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ACCENTURE LTD
Form 8-K
October 15, 2001

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 8-K

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

Date of report (Date of earliest event reported): October 11, 2001

ACCENTURE LTD
(Exact Name of Registrant as Specified in Charter)

Bermuda (State or Other Jurisdiction of Incorporation)	001-16565 (Commission File Number)	98-0341111 (I.R.S. Employer Identification No.)
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Cedar House
41 Cedar Avenue
Hamilton HM12, Bermuda
(Address of Principal Executive Offices)

Registrant's telephone number, including area code: (441) 296-8262

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

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Item 5. Other Events

On October 11, 2001, Accenture Ltd issued a press release announcing results for the fourth quarter of fiscal 2001 and for the fiscal year ended August 31, 2001. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated by reference herein.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits

(c) Exhibits

99.1 Press Release, dated October 11, 2001.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACCENTURE LTD

By: /s/ Douglas G. Scrivner

Name: Douglas G. Scrivner
Title: General Counsel and
Secretary

Date: October 11, 2001

INDEX TO EXHIBITS

Exhibit Number -----	Exhibit -----
99.1	Press Release, dated October 11, 2001

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The Company's criteria used when considering a particular location for expansion include:

1. Market area, including proximity to existing markets to capitalize on name recognition;
2. Trade area population (number, average age, and college population);
3. Economic vitality of market area;
4. Mall location, anchor tenants, tenant mix, and average sales per square foot;
5. Available location within a mall, square footage, storefront width, and facility of using the current store design;
6. Availability of experienced management personnel for the market;
7. Cost of rent, including minimum rent, common area, and extra charges;
8. Estimated construction costs, including landlord charge backs and tenant allowances.

The Company generally seeks sites of 4,250 to 5,000 square feet for its stores. The projected cost of opening a store is approximately \$0.9 million, including construction costs of approximately \$0.7 million (prior to any construction allowance received) and inventory costs of approximately \$0.2 million, net of accounts payable.

The Company anticipates opening approximately 12 new stores during fiscal 2011 and completing approximately 25 remodels. Remodels range from partial to full, with construction costs for a full remodel being comparable to those of a new store. Of the stores scheduled for remodeling during fiscal 2011, it is estimated that all stores will receive full remodeling. The Company anticipates capital spending of approximately \$30.0 to \$35.0 million during fiscal 2011 for new store construction, store remodeling, technology updates, and other improvements at the corporate headquarters.

The Company plans to expand in 2011 by opening stores in existing markets as well as opening new stores in Providence, Rhode Island and Natick, Massachusetts, the Company's first store in each state. The Company believes that, given the time required for training personnel, staffing a store, and developing adequate district and regional managers, its current management infrastructure is sufficient to support its currently planned rate of growth.

The Company's ability to expand in the future will depend, in part, on general business conditions, the ability to find suitable malls with acceptable sites on satisfactory terms, the availability of financing, and the readiness of trained store managers. There can be no assurance that the Company's expansion plans will be fulfilled in whole or in part, or that leases under negotiation for planned new sites will be obtained on terms favorable to the Company.

Management Information Systems

The Company's management information systems (MIS) and electronic data processing systems (EDP) consist of a full range of retail, financial, and merchandising systems, including purchasing, inventory distribution and control, sales reporting, accounts payable, and merchandise management.

The system includes PC based point-of-sale (POS) registers in each store. These registers are polled nightly by the central computer (IBM iSeries) using a virtual private network for collection of comprehensive data, including complete item-level sales information, employee time clocking, merchandise transfers and receipts, special orders, supply orders, and returns-to-vendor. In conjunction with the nightly polling, the central computer sends the PC server messages from various departments at the Company headquarters and price changes for the price lookup ("PLU") file maintained within the POS registers.

Each weekday morning, the Company initiates an electronic "sweep" of the individual store bank accounts to the Company's primary concentration account. This allows the Company to meet its obligations with a minimum of borrowing and invest cash on a timely basis.

Management monitors the performance of each of its stores on a continual basis. Daily information is used to evaluate inventory, determine markdowns, analyze profitability, and assist management in the scheduling and compensation of employees.

The PLU system allows management to control merchandise pricing centrally, permitting faster and more accurate processing of sales at the store and the monitoring of specific inventory items to confirm that centralized pricing decisions are carried out in each of the stores. Management is able to direct all price changes, including promotional, clearance, and markdowns on a central basis and estimate the financial impact of such changes.

The virtual private network for communication with the stores also supports the Company's intranet site. The intranet allows stores to view various types of information from the corporate office. Stores also have access to a variety of tools such as a product search with pictures, product availability, special order functions, printable forms, links to transmit various requests and information to the corporate office, training videos, email, and information/guidelines from each of the departments at the corporate office. The Company's network is also structured so that it can support additional functionality such as digital video monitoring and digital music content programming at each store location.

The Company is committed to the ongoing review of its MIS and EDP systems to maintain productive, timely information and effective controls. This review includes testing of new products and systems to assure that the Company is aware of technological developments. Most important, continual feedback is sought from every level of the Company to assure that information provided is pertinent to all aspects of the Company's operations. During fiscal 2011, the Company anticipates the replacement of its current point-of-sale software and hardware upon completion of successful store testing.

Employees

As of January 29, 2011, the Company had approximately 7,600 employees - approximately 2,085 of whom were full-time. The Company has an experienced management team and substantially all of the management team, from store managers through senior management, began work for the Company on the sales floor. The Company experiences high turnover of store and distribution center employees, primarily due to the number of part-time employees. However, the Company has not experienced significant difficulty in hiring qualified personnel. Of the total employees, approximately 570 are employed at the corporate headquarters and in the distribution center. None of the Company's employees are represented by a union. Management believes that employee relations are good.

The Company provides medical, dental, life insurance, and long-term disability plans, as well as a 401(k) and a section 125 cafeteria plan for eligible employees. An employee must be at least 20 years of age and work a minimum of 1,000 hours during the plan year to be eligible for the 401(k) plan. To be eligible for the plans, other than the 401(k) plan, an employee must have worked for the Company for 98 days or more, and his or her normal workweek must be 35 hours or more. As of January 29, 2011, 1,642 employees participated in the medical plan, 1,649 in the dental plan, 2,086 in the life insurance plan, 431 in the supplemental life insurance plan, 1,227 in the long-term

disability plan, and 1,157 in the cafeteria plan. With respect to the medical, dental, and life insurance plans, the Company pays 80% to 100% of the employee's expected premium cost plus 20% to 100% of the expected cost of dependent coverage under the health plan. The exact percentage is based upon the employee's term of employment and job classification within the Company. In addition, all employees receive discounts on Company merchandise.

Competition

The men's and women's apparel industries are highly competitive with fashion, selection, quality, price, location, store environment, and service being the principal competitive factors. While the Company believes it is able to compete favorably with other merchandisers, including department stores and specialty retailers, with respect to each of these factors, the Company believes it competes mainly on the basis of customer service and merchandise selection.

In the men's merchandise area, the Company competes primarily with specialty retailers such as Abercrombie & Fitch, American Eagle Outfitters, Aeropostale, Hollister, Gap, Pacific Sunwear, and Metropark. The men's market also competes with certain department stores, such as Dillard's, Macy's, Bon-Ton stores, Nordstrom, and certain local or regional department stores and small specialty stores, as well as with mail order and internet retailers.

In the women's merchandise area, the Company competes primarily with specialty retailers such as Abercrombie & Fitch, American Eagle Outfitters, Express, Aeropostale, Hollister, Gap, Maurices, Pacific Sunwear, Wet Seal, Forever 21, Vanity, and Metropark. The women's market also competes with department stores, such as Dillard's, Macy's, Bon-Ton stores, Nordstrom, and certain local or regional department stores and small specialty stores, as well as with mail order and internet retailers.

Many of the Company's competitors are considerably larger and have substantially greater financial, marketing, and other resources than the Company, and there is no assurance that the Company will be able to compete successfully with them in the future. Furthermore, while the Company believes it competes effectively for favorable site locations and lease terms, competition for prime locations within a mall is intense.

Trademarks

“BUCKLE”, “RECLAIM”, “DAYTRIP”, “BKE”, “BKE BOUTIQUE”, “THE BUCKLE”, “B” icon, and “GIMMICK” are registered trademarks of the Company. The Company believes the strength of its trademarks is of considerable value to its business, and its trademarks are important to its marketing efforts. The Company intends to protect and promote its trademarks as management deems appropriate.

Executive Officers of the Company

The Executive Officers of the Company are listed below, together with brief accounts of their experience and certain other information.

Daniel J. Hirschfeld, age 69. Mr. Hirschfeld is Chairman of the Board of the Company. He has served as Chairman of the Board since April 19, 1991. Prior to that time, Mr. Hirschfeld served as President and Chief Executive Officer. Mr. Hirschfeld has been involved in all aspects of the Company's business, including the development of the Company's management information systems.

Dennis H. Nelson, age 61. Mr. Nelson is President and Chief Executive Officer and a Director of the Company. He has held the titles of President and Director since April 19, 1991. Mr. Nelson was elected Chief Executive Officer on March 17, 1997. Mr. Nelson began his career with the Company in 1970 as a part-time salesman while he was attending Kearney State College (now the University of Nebraska - Kearney). While attending college, he became involved in merchandising and sales supervision for the Company. Upon graduation from college in 1973, Mr. Nelson became a full-time employee of the Company and he has worked in all phases of the Company's operations since that date. Prior to his election as President and Chief Operating Officer on April 19, 1991, Mr. Nelson performed all of the functions normally associated with those positions.

Karen B. Rhoads, age 52. Ms. Rhoads is Vice President of Finance and Chief Financial Officer and a Director of the Company. Ms. Rhoads was elected a Director on April 19, 1991. She worked in the corporate office while attending Kearney State College (now the University of Nebraska - Kearney) and later worked part-time on the sales floor. Ms. Rhoads practiced as a CPA for 6 1/2 years, during which time she began working on tax and accounting matters for the Company as a client. She has been employed with Buckle since November 1987.

Brett P. Milkie, age 51. Mr. Milkie is Vice President of Leasing. He was elected Vice President of Leasing on May 30, 1996. Mr. Milkie was a leasing agent for a national retail mall developer for 6 years prior to joining the Company in January 1992 as Director of Leasing.

Kari G. Smith, age 47. Ms. Smith is Vice President of Sales. She has held this position since May 31, 2001. Ms. Smith joined the Company on May 16, 1978 as a part-time salesperson. Later she became store manager in Great Bend, Kansas and then began working with other stores as an area manager. Ms. Smith has continued to develop her involvement with the sales management team, helping with manager meetings and the development of new store managers, as well as providing support for store managers, area managers, and district managers.

