ASCENDIA BRANDS, INC.
Form 10-K/A
June 25, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

Amendment No. 1
Original filed August 11, 2006

ANNUAL REPORT UNDER SECTION 13 OR 15 (d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended February 28, 2006

Commission file number 033-25900

ASCENDIA BRANDS, INC.

(Formerly Cenuco, Inc.)

(Exact name of registrant as specified in its charter)

Delaware	**75-2228820**
(State or other jurisdiction of incorporation or organization)	(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)

Securities registered under Section 12(b) of the Act:

Title of each class	Name of exchange on which registered
Common Stock	**American Stock Exchange**

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

o Yes x No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.

o Yes x No

Indicate by check mark whether the registrant (1) filed all reports required to be filed by Section 13 or 15 (d) of the Exchange Act during the past 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.

x Yes o No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this Chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one).

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

o Yes x No

The aggregate market value of the common stock held by non-affiliates of the Registrant, based on the closing sale price of its common stock on August 26, 2005, the last business day of the Company s second quarter for the current fiscal year, as quoted on the American Stock Exchange, was approximately $28,620,943.*

As of June 22, 2007, 41,779,840 shares of common stock, par value $.001 per share, were outstanding.

* Calculated by excluding all shares that may be deemed to be beneficially owned by executive officers and directors of the Registrant, without conceding that all such persons are affiliates of the Registrant for purposes of the federal securities laws.

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Cautionary Note Regarding Forward-Looking Statements

This Annual Report includes forward-looking statements within the meaning of the Securities Exchange Act of 1934 (the Exchange Act). These statements are based on management s beliefs and assumptions, and on information currently available to management. Forward-looking statements include the information concerning possible or assumed future results of operations of the Company set forth under the heading Management s Discussion and Analysis of Financial Condition and Results of Operations. Forward-looking statements also include statements in which words such as expect, anticipate, intend, plan, believe, estimate, consider or similar expressions are used.

Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. The Company s future results and shareholder values may differ materially from those expressed in these forward-looking statements. Readers are cautioned not to put undue reliance on any forward-looking statements.

This amendment to the Annual Report on Form 10-K for the fiscal year ended February 28, 2006 (Annual Form 10-K/A) filed on August 11, 2006 reflects a restatement of the Consolidated Financial Statements of Ascendia Brands, Inc. (formerly, Cenuco, Inc.) as of and for the fiscal year ended February 28, 2006.

The restatement relates to the following adjustments:

1. As discussed in Note 1 to the consolidated financial statements, to revise the purchase price paid in connection with the Merger to correctly comply with the provisions of SFAS 141 and EITF 99-12. The revised purchase price reflects the use of the market value of the Company s stock based on March 16, 2005, the date of the Merger Agreement and announcement instead of May 20, 2005, the effective date of the Merger. This increases the purchase price and the amount of goodwill by $18,700,756. In the fourth quarter of the fiscal year ended February 28, 2006, The Company determined that there was an impairment of the goodwill with respect to this reporting unit. As such, the impairment loss recorded in the fourth quarter for the fiscal year ended February 28, 2006 will be increased by $18,700,756 and is reflected in this amended Form 10-K for the fiscal year ended February 28, 2006.

2. As discussed in Note 1 to the consolidated financial statements, to include the impact of a deemed dividend to holders of Series A Preferred Stock in the amount of $653,659. This results from a beneficial conversion feature with respect to the Series A Preferred Stock. The impact to common stockholders is to increase the loss by $653,659 to $47,732,837 for purposes of calculating loss per share.

3. As discussed in Note 1 to the consolidated financial statements, to reclassify amortization expense of $1,249,315 with respect to indentifiable intangible assets from for selling, general and administrative expense to cost of goods sold.

In addition to the above restatements and as more fully disclosed at Note 11(c), net loss per Series A Preferred share for periods prior to the reverse acquisition of Cenuco, Inc. on May 20, 2005 is presented to retrospectively reflect the number of equivalent shares received by HACI unitholders in connection with the reverse acquisition.

This Annual Form 10-K/A is being filed for purposes of amending the Annual Report on Form 10-K for the fiscal year ended February 28, 2006 (Annual Form 10-K) of the Company, which was originally filed on August 11, 2006, and provides information about the financial results for the fiscal years ended February 28, 2006 (as restated as described above) and February 28, 2005.

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

Part I - Item 1 - Consolidated Financial Statements

Part I - Item 2 - Management s Discussion and Analysis of Financial Condition and Results of Operations

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

The financial information that is included in this Annual Form 10-K/A has been corrected as part of the restatement described above. This restatement is only related to the fiscal year ended February 28, 2006. All amounts included in this report as of and for the fiscal year ended February 28, 2005 are not affected by the restatement. No attempt has been made in this Form 10-K/A to modify or update other disclosures presented in the original report on Form 10-K except as required to reflect the effects of the restatement. Information in this Annual Form 10-K/A is generally stated as of February 28, 2006 and generally does not reflect any subsequent information or events other than the restatement.

With the filing of this Annual Form 10-K/A, the Company has amended the Annual Form 10-K. Accordingly, the Company s Consolidated Financial Statements for the fiscal year ended February 28, 2006 and the related financial information contained in the Annual Form 10-K should no longer be relied upon.

PART I

ITEM 1. BUSINESS

Ascendia Brands, Inc. (Ascendia , the Company , the Registrant , we or us) manufactures, markets and distributes a portfolio of nationally and internationally recognized branded products in the health and beauty care categories. The brand portfolio includes *Baby Magic*®, *Binaca*®, *Mr. Bubble*®, *Lander*®, *Lander essentials Ogilvie*®, *Tek*®, *Dentax*®, *Dorothy Gray*® and *Tussy*®. These products compete in the Bath Products, Baby Toiletries, Deodorant/Antiperspirant, Home Permanent Treatment, Mouthwash, Portable Breath Sprays and Drops, Manual Toothbrush, and Skin Care space within the personal care products market. Ascendia sells its brands through a variety of channels, concentrating on mass merchandisers, drug stores, supermarkets (mass, drug, food), and dollar store outlets. This strategy allows us to offer consumers brands in the outlets most often shopped for these product categories. Within the consumer products market, Ascendia s brands hold either the number one or number two market position within the space in which we compete, as shown below:

Ascendia s Major Brands Market Position.

Major Brand	*Space*	*Market Position*
Mr. Bubble	Children s Bath	#1
Lander, Lander essentials	Basic Bath	#1
Baby Magic/ Lander	Baby Toiletries	#2
Ogilvie	Home Permanents	#1
Binaca	Portable Breath Freshening	#2

Source: Information Resources, Inc., 4Q 2005.

Strategically, Ascendia limits its distribution to traditional mass, drug, food and dollar store retail venues; we do not currently participate in online, specialty retail, club stores or direct-to-consumer outlets. We continue to seek increased access to retail shelf space and distribution points that can provide enhanced profit margins for Ascendia while also providing good value for consumers. We anticipate that, in the long term, distribution in lower profit margin retail outlets will be scaled down in favor of sales through higher margin retail outlets.

The Company focuses internal resources on product development, manufacturing, distribution, marketing and sales. Ascendia utilizes these core competencies in conjunction with our experienced management team to increase sales and profits. The Company expects to achieve growth through a combination of increased market penetration from existing products in addition to strategic acquisitions.

The Company is also engaged in the development of remote video streaming applications, through its Cenuco Wireless subsidiary.

Corporate Structure

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

Ascendia Brands, Inc. (Ascendia , the Company, the Registrant, we or us). The Company is a holding company, organized under Delaware law, with its executive offices in Lawrenceville, New Jersey. It owns directly the stock of Hermes Acquisition Company I LLC and Cenuco, Inc. The Company s common stock is listed on the American Stock Exchange under the symbol ASB . Prior to the change in the Company s name to Ascendia Brands, Inc. the Company s common stock was quoted on the American Stock Exchange under the symbol ICU .

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

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

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

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

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

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

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

Health and Beauty Care Division

Introduction

Ascendia Brands and its Canadian affiliate, Lander Canada manufacture, market and distribute value and premium value branded health and beauty care products in the United States and Canada, and in 90 countries throughout the Americas, Africa, Asia and the Middle East. Ascendia s growing range of product offerings includes branded bath care, baby care, oral care and skin & hair care products. Additionally, through its Canadian facility, Lander Canada produces a line of private label brands for a limited number of large Canadian retail chains.

Ascendia Brands traces its history to the formation of Lander in 1920. Lander was the first value brand cosmetics company in the U.S. In the 1930s and 1940s, Lander introduced perfumes such as Romantic Days (in 1943), and Samezi-Soir (in 1950). By the 1950 s, Lander owned and controlled over thirty brand names and four subsidiaries, including Lundborg Perfumers Inc. and Mac Gregor Men s Toiletries Inc. Lander began sales in Canada in 1947. A family-owned company for over 40 years, Lander was acquired in 1964 by what is now Bristol Myers Squibb. In 1968, ownership passed to Scott Chemical Co., Inc., and in 1994 Claneil Enterprises, Inc. purchased Lander. In 2003 the Hermes Group LLC, a Princeton, NJ-based private equity company, purchased Lander from Claneil. In May 2005, Hermes/Lander merged with Cenuco, Inc.

