

ASCENDIA BRANDS, INC.
Form 10-Q/A
July 11, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q/A
Amendment No. 1
Original filed January 10, 2007

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

For the fiscal thirteen weeks ended November 25, 2006

Commission File Number: 033-25900

ASCENDIA BRANDS, INC.

(formerly Cenuco, Inc.)

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

75-2228820
(I.R.S. Employer
Identification No.)

100 AMERICAN METRO BOULEVARD, SUITE 108

HAMILTON, NEW JERSEY 08619

(Address of principal executive offices)

(Zip Code)

(609) 219-0930

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(Registrant's Telephone Number, Including Area Code)

(Former Address, If Changed Since Last Report.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date:

On July 9, 2007, the issuer had outstanding 41,779,840 shares of common stock, \$.001 par value per share.

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ASCENDIA BRANDS, INC. AND SUBSIDIARIES

FORM 10-Q

THIRTEEN WEEKS ENDED NOVEMBER 25, 2006

INDEX

PAGE

PART I. - FINANCIAL INFORMATION - Restated

Item 1 - Financial Statements	1
Consolidated Balance Sheets As of November 25, 2006 (Unaudited) and February 28, 2006	1
Consolidated Statements of Operations (Unaudited) For the Thirteen and Thirty-Nine Weeks ended November 25, 2006 and November 26, 2005	2
Consolidated Statement of Stockholders' Equity For the Thirty-Nine Weeks ended November 25, 2006 (Unaudited)	3
Consolidated Statements of Cash Flows (Unaudited) For the Thirty-Nine Weeks ended November 25, 2006 and November 26, 2005	4
Notes to Consolidated Financial Statements (Unaudited)	5
Item 2 - Management's Discussion and Analysis And Results of Operations	28
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	47
Item 4 - Controls and Procedures	48

PART II. - OTHER INFORMATION

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Item 1 - Legal Proceedings	49
Item 1A - Risk Factors	50
Item 6 - Exhibits	55
Signatures	56

EXPLANATORY NOTE

This amendment to the Company's Quarterly Report on Form 10-Q for the quarterly period ended November 25, 2006 (Third Quarter Form 10-Q/A) initially filed on January 10, 2007 reflects a restatement of the Consolidated Financial Statements of Ascendia Brands, Inc. (formerly, Cenuco, Inc.) as of and for the thirteen and thirty-nine weeks ended November 25, 2006 and November 26, 2005. The restatement relates to the following adjustments:

1. As discussed in Note 1 to reflect the increase in paid-in capital and corresponding increase in accumulated deficit of \$18.7 million with respect to the increase in the value of the assets (goodwill) acquired in May 2005 in connection with the Merger followed by the write-off of same amount in February 2006 due to impairment of goodwill.
2. As discussed in Note 6 to reflect the following changes due to the revised valuation of the compound derivative at the end of the period on November 25, 2006. The original valuation model (beginning August 2, 2006) included the full value of the debt and the equity associated with the Notes. The Company determined that the derivative valuation model should be revised to exclude any element related to the fair value of the debt other than the bifurcated derivatives. The Company also amended Form 10-Q for the thirteen weeks ended August 26, 2006 for similar changes made to this Form 10-Q.

As a result of the above modifications the Company's Form 10-Q for the thirteen and thirty nine week period ended November 25, 2006 has been restated to:

- Reduce the value of compound derivative liability on November 25, 2006 from \$59.0 million to \$18.9 million
- Reduce the value of the debt discount on convertible secured notes recorded on November 25, 2006 from \$89.6 million to \$49.2 million
- Reduce the gain on revaluation of derivative liability recorded for the thirteen weeks ended November 25, 2006 from \$16.2 million to \$11.5 million, and reduce the gain on revaluation of derivative liability recorded for the thirty nine weeks ended November 26, 2006 from \$27.4 million to \$19.5 million.

The net result of the above adjustments is to decrease the amount of net income for the thirteen and thirty nine weeks ended November 26, 2006 by \$4.5 million and \$0.8 million, respectively, and increase long-term debt by \$0.2 million as of November 25, 2006.

3. As discussed in Note 10 to include the impact of a deemed dividend to holders of Series A Preferred Stock in the amount of \$0.004 million and \$0.2 million, respectively for the thirteen and thirty-nine weeks ended November 25, 2006, and in the amount of \$0.2 million and \$0.5 million for the thirteen and thirty-nine weeks ended November 26, 2005. This results from a beneficial conversion feature with respect to the Series A Preferred Stock. The impact to common stockholders is to increase the loss or decrease the income by the amount of the deemed dividend for purposes of calculating income (loss) per common share.
4. As discussed in Note 2 to the financial statements, to reclassify amortization expense of \$0.4 million and \$1.2 million, respectively for the thirteen and thirty-nine weeks ended November 25, 2006 and to reclassify amortization expense of \$0.4 million and \$0.8 million, respectively for the thirteen and thirty-nine weeks ended November 26, 2005 with respect to identifiable intangible assets from selling, general and administrative expense to cost of goods sold.

This Third Quarter Form 10-Q/A is being filed for purposes of amending the Quarterly Report on Form 10-Q for the thirteen and thirty-nine weeks ended November 25, 2006 (Third Quarter Form 10-Q) of the Company, which was originally filed on January 10, 2007 and provides information about the financial results for the thirteen and thirty-nine weeks ended November 25, 2006 and November 26, 2005.

The following items have been amended as a result of the restatement:

- Part I - Item 1 - Consolidated Financial Statements (unaudited)
- Part I - Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part II - Item 1 - Legal Proceedings

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The Company has supplemented Item 6 of Part II to include current certifications of the Company's chief executive officer and chief financial officer pursuant to the Securities Exchange Act of 1934, as amended, filed as Exhibits 31.1, 31.2 and 32 to this First Quarter Form 10-Q/A.

The financial information that is included in this Third Quarter Form 10-Q/A has been corrected as part of the restatement described above. This restatement also includes the restated information included in the current restatements as of and for the thirteen weeks ended November 25, 2006 and as of February 28, 2006. No attempt has been made in this Form 10-Q/A to modify or update other disclosures presented in the original report on Form 10-Q except as required to reflect the effects of the restatement. Information in this Third Quarter Form 10-Q/A is generally stated as of November 25, 2006 and generally does not reflect any subsequent information or events other than the restatement, and except that certain forward looking statements throughout this Third Quarter Form 10-Q/A may have been revised to reflect events and developments subsequent to November 25, 2006.

With the filing of this Third Quarter Form 10-Q/A, the Company has amended the Third Quarter Form 10-Q. Accordingly, the Company's Consolidated Financial Statements for the thirteen and thirty-nine weeks ended November 25, 2006 and the related financial information contained in the Third Quarter Form 10-Q should no longer be relied upon.

PART I. FINANCIAL INFORMATION

Ascendia Brands, Inc. and Subsidiaries

Consolidated Balance Sheets

(Amounts in thousands, except for share and per share data)

	November 25, 2006 (unaudited)	February 28, 2006
	Restated	
<u>ASSETS</u>		
Current Assets:		
Cash and cash equivalents	\$ 780	\$ 1,876
Trade receivables, net of allowances of \$1,589 at November 25, 2006 and \$528 at February 28, 2006	13,190	6,471
Inventories	13,876	16,269
Miscellaneous receivables	64	1,693
Note receivable, current portion	93	95
Prepaid expenses and other	596	679
Total current assets	28,599	27,083
Property, plant and equipment, net	6,606	6,502
Goodwill	14,554	14,554
Intangibles, net	49,771	53,203
Note receivable, less current portion	292	340
Other assets, net	8,267	1,264
Total assets	\$ 108,089	\$ 102,946
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>		
Current Liabilities:		
Accounts payable	\$ 9,665	\$ 9,024
Accrued expenses	3,520	2,852
Accrued interest	2,631	1,202
Current portion of long-term debt		32
Total current liabilities	15,816	13,110
Long-term debt, less current portion	71,182	80,000
Long-term pension obligation	812	967
Total liabilities	87,810	94,077
Stockholders Equity:		
Convertible preferred stock, par value \$.001 per share; Authorized 1,000,000 shares; issued and outstanding 2,347.7745 shares at November 25, 2006 and issued and outstanding 2,553.6746 shares at February 28, 2006		14
Common stock, par value \$.001 per share; Authorized 225,000,000 shares; issued and outstanding 13,944,056 shares at November 25, 2006 and issued and outstanding 13,882,056 shares at February 28, 2006	14	14
Additional paid in capital	62,969	57,262
Accumulated deficit	(42,012)	(47,733)
Accumulated comprehensive loss	(692)	(674)
Total stockholders equity	20,279	8,869

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Total liabilities and stockholders' equity	\$	108,089	\$	102,946
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See accompanying notes to consolidated financial statements.

