

Edgar Filing: Prestige Brands International, LLC - Form 10-Q/A

registrant makes any representation as to information relating to the other registrant. Prestige Brands International, LLC meets the conditions set forth in general instructions (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Amendment No. 1 to Form 10-Q/A with the reduced disclosure format.

Indicate by check mark whether the Registrants (1) have 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 Registrants were 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 Registrants are accelerated filers (as defined in Exchange Act Rule 12b-2).
Yes No

As of January 4, 2006, Prestige Brands Holdings, Inc. had 5,040,890 shares of common stock outstanding. As of such date, Prestige International Holdings, LLC, a wholly owned subsidiary of Prestige Brands Holdings, Inc., owned 100% of the uncertificated ownership interests of Prestige Brands International, LLC.

EXPLANATORY NOTE

On November 15, 2005 and November 30, 2005, Prestige Brands Holdings, Inc. (“Company”) filed Current Reports on Form 8-K with the Securities and Exchange Commission (“SEC”) in which it announced that it was restating previously reported financial statements, as a result of a review of certain accounting practices performed in conjunction with the Company's assessment of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the preparation of its financial statements for the quarter ended September 30, 2005. As a result of the Company's organizational structure, the restatement of financial statements by the Company has also resulted in the restatement of the financial statements of Prestige Brands International, LLC (“Prestige Brands International”). As more fully described in Note 2 of the financial statements, the Company has determined it erroneously applied generally accepted accounting principles as they relate to the recognition of revenue, the classification of certain trade promotion allowances, the computation of deferred income taxes and the computation of earnings per share. This Amendment No. 1 to Form 10-Q/A (“Amendment”) amends the Quarterly Report on Form 10-Q for the quarter ended June 30, 2005 (“Original Filing”), as filed on August 9, 2005.

Except as required to reflect the effects of the restatement for the items enumerated above, no additional modifications or updates in this Amendment have been made to the Original Filing on Form 10-Q. Information not affected by the restatement remains unchanged and reflects the disclosures made at the time of the Original Filing on Form 10-Q. This Amendment does not describe other events occurring after the Original Filing, including exhibits, or modify or update those disclosure affected by subsequent events. This Amendment should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Filing, as information in such reports and documents may update or supersede certain information contained in this Amendment. Accordingly, this Amendment only amends and restates Items 1, 2 and 4 of Part I of the Original Filing, in each case, solely as a result of, and to reflect, the restatement, and no other information in the Original Filing is amended hereby. Additionally, pursuant to the rules of the SEC, Item 6 of Part II of the Original Filing has been amended to contain currently dated certifications of the Company's Chief Executive Officer and Chief Financial Officer. As required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002, the certifications of our Chief Executive Officer and Chief Financial Officer are attached to this Amendment as Exhibits 31.1, 31.2, 32.1 and 32.2 with respect to the Company, and 31.3, 31.4, 32.3 and 32.4 with respect to Prestige Brands International.

Concurrent with the filing of this Amendment, the Company is filing Amendment No. 2 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended March 31, 2005, as filed on June 15, 2005, to reflect the effects of the restatement for the items enumerated above, on the financial statements and related financial data as of and for the periods included in Amendment No. 2 to the Annual Report on Form 10-K/A, as well as Amendment No.1 on Form 10-Q/A to the Quarterly Report on Form 10-Q, as filed on January 26, 2005, of Prestige Brands International for the quarterly period ended December 31, 2004.

Prestige Brands Holdings, Inc.
Form 10-Q/A
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Prestige Brands Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands, except per share data)

	June 30, 2005 <i>(Restated)</i>	March 31, 2005 <i>(Restated)</i>
Assets		
Current assets		
Cash	\$ 13,945	\$ 5,334
Accounts receivable	26,442	35,918
Inventories	30,589	24,833
Deferred income tax assets	6,965	5,699
Prepaid expenses and other current assets	4,039	3,152
Total current assets	81,980	74,936
Property and equipment	2,043	2,324
Goodwill	294,731	294,731
Intangible assets	606,465	608,613
Other long-term assets	14,344	15,996
Total Assets	\$ 999,563	\$ 996,600
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 18,626	\$ 21,705
Accrued liabilities	9,365	11,589
Current portion of long-term debt	3,730	3,730
Total current liabilities	31,721	37,024
Long-term debt	490,698	491,630
Deferred income tax liabilities	89,916	85,899
Total liabilities	612,335	614,553
Commitments and Contingencies - Note 8		
Shareholders' Equity		
Preferred stock - \$.01 per share par value		
Authorized - 5,000 shares		
Issued and outstanding - None	--	--
Common stock - \$.01 per share par value		
Authorized - 250,000 shares		
Issued and outstanding - 50,000 shares at June 30, 2005 and March 31, 2005	500	500
Additional paid-in capital	378,188	378,251
Treasury stock - 2 shares at cost	(4)	(4)
Accumulated other comprehensive income (loss)	(365)	320
Retained earnings	8,909	2,980
Total shareholders' equity	387,228	382,047
Total Liabilities and Shareholders' Equity	\$ 999,563	\$ 996,600

See accompanying notes.

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Prestige Brands Holdings, Inc.
Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)

	Three Months Ended June 30	
	2005	2004
	<i>(Restated)</i>	<i>(Restated)</i>
Revenues		
Net sales	\$ 63,428	\$ 58,680
Other revenues	25	75
Total revenues	63,453	58,755
Costs of Sales		
Costs of sales	28,949	33,138
Gross profit	34,504	25,617
Operating Expenses		
Advertising and promotion	8,705	10,785
General and administrative	4,911	4,921
Depreciation	483	486
Amortization of intangible assets	2,148	1,803
Total operating expenses	16,247	17,995
Operating income	18,257	7,622
Other income (expense)		
Interest income	81	28
Interest expense	(8,591)	(11,077)
Loss on extinguishment of debt	--	(7,567)
Total other income (expense)	(8,510)	(18,616)
Income before income taxes	9,747	(10,994)
Provision (benefit) for income taxes	3,818	(3,902)
Net income (loss)	5,929	(7,092)
Cumulative preferred dividends on Senior Preferred and Class B Preferred units	--	(3,619)
Net income (loss) available to members and common shareholders	\$ 5,929	\$ (10,711)
Basic earnings (loss) per share	\$ 0.12	\$ (0.44)
Diluted earnings (loss) per share	\$ 0.12	\$ (0.44)
Weighted average shares outstanding:		
Basic	48,722	24,511
Diluted	49,998	24,511

See accompanying notes.

Prestige Brands Holdings, Inc.
Consolidated Statement of Changes in Stockholders' Equity
and Comprehensive Income
Three Months Ended June 30, 2005
(Unaudited)

	<u>Common Stock</u>		Additional		<u>Treasury Stock</u>		Accumulated Other Comprehensive			
	Shares	Par Value	Paid-in Capital	Shares	Amount	(Loss)	Income Retained Earnings	(Loss)	Earnings	Totals
<i>(In thousands)</i>										
Balances - March 31, 2005 <i>(Restated)</i>	50,000	\$ 500	\$ 378,251	2	\$ (4)	\$ 320	\$ 2,980	\$	\$	\$ 382,047
Additional costs associated with initial public offering			(63)							(63)
Components of comprehensive income										
Net income <i>(Restated)</i>							5,929			5,929
Unrealized loss on interest rate cap, net of income tax benefit of \$440						(685)				(685)
Total comprehensive income <i>(Restated)</i>										5,244
Balances - June 30, 2005 <i>(Restated)</i>	50,000	\$ 500	\$ 378,188	2	\$ (4)	\$ (365)	\$ 8,909	\$	\$	\$ 387,228

See accompanying notes.

