Prestige Brands Holdings, Inc.
Form 10-Q
February 09, 2010

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 December 31, 2009

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 (State or other jurisdiction of incorporation or organization)	20-1297589 (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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ¨ No ¨

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 February 3, 2010, there were 50,029,890 shares of common stock outstanding.

Prestige Brands Holdings, Inc.
Form 10-Q
Index

PART I.	FINANCIAL INFORMATION	
Item 1.	Consolidated Financial Statements	
	Consolidated Statements of Operations – three and nine month periods ended December 31, 2009 and 2008 (unaudited)	2
	Consolidated Balance Sheets – December 31, 2009 and March 31, 2009 (unaudited)	3
	Consolidated Statements of Cash Flows – nine month periods ended December 31, 2009 and 2008 (unaudited)	4
	Notes to Consolidated Financial Statements	5
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operation	29
Item 3.	Quantitative and Qualitative Disclosure About Market Risk	48
Item 4.	Controls and Procedures	48
PART II.	OTHER INFORMATION	
Item 1.	Legal Proceedings	48
Item 6.	Exhibits	49
	Signatures	50

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 italicized our trademarks or trade names when they appear in this Quarterly Report on Form 10-Q.

PART I FINANCIAL INFORMATION

Item 1. CONSOLIDATED FINANCIAL STATEMENTS

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

	Three Months Ended December 31		Nine Months Ended December 31	
(In thousands, except share data)	2009	2008	2009	2008
Revenues				
Net sales	$74,997	$77,345	$229,130	$232,582
Other revenues	451	621	1,511	1,921
Total revenues	75,448	77,966	230,641	234,503
Cost of Sales				
Cost of sales	35,641	36,480	108,670	109,789
Gross profit	39,807	41,486	121,971	124,714
Operating Expenses				
Advertising and promotion	6,099	11,349	24,645	32,129
General and administrative	7,411	8,311	26,088	25,647
Depreciation and amortization	2,596	2,311	7,781	6,926
Total operating expenses	16,106	21,971	58,514	64,702
Operating income	23,701	19,515	63,457	60,012
Other (income) expense				
Interest income	-	(14)	-	(143)
Interest expense	5,558	7,065	16,853	22,656
Total other expense	5,558	7,051	16,853	22,513
Income from continuing operations before income taxes	18,143	12,464	46,604	37,499
Provision for income taxes	7,807	4,724	18,594	14,212
Income from continuing operations	10,336	7,740	28,010	23,287
Discontinued Operations				
Income from discontinued operations, net of income tax	87	278	661	1,034
Gain on sale of discontinued operations, net of income tax	157	-	157	-
Net income	$10,580	$8,018	$28,828	$24,321
Basic earnings per share:				
Income from continuing operations	$0.21	$0.15	$0.56	$0.47
Net income	$0.21	$0.16	$0.58	$0.49
Diluted earnings per share:				
Income from continuing operations	$0.21	$0.15	$0.56	$0.47
Net income	$0.21	$0.16	$0.58	$0.49

Weighted average shares outstanding:				
Basic	50,030	49,960	50,008	49,921
Diluted	50,074	50,040	50,078	50,038

See accompanying notes.

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

(In thousands)	December 31, 2009	March 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$34,262	$35,181
Accounts receivable	30,618	36,025
Inventories	34,092	25,939
Deferred income tax assets	5,045	4,022
Prepaid expenses and other current assets	2,022	1,358
Current assets of discontinued operations	-	1,038
Total current assets	106,039	103,563
Property and equipment	1,297	1,367
Goodwill	114,240	114,240
Intangible assets	561,828	569,137
Other long-term assets	3,170	4,602
Long-term assets of discontinued operations	-	8,472
Total Assets	$786,574	$801,381
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable	$16,904	$15,898
Accrued interest payable	2,446	5,371
Other accrued liabilities	13,258	9,407
Current portion of long-term debt	3,550	3,550
Total current liabilities	36,158	34,226
Long-term debt	315,787	374,787
Deferred income tax liabilities	109,776	97,983
Total Liabilities	461,721	506,996
Commitments and Contingencies – Note 16		
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 - 50,154 shares at December 31, 2009 and 50,060 shares at March 31, 2009	502	501
Additional paid-in capital	383,600	382,803
Treasury stock, at cost – 124 shares at December 31, 2009 and March 31, 2009	(63)	(63)
Accumulated other comprehensive loss	(492)	(1,334)
Accumulated deficit	(58,694)	(87,522)
Total Stockholders' Equity	324,853	294,385

