SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-K

(Mark One)

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

For the Fiscal Year ended March 31, 2010

OR

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

For the transition period from to

Commission File Number 001-07731

EMERSON RADIO CORP.
(Exact name of registrant as specified in its charter)

Delaware *(State or other jurisdiction of incorporation or organization)*	**22-3285224** *(I.R.S. Employer Identification Number)*
85 Oxford Drive, Moonachie, NJ *(Address of principal executive offices)*	**07074** *(Zip Code)*

Registrant’s telephone number, including area code:
(973) 428-2000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.01 per share	NYSE Amex

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. ☐ YES ☑ NO.

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act). ☐ YES ☑ NO.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirement for the past 90 days. ☑ YES ☐ NO.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ YES ☐ NO.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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. ☐

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

Large accelerated filer ☐	Accelerated filer ☐	Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ YES ☑ NO.

Aggregate market value of the voting and non-voting common equity of the registrant held by non-affiliates of the registrant at September 30, 2009 (computed by reference to the last reported sale price of the Common Stock on the NYSE Amex on such date): $14,682,048.

Number of Common Shares outstanding at July 14, 2010: 27,129,832

DOCUMENTS INCORPORATED BY REFERENCE:

Document	Part of the Form 10-K
Proxy Statement for 2010 Annual Meeting of Stockholders, or an amendment to this Annual Report on Form 10-K	Part III

PART I

This Annual Report on Form 10-K contains, in addition to historical information, “forward-looking statements” (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that involve risks and uncertainties. See “Business- Forward-Looking Statements.”

Item 1. *BUSINESS*

The Company — Overview

Unless the context otherwise requires, the term “the Company” and “Emerson,” refers to Emerson Radio Corp. and its subsidiaries.

The Company designs, sources, imports and markets a variety of houseware and consumer electronic products, and licenses its trademarks to others on a worldwide basis for a variety of products.

At March 31, 2010, approximately 56.2% of the Company’s outstanding common stock was owned by direct or indirect subsidiaries of the Grande Holdings Limited, a Bermuda corporation.

For additional disclosures of the Company’s major customers, as well as financial information about geographical areas of our operations, see Item 8 — “Financial Statements and Supplementary Data” and Note 15 “Geographic Information”.

Supervision and Regulation

The Company files reports and other information with the Securities and Exchange Commission (the “SEC”) pursuant to the information requirements of the Securities Exchange Act of 1934. Readers may read and copy any document the Company files at the SEC’s public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operations of the public reference room. The Company’s filings with the SEC are also available to the public from commercial document retrieval services and at the SEC’s website at www.sec.gov.

The Company makes available through its internet website free of charge its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, amendments to such reports and other filings made by the Company with the SEC, as soon as practicable after the Company electronically files such reports and filings with the SEC. The Company’s website address is www.emersonradio.com. The information contained in the Company’s website is not incorporated by reference in this report.

General

The Company, directly and through several subsidiaries, designs, sources, imports, markets, sells and licenses to certain licensees a variety of houseware and consumer electronic products, both domestically and internationally, under the Emerson® and HH Scott® brand names. These products include:

- microwave ovens and other houseware products;
- audio products and clock radios;
- video products — televisions, digital video disc players (DVD) and video accessories; and
- telephones, certain computer accessories, other consumer electronic products and mobile electronics.

The Company also licenses certain logos and trademarks from third parties for use on various products that the Company designs and distributes. These license agreements referred to as “inward licenses.”

The trade name “Emerson Radio” dates back to 1912 and is one of the oldest and most well respected names in the consumer electronics industry. See “Licensing and Related Activities.”

The Company believes it possesses an advantage over its competitors due to the combination of:

- recognition of the “(EMERSON LOGO)” brand;
- the Company’s distribution base and established customer relations;
- the Company’s sourcing expertise and established vendor relations;
- an infrastructure with personnel experienced in servicing and providing logistical support to the domestic mass merchant distribution channel; and
- the Company’s extensive experience in establishing license and distribution agreements on a global basis for a variety of products.

The Company intends to continue leveraging its core competencies to offer a broad variety of current and new consumer electronic and houseware products to customers. In addition, the Company intends to enter into licenses for the use of its trade names and trademarks by third parties, which the Company refers to as “outward licenses”. The Company continues to enter into distribution agreements that leverage its trademarks and utilize the logistical and sourcing advantages of unrelated third-parties for products that are more efficiently marketed through these agreements. The Company continuously evaluates potential licenses and distribution agreements. See “Licensing and Related Activities.”

The Company’s core business consists of selling, distributing, and licensing various low and moderately priced consumer electronic and houseware products in various categories. A substantial portion of the Company’s marketing and sales efforts are concentrated in the United States, although The Company also sells its products in certain other international regions.

Products

The Company’s current product and branded categories consist of the following:

Houseware Products	Audio Products	Other
Microwave ovens	Digital clock radios	Televisions
Compact refrigerators	Portable stereo systems	DVD players
Toaster ovens	iPod compatible devices	Telephones
Wine Coolers	Nostalgia/retro products	Mobile electronics
Coffee makers	Shelf stereo systems	

Sales and Distribution

The Company’s Direct Import Program allows its customers to import and receive product directly from its contracted manufacturers located outside the United States. Under the Direct Import Program, title for the Company’s product passes to the customer in the country of origin when the product is shipped by the manufacturer. The Company also sells product to customers from its United States based finished goods inventory, which is referred to as the Domestic Program. Under the Domestic Program, title for product primarily passes at the time of shipment. Under both programs, the Company recognizes revenues at the time title passes to the customer. See Item 7 — “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

The Company has an integrated system to coordinate the purchasing, sales and distribution aspects of its operations. The Company receives orders from its major accounts via electronic data interface, facsimile, telephone or mail. The Company does not have long-term contracts with any of its customers, but rather receives orders on an ongoing basis. Products imported by the Company, generally from factories in Asia, are shipped by ocean and/or inland freight and then stored in the Company’s warehouse facilities for shipment to customers. The Company monitors its inventory levels and goods in transit through the use of an electronic inventory system. When a purchase order under the Domestic Program is received, it is filled from the Company’s inventory and the warehoused product is labeled and prepared for outbound shipment to the customer by common, contract or small package carrier.

Domestic Marketing

In the United States, the Company markets its products primarily through mass merchandisers.

In fiscal 2010 and 2009, Wal-Mart accounted for approximately 53% and 46% of the Company's net revenues, respectively, and Target accounted for approximately 25% and 27% of the Company's net revenues, respectively. No other customer accounted for more than 10% of net revenues in either period. The trade accounts receivable balances for Wal-Mart and Target, net of specific reserves, were 68% and 46% as of March 31, 2010, respectively, and 15% and 45% as of March 31, 2009, respectively. Management believes that a loss, or a significant reduction, of sales to Wal-Mart or Target would have a materially adverse effect on the Company's business and results of operations.

Approximately 38% and 45% of the Company's net revenues in fiscal 2010 and 2009, respectively, were made through third-party sales representative organizations that receive sales commissions and work in conjunction with the Company's own sales personnel. With the Company's permission, third-party sales representative organizations may sell competitive products in addition to the Company's products. In most instances, either party may terminate a sales representative relationship on 30 days prior notice by the Company and 90 days prior notice by the sales representative organization in accordance with customary industry practice. In fiscal 2010, the Company utilized approximately 20 sales representative organizations, including one through which approximately 25% of its net revenues, including revenues from one of the Company's two major customers described above, were made in fiscal 2010. In fiscal 2009, the Company utilized approximately 19 sales representative organizations, including one through which approximately 27% of its net revenues, including revenues from one of the Company's two major customers described above, were made in fiscal 2009. No other sales representatives organization accounted for more than 10% of net revenues in either year The remainder of the Company's sales is to customers that are serviced by its sales personnel. Although sales and operating results could be negatively impacted, management does not believe that the loss of one or more sales representative organizations would have a material adverse effect on its business and results of operations, as the Company believes that new sales representative organizations could be identified if needed, although that could be a time consuming process.

Foreign Marketing

The Company primarily markets and distributes its products in the United States. Accordingly, foreign sales account for less than 10% of total revenues and are not considered material.

Licensing and Related Activities

Throughout various parts of the world, the Company is party to numerous distribution and outward license agreements with third party licensees that allow the licensees to manufacture and/or sell various products bearing the Company's trademarks into defined geographic areas. The Company believes that such activities have had and will continue to have a positive impact on operating results by generating income with minimal, if any, incremental costs and without any working capital requirements, and intends to pursue additional licensing and distribution opportunities. The Company continues to protect its brand through rigid license and product selection and control processes. See Item 1A — "Risk Factors — Forward-Looking Information", Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Note 13 "License Agreements".

Design and Manufacturing

The Company's products are manufactured by several original equipment manufacturers in accordance with the Company's specifications. During fiscal 2010 and 2009, 100% of the Company's purchases consisted of finished goods from foreign manufacturers, primarily located in People's Republic of China, substantially all of which were imported into the United States.

The Company's design team is responsible for product development and works closely with suppliers. The Company's engineers determine the detailed cosmetic, electronic and other features for new products, which typically incorporate commercially available electronic parts to be assembled according to the Company's designs. Accordingly, the exterior designs and operating features of the products reflect the Company's judgment of current styles and consumer preferences.

The following summarizes the Company's purchases from its major suppliers that provided more than 10% of the Company's total purchases in fiscal 2010 and 2009:

Supplier	Fiscal Year 2010	Fiscal Year 2009
Midea	73%	38%
Galanz	0%	28%

Midea manufactures housewares and other products and, during fiscal 2009, the Company transitioned from Galanz to Midea as its largest supplier. No other supplier accounted for more than 10% of the Company's total purchases in fiscal 2010 or 2009. The Company considers its relationships with its suppliers to be satisfactory and believes that, barring any unusual material or part shortages or economic, fiscal or monetary conditions, the Company could develop alternative suppliers. No assurance can be given that ample supply of product would be available at current prices if the Company were required to seek alternative sources of supply without adequate notice by a supplier or a reasonable opportunity to seek alternate production facilities and component parts. See Item 1A — "Risk Factors — Forward — Looking Information", Item 7 — "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 7A — "Quantitative and Qualitative Disclosures about Market Risk."

Warranties

The Company offers limited warranties for its consumer electronics, comparable to those offered to consumers by the Company's competitors in the United States. Such warranties typically consist of a one year period for microwaves and a 90 day period for audio products, under which the Company pays for labor and parts, or offers a new or similar unit in exchange for a non-performing unit.

Returned Products

The Company's customers return product to for a variety of reasons, including:

- retailer return policies with their customers;
- damage to goods in transit and cosmetic imperfections; and
- mechanical failures.

The Company has entered into agreements with certain of its suppliers that require the supplier to accept returned defective product. The Company pays a fee to the supplier and in exchange receives a new unit.

Backlog

The Company does not believe that backlog is a significant factor. The ability of management to correctly anticipate and provide for inventory requirements is essential to the successful operation of the Company's business.

Trademarks

The Company owns the following principal trademarks

- "(EMERSON LOGO)"
- "Emerson Research®"
- "H.H. Scott®"
- "iDEA®"
- "IDIVA®"

- “Ölevia®”
- “Scott®”
- “SmartSet®”

for certain consumer electronic products in the United States, Canada, Mexico and various other countries. Of the trademarks owned by the Company, those registered in the United States and Canada must be renewed at various times through 2020 and 2025, respectively. The Company’s trademarks are also registered in various other countries, for which registrations must be renewed at various times. The Company intends to renew all trademarks necessary for the conduct of its business. The Company considers the “(EMERSON LOGO)” trademark to be of material importance to its business and, to a lesser degree, the remaining trademarks. The Company licenses “(EMERSON LOGO)” and certain of its other trademarks to third parties, the scope of which is on a limited product and geographic basis and for a period of time. See “Licensing and Related Activities.”

Competition

The Company primarily competes in the low-to-medium-priced sector of the consumer electronics and houseware market. Management estimates that the Company has several dozen competitors that are manufacturers and/or distributors, many of which are much larger and have greater financial resources than the Company. The Company competes primarily on the basis of:

- brand recognition;
- reliability;
- quality;
- price;
- design;
- consumer acceptance of the Company’s products; and
- quality service and support to retailers and their customers.

The Company also competes at the retail level for shelf space and promotional displays, all of which have an impact on our success in established and proposed distribution channels.

Working Capital

The Company’s credit facility maintained with Wachovia Bank ends by its terms on December 23, 2010 and the Company is evaluating its options with regard to its credit and banking needs. The Company anticipates that cash flow from operations and its access to financing will provide sufficient liquidity to meet the Company’s operating requirements in the year ahead.

Government Regulation

Pursuant to the Tariff Act of 1930, as amended, the Trade Act of 1974 and regulations promulgated there under, the United States government charges tariff duties, excess charges, assessments and penalties on many imports. These regulations are subject to continuous change and revision by government agencies and by action of the United States Trade Representative and may have the effect of increasing the cost of goods purchased by the Company or limiting quantities of goods available to the Company from our overseas suppliers. A number of states have adopted statutes regulating the manner of determining the amount of payments to independent service centers performing warranty service on products such as those sold by the Company. Additional Federal legislation and regulations regarding the importation of consumer electronics products, including the products marketed by the

Company, have been proposed from time to time and, if enacted into law, could adversely affect the Company's financial condition and results of operations.

Product Liability and Insurance

Because of the nature of the products it sells, the Company is periodically subject to product liability claims resulting from personal injuries. The Company may also become involved in various lawsuits incidental to its business.

Although the Company maintains product liability insurance coverage, there can be no absolute assurance that the Company's coverage limits will be sufficient to cover any successful product liability claims made against it in the future. In management's opinion, any ultimate liability arising out of currently pending product liability claims will not have a material adverse effect on the Company's financial condition or results of operations. However, any claims substantially in excess of the Company's insurance coverage, or any substantial claim not covered by insurance, could have a material adverse effect on the Company's financial condition and results of operations.

Employees

As of July 14, 2010, the Company had approximately 98 employees, comprised of 42 in the United States and 56 in Asia. None of the Company's employees are represented by unions, and we believe our labor relations are good.

Item 1A. *Risk Factors*

The reader should carefully consider these risk factors in addition to those set forth in the Company's financial statements or the notes thereto. Additional risks about which the Company is not yet aware or that the Company currently believes to be immaterial also may adversely affect the Company's business operations. If any of the following occur, the Company's business, financial condition or operating results may be adversely affected. In that case, the price of the Company's common stock may decline.

Business Related Risks

The loss or significant reduction in business of any of the Company's key customers, including Wal-Mart and Target, could materially and adversely affect the Company's revenues and earnings.

The Company is highly dependent upon sales of its products to Wal-Mart and Target. For the fiscal years ended March 31, 2010 and 2009, Wal-Mart accounted for approximately 53% and 46% of our net revenues, respectively, and Target accounted for approximately 25% and 27%, respectively, of the Company's net revenues. No other customer accounted for greater than 10% of the Company's net revenues during these periods. All customer purchases are made through purchase orders and the Company does not have any long-term contracts with its customers. The complete loss of, or significant reduction in business from, or a material adverse change in the financial condition of, Wal-Mart or Target will cause a material and adverse change in the Company's revenues and operating results.

The Company depends on a limited number of suppliers for its products. The inability to secure products could reduce the Company's revenues and adversely affect its relationship with its customers.

Although there are multiple suppliers for each of the Company's products, The Company relies and is dependent on a limited number of suppliers for its main products, all of whom are located outside of the United States. This reliance involves a number of significant potential risks, including:

- lack of availability of materials and interruptions in delivery of components and raw materials from suppliers;
- manufacturing delays caused by such lack of availability or interruptions in delivery;

- fluctuations in the quality and the price of components and raw materials, in particular due to the petroleum price impact on such materials; and
- risk related to foreign operations.

The Company does not have any long-term or exclusive purchase commitments with any of its suppliers. Midea was the Company's largest supplier during fiscal 2010 and accounted for 73% of the Company's purchases of products during fiscal 2010. The Company's failure to maintain existing relationships with its suppliers or to establish new relationships in the future could negatively affect the Company's ability to obtain products in a timely manner. If the Company is unable to obtain an ample supply of product from its existing suppliers or alternative sources of supply, it may be unable to satisfy its customers' orders, which could materially and adversely affect the Company's revenues and relationships with its customers. Finding replacement suppliers could be a time consuming process during which the Company's revenues could be negatively impacted.

If the Company's contract manufacturers are unable to deliver products in the required amounts and in a timely fashion, the Company could experience delays or reductions in shipments to its customers, which could materially and adversely affect the Company's revenues and relationships with its customers. Unanticipated disruptions in the Company's operations, slowdowns or shutdowns by its suppliers, manufacturers and shipping companies could adversely affect the Company's ability to deliver its products and services to its customers which could materially and adversely affect the Company's revenues and relationships with its customers.

The Company's ability to provide high quality customer service, process and fulfill orders, and manage inventory depends on the efficient and uninterrupted operation of its distribution centers and the timely and uninterrupted performance of third party manufacturers and suppliers, shipping companies and dock workers. Any material disruption, slowdown or shutdown of the Company's operation of its call center, distribution centers, or management information systems, or comparable disruptions, slowdowns or shutdowns suffered by the Company's principal manufacturers, suppliers and shippers could cause delays in the Company's ability to receive, process and fulfill customer orders and may cause orders to be canceled, lost or delivered late, goods to be returned or receipt of goods to be refused. As a result, the Company's revenues and operating results could be materially and adversely affected.

All of the Company's products are manufactured in accordance with its specifications by factories principally located in China. If the Company is unable to obtain products from these factories in the required quantities and quality and in a timely fashion, the Company could experience delays or reductions in product shipments to its customers, which could negatively affect the Company's ability to meet the requirements of its customers, as well as its relationships with its customers, which in turn could materially and adversely affect the Company's revenues and operating results.

Substantially all of the Company's suppliers are located in China. Inadequate development and maintenance of infrastructure in China, including inadequate power and water supplies, transportation and raw materials availability, and the deterioration in the general political, economic and social environments in China may make it difficult, more expensive and possibly prohibitive for these suppliers to continue to operate in China. If the Company cannot find suitable replacements for any manufacturers that have or may in the future close their facilities, the Company's revenues and operating results could be materially and adversely affected.

