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through September 17, 2012, the date the financial statements were available to be issued. No material subsequent events have occurred since June 30, 2012 that should require recognition or disclosure in these financial statements.

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