Patricia K. Whisler, age 54. Ms. Whisler is Vice President of Women's Merchandising. She has held this position since May 31, 2001. Ms. Whisler joined the Company in February 1976 as a part-time salesperson and later became manager of a Buckle store before returning to the corporate office in 1983 to work as part of the growing merchandising team.

Robert M. Carlberg, age 48. Mr. Carlberg is Vice President of Men's Merchandising. He has held this position since December 11, 2006. Mr. Carlberg started with the Company as a salesperson and also worked as a store manager and as an area and district leader while being involved and traveling with the men's merchandising team. He has been full-time with the merchandising team since January 2001.

Kyle L. Hanson, age 46. Ms. Hanson is Corporate Secretary and General Counsel. She has held this position since February 2001. Ms. Hanson joined the Company in May 1998 as General Counsel. She also worked for the Company as a part-time salesperson while attending Kearney State College (now the University of Nebraska - Kearney). Ms. Hanson was previously First Vice President and Trial Attorney for Mutual of Omaha Companies for 2 years and an attorney with Kutak Rock law firm in Omaha from 1990 to 1996.

Thomas B. Heacock, age 33. Mr. Heacock was appointed Treasurer and Corporate Controller by the Board of Directors at its March 21, 2011 meeting. Mr. Heacock has been employed by the Company since October 2003 and has served as Corporate Controller since February 2007. Prior to joining the Company, he was employed by Ernst & Young, LLP. Mr. Heacock is the son-in-law of Dennis H. Nelson, who serves as President and Chief Executive Officer and a Director of The Buckle, Inc.

ITEM 1A – RISK FACTORS

Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995 and Risk Factors

Certain statements herein, including anticipated store openings, trends in or expectations regarding the Company's revenue and net earnings growth, comparable store sales growth, cash flow requirements, and capital expenditures, all constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, changes in product mix, changes in fashion trends and/or pricing, competitive factors, general economic conditions, economic conditions in the retail apparel industry, successful execution of internal performance and expansion plans, and other risks detailed herein and in The Buckle, Inc.'s other filings with the Securities and Exchange Commission.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Users should not place undue reliance on the forward-looking statements, which are accurate only as of the date of this report. The Company is under no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In management's

judgment, the following are material risk factors:

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Dependence on Merchandising/Fashion Sensitivity. The Company's success is largely dependent upon its ability to gauge the fashion tastes of its customers and to provide merchandise that satisfies customer demand in a timely manner. The Company's failure to anticipate, identify, or react appropriately and timely to the changes in fashion trends would reduce the Company's net sales and profitability. Misjudgments or unanticipated fashion changes could have a negative impact on the Company's image with its customers, which would also reduce the Company's net sales and profitability.

Dependence on Private Label Merchandise. Sales from private label merchandise accounted for approximately 33% of net sales for fiscal 2010 and 29% of net sales for fiscal 2009. The Company may increase or decrease the percentage of net sales from private label merchandise in the future. The Company's private label products generally earn a higher margin than branded products. Thus, reductions in the private label mix would decrease the Company's merchandise margins and, as a result, reduce net earnings.

Fluctuations in Comparable Store Net Sales Results. The Company's comparable store net sales results have fluctuated in the past and are expected to continue to fluctuate in the future. A variety of factors affect comparable store sales results, including changes in fashion trends, changes in the Company's merchandise mix, calendar shifts of holiday periods, actions by competitors, weather conditions, and general economic conditions. As a result of these or other factors, the Company's future comparable store sales could decrease, reducing overall net sales and profitability.

Ability to Continue Expansion and Management of Growth. The Company's continued growth depends on its ability to open and operate stores on a profitable basis and management's ability to manage planned expansion. During fiscal 2011, the Company plans to open 12 new stores. This expansion is dependent upon factors such as the ability to locate and obtain favorable store sites, negotiate acceptable lease terms, obtain necessary merchandise, and hire and train qualified management and other employees. There may be factors outside of the Company's control that affect the ability to expand, including general economic conditions. There is no assurance that the Company will be able to achieve its planned expansion or that such expansion will be profitable. If the Company fails to manage its store growth, there would be less growth in the Company's net sales from new stores and less growth in profitability. If the Company opens unprofitable store locations, there could be a reduction in net earnings, even with the resulting growth in the Company's net sales.

Reliance on Key Personnel. The continued success of the Company is dependent to a significant degree on the continued service of key personnel, including senior management. The loss of a member of senior management could create additional expense in covering their position as well as cause a reduction in net sales, thus reducing net earnings. The Company's success in the future will also be dependent upon the Company's ability to attract and retain qualified personnel. The Company's failure to attract and retain qualified personnel could reduce the number of new stores the Company could open in a year which would cause net sales to decline, could create additional operating expenses, and could reduce overall profitability for the Company.

Dependence on a Single Distribution Facility and Third-Party Carriers. The distribution function for all of the Company's stores is handled from a single facility in Kearney, Nebraska. Any significant interruption in the operation of the distribution facility due to natural disasters, system failures, or other unforeseen causes would impede the distribution of merchandise to the stores, causing a decline in store inventory, a reduction in store sales, and a reduction in Company profitability. Interruptions in service by common carriers could also delay shipment of goods to Company store locations. Additionally, there can be no assurance that the current facilities will be adequate to support the Company's future growth.

Reliance on Foreign Sources of Production. The Company purchases a portion of its private label merchandise through sourcing agents in foreign markets. In addition, some of the Company's domestic vendors manufacture goods overseas. The Company does not have any long-term merchandise supply contracts and its imports are subject to existing or potential duties, tariffs, and quotas. The Company faces a variety of risks associated with doing business overseas including competition for facilities and quotas, political instability, possible new legislation relating to imports that could limit the quantity of merchandise that may be imported, imposition of duties, taxes, and other charges on imports, and local business practice and political issues which may result in adverse publicity. The Company's inability to rely on foreign sources of production due to these or other causes could reduce the amount of inventory the Company is able to purchase, hold up the timing on the receipt of new merchandise, and reduce merchandise margins if comparable inventory is purchased from branded sources. Any or all of these changes would cause a decrease in the Company's net sales and net earnings.

Dependence upon Maintaining Sales and Profit Growth in the Highly Competitive Retail Apparel Industry. The specialty retail industry is highly competitive. The Company competes primarily on the basis of fashion, selection, quality, price, location, service, and store environment. The Company faces a variety of competitive challenges, including:

- anticipating and responding timely to changing customer demands and preferences;
- effectively marketing both branded and private label merchandise to consumers in several diverse market segments and maintaining favorable brand recognition;
- providing unique, high-quality merchandise in styles, colors, and sizes that appeal to consumers;
- sourcing merchandise efficiently;
- competitively pricing merchandise and creating customer perception of value;
- monitoring increased labor costs, including increases in health care benefits and worker's compensation costs.

There is no assurance that the Company will be able to compete successfully in the future.

Reliance on Consumer Spending Trends. The continued success of the Company depends, in part, upon numerous factors that impact the levels of individual disposable income and thus, consumer spending. Factors include the political environment, economic conditions, employment, consumer debt, interest rates, inflation, and consumer confidence. A decline in consumer spending, for any reason, could have an adverse effect on the Company's net sales, gross profits, and results from operations.

Modifications and/or Upgrades to Information Technology Systems May Disrupt Operations. The Company relies upon its various information systems to manage its operations and regularly evaluates its information technology in order for management to identify investment opportunities for maintaining, modifying, upgrading, or replacing these systems. There are inherent risks associated with replacing or changing these systems. Any delays, errors in capturing data, or difficulties in transitioning to these or other new systems, or in integrating these systems with the Company's current systems, or any other disruptions affecting the Company's information systems, could have a material adverse impact on the Company's business.

Market/Liquidity Risk Related to the Company's Investments. In prior years, the Company invested a portion of its investments in auction-rate securities ("ARS"), including five auction-rate preferred securities ("ARPS") that were converted to preferred stock. As of January 29, 2011 and January 30, 2010, \$20.0 million and \$22.8 million, respectively, of investments were in ARS and preferred securities. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Since February 2008, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the liquidity of the Company's investments in ARS, and the Company believes that certain of the underlying issuers of its ARS are currently at risk. Further auction failures could have a material impact on Company's earnings; however, the Company does not believe

further auction failures would have a material impact on its ability to fund its business.

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The Company reviews impairments to determine the classification of potential impairments as either “temporary” or “other-than-temporary.” A temporary impairment results in an unrealized loss being recorded in other comprehensive income. An impairment that is considered other-than-temporary would be recognized as a loss in the statements of income. The Company considers various factors in reviewing impairments, including the length of time and extent to which the fair value has been less than the Company’s cost basis, the financial condition and near-term prospects of the issuer, and the Company’s intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. The Company believes it has the ability and maintains its intent to hold its investments until recovery of market value occurs.

The Company’s investments in ARS and preferred securities are reported at fair market value, and as of January 29, 2011, the reported investment amount is net of a \$1.1 million temporary impairment and a \$2.7 million other-than-temporary impairment (“OTTI”) to account for the impairment of certain securities from their stated par value. The Company reported the \$1.1 million temporary impairment, net of tax, as an “accumulated other comprehensive loss” of \$0.7 million in stockholders’ equity as of January 29, 2011. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. Indicators of impairment include the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates. Given current market conditions in the ARS market, the Company may incur additional temporary impairment or OTTI in the future if market conditions persist and the Company is unable to recover the cost of its investments in ARS.

Interest Rate Risk. To the extent that the Company borrows under its line of credit facility, the Company would be exposed to market risk related to changes in interest rates. As of January 29, 2011, no borrowings were outstanding under the line of credit facility. The Company is not a party to any derivative financial instruments. Additionally, the Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments. For each one-quarter percent decline in the interest/dividend rate earned on cash and investments (approximately a 50% change in the rate earned), the Company’s net income would decrease approximately \$0.3 million or less than \$0.01 per share. This amount could vary based upon the number of shares of the Company’s stock outstanding and the level of cash and investments held by the Company.