The failure by the Company to maintain its relationships with its licensees, licensors and distributors or the failure to obtain new licensees, licensors or distribution relationships could materially and adversely affect the Company's revenues and earnings.

The Company maintains agreements that allow licensees to use the Company's trademarks for the manufacture and sale of specific consumer electronics and other products. In addition, the Company maintains agreements for the distribution of products bearing its brands into defined geographic areas. Although the Company has entered into agreements with certain of its licensees and distributors of its products, most have terms of three years or less, including the Company's agreement with Funai, which expires in December 2010 unless renewed. The Company cannot assure that such agreements will be renewed or that the Company's relationships with its licensees or distributors will be maintained on satisfactory terms or at all. The failure to maintain its relationships with Funai and other licensees and distributors on terms satisfactory to the Company, the failure to obtain new licensees or distribution relationships or the failure by the Company's licensees to protect the integrity and reputation of the Company's trademarks could materially and adversely affect the Company's licensing revenues and earnings.

The majority ownership of the Company's common stock by subsidiaries of The Grande Holdings Limited, a Bermuda Corporation, which is listed and is based in Hong Kong, substantially reduces the influence of other stockholders, and the interests of The Grande Holdings Limited may conflict with the interests of the Company's other stockholders.

The Grande Holdings Limited and its subsidiaries (collectively, "Grande") own approximately 56.2% of the Company's outstanding common stock as of July 14, 2010. As a result, Grande currently controls significantly the approval process for actions that require stockholder approval, including: the election of the Company's directors and the approval of mergers, sales of assets or other significant corporate transactions or matters submitted for stockholder approval. Because of Grande's ownership position, other stockholders have little or no influence over matters submitted for stockholder approval. Grande has pledged approximately 3.4 million of the shares it owns in Emerson to a third party and has pledged a further 2.0 million of the shares it owns in Emerson to the Company (see Note 17 "Subsequent Events").

A number of the Company's directors and senior executive officers also are managing directors or senior officers of Grande and have loyalties and fiduciary obligations to both Grande and the Company.

Christopher Ho, the Company's Chairman of the Board, and Adrian Ma, the Chief Executive Officer and a director of the Company, are both directors of Grande. In addition, Mr. Ho serves as The Chairman of the Board of Grande and Mr. Ma serves as Group Managing Director and Chief Executive Officer of Grande. Also, Duncan Hon, the Company's Deputy Chief Executive Officer, and a director of the Company, is an executive of Grande. As described in Note 3 to the Company's financial statements and in the Company's previous filings with the SEC, there have been a number of related party transactions between the Company and Grande which have been viewed as raising concerns about possible conflicts. Grande does not owe the Company any amounts under any existing related party transactions as at March 31, 2010.

The Company has established adequate procedures designed to ensure that future material related party transactions are fair to the Company.

The Company's business could be materially and adversely affected if it cannot protect its intellectual property rights or if it infringes on the intellectual property rights of others.

The Company's ability to compete effectively depends on its ability to maintain and protect its proprietary rights. The Company owns the Emerson® and other trademarks, which are materially important to its business, as well as other trademarks, patents, licenses and proprietary rights that are used for certain of the products that it markets and sells. The Company's trademarks are registered throughout the world, including the United States, Canada, Mexico, France, Spain, Germany, China, Japan, India and the United Kingdom. The Company also has two patents in the United States on its SmartSet® technology, both of which expire in September 2018. The laws of some foreign countries in which the Company operates may not protect the Company's proprietary rights to the same extent as do laws in the United States. The protections afforded by the laws of such countries may not be adequate to protect the Company's intellectual property rights.

Third parties may seek to challenge, invalidate, circumvent or render unenforceable any trademarks, patents or proprietary rights owned by or licensed to the Company. In addition, in the event third party licensees fail to protect the integrity of the Company's trademarks, the value of these marks could be materially and adversely affected. The Company's inability to protect its proprietary rights could materially and adversely affect the license of its trade names, trademarks and patents to third parties as well as its ability to sell its products. Litigation may be necessary to enforce the Company's intellectual property rights, protect the Company's trade secrets; and determine the scope and validity of such intellectual property rights. Any such litigation, whether or not successful, could result in substantial costs and diversion of resources and management's attention from the operation of the Company's business.

The Company may receive notices of claims of infringement of other parties' proprietary rights. Such actions could result in litigation and the Company could incur significant costs and diversion of resources in defending such claims. The party making such claims could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief. Such relief could effectively block the Company's ability to make, use, sell, distribute or market its products and services in such jurisdiction. The Company may also be required to seek licenses to such intellectual property. The Company cannot predict, however, whether such licenses would be available or, if available, that such licenses could be obtained on terms that are commercially reasonable and acceptable to the Company. The failure to obtain the necessary licenses or other rights could delay or preclude the sale, manufacture or distribution of its products and could result in increased costs to the Company.

The Company's revenues and earnings could be materially and adversely affected if it cannot anticipate market trends or enhance existing products or achieve market acceptance of new products.

The Company's success is dependent on its ability to anticipate and respond to changing consumer demands and trends in a timely manner, as well as expanding into new markets and developing new products. In addition, to increase the Company's penetration of current markets and gain footholds in new markets for its products, the Company must maintain its existing products and integrate them with new products. The Company may not be successful in developing, marketing and releasing new products that respond to technological developments or changing customer needs and preferences. The Company may also experience difficulties that could delay or prevent the successful development, introduction and sale of these new products. These new products may not adequately meet the requirements of the marketplace and may not achieve any significant degree of market acceptance. If release dates of any future products or enhancements to the Company's products are delayed, or if these products or enhancements fail to achieve market acceptance when released, the Company's sales volume may decline and earnings could be materially and adversely affected. In addition, new products or enhancements by the Company's competitors may cause customers to defer or forgo purchases of the Company's products, which could also materially and adversely affect the Company's revenues and earnings.

The continuing global economic situation may adversely affect the Company's access to financing or may increase the cost of financing the Company's operations.

The global economic environment continues to present challenges within the financial markets, which have led to curtailment of credit and increases in the frequency of bankruptcies. Financial institution failures and responses to this situation may impede the Company's ability to obtain financing for its operations. The Company's customers are primarily retailers, which are subject to fluctuations in consumer demand, which may be affected by these factors. Some customers may have difficulty paying, be slower to pay, or file for bankruptcy as a result of negative economic conditions.

The Company's investments in auction rate securities potentially may not be redeemable until maturity if the market for them does not recover. The Company may be required to sell these investments at a substantial discount from par if immediate operating requirements demand it. The Company's revolving loan agreement with Citigroup Global Markets Inc., secured by these investments, is due on demand, and if the loan were called, the Company's cash flows and liquidity could be affected. See *"A decline in the value of the auction rate securities included in the Company's investments could materially adversely affect its earnings and continue to adversely affect its liquidity."*

The Company has not hedged its interest rate exposure, and the Company's indebtedness bears interest at variable rates, most notably Prime, the London interbank offered rate, and the Federal Open Market Rate. As a result, interest rate variations may result in increased interest expense, which could negatively affect funding available for the Company's other requirements.

The Company's existing credit facility, which represents its sole source of external funding, will expire in December 2010. If the Company is unable to maintain access to external funding, it may be unable fund future growth.

In addition to cash on hand and cash generated by on-going operations, the Company relies on access to external sources of funding and our ability to timely collect cash from our customers to manage its business. The Company's existing credit facility, which represents our sole source of external funding, expires in December 2010. The Company is evaluating our options with regards to financing alternatives available to it. The Company may seek to extend its existing credit facility or pursue alternative sources of financing. However, such credit facility or alternate financing may not be available or if available may not be on terms favorable to the Company. The Company's ability to fund future growth may be negatively impacted if it is unable to secure a new credit facility and to maintain compliance with the financial and other covenants in such credit facility or to secure alternate sources of financing.

Foreign regulations and changes in the political, social and economic conditions in the foreign countries in which the Company operates its business could affect the Company's revenues and earnings materially and adversely.

The Company derives a significant portion of its revenue from sales of products manufactured by third parties located primarily in China. In addition, third parties located in China and other countries located in the same region produce and supply many of the components and raw materials used in the Company's products. Conducting an international business inherently involves a number of difficulties and risks that could materially and adversely affect the Company's ability to generate revenues and could subject the Company to increased costs. Among the factors that may adversely affect the Company's revenues and increase its costs are:

- currency fluctuations which could cause an increase in the price of the components and raw materials used in the Company's products and a decrease in its profits;
- Chinese labor laws;
- labor shortages in manufacturing facilities located in China;
- the elimination or reduction of value-added tax refunds to Chinese factories that manufacture products for export;
- the rise of inflation and substantial economic growth in China;
- more stringent export restrictions in the countries in which the Company operates which could adversely affect its ability to deliver its products to its customers;
- tariffs and other trade barriers which could make it more expensive for the Company to obtain and deliver its products to its customers;
- political instability and economic downturns in these countries which could adversely affect the Company's ability to obtain its products from its manufacturers or deliver its products to its customers in a timely fashion;
- new restrictions on the sale of electronic products containing certain hazardous substances.

Any of the factors described above may materially and adversely affect the Company's revenues and/or increase its operating expenses.

Furthermore, China is a developing country governed by a one-party government. China is also a country with an extremely large population, widening income gaps between rich and poor and between urban and rural residents, minority ethnic and religious populations, and growing access to information about the different social, economic, and political systems found in other countries. China has also experienced extremely rapid economic growth over the last decade, and its legal and regulatory systems have changed rapidly to accommodate this growth. These conditions make China unique and may make it susceptible to major structural changes. Such changes could include a reversal of China's movement to encourage private economic activity, labor disruptions or other organized protests, nationalization of private businesses, civil strife, strikes, acts of war and insurrections. If any of these events were to occur, it may disrupt the Company's access to its suppliers and/or disrupt the operations of the Company's suppliers, which may significantly affect the Company's results of operations and financial performance.

The legal and judicial systems in the China are still rudimentary, and enforcement of existing laws is inconsistent. Many judges in China lack the depth of legal training and experience that would be expected of a judge in a more developed country. Because the China judiciary is relatively inexperienced in enforcing the laws that do exist, anticipation of judicial decision-making is more uncertain than would be expected in a more developed country. It may be impossible to obtain swift and equitable enforcement of laws that do exist, or to obtain enforcement of the judgment of one court by a court of another jurisdiction. China's legal system is based on civil law, or written statutes; a decision by one judge does not set a legal precedent that must be followed by judges in other cases. In addition, the interpretation of Chinese laws may vary to reflect domestic political changes.

The laws of China are likely to govern many of the Company's supplier agreements. The Company cannot assure you that it will be able to enforce its rights in its supplier agreements. The system of laws and the enforcement of existing laws in China may not be as certain in implementation and interpretation as in the United States. The Chinese judiciary is relatively inexperienced in enforcing corporate and commercial law, leading to a higher than usual degree of uncertainty as to the outcome of any litigation. The inability to enforce or obtain a remedy under any of the Company's supplier agreements may have a material adverse impact on the Company's operations.

The inability to use its tax net operating losses could result in a charge to earnings and could require the Company to pay higher taxes.

The Company has substantial tax net operating losses available to reduce taxable income for federal and state income tax purposes. A portion of the benefit associated with the tax net operating losses has been recognized as a deferred tax asset in the Company's financial statements and could be used to reduce its tax liability in future profitable periods. The Company believes these net deferred tax assets will be realized through tax planning strategies available in future periods and future profitable operating results. Although realization is not assured, the Company believes it is more likely than not that most of the remaining net deferred tax assets will be realized prior to expiration. The amount of the deferred tax asset considered realizable, however, could be reduced or eliminated in the near term if certain tax planning strategies are not successfully executed, or estimates of future taxable income during the carry-forward period is reduced.

The Company is subject to intense competition in the industry in which it operates, which could cause material reductions in the selling price of its products or losses of its market share.

The consumer electronics and houseware industry is highly competitive, especially with respect to pricing and the introduction of new products and features. The Company's products compete in the low to medium-priced sector of the consumer electronics and houseware market and compete primarily on the basis of reliability, brand recognition, quality, price, design, consumer acceptance of the Emerson® trademark and quality service and support to retailers and its customers. In recent years, the Company and many of its competitors, have regularly lowered prices, and the Company expects these pricing pressures to continue. If these pricing pressures are not mitigated by increases in volume, cost reductions from the Company's suppliers or changes in product mix, the Company's revenues and profits could be substantially reduced. As compared to the Company, many of its competitors have significantly greater managerial, financial, marketing, technical and other competitive resources and greater brand recognition. As a result, the Company's competitors may be able to (i) adapt more quickly to new or emerging technologies and changes in customer requirements; (ii) devote greater resources to the promotion and sale of their products and services; and (iii) respond more effectively to pricing pressures.

In addition, competition could increase if new companies enter the market, existing competitors expand their product mix or the Company expands into new markets. An increase in competition could result in material price reductions or loss of the Company's market share.

Changes in consumer spending and economic conditions may cause its quarterly operating results to fluctuate and cause its stock price to decline.

The Company's net revenue and operating results may vary significantly from year to year, which may adversely affect its results of operations and the market price for its common stock. Factors that may cause these fluctuations include:

- changes in market and economic conditions;
- the discretionary nature of consumers' demands and spending patterns;
- variations in the sales of the Company's products to its significant customers;
- variations in manufacturing and supplier relationships;
- if the Company is unable to correctly anticipate and provide for inventory requirements, it may not have sufficient inventory to deliver its products to its customers in a timely fashion or the Company may have excess inventory that it is unable to sell;
- new product developments or introductions;
- product reviews and other media coverage;
- competition, including competitive price pressures; and
- political instability, war, acts of terrorism or other disasters.

If the Company's third party sales representatives fail to adequately promote, market and sell the Company's products, the Company's revenues could significantly decrease.

A significant portion of the Company's product sales are made through third party sales representative organizations, whose members are not employees of the Company. The Company's level of sales depends on the effectiveness of these organizations, as well as the effectiveness of its own employees. Some of these third party representatives may sell (and do sell), with the Company's permission, competitive products of third parties as well as the Company's products. During the Company's fiscal years ended March 31, 2010 and 2009, these organizations were responsible for approximately 38% and 45%, respectively, of its net revenues during such periods. In addition, one of these representative organizations was responsible for a significant portion of these revenues. If any of the Company's third party sales representative organizations engaged by the Company, especially the Company's largest, fails to adequately promote, market and sell its products, the Company's revenues could be significantly decreased until a replacement organization or distributor could be retained by the Company. Finding replacement organizations and distributors could be a time consuming process during which the Company's revenues could be negatively impacted.

The Company could be exposed to product liability or other claims for which its product liability or other insurance may be inadequate.

A failure of any of the products marketed by the Company may subject it to the risk of product liability claims and litigation arising from injuries allegedly caused by the improper functioning or design of its products. Although the Company currently maintains product liability insurance in amounts which the Company considers adequate, the Company cannot assure that:

- its insurance will provide adequate coverage against potential liabilities;
- adequate product liability insurance will continue to be available in the future; or
- its insurance can be maintained on acceptable terms.

Although the Company maintains liability insurance in amounts that it considers adequate, the Company cannot assure that such policies will provide adequate coverage against potential liabilities. To the extent product liability or other litigation losses are beyond the limits or scope of the Company's insurance coverage, the Company's expenses could materially increase.

A decline in the value of the auction rate securities included in the Company's investments could materially adversely affect its earnings and continue to materially adverse its liquidity.

The Company's investments include auction rate securities, with estimated fair value of $6.0 million at March 31, 2010. Auction rate securities are securities with short-term interest rate reset dates of generally less than ninety days but with contractual maturities that can be well in excess of ten years. At the end of each reset period, investors typically can sell at auction or continue to hold the securities. These securities are subject to fluctuations in fair value depending on the supply and demand at each auction. The Company's auction rate securities consist of interests in pools of student loan receivables issued by agencies established by counties, cities, states and other municipal entities. Liquidity for the Company's auction rate securities typically is provided by an auction process that resets the applicable interest rate every 7 to 35 days.

In early February 2008, the Company's $15.0 million face value auction rate securities failed to sell at auction due to sell orders exceeding buy orders. Later in February and again in March 2008, the Company received approximately $1.1 million in partial redemptions of its auction rate securities. During fiscal 2009, the Company received a further $5.8 million in partial calls and borrowed approximately $5.6 million under a credit facility maintained with Smith Barney, which is backed exclusively by the Company's remaining balance of $8.1 million face value auction rate securities. Accordingly, the amount of the Company's unrealized, through either cash redemptions or cash borrowings, face value auction rate securities at March 31, 2010 was approximately $2.5 million, which represents the net adverse impact on the Company's liquidity at March 31, 2010.

Currently, the funds associated with the Company's remaining auction rate securities that have failed auction, may not be accessible until a successful auction occurs, a buyer is found outside of the auction process, the security is called or the underlying securities have matured. As a result of the recent instability in the market for auction rate securities, there may be a future decline in the value of the Company's auction rate securities, which could materially adversely affect the Company's earnings. Furthermore, the inability of the Company to either redeem the remaining auction rate securities at face value, for cash or through further cash borrowings, could prolong the aforementioned net adverse impact on the Company's liquidity.

Any substantial indebtedness the Company incurs from time to time may adversely affect its ability to obtain additional funds and may increase its vulnerability to economic or business downturns.

From time to time the Company may incur debt in connection with its operations. As a result, the Company may be subject to the risks associated with indebtedness, including:

- because the Company would need to dedicate a portion of its cash flows from operations to pay debt service costs, the Company would have fewer funds available for operations and other purposes;
- it may be more difficult and expensive to obtain additional funds through financings, if such funds are available at all;
- the Company would be more vulnerable to economic downturns and fluctuations in interest rates, less able to withstand competitive pressures and less flexible in reacting to changes in its industry and general economic conditions; and
- if the Company were to default under any of its existing credit facilities or if its creditors were to demand payment of a portion or all of its indebtedness, it may not have sufficient funds to make such payments.