Prestige Brands Holdings, Inc.
Consolidated Statements of Cash Flows
(Unaudited)

<i>(In thousands)</i>	Three Months Ended June 30	
	2005	2004
	<i>(Restated)</i>	<i>(Restated)</i>
Operating Activities		
Net income (loss)	\$ 5,929	\$ (7,092)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,635	2,289
Deferred income taxes	3,191	2,913
Amortization of deferred financing costs	527	781
Loss on extinguishment of debt	--	7,567
Changes in operating assets and liabilities, net of effects of purchases of businesses		
Accounts receivable	9,476	281
Inventories	(5,756)	2,213
Prepaid expenses and other assets	(887)	(5,573)
Accounts payable	(3,079)	401
Account payable - related parties	--	934
Accrued expenses	(2,224)	3,995
Net cash provided by operating activities	9,812	8,709
Investing Activities		
Purchase of equipment	(206)	(109)
Purchase of business, net of cash acquired	--	(373,250)
Net cash used for investing activities	(206)	(373,359)
Financing Activities		
Proceeds from the issuance of notes	--	668,512
Payment of deferred financing costs	--	(22,651)
Repayment of notes	(932)	(330,786)
Proceeds from the issuance of equity units	--	58,487
Additional costs associated with initial public offering	(63)	--
Net cash provided by (used for) financing activities	(995)	373,562
Increase in cash	8,611	8,912
Cash - beginning of period	5,334	3,393
Cash - end of period	\$ 13,945	\$ 12,305
Supplemental Cash Flow Information		
Fair value of assets acquired, net of cash acquired	\$ --	\$ 596,955
Fair value of liabilities assumed	--	(223,613)
Purchase price funded with non-cash contributions	--	(92)
Cash paid to purchase business	\$ --	\$ 373,250
Interest paid	\$ 8,051	\$ 10,295
Income taxes paid	\$ 422	\$ 280

See accompanying notes.

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Prestige Brands Holdings, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share data)

1. Business and Basis of Presentation

Nature of Business

Prestige Brands Holdings, Inc. (“the Company”) and its subsidiaries are engaged in the marketing, sales and distribution of over-the-counter drug, personal care and household cleaning brands to mass merchandisers, drug stores, supermarkets and club stores primarily in the United States. In February 2005, the Company completed an initial public offering.

Basis of Presentation

The unaudited consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the financial statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim periods. Operating results for the three month period ended June 30, 2005 are not necessarily indicative of results that may be expected for the year ending March 31, 2006. This financial information should be read in conjunction with the Company’s audited financial statements and notes thereto included in Amendment No. 2 to the Company’s Annual Report on Form 10-K/A for the year ended March 31, 2005.

As more fully described in Note 2, the Company determined that the financial statements and the disclosures in the notes thereto for the three month periods ended June 30, 2005 and 2004 contained in the Quarterly Report on Form 10-Q filed on August 9, 2005, required restatement. All amounts disclosed in the footnotes to the financial statements have been appropriately restated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company’s knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of the Company’s cash is held by one bank located in Wyoming. The Company does not believe that, as a result of this concentration, it is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

Accounts Receivable

The Company extends non-interest bearing trade credit to its customers in the ordinary course of business. To minimize credit risk, ongoing evaluations of customers’ financial condition are performed; however, collateral is not required. The Company maintains an allowance for doubtful accounts based on its historical collections experience, as well as its evaluation of current and expected conditions and trends affecting its customers.

Sales Returns

The Company must make estimates of potential future product returns related to current period sales. In order to do this, the Company analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company's products when evaluating the adequacy of the Company's allowance for returns in any accounting period. If actual returns are greater than those estimated by management, the Company's financial statements in future periods may be adversely affected.

Inventories

Inventories are stated at the lower of cost or fair value where cost is determined by using the first-in, first-out method. The Company provides an allowance for slow moving and obsolete inventory.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Machinery	5
Computer equipment	3
Furniture and fixtures	7

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the consolidated statement of operations.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in acquisition transactions is classified as goodwill. In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," the Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually.

Intangible Assets

Intangible assets are stated at the lesser of cost or fair value less accumulated amortization. For intangible assets with finite lives, amortization is computed on the straight-line method over estimated useful lives ranging from five to 30 years.

Indefinite lived intangible assets are tested for impairment at least annually, while intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Deferred Financing Costs

The Company has incurred debt issuance costs in connection with its long-term debt. These costs are capitalized as deferred financing costs and amortized using the effective interest method over the term of the related debt.

Revenue Recognition

Revenues are recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) the product has been shipped and the customer takes ownership and assumes risk of loss; and (4) collectibility of the resulting receivable is

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reasonably assured. The Company has determined that the risk of loss generally occurs when the product is received by the customer and, accordingly, recognizes revenue at that time. Provision is made for estimated customer discounts and returns at the time of sale based on the Company's historical experience.

The Company frequently participates in the promotional programs of its customers, as is customary in this industry. The ultimate cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These programs may include coupons, scan downs, temporary price reductions or other price guarantee vehicles. The Company estimates the cost of such promotional programs at their inception based on historical experience and current market conditions and reduces sales by such estimates. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

Costs of Sales

Costs of sales include product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were \$5.5 million and \$5.3 million for the periods ended June 30, 2005 and 2004, respectively.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Slotting fees associated with products are recognized as a reduction of sales. Under slotting arrangements, the retailers allow the Company's products to be placed on the stores' shelves in exchange for such fees. Direct reimbursements of advertising costs are reflected as a reduction of advertising costs in the period earned.

Stock-based Compensation

The Company accounts for employee stock-based compensation in accordance with the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25") and complies with the disclosure provisions of FASB Statement No. 123, "Accounting for Stock-Based Compensation" ("Statement No. 123") and FASB Statement No. 148, "Accounting for Stock-Based Compensation—Transition and Disclosure, an amendment of FASB Statement No. 123." Under APB 25, compensation expense is based on the difference, if any, on the date of grant, between the fair value of the Company's common stock and the exercise price of the equity instrument.

Income Taxes

Income taxes are recorded in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes" ("Statement No. 109"). Pursuant to Statement No. 109, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Derivative Instruments

FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("Statement No. 133"), requires companies to recognize derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in an international operation.

The Company has designated its derivative financial instruments as cash flow hedges because they hedge exposure to variability in expected future cash flows that is attributable to interest rate risk. For these hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the

forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instruments is recorded in results of operations immediately.

Earnings Per Share

Basic and diluted earnings per share are calculated based on income (loss) available to common shareholders and the weighted-average number of shares outstanding during the reported period. For the period ended June 30, 2004, the weighted average number of common shares outstanding includes the Company's common units as if the common units had been converted to common stock using the February 2005 initial public offering conversion ratio of one common unit to 0.4589 shares of common stock.

Recently Issued Accounting Standards

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47") which clarifies guidance provided by Statement No. 143, "Accounting for Asset Retirement Obligations." FIN 47 is effective for the Company no later than March 31, 2006. The adoption of FIN 47 is not expected to have a significant impact on the Company's financial position, results of operations or cash flows.