Ascendia has inherited Lander s position as America s leading manufacturer of quality value-brand health and beauty care products. Ascendia has sought to expand its offerings of premium products both through organic growth (including the launch in 2005 of its successful Lander essentials; 3in1 range of products), as well as through the acquisition of brands that offer a strategic fit with Ascendia s business model and core competencies.

Acquisition of Brands from Playtex

On November 16, 2005, Ascendia completed the acquisition of the *Baby Magic*, *Mr. Bubble, Ogilvie*, *Binaca*, *Dorothy Gray*, *Tussy* and *Tek* brands from Playtex.. The acquisition of these additional brands created commercial, operational and distribution synergies with the Company s existing manufacturing and distribution infrastructure. The acquired brands are positioned in product categories in which Ascendia Brands already has an established and significant extreme value leadership position. Management believes that combining marketing, sales, manufacturing and distribution of the former Playtex brands and the *Lander* brands will enable us to realize manufacturing and distribution efficiencies. More specifically, it gives us access to retailers with which the Ascendia Brands had not previously done business (*e. g.*, Target Stores and Toys R Us), enabling us to offer more of our products to each customer.

The brands acquired from Playtex in November 2005 include the following:

Baby Magic In 1950, Mennen Company first introduced the *Baby Magic* trade name to the market. The brand was later sold to Colgate, which in 1999 sold the United States, Puerto Rican, and Canadian rights to the trade name to Playtex. Playtex initially viewed *Baby Magic* as a core brand and provided sustained marketing and advertising support. Prior to our acquisition of the brand, however, the entry of additional competitors such as Huggies and Gerber had reduced *Baby Magic* s market share and it was no longer viewed as a core brand. Nonetheless, *Baby Magic* had remained the number two brand in a highly competitive infant toiletries segment with more than 80 percent brand awareness. (*Source*: Proprietary Market Research, July 2005).

Mr. Bubble First introduced in 1961, *Mr. Bubble* is the market leader in the children s bath additives category, with a market share of almost 30 percent and brand awareness in excess of 97 percent. The product is primarily used by children ages 3-8. Due to its longevity and category defining position, *Mr. Bubble* is viewed as an icon of popular culture. (*Sources*: Information Resources, Inc., 3Q 2005 and Proprietary Market Research, July 1998).

Binaca First introduced circa 1970, Playtex acquired the *Binaca* brand in 1998. *Binaca* has been associated with instantly fresh breath since its early beginnings. Today, *Binaca* is enjoying renewed brand growth as a result of renewed consumer interest in portable breath freshening.

Ogilvie First introduced in 1920, *Ogilvie* has been the market leader in the at-home hair permanents category for over 40 years. In 1998, when Playtex acquired the brand, *Ogilvie* had approximately a 50 percent market share. Today, *Ogilvie* has more than an 80 percent market share within the reported food, drug and mass outlets.

Tussy First introduced in 1925, *Tussy* is a brand deodorant and deodorant/antiperspirant. The deodorant product is offered in a cream form, while the deodorant/antiperspirant is available in the more common roll-on and stick forms. This brand meets a consumer need for an open-price point offering, available in food, drug, mass and Dollar outlets.

Tek *Tek* is a brand of toothbrush and includes the *Tek* Excel and *Tek* Pro Lines. The *Tek* toothbrushes carry the American Dental Seal of Acceptance. The *Tek* trademark was registered as a trademark in 1929 by Johnson & Johnson and assigned to Playtex in 1966.

Dorothy Gray Satura First introduce in 1916, *Dorothy Gray* is an upscale line of face cream products specifically designed to address the needs of dry or mature skin. The brand enjoys limited domestic distribution, with revenues generated primarily by sales to Korea and other international markets.

Prior to the acquisition of the former Playtex brands, Ascendia s health and beauty care division distributed more than 82 million units annually (primarily liquid fill bath care, baby care and skin care products) in North America, and another 9 million units internationally. Subsequent to the acquisition, the Company estimates it will distribute an additional 40 million units annually. This increases total Company annual units to an estimated 131 million on a global basis.

Customers and Distribution Channels

Ascendia Brands senior sales management team, along with our seasoned network of sales brokers, maintains long-standing relationships with our top fifty customers, which account for approximately eighty-five percent of our total gross sales. Ascendia Brands dedicated sales management group consists of eight people, who primarily focus on developing our profitable premium brands within our current base of core customers, as well as acquiring new customers in our targeted demographic groups. These focused efforts generated growth in sales volume of approximately forty-eight percent in fiscal 2006 within the portfolio of premium *Lander / Lander essentials* bath and body products. In the future, we will continue to emphasize growth in the higher margin, branded segments of our business, versus the extreme value and private label segments. Indeed this focus will be intensified in fiscal 2007 in conjunction with our new product offerings in our *Lander essentials* line, along with upgraded and new items in the recently acquired *Baby Magic, Mr. Bubble, Binaca*, and *Ogilvie* brands.

Ascendia Brands enjoys a broad distribution base comprised of a variety of markets and distribution channels internationally. During the fiscal year ended February 28, 2006, approximately 69 percent of Ascendia Brands gross revenues were derived in the United States, 20 percent were derived in Canada and the remaining 11 percent in roughly 90 other countries throughout the Americas, Europe, Asia, the Middle East and Africa. In the U.S. and Canada, Ascendia Brands products are widely distributed throughout the food, drug, mass and dollar/specialty channels. The brands are now sold in over 60,000 retail outlets in the United States and Canada. Ascendia Brands largest customer is Wal-Mart, which accounted for approximately 36 percent of U.S. revenues and 34 percent of Canadian revenues in the year ended February 28, 2006. Other major customers include Walgreen s, K-Mart, Shopper s Drug, Dollar General, Dollar Tree and Centennial, our Mexican distributor. As a result of the acquisition of the former Playtex brands, Ascendia Brands has gained access to several additional customers, including Target, Toys R Us, Safeway and Kroger.

Beyond acquisitions, Ascendia Brands strategy for acquiring new customers and increasing sales penetration with existing customers is to provide a full range of products within our product categories of competency, while at the same time providing consumers with a perceptibly better price/quality/value relationship than our competitors. Ascendia Brands employs a sell from shelf business approach, which provides higher than average margins for the retailer, a better value for the consumer, and improved sales and margins for Ascendia Brands. We refer to this as our win/win/win business model.

Facilities

Our health and beauty care division is headquartered in Hamilton, New Jersey. In addition, we operate two combined manufacturing/distribution facilities. These facilities are located in Binghamton, New York (owned) and Toronto, Ontario (leased). The primary core competencies of both manufacturing facilities are health and beauty care liquid fill and talc powder filling. Additionally, Ascendia Brands utilizes three public warehouse facilities, located in Buena Park, CA, Scranton, PA and Charlotte, NC. The three distribution facilities act as remote warehouses and FOB pick-up locations.

Ascendia Brands Binghamton plant is a 163,000 square foot facility with 160 employees split into three 8 working hour shifts, five days a week. The hourly employees are represented by the International Chemical Workers Union, Local 293, with a contract that expires May 1, 2009. To the Company s knowledge, labor relations are good. The Binghamton plant primarily produces health and beauty care products for sale in the United States and internationally under the *Lander* brand name. In addition, the plant is currently producing *Mr. Bubble*, and will in the near term commence manufacturing *Baby Magic*, *Dorothy Gray* and *Tussy*. Products produced in this plant include bubble bath, lotions and creams, and baby products such as shampoo, baby oil, and baby powder. Additionally, this facility is approved by the United States Food & Drug Administration and the New York Board of Pharmacy to manufacture over-the-counter (OTC) drugs such as topical analgesics and vapor rubs.

Lander Canada s Ontario plant is a 98,000 square foot facility with 105 employees split into two 8 working hour shifts, five days a week. The hourly employees are represented by the Laundry and Linen Drivers and Industrial Workers, Local 847, with a contract that expires on January 13, 2007. To the Company s knowledge, labor relations are good. This plant produces private label health and beauty care products for Canada s largest retail and drug stores as well as *Lander* brand products sold in the U.S. Lander Canada also produces and sells products domestically under the *Lander* brand. The plant will begin production of *Baby Magic* in July 2006. Products produced in this plant include lotions and creams, baby products such as shampoo, baby oil, baby powder, mouthwash, and nail polish remover. Lander Canada s facility is approved by Health Canada to manufacture OTC drugs, including antiseptic mouthwash, topical analgesics and vapor rubs.

Both manufacturing facilities have the capacity, with a modest capital investment, to absorb the incremental production required to meet projected organic sales growth, as well as additional sales from future acquisitions. The Company believes it can realize operating efficiencies in the areas of freight and distribution, raw material procurement, as well as, labor and overhead absorption, which would make sales derived from acquisitions significantly accretive.

Ascendia Brands will continue to out-source production of certain products to third-party contract manufacturers.

