Prestige Brands Holdings, Inc.
Form 10-Q
November 10, 2008

U. S. SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2008

OR

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

For the transition period from ____ to _____

Commission File Number: 001-32433

PRESTIGE BRANDS HOLDINGS, INC.
(Exact name of Registrant as specified in its charter)

Delaware	20-1297589
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

90 North Broadway
Irvington, New York 10533
(Address of Principal Executive Offices, including zip code)

(914) 524-6810
(Registrant's telephone number, including area code)

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 x No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer x Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x

As of October 30, 2008, there were 49,936,435 shares of common stock outstanding.

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Trademarks and Trade Names

Trademarks and trade names used in this Quarterly Report on Form 10-Q are the property of Prestige Brands Holdings, Inc. or its subsidiaries, as the case may be. We have utilized the ® and TM symbols the first time each trademark or trade name appears in this Quarterly Report on Form 10-Q.

PART I FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

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

(In thousands, except per share data)	Three Months Ended September 30 2008	Three Months Ended September 30 2007	Six Months Ended September 30 2008	Six Months Ended September 30 2007
Revenues				
Net sales	$ 87,369	$ 86,840	$ 160,285	$ 164,881
Other revenues	682	497	1,300	1,067
Total revenues	88,051	87,337	161,585	165,948
Cost of Sales				
Costs of sales	41,792	42,770	76,064	80,092
Gross profit	46,259	44,567	85,521	85,856
Operating Expenses				
Advertising and promotion	13,638	11,017	20,957	18,803
General and administrative	9,363	10,184	17,336	17,830
Depreciation and amortization	2,757	2,756	5,513	5,507
Total operating expenses	25,758	23,957	43,806	42,140
Operating income	20,501	20,610	41,715	43,716
Other (income) expense				
Interest income	(56)	(173)	(129)	(360)
Interest expense	6,835	9,768	15,591	19,642
Total other (income) expense	6,779	9,595	15,462	19,282
Income before income taxes	13,722	11,015	26,253	24,434
Provision for income taxes	5,200	4,186	9,950	9,285
Net income	$ 8,522	$ 6,829	$ 16,303	$ 15,149
Basic earnings per share	$ 0.17	$ 0.14	$ 0.33	$ 0.30
Diluted earnings per share	$ 0.17	$ 0.14	$ 0.33	$ 0.30
Weighted average shares outstanding:				
Basic	49,924	49,710	49,902	49,686
Diluted	50,037	50,046	50,036	50,042

See accompanying notes.

Prestige Brands Holdings, Inc.
Consolidated Balance Sheets
(Unaudited)

(In thousands)

Assets		September 30, 2008		March 31, 2008
Current assets				
Cash and cash equivalents	$	12,630	$	6,078
Accounts receivable		42,494		44,219
Inventories		25,372		29,696
Deferred income tax assets		3,249		3,066
Prepaid expenses and other current assets		3,144		2,316
Total current assets		86,889		85,375
Property and equipment		1,284		1,433
Goodwill		309,879		308,915
Intangible assets		641,428		646,683
Other long-term assets		6,450		6,750
Total Assets	$	1,045,930	$	1,049,156
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	$	17,430	$	20,539
Accrued interest payable		5,428		5,772
Other accrued liabilities		11,158		8,030
Current portion of long-term debt		3,550		3,550
Total current liabilities		37,566		37,891
Long-term debt		381,675		407,675
Other long-term liabilities		--		2,377
Deferred income tax liabilities		128,272		122,140
Total Liabilities		547,513		570,083
Commitments and Contingencies – Note 14				
Stockholders' Equity				
Preferred stock - $0.01 par value				
Authorized – 5,000 shares				
Issued and outstanding – None		--		--
Common stock - $0.01 par value				
Authorized – 250,000 shares				
Issued – 50,060 shares		501		501
Additional paid-in capital		381,941		380,364
Treasury stock, at cost – 119 shares and 59 shares at September 30 and March 31, 2008, respectively		(62)		(47)
Accumulated other comprehensive income		480		(999)
Retained earnings		115,557		99,254
Total stockholders' equity		498,417		479,073

Total Liabilities and Stockholders’ Equity	$	1,045,930	$	1,049,156

See accompanying notes.