The Company has pledged substantially all of its assets to secure its borrowings under its credit facilities and is subject to covenants that may restrict its ability to operate its business.

The Company's indebtedness under its credit facilities is secured by substantially all of its assets. If the Company defaults under the indebtedness secured by its assets, those assets would be available to the secured creditor to satisfy its obligations to the secured creditor. In addition, its credit facilities impose certain restrictive covenants, including financial, ownership, operational and net worth covenants. Failure to satisfy any of these covenants could result in all or any of the following:

- acceleration of the payment of its outstanding indebtedness;
- its inability to borrow additional amounts under its existing financing arrangements; and
- its inability to secure financing on favorable terms or at all from alternative sources.

Any of these consequences could significantly reduce the amount of cash and financing available to it which in turn would adversely affect its ability to operate its business, including acquiring its products from its manufacturers and distributing its products to its customers.

Market Related Risks

Grande's controlling interest in the Company's common stock as well as its organizational documents and Delaware law make it difficult for the Company to be acquired without the consent and cooperation of Grande, the Company's board of directors and management.

Grande's controlling interest in the Company's shares as well as several provisions of its organizational documents and Delaware law may deter or prevent a takeover attempt, including a takeover attempt in which the potential purchaser offers to pay a per share price greater than the current market price of its common stock. Under the terms of the Company's certificate of incorporation, its board of directors has the authority, without further action by the stockholders, to issue shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. The ability to issue shares of preferred stock could tend to discourage takeover or acquisition proposals not supported by its current board of directors.

If the Company's common stock is de-listed from the NYSE Amex, shareholders liquidity in their shares may be adversely affected and shareholders may have difficulty selling their shares or attaining a satisfactory price.

In order for the Company's common stock to be eligible to continue to be listed on the NYSE Amex, the Company must meet the current NYSE Amex continued listing requirements, including satisfying the Audit Committee composition requirements and the timely filing of periodic reports with the Securities and Exchange Commission. In addition, because the Company is a "controlled company" under the rules of the NYSE Amex, the Company is not required to comply with the rules relating to independent directors, board nominations and executive compensation. If the Company is unable to continue to meet these requirements, its common stock could be de-listed from the NYSE Amex. If the Company's common stock were to be de-listed from the NYSE Amex, its common stock could continue to trade on the National Association of Securities Dealers' over-the-counter bulletin board or on the Pink Sheets, as the case may be. Any such de-listing of the Company's common stock could have an adverse effect on the market price of, and the efficiency of the trading market for its common stock, in terms of the number of shares that can be bought and sold at a given price and through delays in the timing of transactions and less coverage of the Company by securities analysts, if any. It also could have an adverse effect on the Company's ability to raise capital in the public or private equity markets if the Company were to determine that it needs to seek additional equity capital in the future.

Forward-Looking Information

This report contains forward looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 under Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include statements with respect to the Company's beliefs, plans, objectives, goals, expectations, anticipations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the Company's control, and which may cause its actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. All statements other than statements of historical fact are statements that could be forward-looking statements. You can identify these forward-looking statements through the use of words such as "may," "will," "can," "anticipate," "assume," "should," "indicate," "would," "believe," "contemplate," "expect," "seek," "estimate," "continue," "plan," "project," "predict," "could," "intend," "target," "potential," and other similar words and expressions of the future. These forward-looking statements may not be realized due to a variety of factors, including, without limitation:

- limited access to financing or increased cost of financing resulting from the global economic downturn;
- the decline in, and any further deterioration of, consumer spending for retail products, such as the Company's products;
- the Company's ability to resist price increases from its suppliers or pass through such increases to its customers;
- the loss of any of the Company's key customers or reduction in the purchase of the Company's products by any such customers;
- conflicts of interest that exist based on the Company's relationship with Grande;
- the Company's inability to improve and maintain effective internal controls or the failure by its personnel to comply with such internal controls;
- the Company's inability to maintain its relationships with its licensees and distributors or the failure to obtain new licensees or distribution relationships on favorable terms;
- the Company's inability to anticipate market trends, enhance existing products or achieve market acceptance of new products;
- the Company's dependence on a limited number of suppliers for its components and raw materials;
- the Company's dependence on third party manufacturers to manufacture and deliver its products;
- Changes in consumer spending and economic conditions;

- the failure of third party sales representatives to adequately promote, market and sell the Company's products;
- the Company's inability to protect its intellectual property;
- the effects of competition;
- changes in foreign laws and regulations and changes in the political and economic conditions in the foreign countries in which the Company operates;
- changes in accounting policies, rules and practices; and
- the other factors listed under "Risk Factors" in this Annual Report on Form 10-K and other filings with the SEC.

All forward-looking statements are expressly qualified in their entirety by this cautionary notice. You are cautioned not to place undue reliance on any forward-looking statements, which speak only as of the date of this annual report or the date of the document incorporated by reference into this annual report. The Company has no obligation, and expressly disclaim any obligation, to update, revise or correct any of the forward-looking statements, whether as a result of new information, future events or otherwise. The Company has expressed its expectations, beliefs and projections in good faith and the Company believes they have a reasonable basis. However, the Company cannot assure you that its expectations, beliefs or projections will result or be achieved or accomplished.

Item 2. *PROPERTIES*

The following table sets forth the material properties owned or leased by the Company:

Facility Purpose	Approximate Square Footage	Location	Lease Expires (If Leased Property)
Corporate headquarters	23,000	Moonachie, NJ	Owned
New York office*	3,032	New York, NY	July 2012
China office	6,351	Zhongshan, China	June 2009**
Hong Kong office	36,540	Hong Kong, China	December 2010
Macao office	4,333	Macao, China	March 2011
Warehouse	180,650	Mira Loma, CA	June 2011

* The Company's leased office space in New York City is currently not occupied by the Company and has been subleased to a third party.

** The lease automatically renews on a month-by-month basis, unless a one month cancellation notice is given by either party.

Periodically, depending on need and circumstances, the Company may also utilize public warehouse space with terms typically of one year or less. Public warehouse expenses vary based upon the volume and value of products shipped from each leased location.

The Company believes that the properties used for its operations are in satisfactory condition and adequate for its present and anticipated future operations.

Item 3. *LEGAL PROCEEDINGS*

In re: Emerson Radio Shareholder Derivative Litigation. In late 2008, the plaintiffs in two previously filed derivative actions (the Berkowitz and Pinchuk actions) filed a consolidated amended complaint naming as defendants two current and one former director of the Company and alleging that the named defendants violated their fiduciary duties to the Company in connection with a number of related party transactions with affiliates of The Grande Holdings, Ltd., the Company's controlling shareholder. In January 2009, the individual defendants filed an answer denying the material allegations of the complaint. In May 2010, the plaintiffs and the defendants agreed in principle to settle the matter with a payment to the Company by or on behalf of the defendants of $3.0 million. Finalization of the settlement is subject, among other things, to (i) execution by the parties of a definitive settlement agreement; (ii) written notification of the proposed settlement to shareholders in a form approved by the Delaware Court of Chancery and (iii) approval by the Delaware Court of Chancery of the settlement, including the award of legal fees payable to plaintiffs' counsel from the $3.0 million to be paid in settlement by or on behalf of the defendants.

Except for the litigation matters described above, the Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to our business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on our examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

Item 4. ***Removed and reserved***

PART II

Item 5. *MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER REPURCHASES OF EQUITY SECURITIES*

(a) Market Information

The Company's common stock began trading on the American Stock Exchange under the symbol MSN on December 22, 1994, and currently trades on the NYSE Amex under the same symbol, as a result of NYSE Euronext's acquisition of the American Stock Exchange in 2008. The following table sets forth the range of high and low sales prices for the Company's common stock as reported by the NYSE Amex and American Stock Exchanges during the last two fiscal years.

	Fiscal 2010		Fiscal 2009	
	High	Low	High	Low
First Quarter	$ .75	$ .46	$ 1.39	$ 1.02
Second Quarter	1.64	.51	1.30	.30
Third Quarter	2.75	1.24	.90	.43
Fourth Quarter	4.78	2.06	.75	.41

There is no established trading market for our Series A convertible preferred stock, whose conversion feature expired as of March 31, 2002.

(b) Holders

At June 22, 2010, there were approximately 269 stockholders of record of our common stock. The Company believes that the number of beneficial owners is substantially greater than the number of record holders, because a large portion of our common stock is held of record in broker "street names".

(c) Dividends

After receiving the approval its lender, Wachovia Bank, as required by the credit facility between Wachovia and the Company, the Company's Board of Directors declared an extraordinary dividend of $1.10 per common shares on March 2, 2010, which was paid on March 24, 2010. Other than the one-time extraordinary dividend discussed herein, the Company has not paid cash dividends on its common stock. In addition, the Company's credit facility restricts its ability to pay cash dividends on its common stock. The Company does not currently intend to pay cash dividends on its common stock in the future.

Item 6. *SELECTED CONSOLIDATED FINANCIAL DATA*

Not applicable.

Item 7. *MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

The following discussion of the Company's operations and financial condition should be read in conjunction with the Financial Statements and notes thereto included elsewhere in this Annual Report on Form 10-K.

Special Note: Certain statements set forth below constitute forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. See Item 1A — "Risk Factors — Forward-Looking Information."

In the following discussions, most percentages and dollar amounts have been rounded to aid presentation. As a result, all figures are approximations.

Results of Operations:

As a result of the Company's sale of its membership in the ASI joint venture in April 2009, the results of operations of the Company's membership interest in the ASI joint venture have been presented as discontinued operations for all periods presented.

The following table summarizes certain financial information for the fiscal years ended March 31 (in thousands):

	2010	2009
Net revenues	$ 206,960	$ 200,596
Cost of sales	175,463	182,346
Other operating costs and expenses	3,134	5,762
Selling, general and administrative	14,598	16,889
Operating income (loss)	13,765	(4,401)
Interest (expense) income, net	(24)	245
Loss on impairment of securities	—	(117)
Income (loss) from continuing operations before income taxes	13,741	(4,273)
Provision (benefit) for income taxes	2,371	(90)
Net income (loss) from continuing operations	$ 11,370	$ (4,183)

Results of Continuing Operations — Fiscal 2010 compared with Fiscal 2009

Net Revenues — Net revenues for fiscal 2010 were $207.0 million as compared to $200.6 million for fiscal 2009, an increase of $6.4 million or 3.2%. Net revenues may be periodically impacted by adjustments made to the Company's sales allowance and marketing support accrual to record unanticipated customer deductions from accounts receivable or to reduce the accrual by any amounts which were accrued in the past but not taken by customers through deductions from accounts receivable within a certain time period. In the aggregate, these adjustments had the effect of increasing net revenues and operating income by $1.2 million and $2.3 million for fiscal 2010 and fiscal 2009, respectively.

Net revenues are primarily comprised of Emerson® houseware products sales, branded product sales, licensing revenues and themed product sales. Emerson® branded product sales are earned from the sale of products bearing the Emerson® or HH Scott® brand name; licensing revenues are derived from licensing the Emerson® and HH Scott® brand names to licensees for a fee; and themed product sales represent products sold bearing a certain theme or character. The major elements which contributed to the overall increase in net revenues were as follows:

i) Houseware products net sales increased $20.3 million, or 14.5%, to $160.7 million in fiscal 2010 as compared to $140.4 million in fiscal 2009, on increased net sales of microwave ovens, compact refrigerators and toaster ovens, partly offset by decreased net sales of wine coolers and coffee makers;

ii) Emerson® branded products net sales, excluding houseware products, were $33.1 million in fiscal 2010 compared to $44.9 million in fiscal 2009, a decrease of $11.8 million, or 26.4%, primarily resulting from decreased net sales volumes across the entire audio product category, with the exception of clock radios, which were up over the prior year;

iii) Licensing revenues in fiscal 2010 of $6.9 million were unchanged from fiscal 2009 licensing revenues of $6.9 million. The Company's largest license agreement is with Funai Corporation, Inc. ("Funai"), which expires December 31, 2010. The agreement provides that Funai will manufacture, market, sell and distribute specified products bearing the "(EMERSON LOGO)" trademark to customers in the U.S. and Canadian markets. Under the terms of the agreement, the Company will receive non-refundable minimum annual royalty payments of $4.3 million each calendar year and a license fee on sales of product subject to the agreement in excess of the minimum annual royalties. During fiscal 2010 and 2009, revenues of $4,855,000 and $4,940,000, respectively, were recorded under this agreement.

iv) Themed product net sales were $3.2 million in fiscal 2010 as compared to $8.4 million in fiscal 2009, a decrease of $5.2 million, or 61.6%, due to lower net sales of Mattel® products. The Company's license agreement with Mattel expired in December 2009 and was not renewed.

v) Other products net sales were $3.0 million in fiscal 2010 as compared to $0 in fiscal 2009. Other products net sales in fiscal 2010 were comprised of a sale of semiconductors in March 2010.

Cost of Sales — Cost of Sales includes those components as described in Note 1 of the Notes to the Consolidated Financial Statements. In absolute terms, cost of sales decreased $6.8 million, or 3.7%, to $175.5 million in fiscal 2010 as compared to $182.3 million in fiscal 2009. Cost of sales, as a percentage of net revenues, was 84.8% in fiscal 2010 as compared to 90.9% in fiscal 2009. Cost of sales as a percentage of net revenues less license revenues was 87.7% in fiscal 2010 as compared to 94.1% in fiscal 2009. The decrease in absolute terms for fiscal 2010 as compared to fiscal 2009 was primarily related to decreased shipping costs on imported products from the Company's Asian suppliers and lower inventory valuation adjustments.

Gross profit margins in fiscal 2010 were higher than in fiscal 2009 across the entire houseware product category, with the exception of wine coolers, which were lower. Gross profit margins in fiscal 2010 were also lower than in fiscal 2009 for the audio and themed product categories. The margin improvement within the houseware products category was due primarily to lower shipping costs on imported products from the Company's Asian suppliers. The Company's products are generally placed in the low-to-medium priced category of the market, which has a tendency to be highly competitive and subject to intense margin pressure.

Other Operating Costs and Expenses — Other operating costs and expenses include those components as described in Note 1 of the Notes to the Consolidated Financial Statements. Other operating costs and expenses as a percentage of net revenues were 1.5% in fiscal 2010 and 2.9% in fiscal 2009. In absolute terms, other operating costs and expenses decreased $2.6 million, or 45.6%, to $3.1 million for fiscal 2010 as compared to $5.8 million in fiscal 2009, on lower costs associated with returned products, warranty claims, and warehouse supplies.

Selling, General and Administrative Expenses ("S,G&A") — S,G&A, as a percentage of net revenues, was 7.1% in fiscal 2010 as compared to 8.4% in fiscal 2009. S,G&A, in absolute terms, decreased $2.3 million, or 13.6%, to $14.6 million in fiscal 2010 as compared to $16.9 million in fiscal 2009. The decrease in S,G&A in absolute terms between fiscal 2010 and 2009 was primarily due to a decrease in personnel costs of approximately $2.1 million, a decrease in advertising expense of $1.0 million, a decrease in information technology costs of approximately $0.6 million and a decrease in travel and entertainment costs of approximately $0.5 million, partly offset by an increase in legal fees of approximately $1.3 million and a loss on disposal of property, plant and equipment of approximately $0.4 million made in fiscal 2010.

Interest (Expense) income, net — Interest expense, net, was $24,000 in fiscal 2010 as compared to interest income, net, of $245,000 in fiscal 2009, due to the interest expense incurred by the Company during part of fiscal 2009 and all of fiscal 2010 on borrowings taken by the Company in August 2008 against its credit facility with Smith Barney, which are backed by the Company's auction rate securities, and the reduction during fiscal 2010 in year-over-year interest income earned by the Company on these securities due to the $5.8 million in cash redemptions made by the issuers to the Company during fiscal 2009.

Loss on impairment of securities — During fiscal 2010, the Company did not record any impairment charges or recoveries on its auction rate securities. This compares to fiscal 2009, when the Company recorded a net impairment charge of $117,000 on these securities. The Company's valuation is estimated by comparing current value based on projected cash flows discounted to the present and taking into account yields of similar illiquid instruments and assumptions about the extent of the failure of the auction process and the amount of discounts demanded in sales of comparable securities. The Company will continue to review any investments with a fair value less than the carrying value at each reporting period. See Item 1A. Risk Factors and Note 11 "Marketable Securities".

Provision (benefit) for Income Taxes — In fiscal 2010, the Company recorded an income tax expense of $2.4 million attributable to the income from continuing operations of $13.7 million, which largely represented deferred tax charges associated with the Company's profits in the United States. This compares to fiscal 2009, when the Company recorded an income tax benefit of $90,000 attributable to the loss from continuing operations of $4.3 million. See Item 8 — "Financial Statements and Supplementary Data and Note 7 "Income Taxes".

<u>*Net income (loss) from continuing operations*</u> — As a result of the foregoing factors, the Company's net income from continuing operations was $11.4 million for fiscal 2010 as compared to a net loss from continuing operations of $4.2 million for fiscal 2009.

Liquidity and Capital Resources

General

As of March 31, 2010, the Company had cash and cash equivalents of approximately $15.1 million, compared to approximately $22.5 million at March 31, 2009. Working capital decreased to $23.9 million at March 31, 2010 as compared to $44.8 at March 31, 2009. The decrease in cash and cash equivalents of approximately $7.5 million was due to cash used in financing and investing activities of $29.9 million and $4.1 million, respectively, partly offset by cash generated from operating activities of $26.4 million.

Cash provided by operating activities was approximately $26.4 million for fiscal 2010, primarily resulting from the net income from continuing operations of $11.4 million, lower inventories of $11.5 million and the classification back to unrestricted cash of $3.0 million.

Net cash used in investing activities was $4.1 million for fiscal 2010, which was attributable to the purchase of the Company's new headquarter building and land for $2.6 million and the Olevia trademark for $1.5 million.

Net cash used in financing activities was $29.9 million for fiscal 2010, resulting from the payment of an extraordinary dividend in March 2010 of $29.8 million.