Wireless Applications Development Division

Introduction

The Company s wireless applications development division, conducted through Cenuco Wireless located in Boca Raton, Florida, focuses on the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. This is also known as remote video monitoring via cellular device . In this segment, Cenuco Wireless offers cellular carriers, Internet and security service providers, resellers and distributors a host of wireless video streaming products that generate an increase in subscriber adoption of wireless data services, as well as broadband Internet services. The business model provides additional recurring monthly service revenue models for carriers, ISPs, resellers and distributors.

We are currently in deployment negotiations and/or testing relationships with a number of international and national cellular carriers, major distribution providers, resellers and potential technology licensees.

Our wireless remote video monitoring technologies via cellular device (cellular phone, Pocket PC mobile Edition, Smart Phone, remote wire line computer, and remote cellular connected computer) have been customized to service a variety of market segments. On July 9, 2003, we announced that we had been awarded General Services Administration (GSA) contract number GS-03F-0025N by the United States government, allowing Cenuco Wireless to sell its products, technologies and services to every branch of the United States government, including all military agencies and the Department of Homeland Security. The entire line of CenVid products, launched this year, have also been accepted into the contract with GSA.

The Company s partnerships and affiliates include: Intel Corporation, Microsoft Corporation, Qualcomm, Tyco, and other leading technology organizations.

We have the ability to license our proprietary core technology. We initiated discussions with a number of leading technology companies regarding the direct embedding of our technologies onto DSL or cable modems, routers, IP cameras, and other appliance oriented hardware. Our wireless video monitoring solutions allow users to view real-time streaming video of security cameras at their home or place of business from anywhere they receive a cellular connection, regardless of the carrier or user s location. Our systems are also delivered with a password-protected PC desktop client that allows for single click access to any remote camera, and gives users the ability to communicate with us (via Internet link), manage user accounts and review archival video. This package of services and technology is currently unique in the marketplace.

Revenues from sales are recognized in the period in which sales are made. Revenues relating to subscription services are recognized for the period of time of rendered service during the reporting period. Our gross profit margin will be determined in part by our ability to estimate and control direct costs of production and shipping and our ability to incorporate such costs in the price charged to our distributors.

During 2005 Cenuco Wireless completed the development and has deployed its new commercial security product line, *CenVid*. The product is currently sold through 10 dealers nationally, and is promoted by 10 Manufacturers Representative Firms covering all 50 states in the U.S. Numerous companies and customers are evaluating the product, for purchase in 2006.

Products

We have developed a number of proprietary applications providing mobile video transmission connectivity on wireless handheld devices and cellular phones within specific market verticals and have filed two patents (software and process) relating to this technology. Products include:

CenVid. *CenVid* is 4-16 camera port encoder and transmitter, taking any existing digital video recorder s video feeds and making them viewable via wireless handheld or cellular phones. Installation can takes less than an hour, and entails simply connecting the DVR system s video outputs to the complementary port on the Cenuco Wireless device. Launched in 2005, there is a strong interest in this product, as it takes any existing CCTV installation and makes it mobile, without any re-engineering, re-wiring or system rebuilding. Cenuco Wireless also received Federal GSA approval for *CenVid* in 2005. *CenVid* is certified by both Microsoft and Cingular.

Partnerships and Strategic Relationships

During the year, our business strategy included the development of strategic technical, marketing, and distribution partnerships as well as significant inter-corporate relationships. Management believes that the combination of these corporate relationships and partnerships will enable Cenuco Wireless to maintain a market leadership position, as well as to provide assistance in developing significant sales revenue. These partnerships include:

Microsoft. Microsoft has certified our wireless client applications for Windows SP powered Smart Phones and mobile edition Pocket PCs. In the last quarter, Microsoft has awarded Cenuco Wireless Gold Certified Partner status due to our expertise in wireless software development on the Microsoft platform.

Intel. Since 2003 Cenuco Wireless has been part of the Intel Early Access Program for Mobility. Through this program Intel has assigned us account representatives across numerous internal divisions. Intel has continued to provide marketing and co-op dollar support for trade shows, point of sale displays, etc. Intel has also been using our applications to demonstrate the utility of their chip-sets and mobile platforms (Smart Phone).

Qualcomm. As the owner of the BREW wireless application protocol, Cenuco Wireless has been successful in receiving BREW certification on selected handsets, and continues to work directly with Qualcomm on certification efforts, as well as co-operative marketing initiatives to BREW cellular carriers globally.

Tyco. Our corporate products have undergone over a year of testing in Tyco s Rapid R&D Development Program. In the fall of 2005, we entered the next phase of that program, which consists of talking with each of Tyco s operating divisions regarding potential licensing or custom development arrangements. These divisions include: ADT, Sensormatic, American Dynamics, and others.

Cingular. Our wireless client software for all products has been tested and certified by Cingular, the largest carrier currently in the United States. Cingular certification is a significant step forward a more comprehensive deployment program with Cingular. As an expansion, effective in February 2006, Cingular and Cenuco Wireless are now officially co-marketing and co-selling Cenuco Wireless solutions on a regional basis. Management expects that this will expand nationally through fiscal 2007.

Acquisition of the Lander Business

HACI was formed on April 25, 2003 to acquire the health and beauty care business of Lander and Lander Canada. Effective May 31, 2003, HACI purchased certain assets and assumed certain liabilities associated with Lander s United States operations and acquired 100 percent of the outstanding stock of Lander Canada for an aggregate purchase price of $11,091,456, inclusive of acquisition costs of $1,160,456. In addition, Ascendia Real Estate (then called Hermes Real Estate LLC) purchased Lander s production plant in Binghamton, New York for a purchase price of $3,304,864, inclusive of acquisition costs of $254,864. Property, plant and equipment were recorded at fair value, reduced by the excess of fair value of net assets acquired over the purchase price of $1,095,813. In accounting for these acquisitions, the Company followed the provisions of Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. This Statement requires that the purchase method of accounting be used for all business combinations and provides specific criteria for the initial recognition and measurement of intangible assets apart from goodwill. On March 1, 2005, Ascendia Real Estate became a wholly-owned subsidiary of HACI. Prior thereto, HACI and Ascendia Real Estate were under common control.

The Lander-Cenuco, Inc. Merger (the Merger)

On May 20, 2005, Hermes Holding Company, Inc., a newly formed wholly-owned subsidiary of Cenuco, Inc.,(the parent company of Cenuco Wireless, and a public company traded on the American Stock Exchange under the symbol ICU) merged with HACI. The Merger was completed through the issuance of 2,553.7 shares of Cenuco, Inc. s Series A Junior Participating Preferred Stock (representing 65 percent of the aggregate outstanding voting power of Cenuco, Inc. s capital stock) in exchange for all the outstanding membership units of HACI. As a consequence of the Merger, HACI, together with its wholly-owned subsidiaries Lander Canada, Ascendia Real Estate (then called Hermes Real Estate I LLC) and Lander, became wholly-owned subsidiaries of Cenuco, Inc.

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

In accordance with SFAS 141, *Business Combinations*, the Company determined the fair value of the assets acquired and liabilities assumed in the reverse acquisition of Cenuco, Inc. as follows, as revised in the quarter ended February 28, 2006:

Cash and cash equivalents	$ 6,002,887
Other current assets	496,526
Total current assets	6,499,413
Property, plant, and equipment	111,382
Goodwill	49,675,436
Intangibles - acquired core software technology	8,000,000
Other Assets	591,807
Total assets acquired	64,878,038
Total liabilities assumed	(473,590)
Estimated fair value of net assets acquired	$ 64,404,448

The initial estimated allocation of the purchase price equivalent was made by the Company in the thirteen weeks ended May 28, 2005 and included an allocation to customer lists and brand name intangibles assets totaling $2,473,025. In the quarter ended February 28, 2006, the Company determined that an allocation of value to these intangible assets was not appropriate and, identified the above noted core software technology intangible asset and estimated the related value to be $8,000,000. This revision resulted in $5,526,975 less being allocated to goodwill. Subsequent to the increase of $18,700,756 in the purchase price and goodwill,.all of the goodwill of $49,675,436 related to the acquisition was assigned entirely to the WAD operating division. This goodwill is not deductible for income tax purposes. The difference in the amortization of the core software technology intangible asset since May 20, 2005 (based on a 5 year expected life) and the corresponding amount for the originally identified customer lists and brand name intangible assets amounted to $ 913,546. This amount has been reflected in the results of operations for the year ended February 28, 2006.