In April 2005, the Securities and Exchange Commission approved an amendment to Rule 4-01 of Regulations S-X that delays the effective date of Statement No. 123 (Revised 2004), "Shared-Based Payments" ("Statement No. 123R"), which requires companies to expense the value of employee and director stock options and similar awards. The results of operations for the period ended June 30, 2005 would not have been affected had the Company applied the fair value recognition provisions of Statement 123(R) during this period.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("Statement No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" (APB Opinion No. 20) and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements". Statement No. 154 requires that voluntary changes in accounting principle be applied retrospectively to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustments be made to the opening balance of retained earnings. APB Opinion No. 20 had required that most voluntary changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle. Statement No. 154 is effective for all accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

2. Restatement of Financial Statements

On November 15, 2005 and November 30, 2005, the Company filed Current Reports on Form 8-K with the Securities and Exchange Commission ("SEC") which announced that previously reported financial statements were being restated as a result of a review of certain accounting practices performed in conjunction with the Company's assessment of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the preparation of its financial statements for the quarter ended September 30, 2005. The Company determined it erroneously applied generally accepted accounting principles as they relate to the recognition of revenue, the classification of certain trade promotion allowances, the computation of deferred income taxes and the computation of earnings per share.

With respect to revenue recognition, Staff Accounting Bulletin No. 104 sets forth the criteria for revenue recognition, one of which is that risk of loss has passed to the customer. The Company, consistent with its published pricing and shipping terms, has historically recognized revenue upon shipment of product to the customer. Upon closer examination of its shipping practices and terms, the Company determined that it often was unclear when, from a legal standpoint, risk of loss of its products passed to its customers.

Accordingly, the Company has concluded that revenue should not be recognized until product is received by its customers (referred to as “FOB destination point”), unless the risk of loss transfers to the customer at the point of shipment. These adjustments had no effect on net cash flows provided by or used in operating activities.

With respect to the classification of trade promotions and allowances, Emerging Issues Task Force Issue 01-09 sets forth the criteria for classifying such promotions and allowances as an expense or a reduction of revenue. Upon review, the Company determined that it had incorrectly classified certain promotion and allowance amounts as selling, general and administrative expenses rather than as a reduction of revenues. These adjustments do not affect the balance sheet, net income, operating income or cash flows from operations.

With respect to the provision for income taxes and related deferred taxes, Statement of Financial Accounting Standards No. 109 sets forth the criteria by which such amounts are to be recognized. The Company has determined that the increase in deferred income taxes related to the increase in graduated federal income tax rates from 34% to 35% should have been recognized in the period in which it filed its first consolidated federal income tax return. Consequently, the charge to earnings for the increase in deferred income taxes has been recognized in the fiscal year ended March 31, 2005. This charge was previously recognized in the quarter ended June 30, 2005. This change did not affect cash flows from operations.

With respect to earnings per share, Statement of Financial Accounting Standards No. 128 sets forth the criteria for computing basic and diluted earnings per share. Upon examination of its earnings per share calculations, the Company determined that certain issued and outstanding, but unvested, shares held by management were improperly reflected in the basic earnings per share computations.

The effects of the adjustments enumerated above for each fiscal period are reflected in the schedules that follow.

Consolidated Statements of Operations

<i>(In thousands, except per share data)</i>	Three Months Ended June 30, 2005				
	Previously Reported	Revenue Recognition	Cooperative Advertising	Income Taxes	As Restated
Revenues					
Net sales	\$ 63,530	\$ 1,928	\$ (2,030)	\$ --	\$ 63,428
Other revenues	25				25
Total revenues	63,555	1,928	(2,030)	--	63,453
Cost of Sales					
Costs of sales	28,339	610			28,949
Gross profit	35,216	1,318	(2,030)	--	34,504
Operating Expenses					
Advertising and promotion	10,714	21	(2,030)		8,705
General and administrative	4,911				4,911
Depreciation	483				483
Amortization of intangible assets	2,148				2,148
Total operating expenses	18,256	21	(2,030)	--	16,247
Operating income	16,960	1,297	--	--	18,257
Other income (expense)					
Interest income	81				81
Interest expense	(8,591)				(8,591)
Total other income (expense)	(8,510)	--	--	--	(8,510)
Income before provision for income taxes	8,450	1,297	--	--	9,747
Provision for income taxes	4,443	522		(1,147)	3,818
Net income	\$ 4,007	\$ 775	\$ --	\$ 1,147	\$ 5,929
Basic earnings per share	\$ 0.08				\$ 0.12
Diluted earnings per share	\$ 0.08				\$ 0.12
Average shares outstanding:					
Basic	49,998				48,722
Diluted	49,998				49,998

Consolidated Statements of Operations

<i>(In thousands, except per share data)</i>	Three Months Ended June 30, 2004			
	Previously Reported	Revenue Recognition	Cooperative Advertising	As Restated
Revenues				
Net sales	\$ 67,682	\$ (6,142)	\$ (2,860)	\$ 58,680
Other revenues	75			75
Total revenues	67,757	(6,142)	(2,860)	58,755
Cost of Sales				
Costs of sales	36,123	(2,985)		33,138
Gross profit	31,634	(3,157)	(2,860)	25,617
Operating Expenses				
Advertising and promotion	13,771	(126)	(2,860)	10,785
General and administrative	4,921			4,921
Depreciation	486			486
Amortization of intangible assets	1,803			1,803
Total operating expenses	20,981	(126)	(2,860)	17,995
Operating income	10,653	(3,031)	-	7,622
Other income (expense)				
Interest income	28			28
Interest expense	(11,077)			(11,077)
Loss on extinguishment of debt	(7,567)			(7,567)
Total other income (expense)	(18,616)	--	--	(18,616)
Loss before benefit for income taxes	(7,963)	(3,031)		(10,994)
Benefit for income taxes	2,826	1,076		3,902
Net loss	(5,137)	(1,955)	--	(7,092)
Cumulative preferred dividend on Senior Preferred and Class B Preferred Units	(3,619)			(3,619)
Net loss available to common shareholders	\$ (8,756)	\$ (1,955)	\$ --	\$ (10,711)
Basic earnings per share	\$ (0.33)			\$ (0.44)
Diluted earnings per share	\$ (0.33)			\$ (0.44)
Average shares outstanding:				
Basic	26,516			24,511
Diluted	26,516			24,511

Consolidated Balance Sheet*(In thousands, except per share data)*

	June 30, 2005	
	As Previously Reported	As Restated
Assets		
Current assets		
Cash	\$ 13,945	\$ 13,945
Accounts receivable	32,489	26,442
Inventories	27,946	30,589
Deferred income tax assets	6,965	6,965
Prepaid expenses and other current assets	4,039	4,039
Total current assets	85,384	81,980
Property and equipment		
Goodwill	2,043	2,043
Intangible assets	294,544	294,731
Other long-term assets	606,465	606,465
	14,344	14,344
Total Assets	\$ 1,002,780	\$ 999,563
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 18,626	\$ 18,626
Accrued liabilities	10,705	9,365
Current portion of long-term debt	3,730	3,730
Total current liabilities	33,061	31,721
Long-term debt		
Deferred income tax liabilities	490,698	490,698
	89,916	89,916
Total liabilities	613,675	612,335
Shareholders' Equity		
Preferred stock - \$0.01 per share par value		
Authorized - 5,000 shares		
Issued and outstanding - None	--	--
Common stock - \$.01 per share par value		
Authorized - 250,000 shares		
Issued and outstanding - 50,000 shares	500	500
Additional paid-in capital	378,188	378,188
Treasury stock - 2 shares at cost	(4)	(4)
Accumulated other comprehensive loss	(365)	(365)
Retained earnings	10,786	8,909
Total shareholders' equity	389,105	387,228
Total Liabilities and Shareholders' Equity	\$ 1,002,780	\$ 999,563