Wachovia

On March 2, 2010, the Company entered into an amendment to its Revolving Credit Agreement with Wachovia Bank, whereby the facility was changed to allow only the issuance of 105% cash-collateralized Letters of Credit up to a maximum $15.0 million or a "Borrowing Base" as defined in the agreement. The Borrowing Base amount is established by specified percentages of eligible accounts receivables and inventories. The interest rate charged to the Company on Letters of Credit ranges from Prime or, at the Company's election, the London Interbank Offered Rate ("LIBOR"), plus an interest rate margin ranging between 1.25% to 2.25%, depending on excess availability and the type of Letter of Credit. Pursuant to the loan agreement, the Company is restricted from, among other things, paying certain cash dividends, and entering into certain transactions without the lender's prior consent and is subject to certain leverage financial covenants. Borrowings under the loan agreement are secured by substantially all of the Company's assets. The loan agreement expires by its terms on December 23, 2010 and the Company is currently evaluating its options with regard to its credit and banking needs.

At March 31, 2010 and March 31, 2009, there were approximately $1.8 million and $13.0 million of letters of credit outstanding under this facility.

Short-term Liquidity. In fiscal 2010, products representing approximately 29% of net sales were imported directly to the Company's customers. The direct importation of product by the Company to its customers significantly benefits the Company's liquidity because this inventory does not need to be financed by the Company.

The Company's principal existing sources of cash are generated from operations. The Company believes that its existing sources of cash will be sufficient to support its existing operations over the next 12 months; however, the Company may raise additional financing, which may include the issuance of equity securities, or the incurrence of additional debt, in connection with its operations or if the Company elects to pursue acquisitions.

As of March 31, 2010, there were no material capital expenditure commitments and no substantial commitments for purchase orders outside the normal purchase orders used to secure product.

Off-Balance Sheet Arrangements. On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, the Company entered into an agreement with its controlling shareholder whereby the Company returned to this shareholder on April 7, 2010 that portion of the taxes that the Company had withheld from the dividend paid on March 24, 2010 to this shareholder, which the Company believes is not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits. The Company believes this transaction results in an off-balance sheet arrangement, which is comprised of a possible contingent tax liability of the Company, which, if recognized, would be offset by the calling by the Company of the collateral pledged in the April 7, 2010 agreement between the Company and this (see Note 17 "Subsequent Event").

Other Events and Circumstances Pertaining to Liquidity.

As of both March 31, 2010 and March 31, 2009, respectively, the Company had a $6.0 million net book value investment in trading securities, consisting entirely of student loan auction rate securities ("SLARS"). These securities have long-term nominal maturities for which interest rates are reset through a Dutch auction process at pre-determined calendar intervals; a process which, prior to February 2008, had historically provided a liquid market for these securities. As a result of the continuing liquidity issues experienced in the U.S. credit and capital markets, these SLARS have had multiple failed auctions. Based on the fact that there were no cash redemptions made by the issuers to the Company, an independent valuation and its internal analysis, the Company concluded at March 31, 2010 that these securities had not changed in value since March 31, 2009. During fiscal 2009, the issuers of these SLARS redeemed $5.8 million for cash, and based on this fact, an independent valuation and its internal analysis, the Company recorded an impairment charge of $117,000 during fiscal 2009. These SLARS have AAA/Aaa and AAA/Baa3 credit ratings as of March 31, 2010, and have been classified as long-term investments in the Company's Consolidated Balance Sheet as a consequence of their uncertain short-term liquidity. See Item 1A. Risk Factors, *"A decline in the value of the auction rate securities included in the Company's investments could materially adversely affect its earnings and continue to materially adversely affect its liquidity."*

Critical Accounting Policies

The discussion and analysis of the Company's financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles that are generally accepted within the United States. The preparation of the Company's financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management considers certain accounting policies related to inventories, trade accounts receivables, impairment of long-lived assets, valuation of deferred tax assets, sales return reserves and sales allowance accruals to be critical policies due to the estimation processes involved in each.

Revenue Recognition. Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for possible returns are based upon historical return rates and netted against revenues. Except in connection with infrequent sales with specific arrangements to the contrary, returns are not permitted unless the goods are defective.

In addition to the distribution of products, the Company grants licenses the right to use the Company's trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Inventories. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out basis. The Company records inventory reserves to reduce the carrying value of inventory for estimated obsolescence or unmarketable inventory equal to the difference between the cost of inventory and the estimated market value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory reserves may be required. Conversely, if market conditions improve, such reserves are reduced.

Trade Accounts Receivable. The Company extends credit based upon evaluations of a customer's financial condition and provides for any anticipated credit losses in the Company's financial statements based upon management's estimates and ongoing reviews of recorded allowances. If the financial condition of a customer deteriorates, resulting in an impairment of that customer's ability to make payments, additional reserves may be required. Conversely, reserves are reduced to reflect credit and collection improvements.

Income Taxes. The Company records a valuation allowance to reduce the amount of its deferred tax assets to the amount that management estimates is more likely than not to be realized. While management considers future taxable income and ongoing tax planning strategies in assessing the need for the valuation allowance, in the event that management determines that a deferred tax asset will likely be realized in the future in excess of the net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, if it is determined that all or part of a net deferred tax asset will likely not be realized in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Sales Return Reserves. Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for our products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales Allowance and Marketing Support Accruals. Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition.", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Recently-Issued Financial Accounting Pronouncements

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, "Recognition and Presentation of Other-than-temporary impairments," which was subsequently incorporated into ASC topic 320, "Investments — Debt and Equity Securities." The purpose of this ASC topic was to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event and to communicate more effectively when an other-than-temporary impairment event has occurred. This ASC topic amends the other-than-temporary impairment guidance in GAAP for debt securities and improves the presentation and disclosure of other-than-temporary impairment on investment securities and changes the calculation of the other-than-temporary impairment recognized in earnings in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairment of equity securities.

For debt securities, ASC topic 320 requires an entity to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an other-than-temporary impairment on the security must be recognized.

In instances in which a determination is made that a credit loss (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), ASC topic 320 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement.

In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total impairment related to all other factors is recognized in other comprehensive loss and will be amortized over the remaining life of the debt security as an increase in the carrying value of the security (with no effect on earnings unless the security is subsequently sold or there is additional other-than-temporary impairment losses recognized). The total other-than-temporary impairment is presented in the income statement with an offset for the amount of the total other-than-temporary impairment that is recognized in other comprehensive loss. Previously, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the assessment was made. The new presentation provides additional information about the amounts that the entity does not expect to collect related to a debt security.

ASC topic 320 is effective and is to be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009. When adopting ASC topic 320, an entity is required to record a cumulative-effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive loss if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before the anticipated recovery of its amortized cost basis.

The Company adopted FASB Staff Position 115-2 (FSP 115-2) — Recognition and Presentation of Other-than-Temporary Impairments — on April 1, 2009. The adoption of FSP 115-2, which was subsequently incorporated into ASC topic 320, "Investments — Debt and Equity Securities," did not have a material impact on the Company's results of operation or financial condition for fiscal 2010.

In May 2009, the FASB issued SFAS No. 165 Subsequent Events (SFAS 165), which is effective for interim or annual financial periods ending after June 15, 2009, and which was subsequently incorporated into ASC topic 855, "Subsequent Events." ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted SFAS 165 in the quarter ended June 30, 2009 and has evaluated subsequent events through July 9, 2010, the date the financial statements were issued.

In June 2009, the FASB issued FAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162. This codification is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company adopted the provisions of FAS No. 168 effective June 28, 2009. The adoption of this statement did not have an effect on our financial position or results of operations.

In September 2009, the FASB issued Accounting Standards Update ("ASU") 2009-13, Multiple-Deliverable Revenue Arrangements, and ASU 2009-14, "Certain Revenue Arrangements That Include Software Elements" — a consensus of the FASB Emerging Issues Task Force, to amend the existing revenue recognition guidance. ASU 2009-13 amends ASC topic 605, "Revenue Recognition", subtopic 25, "Multiple-Element Arrangements" (formerly EITF Issue 00-21, "Revenue Arrangements with Multiple Deliverables"), as follows: modifies criteria used to separate elements in a multiple-element arrangement, introduces the concept of "best estimate of selling price" for determining the selling price of a deliverable, establishes a hierarchy of evidence for determining the selling price of a deliverable, requires use of the relative selling price method and prohibits use of the residual method to allocate arrangement consideration among units of accounting, and expands the disclosure requirements for all multiple-element arrangements within the scope of ASC 605-25. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued Accounting Standard Update ("ASU") 2009-14, which amends the scope of ASC topic 985, "Software", and ASC topic 605, "Revenue Recognition" (formerly AICPA Statement of Position 97-2, Software Revenue Recognition), to exclude certain tangible products and related deliverables that contain embedded software from the scope of this guidance. Instead, the excluded products and related deliverables must be evaluated for separation, measurement, and allocation under the guidance of ASC topic 605-25, "Multiple Element Arrangements", as amended by ASU 2009-13. The amended guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. An entity may elect retrospective application to all revenue arrangements for all periods presented using the guidance in ASC topic 250, "Accounting Changes and Error Corrections". Entities must adopt the amendments resulting from both of these ASUs in the same period using the same transition method, where applicable. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements". The standard amends ASC Topic 820, "Fair Value Measurements and Disclosures" to require additional disclosures related to transfers between levels in the hierarchy of fair value measurement. The standard is effective for interim and annual reporting periods beginning after December 15, 2009. The standard does not change how fair values are measured. Accordingly, the standard will not have an impact on the Company.

In January 2010, the FASB issued updated accounting guidance related to fair value measurements and disclosures which amends and clarifies existing disclosure requirements. This updated accounting guidance requires new disclosures related to amounts transferred into and out of Level 1 and 2 fair value measurements as well as separate disclosures of purchases, sales, issuances, and settlements related to amounts reported as Level 3 fair value measurements. This guidance also clarifies existing fair value disclosure requirements related to the level of disaggregation and the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the separate disclosures of purchases, sales, issuances, and settlements related to amounts reported as Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In February 2010, the FASB issued an additional accounting pronouncement that amended certain requirements for subsequent events (FASB ASC Topic 855, "Subsequent Events"), which requires an SEC filer or a conduit bond obligor to evaluate subsequent events through the date the financial statements are available to be issued and removes the previous requirement to disclose the date through which subsequent events have been evaluated. The amended amendments were effective on issuance of the final pronouncement. The adoption of this pronouncement had no effect on our consolidated financial statements.

In April 2010, the FASB issued Accounting Standard Update ("ASU") 2010-17, "Revenue Recognition — Milestone Method", which amended guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive.

The consideration earned by achieving the milestone should:

1. Be commensurate with either of the following:

   a. The vendor's performance to achieve the milestone

   b. The enhancement of the value of the item delivered as a result of a specific outcome resulting from the vendor's performance to achieve the milestone

2. Relate solely to past performance

3. Be reasonable relative to all deliverables and payment terms in the arrangement.

A milestone should be considered substantive in its entirety. An individual milestone may not be bifurcated. An arrangement may include more than one milestone, and each milestone should be evaluated separately to determine whether the milestone is substantive. Accordingly, an arrangement may contain both substantive and non-substantive milestones.

The amendments in this ASU are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted. ASU 2010-17 will not have an impact on the Company.

Item 7A. ***QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.***

Not applicable.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

<u>Index to Consolidated Financial Statements</u>

Page No.

- Report of Independent Registered Public Accounting Firm
- Consolidated Statements of Operations for the years ended March 31, 2010 and 2009
- Consolidated Balance Sheets as of March 31, 2010 and 2009
- Consolidated Statements of Changes in Shareholders' Equity for the years ended March 31, 2010 and 2009
- Consolidated Statements of Cash Flows for the years ended March 31, 2010 and 2009
- Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders
of Emerson Radio Corp and Subsidiaries

We have audited the accompanying consolidated balance sheets of Emerson Radio Corp. and Subsidiaries (the "Company"), as of March 31, 2010 and 2009, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of March 31, 2010 and 2009, and the consolidated results of their operations, and their cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

/s/ **MSPC**
Certified Public Accountants and Advisors,
A Professional Corporation

Cranford, New Jersey
July 14, 2010

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
For The Years Ended March 31, 2010 and 2009

	2010	2009
	(In thousands, except per share data)	
Net revenues:		
Net revenues	$ 206,960	$ 200,581
Net revenues-related party	—	15
	206,960	200,596
Costs and expenses:		
Cost of sales	175,463	182,346
Other operating costs and expenses	3,134	5,762
Selling, general and administrative expenses	14,598	16,889
	193,195	204,997
Operating income (loss)	13,765	(4,401)
Other income (expense):		
Interest (expense) income, net	(24)	245
Loss on impairment of securities	—	(117)
	(24)	128
Income (loss) from continuing operations before income taxes	13,741	(4,273)
Provision (benefit)for income taxes	2,371	(90)
Income (loss) from continuing operations	11,370	(4,183)
Loss from discontinued operations, net of tax benefit	(55)	(634)
Net income (loss)	11,315	(4,817)
Basic net income (loss) per share Continuing operations	$ .42	$ (.16)
Discontinued operations	—	(.02)
	$ .42	$ (.18)
Diluted net income (loss) per share Continuing operations	$ .42	$ (.16)
Discontinued operations	—	(.02)
	$ .42	$ (.18)
Weighted average shares outstanding Basic	27,130	27,130
Diluted	27,131	27,130

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
As of March 31, 2010 and 2009

	2010	2009
	(In thousands, except per share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 15,051	$ 22,518
Restricted cash	1	3,025
Net accounts receivable	20,350	15,970
Other receivables	1,037	1,587
Due from affiliates	—	78
Net inventory	10,952	20,691
Prepaid expenses and other current assets	736	2,190
Deferred tax assets	3,383	4,872
Total current assets	51,510	70,931
Property, plant, and equipment, net	3,131	1,139
Trademarks and other intangible assets, net	1,606	255
Due from affiliates	185	114
Investments in marketable securities	6,031	6,031
Deferred tax assets	6,588	7,102
Other assets	205	472
Total Assets	$ 69,256	$ 86,044
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings	$ 5,629	$ 5,733
Current maturities of long-term borrowings	30	85
Accounts payable and other current liabilities	20,776	18,929
Due to affiliates	28	66
Accrued sales returns	957	1,130
Income taxes payable	174	155
Total current liabilities	27,594	26,098
Long-term borrowings	201	59
Deferred tax liabilities	119	87
Shareholders' Equity:		
Preferred shares — 10,000,000 shares authorized; 3,677 shares issued and outstanding; liquidation preference of $3,677	3,310	3,310
Common shares — $.01 par value, 75,000,000 shares authorized; 52,965,797 shares issued at March 31, 20109 and March 31, 2009, respectively; 27,129,832 shares outstanding at March 31, 2010 and March 31, 2009, respectively	529	529
Capital in excess of par value	98,785	117,243
Accumulated other comprehensive losses	(82)	(82)
Accumulated deficit	(36,976)	(36,976)
Treasury stock, at cost, 25,835,965 shares	(24,224)	(24,224)
Total shareholders' equity	41,342	59,800
Total Liabilities and Shareholders' Equity	$ 69,256	$ 86,044

The accompanying notes are an integral part of the consolidated financial statements.

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For The Years Ended March 31, 2010 and 2009

	Preferred Stock	Common Shares Issued Number of Shares	Par Value	Treasury Stock	Capital in Excess of Par Value	Accumulated Other Comprehensive Losses	Accumulated Deficit	Total Shareholders' Equity
	(In thousands, except share data)							
Balance — March 31, 2008	$ 3,310	52,965,797	$ 529	$ (24,224)	$ 117,245	$ (82)	$ (32,159)	$ 64,619
Stock based compensation					(2)			(2)
Comprehensive income:								
Net loss							(4,817)	(4,817)
Comprehensive income								(4,817)
Balance — March 31, 2009	$ 3,310	52,965,797	$ 529	$ (24,224)	$ 117,243	$ (82)	$ (36,976)	$ 59,800
Stock based compensation					12			12
Dividend paid					(18,470)		(11,372)	(29,842)
Comprehensive income:								
Net income							11,372	11,372
Comprehensive income								11,372
Balance — March 31, 2010	$ 3,310	52,965,797	$ 529	$ (24,224)	$ 98,785	$ (82)	$ (36,976)	$ 41,342

The accompanying notes are an integral part of the consolidated financial statement

EMERSON RADIO CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Years Ended March 31, 2010 and 2009

	2010	2009
	(In thousands)	
Cash Flows from Operating Activities:		
Income (loss) from continuing operations	$ 11,370	$ (4,183)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	846	775
Non cash compensation	12	(2)
Deferred tax benefit	2,035	(605)
Asset allowances, reserves, and other	(3,554)	(1,739)
Gain on insurance reimbursements	—	(54)
Gains on sales of investments	—	(670)
Impairment charges and asset write-offs	—	877
Changes in assets and liabilities:		
Restricted cash	3,024	(3,025)
Foreign exchange forward contracts	—	134
Accounts receivable	(2,752)	2,919
Other receivables	550	544
Due from affiliates	7	573
Inventories	11,495	4,392
Prepaid expenses and other current assets	1,454	110
Other assets	128	34
Accounts payable and other current liabilities	1,847	(2,766)
Due to affiliates	(38)	(36)
Income taxes payable	19	40
Operating activities of continuing operations	26,443	(2,682)
Operating activities of discontinued operations	—	(347)
Net cash provided (used) by operating activities	26,443	(3,029)
Cash Flow From Investing Activities:		
Proceeds from partial calls on securities	—	5,800
Purchase of trademark	(1,469)	—
Additions to property and equipment (continuing operations)	(2,581)	(416)
Investing activities of discontinued operations, including Proceeds from sale of ASI (net of cash at date of sale)	—	430
Net cash (used) provided by investing activities	(4,050)	5,814
Cash Flows from Financing Activities:		
Short-term borrowings	—	9,279
Repayments of short-term borrowings	(159)	(3,613)
Dividends paid	(29,843)	—
Borrowings under long-term credit facility	124,479	141,608
Repayments of borrowings under long-term credit facility	(124,337)	(141,691)
Financing activities of continuing operations	(29,860)	5,583
Financing activities of discontinued operations	—	(133)
Net cash (used) provided by financing activities	(29,860)	5,450
Net increase in cash and cash equivalents	(7,467)	8,235
Cash and cash equivalents at beginning of year	22,518	14,283
Cash and cash equivalents at end of	$ 15,051	$ 22,518
Supplemental disclosures of non-cash investing and financing activities:		
Interest	$ 114	$ 144
Income taxes	$ 22	$ 67

The accompanying notes are an integral part of the consolidated financial statements.