Prestige Brands Holdings, Inc.
Consolidated Statement of Changes in Stockholders' Equity
and Comprehensive Income
Six Months Ended September 30, 2008
(Unaudited)

	Common Stock		Additional	Treasury Stock		Accumulated Other		
(In thousands)	Shares	Par Value	Paid-in Capital	Shares	Amount	Comprehensive Income	Retained Earnings	Totals
Balances - March 31, 2008	50,060	$ 501	$ 380,364	59	$ (47)	$ (999)	$ 99,254	$ 479,073
Stock-based compensation	--	--	1,577	--	--	--	--	1,577
Purchase of common stock for treasury	--	--	--	60	(15)	--	--	(15)
Components of comprehensive income:								
Net income	--	--	--	--	--	--	16,303	16,303
Amortization of interest rate caps reclassified into earnings, net of income tax expense of $32	--	--	--	--	--	53	--	53
Unrealized gain on interest rate caps, net of income tax expense of $876	--	--	--	--	--	1,426	--	1,426
Total comprehensive income	--	--	--	--	--	--	--	17,782
Balances – September 30, 2008	50,060	$ 501	$ 381,941	119	$ (62)	$ 480	$ 115,557	$ 498,417

See accompanying notes.

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

(In thousands)	Six Months Ended September 30 2008	Six Months Ended September 30 2007
Operating Activities		
Net income	$ 16,303	$ 15,149
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,513	5,507
Deferred income taxes	5,042	4,622
Amortization of deferred financing costs	1,159	1,561
Stock-based compensation	1,577	1,146
Changes in operating assets and liabilities		
Accounts receivable	1,725	(11,345)
Inventories	4,324	2,390
Prepaid expenses and other current assets	(828)	(1,692)
Accounts payable	(1,582)	1,884
Accrued liabilities	3,443	2,270
Net cash provided by operating activities	36,676	21,492
Investing Activities		
Purchases of equipment	(109)	(194)
Business acquisition purchase price adjustments	(4,000)	(16)
Net cash used for investing activities	(4,109)	(210)
Financing Activities		
Repayment of long-term debt	(26,000)	(26,237)
Purchase of common stock for treasury	(15)	(4)
Net cash used for financing activities	(26,015)	(26,241)
Increase (Decrease) in cash	6,552	(4,959)
Cash - beginning of period	6,078	13,758
Cash - end of period	$ 12,630	$ 8,799
Interest paid	$ 14,775	$ 18,078
Income taxes paid	$ 4,761	$ 5,664

See accompanying notes.

Prestige Brands Holdings, Inc.
Notes to Consolidated Financial Statements
(Unaudited)

1. Business and Basis of Presentation

Nature of Business
Prestige Brands Holdings, Inc. (referred to herein as the "Company" which reference shall, unless the context requires otherwise, be deemed to refer to Prestige Brands Holdings, Inc. and all of its direct or indirect wholly-owned subsidiaries on a consolidated basis) is engaged in the marketing, sales and distribution of over-the-counter healthcare, personal care and household cleaning brands to mass merchandisers, drug stores, supermarkets and club stores primarily in the United States, Canada and certain international markets. Prestige Brands Holdings, Inc. is a holding company with no assets or operations and is also the parent guarantor of the senior credit facility and the senior subordinated notes more fully described in Note 8 to the consolidated financial statements.

Basis of Presentation
The unaudited consolidated financial statements presented herein have been prepared in accordance with United States generally accepted accounting principles ("GAAP") 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 GAAP for complete financial statements. All significant intercompany transactions and balances have been eliminated. 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 consolidated financial position, results of operations and cash flows for the interim periods. Operating results for the six month period ended September 30, 2008 are not necessarily indicative of results that may be expected for the year ending March 31, 2009. This financial information should be read in conjunction with the Company's financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended March 31, 2008.

Use of Estimates
The preparation of financial statements in conformity with GAAP 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. As discussed below, the Company's most significant estimates include those made in connection with the valuation of intangible assets, sales returns and allowances, trade promotional allowances and inventory obsolescence.

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 a large regional bank with headquarters in California. 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. The Company maintains an allowance for doubtful accounts receivable based upon historical collection experience and expected collectibility of the accounts receivable. In an effort to reduce credit risk, the Company (i) has established credit limits for all of its customer relationships, (ii) performs ongoing credit evaluations of customers' financial condition, (iii) monitors the payment history and aging of customers' receivables, and (iv) monitors open orders against an individual customer's outstanding receivable balance.

