

ASCENDIA BRANDS, INC.
Form 10-Q
January 10, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 10-Q

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

For the fiscal thirteen weeks ended August 25, 2007

Commission File Number: 033-25900

ASCENDIA BRANDS, INC.

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

100 AMERICAN METRO BOULEVARD, SUITE 108

HAMILTON, NEW JERSEY 08619

(Address of principal executive offices)

(Zip Code)

(609) 219-0930

(Registrant's Telephone Number, Including Area Code)

Edgar Filing: ASCENDIA BRANDS, INC. - Form 10-Q

(Former Address, If Changed Since Last Report.)

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

YES NO

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

YES NO

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

On December 28, 2007, the issuer had outstanding 41,973,590 shares of common stock, \$.001 par value per share.

ASCENDIA BRANDS, INC. AND SUBSIDIARIES

FORM 10-Q

THIRTEEN WEEKS ENDED AUGUST 25, 2007

INDEX

PAGE

PART I. - FINANCIAL INFORMATION

Item 1 - Financial Statements (unaudited)	1
a) Consolidated Balance Sheets as of August 25, 2007 and February 28, 2007	1
b) Consolidated Statements of Operations for the Thirteen and Twenty-Six Weeks ended August 25, 2007 and August 26, 2006	2
c) Consolidated Statement of Stockholders' Equity for the Twenty-Six Weeks ended August 25, 2007	3
d) Consolidated Statements of Cash Flows for the Twenty-Six Weeks ended August 25, 2007 and August 26, 2006	4
e) Notes to Consolidated Financial Statements (Unaudited)	5
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations	34
Item 3 - Quantitative and Qualitative Disclosures About Market Risk	46
Item 4 - Controls and Procedures	47

PART II. - OTHER INFORMATION

Item 1 - Legal Proceedings	47
----------------------------	----

Edgar Filing: ASCENDIA BRANDS, INC. - Form 10-Q

Item 1A - Risk Factors	49
Item 6 - Exhibits	59
Signatures	60

PART I. FINANCIAL INFORMATION**Ascendia Brands, Inc. and Subsidiaries****Consolidated Balance Sheets**

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

	August 25, 2007		February 28, 2007
	(unaudited)		
<u>ASSETS</u>			
Current Assets:			
Cash and cash equivalents	\$ 767	\$	3,303
Trade receivables, net of allowances of \$5,367 at August 25, 2007 and \$2,913 at February 28, 2007	16,296		9,444
Inventories	35,074		28,633
Miscellaneous receivables	62		1,517
Prepaid expenses and other	5,121		5,761
Total current assets	57,320		48,658
Property, plant and equipment, net	9,155		6,500
Intangibles, net	137,876		151,634
Other assets, net	9,561		10,103
Total assets	\$ 213,912	\$	216,895
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>			
Current Liabilities:			
Accounts payable	\$ 12,028	\$	8,943
Accrued expenses	14,301		5,480
Accrued interest	3,569		1,146
Reserve for customer returns			4,479
Current portion of long-term debt	253,006		2,000
Total current liabilities	282,904		22,048
Long-term debt, less current portion			271,317
Long-term pension obligation	689		668
Total liabilities	283,593		294,033
Stockholders' Deficit:			
Convertible preferred stock, par value \$.001 per share; Authorized 1,000,000 shares; issued and outstanding 330 Class B & B-1 shares at August 25, 2007 and at February 28, 2007			37
Common stock, par value \$.001 per share; Authorized 1,000,000,000 shares; issued and outstanding 41,973,590 shares at August 25, 2007 and 36,758,541 at February 28, 2007	42		74,828
Additional paid in capital	75,330		(151,435)
Accumulated deficit	(143,952)		(568)
Accumulated comprehensive loss	(1,101)		(77,138)
Total stockholders' deficit	(69,681)		216,895
Total liabilities and stockholders' deficit	\$ 213,912	\$	216,895

See accompanying notes to consolidated financial statements.

Ascendia Brands, Inc. and Subsidiaries

Consolidated Statement of Operations

(Unaudited)

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

	For the thirteen weeks ended		For the twenty-six weeks ended	
	August 25, 2007	August 26, 2006	August 25, 2007	August 26, 2006
Net sales	\$33,871	\$24,377	\$75,822	\$49,224
Cost of sales	29,457	19,928	61,521	40,122
Gross Profit	4,414	4,449	14,301	9,102
Operating expenses:				
Selling and marketing	2,194	1,456	6,585	2,858
General and administrative	9,137	3,636	16,782	6,120
Total operating expenses	11,331	5,092	23,367	8,978
Income (loss) from operations	(6,917	) (643	) (9,066	) 124
Interest expense	(7,449	) (3,045	) (14,596	) (5,530
Amortization of finance fees and debt discount	(956	) (439	) (1,795	) (1,610
Gain on revaluation of compound derivative	39,703	7,975	40,738	7,975
Other income (expense)	(7,766	) (12	) (7,213	) 133
Total other income				