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES:

Background and Basis of Presentation

The consolidated financial statements include the accounts of Emerson Radio Corp. ("Emerson", consolidated — the "Company"), and its subsidiaries. The Company designs, sources, imports and markets a variety of houseware and consumer electronic, and licenses the Emerson trademark for a variety of products domestically and internationally.

On April 16, 2009, the Company entered into an agreement with certain parties which ended the Company's joint venture investment in Advanced Sound and Image, LLC, a Delaware limited liability company ("ASI"). Accordingly, the financial position and results of operations of the Company's interest in the ASI joint venture for the fiscal years ended March 31, 2010 and 2009 have been presented as discontinued operations. Discontinued operations, net of tax for the fiscal years ending March 31, 2010 and 2009, relating to this transaction were $55,000 and $634,000, respectively. See Note 16 "Discontinued Operations".

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, the Company is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Highly liquid short-term investments with original maturities of three months or less at the time of purchase are considered to be cash equivalents.

Fair Values of Financial Instruments

The carrying amounts for cash and cash equivalents, cash securing bank loans, trade accounts receivable, accounts payable and accrued liabilities approximate fair value due to the short-term maturity of these financial instruments. The carrying amounts of bank debt approximate their fair values due to their variable rate interest features.

Investments

The Company determines the appropriate classifications of securities at the time of purchase and evaluates the continuing appropriateness of that classification thereafter. The Company's investments in auction rate securities are classified as trading securities in fiscal 2010 and 2009. Realized gains and losses are determined on a specific identification basis and are reported separately as a component of income. Decreases and increases in the fair value of securities deemed to be other than temporary are included in earnings.

Concentrations of Credit Risk

Certain financial instruments potentially subject the Company to concentrations of credit risk. Accounts receivable represent sales to retailers and distributors of consumer electronics throughout the United States and Canada. The Company periodically performs credit evaluations of its customers but generally does not require collateral. The Company provides for any anticipated credit losses in the financial statements based upon management's estimates and ongoing reviews of recorded allowances. The accounts receivable allowance for doubtful accounts was $557,000 at March 31, 2010 and $691,000 at March 31, 2009

The Company maintains its cash accounts primarily with the bank providing its credit facility and also with major foreign financial institutions. See Note 6 — “Borrowings”. The total cash balances are insured by the Federal Deposit Insurance Corporation (“FDIC”) up to $250,000 per bank as of March 31, 2010 and $250,000 per bank as of March 31, 2009. The Company’s cash balances in excess of FDIC-insured limits were $14.8 million and $25.3 million at March 31, 2010 and March 31, 2009, respectively.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is computed using the straight-line method over the estimated useful lives of the assets being depreciated. Leasehold improvements are amortized on a straight-line basis over the shorter of the useful life of the improvement or the term of the lease. The cost of maintenance and repairs is charged to expense as incurred. Significant renewals and betterments are capitalized and depreciated over the remaining estimated useful lives of the related assets. At time of disposal, the cost and related accumulated depreciation are removed from the Company’s records and the difference between net carrying value of the asset and the sale proceeds is recorded as a gain or loss.

Depreciation of property, plant and equipment is provided by the straight-line method as follows:

• Machinery and Equipment	Five years to ten years
• Computer Equipment and Software	Three years to ten years
• Furniture & Fixtures and Office Equipment	Five years to seven years
• Building	Fifteen years

Long-Lived Assets

The Company’s long-lived assets include property and equipment, trademark and other amortizable intangibles. At March 31, 2010, the Company had approximately $3,131,000 of property and equipment, net of accumulated depreciation, and approximately $1,606,000 of trademark and other amortizable intangible assets, net of amortization, accounting for approximately 7% of the Company’s total assets. The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC Topics 350 “Intangibles” and 360 “Property, Plant and Equipment”. Recoverability of assets held and used are measured by a comparison of the carrying amount of the asset to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. Future events could cause the Company to conclude that impairment indicators exist and that long-lived assets may be impaired. Any resulting impairment loss could have a material adverse impact on the Company’s financial condition and results of operations.

Revenue Recognition

Distribution of products

Revenues from product distribution are recognized at the time title passes to the customer. Under the Direct Import Program, title passes in the country of origin. Under the Domestic Program, title passes primarily at the time of shipment. Estimates for possible returns are based upon historical return rates and netted against revenues. Except in connection with infrequent sales with specific arrangements to the contrary, returns are not permitted unless the goods are defective.

Management must make estimates of potential future product returns related to current period product revenue. Management analyzes historical returns, current economic trends and changes in customer demand for our products when evaluating the adequacy of the reserve for sales returns. Management judgments and estimates must be made and used in connection with establishing the sales return reserves in any accounting period. Additional reserves may be required if actual sales returns increase above the historical return rates. Conversely, the sales return reserve could be decreased if the actual return rates are less than the historical return rates, which were used to establish the reserve.

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, “Revenue Recognition.”, subtopic 50 “Customer Payments and Incentives” and Securities and Exchange Commission Staff Accounting Bulletins 101 “Revenue Recognition in Financial Statements,” and 104 “Revenue Recognition, corrected copy” (“SAB’s 101 and 104”).

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

Licensing

In addition to the distribution of products, the Company grants licenses for the right to use the Company's trademarks for a stated term for the manufacture and/or sale of consumer electronics and other products under agreements which require payment of either i) a non-refundable minimum guaranteed royalty or, ii) the greater of the actual royalties due (based on a contractual calculation, normally comprised of actual product sales by the licensee multiplied by a stated royalty rate, or "Sales Royalties") or a minimum guaranteed royalty amount. In the case of (i), such amounts are recognized as revenue on a straight-line basis over the term of the license agreement. In the case of (ii), Sales Royalties in excess of guaranteed minimums are accounted for as variable fees and are not recognized as revenue until the Company has ascertained that the licensee's sales of products have exceeded the guaranteed minimum. In effect, the Company recognizes the greater of Sales Royalties earned to date or the straight-line amount of minimum guaranteed royalties to date. In the case where a royalty is paid to the Company in advance, the royalty payment is initially recorded as a liability and recognized as revenue as the royalties are deemed to be earned according to the principles outlined above.

Cost of Sales

Cost of sales includes actual product cost, change in inventory reserves, duty, buying costs, the cost of transportation to the Company's warehouses from its manufacturers, warehousing costs, and an allocation of those selling, general and administrative expenses that are directly related to these activities.

Other Operating Costs and Expenses

Other operating costs and expenses include costs associated with returned product received from retailers, warranty costs, warehouse supply expenses, and an allocation of those selling, general and administrative expenses that are directly related to these activities. Because other operating costs and expenses is not included in cost of sales, the reported gross margin may not be comparable to those of other distributors that may include all costs related to the cost of product to their cost of sales and in the calculation of gross margin.

Selling, General and Administrative Expenses

Selling, general and administrative expenses include all operating costs of the Company that are not directly related to the cost of procuring product or costs not included in other operating costs and expenses.

Acquisition Costs Incurred

Acquisition costs include all costs incurred by the Company in acquisition attempts. These costs are charged to operations when the potential acquisition is terminated.

Foreign Currency

The assets and liabilities of foreign subsidiaries have been translated at current exchange rates, and related revenues and expenses have been translated at average rates of exchange in effect during the year. Related translation adjustments are reported as a separate component of shareholders' equity. Losses and gains resulting from foreign currency transactions are included in the results of operations.

The Company generally does not enter into foreign currency exchange contracts to hedge its exposures related to foreign currency fluctuations and there were no foreign exchange forward contracts held by the Company at March 31, 2010 or March 31, 2009.

Advertising Expenses

Advertising expenses are charged to operations as incurred and are included in selling, general and administrative expenses. Total advertising expenses were approximately $155,000 and $1,143,000 for fiscal 2010 and 2009, respectively.

Sales Allowance and Marketing Support Expenses

Sales allowances, marketing support programs, promotions and other volume-based incentives which are provided to retailers and distributors are accounted for on an accrual basis as a reduction to net revenues in the period in which the related sales are recognized in accordance with ASC topic 605, "Revenue Recognition.", subtopic 50 "Customer Payments and Incentives" and Securities and Exchange Commission Staff Accounting Bulletins 101 "Revenue Recognition in Financial Statements," and 104 "Revenue Recognition, corrected copy" ("SAB's 101 and 104").

At the time of sale, the Company reduces recognized gross revenue by allowances to cover, in addition to estimated sales returns as required by ASC topic 605, "Revenue Recognition", subtopic 15 "Products", (i) sales incentives offered to customers that meet the criteria for accrual under ASC topic 605, subtopic 50 and (ii) under SAB's 101 and 104, an estimated amount to recognize additional non-offered deductions it anticipates and can reasonably estimate will be taken by customers which it does not expect to recover. Accruals for the estimated amount of future non-offered deductions are required to be made as contra-revenue items because that percentage of shipped revenue fails to meet the collectability criteria within SAB 104's and 101's four revenue recognition criteria, all of which are required to be met in order to recognize revenue.

If additional marketing support programs, promotions and other volume-based incentives are required to promote the Company's products subsequent to the initial sale, then additional reserves may be required and are accrued for when such support is offered.

The sales and marketing support accrual activity for fiscal 2010 and fiscal 2009 was as follows (in thousands):

Balance at March 31, 2008	**$ 6,323**
Fiscal 2009 additions	7,144
Fiscal 2009 usages	(7,221)
Fiscal 2009 adjustments	(2,282)
Balance at March 31, 2009	**$ 3,964**
Fiscal 2010 additions	3,973
Fiscal 2010 usages	(3,766)
Fiscal 2010 adjustments	(1,226)
Balance at March 31, 2010	**$ 2,945**

Internet Expenses

The Company expenses when incurred the operating and development costs of its Internet website.

Interest (expense) income, net

The Company expenses interest when incurred. The interest expenses for fiscal 2010 and 2009 consist of:

	2010	2009
	(In thousands)	
Interest (expense)	$ (174)	$ (174)
Amortization of deferred financing costs	(139)	(83)
Interest income	289	502
Interest (expense) income, net	$ (24)	$ 245

Income Taxes

Deferred income taxes are provided for the tax effects of differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets have been recorded net of an appropriate valuation allowance, to the extent management believes it is more likely than not that such assets will be realized. (See Note 7 “Income Taxes”).

Comprehensive Income

Comprehensive income or loss, as disclosed in the Consolidated Statements of Changes in Shareholders’ Equity, is net income or loss adjusted for changes in the fair value of hedge instruments, unrealized gains or losses on securities, and foreign currency translation adjustments.

Net Earnings (Loss) Per Common Share

Net earnings (loss) per share are based upon the weighted average number of common and common equivalent shares outstanding. Outstanding stock options and warrants are treated as common stock equivalents when dilution results from their assumed exercise.

Stock-Based Compensation

The Company accounts for all share based payments in accordance with ASC Topic 71X, “Compensation”, subtopic 718 “Compensation — Stock Compensation”. Accordingly, the computed fair value is expensed ratably over the requisite vesting period The Company recorded compensation costs of $12,000 during fiscal 2010 and a recovery of compensation costs of $2,000 during fiscal 2009.

There were no stock options granted by the Company in fiscal 2010 or fiscal 2009.

Recent Pronouncements

In April 2009, the FASB issued FSP SFAS 115-2 and SFAS 124-2, “Recognition and Presentation of Other-than-temporary impairments,” which was subsequently incorporated into ASC topic 320, “Investments — Debt and Equity Securities.” The purpose of this ASC topic was to provide greater clarity to investors about the credit and noncredit component of an other-than-temporary impairment event and to communicate more effectively when an other-than-temporary impairment event has occurred. This ASC topic amends the other-than-temporary impairment guidance in GAAP for debt securities and improves the presentation and disclosure of other-than-temporary impairment on investment securities and changes the calculation of the other-than-temporary impairment recognized in earnings in the financial statements. This ASC does not amend existing recognition and measurement guidance related to other-than-temporary impairment of equity securities.

For debt securities, ASC topic 320 requires an entity to assess whether (a) it has the intent to sell the debt security, or (b) it is more likely than not that it will be required to sell the debt security before its anticipated recovery. If either of these conditions is met, an other-than-temporary impairment on the security must be recognized.

In instances in which a determination is made that a credit loss (defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis) exists but the entity does not intend to sell the debt security and it is not more likely than not that the entity will be required to sell the debt security before the anticipated recovery of its remaining amortized cost basis (i.e., the amortized cost basis less any current-period credit loss), ASC topic 320 changes the presentation and amount of the other-than-temporary impairment recognized in the income statement.

In these instances, the impairment is separated into (a) the amount of the total impairment related to the credit loss, and (b) the amount of the total impairment related to all other factors. The amount of the total other-than-temporary impairment related to the credit loss is recognized in earnings. The amount of the total impairment related to all other factors is recognized in other comprehensive loss and will be amortized over the remaining life of the debt security as an increase in the carrying value of the security (with no effect on earnings unless the security is subsequently sold or there is additional other-than-temporary impairment losses recognized). The total other-than-temporary impairment is presented in the income statement with an offset for the amount of the total other-than-temporary impairment that is recognized in other comprehensive loss. Previously, in all cases, if an impairment was determined to be other-than-temporary, an impairment loss was recognized in earnings in an amount equal to the entire difference between the security's amortized cost basis and its fair value at the balance sheet date of the reporting period for which the assessment was made. The new presentation provides additional information about the amounts that the entity does not expect to collect related to a debt security.

ASC topic 320 is effective and is to be applied prospectively for financial statements issued for interim and annual reporting periods ending after June 15, 2009. When adopting ASC topic 320, an entity is required to record a cumulative-effect adjustment as of the beginning of the period of adoption to reclassify the noncredit component of a previously recognized other-than-temporary impairment from retained earnings to accumulated other comprehensive loss if the entity does not intend to sell the security and it is not more likely than not that the entity will be required to sell the security before the anticipated recovery of its amortized cost basis.

The Company adopted FASB Staff Position 115-2 (FSP 115-2) — Recognition and Presentation of Other-than-Temporary Impairments — on April 1, 2009. The adoption of FSP 115-2, which was subsequently incorporated into ASC topic 320, "Investments — Debt and Equity Securities," did not have a material impact on the Company's results of operation or financial condition for fiscal 2010.

In May 2009, the FASB issued SFAS No. 165 Subsequent Events (SFAS 165), which is effective for interim or annual financial periods ending after June 15, 2009, and which was subsequently incorporated into ASC topic 855, "Subsequent Events." ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 sets forth (1) The period after the balance sheet date during which management of a reporting entity should evaluate events or transactions that may occur for potential recognition or disclosure in the financial statements, (2) The circumstances under which an entity should recognize events or transactions occurring after the balance sheet date in its financial statements and (3) The disclosures that an entity should make about events or transactions that occurred after the balance sheet date. The Company adopted SFAS 165 in the quarter ended June 30, 2009 and has evaluated subsequent events through July 9, 2010, the date the financial statements were issued.

In June 2009, the FASB issued FAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles — a replacement of FASB Statement No. 162. This codification is the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company adopted the provisions of FAS No. 168 effective June 28, 2009. The adoption of this statement did not have an effect on our financial position or results of operations.

In September 2009, the FASB issued Accounting Standards Update ("ASU") 2009-13, Multiple-Deliverable Revenue Arrangements, and ASU 2009-14, "Certain Revenue Arrangements That Include Software Elements" — a consensus of the FASB Emerging Issues Task Force, to amend the existing revenue recognition guidance. ASU 2009-13 amends ASC topic 605, "Revenue Recognition", subtopic 25, "Multiple-Element Arrangements" (formerly EITF Issue 00-21, "Revenue Arrangements with Multiple Deliverables"), as follows: modifies criteria used to separate elements in a multiple-element arrangement, introduces the concept of "best estimate of selling price" for determining the selling price of a deliverable, establishes a hierarchy of evidence for determining the selling price of a deliverable, requires use of the relative selling price method and prohibits use of the residual method to allocate arrangement consideration among units of accounting, and expands the disclosure requirements for all multiple-element arrangements within the scope of ASC 605-25. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In October 2009, the FASB issued Accounting Standard Update ("ASU") 2009-14, which amends the scope of ASC topic 985, "Software", and ASC topic 605, "Revenue Recognition" (formerly AICPA Statement of Position 97-2, Software Revenue Recognition), to exclude certain tangible products and related deliverables that contain embedded software from the scope of this guidance. Instead, the excluded products and related deliverables must be evaluated for separation, measurement, and allocation under the guidance of ASC topic 605-25, "Multiple Element Arrangements", as amended by ASU 2009-13. The amended guidance is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted. An entity may elect retrospective application to all revenue arrangements for all periods presented using the guidance in ASC topic 250, "Accounting Changes and Error Corrections". Entities must adopt the amendments resulting from both of these ASUs in the same period using the same transition method, where applicable. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements". The standard amends ASC Topic 820, "Fair Value Measurements and Disclosures" to require additional disclosures related to transfers between levels in the hierarchy of fair value measurement. The standard is effective for interim and annual reporting periods beginning after December 15, 2009. The standard does not change how fair values are measured. Accordingly, the standard will not have an impact on the Company.

In January 2010, the FASB issued updated accounting guidance related to fair value measurements and disclosures which amends and clarifies existing disclosure requirements. This updated accounting guidance requires new disclosures related to amounts transferred into and out of Level 1 and 2 fair value measurements as well as separate disclosures of purchases, sales, issuances, and settlements related to amounts reported as Level 3 fair value measurements. This guidance also clarifies existing fair value disclosure requirements related to the level of disaggregation and the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements. This guidance is effective for interim and annual periods beginning after December 15, 2009, except for the separate disclosures of purchases, sales, issuances, and settlements related to amounts reported as Level 3 fair value measurements, which is effective for fiscal years beginning after December 15, 2010. The Company does not believe the adoption of this guidance will have a material impact on its consolidated financial statements.