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Ascendia Brands, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

(Amounts in thousands, except for share and per share data)

	For the thirteen weeks ended		For the thirty-nine weeks ended	
	November 25,	November 26,	November 25,	November 26,
	2006 Restated	2005 Restated	2006 Restated	2005 Restated
Net sales	\$ 24,545	\$ 18,377	\$ 73,871	\$ 52,568
Cost of sales	21,173	17,148	62,088	49,484
Gross Profit	3,372	1,229	11,783	3,084
Operating expenses:				
Selling and marketing	1,411	966	4,270	2,809
General and administrative	3,608	2,853	10,550	6,805
Total operating expenses	5,019	3,819	14,820	9,614
Loss from operations	(1,647)	(2,590)	(3,037)	(6,530)
Other income (loss):				
Interest expense, net	(2,287)	(383)	(7,816)	(1,036)
Amortization of financing fees and debt discount	(1,073)	(355)	(2,683)	(467)
Gain on revaluation of compound derivative liability	11,505		19,480	
Other (expense) income, net	(163)	2,813	(15)	2,884
Other income, net	7,982	2,075	8,966	1,381
Income (loss) before income taxes	6,335	(515)	5,929	(5,149)
Income taxes				
Net income (loss)	6,335	(515)	5,929	(5,149)
Net income (loss) allocable to Series A Preferred stockholders	3,672		3,672	(1,834)
Series A Preferred stock beneficial conversion feature accreted as a dividend	4	172	208	536
Net income (loss) available to common stockholders	\$ 2,659	\$ (687)	\$ 2,049	\$ (3,851)
Basic income (loss) per common share	\$ 0.19	\$ (0.05)	\$ 0.15	\$ (0.28)
Diluted loss per common share	\$ (0.09)	\$ (0.05)	\$ (0.36)	\$ (0.28)
Basic and diluted income (loss) per preferred share	\$ 1,564	\$	\$ 1,491	\$ (718)
Shares used in computing income (loss) per share:				
Basic - common	13,928,518	13,833,094	13,916,523	13,765,693
Diluted - common	65,928,518	13,833,094	37,027,634	13,765,693
Basic and diluted - preferred	2,348	2,554	2,463	2,554

See accompanying notes to consolidated financial statements.

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Ascendia Brands, Inc. and Subsidiaries

Consolidated Statements of Stockholders' Equity

For the thirty-nine weeks ended November 25, 2006

(Amounts in thousands, except for share and per share data)

	Series A Preferred Stock Shares	Series A Preferred Stock Amount	Series Common Stock Shares	Series Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Stockholders' Equity
Balance at February 28, 2006	2,553.7	\$ 13,882,056	\$ 14	\$ 57,262	\$ (47,733)	\$ (674)	\$ 8,869	
Net income						5,929	5,929	
Other comprehensive loss:								
Foreign currency translation							(18)	(18)
Comprehensive income								5,911
Restricted stock issued			30,000		57			57
Series A preferred stock - beneficial conversion feature accreted as a dividend					208	(208)		
Warrants issued - fair value					9,056			9,056
Exercise of warrants			32,000		32			32
Redemption of Series A								
Preferred shares	(205.9)				(3,646)			(3,646)
Balance at November 25, 2006 (unaudited)	2,347.8	\$ 13,944,056	\$ 14	\$ 62,969	\$ (42,012)	\$ (692)	\$ 20,279	

See accompanying notes to consolidated financial statements.

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Ascendia Brands, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

(Amounts in thousands, except for share and per share data)

	For the thirty-nine weeks ended	
	November 25, 2006	November 26, 2005
Cash flows from operating activities:		
Net income (loss)	\$ 5,929	\$ (5,149)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	4,098	1,582
Provision for uncollectible accounts receivable	182	215
Amortization of deferred financing costs and debt discount	2,683	467
Gain on settlement of Seller's Note		(2,500)
Gain on disposal of fixed assets		(33)
Gain on revaluation of compound derivative liability	(19,480)	
Non-cash interest	4,109	
Restricted stock expense	57	
Changes in operating assets and liabilities:		
Trade receivables	(6,901)	(458)
Inventories	2,394	(8,138)
Prepaid expenses and other	1,712	(1,773)
Other assets	(34)	(130)
Accounts payable	639	(1,459)
Accrued expenses	2,096	206
Long-term pension obligations	(155)	55
Net cash used in operating activities	(2,671)	(17,115)
Cash flows from investing activities		
Net increase in cash from reverse acquisition of Cenuco		6,003
Proceeds from note receivable	49	71
Deferred costs on pending acquisition	(991)	
Purchase of property, plant and equipment	(782)	(1,127)
Proceeds on disposal of property, plant and equipment	12	
Purchase of intellectual property, including acquisition costs		(47,270)
Net cash used in investing activities	(1,712)	(42,323)
Cash flows from financing activities		
Bridge loan proceeds		80,000
Net borrowings (repayments) of revolver	10,397	(5,699)
Net proceeds from issuance of convertible notes	2,747	
Financing costs	(6,193)	(2,912)
Repayments of long-term debt		(6,844)
Repayments of capital leases	(32)	(718)
Redemption of preferred stock	(3,646)	
Proceeds from exercise of warrants	32	111
Net cash provided by financing activities	3,305	63,938
Effect of exchange rates on cash	(18)	(43)
Net (decrease) increase in cash and cash equivalents	(1,096)	4,457
Cash and cash equivalents at the beginning of period	1,876	32
Cash and cash equivalents at the end of period	\$ 780	\$ 4,489

Supplemental disclosures of cash flow information:

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Cash paid for interest	\$	2,302	\$	1,820
Non-cash fees and expenses related to issuance of convertible notes		4,195		
Warrants in connection with issuance of convertible notes		9,056		
Reverse merger, excluding cash acquired (see Note 1):				
Fair value of tangible assets acquired	\$		\$	1,200
Goodwill and identifiable intangible assets acquired				57,675
Liabilities assumed				(474)
Net assets acquired	\$		\$	58,401

See accompanying notes to consolidated financial statements.

Ascendia Brands, Inc. and Subsidiaries

Notes to Consolidated Financial Statements November 25, 2006 (Unaudited)

NOTE 1 -- DESCRIPTION OF BUSINESS AND REORGANIZATION - Restated

Introduction

Ascendia Brands, Inc. (Ascendia , or the Company , the Registrant , we or us) manufactures and markets a portfolio of nationally and internationally known branded products in the health and beauty care categories (The Health and Beauty Care division (HBC)). The brand portfolio includes *Baby Magic*®, *Binaca*®, *Mr. Bubble*®, *Lander*®, *Lander essentials*®, *Ogilvie*®, *Tek*®, *Dorothy Gray*® and *Tussy*®, competing in the Bath Products, Baby Toiletries, Deodorant/Antiperspirant, Home Permanent Treatment, Mouthwash, Portable Breath Sprays and Drops, Manual Toothbrush, and Skin Care segments within the personal care products category. Ascendia sells its brands through a variety of channels, concentrating primarily on the mass merchandiser, drug, grocery and dollar store outlets. The Company also develops and markets wireless data applications, with a focus on live video streaming to cellular devices across any carrier or handset platform (The Wireless Application Division (WAD)).

Corporate Structure

On May 9, 2006 the Company (previously known as Cenuco, Inc.) changed its name to Ascendia Brands, Inc. The chart below depicts the current structure of Ascendia and its direct and indirect, wholly-owned subsidiaries, and the discussion that follows summarizes the functions and role of each company in this group.

Ascendia Brands, Inc. (*Ascendia* , *the Company* , *the Registrant* , *we or us*). The Company is a holding company, organized under Delaware law, with its executive offices in Hamilton, New Jersey. It owns directly the members units of Hermes Acquisition Company I LLC and the stock of Cenuco, Inc.

Hermes Acquisition Company I LLC (*HACI*). HACI is a Delaware limited liability company that acts as the holding company for the Company's health and beauty care division.

Ascendia Brands Co., Inc. (*Ascendia Brands*). Ascendia Brands is a New Jersey corporation with its executive offices in Hamilton, New Jersey. As of May 1, 2006, Ascendia Brands assumed the manufacturing and distribution operations formerly conducted through Lander Co., Inc. (*see, infra*). As the successor to Lander Co., Inc., Ascendia Brands manufactures and sells branded health and beauty care products in the value and premium value categories, through mass market retailers (such as Wal-Mart and K-Mart), dollar stores, supermarkets and pharmacies. Ascendia's brands include *Baby Magic*, *Binaca*, *Mr. Bubble*, *Lander*, *Lander essentials*, *Ogilvie*, *Tek*, *Dentax*, *Dorothy Gray* and *Tussy*. Ascendia Brands operates a manufacturing plant in Binghamton, New York, which is leased from a related party, Ascendia Real Estate LLC.

Lander Co., Inc. (*Lander*). Lander is a Delaware corporation with its executive offices in Wilmington, Delaware. During the period ended February 28, 2006, Lander was the principal operating company in Ascendia's health and beauty care division. Following the transition of manufacturing and distribution activities to Ascendia Brands, Lander acts as an intellectual property holding company for trademarks and other intellectual property associated with the *Lander* brands.

Lander Co. Canada Ltd (*Lander Canada*). Lander Canada, a Canadian limited company, is the Canadian manufacturing and distribution arm of Ascendia's health and beauty care division. Lander Canada operates a manufacturing facility in Toronto, Ontario, which it leases from a third party.

Ascendia Real Estate LLC (f/k/a Hermes Real Estate I LLC) (*Ascendia Real Estate*). Ascendia Real Estate, a New York limited liability company, is a real estate holding company. Its sole asset is the Binghamton, New York plant, which it leases to Ascendia Brands.

Lander Intangibles Corporation (*Lander Intangibles*). Lander Intangibles is a Delaware corporation with its executive offices in Wilmington, Delaware. Lander Intangibles is an intellectual property holding company that was formed to acquire and hold certain of the intellectual property that the Company purchased from Playtex Products Inc. and its affiliates (*Playtex*) on November 16, 2005.