The Company cautions that the risk factors described above could cause actual results to vary materially from those anticipated in any forward-looking statements made by or on behalf of the Company. Management cannot assess the impact of each factor on the Company’s business or the extent to which any factor, or combination of factors, may cause actual results to vary from those contained in forward-looking statements.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

All of the store locations operated by the Company are leased facilities. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. In the past, the Company has not experienced problems renewing its leases, although no assurance can be given that the Company can renew existing leases on favorable terms. The Company seeks to negotiate extensions on leases for stores undergoing remodeling to provide terms of approximately ten years after completion of remodeling. Consent of the landlord generally is required to remodel or change the name under which the Company does business. The Company has not experienced problems in obtaining such consent in the past. Most leases provide for a fixed minimum rental cost plus an additional rental cost based upon a set percentage of sales beyond a specified breakpoint, plus common area and other charges. The current terms of the Company's leases, including automatic renewal options, expiring on or before January 31st of each year is as follows:

Year	Number of expiring leases
2012	67
2013	46
2014	56
2015	31
2016	31
2017	28
2018	33
2019 and later	128
Total	420

The corporate headquarters and online fulfillment center for the Company are located within a facility purchased by the Company in 1988, which is located in Kearney, Nebraska. The building currently provides approximately 261,200 square feet of space, which includes approximately 82,200 square feet related to the Company's 2005 addition. The Company also owns a 40,000 square foot building with warehouse and office space near the corporate headquarters. This building houses the Company's screenprinting operations. The Company acquired the lease, with favorable terms, on the land the building is built upon. The lease is currently in the second of ten five-year renewal options, which expires on October 31, 2011, and notice has been given to exercise the third five-year renewal option. During fiscal 2010, the Company completed construction of a new 240,000 square foot distribution center in Kearney, Nebraska. The Company transitioned to the new distribution center in September 2010 and the new facility is now the Company's only operating store distribution center.

ITEM 3 – LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this form, the Company was not engaged in legal proceedings that are expected, individually or in the aggregate, to have a material effect on the Company.

ITEM 4 – RESERVED

PART II

ITEM 5 – MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock trades on the New York Stock Exchange under the symbol BKE. Prior to the Company's initial public offering on May 6, 1992, there was no public market for the Company's common stock.

Dividend Payments

During fiscal 2008, cash dividends were \$0.1667 per share in the first and second quarters and \$0.20 per share in the third and fourth quarters. In addition, the Company paid a special cash dividend of \$2.00 per share in the third quarter of fiscal 2008. During fiscal 2009, cash dividends were \$0.20 per share in each of the four quarters. The Company also paid a special cash dividend of \$1.80 per share in the third quarter of fiscal 2009. During fiscal 2010, cash dividends were \$0.20 per share in each of the four quarters. The Company also paid a special cash dividend of \$2.50 per share in the fourth quarter of fiscal 2010. Dividend amounts prior to the Company's 3-for-2 stock split with distribution date of October 30, 2008 have been adjusted to reflect the impact of the stock split. The Company plans to continue its quarterly dividends during fiscal 2011.

Issuer Purchases of Equity Securities

The following table sets forth information concerning purchases made by the Company of its common stock for each of the months in the fiscal quarter ended January 29, 2011:

	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Approximate Number of Shares Yet To Be Purchased Under Publicly Announced Plans
Oct. 31, 2010 to Nov. 27, 2010	-	-	-	552,500
Nov. 28, 2010 to Jan. 1, 2011	-	-	-	552,500
Jan. 2, 2011 to Jan. 29, 2011	-	-	-	552,500
	-	-	-	

The Board of Directors authorized a 1,000,000 share repurchase plan on November 20, 2008. The Company has 552,500 shares remaining to complete this authorization.

Stock Price Performance Graph

The graph below compares the cumulative total return on common shares of the Company for the last five fiscal years with the cumulative total return on the Russell 2000 Stock Index and a peer group of Retail Trade Stocks:

Total Return Analysis

	1/28/2006	2/3/2007	2/2/2008	1/31/2009	1/30/2010	1/29/2011
The Buckle , Inc.	100.00	153.95	195.14	164.43	256.26	330.19
Peer Group	100.00	119.36	103.56	48.61	89.92	114.59
Russell 2000 Index	100.00	110.42	99.63	62.92	86.72	113.91

In addition to the Company, the Peer Group included in the above performance graph includes the following retail company stocks: AEO, ANF, ANN, ARO, CBK, GPS, LTD, PSUN, WTSLA, and ZUMZ.

The following table lists the Company's quarterly market range for fiscal years 2010, 2009, and 2008, as reported by the New York Stock Exchange, and has been adjusted to reflect the 3-for-2 stock split, effected in the form of a stock dividend, on October 30, 2008:

Quarter	January 29, 2011		Fiscal Years Ended January 30, 2010		January 31, 2009	
	High	Low	High	Low	High	Low
First	\$ 40.35	\$ 27.56	\$ 38.30	\$ 20.54	\$ 33.67	\$ 24.72
Second	38.30	26.85	39.09	28.75	35.98	29.03
Third	31.41	23.00	37.49	25.52	44.57	21.08
Fourth	39.84	28.92	33.72	26.39	27.20	13.57

The number of record holders of the Company's common stock as of March 25, 2011 was 414. Based upon information from the principal market makers, the Company believes there are more than 15,000 beneficial owners. The closing price of the Company's common stock on March 25, 2011 was \$37.55.

Additional information required by this item appears in the Notes to Financial Statements under Footnote J "Stock-Based Compensation" on pages 46 to 48 of this report and is incorporated by reference.

ITEM 6 – SELECTED FINANCIAL DATA

SELECTED FINANCIAL DATA

(Amounts in Thousands Except Share, Per Share Amounts, and Selected Operating Data)

Fiscal Years Ended

	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007 (d)
Income Statement Data					
Net sales	\$949,838	\$898,287	\$792,046	\$619,888	\$530,074
Cost of sales (including buying, distribution, and occupancy costs)	530,709	497,668	448,558	365,350	322,760
Gross profit	419,129	400,619	343,488	254,538	207,314
Selling expenses	177,610	168,741	151,251	118,699	107,592
General and administrative expenses	30,752	32,416	30,041	26,212	20,701
Income from operations	210,767	199,462	162,196	109,627	79,021
Other income, net	3,911	3,674	7,829	9,183	9,032
Gain (loss) - impairment of securities	-	991	(5,157)	-	-
Income before income taxes	214,678	204,127	164,868	118,810	88,053
Provision for income taxes	79,996	76,824	60,459	43,563	32,327
Net income	\$134,682	\$127,303	\$104,409	\$75,247	\$55,726
Basic earnings per share	\$2.92	\$2.79	\$2.30	\$1.69	\$1.29
Diluted earnings per share	\$2.86	\$2.73	\$2.24	\$1.63	\$1.24
Dividends declared per share (a)	\$3.30	\$2.60	\$2.73	\$0.60	\$1.71
Selected Operating Data					
Stores open at end of period	420	401	387	368	350
Average sales per square foot	\$428	\$428	\$401	\$335	\$302
Average sales per store (000's)	\$2,133	\$2,129	\$1,995	\$1,668	\$1,493
Comparable store sales change (b)	1.2	% 7.8	% 20.6	% 13.2	% 0.0
Balance Sheet Data (c)					
Working capital	\$160,663	\$172,779	\$197,539	\$184,395	\$189,017
Long-term investments	\$66,162	\$72,770	\$56,213	\$81,201	\$31,958
Total assets	\$494,844	\$488,903	\$465,340	\$450,657	\$368,198
Long-term debt	-	-	-	-	-
Stockholders' equity	\$345,665	\$354,259	\$337,222	\$338,320	\$286,587

(a) During fiscal 2006, cash dividends were \$0.0756 per share in the first and second quarters, \$0.0889 per share in the third quarter, and \$0.1333 per share in the fourth quarter. In addition, the Company paid a special cash dividend of \$1.3333 per share in the fourth quarter of fiscal 2006. During fiscal 2007, cash dividends were \$0.1333 per share in the first and second quarters and \$0.1667 per share in the third and fourth quarters. During fiscal 2008, cash dividends were \$0.1667 per share in the first and second quarters and \$0.20 per share in the third and fourth quarters. In addition, the Company paid a special cash dividend of \$2.00 per share in the third quarter of fiscal 2008. During fiscal 2009, cash dividends were \$0.20 per share in each of the four quarters. The Company also paid a special cash dividend of \$1.80 per share in the third quarter of fiscal 2009. During fiscal 2010, cash dividends were \$0.20 per share in each of the four quarters. In addition, the Company paid a special cash dividend of \$2.50

per share in the fourth quarter of fiscal 2010. Dividend amounts prior to the Company's 3-for-2 stock split with distribution date of January 12, 2007 and 3-for-2 stock split with distribution date of October 30, 2008, have been adjusted to reflect the impact of these stock splits.

- (b) Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales.
- (c) At the end of the period.
- (d) Consists of 53 weeks.

ITEM 7 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the financial statements and notes thereto of the Company included in this Form 10-K. The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operations during the periods included in the accompanying financial statements included in this Form 10-K.

EXECUTIVE OVERVIEW

Company management considers the following items to be key performance indicators in evaluating Company performance.

Comparable Store Sales – Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period being presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Online sales are excluded from comparable store sales. Management considers comparable store sales to be an important indicator of current Company performance, helping leverage certain fixed costs when results are positive. Negative comparable store sales results could reduce net sales and have a negative impact on operating leverage, thus reducing net earnings.

Net Merchandise Margins – Management evaluates the components of merchandise margin including initial markup and the amount of markdowns during a period. Any inability to obtain acceptable levels of initial markups or any significant increase in the Company's use of markdowns could have an adverse effect on the Company's gross margin and results of operations.

Operating Margin – Operating margin is a good indicator for management of the Company's success. Operating margin can be positively or negatively affected by comparable store sales, merchandise margins, occupancy costs, and the Company's ability to control operating costs.

Cash Flow and Liquidity (working capital) – Management reviews current cash and short-term investments along with cash flow from operating, investing, and financing activities to determine the Company's short-term cash needs for operations and expansion. The Company believes that existing cash, short-term investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

RESULTS OF OPERATIONS

The following table sets forth certain financial data expressed as a percentage of net sales and the percentage change in the dollar amount of such items compared to the prior period:

	Percentage of Net Sales For Fiscal Years Ended						Percentage Increase (Decrease)			
	January 29, 2011		January 30, 2010		January 31, 2009		Fiscal Year 2009 to 2010		Fiscal Year 2008 to 2009	
Net sales	100.0	%	100.0	%	100.0	%	5.7	%	13.4	%
Cost of sales (including buying, distribution, and occupancy costs)	55.9	%	55.4	%	56.6	%	6.6	%	10.9	%
Gross profit	44.1	%	44.6	%	43.4	%	4.6	%	16.6	%
Selling expenses	18.7	%	18.8	%	19.1	%	5.3	%	11.6	%
General and administrative expenses	3.2	%	3.6	%	3.8	%	(5.1)	%)	7.9	%
Income from operations	22.2	%	22.2	%	20.5	%	5.7	%	23.0	%
Other income, net	0.4	%	0.4	%	1.0	%	6.4	%	(53.1)	%)
Gain (loss) - impairment of securities	0.0	%	0.1	%	(0.7)	%)	(100.0)	%)	(119.2)	%)
Income before income taxes	22.6	%	22.7	%	20.8	%	5.2	%	23.8	%
Provision for income taxes	8.4	%	8.5	%	7.6	%	4.1	%	27.1	%
Net income	14.2	%	14.2	%	13.2	%	5.8	%	21.9	%

Fiscal 2010 Compared to Fiscal 2009

Net sales for the 52-week fiscal year ended January 29, 2011, increased 5.7% to \$949.8 million from net sales of \$898.3 million for the 52-week fiscal year ended January 30, 2010. Comparable store net sales for the fiscal year increased by \$9.5 million, or 1.2%, in comparison to the 52-week year ended January 30, 2010. The comparable store sales increase was primarily due to a 1.9% increase in the average retail price of merchandise sold during the year and a 2.9% increase in the average number of units sold per transaction, partially offset by a 3.3% decrease in the number of transactions at comparable stores during the year. Sales growth for the fiscal year was also attributable to the inclusion of a full year of operating results for the 20 new stores opened during fiscal 2009, to the opening of 21 new stores during fiscal 2010, and to growth in online sales. Online sales for the year (which are not included in comparable store sales) increased 19.3% to \$62.4 million. Average sales per square foot for fiscal 2010 remained flat at \$428. Total square footage as of January 29, 2011 was 2.102 million.