Consolidated Balance Sheet*(In thousands, except per share data)***March 31, 2005**

	As Previously Reported	As Restated
Assets		
Current assets		
Cash	\$ 5,334	\$ 5,334
Accounts receivable	43,893	35,918
Inventories	21,580	24,833
Deferred income tax assets	5,699	5,699
Prepaid expenses and other current assets	3,152	3,152
Total current assets	79,658	74,936
Property and equipment	2,324	2,324
Goodwill	294,544	294,731
Intangible assets	608,613	608,613
Other long-term assets	15,996	15,996
Total Assets	\$ 1,001,135	\$ 996,600
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	\$ 21,705	\$ 21,705
Accrued liabilities	13,472	11,589
Current portion of long-term debt	3,730	3,730
Total current liabilities	38,907	37,024
Long-term debt	491,630	491,630
Deferred income tax liabilities	84,752	85,899
Total liabilities	615,289	614,553
Shareholders' Equity		
Preferred stock - \$0.01 per share par value		
Authorized - 5,000 shares		
Issued and outstanding - None	--	--
Common stock - \$.01 per share par value		
Authorized - 250,000 shares		
Issued and outstanding - 50,000 shares	500	500
Additional paid-in capital	378,251	378,251
Treasury stock - 2 shares at cost	(4)	(4)
Accumulated other comprehensive income	320	320
Retained earnings	6,779	2,980
Total shareholders' equity	385,846	382,047
Total Liabilities and Shareholders' Equity	\$ 1,001,135	\$ 996,600

The restatements did not affect previously reported net cash flows from operating, investing or financing activities.

3. Accounts Receivable

The components of accounts receivable consist of the following:

	June 30, 2005 <i>(Restated)</i>	March 31, 2005 <i>(Restated)</i>
Accounts receivable	\$ 26,332	\$ 36,985
Other receivables	1,251	835
	27,583	37,820
Less allowances for discounts, returns and uncollectible accounts	(1,141)	(1,902)
	\$ 26,442	\$ 35,918

4. Inventories

Inventories consist of the following:

	June 30, 2005 <i>(Restated)</i>	March 31, 2005 <i>(Restated)</i>
Packaging and raw materials	\$ 5,192	\$ 3,587
Finished goods	25,397	21,246
	\$ 30,589	\$ 24,833

Inventories are shown net of allowances for obsolete and slow moving inventory of \$1.4 million at June 30, 2005 and March 31, 2005, respectively.

5. Property and Equipment

Property and equipment consist of the following:

	June 30, 2005	March 31, 2005
Machinery	\$ 2,828	\$ 2,828
Computer equipment	784	771
Furniture and fixtures	542	515
Leasehold improvements	339	173
	4,493	4,287
Accumulated depreciation	(2,450)	(1,963)
	\$ 2,043	\$ 2,324

6. Intangible Assets

Intangible assets consist of the following:

	Gross Amount	June 30, 2005 Accumulated Amortization	Net Amount
Indefinite lived trademarks	\$ 522,346	\$ --	\$ 522,346
Amortizable intangible assets			
Trademarks	94,900	(10,915)	83,985
Non-compete agreement	158	(24)	134
	95,058	(10,939)	84,119
	\$ 617,404	\$ (10,939)	\$ 606,465

	Gross Amount	March 31, 2005 Accumulated Amortization	Net Amount
Indefinite lived trademarks	\$ 522,346	\$ --	\$ 522,346
Amortizable intangible assets			
Trademarks	94,900	(8,775)	86,125
Non-compete agreement	158	(16)	142
	95,058	(8,791)	86,267
	\$ 617,404	\$ (8,791)	\$ 608,613

At June 30, 2005, intangible assets are expected to be amortized over a period of five to 30 years as follows:

Twelve Months Ending June 30

2006	\$ 8,592
2007	8,592
2008	8,592
2009	8,592
2010	8,592
Thereafter	41,159
	\$ 84,119

7. Long-Term Debt

Long-term debt consists of the following:

	June 30, 2005	March 31, 2005
Senior revolving credit facility (“Revolving Credit Facility”), which expires on April 6, 2009, is available for maximum borrowings of up to \$60.0 million. The Revolving Credit Facility bears interest at the Company’s option at either the prime rate plus a variable margin or LIBOR plus a variable margin. The variable margin ranges from 0.75% to 2.50% and at June 30, 2005, the interest rate on the Revolving Credit Facility was 7.0% per annum. The Company is also required to pay a variable commitment fee on the unused portion of the Revolving Credit Facility. At June 30, 2005, the commitment fee was 0.50% of the unused line. The Revolving Credit Facility is collateralized by substantially all of the Company’s assets.	\$ --	\$ --
Senior secured term loan facility, (“Tranche B Term Loan Facility”) bears interest at the Company’s option at either the prime rate or LIBOR plus a variable margin of 2.25%. At June 30, 2005, the applicable interest rate on the Tranche B Term Loan Facility was 5.38%. Principal payments of \$933 and interest are payable quarterly. In February 2005, the Tranche B Term Loan Facility was amended to increase the amount available thereunder by \$200.0 million, all of which is available at June 30, 2005. Current amounts outstanding under the Tranche B Term Loan Facility mature on April 6, 2011, while amounts borrowed pursuant to the amendment will mature on October 6, 2011. The Tranche B Term Loan Facility is collateralized by substantially all of the Company’s assets.	368,428	369,360
Senior Subordinated Notes (“Senior Notes”) that bear interest at 9.25% which is payable on April 15 th and October 15 th of each year. The Senior Notes mature on April 15, 2012; however, the Company may redeem some or all of the Senior Notes on or prior to April 15, 2008 at a redemption price equal to 100% plus a make-whole premium, and on or after April 15, 2008 at redemption prices set forth in the indenture governing the Senior Notes. The Senior Notes are unconditionally guaranteed by Prestige Brands International, LLC (“Prestige International”), a wholly owned subsidiary, and Prestige International’s wholly owned subsidiaries (other than the issuer). Each of the guarantees is joint and several. There are no significant restrictions on the ability of any of the guarantors to obtain funds from their subsidiaries.	126,000	126,000
Current portion of long-term debt	494,428 (3,730)	495,360 (3,730)
	\$ 490,698	\$ 491,630

The Revolving Credit Facility and the Tranche B Term Loan Facility (together the “Senior Credit Facility”) contain various financial covenants, including provisions that require the Company to maintain certain leverage ratios, interest coverage ratios and fixed charge coverage ratios. Additionally, the Senior Credit Facility contains provisions that restrict the Company from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, changes of control, incurrence of indebtedness, creation of liens and transactions with affiliates. The Company was in compliance with its financial and restrictive covenants under the Senior Credit Facility at June 30, 2005.

Future principal payments required in accordance with the terms of the Senior Credit Facility and the Senior Notes are as follows:

Twelve Months Ending June 30

2006	\$	3,730
2007		3,730
2008		3,730
2009		3,730
2010		3,730
Thereafter		475,778
	\$	494,428

The Company entered into a 5% interest rate cap agreement with a financial institution to mitigate the impact of changing interest rates. The agreement provides for a notional amount of \$20.0 million and terminates in June 2006. The Company also entered into interest rate cap agreements with another financial institution that become effective August 30, 2005, with a total notional amount of \$180.0 million and cap rates ranging from 3.25% to 3.75%. The agreements terminate on May 30, 2006, 2007 and 2008 as to \$50.0 million, \$80.0 million and \$50.0 million, respectively. The Company is accounting for the interest rate cap agreements as cash flow hedges. The fair value of the interest rate cap agreements was \$1.7 million at June 30, 2005.