Cenuco, Inc. (*Cenuco Wireless*). Cenuco Wireless is a Florida corporation with executive offices in Boca Raton, Florida. Cenuco Wireless develops and markets wireless data applications, with a focus on live video streaming to cellular devices across any carrier or handset platform.

THE MERGER

On May 20, 2005, Hermes Holding Company, Inc., a newly formed wholly owned subsidiary of Cenuco, Inc., a public company, then traded on the American Stock Exchange under the ticker symbol *ICU* merged (the *Merger*) with HACI.

The Merger was completed through the issuance of 2,553.7 shares of Cenuco, Inc.'s Series A Junior Participating Preferred Stock (representing 65 percent of the aggregate outstanding voting power of Cenuco capital stock) in exchange for all the outstanding membership units of HACI. As a consequence of the Merger, HACI, together with its wholly owned subsidiaries Lander, Ascendia Real Estate, and Lander Canada, became wholly owned subsidiaries of Cenuco.

For financial reporting purposes, the Merger was treated as a recapitalization of HACI followed by the reverse acquisition of Cenuco by HACI for a purchase price equivalent to the total market value of Cenuco stock outstanding at the date of announcement and agreement (March 16, 2005), plus the fair value of the options that automatically vested on the date of the Merger (approximately \$64.4 million). The average closing stock price for the few days before, after and including March 16, 2005 was \$4.58, for a total value of \$63.0 million. The fair value of the options were \$1.0 million. The capitalized transaction fees were \$0.4 million. Consistent with the accounting and presentation for reverse acquisitions, the historical financial statements of Cenuco prior to the date of the Merger reflect the financial position and results of operations of HACI and HREI, with the results of operations of Cenuco being included commencing on May 20, 2005. Effective with the completion of the Merger Cenuco changed its fiscal year end to be the last day of February, consistent with HACI's prior fiscal year.

The Company restated Form 10-Q as of and for the thirteen weeks ended May 28, 2005 to reflect the use of the market value of its stock based on March 16, 2005, the date of the Merger Agreement and announcement. This increased the purchase price and the amount of goodwill by \$18.7 million, from \$31.0 million to \$49.7 million. In the fourth quarter of the fiscal year ended February 28, 2006, The Company determined that there was an impairment of the goodwill with respect to this reporting unit. As such, the impairment loss recorded in the fourth quarter for the fiscal year ended February 28, 2006 was increased by \$18.7 million and was reflected in an amended Form 10-K filed for the fiscal year ended February 28, 2006.

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In accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, the Company determined the fair value of the assets acquired and liabilities assumed in the reverse acquisition of Cenuco, to be as follows:

	(Amounts in thousands)
Cash and cash equivalents	\$ 6,003
Other current assets	497
Total current assets	6,500
Property, plant, and equipment	111
Goodwill	49,675
Intangibles - acquired core software technology	8,000
Other Assets	592
 Total assets acquired	 64,878
 Total liabilities assumed	 (474)
 Estimated fair value of net assets acquired	 \$ 64,404

Following the Merger, the Company's principal business activity has been the manufacture and distribution of health, beauty and oral-care products, as described above. In addition, through its Cenuco Wireless subsidiary, the Company is engaged in a wireless application technology business (the WAD division), primarily related to the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. All goodwill associated with the Cenuco acquisition was allocated to the WAD division. During the quarter ended February 28, 2006, in accordance with SFAS No. 142, the Company tested the carrying value of this goodwill for impairment. This led to a Goodwill impairment of \$35.1 million being recorded.

The financial statements have been restated to reflect the following:

As noted above, as a result of the increase of \$18.7 million to the initial purchase price, the Company restated its results and recorded an additional impairment charge of \$18.7 million in the fourth quarter ended February 28, 2006.

1. As discussed in Note 1 to reflect the increase in paid-in capital and corresponding increase in accumulated deficit of \$18.7 million with respect to the increase in the value of the assets (goodwill) acquired in May 2005 in connection with the Merger followed by the write-off of same amount in February 2006 due to impairment of goodwill.

2. As discussed in Note 6 to reflect the following changes due to the revised valuation of the compound derivative at the end of the period on November 25, 2006. The original valuation model (beginning August 2, 2006) included the full value of the debt and the equity associated with the Notes. The Company determined that the derivative valuation model should be revised to exclude any element related to the fair value of the debt other than the bifurcated derivatives. The Company also amended Form 10-Q for the thirteen weeks ended August 26, 2006 for similar changes made to this Form 10-Q.

As a result of the above modifications the Company's Form 10-Q for the thirteen and thirty nine week period ended November 25, 2006 has been restated to;

- Reduce the value of compound derivative liability on November 25, 2006 from \$59.0 million to \$18.9 million
- Reduce the value of the debt discount on convertible secured notes recorded on November 25 2006 from \$89.6 million to \$49.2 million
- Reduce the gain on revaluation of derivative liability recorded for the thirteen weeks ended November 25, 2006 from \$16.2 million to \$11.5 million, and reduce the gain on revaluation of derivative liability recorded for the thirty nine weeks ended November 26, 2006 from \$27.4 million to \$19.5 million.

The net result of the above adjustments is to decrease the amount of net income for the thirteen and thirty nine weeks ended November 26, 2006 by \$4.5 million and \$0.8 million, respectively, and increase long-term debt by \$0.2 million as of November 25, 2006.

3. As discussed in Note 10 to include the impact of a deemed dividend to holders of Series A Preferred Stock in the amount of \$0.004 million and \$0.2 million, respectively for the thirteen and thirty-nine weeks ended November 25, 2006, and in the amount of \$0.2 million and \$0.5 million for the thirteen and thirty-nine weeks ended November 26, 2005. This results from a beneficial conversion feature with respect to the Series A Preferred Stock. The impact to common stockholders is to increase the loss or decrease the income by the amount of the deemed dividend for purposes of calculating income (loss) per common share.

4. As discussed in Note 2 to the financial statements, to reclassify amortization expense of \$0.4 million and \$1.2 million, respectively for the thirteen and thirty-nine weeks ended November 25, 2006 and to reclassify amortization expense of \$0.4 million and \$0.8 million, respectively for the thirteen and thirty-nine weeks ended November 26, 2005 with respect to identifiable intangible assets from selling, general and administrative expense to cost of goods sold.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

The accompanying financial statements of Ascendia as of and for the thirteen weeks ended November 25, 2006 and November 26, 2005 have been prepared in accordance with generally accepted accounting principles. The financial information furnished reflects all adjustments, consisting only of normal recurring accruals, which are, in the opinion of management, necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented.

A summary of the Ascendia's significant accounting policies follows:

Basis of Consolidation: As of November 25, 2006 and February 28, 2006 and for the thirteen and thirty-nine weeks ended November 25, 2006 and for the period from May 20, 2005 to November 26, 2005, the statements are prepared on a consolidated basis. For the period from March 1, 2005 to May 19, 2005 the statements are prepared on a combined basis. The accompanying consolidated financial statements include the accounts of Ascendia Brands, Inc. and subsidiaries. All intercompany accounts have been eliminated in consolidation.

Cash Equivalents: The Company considers all highly liquid investments with original maturities of three months or less, when purchased, to be cash equivalents.

Accounts Receivable: Trade accounts receivable are recorded at the invoiced amount and do not bear interest. The Company maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, which would increase our operating costs.

Inventories: Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out (FIFO) method. Inventories consist of raw materials used to manufacture the Company's health, beauty and oral care products, as well as, finished goods that consist of the Company's product lines sold to its customers. The Company writes down inventory for estimated excess and discontinued products equal to the difference between cost and estimated market value based upon assumptions about future demand and market conditions. Excess and discontinued product inventory could arise due to numerous factors, including but not limited to, the competitive nature of the market and product demand by consumers. If market conditions are less favorable than those anticipated by management, additional write-downs may be required, including provisions to reduce inventory to net realizable value.

Note Receivable: On September 30, 2004, Cenuco Wireless sold substantially all of its assets of the then existing education subsidiary for a net price of \$0.8 million. At closing Cenuco Wireless received \$0.3 million in cash and a note receivable for \$0.5 million. At November 25, 2006 and February 28, 2006 the note receivable had a balance of approximately \$0.3 million and \$0.4 million, respectively.

Property, Plant and Equipment: Property, plant and equipment are stated at cost less accumulated depreciation and amortization. The costs of major additions and improvements are capitalized and maintenance and repairs that do not improve or extend the life of the respective assets are charged to operations as incurred. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets ranging from three to twenty-five years. Leasehold improvements are amortized over the shorter of the term of the lease or their estimated useful lives. If the Company determines that a change is required in the useful life of an asset, future depreciation/amortization is adjusted accordingly.

Impairment of Long-Lived Assets: Accounting for the impairment of long-lived assets, including property, plant and equipment, requires that long-lived assets and certain identifiable intangibles to be held and used or disposed of by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Under such circumstances, the accounting principles require that such assets be reported at the lower of their carrying amount or fair value less cost to sell. Accordingly, when events or circumstances indicate that long-lived assets may be impaired, the Company estimates the assets future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future undiscounted cash flows is less than the carrying amount of the asset, an impairment loss is recognized based on the excess of the carrying amount over the fair value of the asset.