Following the Merger, the Company s principal business activity has been the manufacture and distribution of health, beauty and oral-care products, as described above. In addition, through its Cenuco Wireless subsidiary, the Company is engaged in a wireless application technology business, primarily related to the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. During the quarter ended February 28, 2006, in accordance with SFAS No. 142, the Company completed the test for impairment in the carrying value of goodwill and determined that an impairment charge of $16.4 million was required. After this restatement, the impairment charge is increased by $18.7 million to $35.1 million

Acquisition of Assets Current Fiscal Year

On November 16, 2005, Lander and Lander Intangibles acquired certain brands and brand-related assets from Playtex. The acquired brands included *Baby Magic*, *Binaca*, *Mr. Bubble*, *Ogilvie*, *Tek*, *Dentax*, *Dorothy Gray*, *Better Off* and *Tussy*. At the closing, Lander and Lander Intangibles paid a total cash purchase price of $59.1 million, inclusive of $2.1 million in acquisition costs. The $57.0 million purchase price was subject to certain post-closing adjustments based upon the amount of product inventory delivered to Lander at closing. In December 2005, this adjustment resulted in a purchase price reduction of approximately $1.3 million, bringing the total purchase price to $57.8 million, inclusive of acquisition costs. In accordance with SFAS 141, the Company allocated the purchase price to the assets acquired based on relative fair value, as follows:

Inventory	$9,600,000
Property, plant and equipment	900,000
Brand names and product formulas	16,924,477
Customer relationships	30,393,673
Total Purchase Price	**$ 57,818,150**

Number of Employees

As of February 28, 2006, the Company has 327 total employees in the United States and Canada.

ITEM 1A. RISK FACTORS

Health and Beauty Care Business

The high level of competition in Ascendia Brands industry - the health and beauty care business - could adversely affect our sales, operating results and profitability.

The business of selling health and beauty products is highly competitive. Numerous manufacturers, distributors, marketers and retailers actively compete for consumers business, both in the United States and abroad.

Ascendia Brands principal competitors include Health Tech, Johnson & Johnson, Kimberly Clark, Pfizer, Procter & Gamble, The Village Company, and Unilever. Nearly all of these competitors are larger and have substantially greater resources than Ascendia Brands, and may therefore have the ability to spend more aggressively on advertising and marketing and to respond more effectively to changing business and economic conditions than we do. This could adversely affect our sales, operating results and profitability. Ascendia Brands competes on the basis of numerous factors, including brand recognition, product quality, performance, price and product availability at retail stores. Merchandising and packaging, the timing of new product introductions and line extensions also have a significant impact on customers buying decisions and, as a result, on our sales. The structure and quality of our sales force and broker network, as well as consumption of Ascendia Brands products, affect in-store position, shelf display space and inventory levels in retail outlets. If Ascendia Brands is not able to maintain or improve the inventory levels and/or shelf placement of its products in retail stores, our sales and operating results will be adversely affected. Ascendia Brands markets also are highly sensitive to the introduction of new products, which may rapidly capture a significant share of the market. An increase in the amount of product introductions by our competitors could have a material adverse effect on our sales, operating results and profitability.

In addition, competitors may attempt to gain market share by offering products at or below the prices typically offered by Ascendia Brands. Competitive pricing may require Ascendia Brands to reduce prices and may result in lost sales and/or reductions in our margins.

Ascendia Brands depends on a limited number of customers for a large portion of its gross sales and the loss of one or more of these customers could materially reduce our gross sales and therefore could have a material adverse effect on our business, financial condition and results of operations.

For the year ended February 28, 2006, Ascendia Brands top five customers accounted for approximately 47 percent of net sales, with one customer (Wal-Mart) accounting for 32 percent and a second (Dollar Tree) for 7 percent. We expect that for the year ending February 28, 2007 and future periods, Ascendia Brands top five customers, including Wal-Mart and Dollar Tree, will, in the aggregate, continue to account for a significant portion of our gross sales. The loss of one or more of Ascendia Brands top customers, any significant decrease in sales to these customers or any significant decrease in retail display space in any of these customers stores, could reduce Ascendia Brands gross sales and therefore could have a material adverse effect on our sales, operating results and profitability.

In addition, Ascendia Brands business is based primarily upon individual sales orders, and we typically do not enter into long-term contracts. Our customers could cease buying our products at any time and for any reason. The fact that we typically do not have long-term contracts means that we generally have no recourse in the event a customer ceases purchasing our products or reduce the level of purchases If a significant number of our customers cease purchasing our products, or materially reduce the volume or value of those purchases, this could have a material adverse effect on our sales, operating results and profitability.

Ascendia Brands and Lander Canada manufacture a significant quantity of the products they sell at their own manufacturing facilities. Any disruption in production could result in lost sales, and could have a material adverse effect on our customer relationships, financial condition and results of operations.

We manufacture most of our *Lander* brand health and beauty care products, plus a portion of the brands acquired from Playtex, at our 163,000 square foot manufacturing facility in Binghamton, New York and our 98,000 square foot plant in Scarborough, Ontario, Canada. Although we have the capability to manufacture most products (including shampoos, bubble bath, powders and topical analgesics) at either facility, alcohol-based products (such as mouthwash) and acetone-based products (such as nail polish remover) can be manufactured only at the Ontario location. A permanent or temporary unplanned shutdown of either of our plants, resulting from equipment malfunction, accident, fire, sabotage, strike or lockout, act of God or other factors, could substantially reduce our output of finished products. If output from one facility were to be curtailed, there is no assurance that we could absorb any lost production in our other manufacturing facility or that we could arrange to outsource production of the affected products in sufficient time to maintain scheduled deliveries. In the event of a protracted disruption in our own manufacturing operations, we would become more dependent on contract manufacturers and there is no assurance that we could obtain finished products from such contract manufacturers in sufficient quantities or at prices comparable to our own manufacturing costs. Our inability to do so could result in decreased sales and loss of market share, and could have a material adverse effect on our customer relationships, operating results and profitability.

Ascendia Brands and Lander Canada depend on third parties to provide raw materials for the products they manufacture. Disruption in the supply of raw materials, or increases in raw material costs, could adversely affect sales and our profitability.

Our ability to maintain production of our health and beauty care products at our own facilities depends upon access to raw materials, all of which we purchase from unrelated vendors. These raw materials include oil-based derivatives (such as mineral oil, petrolatum, surfactants and other specialty chemicals), plastic resin products (such as bottles and caps) and paper products (such as boxes, labels and packaging). If our current vendors become unable or unwilling to supply us with raw materials in a timely manner or at acceptable prices, there is no assurance that we could identify and qualify substitute vendors in sufficient time to prevent a disruption in production of some or all of the products we manufacture, or that substitute vendors would be able or willing to supply raw materials in the quantities and at the prices required to maintain normal operations. In addition, many of the raw materials we use, such as petroleum derivatives and paper products, are commodities that may be subject to significant price fluctuation, both in the short- and long-term. There is no assurance that we could pass through to our customers, in the form of higher prices, any resulting increase in our manufacturing costs. As a volume producer of value and extreme value products, we may be more susceptible than other producers to margin erosion resulting from increases in manufacturing costs. Our inability to secure sufficient quantities of raw materials at prices consistent with our current costs and sales price structure could therefore negatively impact inventory levels, customer relationships, sales and market share, and could have a material adverse effect on our operating results and profitability.

In addition, if our raw material suppliers fail to maintain adequate controls over specifications and quality, we may be unable to maintain the quality of our finished products. Reliance on raw materials of inferior quality could diminish the value of our brand names and the level of customer satisfaction. This could similarly lead to reduced sales and loss of market share and could thereby negatively affect our operating results and profitability.

Ascendia Brands and Lander Canada rely on unrelated carriers for the shipment of raw materials and finished products. Any disruption in, or unavailability of, transportation, could adversely affect production and distribution of our products.

Ascendia Brands and Lander Canada receive raw materials at their manufacturing facilities by truck, and distribute finished products to warehouses and customer distribution facilities by truck and/or rail. We rely on unrelated transportation companies for these services, which we typically contract on a short-term or *ad hoc* basis. The availability and cost of transportation services may be affected by many factors, including, without limitation, (i) market conditions of supply and demand, (ii) inclement weather, flood, hurricanes and the like, (iii) fuel shortages and/or increases in fuel costs, and (iv) strikes, lockouts or other industrial action. Although we seek to manage our raw materials and finished goods inventories prudently, any disruption in transportation services may interfere with normal plant operations, and/or could impede or prevent the delivery of finished products to our warehouses and to our customers   facilities. Any sustained increase in transportation rates would increase our manufacturing and/or distribution costs, and there is no assurance that we would be able to pass these cost increases through to our customers in the form of higher prices. These factors could result in lost sales and market share and could adversely affect our operating results and profitability.

Disruption in our distribution centers may prevent us from meeting customer demand.

We manage our product distribution in the continental United States and Canada through distribution centers in California, New York, North Carolina, Pennsylvania and Toronto, Canada. A serious disruption in the operation of any of these distribution centers, caused by a flood, fire or other factors, could damage or destroy inventory and could materially impair our ability to distribute products to our customers in a timely manner or at a reasonable cost. We could incur significantly higher costs and experience longer delivery lead times during the time it would take to reopen or replace a distribution center. This in turn could have a material adverse effect on our sales, operating results and profitability.

Ascendia Brands makes use of contract manufacturers to manufacture significant quantities of the finished products we sell.

We rely on contract manufacturers to manufacture certain of the finished products sold by our health and beauty care division, and the use of contract manufacturers has increased significantly as a result of Ascendia Brands   acquisition of the former Playtex brands in November, 2005. Any delay in delivery by one or more of these contract manufacturers, or the breach or termination of a manufacturing contract, could adversely affect our inventory levels, our ability to meet scheduled deliveries and to accept new orders. Any or all of these factors could also negatively affect our market share, customer relationships, operating results and profitability.