Total Liabilities and Stockholders' Equity	$786,574	$801,381

See accompanying notes.

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

	Nine Months Ended December 31	
(In thousands)	2009	2008
Operating Activities		
Net income	$28,828	$24,321
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,679	8,273
Gain on sale of discontinued operations	(253)	-
Deferred income taxes	10,254	7,393
Amortization of deferred financing costs	1,432	1,696
Stock-based compensation	1,658	2,248
Changes in operating assets and liabilities		
Accounts receivable	6,407	9,588
Inventories	(8,281)	945
Prepaid expenses and other current assets	(664)	(527)
Accounts payable	1,006	(2,450)
Accrued liabilities	1,424	1,860
Net cash provided by operating activities	50,490	53,347
Investing Activities		
Purchases of equipment	(402)	(397)
Proceeds from sale of discontinued operations	7,993	-
Business acquisition purchase price adjustments	-	(4,191)
Net cash provided by (used for) investing activities	7,591	(4,588)
Financing Activities		
Repayment of long-term debt	(59,000)	(26,887)
Purchase of common stock for treasury	-	(16)
Net cash used for financing activities	(59,000)	(26,903)
Increase (Decrease) in cash	(919)	21,856
Cash - beginning of period	35,181	6,078
Cash - end of period	$34,262	$27,934
Interest paid	$18,345	$24,276
Income taxes paid	$9,820	$7,251

See accompanying notes.

Prestige Brands Holdings, Inc.
Notes to Consolidated Financial Statements

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 other 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 9 to the consolidated financial statements.

Basis of Presentation
The unaudited consolidated financial statements presented herein have been prepared in accordance with accounting principles generally accepted in the United States of America ("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 nine month period ended December 31, 2009 are not necessarily indicative of results that may be expected for the fiscal year ending March 31, 2010. 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 fiscal year ended March 31, 2009.

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 the Company's expectations, 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 goodwill and 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 collectability 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, with cost determined by using the first-in, first-out method. The Company provides an allowance for slow moving and obsolete inventory, whereby it reduces

-5-

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 are amortized over the lesser of the term of the lease or 5 years.

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 business acquisitions is classified as goodwill. The Company does not amortize goodwill, but performs impairment tests of the carrying value at least annually in the fourth fiscal quarter. The Company tests goodwill for impairment at the reporting unit “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 3 to 30 years.

Indefinite-lived intangible assets are tested for impairment at least annually in the fourth fiscal quarter; however, at each reporting period an evaluation is made to determine whether events and circumstances continue to support an indefinite useful life. Intangible assets with finite lives are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts exceed their fair values and 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 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 these criteria are met and 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 reflect the Company's arrangements with its customers, and 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.

Cost of Sales

Cost of sales includes product costs, warehousing costs, inbound and outbound shipping costs, and handling and storage costs. Shipping, warehousing and handling costs were $6.0 million and $16.0 million for the three and nine month periods ended December 31, 2009, respectively. During the three and nine month periods ended December 31, 2008, such costs were $5.9 million and $17.6 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 periods in which the reimbursement criteria are achieved.

Stock-based Compensation

The Company recognizes employee stock-based compensation by measuring 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.

Income Taxes

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.

The Taxes Topic of the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 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. The guidance 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 Company is subject to taxation in the United States and various state and foreign jurisdictions. The Company remains subject to examination by tax authorities for years after 2004.