8. Commitments and Contingencies

In July 2002, the Company entered into a ten year manufacturing and supply agreement with an unrelated company. Pursuant to this agreement, the Company agreed to purchase certain minimum quantities of product over the initial three years of the agreement or to pay liquidated damages of up to \$0.4 million. The Company had recorded a liability of \$0.3 million at June 30, 2005, which represents its estimate of the probable liquidated damages. Such estimate is based on historical and expected purchases during the initial three years of the agreement.

In June 2003, Dr. Jason Theodosakis filed a lawsuit, *Theodosakis v. Walgreens, et al.*, in Federal District Court in Arizona, alleging that two of the Company’s subsidiaries, Medtech Products and Pecos Pharmaceutical, as well as other unrelated parties, infringed the trade dress of two of his published books. Specifically, Dr. Theodosakis published “The Arthritis Cure” and “Maximizing the Arthritis Cure” regarding the use of dietary supplements to treat arthritis patients. Dr. Theodosakis alleged that his books have a distinctive trade dress, or cover layout, design, color and typeface, and those products that the defendants sold under the ARTHx trademarks infringed the books’ trade dress and constituted unfair competition and false designation of origin. Additionally, Dr. Theodosakis alleged that the defendants made false endorsements of the products by referencing his books on the product packaging and that the use of his name, books and trade dress invaded his right to publicity. The Company sold the ARTHx trademarks, goodwill and inventory to a third party, Contract Pharmacal Corporation, in March 2003. On January 12, 2005, the court granted the Company’s motion for summary judgment and dismissed all claims against Pecos and Medtech. The

plaintiff has filed an appeal in the U.S. Court of Appeals which is pending.

On January 3, 2005, the Company was served with process by its former lead counsel in the Theodosakis litigation seeking \$0.7 million plus interest. The case was filed in the Supreme Court of New York and is styled as Dickstein Shapiro et al v. Medtech Products, Inc. In February 2005, the plaintiffs filed an amended complaint naming the Pecos Pharmaceutical Company as defendant. The Company has answered and filed a counterclaim against Dickstein and also filed a third party complaint against the Lexington Insurance Company, the Company's product liability carrier. The Company believes that if there is any obligation to the Dickstein firm relating to this matter, it is an obligation of Lexington and not the Company.

On May 9, 2005, the Company was served with a complaint in a class action lawsuit filed in Essex County, Massachusetts, styled as Dawn Thompson v. Wyeth, Inc. relating to the Company's Little Remedies pediatric cough products. The Company is one of several corporate defendants, all of whom market over-the-counter cough syrup products for pediatric use. The complaint alleges that the ingredient dextromethorphan is no more effective than a placebo. There is no allegation of physical injury caused by the product or the ingredient. In June 2005, the Company was served in a second class action complaint involving dextromethorphan. The second case, styled Tina Yescavage v. Wyeth was filed in Lee County Florida and similarly involves multiple corporate defendants. The Company believes that both of the dextromethorphan cases are without merit and is actively pursuing appropriate defenses. The use of dextromethorphan in pediatric products is fully consistent with and supported by FDA regulations.

On August 3, 2005, the Company was served with a complaint in a class action lawsuit filed in United States District Court for the Southern District of New York, Charter Township of Clinton Township Police and Fire Retirement System v. Prestige Brands Holdings, Inc. et al, on behalf of all persons who purchased the Company's securities pursuant to and/or traceable to the Company's initial public offering (the "IPO") on or about February 9, 2005 through July 28, 2005. The complaint also names as defendants Merrill Lynch, Pierce, Fenner & Smith Incorporated, Goldman, Sachs & Co and J.P. Morgan Securities Inc., the lead or co-lead underwriters of the IPO. The complaint charges the Company, certain of its officers and directors, and other insiders with violations of the Securities Act of 1933. The Company plans to defend this matter vigorously.

The Company is also involved from time to time in routine legal matters and other claims incidental to its business. When it appears probable in management's judgment that the Company will incur monetary damages or other costs in connection with such claims and proceedings, and such costs can be reasonably estimated, liabilities are recorded in the financial statements and charges are recorded against earnings. The Company believes the resolution of such routine matters and other incidental claims, taking into account reserves and insurance, will not have a material adverse effect on its financial condition or results of operation.

9. Equity Incentive Plan

In connection with the Company's initial public offering, the Board of Directors adopted the 2005 Long-Term Equity Incentive Plan ("the Plan"). The Plan provides for grants of stock options, restricted stock, restricted stock units, deferred stock units and other equity-based awards. Directors, officers and other employees of the Company and its subsidiaries, as well as others performing services for the Company, are eligible for grants under the Plan. At June 30, 2005, there were 5.0 million shares available for issuance under the Plan; however, no grants have been made under the Plan.

10. Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30	
	2005	2004
	<i>(Restated)</i>	<i>(Restated)</i>
Numerator		
Net income (loss) available to common shareholders	\$ 5,929	\$ (10,711)
Denominator		
Denominator for basic earnings per share - weighted average shares	48,722	24,511
Dilutive effect of unvested restricted common stock issued to employee and directors	1,276	--
Denominator for diluted earnings per share	49,998	24,511
Earnings per Common Share:		
Basic	\$ 0.12	\$ (0.44)
Diluted	\$ 0.12	\$ (0.44)

11. Related Party Transactions

The Company had entered in an agreement with an affiliate of GTCR Golder Rauner II, LLC (“GTCR”), a private equity firm and an investor in the Company, whereby the GTCR affiliate was to provide management and advisory services to the Company for an aggregate annual compensation of \$4.0 million. The agreement was terminated in February 2005. During the period ended June 30, 2004, the Company paid the affiliate of GTCR a management fee of \$0.9 million.

12. Income Taxes

Income taxes are recorded in the Company’s quarterly financial statements based on the Company’s estimated annual effective income tax rate. The effective rates used in the calculation of income taxes were 39.2% and 35.5% for the periods ended June 30, 2005 and 2004, respectively. The difference in the effective tax rates results primarily from the computation of taxes on a separate company basis during the three month period ended June 30, 2004 and an increase in the Company’s graduated federal income tax rates from 34% to 35% due to the formation of the Company in February 2005 and the election to file a consolidated federal income tax return.

13. Concentrations of Risk

The Company’s sales are concentrated in the areas of over-the-counter pharmaceutical products, personal care products and household cleaning products. The Company sells its products to mass merchandisers, food and drug accounts, and dollar and club stores. During the period ended June 30, 2005, approximately 60.8% of the Company’s total sales were derived from its four major brands while during the period ended June 30, 2004, approximately 64.4% of the Company’s total sales were derived from

these four brands. During the periods ended June 30, 2005 and 2004, approximately 22.8% and 23.3%, respectively, of the Company's net sales were made to one customer. At June 30, 2005, approximately 20% of accounts receivable were owed by one customer.

The Company manages product distribution in the continental United States through a main distribution center in St. Louis, Missouri. A serious disruption, such as a flood or fire, to the main distribution center could damage the Company's inventory and could materially impair the Company's ability to distribute its products to customers in a timely manner or at a reasonable cost. The Company could incur significantly higher costs and experience longer lead times associated with the distribution of its products to its customers during the time that it takes the Company to reopen or replace its distribution center. As a result, any such disruption could have a material adverse effect on the Company's sales and profitability.