The Company's average retail price per piece of merchandise sold increased \$0.84, or 1.9%, during fiscal 2010 compared to fiscal 2009. This \$0.84 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a shift in the merchandise mix (\$0.59), a 9.5% increase in average accessory price points (\$0.33), a 0.7% increase in average denim price points (\$0.15), and increased price points in certain other categories (\$0.26). These increases were partially offset by a 4.1% decrease in average knit shirt price points (-\$0.49). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy costs increased \$18.5 million in fiscal 2010 to \$419.1 million, a 4.6% increase. As a percentage of net sales, gross profit decreased from 44.6% in fiscal 2009 to 44.1% in fiscal 2010. The decrease was attributable to an increase in distribution and occupancy costs (0.90%, as a percentage of net sales)

and was partially offset by an improvement in merchandise margins (0.40%, as a percentage of net sales). The increase in distribution and occupancy costs is primarily the result of increases in rent and common area maintenance costs related to new and remodeled stores and additional depreciation expense related to new fixture rollouts. To a lesser extent, it is also attributable to additional depreciation expense related to the Company's new distribution center that went live during the third quarter and increased shipping costs. The improvement in merchandise margins was primarily attributable to reduced markdowns, as a result of strong sell-through on new product, and an increase in sales of private label merchandise, partially offset by an increase in redemptions through the Primo Card loyalty program. Merchandise shrinkage was 0.4% of net sales for fiscal 2010 compared to 0.5% of net sales for fiscal 2009.

Selling expenses increased from \$168.7 million in fiscal 2009 to \$177.6 million in fiscal 2010, a 5.3% increase. Selling expenses as a percentage of net sales decreased from 18.8% in fiscal 2009 to 18.7% in fiscal 2010. The reduction was primarily attributable to a 0.50% reduction, as a percentage of net sales, in expense related to the incentive bonus accrual. This reduction was partially offset by increases in health insurance claims expense (0.20%, as a percentage of net sales), internet related fulfillment and marketing expenses (0.10%, as a percentage of net sales), and certain other selling expenses (0.10%, as a percentage of net sales).

General and administrative expenses decreased from \$32.4 million in fiscal 2009 to \$30.8 million in fiscal 2010, a 5.1% decrease. As a percentage of net sales, general and administrative expenses decreased from 3.6% in fiscal 2009 to 3.2% in fiscal 2010. The reduction was primarily attributable to a 0.30% reduction, as a percentage of net sales, in expense related to the incentive bonus accrual, a 0.10% reduction in expense related to the vacation accrual, and a 0.10% reduction in equity compensation expense. These reductions were partially offset by increases in certain other general and administrative expenses (0.10%, as a percentage of net sales).

As a result of the above changes, the Company's income from operations increased \$11.3 million to \$210.8 million for fiscal 2010, a 5.7% increase compared to fiscal 2009. Income from operations was 22.2% as a percentage of net sales in both fiscal 2010 and fiscal 2009.

Other income increased from \$3.7 million in fiscal 2009 to \$3.9 million in fiscal 2010, a 6.4% increase. The increase in other income is due to a \$1.1 million sales tax refund the Company received through state economic incentive programs during the first quarter of fiscal 2010, which has been included in other income, partially offset by a reduction in interest earned on the Company's cash and investments.

Income tax expense as a percentage of pre-tax income was 37.3% in fiscal 2010 compared to 37.6% in fiscal 2009, bringing net income to \$134.7 million in fiscal 2010 versus \$127.3 million in fiscal 2009, an increase of 5.8%.

Fiscal 2009 Compared to Fiscal 2008

Net sales for the 52-week fiscal year ended January 30, 2010, increased 13.4% to \$898.3 million from net sales of \$792.0 million for the 52-week fiscal year ended January 31, 2009. Comparable store net sales for the fiscal year increased by \$56.9 million, or 7.8%, in comparison to the 52-week year ended January 31, 2009. The comparable store sales increase was primarily due to a 3.9% increase in the average retail price of merchandise sold during the year, to a 2.0% increase in the average number of units sold per transaction, and to a 1.3% increase in the number of transactions at comparable stores during the year. Sales growth for the fiscal year was also attributable to the inclusion of a full year of operating results for the 21 new stores opened during fiscal 2008, to the opening of 20 new stores during fiscal 2009, and to growth in online sales. Online sales for the year (which are not included in comparable store sales) increased 45.2% to \$52.3 million. Average sales per square foot for fiscal 2009 increased 6.8% from \$401 to \$428. Total square footage as of January 30, 2010 was 2.017 million.

The Company's average retail price per piece of merchandise sold increased \$1.69, or 3.9%, during fiscal 2009 compared to fiscal 2008. This \$1.69 increase was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): an 8.5% increase in average denim price points (\$1.52), a 9.5% increase in average footwear price points (\$0.18), and an 8.5% increase in average active apparel price points (\$0.15). These increases were partially offset by the impact of a shift in the merchandise mix (-\$0.10) and by reduced price points in certain other categories (-\$0.06). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy costs increased \$57.1 million in fiscal 2009 to \$400.6 million, a 16.6% increase. As a percentage of net sales, gross profit increased from 43.4% in fiscal 2008 to 44.6% in fiscal 2009. The increase was attributable to a 1.0% improvement, as a percentage of net sales, in actual merchandise margins;

which was achieved through reduced markdowns and strong sell through of new product during the year that was partially offset by an increase in Primo Card redemptions. The increase was also attributable to a 0.10% reduction, as a percentage of net sales, in expense related to the incentive bonus accrual and a 0.10% reduction related to leveraged buying, distribution, and occupancy costs. Merchandise shrinkage was flat at 0.50% of net sales for both fiscal 2009 and fiscal 2008.

Selling expenses increased from \$151.3 million in fiscal 2008 to \$168.7 million in fiscal 2009, an 11.6% increase. Selling expenses as a percentage of net sales decreased from 19.1% in fiscal 2008 to 18.8% in fiscal 2009. The reduction was primarily attributable to a 0.25% reduction, as a percentage of net sales, in expense related to the incentive bonus accrual, to a 0.15% reduction in store payroll expense, and to a 0.10% reduction related to the leveraging of certain other selling expenses. These reductions were partially offset by an increase in internet related fulfillment and marketing expenses (0.20%, as a percentage of net sales).

General and administrative expenses increased from \$30.0 million in fiscal 2008 to \$32.4 million in fiscal 2009, a 7.9% increase. As a percentage of net sales, general and administrative expenses decreased from 3.8% in fiscal 2008 to 3.6% in fiscal 2009. General and administrative expenses for fiscal 2008 are reported net of a \$3.0 million gain from the involuntary conversion of one of the Company's corporate aircrafts to a monetary asset upon receipt of \$11.5 million in insurance proceeds. The aircraft was destroyed by a tornado that hit the airport in Kearney, Nebraska on May 29, 2008. Excluding the \$3.0 million gain recognized during the second quarter of the fiscal year, general and administrative expenses were 4.2% of net sales in fiscal 2008 compared to 3.6% in fiscal 2009. The reduction was primarily attributable to a 0.30% reduction, as a percentage of net sales, in expense related to the incentive bonus accrual and to a 0.30% reduction related to the leveraging of certain other general and administrative expenses.

As a result of the above changes, the Company's income from operations increased \$37.3 million to \$199.5 million for fiscal 2009, a 23.0% increase compared to fiscal 2008. Income from operations was 22.2% as a percentage of net sales in fiscal 2009 compared to 20.5% as a percentage of net sales in fiscal 2008. Excluding the \$3.0 million gain on the involuntary disposal of a corporate aircraft, income from operations in fiscal 2008 was 20.1% as a percentage of net sales.

Other income decreased from \$7.8 million in fiscal 2008 to \$3.7 million in fiscal 2009, a 53.1% decrease. The decrease in other income is due to a reduction in income earned on the Company's cash and investments, as a result of lower interest rates.

Income tax expense as a percentage of pre-tax income was 36.7% in fiscal 2008 and 37.6% in fiscal 2009, bringing net income to \$127.3 million in fiscal 2009 versus \$104.4 million in fiscal 2008, an increase of 21.9%. The effective income tax rate increased for fiscal 2009 due to less income generated from tax-exempt investments.

LIQUIDITY AND CAPITAL RESOURCES

As of January 29, 2011, the Company had working capital of \$160.7 million, including \$116.5 million of cash and cash equivalents and \$22.9 million of short-term investments. The Company's cash receipts are generated from retail sales and from investment income, and the Company's primary ongoing cash requirements are for inventory, payroll, occupancy costs, dividend payments, new store expansion, remodeling, and other capital expenditures. Historically, the Company's primary source of working capital has been cash flow from operations. During fiscal 2010, 2009, and 2008 the Company's cash flow from operations was \$179.9 million, \$158.0 million, and \$143.7 million, respectively.

During fiscal 2010, 2009, and 2008, the Company invested \$36.2 million, \$35.1 million, and \$28.6 million, respectively, in new store construction, store renovation, and store technology upgrades. The Company spent \$18.7 million, \$15.5 million, and \$3.6 million in fiscal 2010, 2009, and 2008, respectively, in capital expenditures for the corporate headquarters and distribution facility. The Company also spent \$15.2 million during fiscal 2008 to purchase a new corporate aircraft as a replacement for the aircraft that was destroyed by a tornado. The capital spending for the corporate headquarters and distribution center during fiscal 2009 included \$5.5 million invested in the expansion of the Company's online fulfillment infrastructure within its current warehouse and distribution center in Kearney, Nebraska. The newly expanded online fulfillment center went live in June 2009 and the expansion approximately doubled the size of the previous infrastructure. Capital spending for the corporate headquarters and distribution facility during fiscal 2009 and fiscal 2010 includes payments made as work progressed on the Company's new \$25.0

million distribution center in Kearney, Nebraska. The Company transitioned to the new distribution center in late September 2010 and the new facility is the only operating store distribution center.