Efforts to acquire other companies, brands or product lines may divert our managerial resources from our day-to-day operations, and if we complete an acquisition we may incur or assume additional liabilities or experience integration problems.

Our growth strategy is bifurcated, driven both by acquiring other companies, brands or product lines that management believes complement our existing health and beauty care business, and through organic growth of our existing brands. At any given time, we may be engaged in discussions with respect to possible acquisitions or other business combinations that are intended to enhance our product portfolio, enable us to realize cost savings and further diversify our category, customer and channel focus. Our ability successfully to grow through acquisition depends on our ability to identify, acquire and integrate suitable acquisition targets and to obtain any necessary financing. These efforts could divert the attention of our management and key personnel from our day-to-day business operations. If we complete acquisitions, we may also experience:

- difficulties or delays in integrating any acquired companies, personnel and/or products into our existing business;
- delays in realizing the benefits of the acquired company or products;
- diversion of our management s time and attention from other business concerns;
- higher than anticipated integration costs;
- difficulties in retaining key employees of the acquired business who may be necessary to manage those businesses most efficiently;
- difficulties in maintaining uniform standards, controls, procedures and policies throughout all acquired companies; and/or
- adverse customer reaction to the business combination.

In addition, an acquisition could materially impair our operating results by causing us to incur debt, amortize acquisition expenses and/or depreciate acquired assets.

Regulatory matters governing our industry could have a significant negative effect on our sales and operating costs.

In both our U.S. and foreign markets, we are subject to extensive laws, governmental regulations, administrative determinations, court decisions and similar constraints affecting our health and beauty care business. Such laws, regulations and other constraints may exist at the federal, state or local levels in the United States and at analogous levels of government in foreign jurisdictions.

In particular, the formulation, manufacturing, packaging, labeling, distribution, importation, sale and storage of the products sold by our health and beauty care division are subject to regulation by various federal agencies, including the FDA, the Federal Trade Commission (FTC), the Consumer Product Safety Commission, the Environmental Protection Agency, and by various agencies of the states, localities and foreign countries in which our products are manufactured, distributed and sold. In addition, the adoption of new regulations or changes in the interpretations of existing regulations may result in significant compliance costs or require discontinuation of product.

If we fail to comply with federal, state or foreign regulations, we could be required to:

- pay fines and/or penalties;
- suspend manufacturing operations;
- change product formulations;
- suspend the sale of products with non-complying specifications;
- initiate product recalls; or
- change product labeling, packaging, or take other corrective action.

Any of these actions could materially and adversely affect our financial results.

In addition, any failure to comply with FTC or state regulations, or with regulations in foreign markets that cover our product claims and advertising, including direct claims and advertising by us, may result in enforcement actions and imposition of penalties or otherwise materially and adversely affect the distribution and sale of our products.

Our business depends upon the protection of our intellectual property rights..

The market for our health and beauty care products depends to a significant extent upon the goodwill associated with our trademarks and tradenames. The trademarks and tradenames on our products are how we convey that the products Ascendia Brands sells are value brand name products, and we believe consumers ascribe value to our brands. Ascendia Brands and its affiliates own the material trademark and tradename rights used in connection with the packaging, marketing and sale of our products. This ownership is what prevents competitors or new entrants to the market from using our valuable brand names.

Therefore, trademark and tradename protection is critical to our business. Although most of our material trademarks are registered in the United States and in applicable foreign countries, we may not be successful in asserting trademark or tradename protection. If we were to lose the exclusive right to use any of our brand names in the United States or any other market in which we sell our products, our sales and operating results could be materially and adversely affected. We could also incur substantial costs to defend legal actions relating to the use of our intellectual property, which could have a material adverse effect on our business, results of operations or financial condition.

Other parties may infringe on our intellectual property rights and may thereby dilute the value of brands in the marketplace. If the value of our brands becomes diluted, or if our competitors are able to introduce brands that cause confusion with our brands in the marketplace, it could adversely affect the value that our customers associate with our brands, and thereby negatively impact our sales. Any such infringement of our intellectual property rights would also likely result in a commitment of our time and resources to protect these rights through litigation or otherwise. In addition, third parties may assert claims against our intellectual property rights and we may not be able successfully to resolve these claims.

Wireless Applications Development Business

The Cenuco Wireless business faces extensive competition.

Our wireless applications development business, conducted under the *Cenuco* name has only recently introduced its full line of wireless video monitoring servers. There can be no assurance that the market will accept the wireless products currently offered. The industries in which the Cenuco Wireless division operates are characterized by intense competition. We face competition in all aspects of our business and we compete directly with numerous other firms, a significant number of which may offer their customers a broader range of products and services, have substantially greater financial, personnel, marketing, research and other resources, have greater operating efficiencies and have established reputations relating to product offerings and customer service. There can be no assurance that we will be able to compete in this business successfully.

If we are unable to protect our intellectual property rights our ability to compete effectively in the market for our products could be negatively impacted.

We regard our patents, copyrights, service marks, trademarks, trade secrets and similar intellectual property as important to our success in wireless applications development. We rely on patent, trademark and copyright law, trade secret protection and confidentiality agreements with our employees, customers, consultants and advisors to protect our proprietary rights; however, the steps we take to protect our proprietary rights may be inadequate and legal means may afford only limited protection. In addition, traditional legal protections may not be applicable in the Internet or wireless context, and the ownership of proprietary rights in our Cenuco Wireless technology may be subject to uncertainty. Our failure or inability to protect our proprietary rights could materially harm our business and competitive position.

We have filed for one Utility patent, Wireless Security Audio-Video Monitoring, which was accepted by the United States Patent Office in June, 2004, as Patent Pending #10/846426. We have also filed for one Provisional Patent, which the Company expects to covert to a full Utility Patent filing later this year. From time to time, we may decide to file additional patent applications relating to aspects of our proprietary Cenuco Wireless technology. Other parties may independently develop similar or competing technology or design around any patents that may be issued to us. There is no assurance that any of the patent applications we file will be approved, or that any issued patents will adequately protect our intellectual property. In addition, there is no assurance that third parties will not challenge the validity of our patents, or assert that technology developed and sold by Cenuco Wireless infringes other patents. Any such claims, even if lacking in merit, could require us to expend considerable resources in defending them and adversely affect the results of our operations.

Our Business Generally

Both operating divisions depend on our key personnel and the loss of the services of executive officers or other key employees could harm our business and results of operations.

Our success in the health and beauty care and wireless applications development business sectors depends to a significant degree upon the continued contributions of our senior management and (in the case of Cenuco Wireless) of the programmers and technicians responsible for technology development. These employees may voluntarily terminate their employment with us at any time. We may not be able to retain existing key personnel or identify, hire and integrate new personnel.

The Company must comply with the listing provisions of the American Stock Exchange.

The Company must maintain sufficient net worth to continue its listing on The American Stock Exchange. If the Company continues to experience losses, additional equity capital will be required to maintain sufficient net worth.

Future Impairments to Goodwill and other non amortizable intangible assets.

The Company has approximately $31.0 million of goodwill and other non amortizable intangible assets. The testing for impairment in the future may result in additional write-offs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not Applicable

ITEM 2. PROPERTIES

The corporate headquarters is located at 100 American Metro Boulevard, Suite 108, Hamilton, New Jersey. This facility consists of approximately 16,020 square feet of office space, leased from a non-affiliated third, expiring in 2011. The Company recently relocated its headquarters from 2000 Lenox Drive Suite 202, Lawrenceville, NJ and plans to sub-lease that premises to an unrelated third party for the balance of the lease term (2009).

We also operate manufacturing facilities in Binghamton, New York (owned) (163,000 square feet) and Toronto, Canada (leased) (98,000 square feet). Cenuco Wireless has an office in Boca Raton, Florida.

ITEM 3. LEGAL PROCEEDINGS

Cenuco Wireless is currently the defendant in a patent infringement case commenced on February 1, 2005 in Federal District Court for the Southern District of New York (*Joao v. Cenuco, Inc.*, 05 Civ. 1037 (CM) (MDF)). The plaintiff, Raymond Anthony Joao, asserts in his complaint that Cenuco Wireless is infringing certain patents held by Joao, specifically United States Patents Nos. 6,587,046, 6,542,076 and 6,549,130, which cover apparatuses and methods for transmitting video information to remote devices and/or over the Internet. Cenuco Wireless has timely answered the complaint denying infringement, and intends to defend this case vigorously on the merits. Management believes that the patents relied on by Joao are invalid and that the chances of Joao prevailing are remote. Nonetheless, there can be no assurance as to the outcome of the case, and a judicial determination that Cenuco Wireless is infringing Joao s patents, while unlikely, could have a material adverse effect on the ability of Cenuco Wireless to market and sell its current product line. Similarly, there is no assurance that Cenuco Wireless would be able to develop, at a reasonable cost, within a reasonable length of time or at all, a workaround to eliminate any patent infringement found to exist.