Goodwill and Indefinite Lived Intangibles

As a result of the Merger on May 20, 2005 (see Note 1), the Company recorded goodwill of \$49.7 million. Goodwill represents the excess of cost over the fair value of identifiable net assets acquired. As a result of the purchase of assets from Playtex on November 16, 2005 (see Note 3), the Company made an allocation of the purchase price to the estimated fair value of the assets acquired, which resulted in \$16.9 million being allocated to intangible assets (brand names and product formulas), initially estimated to have indefinite lives. SFAS No. 142, *Goodwill and Other Intangible Assets*, requires goodwill and other intangibles that have indefinite lives to not be amortized but to be reviewed at least annually for impairment or more frequently if impairment indicators arise. During the quarter ended February 28, 2006, in accordance with SFAS No. 142, the Company tested the carrying value of goodwill for impairment. This led to a goodwill impairment charge of \$35.1 million being recorded at that time.

Amortizable Intangible Assets - restated

SFAS No. 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives and reviewed for impairment. As a result of the merger on May 20, 2005, and as revised in the quarter ended February 28, 2006, the Company recorded intangible assets of \$8.0 million, related to acquired core software technology, with an estimated useful life of five years. Amortization expense for the acquired software technology was \$0.4 million and \$1.2 million respectively, for the thirteen and thirty-nine weeks ended November 25, 2006. Amortization expense for the acquired software technology was \$0.4 million and \$0.8 million respectively, for the thirteen and thirty-nine weeks ended November 26, 2005. In accordance with SFAS 86, this filing is being restated to reclassify the amortization of the software intangibles expense from selling, general and administrative expense to cost of goods sold.

As a result of the purchase of assets from Playtex on November 16, 2005 (see Note 3), the Company made an allocation of the purchase price to the assets acquired, in proportion to their respective estimated fair values, which resulted in \$30.4 million being allocated to customer relationships. Management has adopted the straight-line method of amortizing these assets over their estimated useful lives of 10 years. Amortization expense for the customer relationships was \$0.8 million and \$2.2 million respectively, for the thirteen and thirty-nine weeks ended November 25, 2006. Amortization expense for the customer relationships for the thirteen and thirty-nine weeks ended November 26, 2005 was \$0.1 million and \$0.1 million respectively.

Goodwill and Other Intangible Assets

No changes occurred in the carrying amount of goodwill for the thirteen or thirty-nine weeks ended November 25, 2006.

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Balances of acquired intangible assets, excluding goodwill are as follows:

(\$Millions)

	Purchased Technology	Formulae And Tradenames	Customer Relationships	Total
Intangible assets				
as of November 25, 2006:	\$ 8.0	\$ 16.9	\$ 30.4	\$ 55.3
Accumulated amortization	(2.4)		(3.1)	(5.5)
Carrying value	\$ 5.6	\$ 16.9	\$ 27.3	\$ 49.8
Weighted average original life (in years)	5	indefinite	10	

Amortization expense for the thirteen and thirty-nine weeks ended November 25, 2006 was \$1.2 million and \$3.4 million respectively.

Estimated aggregate amortization expense based on the current carrying value of intangible assets for the next five years is as follows:

Fiscal Year	(000 \$) Amount
2007 (remaining)	\$ 1,207
2008	4,652
2009	4,639
2010	4,639
2011	3,390
2012	3,390

Other Assets, Net: Other assets, net of approximately \$8.3 million, consist primarily of deferred financing costs related to the long-term Convertible Secured Notes financing and the CIT revolving line of credit (see Note 6). The deferred financing costs are being amortized using the effective interest method over the term of the respective financing arrangements. Amortization expense related to deferred financing costs was \$0.0 million and \$1.4 million respectively, for the thirteen and thirty-nine weeks ended November 25, 2006. Amortization expense related to deferred financing costs was \$0.4 million and \$0.5 million respectively, for the thirteen and thirty-nine weeks ended November 26, 2005.

Fair Value of Financial Instruments: The carrying amounts for warrant derivative liability and for conversion option liability are based on estimated fair value at each reporting date. The carrying amounts reported in the accompanying balance sheets for accounts receivable, note receivable, accounts payable and accrued expenses approximate fair value due to the short-term nature of these accounts. Accounts receivable are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a periodic basis. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history, and current economic conditions.

Accounting for Derivative Instruments: We have issued and have outstanding convertible debt and warrants related to the convertible debt with embedded derivative features which we have analyzed in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and EITF Issue No. 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in Company's Own Stock*, to determine if these instruments have embedded derivatives that must be bifurcated. Under EITF No. 00-19, the estimated value of such embedded derivatives is recorded as a compound derivative liability utilizing an appropriate valuation model (initially with an offsetting debt discount that is amortized over the term of the convertible notes). Such liability is marked-to-market and adjusted to fair value at each reporting date with the change in fair value being recorded to other income (expense) in the period of the change. The warrants are not required to be accounted for as a liability. They are accounted for under EITF 98-5, *Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios*, as further described in Note 6.

Revenue Recognition: For the HBC division, revenue from product sales is recognized when the related goods are shipped, all significant obligations of the Company have been satisfied, persuasive evidence of an arrangement exists, the price to the buyer is fixed or determinable and collection is reasonably assured or probable.

Amounts billed to customers related to shipping and handling are included in net sales. The cost of shipping products to the customer is recognized at the time the products are shipped and included in cost of sales.

In connection with the development and sale of wireless solutions and web services, which include the development of business-to-business and business-to-consumer wireless applications, and state of the art wireless technology and services, the Wireless Application Development (WAD) division recognizes revenue as services are performed on a pro-rata basis over the contract term or when products are delivered. WAD periodically enters into agreements whereby the customer or distributor may purchase wireless products on a consignment type basis. Revenues are recognized under these arrangements only when the customer or distributor has resold the product and the Company has an enforcement right to its sales price.

Cooperative Advertising: Cooperative advertising programs and other volume-based incentives are accounted for on an accrual basis as a reduction in net revenue according to the requirements of Emerging Task Force 01-09, *Accounting for Consideration Given By a Vendor to a Customer or a Reseller of the Vendor's Products* in the period in which the related sales are recognized. Cooperative advertising expenses were approximately \$0.8 million and \$2.5 million, respectively for thirteen and thirty-nine weeks ended November 25, 2006. Cooperative advertising expenses were approximately \$0.0 million and \$0.1 million, respectively for thirteen and thirty-nine weeks ended November 26, 2005.

Foreign Currency Translation: In accordance with SFAS No. 52, *Foreign Currency Translation*, the financial statements are measured using local currency as the functional currency. Assets and liabilities of Lander Canada have been translated into U.S. dollars at the fiscal period-end exchange rates. Revenues and expenses have been translated at average exchange rates for the related period. Net translation gains and losses are reflected as a separate component of stockholders' equity until there is a sale or liquidation of the underlying foreign investment.

Foreign currency gains and losses resulting from transactions are included in the consolidated statements of operations.

Estimates: The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. On an on-going basis, the Company evaluates the estimates and may adjust them based upon the latest information available. These estimates generally include those related to product returns, bad debts, inventory reserves for excess and discontinued products, income taxes and contingencies. The Company bases the estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ from these estimates.

Concentration of Credit Risk: Ascendia provides credit to its customers in the normal course of business and does not require collateral. To reduce credit risk, Ascendia performs ongoing credit evaluations of its customers.

Five trade customers comprised 49 percent and 50 percent, respectively of Ascendia's net sales, (with one customer comprising approximately 34 percent and 36 percent, respectively) for the thirteen and thirty-nine weeks ended November 25, 2006. At November 25, 2006 the same five trade customers represented 47 percent of receivables, with one customer comprising 36 percent. This top customer represents a significant concentration. Accordingly, if this customer was not able to pay the amount owed to us and/or stopped purchasing from us, the impact would have a material adverse effect on our liquidity, financial position, and results of operations.

Five trade customers comprised 42 percent and 46 percent, respectively of Ascendia's net sales, (with one customer comprising approximately 24 percent and 30 percent respectively) for the thirteen and thirty-nine weeks ended November 26, 2005. At November 26, 2005 the same five trade customers represented 42 percent of receivables, with one customer comprising 29 percent.

Income Taxes: Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the Company's ability to realize deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. A full valuation allowance at November 25, 2006 and February 28, 2006 has been recorded by management due to the uncertainty that future income will be generated and the related deferred tax assets realized.

Earnings per share: Emerging Issues Task Force (EITF) 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128* (EITF 03-6) provides guidance in determining when the two-class method, as defined in SFAS 128, *Earnings per Share*, must be utilized in calculating earnings per share by a Company that has issued securities other than common stock that contractually entitles the holder to participate in dividends and earnings of the Company when, and if, the Company declares dividends on its common stock. Under the two-class method earnings are allocated to common stock and participating securities to the extent that each security may share in such earnings and as if such earnings for the period had been distributed. Under the two-class method losses are allocated to participating securities to the extent that such security is obligated to fund the losses of the issuing entity or the contractual principal or mandatory redemption amount of the participating security is reduced as a result of losses incurred by the issuing entity. In accordance with EITF 03-6, basic earnings per share for the Company's common stock and Series A Junior Participating Preferred Stock (Series A Preferred) would be calculated by dividing net income allocated to common stock and Series A Preferred by the weighted average number of shares of common stock and Series A Preferred outstanding, respectively. Diluted earnings per share for the Company's common stock would be calculated similarly, except that the calculation includes the effect, if dilutive, of the assumed exercise of stock options issuable under the Company's stock-based employee compensation plan, the assumption of the conversion of the Company's Series A Preferred stock to common stock, if dilutive and the assumption of the conversion of the Convertible Notes, if dilutive. Basic and diluted loss per share for the Company's common stock is calculated by dividing the net loss for the period during which such shares were outstanding by the weighted average number of shares outstanding. No losses are allocated to the Series A Preferred for the period during which the Company's common stock is outstanding since the holders of the Series A Preferred are not obligated to share in the Company's losses as described above.