During fiscal 2011, the Company anticipates completing approximately 37 store construction projects, including approximately 12 new stores and approximately 25 stores to be remodeled and/or relocated. The average cost of opening a new store during fiscal 2010 was approximately \$0.9 million, including construction costs of approximately \$0.7 million and inventory costs of approximately \$0.2 million, net of payables. Management estimates that total capital expenditures during fiscal 2011 will be approximately \$30.0 to \$35.0 million, which includes primarily planned new store and store remodeling projects. The Company believes that existing cash and cash equivalents, investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years. The Company has had a consistent record of generating positive cash flows each year and, as of January 29, 2011, had total cash and investments of \$205.5 million. The Company does not currently have plans for any merger or acquisition, and has fairly consistent plans for new store expansion and remodels. Based upon past results and current plans, management does not anticipate any large swings in the Company's need for cash in the upcoming years.

Future conditions, however, may reduce the availability of funds based upon factors such as a decrease in demand for the Company's product, change in product mix, competitive factors, and general economic conditions as well as other risks and uncertainties which would reduce the Company's sales, net profitability, and cash flows. Also, the Company's acceleration in store openings and/or remodels, or entering into a merger, acquisition, or other financial related transaction could reduce the amount of cash available for further capital expenditures and working capital requirements.

The Company has available an unsecured line of credit of \$17.5 million with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit provides that outstanding letters of credit cannot exceed \$10.0 million. Borrowings under the line of credit provide for interest to be paid at a rate equal to the prime rate established by the Bank. The Company has, from time to time, borrowed against these lines of credit. There were no borrowings during fiscal 2010, 2009, and 2008. The Company had no bank borrowings as of January 29, 2011 and was in compliance with the terms and conditions of the line of credit agreement.

Dividend payments – During fiscal 2010, the Company paid total cash dividends of \$154.3 million as follows: \$0.20 per share in each of the four quarters and a special cash dividend of \$2.50 per share in the fourth quarter. During fiscal 2009, cash dividends totaled \$120.3 million as follows: \$0.20 per share in each of the four quarters and a special cash dividend of \$1.80 per share in the third quarter. During fiscal 2008, cash dividends totaled \$126.7 million as follows: \$0.1667 per share in the first and second quarters, \$0.20 per share in the third and fourth quarters, and a special cash dividend of \$2.00 per share in the third quarter. Dividend amounts prior to the Company's 3-for-2 stock split with distribution date of October 30, 2008, have been adjusted to reflect the impact of this stock split. The Company plans to continue its quarterly dividends in fiscal 2011.

Stock repurchase plan – During fiscal 2010, the Company repurchased 246,800 shares of its common stock at a cost of \$6.0 million. The Company did not repurchase any shares of its common stock during fiscal 2009. During fiscal 2008, the Company purchased 557,100 shares at a cost of \$9.4 million. The Company's current 1,000,000 share repurchase plan was approved by the Board of Directors on November 20, 2008. As of January 29, 2011, 552,500 shares remained available for repurchase under the plan.

Auction-Rate Securities – As of January 29, 2011, total cash and investments included \$20.0 million of auction-rate securities ("ARS") and preferred securities, which compares to \$22.8 million of ARS and preferred securities as of January 30, 2010. The entire \$20.0 million in ARS and preferred securities as of January 29, 2011 has been included in long-term investments. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. During February 2008, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company

does not anticipate, however, that further auction failures will have a material impact on the Company's ability to fund its business.

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ARS and preferred securities are reported at fair market value, and as of January 29, 2011, the reported investment amount is net of a \$1.1 million temporary impairment and a \$2.7 million other-than-temporary impairment (“OTTI”) to account for the impairment of certain securities from their stated par value. The Company reported the \$1.1 million temporary impairment, net of tax, as an “accumulated other comprehensive loss” of \$0.7 million in stockholders’ equity as of January 29, 2011. The Company has accounted for the impairment as temporary, as it currently expects to be able to successfully liquidate its investments without loss once the ARS market resumes normal operations. During fiscal 2010, the Company was able to successfully liquidate \$3.1 million of its investments in ARS at par value.

The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist. The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities backing each of the issues. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates. The Company believes it has the ability and intent to hold these investments until recovery of market value occurs.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management’s Discussion and Analysis of Financial Condition and Results of Operations are based upon The Buckle, Inc.’s financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of sales and expenses during the reporting period. The Company regularly evaluates its estimates, including those related to inventory, investments, incentive bonuses, and income taxes. Management bases its estimates on past experience and on various other factors that are thought to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the estimates and judgments used in preparing these financial statements were the most appropriate at that time. Presented below are those critical accounting policies that management believes require subjective and/or complex judgments that could potentially affect reported results of operations.

1. **Revenue Recognition.** Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated shipping time from the Company’s distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company recognizes revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The amounts of the gift certificate and gift card liabilities are determined using the outstanding balances from the prior three and four years of issuance, respectively. The liability recorded for unredeemed gift certificates and gift cards was \$17.2 million and \$13.5 million as of January 29, 2011 and January 30, 2010, respectively. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote. Breakage reported for the fiscal years ended January 29, 2011, January 30, 2010, and January 31, 2009 was \$0.5 million, \$0.4 million, and \$0.4 million, respectively.

The Company establishes a liability for estimated merchandise returns based upon the historical average sales return percentage. Customer returns could potentially exceed the historical average, thus reducing future net sales results and potentially reducing future net earnings. The accrued liability for reserve for sales returns was \$0.7 million and \$0.6 million at January 29, 2011 and January 30, 2010, respectively.

2. **Inventory.** Inventory is valued at the lower of cost or market. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to reserve for merchandise obsolescence and markdowns that could affect market value, based on assumptions using calculations applied to current inventory levels within each of four different markdown levels. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. Such judgments could vary significantly from actual results, either favorably or unfavorably, due to fluctuations in future economic conditions, industry trends, consumer demand, and the competitive retail environment. Such changes in market conditions could negatively impact the sale of markdown inventory, causing further markdowns or inventory obsolescence, resulting in increased cost of goods sold from write-offs and reducing the Company's net earnings. The liability recorded as a reserve for markdowns and/or obsolescence was \$5.1 million and \$5.8 million as of January 29, 2011 and January 30, 2010, respectively. The Company is not aware of any events, conditions, or changes in demand or price that would indicate that its inventory valuation may not be materially accurate at this time.
3. **Income Taxes.** The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. During fiscal 2010, the Company recorded a \$0.2 million valuation allowance to reduce the value of its capital loss carryforward to its expected realizable amount prior to expiration. Estimating the value of these assets is based upon the Company's judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made.
4. **Operating Leases.** The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

5. Investments. As more fully described in Liquidity and Capital Resources on pages 22 to 24 and in Note B to the financial statements on pages 39 to 40, in prior years the Company invested a portion of its investments in auction-rate securities (“ARS”) and preferred securities. These investments are classified as available-for-sale securities and are reported at fair market values of \$20.0 million and \$22.8 million as of January 29, 2011 and January 30, 2010, respectively.

The Company reviews impairment to determine the classification of potential impairments as either temporary or other-than-temporary. A temporary impairment results in an unrealized loss being recorded in other comprehensive income. An impairment that is considered other-than-temporary would be recognized in net income. The Company considers various factors in reviewing impairment, including the duration and severity of the decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, the current and expected market and industry conditions in which the investee operates, and the Company’s intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs.

The Company determined the fair value of ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 using unobservable inputs, where the following criteria were considered in estimating fair value:

- Pricing was provided by the custodian of ARS;
- Pricing was provided by a third-party broker for ARS;
- Sales of similar securities;
- Quoted prices for similar securities in active markets;
- Quoted prices for publicly traded preferred securities;
- Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;
- Pricing was provided by a third-party valuation consultant (using Level 3 inputs).

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company’s investments in ARS had incurred any temporary and/or other-than-temporary impairment as of January 29, 2011.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND COMMERCIAL COMMITMENTS

As referenced in the tables below, the Company has contractual obligations and commercial commitments that may affect the financial condition of the Company. Based on management's review of the terms and conditions of its contractual obligations and commercial commitments, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition, results of operations, or cash flows.

In addition, the commercial obligations and commitments made by the Company are customary transactions, which are similar to those of other comparable retail companies. The operating lease obligations shown in the table below represent future cash payments to landlords required to fulfill the Company's minimum rent requirements. Such amounts are actual cash requirements by year and are not reported net of any tenant improvement allowances received from landlords.

The following tables identify the material obligations and commitments as of January 29, 2011:

Contractual obligations (dollar amounts in thousands):	Total	Payments Due by Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Long-term debt	\$-	\$-	\$-	\$-	\$-
Purchase obligations	3,391	2,477	914	-	-
Deferred compensation	7,727	-	-	-	7,727
Operating leases	338,841	52,871	93,510	76,322	116,138
Total contractual obligations	\$349,959	\$55,348	\$94,424	\$76,322	\$123,865

Other commercial commitments (dollar amounts in thousands):	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than 1 year	1-3 years	4-5 years	After 5 years
Lines of credit	\$ -	\$ -	\$ -	\$ -	\$ -
Total commercial commitments	\$ -	\$ -	\$ -	\$ -	\$ -

The Company has available an unsecured line of credit of \$17.5 million, of which \$10.0 million is available for letters of credit, which is excluded from the preceding table. Certain merchandise purchase orders require that the Company open letters of credit. When the Company takes possession of the merchandise, it releases payment on the letters of credit. The amounts of outstanding letters of credit reported reflect the open letters of credit on merchandise ordered, but not yet received or funded. The Company believes it has sufficient credit available to open letters of credit for merchandise purchases. There were no bank borrowings during fiscal 2010, 2009, and 2008. The Company had outstanding letters of credit totaling \$1.4 million and \$0.6 million at January 29, 2011 and January 30, 2010, respectively. The Company has no other off-balance sheet arrangements.

SEASONALITY AND INFLATION

The Company's business is seasonal, with the holiday season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 2010, 2009, and 2008, the holiday and back-to-school seasons accounted for approximately 35%, 35%, and 37%, respectively, of the Company's fiscal year net sales. Although the operations of the Company are influenced by general economic conditions, the Company does not believe that inflation has had a material effect on the results of operations during the past three fiscal years. Quarterly results may vary significantly depending on a variety of factors including the timing and amount of sales and costs associated with the opening of new stores, the timing and level of markdowns, the timing of store closings, the remodeling of existing stores, competitive factors, and general economic conditions.