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

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

From January 4, 2000 until December 17, 2002, our common stock was traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol VADC.OB . From December 17, 2002, our common stock was traded in the over-the-counter market and quoted on the OTC Bulletin Board under the symbol CNUO.OB . On May 20, 2004, our common stock began trading on the American Stock Exchange under the ticker symbol ICU . Following the change in the Company s name to Ascendia Brands, Inc. we adopted a new ticker symbol, ASB , which became effective on May 15, 2006.

The reported high and low sale prices for the common stock are shown below for the periods indicated. The prices reflect inter-dealer prices, without retail mark-up, markdown or commissions, and may not always represent actual transactions.

	High ($)	***Low ($)***
Fiscal 2006		
First Quarter (3/1/05-5/28/05)	5.66	2.28
Second Quarter (5/29/05-8/27/05)	3.54	2.28
Third Quarter (8/28/05-11/26/05)	3.80	2.00
Fourth Quarter (11/27/05-2/28/06)	3.80	2.75
Fiscal 2005		
First Quarter (3/1/04-5/29/04)	6.74	3.70
Second Quarter (5/30/04-8/28/04)	7.50	3.60
Third Quarter (8/29/04-11/27/04)	7.50	3.99
Fourth Quarter (11/28/04-2/28/05)	7.78	4.01

As of August 9, 2006, there were approximately 1,200 record owners of our common stock.

To date, we have not paid any cash dividends on our Common Stock and have no intention of paying dividends in the foreseeable future. The terms of our Series A Junior Partnership Preferred Stock restrict our ability to pay dividends on our common stock whenever quarterly dividends or distributions payable on such preferred stock are in arrears. Subject to such restrictions, the payment of dividends, if any, in the future is within the discretion of our Board of Directors and will depend upon our earnings, capital requirements, financial condition and other relevant factors. Our ability to pay dividends in the future may also be dependent upon relevant provisions of Delaware corporate law.

Future sales of preferred shares or large amounts of common stock, and conversion of preferred shares into common stock could adversely affect the market price of our common stock.

Future sales of our common stock by existing stockholders pursuant to Rule 144 under the Securities Act of 1933, or following the exercise of future option grants, could adversely affect the market price of our common stock. Our directors and executive officers and their family members are not under lockup letters or other forms of restriction on the sale of their common stock. The issuance of any or all of these additional shares upon exercise of options will dilute the voting power of our current stockholders on corporate matters and, as a result, may cause the market price of our common stock to decrease. Further, sales of a large number of shares of common stock in the public market could adversely affect the market price of the common stock and could materially impair our future ability to generate funds through sales of common stock or other equity securities. In addition the conversion of preferred shares into common stock could adversely impact the market price of the common stock.

The Company has not repurchased any of its equity securities during the quarter ended February 28, 2006.

ITEM 6. SELECTED FINANCIAL DATA (RESTATED)

(Amounts in $000 s, except per share)	*Predecessor Ownership*			*Successor Ownership*		
	Year Ended 2/28/02	*Year Ended 2/28/03*	*Period 3/1/03 to 5/31/03*	*Period 4/25/03 to 2/29/04*	*Year Ended 2/28/05*	*Year Ended 2/28/06 (restated)*
Statement of Operations Data:						
Net sales	$80,660	$73,019	$16,903	$55,046	$69,861	$79,562
Gross profit	13,825	10,048	2,645	6,803	7,491	4,055
Loss from operations	(15,992)	(8,265)	(1,086)	(1,195)	(2,756)	(46,427)
Net loss	(15,992)	(8,265)	(1,086)	(1,719)	(3,989)	(48,913)
Loss from operations per common share	N/A	N/A	N/A	N/A	N/A	(3.46)
Balance sheet data at end of period:						
Total assets	35,777	29,294	28,735	24,461	24,036	102,946
Current portion of long-term debt	75	30,004	30,005	8,203	8,930	32
Long-term debt, less current portion	30,016	13	13	7,608	6,875	80,000
Other long-term obligations	375	427	463	673	673	967
Shareholders equity (deficit)/ members deficit	(16,478)	(24,510)	(25,569)	(1,815)	(5,830)	8,869
Cash dividends declared per common share	0	0	0	0	0	0

Notes:

Basis of Financial Statements - The predecessor financial statements were prepared on a consolidated basis. For the successor, the financial statements for the period from April 25, 2003 to February 29, 2004 and for the year ended February 28, 2005 were prepared on combined basis. For the successor, the financial statements for the period from March 1, 2005 to May 19, 2005 were prepared on a combined basis and the financial statements for the period thereafter through February 28, 2006 were prepared on a consolidated basis.

A significant portion of the loss for the year ended February 28, 2002, is due primarily to impairment and restructuring charges during predecessor ownership related to intangibles and other long-lived assets. In addition, the successor did not purchase all of the long-lived assets at June 1, 2003 from predecessor. The loss from operations and the net loss for the year ended February 28, 2006 include a $35,121 charge for an impairment in the carrying value of goodwill established in the Merger. Also reflected are the results of the merger with Cenuco as well as the acquisition of the Playtex products.

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 10K. Management s discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 and Section 21E of the Securities Exchange Act of 1934 that involve risks and uncertainties, including but not limited to: quarterly fluctuations in results; customer demand for the Company s products; the development of new technology; domestic and international economic conditions; the achievement of lower costs and expenses; the continued availability of financing in the amounts and on the terms required to support the Company s future business; credit concerns in this industry; and other risks detailed from time to time in the Company s other Securities and Exchange Commission filings. Actual results may differ materially from management s expectations. The risks included here are not exhaustive. Other sections of this Annual Report on Form 10-K may include additional factors that could adversely affect the Company s business and financial performance. Moreover, the Company operates in a very competitive and rapidly changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Company s business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results.

Investors should also be aware that while the Company does communicate with securities analysts from time to time, it is against our policy to disclose to them any material non-public information or other confidential information. Accordingly, investors should not assume that the Company agrees with any statement or report issued by any analyst irrespective of the content of the statement or report. Furthermore, the Company has a policy against confirming financial forecast or projections issued by others. Therefore, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not the responsibility of the Company.

Executive Summary

On May 9, 2006, Cenuco, Inc. changed it name to Ascendia Brands, Inc.

On May 20, 2005, Hermes Holding Company, Inc., a newly formed wholly owned subsidiary of Cenuco, Inc., merged (the Merger) with HACI. As a consequence of the Merger, HACI, together with its wholly owned subsidiaries Lander, Ascendia Real Estate (then known as Hermes Real Estate I LLC) and Lander Canada became wholly owned subsidiaries of Cenuco.

For accounting purposes, HACI is considered the acquirer in a reverse acquisition transaction and consequently the Merger has been treated as a recapitalization of HACI followed by the reverse acquisition of Cenuco, Inc. by HACI. Thus, HACI s financial statements are the historical financial statements of the post-Merger entity and the results of operations of Cenuco, Inc. have been included commencing on the date of the Merger.

Since the date of the Merger, the Company has been organized around two operating divisions, namely health and beauty care (conducted through HACI and its subsidiaries), and wireless applications development (conducted through Cenuco Wireless).

On November 16, 2005, Lander and Lander Intangibles acquired certain brands and brand-related assets from Playtex. The brands included *Baby Magic*, *Binaca*, *Mr. Bubble*, *Ogilvie*, *Tek*, *Dentax, Dorothy Gray*, *Better Off* and *Tussy*.

Health and Beauty Care Business

The Company s health and beauty care division is headquartered in Hamilton, New Jersey, and operates two facilities that contain both manufacturing and distribution centers. These facilities are located in Binghamton, New York (owned) and Toronto, Ontario (leased).

Through its Ascendia Brands subsidiary, the Company manufactures, markets and distributes: (i) bath products under the *Lander*, *Lander essentials*, and *Mr. Bubble* brand names, (ii) baby toiletries under the *Baby Magic* and *Lander* brand names, (iii) deodorant and antiperspirant products under the *Tussy* and *Lander* brand names, (iv) home permanent treatments under the *Ogilvie* brand name, (v) mouthwash products under the *Lander* brand name, (vi) portable breath sprays and drops under the *Binaca* brand name and (vii) manual toothbrushes under the *Tek* brand name, as well as other health and beauty care products within the personal care category in the United States. In addition, Ascendia Brands markets and distributes approximately $9 million of products exported annually to consumers in 90 other countries throughout the world.

Through its Lander Canada subsidiary, the Company produces private label brands for a limited number of large Canadian retail chains.

Prior to the acquisition of the former Playtex brands, the Company distributed on an annual basis, more than 82 million units of health and beauty products (primarily liquid fill bath care, baby care, and skin care products) in North America, and another 9 million internationally. Subsequent to the acquisition, the Company estimates it will distribute an additional 40 million units annually. This increases total Company annual units to an estimated 131 million on a global basis.

Wireless Applications Development Business

The Company s wireless applications development division is based in Boca Raton, Florida.

Through its Cenuco Wireless subsidiary, the Company is engaged in the wireless application technology business, primarily related to the transmission of secure and non-secured video onto cellular platforms via proprietary technologies. This is also known as remote video monitoring via cellular device. In this wireless segment, the Company provides cellular carriers, Internet Service Providers, resellers, and distributors a host of wireless video streaming products that can generate an increase in subscribers of wireless data services, as well as broadband Internet services.