14. Business Segments

Segment information has been prepared in accordance with FASB Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." The Company's operating segments are based on its product lines and consist of (i) Over-the-Counter Drugs, (ii) Personal Care and (iii) Household Cleaning. Accordingly, within each reportable segment are operations that have similar economic characteristics, including the nature of their products, production process, type of customer and method of distribution.

There were no inter-segment sales or transfers during the periods ended June 30, 2005 and 2004. The Company evaluates the performance of its product lines and allocates resources to them based primarily on contribution margin. The table below summarizes information about reportable segments.

	Period Ended June 30, 2005			
	<i>(Restated)</i>			
	Over-the-Counter Drug	Personal Care	Household Cleaning	Consolidated
Net sales	\$ 33,387	\$ 7,256	\$ 22,785	\$ 63,428
Other revenues	--	--	25	25
Total revenues	33,387	7,256	22,810	63,453
Cost of sales	11,665	3,898	13,386	28,949
Gross profit	21,722	3,358	9,424	34,504
Advertising and promotion	6,138	796	1,771	8,705
Contribution margin	\$ 15,584	\$ 2,562	\$ 7,653	25,799
Other operating expenses				7,542
Operating income				18,257
Other income (expense)				(8,510)
Provision for income taxes				(3,818)
Net income				\$ 5,929

Period Ended June 30, 2004
(Restated)

	Over-the-Counter Drug	Personal Care	Household Cleaning	Consolidated
Net sales	\$ 29,396	\$ 7,303	\$ 21,981	\$ 58,680
Other revenues			75	75
Total revenues	29,396	7,303	22,056	58,755
Cost of sales	13,165	4,231	15,742	33,138
Gross profit	16,231	3,072	6,314	25,617
Advertising and promotion	6,554	1,916	2,315	10,785
Contribution margin	\$ 9,677	\$ 1,156	\$ 3,999	14,832
Other operating expenses				7,210
Operating income				7,622
Other income (expense)				(18,616)
Benefit for income taxes				3,902
Net loss				\$ (7,092)

During the periods ended June 30, 2005 and 2004, 97.9% and 97.4%, respectively, of sales were made to customers in the United States and Canada. No individual geographical area accounted for more than 10% of net sales in any of the periods presented. At June 30, 2005 and 2004, all of the Company's long-term assets were located in the United States of America and have not been allocated between segments.

15. Subsequent Events

On July 22, 2005, the Company entered into a material definitive asset sale and purchase agreement with Reckitt Benckiser Inc. for the acquisition of the Chore Boy line of household cleaning products for an aggregate consideration of \$22.3 million.

Prestige Brands International, LLC
Consolidated Balance Sheets
(Unaudited)

(In thousands)

	June 30, 2005 <i>(Restated)</i>	March 31, 2005 <i>(Restated)</i>
Assets		
Current assets		
Cash	\$ 13,945	\$ 5,334
Accounts receivable	26,442	35,918
Inventories	30,589	24,833
Deferred income tax assets	6,965	5,699
Prepaid expenses and other current assets	4,039	3,152
Total current assets	81,980	74,936
Property and equipment	2,043	2,324
Goodwill	294,731	294,731
Intangible assets	606,465	608,613
Other long-term assets	14,344	15,996
Total Assets	\$ 999,563	\$ 996,600
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 18,626	\$ 21,705
Accrued liabilities	9,365	11,589
Current portion of long-term debt	3,730	3,730
Total current liabilities	31,721	37,024
Long-term debt	490,698	491,630
Deferred income tax liabilities	89,916	85,899
Total liabilities	612,335	614,553
Commitments and Contingencies - Note 8		
Member's Equity		
Contributed capital - Prestige Holdings	370,214	370,277
Accumulated other comprehensive income (loss)	(365)	320
Retained earnings	17,379	11,450
Total member's equity	387,228	382,047
Total liabilities and member's equity	\$ 999,563	\$ 996,600

See accompanying notes.

Prestige Brands International, LLC
Consolidated Statements of Operations
(Unaudited)

<i>(In thousands)</i>	Three Months Ended June 30	
	2005	2004
	<i>(Restated)</i>	<i>(Restated)</i>
Revenues		
Net sales	\$ 63,428	\$ 58,680
Other revenues	25	75
Total revenues	63,453	58,755
Costs of Sales		
Costs of sales	28,949	33,138
Gross profit	34,504	25,617
Operating Expenses		
Advertising and promotion	8,705	10,785
General and administrative	4,911	4,921
Depreciation	483	486
Amortization of intangible assets	2,148	1,803
Total operating expenses	16,247	17,995
Operating income	18,257	7,622
Other income (expense)		
Interest income	81	28
Interest expense	(8,591)	(11,077)
Loss on extinguishment of debt	--	(7,567)
Total other income (expense)	(8,510)	(18,616)
Income before income taxes	9,747	(10,994)
Provision (benefit) for income taxes	3,818	(3,902)
Net income (loss)	\$ 5,929	\$ (7,092)

See accompanying notes.

Prestige Brands International, LLC
Consolidated Statement of Changes in Member's Equity
and Comprehensive Income
Three Months Ended June 30, 2005
(Unaudited)

	Contributed Capital Prestige Holdings	Accumulated Other Comprehensive Income	Retained Earnings	Totals
<i>(In thousands)</i>				
Balances - March 31, 2005 <i>(Restated)</i>	\$ 370,277	\$ 320	\$ 11,450	\$ 382,047
Additional costs associated with capital contributions from Prestige Brands Holdings	(63)			(63)
Components of comprehensive income				
Net income for the period <i>(Restated)</i>			5,929	5,929
Unrealized loss on interest rate cap, net of income tax benefit of \$440		(685)		(685)
Comprehensive income <i>(Restated)</i>				5,244
Balances - June 30, 2005 <i>(Restated)</i>	\$ 370,214	\$ (365)	\$ 17,379	\$ 387,228

See accompanying notes.

Prestige Brands International, LLC
Consolidated Statements of Cash Flows
(Unaudited)

<i>(In thousands)</i>	Three Months Ended June 30	
	2005	2004
	<i>(Restated)</i>	<i>(Restated)</i>
Operating Activities		
Net income (loss)	\$ 5,929	\$ (7,092)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	2,635	2,289
Deferred income taxes	3,191	2,913
Amortization of deferred financing costs	527	781
Loss on extinguishment of debt	--	7,567
Changes in operating assets and liabilities, net of effects of purchases of businesses		
Accounts receivable	9,476	281
Inventories	(5,756)	2,213
Prepaid expenses and other assets	(887)	(5,573)
Accounts payable	(3,079)	401
Account payable - related parties	--	934
Accrued expenses	(2,224)	3,995
Net cash provided by operating activities	9,812	8,709
Investing Activities		
Purchase of equipment	(206)	(109)
Purchase of business, net of cash acquired	--	(373,250)
Net cash used for investing activities	(206)	(373,359)
Financing Activities		
Net proceeds from the issuance of notes	--	668,512
Payment of deferred financing costs	--	(22,651)
Repayment of notes	(932)	(330,786)
Proceeds from capital contributions	--	58,487
Additional costs associated with initial public offering	(63)	--
Net cash provided by (used for) financing activities	(995)	373,562
Increase in cash	8,611	8,912
Cash - beginning of period	5,334	3,393
Cash - end of period	\$ 13,945	\$ 12,305
Supplemental Cash Flow Information		
Fair value of assets acquired, net of cash acquired	\$ --	\$ 596,955
Fair value of liabilities assumed	--	(223,613)
Purchase price funded with non-cash contributions	--	(92)
Cash paid to purchase business	\$ --	\$ 373,250

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Interest paid	\$	8,051	\$	10,295
Income taxes paid	\$	422	\$	280

See accompanying notes.