RELATED PARTY TRANSACTIONS

Included in other assets is a note receivable of \$1.1 million at January 29, 2011 and \$1.0 million at January 30, 2010, from a life insurance trust fund controlled by the Company's Chairman. The note was created over three years, beginning in July 1994, when the Company paid life insurance premiums of \$0.2 million each year for the Chairman on a personal policy. The note accrues interest at 5% of the principal balance per year and is to be paid from the life insurance proceeds. The note is secured by a life insurance policy on the Chairman.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It will also require the presentation of purchases, sales, issuances, and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. The new disclosures about fair value measurements are presented in Note C to these financial statements, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU No. 2010-06 had no effect on the Company's financial position or results of operations.

FORWARD-LOOKING STATEMENTS

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the "1995 Act"). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management's discussion and analysis contains certain forward-looking statements, which reflect management's current views and estimates of future economic conditions, Company performance, and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors, and general economic conditions, economic conditions in the retail apparel industry, as well as other risks and uncertainties inherent in the Company's business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk - To the extent that the Company borrows under its line of credit facility, the Company would be exposed to market risk related to changes in interest rates. As of January 29, 2011, no borrowings were outstanding under the line of credit facility. The Company is not a party to any derivative financial instruments. Additionally, the Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments. For each one-quarter percent decline in the interest/dividend rate earned on cash and investments (approximately a 50% change in the rate earned), the Company's net income would decrease approximately \$0.3 million or less than \$0.01 per share. This amount could vary based upon the number of shares of the Company's stock outstanding and the level of cash and investments held by the Company.

Other Market Risk – At January 29, 2011, the Company held \$23.7 million, at par value, of investments in auction-rate securities (“ARS”) and preferred stock. The Company concluded that a \$1.1 million temporary impairment and \$2.7 million other-than-temporary impairment (“OTTI”) existed related to these securities as of January 29, 2011. Given current market conditions in the ARS and capital markets, the Company may incur additional temporary or other-than-temporary impairment in the future if market conditions persist and the Company is unable to recover the cost of its investments in ARS.

ITEM 8 – FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Buckle, Inc.
Kearney, Nebraska

We have audited the accompanying balance sheets of The Buckle, Inc. (the “Company”) as of January 29, 2011 and January 30, 2010, and the related statements of income, stockholders’ equity, and cash flows for each of the three fiscal years in the period ended January 29, 2011. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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 Buckle, Inc. as of January 29, 2011 and January 30, 2010, and the results of its operations and its cash flows for each of the three years in the period ended January 29, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of January 29, 2011, based on the criteria established in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 30, 2011, expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte & Touche LLP

DELOITTE & TOUCHE LLP
Omaha, Nebraska
March 30, 2011

THE BUCKLE, INC.

BALANCE SHEETS

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

ASSETS	January 29, 2011	January 30, 2010
CURRENT ASSETS:		
Cash and cash equivalents	\$ 116,470	\$ 135,340
Short-term investments (Notes A, B, and C)	22,892	22,687
Receivables	14,363	6,911
Inventory	88,593	88,187
Prepaid expenses and other assets (Note F)	14,718	11,684
Total current assets	257,036	264,809
PROPERTY AND EQUIPMENT (Note D):		
Less accumulated depreciation and amortization	(173,179)	(159,392)
	169,234	146,582
LONG-TERM INVESTMENTS (Notes A, B, and C)		
	66,162	72,770
OTHER ASSETS (Notes F and G)		
	2,412	4,742
	\$ 494,844	\$ 488,903
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 33,489	\$ 24,364
Accrued employee compensation	36,018	41,463
Accrued store operating expenses	9,653	8,866
Gift certificates redeemable	17,213	13,507
Income taxes payable	-	3,830
Total current liabilities	96,373	92,030
DEFERRED COMPENSATION (Note I)		
	7,727	5,957
DEFERRED RENT LIABILITY		
	37,430	36,657
OTHER LIABILITIES (Note F)		
	7,649	-
Total liabilities	149,179	134,644
COMMITMENTS (Notes E and H)		
STOCKHOLDERS' EQUITY (Note J):		
Common stock, authorized 100,000,000 shares of \$.01 par value; 47,127,926 and 46,381,263 shares issued and outstanding at January 29, 2011 and January 30, 2010, respectively	471	464
Additional paid-in capital	89,719	78,837
Retained earnings	256,146	275,751
Accumulated other comprehensive loss	(671)	(793)

Total stockholders' equity	345,665	354,259
	\$ 494,844	\$ 488,903

See notes to financial statements.

THE BUCKLE, INC.

STATEMENTS OF INCOME

(Dollar Amounts in Thousands Except Per Share Amounts)

	January 29, 2011	Fiscal Years Ended January 30, 2010	January 31, 2009
SALES, Net of returns and allowances of \$83,787, \$73,596, and \$54,973, respectively	\$ 949,838	\$ 898,287	\$ 792,046
COST OF SALES (Including buying, distribution, and occupancy costs)	530,709	497,668	448,558
Gross profit	419,129	400,619	343,488
OPERATING EXPENSES:			
Selling	177,610	168,741	151,251
General and administrative	30,752	32,416	30,041
	208,362	201,157	181,292
INCOME FROM OPERATIONS	210,767	199,462	162,196
OTHER INCOME, Net (Note A)	3,911	3,674	7,829
GAIN (LOSS) - IMPAIRMENT OF SECURITIES (Note B)	-	991	(5,157)
INCOME BEFORE INCOME TAXES	214,678	204,127	164,868
PROVISION FOR INCOME TAXES (Note F)	79,996	76,824	60,459
NET INCOME	\$ 134,682	\$ 127,303	\$ 104,409
EARNINGS PER SHARE (Note K):			
Basic	\$ 2.92	\$ 2.79	\$ 2.30
Diluted	\$ 2.86	\$ 2.73	\$ 2.24

See notes to financial statements.

THE BUCKLE, INC.

STATEMENTS OF STOCKHOLDERS' EQUITY

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

	Number of Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE, February 2, 2008	29,841,668	298	46,977	291,045	-	338,320
Net income	-	-	-	104,409	-	104,409
Dividends paid on common stock, (\$2.7334 per share)	-	-	-	(126,665)	-	(126,665)
Common stock issued on exercise						
of stock options	994,555	10	12,714	-	-	12,724
Issuance of non-vested stock, net of forfeitures	139,635	1	(1)	-	-	-
Amortization of non-vested stock grants, net of forfeitures	-	-	4,879	-	-	4,879
Stock option compensation expense	-	-	289	-	-	289
Common stock purchased and retired	(557,100)	(5)	(9,354)	-	-	(9,359)
Income tax benefit related to exercise of stock options	-	-	13,545	-	-	13,545
3-for-2 stock split	15,487,507	155	(155)	-	-	-
Unrealized loss on investments, net of tax	-	-	-	-	(920)	(920)
BALANCE, January 31, 2009	45,906,265	459	68,894	268,789	(920)	337,222
Net income	-	-	-	127,303	-	127,303
Dividends paid on common stock, (\$2.60 per share)	-	-	-	(120,341)	-	(120,341)
Common stock issued on exercise						
of stock options	278,430	3	1,823	-	-	1,826
Issuance of non-vested stock, net of forfeitures	196,568	2	(2)	-	-	-
Amortization of non-vested stock grants, net of forfeitures	-	-	4,988	-	-	4,988
	-	-	175	-	-	175

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Stock option compensation expense						
Income tax benefit related to exercise of stock options	-	-	2,959	-	-	2,959
Unrealized loss on investments, net of tax	-	-	-	-	127	127
BALANCE, January 30, 2010	46,381,263	\$ 464	\$ 78,837	\$ 275,751	\$ (793)	\$ 354,259
Net income	-	-	-	134,682	-	134,682
Dividends paid on common stock, (\$3.30 per share)	-	-	-	(154,287)	-	(154,287)
Common stock issued on exercise of stock options	754,010	7	1,670	-	-	1,677
Issuance of non-vested stock, net of forfeitures	239,453	2	(2)	-	-	-
Amortization of non-vested stock grants, net of forfeitures	-	-	4,439	-	-	4,439
Stock option compensation expense	-	-	64	-	-	64
Common stock purchased and retired	(246,800)	(2)	(5,992)	-	-	(5,994)
Income tax benefit related to exercise of stock options	-	-	10,703	-	-	10,703
Unrealized loss on investments, net of tax	-	-	-	-	122	122
BALANCE, January 29, 2011	47,127,926	\$ 471	\$ 89,719	\$ 256,146	\$ (671)	\$ 345,665

See notes to financial statements.

THE BUCKLE, INC.

STATEMENTS OF CASH FLOWS

(Dollar Amounts in Thousands)

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	\$ 134,682	\$ 127,303	\$ 104,409
Adjustments to reconcile net income to net cash flows from operating activities:			
Depreciation and amortization	29,781	25,135	21,779
Amortization of non-vested stock grants, net of forfeitures	4,439	4,988	4,879
Stock option compensation expense	64	175	289
Gain on involuntary conversion of aircraft to monetary asset	-	-	(2,963)
(Gain) loss - impairment of securities	-	(991)	5,157
Deferred income taxes	10,952	414	(595)
Other	901	38	574
Changes in operating assets and liabilities:			
Receivables	544	(1,967)	(895)
Inventory	(406)	(4,224)	(6,324)
Prepaid expenses and other assets	(2,757)	6,282	(2,478)
Accounts payable	10,722	(2,916)	(844)
Accrued employee compensation	(5,445)	1,003	12,624
Accrued store operating expenses	787	1,165	1,997
Gift certificates redeemable	3,706	3,363	1,633
Income taxes payable	(10,578)	(5,731)	906
Deferred rent liabilities and deferred compensation	2,543	3,922	3,581
Net cash flows from operating activities	179,935	157,959	143,729
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(54,945)	(50,561)	(47,448)
Proceeds from sale of property and equipment	14	308	11,819
Change in other assets	(1,321)	(74)	(29)
Purchases of investments	(39,698)	(52,604)	(46,687)
Proceeds from sales / maturities of investments	46,294	33,703	148,818
Net cash flows from investing activities	(49,656)	(69,228)	66,473
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the exercise of stock options	1,677	1,826	12,724
Excess tax benefit from stock option exercises	9,455	2,661	11,268
Purchases of common stock	(5,994)	-	(9,359)
Payment of dividends	(154,287)	(120,341)	(126,665)
Net cash flows from financing activities	(149,149)	(115,854)	(112,032)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,870)	(27,123)	98,170
CASH AND CASH EQUIVALENTS, Beginning of year	135,340	162,463	64,293
CASH AND CASH EQUIVALENTS, End of year	\$116,470	\$135,340	\$162,463

See notes to financial statements.

THE BUCKLE, INC.
NOTES TO FINANCIAL STATEMENTS
(Dollar Amounts in Thousands Except Share and Per Share Amounts)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year – The Buckle, Inc. (the “Company”) has its fiscal year end on the Saturday nearest January 31. All references in these financial statements to fiscal years are to the calendar year in which the fiscal year begins. Fiscal 2010 represents the 52-week period ended January 29, 2011, fiscal 2009 represents the 52-week period ended January 30, 2010, and fiscal 2008 represents the 52-week period ended January 31, 2009.