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

Derivative Instruments

Companies are required to recognize derivative instruments as either assets or liabilities in the consolidated Balance Sheets 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 (principally interest expense) 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.

Reclassifications

Certain prior period financial statement amounts have been reclassified to conform to the current period presentation.

Recently Issued Accounting Standards

In January 2010, the FASB issued authoritative guidance requiring new disclosures and clarifying some existing disclosure requirements about fair value measurement. Under the new guidance, a reporting entity should (a) disclose separately the amounts of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (b) present separately information about purchases, sales, issuances, and settlements in the reconciliation for fair value measurements using significant unobservable inputs. This guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In August 2009, the FASB issued authoritative guidance to provide clarification on measuring liabilities at fair value when a quoted price in an active market is not available. In these circumstances, a valuation technique should be applied that uses either the quote of the liability when traded as an asset, the quoted prices for similar liabilities or similar liabilities when traded as assets, or another valuation technique consistent with existing fair value measurement guidance, such as an income approach or a market approach. The new guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to include a separate input or adjustment to other inputs relating to the existence of a restriction that prevents the transfer of the liability. This guidance became effective beginning with the third quarter of the Company’s 2010 fiscal year; however, the adoption of the new guidance did not have a material impact on the Company’s financial position, results from operations or cash flows.

In June 2009, the FASB issued authoritative guidance to eliminate the exception to consolidate a qualifying special-purpose entity, change the approach to determining the primary beneficiary of a variable interest entity and require companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity’s economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. This guidance becomes effective for the Company's fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect this guidance to have a material impact on its consolidated financial statements.

In June 2009, the FASB established the FASB ASC as the source of authoritative accounting principles recognized by the FASB to be applied in the preparation of financial statements in conformity with generally accepted accounting principles. The new guidance explicitly recognizes rules and interpretive releases of the SEC under federal securities laws as authoritative GAAP for SEC registrants. The new guidance became effective for our financial statements issued for the three and six month periods ending on September 30, 2009; however, the adoption of the new guidance in the second quarter of the Company's 2010 fiscal year did not have a material impact on the Company's financial position, results from operations or cash flows.

In May 2009, guidance was issued under the topic Subsequent Events related to the accounting for, and disclosure of, events that occur after the balance sheet date, but before the financial statements are issued or are available to be issued. Additionally, this guidance requires the Company to disclose the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. For the three and nine month periods ended December 31, 2009, the Company evaluated, for potential recognition and disclosure, events that occurred prior to the filing of the Company's Quarterly Report on Form 10-Q for the three and nine month periods ended December 31, 2009 on February 9, 2010.

The Financial Instruments Topic of the FASB ASC requires disclosures about the fair values of financial instruments at interim reporting periods in addition to annual financial statements. Effective April 1, 2009, the new guidance involves only enhanced disclosures and did not have any impact on the Company's financial position, results from operations or cash flows.

The Investments-Debt and Equity Securities topic of the FASB ASC modified the threshold a company must meet to avoid recognizing other-than-temporary impairments of debt securities purchased as investments. Effective April 1, 2009, the implementation of the new guidance did not have any impact on the Company's financial position, results from operations or cash flows.

The Derivatives and Hedging Topic of the FASB ASC 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, the Derivatives and Hedging Topic 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. The Derivatives and Hedging Topic was effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The implementation of the Derivatives and Hedging guidance involved enhanced disclosures of derivative instruments and the Company's hedging activities and did not have any impact on the Company's financial position, results from operations or cash flows.

In September 2006, the FASB issued guidance on Fair Value Measurements and Disclosures to address inconsistencies in the definition and determination of fair value pursuant to GAAP. The guidance 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. The Fair Value Measurements and Disclosures guidance was 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 the guidance for one year for non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. The implementation of the guidance, 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. Additionally, the implementation of the guidance did not have a material effect as it relates to non-financial assets and non-financial liabilities that are recognized or disclosed at fair value in the Company's financial statements on a non-recurring basis.