Recent Accounting Pronouncements

In September 2006, the staff of the FASB issued Staff Position Aug Air-1, *Accounting for Planned Major Maintenance Activities* (FSP). The FSP amends Accounting Principles Board Opinion No. 28, *Interim Financial Reporting* (APB 28), and prohibits the accrue-in-advance method of accounting for planned major maintenance activities in annual and interim financial reporting periods. The Company does have a planned major maintenance activity associated with its annual or semi-annual plant shutdowns. While early application is permitted, the provisions of the FSP are effective for the Company beginning March 1, 2007. The guidance in the FSP shall be applied retrospectively for all financial statements presented, unless it is impracticable to do so. Management is currently evaluating the impact of adopting the FSP on the Company's financial position and results of operations.

In September 2006, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 108 *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* (SAB 108), which provides interpretive guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. The provisions of SAB 108 are effective for the Company after November 15, 2006. Although management is currently evaluating the impact of adopting SAB 108, we do not believe that the adoption of SAB 108 will have a material impact on the Company's financial position and results of operations.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) No. 157 *Fair Value Measurements* (SFAS No. 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under a number of other accounting pronouncements that require or permit fair value measurements. The provisions of SFAS No. 157 are effective for the Company beginning March 1, 2008. The Company is currently evaluating the impact of adopting SFAS No. 157 on its financial position and results of operations.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 *Accounting for Uncertainty in Income Taxes-An interpretation of FASB Statement No. 109* (FIN 48), which clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return. This guidance seeks to reduce the diversity in practice associated with certain aspects of the recognition and measurement related to accounting for income taxes. The provisions of FIN 48 are effective for the Company beginning March 1, 2007, with the cumulative effect of the change in accounting principle, if any, recorded as an adjustment to opening retained earnings. Management is currently evaluating the impact of adopting FIN 48 on the Company's financial position and results of operations.

As of March 1, 2006, we adopted the Statement of Financial Accounting Standards (SFAS) No. 123 (R) *Share Based Payment*. Prior to the adoption of SFAS No. 123 (R), we recognized and measured the share-based compensation in accordance with Accounting Principles Board (APB) Opinion No. 25 *Accounting for Stock Issued to Employees*, and related interpretations. The adoption of SFAS No. 123 (R) did not have a material impact on the results of operations for the thirty-nine weeks ended November 25, 2006. See Note 9 to the unaudited consolidated financial statements of Ascendia for the thirty-nine weeks ended November 25, 2006 for more information regarding our adoption of SFAS No. 123 (R).

In February 2006, the FASB issued SFAS No. 155, *Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140*. This Statement, among other things, allows a preparer to elect fair value measurement of instruments in cases in which a derivative would otherwise have to be bifurcated. The provisions of this Statement are effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. Early adoption is permitted for instruments that an entity holds at the date of adoption on an instrument-by-instrument basis. The Company does not believe that the adoption of this Statement in fiscal 2008 will have a material impact on the Company's consolidated financial position or results of operations.

NOTE 3 -- PLAYTEX ASSET ACQUISITION AND RELATED BRIDGE LOAN

On November 16, 2005, Lander and Lander Intangibles acquired certain brands and brand-related assets from Playtex. The acquired brands included *Baby Magic*®, *Binaca*®, *Mr. Bubble*®, *Ogilvie*®, *Tek*®, *Dorothy Gray*®, and *Tussy*®. At the closing, Lander and Lander Intangibles paid a total cash purchase price of \$59.1 million, including \$2.1 million of costs related to acquisition. The \$57.0 million purchase price paid to Playtex was subject to certain post closing adjustments dependent upon the amount of product inventory delivered to Lander at the closing. In December 2005, this adjustment was determined to result in a purchase price reduction of approximately \$1.3 million (bringing the total to \$57.8 million, including acquisition costs). In accordance with SFAS 142, the Company allocated the total purchase price to the assets acquired based on relative fair value. The allocation is as follows:

	(\$000 s)
Inventory	\$ 9,600
Property, Plant and Equipment	900
Brand Names and Product Formulae	16,924
Customer Relationships	30,394
 Total Purchase Price	 \$ 57,818

In order to finance the acquisition of the brands from Playtex (\$57.8 million), fund financing fees (\$2.8 million), repay certain existing indebtedness of the Company and its subsidiaries including the Seller Note and the Financing Arrangement referred to below under Long-Term Debt (approximately \$13.8 million in total) and provide working capital for the operations of Lander (approximately \$5.6 million), on November 15, 2005, Cenuco, Lander, HACI and Lander Intangibles (collectively, the Borrowers), entered into an \$80.0 million Bridge Loan Term Agreement (the Bridge Loan) with Prencen, LLC (Prencen) and Highgate House Funds Ltd. (Highgate), as lenders, and Prencen, as agent for the lenders.

For the first 90 days following closing, the Bridge Loan bore interest at an annual rate of 5.5 percent above the three-month LIBOR (set 2 days in advance on November 14, 2005 at 4.34 percent). The interest rate margin over LIBOR increased by 5 percent per annum at the end of that 90-day period to 10.5 percent. Also at the end of the 90-day period the three-month LIBOR was reset on February 12, 2006 for the next 90 days (February 15, 2006 to May 15, 2006). The reset three-month LIBOR rate of 4.74 percent plus the increased interest rate margin of 10.5 percent generated an interest rate on the Bridge Loan of 15.24 percent for the period February 15, 2006 to May 15, 2006. Upon the occurrence and during the continuance of an event of default, the annual rate of interest will increase by 5.5 percent over the rate of interest otherwise in effect. Interest accrues monthly, in arrears.

The Bridge Loan was originally due and payable on May 15, 2006. The Bridge Loan term was extended to coincide with the August 2, 2006 closing of the Second and Restated Securities Purchase Agreement described in Note 6, with principal and accrued interest paid at closing. The Bridge Loan principal was repaid on August 2, 2006 with the long-term financing described in Note 6.

NOTE 4 -- INVENTORIES

Inventory consists of the following:

(\$000_s)

	NOVEMBER 25, 2006	FEBRUARY 28, 2006
Raw materials	\$ 5,307	\$ 3,708
Finished goods	8,569	12,561
	\$ 13,876	\$ 16,269

NOTE 5 -- PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

(\$000_s)

	NOVEMBER 25, 2006	FEBRUARY 28, 2006
Land	\$ 660	\$ 660
Computer equipment and software	965	1,093
Furniture and fixtures	250	253
Building	2,645	2,645
Machinery and equipment	4,197	3,953
Dies and molds	76	87
Leasehold improvements	140	138
Construction in progress	958	280
	9,891	9,109
Less accumulated depreciation and amortization	(3,285)	(2,607)
Total	\$ 6,606	\$ 6,502

Depreciation and amortization expense related to property, plant and equipment was \$0.2 million and \$0.7 million, respectively for the thirteen and thirty-nine weeks ended November 25, 2006. Depreciation and amortization expense related to property, plant and equipment was \$0.3 million and \$1.0 million, respectively for the thirteen and thirty-nine weeks ended November 26, 2005.

As of November 25, 2006 and February 28, 2006, machinery and equipment includes assets under capital leases totaling \$0.2 million. Accumulated amortization on the capital leases was \$0.1 million and \$0.0 million as of November 25, 2006 and February 28, 2006, respectively. Amortization expense related to capital leases is included in depreciation and amortization expense for the thirteen and thirty-nine weeks ended November 25, 2006 and November 26, 2005.

NOTE 6 -- LONG-TERM DEBT - Restated

Long-term debt consists of the following:

(\$000 s)

	NOVEMBER 25, 2006	FEBRUARY 28, 2006
Bridge loan	\$	\$ 80,000
Convertible secured notes (including accretion)	91,111	
Debt discount	(49,181)	
Compound derivative liability	18,855	
Revolving line of credit	10,397	
Capital leases		32
	71,182	80,032
Less current portion		32
Total	\$ 71,182	\$ 80,000

Prior Financing Arrangements

On October 1, 2005, Ascendia (the parent of HACI following the merger (see Note 1), entered into a commitment with Prencen and Highgate (both of which are also lenders under the Bridge Loan noted above and further described in Note 3) for the provision of long-term debt and equity financing (the Debt/Equity Financing) to repay the \$80.0 million Bridge Loan. The terms of this commitment were amended on November 15, 2005, concurrently with the closing of the Bridge Loan. Prior to its maturity, the parties agreed to an extension of the Bridge Loan pending the completion of discussions on further modifications to the Debt/Equity Financing. The parties also agreed to defer the payment of certain interest under the Bridge Loan pending its maturity.