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, whereby it reduces inventories for the diminution of value, resulting from product obsolescence, damage or other issues affecting marketability, equal to the difference between the cost of the inventory and its estimated market value. Factors utilized in the determination of estimated market value include (i) current sales data and historical return rates, (ii) estimates of future demand, (iii) competitive pricing pressures, (iv) new product introductions, (v) product expiration dates, and (vi) component and packaging obsolescence.

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
Leasehold improvements	5

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 purchase business combinations is classified as goodwill. In accordance with Financial Accounting Standards Board ("FASB") Statement of Financial Accounting Standards ("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. The Company tests goodwill for impairment at the "brand" level which is one level below the operating segment level.

Intangible Assets

Intangible assets, which are composed primarily of trademarks, are stated at cost 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 origination costs in connection with the issuance of long-term debt. These costs are capitalized as deferred financing costs and amortized using the straight-line method, which approximates the effective interest method, over the term of the related debt.

Revenue Recognition

Revenues are recognized in accordance with Securities and Exchange Commission ("SEC") Staff Accounting Bulletin 104, "Revenue Recognition," when the following criteria are met: (i) persuasive evidence of an arrangement exists; (ii) the selling price is fixed or determinable; (iii) the product has been shipped and the customer takes ownership and assumes the risk of loss; and (iv) collection of the resulting receivable is reasonably assured. The Company has determined that the transfer of the risk of loss generally occurs when product is received by the customer and, accordingly, recognizes revenue at that time. Provision is made for estimated

discounts related to customer payment terms and estimated product returns at the time of sale based on the Company's historical experience.

As is customary in the consumer products industry, the Company participates in the promotional programs of its customers to enhance the sale of its products. The cost of these promotional programs varies based on the actual number of units sold during a finite period of time. 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. These promotional programs consist of direct to consumer incentives such as coupons and temporary price reductions, as well as incentives to the Company's customers, such as slotting fees and cooperative advertising. Estimates of the costs of these promotional programs are based on (i) historical sales experience, (ii) the current offering, (iii) forecasted data, (iv) current market conditions, and (v) communication with customer purchasing/marketing personnel. At the completion of the promotional program, the estimated amounts are adjusted to actual results.

Due to the nature of the consumer products industry, the Company is required to estimate future product returns. Accordingly, the Company records an estimate of product returns concurrent with recording sales which is made after analyzing (i) historical return rates, (ii) current economic trends, (iii) changes in customer demand, (iv) product acceptance, (v) seasonality of the Company's product offerings, and (vi) the impact of changes in product formulation, packaging and advertising.

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 $6.8 million and $12.4 million for the three and six month periods ended September 30, 2008, respectively. During the three and six month periods ended September 30, 2007, such costs were $6.6 million and $12.2 million, 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 recognizes stock-based compensation in accordance with FASB, Statement No. 123(R), "Share-Based Payment" ("Statement No. 123(R)"). Statement No. 123(R) requires the Company to measure the cost of services to be rendered based on the grant-date fair value of the equity award. Compensation expense is to be recognized over the period an employee is required to provide service in exchange for the award, generally referred to as the requisite service period. The Company recorded stock-based compensation charges of $948,000 and $1.6 million during the three and six month periods ended September 30, 2008, respectively. During the three and six month periods ended September 30, 2007, the Company recorded stock-based compensation charges of $685,000 and $1.1 million, respectively.

Income Taxes
Income taxes are recorded in accordance with the provisions of FASB Statement No. 109, "Accounting for Income Taxes" ("Statement No. 109") and FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes--an interpretation of FASB Statement 109" ("FIN 48"). 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.

FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements in accordance with Statement No. 109 and prescribes a recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. As a result, the Company has applied a more-likely-than-not recognition threshold for all tax uncertainties. FIN

48 only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the various taxing authorities. The adoption of FIN 48, effective April 1, 2007, did not result in a cumulative effect adjustment to the opening balance of retained earnings or adjustment to any of the components of assets, liabilities or equity in the consolidated balance sheet.

The Company is subject to taxation in the US, various state and foreign jurisdictions. The Company remains subject to examination by tax authorities for years after 2003.

The Company classifies penalties and interest related to unrecognized tax benefits as income tax expense in the Statement of Operations.