Revenue and expense for the Wireless Application Development division reflects activity from the date of the Merger (May 20, 2005) to February 28, 2006. Prior to the Merger the Wireless Application Development division s financial information and other pertinent information is disclosed in Cenuco Inc. s public filings prior to the Merger.

Year Ended February 28, 2006 (RESTATED) Compared to the Year Ended February 28, 2005

General

The Company s health and beauty care brand portfolio grew through acquisition from Playtex of certain nationally and internationally-recognized brands. After acquiring a brand, the focus is to increase its sales, market share and distribution in both existing and new channels. This growth will be driven by new marketing and sales strategies, improved packaging and formulations, innovative new products and line extensions consistent with management s strategic plan.

Net Sales

Consolidated net sales for the year ended February 28, 2006 increased by $9.7 million (13.9 percent) compared to net sales for the year ended February 28, 2005. Sales results were favorably impacted by the acquisition of the former Playtex brands, which resulted in additional net sales of $13.1 million in fiscal 2006.

U.S. net sales from the *Lander* brand products increased during the year by $0.2 million. Included in this increase are sales of *Lander* higher margin premium value products which increased net sales by $5.2 million (48 percent), with key elements in this growth being the addition of *Lander essentials* 3in1 and foam bath products, yielding additional net sales of $3.1 million, and an additional $1.7 million (20 percent) increase in Adult 64 oz. Bubble Bath net sales. This increase was offset by a $5.0 million decrease in extreme value products sales, as described in the following paragraph.

Strategically, Ascendia Brands limits its distribution to traditional mass, drug, food and dollar store retail venues and does not currently participate in online, specialty retail, club stores or direct-to-consumer outlets. We will continue to seek increased access to retail distribution venues that can provide enhanced profit margins for Ascendia while also providing tremendous value for consumers. Consistent with the Company s strategy to focus its efforts on higher margin, premium products, lower profit margin products will be de-emphasized long-term. Net sales of extreme value products (*i.e.*, those retailing for $1.00) decreased by $5.0 million (12.8 percent) this year versus the prior year consistent with this strategy. This decrease can be attributed primarily to pricing actions following the raw material increases in petroleum-based products and higher transportation costs related to fuel surcharges.

Offsetting the above noted U.S. sales growth from the newly acquired products and *Lander* branded products is a reduction of $4.2 million attributable to the termination of a prior year s marketing and administrative services agreement for the sale of licensed products. This licensing agreement and corresponding net sales terminated with the licensor s bankruptcy filing and cessation of business during the first quarter of the current fiscal year.

Further contributing to the above noted consolidated sales increase were net sales derived from Lander Canada increased by $0.6 million (4.1 percent) this year versus the same period last year. There was a positive impact from exchange rate gains of $1.1 million, partially offset by a decrease in extreme value products of $0.5 million, consistent with the trends previously discussed for the U.S. market.

Sales for the WAD division were not material for the year ended February 28, 2006.

Gross Profit

Consolidated gross profit decreased by $3.4 million for the year ended February 28, 2006, from $7.5 million for the year ended February 28, 2005. The acquisition of the former Playtex brands resulted in an increase in gross profit by $4.7 million for the year. However, in accordance with SFAS 141, the Company recorded the inventory acquired at the fair market value, which negatively impacted gross profit of the brands for the year by $3.7 million, thus reducing gross profit on the former Playtex brands to $1.0 million. The Company has implemented cost reduction programs and continues to streamline its manufacturing process; however, inflationary increases resulting from rising oil prices resulting in higher raw material prices for surfactants, mineral oil and components negatively impacted the year by $3.2 million.

Gross profit for the WAD division was a negative $1.2 million due to the amortization of software technology being recorded in cost of goods sold in accordance with SFAS 86.

Selling, General and Administrative Expenses

Selling, general and administrative expenses amounted to $15.4 million for the year ended February 28, 2006 compared to $10.2 million for the year ended February 28, 2005. This increase of $5.2 million is attributable to several factors associated with the product acquisition from Playtex and the May 20, 2005 merger with Cenuco, Inc. $0.3 million is related to the expansion of the marketing department to capitalize on the acquired products. In addition the Company incurred $0.7 million of incremental selling and administrative expenses related to the Transition Services Agreement with Playtex for the period November 16, 2005 to February 28, 2006. Amortization expense for the intangible assets acquired in the Playtex acquisition amounted to $0.9 million. An additional $1.0 million of the increase pertains to indirect costs for outside legal, consulting, and accounting fees relative to the filing of the 8K-A, strategic reviews of the business units and bank fees associated with potential capital sources which did not materialize. The wireless applications development division contributed $1.2 million of incremental cost this year and on a consolidated basis the Company incurred $1.1 million related to incremental salary, benefits and outside consulting fees in connection with becoming a public traded company.

Goodwill Impairment

Goodwill established in connection with the Merger on May 20, 2005 was first tested in the quarter ended February 28, 2006 in accordance with SFAS No. 142. This led to the Company recording an impairment charge of $35.1 million for the WAD division. There was no impairment testing in prior years or periods since no goodwill was recorded prior to the Merger.

Other Income

Other income, net of $3.1 million for the year ended February 28, 2006 represents an increase of $2.9 million over the year ended February 28, 2005. The primary reason for the increase is a one-time gain of $2.5 million due to the forgiveness of a portion of the debt related to the 2003 acquisition of the Lander business.

Interest expense

Interest expense, net of $5.6 million for the year ended February 28, 2006 represents an increase of $4.2 million over the year ended February 28, 2005. The primary reason for the increase is the interest expense associated with the $80.0 million Bridge Loan (see discussion below under Liquidity and Capital Resources Bridge Loan).

Year Ended February 28, 2005 Compared to the Period from April 25, 2003 (Inception) to February 29, 2004

Net Sales

Consolidated net sales for the year ended February 28, 2005 increased $14.8 million (26.9 percent) when compared to net sales for the period from April 25, 2003 (inception) to February 29, 2004. The primary reason for the increase is the comparison of 12 months to nine months of results.

Net Sales from *Lander* branded products increased by $10.0 million due to the volume impact for 12 months versus nine months. However, $4.2 million of the total increase is attributable to a marketing and administrative services agreement for the sale of licensed products, which was terminated in the first quarter of 2006.

Gross Profit

Consolidated gross profit increased by $0.7 million to $7.5 million for the year ended February 28, 2005, from $6.8 million for the period from April 25, 2003 (inception) to February 29, 2004. This increase reflects a $1.5 million increase related to higher sales volume, due to the comparison of 12 months versus nine months, partially offset by the impact of rising oil prices affecting freight, utilities and commodity pricing. This resulted in higher prices for customer freight, commodity chemicals, surfactants, mineral oil, caps and bottles, which negatively impacted fiscal year 2005 by $1.8 million. This net loss was partially offset by the favorable margins on sale of the licensed products totaling $1.0 million.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by $2.2 million to $10.2 million for the year ended February 28, 2005 from $8.0 million for the period from April 25, 2003 (inception) to February 29, 2004. The increase is due to the comparison of 12 months versus 9 months. Offsetting the increase were improvements in expenses as a result of several factors including reductions in headcount, benefits, and facility costs.

Liquidity and Capital Resources

Bridge Loan

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

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

The Bridge Loan was originally due and payable on May 15, 2006. The Bridge Loan term was extended to coincide with the closing of the Second and Restated Securities Purchase Agreement described below, with interest to accrue and be paid at closing. The Bridge Loan principal was refinanced with the long-term financing described below. The borrowings under the Bridge Loan were secured by a first priority lien against all assets of the Borrowers and HREI, and by a pledge of the shares in Ascendia owned by two shareholders.

Financing Facility

On October 1, 2005, Ascendia (the parent of HACI following the merger (see Note 1 to the consolidated financial statements appearing elsewhere herein), entered into agreements with Prencen and Highgate (both of which are also lenders under the Bridge Loan described above and in Note 3 to the consolidated financial statements appearing elsewhere herein) for the provision of long-term debt and equity financing (the Debt/Equity Financing) to refinance the Bridge Loan. The terms of these agreements were amended on November 15, 2005, concurrently with the closing of the Bridge Loan. Prior to its maturity, the parties agreed to an extension of the Bridge Loan pending the completion of discussions on further modifications to the Debt/Equity Financing. The parties also agreed to defer the payment of certain interest under the Bridge Loan pending its maturity. On June 30, 2006, Ascendia (i) agreed with Prencen and Highgate to amend and re-state the Debt/Equity Financing and (ii) in connection with such restatement, entered into a Second and Restated Securities Purchase Agreement (the Securities Purchase Agreement) with Prencen and Prencen Lending (Prencen Lending), which closed on August 3, 2006; the obligations to Highgate having been acquired by Prencen Lending.

Under the Securities Purchase Agreement, the Company sold Prentice Lending senior convertible notes (the Notes) in the principal amount of $91.0 million (and warrants described below) in exchange for the settlement of obligations under the Bridge Loan ($80.0 million) and $11.0 million in funding which was used to pay accrued interest on the Bridge Loan ($4.1 million), fees associated with the refinancing ($4.2 million) and produce net cash proceeds to the Company of approximately $2.7 million.