Convertible Secured Notes

On June 30, 2006, Ascendia (i) agreed with Prencen and Highgate to amend the Debt/Equity Financing commitment and (ii) in connection with such amendment, entered into a Second and Restated Securities Purchase Agreement (the Securities Purchase Agreement) with Prencen and Prencen Lending, LLC (Prencen Lending), which closed on August 2, 2006, as described below, the obligations to Highgate having been acquired by Prencen Lending. Under the Securities Purchase Agreement, the Company sold Prencen Lending convertible secured notes (the Notes) in the principal amount of \$91.0 million (and Series A and B Warrants described below) in exchange for the settlement of obligations under the Bridge Loan (\$80.0 million) and \$11.0 million in funding which was used to pay (a) accrued interest on the Bridge Loan (\$4.1 million), (b) cash fees associated with the refinancing to an affiliate of Prencen Lending (\$3.7 million) and (c) third party cash fees associated with the refinancing (\$0.5 million), producing net cash proceeds to the Company of approximately \$2.7 million. In addition, Ascendia paid related fees and expenses of approximately \$5.6 million to Stanford Group Company (Stanford) and issued to Stanford warrants for the purchase of 137,615 shares of its common stock at an exercise price of \$3.76 per share, and 552,632 warrants for the purchase of its common stock at an exercise price of \$4.37 per share (collectively the Stanford warrants). The estimated fair value of the Stanford warrants (\$0.7 million) has been recorded as an increase to additional paid-in capital and deferred financing costs.

The Notes have a term of 10 years (subject to the put and call rights described below) and bear interest at the rate of 9.0 % per annum. During the first six months of the term, Ascendia has the option to defer payment of interest. As a result, the Company elected to defer \$2.6 million of interest as of November 25, 2006 on the Notes. In the event of Ascendia making an acquisition in the consumer products area that shall in form and substance be satisfactory to a majority of the holders of the Notes (an Approved Acquisition), it may elect to defer and add to principal on the Notes interest payments otherwise due over the balance of the term of the Notes. Upon the consummation of such an Approved Acquisition, Ascendia also has the right to redeem up to \$40.0 million of the balance outstanding under the Notes at a premium of 15%. In addition, at any time after the fifth anniversary of the issuance of the Notes (August 2, 2011), Ascendia has the right to redeem, or any holder may require the Company to redeem, all or any portion of the balance outstanding under the Notes at a premium of 5% (the 5 Year Put Option).

In connection with the amendment and restatement of the Debt/Equity Financing agreements and the sale of the Notes, Ascendia also issued certain warrants (the Series A Warrants) entitling the lender to purchase 3,053,358 shares of its common stock at an exercise price of \$2.10. In addition, Ascendia committed to the issuance of certain warrants (the Series B Warrants) entitling the lender to purchase shares of its common stock under terms that are contingent upon the balance outstanding on the Notes at the earlier to occur of an Approved Acquisition or February 28, 2007. If the balance outstanding under the Notes on such date is greater or less than \$61.0 million, Ascendia is required to issue to Prencen up to 3,000,000 Series B Warrants, at exercise prices ranging from \$1.15 to \$1.95. In the event the balance outstanding under the Notes is \$61.0 million, no Series B Warrants are required to be issued.

Any portion of the balance due under the Notes is convertible at any time, at the option of the holders(s), into the common stock of Ascendia at a price of \$1.75 per share (subject to certain anti-dilution adjustments for the subsequent issuance of common stock or securities convertible or exchangeable into common stock at a price less than the conversion price then in effect), provided that the holders may not convert any amounts due under the Notes if and to the extent that, following such a conversion, the holder and any affiliate would collectively own more than 9.99% of the aggregate number of shares of common stock of Ascendia outstanding following such conversion (the Conversion Option). The Notes describe various events of default which include, but are not limited to (a) the failure to make effective by June 30, 2007, and keep effective thereafter a registration statement to register the shares underlying the conversion of the Notes and the exercise of the Series A and B Warrants and other shares (the Registration Statement), (b) the suspension in trading of the Company's stock for a defined period, (c) the failure to timely issue shares in response to a conversion notice received from a Note holder, and (d) the failure to have available sufficient authorized shares to enable the conversion of the Notes. In the event of a default, the holders of the Notes may require the Company to redeem the Notes at the greater of a 25% premium, or the value of the shares underlying the conversion of such Notes at the time of the event of default (determined by reference to a definition of a maximum share price). In the event of a Change in Control of the Company (as defined), the holders of the Notes will have the right (the Change in Control Put), for a period of 20 days subsequent to the receipt of notice of the Change in Control, to require the Company to redeem the Notes at the greater of a 20% premium, or the value of the shares underlying the conversion of such Notes at the time of the change in control (determined by reference to a definition of a maximum share price). The above described Conversion Option and specifically noted events of default (the Default Derivatives), along with the Change in Control Put (collectively the Compound Derivative) have been bifurcated as derivatives required to be accounted for separately under FASB Statement No. 133 *Accounting for Derivative Financial Instruments and Hedging Activities* and EITF 00-19 *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in a Company's Own Stock*, and are considered in the determination of the estimated fair market value of the Compound Derivative liability noted below.

In the event the Registration Statement is not timely filed (by October 2, 2006, later extended to October 10, 2006 and to November 10, 2006 and subsequently extended to June 30, 2007), or make effective or maintained effective (as described above) the holders of the Notes are also entitled to a cash penalty in the amount of 2% of the face amount of the Notes for each 30-day period until such time as the default has been cured, subject to a maximum of 10%. In addition, in the event that the Company fails to timely issue shares in response to a conversion notice received from a Note holder or an exercise notice received from the holder of a Series A or B Warrant, the holders of such Notes or warrants will be entitled to damages in the amount of 1.5% per day of the then current value of the shares not timely delivered for each day that such delivery is not provided.

The Notes rank as senior secured debt of Ascendia, provided however that the Notes are subordinated to the new revolving credit facility of up to \$13.0 million secured by inventory and accounts receivable (described below). The Notes are also subordinated to indebtedness incurred in connection with an Approved Acquisition, in an amount up to \$250.0 million.

Accounting for Issuance of Convertible Secured Notes - Restated

Consideration received from the issuance of the Notes (\$87.3 million net of a \$ 3.7 million origination fee paid to Prencen Capital Management, LP, an affiliate of Prencen Lending, was allocated to the Series A and B Warrants and the Notes based on the relative fair value of each. The resulting \$8.4 million value attributed to the Series A and B Warrants has been reflected as a credit to paid-in capital with an offsetting debt issuance discount recorded on the Notes. The resulting allocation to the Notes (\$78.9 million) was then further offset, as an additional debt issuance discount, by the estimated fair value of the liability for the Compound Derivative discussed above (amounting to \$38.3 million as of August 2, 2006). The debt issuance discount (totaling \$50.4 million) and the cash and other deferred finance costs associated with the issuance of the Notes (totaling \$6.8 million), are being amortized to interest expense under the interest method over the 5-year period to the date that the 5 Year Put Option becomes exercisable (August 2, 2011). The 5% premium associated with the 5 Year Put Option (\$4.6 million) is being accreted over the same 5-year period, also under the interest method, as an increase to interest expense and the recorded value of the Notes. Such amortization and accretion amounted to \$1.4 million in the current period and \$1.8 million since inception. Given the significant initial issuance discount recorded on the Notes this treatment will result in substantially lower amortization and accretion being charged to interest expense in the earlier of the 5 years than the latter.

The liability recorded for the Compound Derivative will be adjusted to fair market value at each future reporting date with the difference in the fair value of such liability between such reporting dates being recorded as an increase or decrease in interest and other expense for that period. The value of the Compound Derivative liability was adjusted to \$18.9 million as of November 25, 2006, resulting in a decrease to interest and other expense of \$11.5 million for the thirteen weeks ended November 25, 2006.

Subsequent Restructuring of Convertible Secured Notes

On December 30, 2006 the Company entered into an agreement (the Note Amendment Agreement) with Prencen Lending and Prencen, amending certain terms and conditions of the Notes described above.

As amended, the Notes (the Amended Notes) have a term of 10 years from the date of the Note Amendment Agreement (subject to certain put and call rights described below) and will bear interest at the rate of 9 percent *per annum*, subject to increase to up to 13% upon the nonoccurrence of certain specified events, provided that, for the period ending March 31 2007, the Company has the option to accrue and capitalize interest. If the Company consummates an acquisition, as defined in the Amended Notes (the Acquisition), it may elect to continue to defer interest until maturity of Amended Notes and thus capitalize interest on the then-outstanding balance of the Amended Notes.

Any portion of the balance due under the Amended Notes is convertible at any time, at the option of the holders(s), into the Company's Common Stock (the Conversion Shares) at a price of \$0.42 per share (subject to certain anti-dilution adjustments), provided that the holders may not convert any amounts due under the Amended Notes if and to the extent that, following such a conversion, the holder and any affiliate would collectively beneficially own more than 9.99 percent of the aggregate number of shares of the Company's Common Stock outstanding following such conversion. The Company may require the exchange of up to \$40 million in principal amount of the Amended Notes for shares of a newly created series of preferred stock on terms acceptable to the Company and Prencen Lending, at a premium of 15 percent, if necessary to maintain the Registrant's stockholders' equity at the level required pursuant to the continued listing standards of the American Stock Exchange, on which the Company's Common Stock is listed.