Prestige Brands International, LLC
Notes to Consolidated Financial Statements
(In thousands)

1. Business and Basis of Presentation

Nature of Business

Prestige Brands International, LLC, (“Prestige International” or the “Company”) is an indirect wholly owned subsidiary of Prestige Brands Holdings, Inc. (“Prestige Holdings”) and the indirect parent company of Prestige Brands, Inc., the issuer of the 9.25% senior subordinated notes due 2012 (“Senior Notes”) and the borrower under the senior credit facility consisting of a Revolving Credit Facility, Tranche B Term Loan Facility and a Tranche C Term Loan Facility (together the “Senior Credit Facility”). Prestige International is also the parent guarantor of the obligations. The Company and its subsidiaries are engaged in the marketing, sales and distribution of over-the-counter drug, personal care and household cleaning brands to mass merchandisers, drug stores, supermarkets and club stores primarily in the United States.

Basis of Presentation

The unaudited consolidated financial statements presented herein have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the financial statements include all adjustments, consisting of normal recurring adjustments, that are considered necessary for a fair presentation of the Company’s financial position, results of operations and cash flows for the interim periods. Operating results for the three month period ended June 30, 2005 are not necessarily indicative of results that may be expected for the year ending March 31, 2006. This financial information should be read in conjunction with the Company’s audited financial statements and notes thereto included in Amendment No. 2 to the Company’s Annual Report on Form 10-K/A for the year ended March 31, 2005.

As more fully described in Note 2, the Company determined that the financial statements and the disclosures in the notes thereto for the three month periods ended June 30, 2005 and 2004 contained in the Quarterly Report on Form 10-Q filed on August 9, 2005, required restatement. All amounts disclosed in the footnotes to the financial statements have been appropriately restated.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the Company’s knowledge of current events and actions that the Company may undertake in the future, actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all short-term deposits and investments with original maturities of three months or less to be cash equivalents. Substantially all of the Company’s cash is held by one bank located in Wyoming. The Company does not believe that, as a result of this concentration, it is subject to any unusual financial risk beyond the normal risk associated with commercial banking relationships.

Accounts Receivable

The Company extends non-interest bearing trade credit to its customers in the ordinary course of business. To minimize credit risk, ongoing evaluations of customers' financial condition are performed; however, collateral is not required. The Company maintains an allowance for doubtful accounts based on its

historical collections experience, as well as its evaluation of current and expected conditions and trends affecting its customers.

Sales Returns

The Company must make estimates of potential future product returns related to current period sales. In order to do this, the Company analyzes historical returns, current economic trends, changes in customer demand and acceptance of the Company’s products when evaluating the adequacy of the Company’s allowance for returns in any accounting period. If actual returns are greater than those estimated by management, the Company’s financial statements in future periods may be adversely affected.

Inventories

Inventories are stated at the lower of cost or fair value where cost is determined by using the first-in, first-out method. The Company provides an allowance for slow moving and obsolete inventory.

Property and Equipment

Property and equipment are stated at cost and are depreciated using the straight-line method based on the following estimated useful lives:

	Years
Machinery	5
Computer equipment	3
Furniture and fixtures	7

Expenditures for maintenance and repairs are charged to expense as incurred. When an asset is sold or otherwise disposed of, the cost and associated accumulated depreciation are removed from the accounts and the resulting gain or loss is recognized in the consolidated statement of operations.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Goodwill

The excess of the purchase price over the fair market value of assets acquired and liabilities assumed in acquisition transactions is classified as goodwill. In accordance with Statement No. 142, “Goodwill and Other Intangible Assets,” the Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually.

Intangible Assets

Intangible assets are stated at the lesser of cost or fair value less accumulated amortization. For intangible assets with finite lives, amortization is computed on the straight-line method over estimated useful lives ranging from five to 30 years.

Indefinite lived intangible assets are tested for impairment at least annually, while intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. An impairment loss is recognized if the carrying amount of the asset exceeds its fair value.

Deferred Financing Costs

The Company has incurred debt issuance costs in connection with its long-term debt. These costs are capitalized as deferred financing costs and amortized using the effective interest method over the term of the related debt.

Revenue Recognition

Revenues are recognized when the following revenue recognition criteria are met: (1) persuasive evidence of an arrangement exists; (2) there is a fixed or determinable price; (3) the product has been shipped and the customer takes ownership and assumes risk of loss; and (4) collectibility of the resulting receivable is reasonably assured. The Company has determined that the risk of loss generally occurs when product is received by the customer and, accordingly, recognizes revenues at that time. Provision is made for estimated customer discounts and returns at the time of sale based on the Company's historical experience.

The Company frequently participates in the promotional programs of its customers, as is customary in this industry. The ultimate cost of these promotional programs varies based on the actual number of units sold during a finite period of time. These programs may include coupons, scan downs, temporary price reductions or other price guarantee vehicles. The Company estimates the cost of such promotional programs at their inception based on historical experience and current market conditions and reduces sales by such estimates. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

Costs of Sales

Costs of sales include product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were \$5.5 million and \$5.4 million for the periods ended June 30, 2005 and 2004, respectively.

Advertising and Promotion Costs

Advertising and promotion costs are expensed as incurred. Slotting fees associated with products are recognized as a reduction of sales. Under slotting arrangements, the retailers allow the Company's products to be placed on the stores' shelves in exchange for such fees. Direct reimbursements of advertising costs are reflected as a reduction of advertising costs in the period earned.

Stock-based Compensation

The Company accounts for employee stock-based compensation in accordance with the provisions of APB 25 and complies with the disclosure provisions of Statement No. 123 and Statement No. 148. Under APB 25, compensation expense is based on the difference, if any, on the date of grant, between the fair value of the Company's common stock and the exercise price of the equity instrument.

Income Taxes

Income taxes are recorded in accordance with the provisions of Statement No. 109. Pursuant to Statement No. 109, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when necessary to reduce deferred tax assets to the amounts expected to be realized.

Derivative Instruments

Statement No. 133 requires companies to recognize derivative instruments as either assets or liabilities in the balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and further, on the type of hedging relationship. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, a cash flow hedge or a hedge of a net investment in an international operation.

The Company has designated its derivative financial instruments as cash flow hedges because they hedge exposure to variability in expected future cash flows that is attributable to interest rate risk. For these hedges, the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same line item associated with the forecasted transaction in the same period or periods during which the hedged transaction affects earnings. Any ineffective portion of the gain or loss on the derivative instruments is recorded in results of operations immediately.

Recently Issued Accounting Standards

In March 2005, the FASB issued FIN 47 which clarifies guidance provided by Statement No. 143, "Accounting for Asset Retirement Obligations." FIN 47 is effective for the Company no later than March 31, 2006. The adoption of FIN 47 is not expected to have a significant impact on the Company's financial position, results of operations or cash flows.

In April 2005, the Securities and Exchange Commission approved an amendment to Rule 4-01 of Regulations S-X that delays the effective date of Statement No. 123 which requires companies to expense the value of employee and director stock options and similar awards. The results of operations for the period ended June 30, 2005 would not have been affected had the Company applied the fair value recognition provisions of Statement 123(R) during this period.