Derivative Instruments
FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities", as amended ("Statement No. 133"), requires companies to recognize derivative instruments as either assets or liabilities in the consolidated 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 a foreign 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 are 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. Cash flows from these instruments are classified as operating activities.

Earnings Per Share
Basic earnings per share is calculated based on income available to common stockholders and the weighted-average number of shares outstanding during the reporting period. Diluted earnings per share is calculated based on income available to common stockholders and the weighted-average number of common and potential common shares outstanding during the reporting period. Potential common shares, composed of the incremental common shares issuable upon the exercise of stock options, stock appreciation rights and unvested restricted shares, are included in the earnings per share calculation to the extent that they are dilutive.

Fair Value of Financial Instruments
The carrying value of cash, accounts receivable and accounts payable at both September 30, 2008 and March 31, 2008 approximates fair value due to the short-term nature of these instruments. The carrying value of long-term debt at both September 30, 2008 and March 31, 2008 approximates fair value based on interest rates for instruments with similar terms and maturities.

Recently Issued Accounting Standards
In March 2008, the FASB issued Statement No. 161 "Disclosures about Derivative Instruments and Hedging Activities – an amendment of FASB Statement No. 133" ("Statement No. 161") that requires a company with derivative instruments to disclose information to enable users of the financial statements to understand (i) how and why the company uses derivative instruments, (ii) how derivative instruments and related hedged items are accounted for, and (iii) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Accordingly, Statement No. 161 requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. Statement No. 161 is effective for

financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The implementation of Statement No. 161 is not expected to have a material effect on the Company's consolidated financial statements.

In December 2007, the FASB ratified Emerging Issues Task Force 07-01, "Accounting for Collaborative Arrangements" ("EITF 07-01"). EITF 07-01 provides guidance for determining if a collaborative arrangement exists and establishes procedures for reporting revenues and costs generated from transactions with third parties, as well as between the parties within the collaborative arrangement, and provides guidance for financial statement disclosures of collaborative arrangements. EITF 07-01 is effective for fiscal years beginning after December 15, 2008 and is required to be applied retrospectively to all prior periods where collaborative arrangements existed as of the effective date. The Company currently is assessing the impact of EITF 07-01 on its consolidated financial position and results of operations.

In December 2007, the FASB issued Statement No. 141 (Revised 2007), "Business Combinations" ("Statement No. 141(R)") to improve consistency and comparability in the accounting and financial reporting of business combinations. Accordingly, Statement 141(R) requires the acquiring entity in a business combination to (i) recognize all assets acquired and liabilities assumed in the transaction, (ii) establishes acquisition-date fair value as the amount to be ascribed to the acquired assets and liabilities and (iii) requires certain disclosures to enable users of the financial statements to evaluate the nature, as well as the financial aspects of the business combination. Statement 141(R) is effective for business combinations consummated by the Company on or after April 1, 2009. The impact to the Company of adopting this standard will depend on the nature, terms and size of any business combinations completed after the effective date.

In February 2007, the FASB issued Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities - Including an amendment of FASB Statement No. 115" ("Statement No. 159"). Statement No. 159 permits companies to choose to measure certain financial instruments and certain other items at fair value. Unrealized gains and losses on items for which the fair value option has been elected will be recognized in earnings at each subsequent reporting date. The implementation of Statement No. 159, effective April 1, 2008, did not have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" ("Statement No. 157") to address inconsistencies in the definition and determination of fair value pursuant to GAAP. Statement No. 157 provides a single definition of fair value, establishes a framework for measuring fair value in GAAP and expands disclosures about fair value measurements in an effort to increase comparability related to the recognition of market-based assets and liabilities and their impact on earnings. Statement No. 157 is effective for the Company's interim financial statements issued after April 1, 2008. However, on November 14, 2007, the FASB deferred the effective date of Statement No. 157 for one year for nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The implementation of Statement No. 157, effective April 1, 2008, did not have a material effect on financial assets and liabilities included in the Company's consolidated financial statements as fair value is based on readily available market prices. The Company is currently evaluating the impact that the application of Statement No. 157 will have on its consolidated financial statements as it relates to the non-financial assets and liabilities.

Management has reviewed and continues to monitor the actions of the various financial and regulatory reporting agencies and is currently not aware of any other pronouncement that could have a material impact on the Company's consolidated financial position, results of operations or cash flows.