At any time after the eighth anniversary of the Note Amendment Agreement, the Company or any holder may redeem all or any portion of the balance outstanding under the Amended Notes at a premium of 7 percent. The Amended Notes are redeemable by the holder(s) at any time upon the occurrence of an event of default or a change in control of the Company (as defined in the Amended Notes), at premiums of 25 and 20 percent, respectively. In addition, upon the consummation of an approved Acquisition, the Company may redeem up to \$10 million in principal amount of the Amended Notes at a premium of 15 percent, and \$10 million in principal amount of the Amended Notes at a premium to be mutually agreed between the parties.

The Amended Notes rank as senior secured indebtedness of the Company, are secured by liens on all of the Company's and its subsidiaries' assets and are guaranteed by all of the Company's subsidiaries, subject to a first priority lien on the Company's U.S. inventory and accounts receivable to secure an existing revolving credit facility of \$13 million.

In connection with the amendment to the Note, Prencen Lending agreed to waive certain defaults arising under the Notes relating to the payment of accrued interest due December 31, 2006, waive compliance with certain financial covenants through the end of the Company's current fiscal year, and to defer until June 30, 2007 the requirement to file a registration statement with respect to shares of the Company's Common Stock issuable upon conversion of the Amended Note. In addition, the parties agreed to defer until February 28, 2007 the date for determining the number of shares of the Company's Common Stock that may be issued upon the exercise of the Series B Warrants held by Prencen Lending, and the exercise price of such Series B Warrants.

In addition, on December 27, 2006, the Company entered into a Second Amended and Restated Registration Rights Agreement in favor of Prencen and Prencen Lending to provide registration rights with respect to the Conversion Shares, the Preferred Stock issued to Prencen and the Common Stock into which the Preferred Stock may be converted. Under the Registration Rights Agreement, the Company is required to file a registration statement with respect to the registrable securities by June 30, 2007 and to use its best efforts to have such registration statement declared effective not later than 60 days thereafter (or 90 days after the filing deadline if the registration statement is subject to a review by the Commission).

The Company is in the process of determining the accounting for the restructuring of the Convertible Secured Notes to be reflected in the quarter ending February 28, 2007.

Revolver

On August 3, 2006, the Company closed on a revolving line of credit with a major financial institution for a \$13.0 million three year facility. This facility was used to fund approximately \$5.6 million of the above noted cash costs associated with the Long-Term Financing and approximately \$0.1 million in expenses associated with this facility. In addition, another \$0.9 million was drawn from the facility, which along with the \$2.7 million in net proceeds from the issuance of the Notes was used to redeem certain shares of the Company's Series A Preferred Stock from MarNan LLC and Dana Holdings LLC (see Note 12). The remainder of availability under the facility is being used for working capital and general corporate purposes and as of November 25, 2006 there was availability of \$2.6 million. The facility is secured with the Company's United States accounts receivable and inventory

The Revolver contains the following key provisions:

Line of credit A revolving line of credit providing for revolving advances up to the lesser of (a) \$13.0 million or (b) the sum of (herein the **Borrowing Base**): (i) eighty-five percent of eligible domestic (US) accounts receivable, subject to dilution of 5%, plus (ii) eighty-five percent (85%) of the net orderly liquidation value as a percentage of cost of eligible US finished goods and raw materials inventory. The total inventory sublimit will not exceed \$8.0 million. The Agreement requires excess availability of \$2.0 million at closing and a permanent availability block against the Borrowing Base of \$0.75 million.

Interest rate Interest will be computed and payable monthly on all outstanding revolving loans at a rate equivalent to the Chase Bank Rate per annum or, at the Company's option, Libor plus two and one quarter percent (2¼%).

Fees A loan facility fee of \$100,000 earned at closing and payable: \$25,000 upon signing of commitment letter, \$25,000 payable at closing and \$50,000 payable six (6) months from closing. A collateral management fee of \$30,000 per year, earned at closing and on each Anniversary Date, payable monthly.

Termination fee A termination fee is charged of 1% of total facility if terminated prior to first Anniversary Date, three quarters percent (¾%) if terminated prior to second Anniversary Date, and one half percent (½%) if terminated anytime thereafter prior to an Anniversary Date.

NOTE 7 -- INCOME TAXES

In each period presented the effective income tax rate differs from the statutory rate of 34% primarily due to the inability to recognize tax benefits on current losses.

NOTE 8 -- COMMITMENTS AND CONTINGENCIES - restated

The Company has various noncancelable operating leases for manufacturing and office facilities. Future minimum lease payments under noncancelable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments for each period are as follows:

(\$000_s)

	CAPITAL LEASES	OPERATING LEASES
2007	\$	\$ 350
2008		1,065
2009		1,101
2010		1,096
2011		879
2012		423
Total minimum lease payments	\$	\$ 4,914
Less amounts representing interest		
Present value of future minimum lease payments	\$	

Also the Company had purchase obligations of \$3.1 million as of November 25, 2006.

Frank Kuchler, Sr.

By letter dated June 14, 2007, attorneys for Frank Kuchler, a former probationary employee, notified us of their intention to file an action for wrongful dismissal against us on behalf of Mr. Kuchler. To date, no action has been commenced, and Mr. Kuchler's attorneys have not specified the amount of damages to which they claim he is entitled. We will defend any such action vigorously, and will assert one or more counterclaims against Mr. Kuchler. We believe that the likelihood of Mr. Kuchler prevailing, should he in fact commence legal proceedings, is remote. However, there can be no assurance as to the outcome of any such proceeding.

TMV Corporation v. Lander

On May 21, 2007, TMV Corporation, a Florida corporation (TMV), filed a Demand for Arbitration against our subsidiaries Lander Co., Inc. and Lander Co. Canada Limited (collectively, Lander) in connection with a distribution agreement between Lander and USA Labs, Inc. entered into in May 2004. TMV was the parent company of USA Labs. USA Labs filed a petition under Chapter 11 of the Bankruptcy Code on December 17, 2004 and the Demand for Arbitration alleges that USA Labs has since been liquidated. TMV seeks indemnification in the amount of \$10 million (allegedly representing the loss of its investment in USA Labs), an accounting of sums allegedly owing by Lander to USA Labs and other unspecified relief.

Under the distribution agreement, Lander agreed to distribute products manufactured by USA Labs and to provide invoicing, collection and other services in relation to those products. TMV, as the parent of USA Labs, executed a Joinder agreement solely for purposes of confirming its consent to the terms of the distribution agreement. TMV seeks to rely upon the Joinder agreement as the basis for asserting a contractual claim for indemnification against Lander. In its Demand for Arbitration, TMV alleged that Lander breached the distribution agreement and wrongfully retained revenues in excess of \$1 million belonging to USA Labs. TMV alleged that these and other alleged breaches by Lander caused TMV to file bankruptcy and resulted in TMV losing its investment in USA Labs.

We believe that Lander fully complied with the terms of the distribution agreement and that it made a full accounting to the bankruptcy court of all amounts owing under the distribution agreement. It is further our position that TMV lacks standing to assert claims for indemnification under the distribution agreement or otherwise. We intend to defend this claim vigorously, and believe that the likelihood of TMV prevailing is remote. However, there can be no assurance as to the outcome of the case.

Ferguson v. Lander Co., Inc.

On March 14, 2006, Thomas Ferguson, a former employee, sued Lander Co. Inc. in Federal court in Binghamton, NY, alleging that his termination by Lander on September 17, 2004 violated the New York State Human Rights Law, the Federal Age Discrimination in Employment Act and the Federal Family Medical Leave Act (*Ferguson v. Lander Co, Inc.*, No. 06 328 (N.D.N.Y.)) We answered Ferguson s complaint on May 19, 2006, asserting that Ferguson s dismissal was part of a company-wide reduction in force undertaken to reduce costs. Ferguson seeks \$500,000 in damages. Discovery in the case is continuing, and we intend to contest the action vigorously. We believe it is more likely than not that we will prevail. However, there can be no assurance as to the outcome of the case.

Wachovia Capital Markets

By letter dated March 16, 2007 Wachovia Capital Markets L.L.C. demanded a transaction fee of \$1.75 million relating to our acquisition of the *Calgon* and *the healing garden* brands from Coty. Wachovia s claim is based upon an agreement dated May 10, 2006 between the Company and Wachovia pursuant to which Wachovia agreed to render certain advisory services to the Company in connection with the acquisition. The Company has reached an agreement in principle to settle Wachovia s claim for a payment of \$1 million.

Joao v. Cenuco, Inc.

On February 1, 2005, Raymond Anthony Joao filed a patent infringement action against our Cenuco Wireless subsidiary in Federal District Court for the Southern District of New York (*Joao v. Cenuco, Inc.*, 05 Civ. 1037 (CM) (MDF)). The complaint asserts that Cenuco Wireless is infringing upon certain patents held by Joao, specifically United States Patents Nos. 6,587,046, 6,542,076 and 6,549,130. These patents cover apparatuses and methods for transmitting video information to remote devices and/or over the Internet. Cenuco Wireless has vigorously defended this case on the merits. We believe that the patents held by Joao are invalid and that the chances of Joao prevailing are remote. However, there is no assurance as to the outcome of the case. As of February 28, 2007 we had discontinued our wireless applications development business.

We are also involved, from time to time, in routine legal proceedings and claims incidental to our business. Should it appear probable in management s judgment that we will incur monetary damages or costs in relation to any such proceedings or claims, and such costs can be reasonably estimated, liabilities are recorded in the financial statements and charges recorded against earnings. We believe that the resolution of such claims, taking into account reserves and insurance, will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations.