In February 2010, the FASB issued an additional accounting pronouncement that amended certain requirements for subsequent events (FASB ASC Topic 855, "Subsequent Events"), which requires an SEC filer or a conduit bond obligor to evaluate subsequent events through the date the financial statements are available to be issued and removes the previous requirement to disclose the date through which subsequent events have been evaluated. The amended amendments were effective on issuance of the final pronouncement. The adoption of this pronouncement had no effect on our consolidated financial statements.

In April 2010, the FASB issued Accounting Standard Update ("ASU") 2010-17, "Revenue Recognition — Milestone Method", which amended guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. A vendor can recognize consideration that is contingent upon achievement of a milestone in its entirety as revenue in the period in which the milestone is achieved only if the milestone meets all criteria to be considered substantive.

The consideration earned by achieving the milestone should:

1. Be commensurate with either of the following:

    a. The vendor's performance to achieve the milestone

    b. The enhancement of the value of the item delivered as a result of a specific outcome resulting from the vendor's performance to achieve the milestone

2. Relate solely to past performance

3. Be reasonable relative to all deliverables and payment terms in the arrangement.

A milestone should be considered substantive in its entirety. An individual milestone may not be bifurcated. An arrangement may include more than one milestone, and each milestone should be evaluated separately to determine whether the milestone is substantive. Accordingly, an arrangement may contain both substantive and non-substantive milestones.

The amendments in this ASU are effective on a prospective basis for milestones achieved in fiscal years, and interim periods within those years, beginning on or after June 15, 2010. Early adoption is permitted.

ASU 2010-17 will not have an impact on the Company.

NOTE 2 — INVENTORIES:

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method. As of March 31, 2010 and 2009, inventories of continuing operations consisted of the following:

	March 31, 2010	March 31, 2009
	(In thousands)	
Finished goods	$ 12,710	$ 24,205
Less inventory allowances	(1,758)	(3,514)
	$ 10,952	$ 20,691

NOTE 3 — RELATED PARTY TRANSACTIONS

From time to time, Emerson engages in business transactions with its controlling shareholder, The Grande Holdings Limited and its subsidiaries ("Grande"). Set forth below is a summary of such transactions.

Majority Shareholder

Grande's Ownership Interest in Emerson. At March 31, 2010, approximately 56.2% of the Company's outstanding common stock was owned by direct or indirect subsidiaries of The Grande Holdings Limited, a Bermuda corporation.

Related Party Transactions

Product Sourcing Transactions. Between August 2006 and September 2008, Emerson provided assistance with acquiring certain products for sale to Sansui Sales PTE Ltd ("Sansui Sales") and Akai Sales PTE Ltd ("Akai Sales"), both of which are subsidiaries of Grande. Emerson issued purchase orders to third-party suppliers who manufactured these products, and Emerson issued sales invoices to Sansui Sales' and Akai Sales' at gross amounts for these products. Financing was provided by Sansui Sales' and Akai Sales' customers in the form of transfer letters of credit to the suppliers, and goods were shipped directly from the suppliers to Sansui Sales' and Akai Sales' customers. Emerson recorded income totaling $0 and $10,000 for providing this service in fiscal 2010 and 2009, respectively. As of March 31, 2010 and March 31, 2009, Sansui Sales and Akai Sales collectively owed Emerson $0 and $7,600, respectively, relating to this activity.

Sales of goods. In addition to the product sourcing transactions described in the preceding paragraph, Emerson also purchased products on behalf of Sansui Sales and Akai Sales from third-party suppliers and sold these goods to Sansui Sales and Akai Sales. These transactions, the latest of which occurred in February 2008, were similar to the transactions described in the preceding paragraph; however, instead of utilizing transfer letters of credit provided by Sansui Sales' and Akai Sales' customers, Emerson utilized its own cash to pay Sansui Sales' and Akai Sales' suppliers. Emerson invoiced Sansui Sales and Akai Sales an amount that was marked up between two and three percent from the cost of the product. In September 2009, Emerson and Akai Sales reached an agreement related to certain defective products that Emerson had procured and sold to Akai Sales under this arrangement during the third quarter of fiscal 2007 under which Emerson agreed to accept a net charge of approximately $59,000 — approximately $101,000 from Akai Sales, upon which Emerson originally recognized approximately $4,000 of gross profit in the third quarter of fiscal 2007, offset by a credit from the factory from which Emerson procured the product of approximately $42,000. In September 2009, Emerson netted amounts owed to it from Akai Sales against this liability and settled this liability in full with Akai Sales during September 2009. As a result of these arrangements, Emerson recorded sales to Sansui Sales and Akai Sales, collectively, of $0 fiscal 2010 and 2009, respectively. At March 31, 2010 and March 31, 2009, Sansui Sales and Akai Sales collectively owed Emerson $0 and $9,600 relating to these activities, respectively and at both March 31, 2010 and March 31, 2009, Emerson had outstanding liabilities to suppliers of product invoiced to Sansui Sales and Akai Sales of $0.

Leases and Other Real Estate Transactions.

<u>Rented Space in Hong Kong</u>

Effective May 15, 2009, Emerson entered into an amended lease agreement with The Grande Properties Ltd., which shares the same ultimate major shareholder as Grande ("Grande Properties"), pursuant to which the space rented from Grande Properties was increased from 18,476 square feet to 19,484 square feet. This amended agreement by its terms expired on December 31, 2009.

Effective June 1, 2009, Emerson entered into another lease agreement with Grande Properties, pursuant to which additional space was rented from Grande Properties totaling 17,056 square feet for Emerson's use to refurbish certain returned products. In connection with this new space rental, during June 2009, Emerson paid a security deposit of approximately $71,400 to Grande Properties. This lease agreement expired on December 31, 2009

Effective January 1, 2010, Emerson entered into a lease agreement with Lafe Properties (Hong Kong) Limited, formerly known as The Grande Properties Ltd., ("Lafe"), pursuant to which Emerson rented 36,540 square feet from Lafe for the purpose of housing its Hong Kong based office personnel and for its use to refurbish certain returned products.

Rent expense and related service charges associated with these lease agreements with Grande totaled $703,000 and $414,000 for fiscal 2010 and fiscal 2009, respectively. The rent expense and related service charges associated with these lease agreements are included in the Consolidated Statements of Operations as a component of selling, general, and administrative expenses.

Emerson owed Lafe and Grande Properties $1,703 and $41,600 related to this activity at March 31, 2010 and March 31, 2009, respectively, and a security deposit paid by Emerson of $153,000 and $81,900 on the leased property described in this paragraph was held by Lafe and Grande Properties as of March 31, 2010 and March 31, 2009, respectively.

<u>Rented Space in the People's Republic of China</u>

In December 2008, Emerson signed a lease agreement with Akai Electric (China) Ltd., a subsidiary of Grande, concerning the rental of office space, office equipment, and lab equipment for Emerson's quality assurance personnel in Zhongshan, People's Republic of China. The lease term began in July 2007 and ended by its terms in June 2009, at which time the agreement renews automatically on a month-by-month basis unless canceled by either party. The agreement has not been canceled by either party, and therefore remains in full force and effect as of March 31, 2010.

Rent charges with Akai Electric (China) Ltd. totaled approximately $109,000 and $264,000 for fiscal 2010 and fiscal 2009, respectively.

Emerson owed Akai Electric (China) Ltd. $0 related to the agreement at March 31, 2010 and approximately $9,500 at March 31, 2009. A security deposit paid by Emerson to Akai Electric (China) Ltd. of $31,600 on the leased property was held by Akai Electric (China) Ltd. as of both March 31, 2010 and March 31, 2009, respectively.

Toy Musical Instruments. In May 2007, Emerson entered into an agreement with Goldmen Electronic Co. Ltd. ("Goldmen"), pursuant to which the Company agreed to pay $1,682,220 in exchange for Goldmen's manufacture and delivery to Emerson of musical instruments in order for it to meet its delivery requirements of these instruments in the first week of September 2007.

In July 2007, the Company learned that Goldmen had filed for bankruptcy and was unable to manufacture the ordered musical instruments. Promptly thereafter, Capetronic Displays Limited ("Capetronic"), a subsidiary of Grande, agreed to manufacture the musical instruments at the same price and on substantially the same terms and conditions. Accordingly, on July 12, 2007, Emerson paid Tomei Shoji Limited, an affiliate of Grande, $125,000 to acquire from Goldmen and deliver to Capetronic the molds and equipment necessary for Capetronic to manufacture the musical instruments. In July 2007, Emerson made two upfront payments to Capetronic totaling $546,000. On July 20, 2007, Capetronic advised Emerson that it was unable to manufacture the musical instruments because it did not have the requisite governmental licenses to do so.

In June 2008, Capetronic repaid the $546,000 advance it received from Emerson in July 2007.

In August 2008, Capetronic requested that Emerson reimburse it for the costs it had incurred to purchase the production materials required to produce the musical instruments. After a review of the facts, the material purchase orders, the physical material at the Capetronic premises, and deducting an agreed upon scrap value of the material, Emerson decided to honor the request and paid $313,000 to Capetronic on September 30, 2008. These materials are the property of Capetronic.

Capetronic is currently in physical possession of Emerson's molds originally required to produce the musical instruments, which Emerson wrote off in fiscal 2008.

Hong Kong Electronics Fairs ("HKEF"). Emerson incurred costs totaling $152,633 for its participation in the 2008 HKEF. The total included $5,138 billed by Grande to Emerson for services rendered in connection with the event, and, as of March 31, 2010 and March 31, 2009, respectively, Emerson owed Lafe Technology (Hong Kong) Ltd $0 and $4,396 for related storage and delivery charges. In addition, Emerson billed Nakamichi Corporation Ltd, Akai Sales PTE Ltd. and Sansui Sales PTE Ltd. $33,823 for expenses that Emerson incurred on their behalf for the 2008 HKEF; and as of March 31, 2010 and March 31, 2009, respectively, $0 and $19,657 from Nakamichi Corporation Ltd, $0 and $8,222 from Akai Sales PTE Ltd, and $0 and $5,944 from Sansui Sales PTE Ltd was due to Emerson.

Between August and December 2007, Emerson paid invoices and incurred charges for goods and services relating to the 2007 HKEF of $153,069. Portions of these charges, totaling $87,353, were allocated and invoiced to affiliates of Grande in proportion to their respective share of space occupied and services rendered during the 2007 HKEF as follows: Nakamichi Corporation Ltd. $17,143, Akai Sales PTE Ltd $44,495 and Sansui Sales PTE Ltd $25,715. Akai Sales and Sansui Sales collectively owed Emerson $0 at March 31, 2010 and $6,437 at March 31, 2009 in connection with the 2007 HKEF.

Also, related to the 2006 and 2007 annual HKEF's, Capetronic incurred charges and paid invoices on behalf of Emerson in the amount of $76,000 for which Emerson reimbursed Capetronic $48,000 for the 2007 HKEF in March 2008. Emerson paid Capetronic the remaining balance due of $28,000 for the 2006 HKEF on September 30, 2008. Emerson owed Capetronic $0 and $0 related to the 2006 and 2007 HKEF's as of March 31, 2010 and March 31, 2009, respectively.

Other.

In January and February 2008, Emerson invoiced The GEL Engineering Corp. Ltd ("GEL"), an affiliate of Grande, for a portion of $7,900 travel expenses paid by Emerson, of which 70% pertained to travel for the benefit of GEL and 30% pertained to travel for Emerson. As of March 31, 2010 and March 31, 2009, respectively, GEL owed Emerson $0 and $5,500 as a result of this activity.

In June 2008, Emerson paid Capetronic $160,000 for reimbursement of payroll and travel expenses that Capetronic paid on behalf of Emerson from October 2007 through May 2008 for expenses related to Emerson employees located in mainland China.

In September 2008, Akai Sales invoiced Emerson for travel expenses and courier fees which Akai Sales paid on Emerson's behalf. As of March 31, 2010 and March 31, 2009, respectively, Emerson owed Akai Sales $0 and $2,700 as a result of this activity.

In September 2008, the Emerson Board of Directors resolved that, effective as of April 1, 2008, the annual base salary of the Chief Executive Officer of the Company shall be $350,000, and, that because all members of the Board are to receive board fees according to a schedule approved by the Board, and because no such fees had been paid to the Chairman of the Board from July 2006 through March 31, 2008, the Chairman of the Board shall be paid compensation in full for his services for that period of time, to be calculated using the standard annual fee structure in place for board members then currently in effect. As a result of these resolutions, in September 2008 the Company began paying the Chief Executive Officer the stated annual salary, made a one time retroactive salary payment to the Chief Executive Officer of $145,833 covering the period April 1, 2008 through August 31, 2008, and made a one time cash payment of $75,625 to the Chairman of the Board covering the period July 2006 through March 31, 2008.

In October 2008, the Emerson Board of Directors resolved that those remaining directors currently serving on the Board who, from the date of joining the Board, had received no compensation as either a Board member or as an employee of the Company, receive a cash payment covering such periods of time, to be calculated using the standard annual fee structure in place for board members then currently in effect. As a result of this resolution, in October 2008 the Company made onetime cash payments of $90,000 and $37,500 to two members of the Board of Directors.

In November 2008, Emerson determined that it needed to temporarily maintain access to a material amount of Renminbi to ensure an uninterrupted supply of factory product in the People’s Republic of China, due to the tightening of the local credit and exchange markets. Emerson did not have independent access to Renminbi because it does not own a legal entity in the People’s Republic of China. Emerson therefore advanced to Zhongshan Tomei Audio & Video Products Company Ltd. (Zhongshan Tomei) an amount of HK$20,705,300 — approximately US$2,655,000 — for which Zhongshan Tomei was prepared to disburse, as may be needed, an equivalent amount of Renminbi to Emerson’s factory suppliers upon Emerson’s direction. Once the need to transact in Renminbi passed, US$2,670,922 was repaid to Emerson by Soshin Onkyo International Ltd in December 2008, resulting in a foreign exchange gain to Emerson of $16,000 in December 2008.

In February 2009, Akai Sales invoiced Emerson for travel expenses which Akai Sales paid on Emerson’s behalf. As of March 31, 2010 and March 31, 2009, respectively, Emerson owed Akai Sales $0 and $3,100 as a result of this invoice.

In June 2009, Emerson paid a consulting fee of approximately $6,000 to a director of Grande related to its licensing business, certain potential business opportunity and the investigation of various international sales opportunities.

During September 2009, Nakamichi Corporation Ltd. invoiced Emerson approximately $1,000 for audio samples. As of March 31, 2010, Emerson owed Nakamichi Corporation Ltd. $0 as a result of this invoice.

In December 2009, Emerson paid a consulting fee and related expenses of approximately $8,000 to a director of Emerson for investigating a potential acquisition in 2008 and 2009.

In February 2010, Emerson paid a consulting retainer fee of approximately $16,000 to a director of Emerson for work to be performed by this director relating to the Emerson Radio Shareholder Derivative Litigation (“The Berkowitz Litigation”) described in Footnote 14 “Legal Proceedings”. Subsequent to the end of fiscal 2010, further amounts totaling $31,382 were paid to this director in April and June 2010 for this work upon presentation to Emerson by this director of an invoice covering the period December 2009 through June 2010. In May 2010, Emerson signed an agreement with this director, which formalized the arrangement and commits Emerson to paying a consulting fee of a minimum of $12,500 per quarter to this director relating to The Berkowitz Litigation.

During fiscal 2009, Grande paid Emerson’s quality assurance personnel in Renminbi in the People’s Republic of China on Emerson’s behalf for which Emerson subsequently paid a reimbursement to Grande. Under this arrangement, payroll and travel expenses, including the utilization of Grande employees paid on Emerson’s behalf by Grande and reimbursed by Emerson to Grande, were $0 for fiscal 2010 and $85,000 for fiscal 2009, respectively. Emerson owed Grande $0 for these activities at both March 31, 2010 and March 31, 2009, respectively.

During fiscal 2010, Emerson paid Innovative Capital Limited, a subsidiary of Grande, consulting fees of $125,000 for services rendered to Emerson during the first six months of fiscal 2010 by personnel of Grande. This consulting arrangement ended on September 30, 2009. Emerson owed $0 to Innovative Capital Limited at March 31, 2010 related to this arrangement.

During fiscal 2010, Akai Sales invoiced Emerson approximately $26,000 for travel expenses which Akai Sales paid on Emerson’s behalf. As of March 31, 2010, Emerson owed Akai Sales approximately $26,000 as a result of these invoices.

On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, S&T International Distribution Limited (“S&T”), a subsidiary of Grande, the Company entered into an agreement with S&T whereby the Company returned to S&T on April 7, 2010 that portion of the taxes that the Company had withheld from the dividend paid on March 24, 2010 to S&T, which the Company believes is not subject to U.S. tax based on the Company’s good-faith estimate of its accumulated earnings and profits. (see Note 17 “Subsequent Event”).

NOTE 4 — PROPERTY, PLANT, AND EQUIPMENT:

As of March 31, 2010 and 2009, property, plant, and equipment from continuing operations is comprised of the following:

	2010	2009
	(In thousands)	
Computer equipment & software	357	2,930
Furniture and fixtures	328	1,783
Machinery and equipment	802	737
Leasehold improvements	—	672
Building	2,008	—
Land	641	—
	4,136	6,122
Less accumulated depreciation and amortization	(1,005)	(4,983)
	$ 3,131	$ 1,139

Depreciation of property, plant, and equipment from continuing operations amounted to approximately $589,000 and $668,000 for the years ended March 31, 2010 and 2009, respectively. During fiscal 2010, the Company recorded dispositions of property, plant and equipment with gross book value totaling approximately $4.9 million and a corresponding loss on disposal of approximately $400,000.

NOTE 5 — OTHER INTANGIBLE ASSETS

Other intangible assets as of March 31, 2010 and related amortization expense for the year then ended, consist of the amounts shown below (in thousands). Trademarks relate to costs incurred in connection with the licensing agreements for the use of certain trademarks and service marks in conjunction with the sale of our products. The cost of intangible assets and related accumulated amortization are removed from the Company's accounts during the year in which they become fully amortized or otherwise impaired.