2. Accounts Receivable

Accounts receivable consist of the following (in thousands):

	September 30, 2008	March 31, 2008
Accounts receivable	$ 42,819	$ 44,918
Other receivables	1,668	1,378
	44,487	46,296
Less allowances for discounts, returns and uncollectible accounts	(1,993)	(2,077)
	$ 42,494	$ 44,219

3. Inventories

Inventories consist of the following (in thousands):

	September 30, 2008	March 31, 2008
Packaging materials	$ 1,588	$ 2,463
Finished goods	23,784	27,233
	$ 25,372	$ 29,696

Inventories are shown net of allowances for obsolete and slow moving inventory of $777,000 and $1.4 million at September 30, 2008 and March 31, 2008, respectively.

4. Property and Equipment

Property and equipment consist of the following (in thousands):

	September 30, 2008	March 31, 2008
Machinery	$ 1,544	$ 1,516
Computer equipment	691	627
Furniture and fixtures	222	205
Leasehold improvements	344	344
	2,801	2,692
Accumulated depreciation	(1,517)	(1,259)
	$ 1,284	$ 1,433

5. Goodwill

A reconciliation of the activity affecting goodwill by operating segment is as follows (in thousands):

	Over-the-Counter Healthcare	Household Cleaning	Personal Care	Consolidated
Balance – March 31, 2008	$ 233,615	$ 72,549	$ 2,751	$ 308,915
Period Activity	964	--	--	964
Balance – September 30, 2008	$ 234,579	$ 72,549	$ 2,751	$ 309,879

During the period ended September 30, 2008, the Company settled a purchase price adjustment in connection with the September 2006 acquisition of Wartner USA BV.

6. Intangible Assets

A reconciliation of the activity affecting intangible assets is as follows (in thousands):

	Indefinite Lived Trademarks	Finite Lived Trademarks	Non Compete Agreement	Totals
Carrying Amounts				
Balance – March 31, 2008	$ 544,963	$ 139,503	$ 196	$ 684,662
Period Activity	--	--	--	--
Balance – September 30, 2008	$ 544,963	$ 139,503	$ 196	$ 684,662
Accumulated Amortization				
Balance – March 31, 2008	$ --	$ 37,838	$ 141	$ 37,979
Period Activity	--	5,233	22	5,255
Balance – September 30, 2008	$ --	$ 43,071	$ 163	$ 43,234

At September 30, 2008, intangible assets are expected to be amortized over a period of five to 30 years as follows (in thousands):

Year Ending September 30	
2009	$ 9,802
2010	9,073
2011	9,073
2012	9,073
2013	9,073
Thereafter	50,371

$	96,465

7. Other Accrued Liabilities

Other accrued liabilities consist of the following (in thousands):

	September 30, 2008	March 31, 2008
Accrued marketing costs	$ 7,565	$ 4,136
Accrued payroll	2,190	2,845
Accrued commissions	429	464
Other	974	585
	$ 11,158	$ 8,030

8. Long-Term Debt

Long-term debt consists of the following (in thousands):		September 30, 2008		March 31, 2008
Senior revolving credit facility ("Revolving Credit Facility"), which expires on April 6, 2009 and 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 margins range from 0.75% to 2.50% and at September 30, 2008, the interest rate on the Revolving Credit Facility was 5.5% per annum. The Company is also required to pay a variable commitment fee on the unused portion of the Revolving Credit Facility. At September 30, 2008, 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") that bears interest at the Company's option at either the prime rate plus a margin of 1.25% or LIBOR plus a margin of 2.25%. At September 30, 2008, the average interest rate on the Tranche B Term Loan Facility was 4.75%. Principal payments of $887,500 plus accrued interest are payable quarterly. Current amounts outstanding under the Tranche B Term Loan Facility mature on April 6, 2011 and are collateralized by substantially all of the Company's assets.		259,225		285,225
Senior Subordinated Notes that bear interest at 9.25% which is payable on April 15th and October 15th of each year. The Senior Subordinated Notes mature on April 15, 2012; however, the Company may redeem some or all of the Senior Subordinated Notes at redemption prices set forth in the indenture governing the Senior Subordinated Notes (the "Indenture") prior thereto. The Senior Subordinated Notes are unconditionally guaranteed by Prestige Brands Holdings, Inc. and its domestic wholly-owned subsidiaries other than Prestige Brands, Inc., the issuer. Each of these 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
		385,225		411,225
Current portion of long-term debt		(3,550)		(3,550)
	$	381,675	$	407,675