NOTE 9 -- STOCK OPTIONS AND WARRANTS

SFAS No. 123 (R) requires companies to estimate the fair value of share-based payment awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service period.

The Company adopted SFAS No. 123 (R) using the modified prospective transition method, which requires application of the accounting standard as of March 1, 2006 and for all periods thereafter. All previously granted options have either expired or become fully vested prior to February 28, 2006 and no new options have been granted since then. Accordingly, there was no non-cash compensation recorded under SFAS No. 123 (R) in the thirteen week period ended May 27, 2006 and no unrecorded fair value based compensation with respect to options as of that date. In accordance with the modified prospective transition method, the consolidated financial statements for prior periods have not been restated to reflect the impact of SFAS No. 123 (R).

Prior to the adoption of SFAS No. 123(R), we accounted for share-based payment awards using the intrinsic value method in accordance with APB No. 25 as allowed under SFAS No. 123. Under the intrinsic value method, no share-based compensation expense had been recognized in our consolidated statements of operations for periods prior to March 1, 2006 because the exercise price of our stock options granted equaled the fair market value of the underlying stock at the date of grant. In our pro forma disclosures required under SFAS No. 123 for the periods prior to March 1, 2006, the Company estimated forfeitures and in subsequent periods the Company will adjust forfeitures for actual amounts.

For purposes of determining the estimated fair value of share-based payment awards issued in the form of stock options, under SFAS No. 123(R) the Company utilizes the Black-Scholes option-pricing model (Black-Scholes Model). The Black-Scholes Model requires the input of certain assumptions that involve judgment. Because stock options have characteristics significantly different from those of traded options, and because changes in the input assumptions can materially affect the fair value estimate, the existing models may not provide a reliable single measure of the fair value of the Company's stock options. Management will continue to assess the assumptions and methodologies used to calculate estimated fair value under the Black-Scholes Model. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies, and thereby materially impact our fair value determination.

The following information applies to options outstanding at November 25, 2006:

Range of Prices	Options Outstanding and Exercisable Weighted - Average Remaining Contractual Life (Years)	Shares
\$0.42	5.76	73,332
\$0.55	0.08	40,000
\$1.15	7.03	218,335
\$1.55	6.12	35,001
\$2.00	4.26	130,000
\$3.71	7.66	40,000
\$4.00	7.68	20,000
		556,668

At November 25, 2006, the aggregate intrinsic value of options outstanding and exercisable was \$0.3 million. The weighted average remaining contractual term of options outstanding and exercisable at November 25, 2006 was 5.73 years. The aggregate intrinsic value represents the total pre-tax value, based on the Company's closing stock price as of November 25, 2006, which would have been received by the option holders had they exercised their in-the-money options as of that date. During the thirteen and thirty-nine weeks ended November 25, 2006, no outstanding options were exercised.

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From the date of the Merger to November 25, 2006, 163,500 warrants have been exercised at an exercise price of \$1 per share.

The following information applies to all warrants outstanding at November 25, 2006:

Range of Prices	Warrants Outstanding and Exercisable Weighted - Average Remaining Contractual Life (Years)	Shares
\$1.00	2.05	118,000
\$2.10	4.69	3,053,358
\$3.76	4.69	137,615
\$4.00	2.58	105,784
\$4.37	4.69	552,632
\$4.50	2.58	1,387,760
\$5.00 to \$6.50	2.51	350,000
\$6.00	3.48	500,000
		6,205,149

In addition, as further described in Note 6, 3 million warrants are committed to be issued at a price dependent upon the balance outstanding on the Convertible Secured Notes as of February 28, 2007.

NOTE 10 -- CAPITAL STRUCTURE AND NET INCOME (LOSS) PER COMMON SHARE - Restated

Capital Structure:

At November 25, 2006, the outstanding share capital of the Company is comprised of: (i) 13,944,056 shares of common stock (Common Stock), and (ii) 2,347.8 shares of Series A Junior Participating Preferred Stock (the Series A Preferred Stock).

The Series A Preferred Stock was issued in connection with the completion of the Merger as described in Note 1 to the consolidated financial statements. The holders of the Series A Preferred Stock are entitled to receive when, as and if declared by the Board of Directors, quarterly cumulative dividends commencing on March 31, 2006 in an amount per share equal to \$0.001. No dividends have been declared as of November 25, 2006. In addition to the dividends payable to the holders of Series A Preferred Stock, the Company shall declare a dividend or distribution on the Series A Preferred Stock equal to any amount declared on the Common Stock. Holders of the Series A Preferred Stock (using the number of common shares into which each share of Series A Preferred Stock is convertible) and the holders of Common Stock vote together as one class on all matters submitted to a vote of stockholders of the Company, provided however that the holders of the Series A Preferred Stock are not entitled to any voting rights on any matter relating to the Merger. Upon liquidation, dissolution or winding up of the Company, the holders of the Series A Preferred Stock are entitled to liquidation preferences over all other classes of capital stock. The holders of Series A Preferred Stock shall receive an amount equal to \$1,000 per share of the Series A Preferred Stock, plus an amount equal to accrued and unpaid dividends and distributions prior to any distribution to the holders of any other class of capital stock. If the assets available for distribution are sufficient to permit a full payment of the above amounts then, after such amounts have been fully distributed, holders of the Series A Preferred Stock shall share equally with holder of the Common Stock on a per share basis (using the number of common shares into which each share of Series A Preferred Stock is convertible). Each share of Series A Preferred Stock carries the voting rights on a basis such that the rights of the Series A Preferred Stock as a whole correspond to 65 percent of the aggregate rights of the Series A Preferred Stock and Common Stock outstanding as of the completion of the Merger. Upon the approval of the holders of the Common Stock and an increase in the Company's authorized share capital, each share of Series A Preferred Stock will automatically convert into shares of Common Stock on such a basis that, following conversion, the holders of the Series A Preferred Stock will hold the same proportional rights to general distributions and voting rights that they held immediately prior to such conversion. The Series A Preferred Stock is not redeemable.

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This filing is being amended to record the impact on the beneficial conversion feature with respect to the Series A Preferred Stock. For the thirteen and thirty-nine weeks ended November 25, 2006, this amended filing allocates a deemed dividend of \$4 thousand and \$208 thousand, respectively to the preferred shareholders and correspondingly allocates an additional loss to Common Stock shareholders. This reallocation is reflected in the revised table shown below.

Net earnings (loss) per share - basic:

The following table shows how the net income (loss) was allocated using the two-class method (see Note 2) for purposes of calculating basic net earnings (loss) per share:

(Amounts in \$000 s, except for share and per share data)

	For the thirteen weeks ended		For the thirty-nine weeks ended	
	November 25, 2006	November 26, 2005	November 25, 2006	November 25, 2005
Allocation of net income (loss) in Basic calculation:				
- Income (loss) available to Common stockholders (used in basic common earnings per share)	2,659	(687)	2,049	(3,851)
- Portion of income (loss) allocated to Series A Preferred (used in basic preferred earnings per share)	3,672		3,672	(1,834)
Series A preferred stock - beneficial conversion feature accreted as a dividend	4	172	208	536
Net income (loss)	6,335	(515)	5,929	(5,149)
Weighted average number of Common Stock - basic	13,928,518	13,833,094	13,916,523	13,765,693
Weighted average number of Series A Preferred shares - basic and diluted	2,348	2,554	2,463	2,554
Basic income (loss) per common share	\$0.19	\$(0.05)	\$0.15	\$(0.28)
Basic and diluted net income (loss) per share - Series A Preferred	\$1,564	\$	\$1,491	\$(718)

Net loss per share - diluted:

The Company calculates diluted net loss per share by including convertible securities on an as if converted basis as described in SFAS No. 128. The following table shows how the diluted net loss was calculated:

(Amounts in \$000 s, except for share and per share data)

	For the thirteen weeks ended		For the thirty-nine weeks ended	
	November 25, 2006	November 26, 2005	November 25, 2006	November 26, 2005
Net income (loss) used in diluted computation;				
Income (loss) available to Common stockholders	2,659	(687)	2,049	(3,851)
Adjustment for assumed conversion of convertible secured notes	(8,299)		(15,245)	
Net loss used in diluted computation	(5,640)	(687)	(13,196)	(3,851)

The following table illustrates the weighted average number of shares used in the diluted earnings per common share computation. The diluted common share base excludes incremental common shares of 23,982,136 and 10,613,373 for the thirteen and thirty-nine weeks ended November 25, 2006, respectively. These shares were excluded due to their anti-dilutive effect:

Weighted average number of Common Stock - diluted	65,928,518	13,833,094	37,027,634	13,765,693
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Diluted loss per common share \$(0.09) \$(0.05) \$(0.36) \$(0.28)

NOTE 11 -- SEGMENT AND GEOGRAPHIC INFORMATION

The results related to the Playtex asset acquisition are reported in HBC Division.

(Amounts in thousands, except for shares and per share amounts)

THIRTEEN WEEKS ENDED NOVEMBER 25, 2006 - restated

DIVISION	HBC	WAD	TOTAL
Net Sales	\$ 24,523	\$ 22	\$ 24,545
Loss from operations	(1,194)	(453)	(1,647)
Net income (loss)	\$ 6,785	\$ (450)	\$ 6,335
Total Assets	\$ 87,268	\$ 20,821	\$ 108,089

GEOGRAPHIC

LONG-LIVED