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. Discontinued Operations and Sale of Certain of Assets

In October 2009, the Company sold certain assets related to the shampoo brands previously included in its Personal Care products segment to an unrelated third party. In accordance with the Discontinued Operations Topic of the ASC, the Company reclassified the related assets as held for sale in the consolidated balance sheets as of March 31, 2009 and reclassified the related operating results as discontinued in the consolidated financial statements and related notes for all periods presented. The Company recognized a gain of $253,000 on a pre-tax basis and $157,000 net of tax effects on the sale in the quarter ended December 31, 2009.

The following table presents the assets related to the discontinued operations as of March 31, 2009 (in thousands):

	March 31, 2009
Inventory	$ 1,038
Intangible assets	8,472
Total assets held for sale	$ 9,510

The following table summarizes the results of discontinued operations (in thousands):

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2009	2008	2009	2008
Components of Income				
Revenues	$651	$2,312	$4,998	$7,360
Income before income taxes	140	447	1,064	1,665

The total purchase price for the assets was $9 million, subject to adjustments for inventory, as defined, with $8 million received upon closing, and the remaining $1 million to be paid on the first anniversary of the closing.

3. Accounts Receivable

Accounts receivable consist of the following (in thousands):

	December 31, 2009	March 31, 2009
Trade accounts receivable	$ 31,858	$ 37,521
Other receivables	1,522	1,081
	33,380	38,602
Less allowances for discounts, returns and uncollectible accounts	(2,762)	(2,577)
	$ 30,618	$ 36,025

4. Inventories

Inventories consist of the following (in thousands):

	December 31, 2009	March 31, 2009
Packaging and raw materials	$ 2,271	$ 1,955
Finished goods	31,821	23,984
	$ 34,092	$ 25,939

Inventories are shown net of allowances for obsolete and slow moving inventory of $2.6 million and $1.4 million at December 31, 2009 and March 31, 2009, respectively.

5. Property and Equipment

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

	December 31, 2009	March 31, 2009
Machinery	$ 1,621	$ 1,556
Computer equipment	1,326	1,021
Furniture and fixtures	239	239
Leasehold improvements	389	357
	3,575	3,173
Less accumulated depreciation	(2,278)	(1,806)
	$ 1,297	$ 1,367

6. 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, 2009				
Goodwill	$229,627	$72,549	$2,751	$ 304,927
Accumulated impairment losses	(125,527)	(65,160)	--	(190,687)
	104,100	7,389	2,751	114,240
Net adjustments	--	--	--	--
Balance – December 31, 2009				
Goodwill	229,627	72,549	2,751	304,927
Accumulated impairment losses	(125,527)	(65,160)	--	(190,687)
	$104,100	$7,389	$2,751	$ 114,240

At March 31, 2009, in conjunction with the annual test for goodwill impairment, the Company recorded an impairment charge aggregating $190.7 million to adjust the carrying amounts of goodwill related to several reporting units within the Over-the-Counter Healthcare and Household Cleaning segments to their respective fair values. These charges were a consequence of the challenging economic environment experienced during our fiscal year ended March 31, 2009, the dislocation of the debt and equity markets, and contracting consumer demand for the Company's product offerings. Although the impairment charges represent management's best estimate, the estimates and assumptions made in assessing the fair value of the Company's reporting units and the valuation of the underlying assets and liabilities are inherently subject to significant uncertainties. Consequently, changing rates of interest and inflation, declining sales or margins, increases in competition, changing consumer preferences, technical advances or reductions in advertising and promotion may require additional impairments in the future.

7. 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, 2009	$500,176	$106,773	$158	$607,107
Reclassifications	(45,605)	45,605	--	--
Balance – December 31, 2009	$454,571	$152,378	$158	$607,107
Accumulated Amortization				
Balance – March 31, 2009	$--	$37,828	$142	$