The Notes have a term of 10 years (subject to the put and call rights described below) and bear interest at the rate of 9 percent *per annum,* provided that during the first six months of the term, Ascendia will have the option to accrue and capitalize interest. In the event of Ascendia making an acquisition in the consumer products area that shall in form and substance be satisfactory to a majority of the holders of the Notes (an Approved Acquisiton), it may elect to defer and capitalize interest for the balance of the term of the Notes. In addition, upon the consummation of such an Approved Acquisition, Ascendia may redeem up to $40.0 million of the balance outstanding under the Notes at a premium of 15 percent.

Any portion of the balance due under the Notes is convertible at any time, at the option of the holders(s), into the common stock of Ascendia at a price of $1.75 per share (subject to certain ant-dilution adjustments), provided that the holders may not convert any amounts due under the Notes if and to the extent that, following such a conversion, the holder and any affiliate would collectively own more than 9.99 percent of the aggregate number of shares of common stock of Ascendia outstanding following such conversion. Given the nature of the conversion feature and the penalties involved for untimely registration of the related underlying shares of common stock (see below), the conversion option on the Notes may be separated under EITF 00-19 and recorded as a liability at its fair value, with an offsetting debt discount that would be amortized to interest expense under the effective interest method. Such liability, if recorded, would be adjusted to market value at each subsequent reporting date with the differential in value between reporting dates recorded as a component of interest expense in the related period. While management has not yet determined if a liability should be recorded for such conversion option, the impact of such accounting on subsequent interest expense could be material to future results of operations. If the provisions of EITF 00-19 are not applicable, the Company would follow the provisions of EITF 98-5 and 00-27, the result of which could also have a material impact on future interest expense and future reported results of operations.

At any time after the fifth anniversary of the issuance of the Notes, Ascendia may redeem or any holder may require the Company to redeem all or any portion of the balance outstanding under the Notes at a premium of 5 percent. Such 5 percent premium will be accreted to the recorded liability for the Notes over the first five years and be charged to interest expense under the effective interest method. In the event of t default or a change in control of Ascendia, the holders of the Notes may require the Company to redeem the Notes at a premium of 25 percent.

As part of the Registration Rights Agreement, the Company is required to file a Registration Statement to register the shares of common stock issuable upon the conversion of the Notes, the exercise of warrants described below, and other shares. Failure to file such Registration Statement by October 2, 2006 or have it declared effective by January 30, 2007, would constitute an event of default under the Notes. In the event of such a default, the holders of the Notes are entitled to a cash penalty in the amount of 2% of the face amount of the Notes for each 30 day period until such time as the default has been cured, subject to a maximum of 10%. In addition, in the event that holders of the Notes request conversion of all or a portion of their Notes, or the holders of the warrants described below present such warrants for exercise, and the Company is unable to timely deliver the related shares, the holders of such Notes or warrants will be entitled to damages in the amount of 1.5% per day of the then current value of the shares not timely delivered for each day that such delivery is not provided.

The Notes rank as senior secured debt of Ascendia, provided however that the Notes are subordinated to the new revolving credit facility of up to $13.0 million secured by inventory and accounts receivable (described below). The Notes are also subordinated to indebtedness incurred in connection with an Approved Acquisition, in an amount up to $250 million.

In connection with the amendment and restatement of the Debt/Equity Financing agreements and the sale of the Notes, Ascendia also issued certain warrants (the Series A warrants) entitling Prencen to purchase 3.053.358 shares of its common stock at an exercise price of $2.10. In addition, Ascendia commited to the issuance of certain warrants (the Series B warrants) entitling Prencen to purchase shares of its common stock under terms that are contingent upon the balance outstanding on the Notes at the earlier to occur of an Approved Acquisition or October 31, 2006. If the balance outstanding under the Notes on such date is greater or less than $61.0 million, Ascendia is required to issue to Prencen up to 3 million Series B warrants, at exercise prices ranging from $1.15 to $1.95. In the event the balance outstanding under the Notes is $61.0 million, no Series B warrants will be issued. The fair market value of the Series A and B warrants, when estimated, may be recorded separately as a liability at the date of issuance with an offsetting debt discount that would be amortized to interest expense under the effective interest method. Subsequent adjustments to the market value of the liability at each reporting date thereafter would be recorded as a component of interest expense in the period of such change.

Upon closing of the Long-Term Financing, Ascendia paid Prentice Capital Management, LP, an affiliate of Prencen and Prencen Lending, a closing fee of $3,667,500 and reimbursed Prencen Lending for certain disbursements related to the transaction. In addition, Ascendia paid fees and expenses of $5,525,171 to Stanford Group Company (Stanford). At closing, Ascendia issued to Stanford warrants for the purchase of its common stock as follows: (i) 137,615 warrants at an exercise price of $3.76 per share, and (ii) 552,632 warrants at an exercise price of $4.37 per share. Such cash costs and the value of the warrants issued to Stanford will be treated as a cost of the related financing and be amortized to interest expense under the effective interest method.

Revolver

On August 3, 2006, the Company closed on a revolving line of credit with a major financial institution for a $13.0 million three year facility. This facility will be used to fund approximately $1.8 million of the above noted cash costs associated with the Long-Term Financing and approximately $3.6 was used to redeem certain shares of the Company s Series A Preferred Stock from MarNan LLC and Dana Holdings LLC (see Item 13 Certain Relationships and Related Transactions), with the remainder availability to be used in the future for working capital and general corporate purposes. The facility is secured with the Company s United States accounts receivable and inventory.

The Revolver contains the following key provisions:

Line of credit   A revolving line of credit providing for revolving advances up to the lesser of (a) $13,000,000 or (b) the sum of (herein the   Borrowing Base): (i) eighty-five percent of eligible domestic (US) accounts receivable, subject to dilution of 5%, plus (ii) eighty-five percent (85%) of the net orderly liquidation value as a percentage of cost of eligible US finished goods and raw materials inventory. The total inventory sublimit will not exceed $8,000,000. The Agreement requires excess availability of $2,000,000 at closing and a permanent availability block against the Borrowing Base of $750,000.
Interest rate   Interest will be computed and payable monthly on all outstanding revolving loans at a rate equivalent to the Chase Bank Rate per annum or, at the Company s option, Libor plus two and one quarter percent (2¼%).
Fees   A loan facility fee of $100,000 earned at closing and payable: $25,000 upon signing of commitment letter, $25,000 payable at closing and $50,000 payable six (6) months from closing. A collateral management fee of $30,000 per year, earned at closing and on each Anniversary Date, payable $2,500 monthly.
Termination fee   A termination fee is charged of 1% of total facility if terminated prior to first Anniversary Date, three quarters percent (¾%) if terminated prior to second Anniversary Date, and one half percent (½%) if terminated anytime thereafter prior to an Anniversary Date.

At February 28, 2006 Ascendia had Cash and Cash Equivalents of $1.9 million. Management believes this and other financing sources subsequently made available, including the $13.0 million committed revolving credit facility and the increase in the Financing Facility from $80.0 million to $91.0 million described above, provide Ascendia with sufficient operating liquidity for at least the next 12 months.

Cash Flow   Year Ended February 28, 2006 and February 28, 2005

Net cash provided by (used in) operating activities was ($19.4) million and $1.1 million, respectively for the year ended February 28, 2006 and February 28, 2005. For the year ended February 28, 2006, a primary factor contributing to negative operating cash flow was the acquisition of inventory of ($9.6) million in the asset acquisition from Playtex. The other primary contributor consisted of the net loss of $30.2 million, less the net effect of non-cash items of $18.8 million. Additional changes in operating assets and liabilities provided a positive contribution of $1.6 million. For the year ended February 28, 2005, the major contributors to a positive operating cash flow were a smaller net loss of ($4.0) million, less the net effect of non-cash items of $1.4 million and an increase in accounts payable and accrued expenses of $3.6 million.

Net cash used in investing activities was $42.5 million for the year ended February 28, 2006 compared to $0.9 million for the year ended February 28, 2005. For the year ended February 28, 2006, the major activities consisted of cash received of $6.0 million from the reverse acquisition of Cenuco, $1.3 million for capital equipment purchases and $47.3 million, primarily for the purchase of intangible assets from Playtex. For the year ended February 28, 2005, cash of $0.5 million was expended for capital equipment and $0.4 million for acquisition costs.

Net cash provided by financing activities for the year ended February 28, 2006 was $63.9 million compared to net cash used in financing activities for the year ended February 28, 2005 of $0.1 million. The majority of the activity related to the Bridge Loan (see Liquidity and Capital Resources discussion above), net of repayments under the Company s line of credit and other long-term debt for the year ended February 28, 2006. The major activity for the year ended February 28, 2005 relates to net repayments of $0.1 million under the Company s line of credit.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet financing arrangements as that term is used in Item 303(a)4 of Regulation S-K.

Contractual Obligations

CONTRACTUAL OBLIGATIONS ($)	PAYMENTS DUE BY PERIOD (US$) TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Long-term debt obligations (1)	$ 80,000,000				