Fiscal Year Ended March 31, 2010	Gross Carrying Amount	Amortization Expense	Accumulated Amortization	Amortization Period	Weighted Average Amortization Period
			(In thousands)		
Amortizable Intangible Assets					
Trademarks	$ 1,830	$ 118	$ 224	15 years	15 years

Fiscal Year Ended March 31, 2009	Gross Carrying Amount	Amortization Expense	Accumulated Amortization	Amortization Period	Weighted Average Amortization Period
			(In thousands)		
Amortizable Intangible Assets					
Trademarks	$ 361	$ 24	$ 106	15 years	15 years

As of March 31, 2010, estimated amortization expense of other intangible assets for each of the next five years, and thereafter, is as follows (in thousands):

2011	$ 122
2012	122
2013	122
2014	122
2015	122
Thereafter	996
	$ 1,606

NOTE 6 — BORROWINGS:

Short-term Borrowings

At March 31, 2010 and March 31, 2009, there were $5.6 million and $5.7 million of short-term borrowings outstanding, respectively, under a credit line maintained with Smith Barney. This facility is backed exclusively by the Company's auction rate securities, bears interest at the Fed Open Market Rate plus 0.25%, and these borrowings have no net carrying cost.

Long-term Borrowings

As of March 31, 2010 and 2009, long-term borrowings consisted of the following:

	2010	2009
	(In thousands)	
Capitalized lease obligations and other	$ 231	$ 144
Less current maturities of capitalized lease obligations	30	85
Long-term debt and notes payable	$ 201	$ 59

Emerson Credit Facility:

On March 2, 2010, the Company entered into an amendment to its Revolving Credit Agreement with Wachovia Bank, whereby the facility was changed to allow only the issuance of 105% cash-collateralized Letters of Credit up to a maximum $15.0 million or a "Borrowing Base" as defined in the agreement. The Borrowing Base amount is established by specified percentages of eligible accounts receivables and inventories. The interest rate charged to the Company on Letters of Credit ranges from Prime or, at the Company's election, the London Interbank Offered Rate ("LIBOR"), plus an interest rate margin ranging between 1.25% to 2.25%, depending on excess availability and the type of Letter of Credit. Pursuant to the loan agreement, the Company is restricted from, among other things, paying certain cash dividends, and entering into certain transactions without the lender's prior consent and is subject to certain leverage financial covenants. Borrowings under the loan agreement are secured by substantially all of the Company's assets. The loan agreement expires by its terms on December 23, 2010 and the Company is currently evaluating its options with regard to its credit and banking needs.

At March 31, 2010 and March 31, 2009, there were approximately $1.8 million and $13.0 million of letters of credit outstanding under this facility.

As of March 31, 2010, the carrying value of this credit facility approximated fair value.

Maturities of long-term borrowings as of March 31, 2010, by fiscal year and in the aggregate are as follows (in thousands):

2011	$ 30
2012	201
Thereafter	—
Total	231
Less current portion	30
Total long term portion	$ 201

NOTE 7 — INCOME TAXES:

	2010	2009
	(In thousands)	
Current:		
Federal	$ 2	$ —
Foreign, state and other	332	53
Prior year state and local	—	—
Deferred:		
Federal	1,571	(108)
Foreign, state and other	466	(35)
	$ 2,371	$ (90)

The Company files a consolidated federal return and certain state and local income tax returns.

The difference between the effective rate reflected in the provision for income taxes and the amounts determined by applying the statutory federal rate of 34% to earnings from continuing operations before minority interest and income taxes for the years ended March 31, 2010 and 2009 is analyzed below:

	2010	2009
	(In thousands)	
Statutory provision (benefit)	$ 4,725	$ (1,453)
Foreign subsidiary	(2,543)	1,197
State taxes	322	18
Permanent differences	27	—
Expiration of NOL	(159)	768
Valuation allowance	—	(611)
Other, net	(1)	(9)
Total income tax (benefit)	$ 2,371	$ (90)

As of March 31, 2010 and 2009, the significant components of the Company's deferred tax assets and liabilities were as follows:

	2010	2009
	(In thousands)	
Deferred tax assets:		
Current:		
Accounts receivable reserves	$ 1,556	$ 2,494
Inventory reserves	1,340	2,132
Accruals	357	542
Stock warrants	166	166
Non-current:		
Property, plant, and equipment	528	308
Impairment of auction rate securities	828	828
Net operating loss carryforwards	5,268	5,584
Stock compensation	84	78
Gross deferred tax assets	10,127	12,132
Valuation allowances	(157)	(157)
Total deferred tax assets	9,970	11,975
Deferred tax liabilities:		
Current:		
Accruals	—	—
Non-current:		
Capital lease expense	119	87
Total Deferred Tax Liabilities	119	87
Net deferred tax assets	$ 9,851	$ 11,888

The amounts of federal net operating loss carryforwards ("NOLs") on which the related deferred tax asset ("DTA") was calculated are as follows as of March 31, 2010 (in millions $):

Loss Year (Fiscal)	Included in DTA	Expiration Year (Fiscal)
1997	2.8	2012
1999	1.3	2019
2008	7.8	2028
2009	3.2	2029

As of August 29, 2006 the overall deduction Emerson may utilize each year against its taxable income is limited to $5.9 million by IRC section 382.

The amounts of state NOLs available by year as of March 31, 2010 are as follows (in millions $):

Loss Year (Fiscal)	Included in DTA	Expiration Year (Fiscal)
2008	0.9	2015
2009	3.1	2016

The tax benefits related to these operating loss carryforwards and future deductible temporary differences are recorded to the extent management believes it is more likely than not that such benefits will be realized.

Income (loss) of foreign subsidiaries before taxes was $8,396,000 and $(3,521,000) for the years ended March 31, 2010 and 2009, respectively.

No provision was made for U.S. or additional foreign taxes on undistributed earnings of foreign subsidiaries. Such earnings have been and will be reinvested but could become subject to additional tax if they were remitted as dividends, or were loaned to the Company or a domestic affiliate, or if the Company should sell its stock in the foreign subsidiaries. It is not practicable to determine the amount of additional tax, if any, that might be payable on undistributed foreign earnings.

A reconciliation of the Company's changes in uncertain tax positions from April 1, 2009 to March 31, 2010 is as follows:

	In 000's
Total amount of unrecognized tax benefits as of April 1, 2009	$ 121
Gross increases in unrecognized tax benefits as a result of tax positions taken during a prior period	—
Gross decreases in unrecognized tax benefits as a result of tax positions taken during a prior period	—
Gross increases in unrecognized tax benefits as a result of tax positions taken during the current period	—
Gross decreases in unrecognized tax benefits as a result of tax positions taken during the current period	—
Decreases in unrecognized tax benefits relating to settlements with taxing authorities	—
Reductions to unrecognized tax benefits as a result of lapse of statute of limitations	—
Total amount of unrecognized tax benefits as of March 31, 2010	$ 121

The effective tax rate on our income from continuing operations before income taxes for fiscal 2010 differs from the federal statutory rate primarily as a result of difference in tax rate between U.S. and foreign jurisdictions, state income taxes, and change in net operating loss carryforwards. The effective tax rate on our loss from continuing operations before income taxes for fiscal 2009 differs from the federal statutory rate primarily as a result of difference in tax rate between U.S. and foreign jurisdictions, state income taxes, change in net operating loss carryforwards and change in valuation allowance.

The Company is subject to examination and assessment by tax authorities in numerous jurisdictions. A summary of the Company's open tax years is as follows as of March 31, 2010:

Jurisdiction	Open Tax Years
U.S. Federal	2006-2009
U.S. States	2006-2009
Foreign	2004-2009

Based on the outcome of tax examinations or due to the expiration of statutes of limitations, it is reasonably possible that the unrecognized tax benefits related to uncertain tax positions taken in previously filed returns may be different from the liabilities that have been recorded for these unrecognized tax benefits. As a result, the Company may be subject to additional tax expense.

In May 2007, the FASB issued FASB Staff Position ("FSP") FIN 48-1 Definition of a Settlement in FASB Interpretation No. 48 (FSP FIN 48-1). FSP FIN 48-1 provides guidance on how to determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. FSP FIN 48-1 is effective retroactively to April 1, 2007. The implementation of this standard did not have a material impact on our consolidated balance sheets or statements of operations.

NOTE 8 — COMMITMENTS AND CONTINGENCIES:

Leases:

The Company leases warehouse and office space with annual commitments as follows (in thousands):

		Rental Commitments	
Fiscal Years	**Amount**	**Affiliate**	**Non-Affiliate**
2011	1,558	410	1,148
2012	424	—	424
2013	93	—	93
2014	—	—	—
Thereafter	—	—	—
Total	$ 2,075	$ 410	$ 1,665

Rent expense from continuing operations resulting from leases from non-affiliates, which includes month-to-month leases, aggregated $2,439,000 and $2,352,000, respectively, for fiscal 2010 and 2009.

Letters of Credit:

At March 31, 2010 and March 31, 2009, there were approximately $1.8 million and $13.0 million of letters of credit outstanding under this facility.

(see Note 6 "Borrowings").

Capital Expenditure and Other Commitments:

As of March 31, 2010, there were no material capital expenditure commitments and no substantial commitments for purchase orders outside the normal purchase orders used to secure product.

Employee Benefit Plan:

The Company currently sponsors a defined contribution 401(k) retirement plan which is subject to the provisions of the Employee Retirement Income Security Act. The Company matches a percentage of the participants' contributions up to a specified amount. These contributions to the plan for fiscal 2010 and 2009 were $104,000 and $193,000, respectively, and were charged to operations for the periods presented.

NOTE 9 — STOCK BASED COMPENSATION:

In July 1994, the Company adopted a Stock Compensation Program ("Program"). The Program is comprised of four parts — the Incentive Stock Option Plan, the Supplemental Stock Option Plan, the Stock Appreciation Rights Plan, and the Stock Bonus Plan. The maximum aggregate number of shares of common stock available pursuant to the Program was 2,000,000 shares.

In 2004, the Company adopted the 2004 Employee Stock Options Plan. The provisions for exercise price, term and vesting schedule are, for the most part, the same as the previous Incentive Stock Option Plan. The maximum aggregate number of shares of common stock available pursuant to the Program is 2,500,000 shares.

A summary of transactions during the last two years is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding — April 1, 2008	37,334	$ 2.32
Cancelled	(3,334)	1.00
Outstanding — March 31, 2009	34,000	$ 2.45
Cancelled	(32,000)	2.54
Outstanding — March 31, 2010	2,000	$ 1.00
Exercisable at March 31, 2010	2,000	$ 1.00

The following table provides additional information as to the options outstanding under the Stock Compensation Program and the 2004 Employee Stock Option Plan as of March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Amount Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Amount Exercisable	Weighted Average Exercise Price
$1.00	2,000	0.3	$ 1.00	2,000	$ 1.00

Subject to the terms set forth in each option agreement, generally, the term of each option is ten years, except for incentive stock options issued to any person who owns more than 10% of the voting power of all classes of capital stock, for which the term is five years. Unless otherwise provided, options may not be exercised during the first year after the date of the grant. Thereafter, each option becomes exercisable on a pro rata basis on each of the first through third anniversaries of the date of the grant. The exercise price of options granted must be equal to or greater than the fair value of the shares on the date of the grant, except that the option price with respect to an option granted to any person who owns more than 10% of the voting power of all classes of capital stock shall not be less than 110% of the fair value of the shares on the date of the grant. As of March 31, 2010, there were a total of 2,000 options outstanding with an exercise price of $1.00 per share. As of March 31, 2010, all of the options outstanding were fully vested. At March 31, 2010, 2009 and 2008, the weighted average exercise price of exercisable options under the Program was $1.00, $2.45 and $2.32, respectively.

In October 1994, the Company's Board of Directors adopted, and the stockholders subsequently approved, the 1994 Non-Employee Director Stock Option Plan. The maximum number of shares of Common Stock available under such plan was 300,000 shares.

In 2004, the Company's Board of Directors, and the stockholders subsequently approved the 2004 Non-Employee Director Stock Option Plan, the provisions for exercise price, term and vesting schedule being, for the most part, the same as the 1994 Non-Employee Director Stock Option Plan. The maximum number of shares of Common Stock available under such plan was 250,000 shares. In December 2006, an additional listing application was approved by the American Stock Exchange permitting the issuance of up to 500,000 shares pursuant to the 2004 plan.

A summary of transactions under the plan for the two years ended March 31, 2010 is as follows:

	Number of Options	Weighted Average Exercise Price
Outstanding — April 1, 2008	175,000	$ 3.18
Cancelled	(75,000)	3.19
Outstanding — March 31, 2009	100,000	$ 3.17
Outstanding — March 31, 2010	100,000	$ 3.17
Exercisable at March 31, 2010	100,000	$ 3.17

The following table provides additional information as to the options outstanding under the Non-Employee Director Stock Option Plan as of March 31, 2010:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Amount Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Amount Exercisable	Weighted Average Exercise Price
$3.07	25,000	5.8	$ 3.07	25,000	$ 3.07
$3.19	50,000	6.6	3.19	50,000	3.19
$3.23	25,000	5.7	3.23	25,000	3.23
	100,000	6.2	$ 3.17	100,000	$ 3.17

There were no options granted during the fiscal years ending March 31, 2010 or 2009. As of March 31, 2010, there were a total of 100,000 options outstanding with exercise prices ranging from $3.07 per share to $3.23 per share. As of March 31, 2010, all of the options outstanding were fully vested. At both March 31, 2010 and 2009, the weighted average exercise price of exercisable options under the Non-Employee Director Stock Option Plan was $3.17.

NOTE 10 — SHAREHOLDERS' EQUITY:

Common Shares:

Authorized common shares total 75,000,000 shares of common shares, par value $0.01 per share, of which, 27,129,832 were issued and outstanding as of March 31, 2010 and 2009. Shares held in treasury at March 31, 2010 and 2009 were 25,835,965.

Common Stock Repurchase Program:

In January 2000, September 2001 and September 2003, the Company's Board authorized share repurchase programs for 5,000,000 shares, 1,000,000 shares, and 2,000,000 shares, respectively. No shares were repurchased in fiscal 2010 or fiscal 2009. As of March 31, 2010, 732,377 shares remain available for repurchase under the program established in September 2003.

Series A Preferred Stock:

The Company has issued and outstanding 3,677 shares of Series A Preferred Stock, ("Preferred Stock") $.01 par value, with a face value of $3,677,000, which had no determinable market value as of March 31, 2010. Effective March 31, 2002, the previously existing conversion feature of the Preferred Stock expired. The Series A convertible preferred stock is non-voting, has no dividend preferences and has not been convertible since March 31, 2002; however, it retains a liquidation preference.

NOTE 11 — MARKETABLE SECURITIES:

As of both March 31, 2010 and March 31, 2009, respectively, the Company had a $6.0 million net book value investment in trading securities, consisting entirely of student loan auction rate securities ("SLARS"). These securities have long-term nominal maturities for which interest rates are reset through a Dutch auction process at pre-determined calendar intervals; a process which, prior to February 2008, had historically provided a liquid market for these securities. As a result of the continuing liquidity issues experienced in the U.S. credit and capital markets, these SLARS have had multiple failed auctions. Based on the fact that there were no cash redemptions made by the issuers to the Company, an independent valuation and its internal analysis, the Company concluded at March 31, 2010 that these securities had not changed in value since March 31, 2009. During fiscal 2009, the issuers of these SLARS redeemed $5.8 million for cash, and based on this fact, an independent valuation and its internal analysis, the Company recorded an impairment charge of $117,000 during fiscal 2009. These SLARS have AAA/Aaa and AAA/Baa3 credit ratings as of March 31, 2010, and have been classified as long-term investments in the Company's Consolidated Balance Sheet as a consequence of their uncertain short-term liquidity. See Item 1A. Risk Factors, *"A decline in the value of the auction rate securities included in the Company's investments could materially adversely affect its earnings and continue to materially adversely affect its liquidity."*

NOTE 12 — NET EARNINGS PER SHARE:

The following table sets forth the computation of basic and diluted earnings per share for the years ended March 31, 2010 and March 31, 2009:

	2010	2009
	(In thousands, except per share data)	
Numerator:		
Income (loss) from continuing operations for basic and diluted earnings per share	$ 11,370	$ (4,183)
Denominator:		
Denominator for basic earnings per share — weighted average shares	27,130	27,130
Effect of dilutive securities on denominator:		
Options	1	—
Denominator for diluted earnings per share — weighted average shares and assumed conversions	27,131	27,130
Income (loss) from continuing operations		
Basic and diluted loss per share	$ .42	$ (.16)

For the year ended March 31, 2009, 134,000 shares attributable to outstanding stock options and 100,000 shares attributable to outstanding stock warrants were excluded from the calculation of diluted earnings per share because the exercise price of the options and warrants exceeded the average price of the common shares, and therefore their inclusion would have been antidilutive.

NOTE 13 — LICENSE AGREEMENTS:

The Company is party to numerous license agreements that allow licensees to use its trademarks for the manufacture and/or the sale of consumer electronics and other products and are referred to as “outward licenses”. These license agreements (i) allow the licensee to use the Company’s trademarks for a specific product category, or for sale within specific geographic areas, or for sales to a specific customer base, or any combination of the above, or any other category that might be defined in the license agreement, (ii) may be subject to renewal at the initial expiration of the agreements and are governed by the laws of the United States and (iii) have expiration dates ranging through December 2015.

In addition to “outward licenses”, the Company enters into “inward licenses”, which allow the Company to use the name, trademark, logo or technology of third parties in the sale and distribution of products.

Effective January 2007, the Company entered into an inward license agreement with Mattel, Inc. to license the Barbie and Hot Wheels names, trademarks and logos. In March 2008, the Company entered into an amendment to this license agreement, adding the U.B. Funkeys names, trademarks and logos. Under the license agreement, the Company was producing and selling a line of Barbie™ Real Electronics, Hot Wheels™ and U.B. Funkeys™ products. The license agreement and amendments expired in December 2009 and were not renewed. The Company is subject to a final payment obligation of $421,000 at March 31, 2010.