Nature of Operations – The Company is a retailer of medium to better-priced casual apparel, footwear, and accessories for fashion-conscious young men and women operating 420 stores located in 41 states throughout the continental United States as of January 29, 2011.

During fiscal 2010, the Company opened 21 new stores, substantially renovated 25 stores, and closed 2 stores. During fiscal 2009, the Company opened 20 new stores, substantially renovated 22 stores, and closed 6 stores. During fiscal 2008, the Company opened 21 new stores, substantially renovated 13 stores, and closed 2 stores.

Revenue Recognition – Retail store sales are recorded upon the purchase of merchandise by customers. Online sales are recorded when merchandise is delivered to the customer, with the time of delivery being based on estimated shipping time from the Company’s distribution center to the customer. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. Shipping costs were \$6,509, \$5,420, and \$3,813 during fiscal 2010, 2009, and 2008, respectively. Merchandise returns are estimated based upon the historical average sales return percentage and accrued at the end of the period. The reserve for merchandise returns was \$731 and \$647 as of January 29, 2011 and January 30, 2010, respectively. The Company recognizes revenue from sales made under its layaway program upon delivery of the merchandise to the customer. The Company has several sales incentives that it offers customers including a frequent shopper punch card, B-Rewards gift certificates, and occasional sweepstakes and gift with purchase offers. The frequent shopper punch card is recognized as a cost of goods sold at the time of redemption, using the actual amount tendered. The B-Rewards incentives, based upon \$10 for each \$300 in net purchases, are recorded as a liability and as a selling expense at the time the gift certificates are earned. Sweepstake prizes are recorded as cost of goods sold (if it is a merchandise giveaway) or as a selling expense at the time the prize is redeemed by the customer, using actual costs incurred, and gifts with purchase are recorded as a cost of goods sold at the time of the purchase and gift redemption, using the actual cost of the gifted item.

The Company records the sale of gift cards and gift certificates as a current liability and recognizes a sale when a customer redeems the gift card or gift certificate. The amount of the gift certificate liability is determined using the outstanding balances from the prior three years of issuance and the gift card liability is determined using the outstanding balances from the prior four years of issuance. The Company records breakage as other income when the probability of redemption, which is based on historical redemption patterns, is remote. Breakage reported for the fiscal years ended January 29, 2011, January 30, 2010, and January 31, 2009 was \$451, \$434, and \$389, respectively. The Company recognizes a current liability for the down payment made when merchandise is placed on layaway and recognizes layaways as a sale at the time the customer makes final payment and picks up the merchandise.

Cash and Cash Equivalents – The Company considers all highly liquid debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Investments – Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year, and a portion of the Company’s investments in auction-rate securities (“ARS”), which are available-for-sale securities. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders’ equity (net of the effect of income taxes), using the specific identification method, until they are sold. The Company reviews impairments to determine the classification of potential impairments as either “temporary” or “other-than-temporary.” A temporary impairment results in an unrealized loss being recorded in other comprehensive income. Impairments that are considered other-than-temporary are recognized as a loss in the statements of income. The Company considers various factors in reviewing impairments, including the length of time and extent to which the fair value has been less than the Company’s cost basis, the financial condition and near-term prospects of the issuer, and the Company’s intent and ability to hold the investments for a period of time sufficient to allow for any anticipated recovery in market value. Held-to-maturity securities are carried at amortized cost. The Company believes it has the ability and maintains its intent to hold these investments until recovery of market value occurs. Trading securities are reported at fair value, with unrealized gains and losses included in earnings, using the specific identification method.

Inventory – Inventory is stated at the lower of cost or market. Cost is determined using the average cost method. Management records a reserve for merchandise obsolescence and markdowns based on assumptions using calculations applied to current inventory levels by department within each of four different markdown levels. Management also reviews the levels of inventory in each markdown group, and the overall aging of inventory, versus the estimated future demand for such product and the current market conditions. The calculation for estimated markdowns and/or obsolescence reduced the Company’s inventory valuation by \$5,087 and \$5,832 as of January 29, 2011 and January 30, 2010, respectively. The amount charged (credited) to cost of goods sold, resulting from changes in the markdown reserve balance, was \$(745), \$(396), and \$439, for fiscal years 2010, 2009, and 2008, respectively.

Property and Equipment – Property and equipment are stated on the basis of historical cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets. The majority of property and equipment have useful lives of five to ten years with the exception of buildings, which have estimated useful lives of 31.5 to 39 years. Leasehold improvements are stated on the basis of historical cost and are amortized over the shorter of the life of the lease or the estimated economic life of the assets. When circumstances indicate the carrying values of long-lived assets may be impaired, an evaluation is performed on current net book value amounts. Judgments made by the Company related to the expected useful lives of property and equipment and the ability to realize cash flows in excess of carrying amounts of such assets are affected by factors such as changes in economic conditions and changes in operating performance. As the Company assesses the expected cash flows and carrying amounts of long-lived assets, adjustments are made to such carrying values.

Pre-Opening Expenses – Costs related to opening new stores are expensed as incurred.

Advertising Costs – Advertising costs are expensed as incurred and were \$9,705, \$8,521, and \$7,674 for fiscal years 2010, 2009, and 2008, respectively.

Health Care Costs –The Company is self-funded for health and dental claims up to \$200 per individual per plan year. The Company’s plan covers eligible employees, and management makes estimates at period end to record a reserve for unpaid claims based upon historical claims information. The accrued liability as a reserve for unpaid health care claims was \$1,400 and \$700 as of January 29, 2011 and January 30, 2010, respectively.

Operating Leases – The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin expensing rent, which is generally when the Company enters the space and begins to make improvements in preparation of intended use.

For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability in “accrued store operating expenses” on the balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

Other Income – The Company’s other income is derived primarily from interest and dividends received on cash and investments, but also includes miscellaneous other sources of income.

Income Taxes – The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the judgment of the Company’s management determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased, thus increasing net income in the period such determination was made. The Company records tax benefits only for tax positions that are more than likely to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in the Company’s tax returns that do not meet these recognition and measurement standards.

Stock Split – On September 15, 2008, the Company’s Board of Directors approved a 3-for-2 stock split payable in the form of a stock dividend for shareholders of record as of October 15, 2008, with a distribution date of October 30, 2008. All share and per share data (except par value and historical stockholders’ equity data) presented in the financial statements for all periods has been adjusted to reflect the impact of this stock split.

Financial Instruments and Credit Risk Concentrations – Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash, investments, and accounts receivable. The Company’s investments are primarily in tax-free municipal bonds, auction-rate securities, corporate bonds, or U.S. Treasury securities with short-term maturities. The Company limits the amount of credit exposure to any one entity.

Of the Company’s \$205,524 in total cash and investments as of January 29, 2011, \$19,935 was comprised of investments in auction-rate securities (“ARS”). ARS have a long-term stated maturity, but are reset through a “dutch auction” process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of certain of the Company’s investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not, however, anticipate that further auction failures will have a material impact on the Company’s ability to fund its business.

Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the Company’s receivables, which include primarily employee receivables that can be offset against future compensation. The Company’s financial instruments have a fair value approximating the carrying value.

Earnings Per Share – Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares, including stock options.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Comprehensive Income – Comprehensive income consists of net income and unrealized gains and losses on available-for-sale securities. Unrealized losses on the Company’s investments in auction-rate securities have been included in accumulated other comprehensive loss and are separately included as a component of stockholders’ equity, net of related income taxes.

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Net income	\$134,682	\$127,303	\$104,409
Changes in net unrealized losses on investments in auction-rate securities, net of taxes of \$(72), \$(75), and \$540, respectively	122	127	(920)
Comprehensive income	\$134,804	\$127,430	\$103,489

Recently Issued Accounting Pronouncements – In January 2010, the FASB issued ASU No. 2010-06, Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements. ASU 2010-06 revises two disclosure requirements concerning fair value measurements and clarifies two others. It requires separate presentation of significant transfers into and out of Levels 1 and 2 of the fair value hierarchy and disclosure of the reasons for such transfers. It will also require the presentation of purchases, sales, issuances, and settlements within Level 3 on a gross basis rather than a net basis. The amendments also clarify that disclosures should be disaggregated by class of asset or liability and that disclosures about inputs and valuation techniques should be provided for both recurring and non-recurring fair value measurements. The new disclosures about fair value measurements are presented in Note C to these financial statements, except for the requirement concerning gross presentation of Level 3 activity, which is effective for fiscal years beginning after December 15, 2010. The adoption of ASU No. 2010-06 had no effect on the Company’s financial position or results of operations.

Supplemental Cash Flow Information – The Company had non-cash investing activities during fiscal years 2010, 2009, and 2008 of \$1,597, \$4,808, and \$1,839, respectively. The non-cash investing activity relates to unpaid purchases of property, plant, and equipment included in accounts payable as of the end of the year. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the statement of cash flows in the period they are paid.

Additional cash flow information for the Company includes cash paid for income taxes during fiscal years 2010, 2009, and 2008 of \$70,166, \$79,480, and \$48,879, respectively.

B. INVESTMENTS

The following is a summary of investments as of January 29, 2011:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than- Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	\$21,725	\$-	\$(1,065)	\$(725)	\$19,935
Preferred stock	2,000	-	-	(1,974)	26
	\$23,725	\$-	\$(1,065)	\$(2,699)	\$19,961
Held-to-Maturity Securities:					
State and municipal bonds	\$52,352	\$428	\$(39)	\$-	\$52,741
Fixed maturities	6,314	80	-	-	6,394
Certificates of deposit	700	22	-	-	722
U.S. treasuries	2,000	-	-	-	2,000
	\$61,366	\$530	\$(39)	\$-	\$61,857
Trading Securities:					
Mutual funds	\$7,453	\$274	\$-	\$-	\$7,727

The following is a summary of investments as of January 30, 2010:

	Amortized Cost or Par Value	Gross Unrealized Gains	Gross Unrealized Losses	Other-than- Temporary Impairment	Estimated Fair Value
Available-for-Sale Securities:					
Auction-rate securities	\$24,775	\$-	\$(1,258)	\$(725)	\$22,792
Municipal bonds	8,116	14	(14)	-	8,116
Preferred stock	2,000	-	-	(1,974)	26
	\$34,891	\$14	\$(1,272)	\$(2,699)	\$30,934
Held-to-Maturity Securities:					
State and municipal bonds	\$47,036	\$535	\$(10)	\$-	\$47,561
Fixed maturities	8,890	92	-	-	8,982
Certificates of deposit	1,640	27	-	-	1,667
U.S. treasuries	1,000	1	-	-	1,001
	\$58,566	\$655	\$(10)	\$-	\$59,211
Trading Securities:					
Mutual funds	\$6,200	\$-	\$(243)	\$-	\$5,957

The auction-rate securities and preferred stock were invested as follows as of January 29, 2011:

Nature	Underlying Collateral	Par Value
Municipal revenue bonds	98% insured by AAA/AA/A-rated bond insurers at January 29, 2011	\$ 10,425

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Municipal bond funds	Fixed income instruments within issuers' money market funds	8,350
Student loan bonds	Student loans guaranteed by state entities	2,950
Preferred stock	Underlying investments of closed-end funds	2,000
Total par value		\$ 23,725

As of January 29, 2011, the Company's auction-rate securities portfolio was 36% AAA/Aaa-rated, 48% AA/Aa-rated, 8% A-rated, and 8% below A-rated.