In May 2005, the FASB issued Statement of Financial Accounting Standards No. 154, "Accounting Changes and Error Corrections" ("Statement No. 154") which replaces Accounting Principles Board Opinion No. 20, "Accounting Changes" (APB Opinion No. 20) and FASB Statement No. 3, "Reporting Accounting Changes in Interim Financial Statements". Statement No. 154 requires that voluntary changes in accounting principle be applied retrospectively to the balances of assets and liabilities as of the beginning of the earliest period for which retrospective application is practicable and that a corresponding adjustments be made to the opening balance of retained earnings. APB Opinion No. 20 had required that most voluntary changes in accounting principle be recognized by including in net income the cumulative effect of changing to the new principle. Statement No. 154 is effective for all accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

2. Restatement of Financial Statements

On November 15, 2005 and November 30, 2005, Prestige Brands Holdings, Inc. ("Prestige Holdings") filed Current Reports on Form 8-K with the Securities and Exchange Commission ("SEC") which announced that previously reported financial statements were being restated as a result of a review of certain accounting practices performed in conjunction with Prestige Holdings' assessment of internal controls over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and the preparation of its financial statements for the quarter ended September 30, 2005. Prestige Holdings determined it erroneously applied generally accepted accounting principles as they relate to the recognition of revenue, the classification of certain trade promotion allowances and the computation of deferred income taxes. As a result of Prestige Holdings' organizational structure, the restatement of financial statements by Prestige Holdings has also resulted in the restatement of the Company's financial statements for the corresponding periods.

With respect to revenue recognition, Staff Accounting Bulletin No. 104 sets forth the criteria for revenue recognition, one of which is that risk of loss has passed to the customer. The Company, consistent with its published pricing and shipping terms, has historically recognized revenue upon shipment of product to the customer. Upon closer examination of its shipping practices and terms, the Company determined that it often was unclear when, from a legal standpoint, risk of loss of its products passed to its customers. Accordingly, the Company has concluded that revenue should not be recognized until product is received by its customers (referred to as "FOB destination point"), unless the risk of loss transfers to the customer at the point of shipment. These adjustments had no effect on net cash flows provided by or used in operating activities.

With respect to the classification of trade promotions and allowances, Emerging Issues Task Force Issue 01-09 sets forth the criteria for classifying such promotions and allowances as an expense or a reduction of revenue. Upon review, the Company determined that it had incorrectly classified certain promotion and allowance amounts as selling, general and administrative expenses rather than as a reduction of revenues. These adjustments did not affect the balance sheet, net income, operating income or cash flows from operations.

With respect to the provision for income taxes and related deferred taxes, Statement of Financial Accounting Standards No. 109 sets forth the criteria by which such amounts are to be recognized. The Company has determined that the increase in deferred income taxes related to the increase in graduated federal income tax rates from 34% to 35% should have been recognized in the period in which it filed its first consolidated federal income tax return. Consequently, the charge to earnings for the increase in deferred income taxes has been recognized in the fiscal year ended March 31, 2005. This charge was previously recognized in the quarter ended June 30, 2005. This change did not affect cash flows from operations.

The effects of the adjustments enumerated above for each fiscal period are reflected in the schedules that follow.

Consolidated Statements of Operations

<i>(In thousands)</i>	Three Months Ended June 30, 2005				
	Previously Reported	Revenue Recognition	Cooperative Advertising	Income Taxes	As Restated
Revenues					
Net sales	\$ 63,530	\$ 1,928	\$ (2,030)	\$ --	\$ 63,428
Other revenues	25				25
Total revenues	63,555	1,928	(2,030)	--	63,453
Cost of Sales					
Costs of sales	28,339	610			28,949
Gross profit	35,216	1,318	(2,030)	--	34,504
Operating Expenses					
Advertising and promotion	10,714	21	(2,030)		8,705
General and administrative	4,911				4,911
Depreciation	483				483
Amortization of intangible assets	2,148				2,148
Total operating expenses	18,256	21	(2,030)	--	16,247
Operating income	16,960	1,297	--	--	18,257
Other income (expense)					
Interest income	81				81
Interest expense	(8,591)				(8,591)
Total other income (expense)	(8,510)	--	--	--	(8,510)
Income before provision for income taxes	8,450	1,297	--	--	9,747
Provision for income taxes	4,443	522		(1,147)	3,818
Net income	\$ 4,007	\$ 775	\$ --	\$ 1,147	\$ 5,929

Consolidated Statements of Operations

<i>(In thousands)</i>	Three Months Ended June 30, 2004			
	Previously Reported	Revenue Recognition	Cooperative Advertising	As Restated
Revenues				
Net sales	\$ 67,682	\$ (6,142)	\$ (2,860)	\$ 58,680
Other revenues	75			75
Total revenues	67,757	(6,142)	(2,860)	58,755
Cost of Sales				
Costs of sales	36,123	(2,985)		33,138
Gross profit	31,634	(3,157)	(2,860)	25,617
Operating Expenses				
Advertising and promotion	13,771	(126)	(2,860)	10,785
General and administrative	4,921			4,921
Depreciation	486			486
Amortization of intangible assets	1,803			1,803
Total operating expenses	20,981	(126)	(2,860)	17,995
Operating income	10,653	(3,031)	-	7,622
Other income (expense)				
Interest income	28			28
Interest expense	(11,077)			(11,077)
Loss on extinguishment of debt	(7,567)			(7,567)
Total other income (expense)	(18,616)	--	--	(18,616)
Income before provision for income taxes	(7,963)	(3,031)		(10,994)
Income tax benefit	2,826	1,076		3,902
Net loss	\$ (5,137)	\$ (1,955)	\$ --	\$ (7,092)

Consolidated Balance Sheet
(In thousands)

	June 30, 2005	
	As Previously Reported	As Restated
Assets		
Current assets		
Cash	\$ 13,945	\$ 13,945
Accounts receivable	32,489	26,442
Inventories	27,946	30,589
Deferred income tax assets	6,965	6,965
Prepaid expenses and other current assets	4,039	4,039
Total current assets	85,384	81,980
Property and equipment	2,043	2,043
Goodwill	294,544	294,731
Intangible assets	606,465	606,465
Other long-term assets	14,344	14,344
Total Assets	\$ 1,002,780	\$ 999,563
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 18,626	\$ 18,626
Accrued liabilities	10,705	9,365
Current portion of long-term debt	3,730	3,730
Total current liabilities	33,061	31,721
Long-term debt	490,698	490,698
Deferred income tax liabilities	89,916	89,916
Total liabilities	613,675	612,335
Member's Equity		
Contributed capital - Prestige Holdings	370,214	370,214
Accumulated other comprehensive loss	(365)	(365)
Retained earnings	19,256	17,379
Total member's equity	389,105	387,228
Total liabilities and member's equity	\$ 1,002,780	\$ 999,563

Consolidated Balance Sheet
(In thousands)

	March 31, 2005	
	As Previously Reported	As Restated
Assets		
Current assets		
Cash	\$ 5,334	\$ 5,334
Accounts receivable	43,893	35,918
Inventories	21,580	24,833
Deferred income tax assets	5,699	5,699
Prepaid expenses and other current assets	3,152	3,152
Total current assets	79,658	74,936
Property and equipment		
Goodwill	2,324	2,324
Intangible assets	294,544	294,731
Other long-term assets	608,613	608,613
	15,996	15,996
Total Assets	\$ 1,001,135	\$ 996,600
Liabilities and Member's Equity		
Current liabilities		
Accounts payable	\$ 21,705	\$ 21,705
Accrued liabilities	13,472	11,589
Current portion of long-term debt		