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. The Senior Credit Facility and the Senior Subordinated Notes also contain provisions that restrict the Company from undertaking specified corporate actions, such as asset dispositions, acquisitions, dividend payments, repurchases of common shares outstanding, changes of control, incurrence of indebtedness, creation of liens, making of loans and transactions with affiliates. Additionally, the Senior Credit Facility and the Senior Subordinated Notes contain cross-default provisions whereby a default pursuant to the terms and conditions of either indebtedness will cause a default on the

remaining indebtedness. At September 30, 2008, the Company was in compliance with its applicable financial and other covenants under the Senior Credit Facility and the Indenture.

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

Year Ending September 30		
2009	$	3,550
2010		3,550
2011		252,125
2012		126,000
	$	385,225

9. Fair Value Measurements

As deemed appropriate, the Company uses derivative financial instruments to mitigate the impact of changing interest rates associated with its long-term debt obligations. While the Company does not enter into derivative financial instruments for trading purposes, all of these derivatives are over-the-counter instruments with liquid markets. The notional, or contractual, amount of the Company's derivative financial instruments is used to measure the amount of interest to be paid or received and does not represent an exposure to credit risk. The Company is accounting for the interest rate cap and swap agreements as cash flow hedges.

In March 2005, the Company purchased interest rate cap agreements with a total notional amount of $180.0 million, the terms of which were as follows:

Notional Amount (In millions)	Interest Rate Cap Percentage	Expiration Date
$ 50.0	3.25%	May 31, 2006
80.0	3.50	May 30, 2007
50.0	3.75	May 30, 2008

The Company entered into an interest rate swap agreement, effective March 26, 2008, in the notional amount of $175.0 million, decreasing to $125.0 million at March 26, 2009 to replace and supplement the interest rate cap agreement that expired on May 30, 2008. The Company has agreed to pay a fixed rate of 2.88% while receiving a variable rate based on LIBOR. The agreement terminates on March 26, 2010.

Effective April 1, 2008, the Company adopted Statement No. 157, "Fair Value Measurements", for all financial instruments accounted for at fair value. Statement No. 157 established a new framework for measuring fair value and provides for expanded disclosures. Accordingly, Statement No. 157 requires fair value to be determined based on the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous

market assuming an orderly transaction between market participants. Statement No. 157 established market (observable inputs) as the preferred source of fair value to be followed by the Company's assumptions of fair value based on hypothetical transactions (unobservable inputs) in the absence of observable market inputs.

Based upon the above, the following fair value hierarchy was created:

Level 1 --	Quoted market prices for identical instruments in active markets,
Level 2 --	Quoted prices for similar instruments in active markets, as well as quoted prices for identical or similar instruments in markets that are not considered active, and

Level 3 --	Unobservable inputs developed by the Company using estimates and assumptions reflective of those that would be utilized by a market participant.

Quantitative disclosures about the fair value of the Company's derivative hedging instruments are as follows:

		Fair Value Measurements at September 30, 2008		
(In Thousands) Description	September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest Rate Swap	$ 775.0	$ --	$ 775.0	$ --

At September 30, 2008, the fair value of the interest rate swap of $775,000 was included in other assets, while at March 31, 2008, the fair value of $1.5 million was included in other current liabilities. The determination of fair value is based on closing prices for similar instruments traded in liquid over-the-counter markets.

10. Stockholders' Equity

The Company is authorized to issue 250.0 million shares of common stock, $0.01 par value per share, and 5.0 million shares of preferred stock, $0.01 par value per share. The Board of Directors may direct the issuance of the undesignated preferred stock in one or more series and determine preferences, privileges and restrictions thereof.

Each share of common stock has the right to one vote on all matters submitted to a vote of stockholders. The holders of common stock are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors, subject to prior rights of holders of all classes of stock outstanding having priority rights as to dividends. No dividends have been declared or paid on the Company's common stock through September 30, 2008.

11. Earnings Per Share

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

	Three Months Ended September 30		Six Months Ended September 30	
	2008	2007	2008	2007
Numerator				
Net income	$ 8,522	$ 6,829	$ 16,303	$ 15,149
Denominator				
Denominator for basic earnings per share – weighted average shares	49,924	49,710	49,902	