The amortized cost and fair value of debt securities by contractual maturity as of January 29, 2011 is as follows:

	Amortized Cost	Fair Value
Held-to-maturity securities		
Less than 1 year	\$22,892	\$22,998
1 - 5 years	37,214	37,536
5 - 10 years	496	550
Greater than 10 years	764	773
	\$61,366	\$61,857

At January 29, 2011 and January 30, 2010, \$19,961 and \$26,634 of available-for-sale securities and \$38,474 and \$40,179 of held-to-maturity investments are classified in long-term investments. Trading securities are held in a Rabbi Trust, intended to fund the Company's deferred compensation plan, and are classified in long-term investments.

The Company's investments in auction-rate securities ("ARS") are classified as available-for-sale and reported at fair market value. As of January 29, 2011, the reported investment amount is net of \$1,065 of temporary impairment and \$2,699 of other-than-temporary impairment ("OTTI") to account for the impairment of certain securities from their stated par value. The \$1,065 temporary impairment is reported, net of tax, as an "accumulated other comprehensive loss" of \$671 in stockholders' equity as of January 29, 2011. For the investments considered temporarily impaired, the Company believes that these ARS can be successfully redeemed or liquidated through future auctions at par value plus accrued interest. The Company believes it has the ability and maintains its intent to hold these investments until such recovery of market value occurs; therefore, the Company believes the current lack of liquidity has created the temporary impairment in valuation.

As of January 29, 2011, the Company had \$21,725 invested in ARS and \$2,000 invested in preferred securities, at par value, which are reported at their estimated fair value of \$19,935 and \$26, respectively. As of January 30, 2010, the Company had \$24,775 invested in ARS and \$2,000 invested in preferred securities, at par value, which are reported at their estimated fair value of \$22,792 and \$26, respectively. ARS have a long-term stated maturity, but are reset through a "dutch auction" process that occurs every 7 to 49 days, depending on the terms of the individual security. Until February 2008, the ARS market was highly liquid. During February 2008, however, a significant number of auctions related to these securities failed, meaning that there was not enough demand to sell the entire issue at auction. The failed auctions have limited the current liquidity of certain of the Company's investments in ARS and the Company has reason to believe that certain of the underlying issuers of its ARS are currently at risk. The Company does not, however, anticipate that further auction failures will have a material impact on the Company's ability to fund its business. During fiscal 2010, the Company was able to successfully liquidate \$3,050 of its investments in ARS at par value. During fiscal 2009, the Company was able to successfully liquidate \$5,320 of its investments in ARS at par value. Also during fiscal 2009, the Company liquidated investments in preferred securities that were valued at \$2,217 (\$5,400 at par value) as of January 31, 2009 for \$3,933, and recorded a gain of \$1,716 in the statement of income for the fiscal year ended January 30, 2010. The Company reviews all investments for OTTI at least quarterly or as indicators of impairment exist and recorded \$725 of OTTI during fiscal 2009 and \$5,157 of OTTI during fiscal 2008. Indicators of impairment include the duration and severity of decline in market value. In addition, the Company considers qualitative factors including, but not limited to, the financial condition of the investee, the credit rating of the investee, and the current and expected market and industry conditions in which the investee operates.

As of January 29, 2011, all of the Company's investments in ARS and preferred securities were classified in long-term investments. As of January 30, 2010, \$1,350 of the Company's investment in ARS and preferred securities was classified in short-term investments and \$21,468 was classified in long-term investments.

C. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities. Short-term and long-term investments with active markets or known redemption values are reported at fair value utilizing Level 1 inputs.

Level 2 – Observable market-based inputs (either directly or indirectly) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data and are projections, estimates, or interpretations that are supported by little or no market activity and are significant to the fair value of the assets. The Company has concluded that certain of its ARS represent Level 3 valuation and should be valued using a discounted cash flow analysis. The assumptions used in preparing the discounted cash flow model include estimates for interest rates, timing and amount of cash flows, and expected holding periods of the ARS.

As of January 29, 2011 and January 30, 2010, the Company held certain assets that are required to be measured at fair value on a recurring basis including available-for-sale and trading securities. The Company's available-for-sale securities include its investments in ARS, as further described in Note B. The failed auctions, beginning in February 2008, related to certain of the Company's investments in ARS have limited the availability of quoted market prices. The Company has determined the fair value of its ARS using Level 1 inputs for known or anticipated subsequent redemptions at par value, Level 2 inputs using observable inputs, and Level 3 using unobservable inputs where the following criteria were considered in estimating fair value:

Pricing was provided by the custodian of ARS;

Pricing was provided by a third-party broker for ARS;

Sales of similar securities;

Quoted prices for similar securities in active markets;

Quoted prices for publicly traded preferred securities;

Quoted prices for similar assets in markets that are not active - including markets where there are few transactions for the asset, the prices are not current, or price quotations vary substantially either over time or among market makers, or in which little information is released publicly;

Pricing was provided by a third-party valuation consultant (using Level 3 inputs).

In addition, the Company considers other factors including, but not limited to, the financial condition of the investee, the credit rating, insurance, guarantees, collateral, cash flows, and the current and expected market and industry conditions in which the investee operates. Management believes it has used information that was reasonably obtainable in order to complete its valuation process and determine if the Company's investments in ARS had incurred any temporary and/or other-than-temporary impairment as of January 29, 2011 and January 30, 2010.

Future fluctuations in fair value of ARS that the Company judges to be temporary, including any recoveries of previous write-downs, would be recorded as an adjustment to "accumulated other comprehensive loss." The value and liquidity of ARS held by the Company may be affected by continued auction-rate failures, the credit quality of each security, the amount and timing of interest payments, the amount and timing of future principal payments, and the probability of full repayment of the principal. Additional indicators of impairment include the duration and severity of the decline in market value. The interest rates on these investments will be determined by the terms of each individual ARS. The material risks associated with the ARS held by the Company include those stated above as well as the current economic environment, downgrading of credit ratings on investments held, and the volatility of the entities

backing each of the issues.

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The Company's financial assets measured at fair value on a recurring basis were as follows:

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
January 29, 2011				
Available-for-sale securities				
Auction-rate securities	\$ -	\$ 11,349	\$ 8,586	\$ 19,935
Preferred stock	26	-	-	26
Trading securities (including mutual funds)	7,727	-	-	7,727
Totals	\$ 7,753	\$ 11,349	\$ 8,586	\$ 27,688

	Fair Value Measurements at Reporting Date Using			Total
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	
January 30, 2010				
Available-for-sale securities				
Auction-rate securities	\$ 1,261	\$ 12,894	\$ 8,637	\$ 22,792
Municipal bonds	8,116	-	-	8,116
Preferred stock	26	-	-	26
Trading securities (including mutual funds)	5,957	-	-	5,957
Totals	\$ 15,360	\$ 12,894	\$ 8,637	\$ 36,891

ARS, municipal bonds, and preferred securities included in Level 1 represent securities which have a known or anticipated upcoming redemption as of January 29, 2011 and those that have publicly traded quoted prices. ARS included in Level 2 represent securities which have not experienced a successful auction subsequent to February 2, 2008. The fair market value for these securities was determined by applying a discount to par value based on auction prices for similar securities and by utilizing a discounted cash flow model, using market-based inputs, to determine fair value. The Company used a discounted cash flow model to value its Level 3 investments, using estimates regarding recovery periods, yield, and liquidity. The assumptions used are subjective based upon management's judgment and views on current market conditions, and resulted in \$714 of the Company's recorded temporary impairment and \$725 of the OTTI as of January 29, 2011. The use of different assumptions would result in a different valuation and related temporary impairment charge.

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Changes in the fair value of the Company's financial assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3), as defined in FASB ASC 820, are as follows:

	Fiscal Year Ended January 29, 2011		
	Level 1	Level 2	Level 3
Balance, beginning of year	\$15,360	\$12,894	\$8,637
Total gains or losses (realized and unrealized):			
Included in net income	621	-	-
Included in other comprehensive income	27	95	-
Purchases, sales, issuances, and settlements (net)	(8,255)	(1,640)	(51)
Transfers in and/or out	-	-	-
Balance, end of year	\$7,753	\$11,349	\$8,586

	Fiscal Year Ended January 30, 2010		
	Level 1	Level 2	Level 3
Balance, beginning of year	\$6,240	\$21,468	\$7,260
Total gains or losses (realized and unrealized):			
Included in net income	912	-	(725)
Included in other comprehensive income	20	(156)	263
Purchases, sales, issuances, and settlements (net)	6,888	(5,254)	(25)
Transfers in and/or out	1,300	(3,164)	1,864
Balance, end of year	\$15,360	\$12,894	\$8,637

D. PROPERTY AND EQUIPMENT

	January 29, 2011	January 30, 2010
Land	\$2,165	\$1,959
Building and improvements	27,808	14,678
Office equipment	7,250	6,105
Transportation equipment	19,052	19,005
Leasehold improvements	127,504	119,941
Furniture and fixtures	124,341	110,579
Shipping/receiving equipment	25,451	15,783
Screenprinting equipment	111	111
Construction-in-progress	8,731	17,813
	\$342,413	\$305,974

E. FINANCING ARRANGEMENTS

The Company has available an unsecured line of credit of \$17,500 of which \$10,000 is available for letters of credit. The line of credit is scheduled to expire on July 31, 2012. Borrowings under the line of credit and letter of credit provide for interest to be paid at a rate equal to the prime rate as set by the Wells Fargo Bank, N.A. index on the date of the borrowings. There were no bank borrowings at January 29, 2011 and January 30, 2010. There were no bank borrowings during fiscal 2010, 2009, and 2008. The Company had outstanding letters of credit totaling \$1,361 and \$618 at January 29, 2011 and January 30, 2010, respectively.

F. INCOME TAXES

The provision for income taxes consists of:

	Fiscal Years Ended		
	January 29, 2011	January 30, 2010	January 31, 2009
Current income tax expense (benefit):			
Federal	\$59,475	\$66,059	\$52,905
State			