Effective July 2005, the Company entered into an inward license agreement with Apple Computer Inc. The license, which automatically renews for successive one-year terms after June 2007 and is cancellable by either party, will remain in effect unless terminated in accordance with the terms of the agreement. The license allows the Company to develop and market products that are compatible with iPod® portable audio and video devices. In addition, the license further provides the right to use the “made for iPod®” logo on all of the Company’s packaging and promotional material.

NOTE 14 — LEGAL PROCEEDINGS:

In re: Emerson Radio Shareholder Derivative Litigation. In late 2008, the plaintiffs in two previously filed derivative actions (the Berkowitz and Pinchuk actions) filed a consolidated amended complaint naming as defendants two current and one former director of the Company and alleging that the named defendants violated their fiduciary duties to the Company in connection with a number of related party transactions with affiliates of The Grande Holdings, Ltd., the Company’s controlling shareholder. In January 2009, the individual defendants filed an answer denying the material allegations of the complaint. In May 2010, the plaintiffs and the defendants agreed in principle to settle the matter with a payment to the Company by or on behalf of the defendants of $3.0 million. Finalization of the settlement is subject, among other things, to (i) execution by the parties of a definitive settlement agreement; (ii) written notification of the proposed settlement to shareholders in a form approved by the Delaware Court of Chancery and (iii) approval by the Delaware Court of Chancery of the settlement, including the award of legal fees payable to plaintiffs' counsel from the $3.0 million to be paid in settlement by or on behalf of the defendants.

Except for the litigation matters described above, the Company is not currently a party to any legal proceedings other than litigation matters, in most cases involving ordinary and routine claims incidental to our business. Management cannot estimate with certainty the Company's ultimate legal and financial liability with respect to such pending litigation matters. However, management believes, based on our examination of such matters, that the Company's ultimate liability will not have a material adverse effect on the Company's financial position, results of operations or cash flows.

NOTE 15 — GEOGRAPHIC INFORMATION:

Net revenues and identifiable assets from continuing operations of the Company for the fiscal years ended March 31, 2010 and March 31, 2009 are summarized below by geographic area (in thousands). Net revenues are attributed to geographic area based on location of customer.

	Year Ended March 31, 2010		
	U.S.	Foreign	Consolidated
Net third party revenue	$ 205,536	$ 1,424	$ 206,960
Identifiable assets	$ 65,247	$ 4,009	$ 69,256

	Year Ended March 31, 2009		
	U.S.	Foreign	Consolidated
Net third party revenue	$ 198,831	$ 1,750	$ 200,581
Identifiable assets	$ 83,141	$ 2,903	$ 86,044

At March 31, 2010 and March 31, 2009, respectively, foreign identifiable assets included amounts due from several wholly-owned subsidiaries of Grande in the aggregate amount of $185,000 and $192,000. See Note 3 "Related Party Transactions". In addition to operating assets, at March 31, 2010 and March 31, 2009, respectively, there were non-operating assets of $8,644,000 and $8,641,000 located in foreign countries.

NOTE 16 — DISCONTINUED OPERATIONS:

On April 16, 2009, the Company entered into an agreement with Advanced Sound and Image, LLC, a Delaware limited liability company ("ASI"), ADCOM, LLC, an Arizona limited liability company ("ADCOM"), Quality Technology Electronics (Thailand) LTD, a Thai corporation ("QTE") and Daniel Donnelly, pursuant to which, among other things, the Company sold (a) to ASI all of its membership interest in ASI and (b) to QTE all of its right, title and interest in and to certain loan documentation relating to a secured line of credit made available to ASI under which approximately $1.2 million was due and payable to the Company as of April 16, 2009 As a result of this transaction, the Company has presented as discontinued operations, net of taxes, its share of the results of operations of ASI for the fiscal years ending March 31, 2010 and 2009, along with the approximately $1.0 million write-down loss it recorded in March 2009 on the April 2009 sale of its note receivable from ASI.

Discontinued operations, net of tax for the fiscal years ending March 31, 2010 and 2009, relating to this transaction were $55,000 and $634,000, respectively.

NOTE 17 — SUBSEQUENT EVENT:

On April 7, 2010, upon a request made to the Company by its foreign controlling shareholder, the Company entered into an agreement with this shareholder whereby the Company returned to this shareholder on April 7, 2010 that portion of the taxes that the Company had withheld from the dividend paid on March 24, 2010 to this shareholder, which the Company believes is not subject to U.S. tax based on the Company's good-faith estimate of its accumulated earnings and profits. The Company has remitted the balance of the tax withheld from the dividend payments it made on March 24, 2010 to its foreign shareholders to the appropriate U.S. taxing authorities.

Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

None.

Item 9A. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d — 15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) that are designed to ensure that information required to be disclosed in its Exchange Act reports are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. Due to the inherent limitations of control systems, not all misstatements may be detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons; by collusion of two or more people, or by management override of the control. Our controls and procedures can only provide reasonable, not absolute, assurance that the above objectives have been met.

As a result of its internal assessment, the Company's management concluded that disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act), as of the end of the period covered by this Annual Report on Form 10-K, are effective to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, to ensure that such information is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including the Company's principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including the Company's principal executive officer and principal financial officer, management conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective.

In its Annual Report on Form 10-K for the Fiscal Year ended March 31, 2009, the Company reported that the Company did not have adequate internal controls in place to ensure the accuracy of its financial statements, and that as a result, inadequate communication between departments and inadequate review over the financial statements caused the Company to misstate its results of operations for the three month periods ended June 30, 2008 and September 30, 2008, which led the Company to subsequently restate the results of those periods and issue revised financial statements accordingly. Because the amounts to be restated in such quarters offset each other, the six months ended September 30, 2008 continued to fairly present the Company's results of operations and financial condition for the period and as of that date and therefore did not need to be restated.

The Company's management has concluded that, based on a completed restructuring of its U.S. accounting and operations departments, as well as implementation of improved accounting and financial reporting controls during fiscal 2010, the material weakness previously disclosed in its annual report on Form 10-K for the year ended March 31, 2009, as described above, has been fully remediated.

In its Annual Report on Form 10-K for the Fiscal Year ended March 31, 2009, the Company also reported that the Company did not have adequate procedures in place to prevent related party transactions which give rise to potential conflicts of interest. As a result the

Company entered into a transaction in which a subsidiary advanced funds to a related party without proper approval. The transaction was noted immediately as an unapproved transaction, and all the advanced funds were repaid to the Company on a timely basis.

The Company's management has concluded that, based on the formation during fiscal 2010 of a related party review committee consisting of three board members and the issuance to all personnel and the Board of Directors of an accompanying related party transaction policy update, and the fact that no unapproved or improperly approved related party transactions were entered into by the Company since the formation of such committee, the material weakness previously disclosed in its annual report on Form 10-K for the year ended March 31, 2009, as described above, has been fully remediated.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended March 31, 2010, the Company's Board of Directors formed and constituted a Related Party Transaction Review Committee of the Board of Directors for the purpose of reviewing and approving proposed related party transactions over a certain dollar level. Accordingly, management then issued a revised global related party transaction policy. Management believes that this change in the Company's internal control over the approval of related party transactions materially improves, or is reasonably likely to materially improve, the Company's internal control over financial reporting because the approval required for related party transactions over a certain dollar threshold has been elevated from its former placement at a management level only to a formalized committee of the Board of Directors.

PART III

Item 10. *DIRECTORS AND EXECUTIVE OFFICERS*

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2010.

Item 11. *EXECUTIVE COMPENSATION*

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2010.

Item 12. *SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS*

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2010.

Item 13. *CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS*

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2010.

Item 14. *PRINCIPAL ACCOUNTANT FEES AND SERVICES*

The information required is incorporated herein by reference to Emerson's definitive Proxy Statement, or an amendment to this Annual Report on Form 10-K, to be filed with the Securities and Exchange Commission on or before July 29, 2010.

PART IV

Item 15. *EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES*

(a) *List of Financial Statements, Financial Statement Schedules, and Exhibits.*

1. *Financial Statements.* The following financial statements of Emerson Radio Corp. are included in Item 8 of Part II of this Annual Report on Form 10-K:

Report of Independent Registered Public Accounting Firm
Consolidated Statements of Operations for the years ended March 31, 2010 and 2009
Consolidated Balance Sheets as of March 31, 2010 and 2009
Consolidated Statements of Changes in Shareholders' Equity for the years ended March 31, 2010 and 2009
Consolidated Statements of Cash Flows for the years ended March 31, 2010 and 2009
Notes to Consolidated Financial Statements

All financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

3. *Exhibits.* The following exhibits are filed with this Annual Report on Form 10-K or are incorporated herein by reference, as indicated.

Exhibit Number	
3.1	Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson's Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
3.4	Certificate of Designation for Series A Preferred Stock (incorporated by reference to Exhibit (3) (b) of Emerson's Registration Statement on Form S-1, Registration No. 33-53621, declared effective by the SEC on August 9, 1994).
3.5	Amendment dated February 14, 1996 to the Certificate of Incorporation of Emerson (incorporated by reference to Exhibit (3) (a) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
3.6	By-Laws of Emerson (incorporated by reference to Exhibit 3.1 of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 2007).
3.7	Amendment dated November 28, 1995 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit (3) (b) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995).
3.8	Amendment effective as of November 10, 2009 to the By-Laws of Emerson adopted March 1994 (incorporated by reference to Exhibit 3.1 of Emerson's Current Report on Form 8-K filed on November 16, 2009).
10.12	License Agreement effective as of January 1, 2001 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10) (z) of Emerson's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).
10.12.1	First Amendment to License Agreement dated February 19, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.1) of Emerson's Annual Report on Form 10-K for the year ended March 31, 2002).
10.12.2	Second Amendment to License Agreement effective August 1, 2002 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit (10.12.2) of Emerson's Quarterly Report on Form 10-Q for the quarter ended September 30, 2002).
10.12.3	Third Amendment to License Agreement effective February 18, 2004 by and between Funai Corporation and Emerson (incorporated by reference to Exhibit 10.12.3 of Emerson's Annual Report on Form 10-K for the year ending March 31, 2004).
10.12.4	Fourth Amendment to License Agreement effective December 3, 2004 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.4) of Emerson's Quarterly Report on Form 10-Q for the quarter ended December 31, 2004).
10.12.5	Fifth Amendment to License Agreement effective May 18, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit (10.12.5) of Emerson's Annual Report on Form 10-K for the year ending March 31, 2005).

10.12.7	Seventh Amendment to License Agreement effective December 22, 2005 by and between Funai Corporation, Inc. and Emerson (incorporated by reference to Exhibit 10.1 of Emerson’s Current Report on Form 8-K filed on December 29, 2005).
10.13	Second Lease Modification dated as of May 15, 1998 between Hartz Mountain, Parsippany and Emerson (incorporated by reference to Exhibit (10) (v) of Emerson’s Annual Report on Form 10-K for the year ended April 3, 1998).
10.13.1	Third Lease Modification made the 26th day of October, 1998 between Hartz Mountain Parsippany and Emerson (incorporated by reference to Exhibit (10) (b) of Emerson’s Quarterly Report on Form 10-Q for the quarter ended October 2, 1998).
10.13.2	Fourth Lease Modification made the 12th day of February, 2003 between Hartz Mountain Parsippany and Emerson (incorporated by reference to Exhibit (10.13.2) of Emerson’s Annual Report on Form 10-K for the year ended March 31, 2003).
10.13.3	Lease Agreement dated as of October 8, 2004 between Sealy TA Texas, L.P., a Georgia limited partnership, and Emerson Radio Corp. (incorporated by reference to Exhibit (10.13.3) of Emerson’s Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.13.4	Fifth Lease Modification Agreement made the 2nd day of December, 2004 between Hartz Mountain Industries, Inc. and Emerson (incorporated by reference to Exhibit (10.13.3) of Emerson’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2004).
10.13.5	Lease Agreement (Single Tenant) between Ontario Warehouse I, Inc., a Florida corporation, as Landlord, and Emerson Radio Corp., a Delaware corporation, as Tenant, effective as of December 6, 2005 (incorporated by reference to Exhibit 10.1 to Emerson’s Current Report on Form 8-K filed on January 4, 2006).
10.13.6	Letter agreement, dated November 28, 2005, between Emerson Radio Corp. and The Grande Group (Hong Kong) Limited regarding lease of office space. (Incorporated by reference to Exhibit 10.13.6 to Emerson’s Annual Report on Form 10-K for the year ended March 31, 2006).
10.13.7	Letter agreement, dated November 29, 2005, between Emerson Radio Corp. and The Grande Group (Hong Kong) Limited regarding management services for office space. (Incorporated by reference to Exhibit 10.13.7 to Emerson’s Annual Report on Form 10-K for the year ended March 31, 2006).
10.18.1	Emerson Radio Corp. 2004 Employee Stock Incentive Plan (incorporated by reference to Exhibit 1 of Emerson’s 2004 Proxy Statement).
10.18.2	Emerson Radio Corp. 2004 Non-Employee Outside Director Stock Option Plan (incorporated by reference to Exhibit 2 of Emerson’s 2004 Proxy Statement).
10.25	Employment Agreement, dated as of April 3, 2007, by and between Emerson Radio Corp. and Greenfield Pitts (incorporated by reference to Exhibit 10.1 to Emerson’s Current Report on Form 8-K filed with the SEC on April 6, 2007).
10.26	Employment Agreement, dated as of October 15, 2007, by and between Emerson Radio Corp. and John Spielberger (incorporated by reference to Exhibit 10.26 to the Company’s Annual Report on Form 10-K filed with the SEC on July 11, 2008).
10.27.5	Loan and Security Agreement dated as of December 23, 2005, among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd., and Emerson Radio International Ltd. (as Borrowers) and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.2 of Emerson’s Form 8-K dated December 29, 2005).
10.27.6	Seventh Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd. (as Borrowers) and Wachovia Bank, National Association (incorporated by reference to Exhibit 10.27.6 of Emerson’s Annual Report on Form 10-K/A for the year ended March 31, 2009).
10.27.7	Eighth Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd.*
10.27.8	Ninth Amendment to Loan and Security Agreement dated as of December 23, 2005 among Emerson Radio Corp., Emerson Radio Macao Commercial Offshore Limited, Majexco Imports, Inc., Emerson Radio (Hong Kong) Ltd. and Emerson Radio International Ltd.*
10.28.1	Form of Common Stock Warrant Agreement entered into on October 7, 2003 by and between Emerson Radio Corp. and Ladenburg Thalmann & Co., Inc. (Incorporated by reference to Exhibit 10.28.1 of Emerson’s Quarterly Report on Form 10-Q for the quarter ended December 31, 2003).

10.28.2	Common Stock Purchase Warrant Agreement entered into on August 1, 2004 by and between Emerson Radio Corp. and EPOCH Financial Services, Inc. (incorporated by reference to Exhibit 10.28.2 of Emerson's Quarterly Report on Form 10-Q for the quarter ended September 30, 2004).
10.28.3	Stock Purchase Agreement among Emerson Radio Corp., Collegiate Pacific Inc. and Emerson Radio (Hong Kong) Limited, dated July 1, 2005 (incorporated by reference to Exhibit 2.1 to Emerson's Current Report on Form 8-K filed on July 8, 2005).
10.29	Employment Agreement dated as of October 1, 2009 between Emerson and Duncan Hon (incorporated by reference to Exhibit 10.1 to Emerson's Current Report on Form 8-K filed on November 16, 2009).
14.1	Code of Ethics for Senior Financial Officers (incorporated by reference to Exhibit 14.1 of Emerson's Annual Report on Form 10-K for the year ended March 31, 2004).
21.1	Subsidiaries of the Company as of March 31, 2010.*
23.1	Consent of Independent Registered Public Accounting Firm — MSPC, Certified Public Accountants and Advisors, Professional Corporation.*
31.1	Certification of the Company's Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
31.2	Certification of the Company's Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32	Certification of the Company's Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*

* Filed herewith.

(b) *Exhibits*. The exhibits required by Item 601 of Regulation S-K are filed herewith or incorporated by reference.

(c) *Financial Statement Schedules and Other Financial Statements*.

Schedule II — Valuation and Qualifying Accounts and Reserves

All other financial statement schedules are omitted from this Annual Report on Form 10-K, as they are not required or applicable or the required information is included in the financial statements or notes thereto.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

EMERSON RADIO CORP.

By: /s/ Adrian Ma
Adrian Ma
Chief Executive Officer

Dated: July 14, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Christopher Ho Christopher Ho	Chairman of the Board of Directors	July 14, 2010
/s/ Eduard Will Eduard Will	Vice Chairman of the Board of Directors	July 14, 2010
/s/ Adrian Ma Adrian Ma	Chief Executive Officer (Principal Executive Officer) and Director	July 14, 2010
/s/ Duncan Hon Duncan Hon	Deputy Chief Executive Officer and Director	July 14, 2010
/s/ Greenfield Pitts Greenfield Pitts	Chief Financial Officer (Principal Financial and Accounting Officer), and Director	July 14, 2010
/s/ Mirzan Mahathir Mirzan Mahathir	Director	July 14, 2010
/s/ Kareem E. Sethi Kareem E. Sethi	Director	July 14, 2010
/s/ Terence A. Snellings Terence A. Snellings	Director	July 14, 2010

Exhibit 21.1

EMERSON RADIO CORP. AND SUBSIDIARIES

EXHIBIT TO FORM 10-K
SUBSIDIARIES OF THE REGISTRANT

Name of Subsidiary	Jurisdiction of Incorporation	Percentage of Ownership
Emerson Global Limited	British Virgin Islands	100.0%
Emerson Radio (Hong Kong) Limited	Hong Kong	100.0%*
Emerson Radio Macao Commercial Offshore Limited	Macao	100.0%
Majexco Imports, Inc.	California, U.S.A.	100.0%

* One share is owned by a resident director, pursuant to local law.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Emerson Radio Corp. and Subsidiaries
Moonachie, New Jersey

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-63515, 333-132812 and 333-132815) of Emerson Radio Corp. of our report dated July 14, 2010, relating to the consolidated financial statements of Emerson Radio Corp. and Subsidiaries as of March 31, 2010 and 2009 and for each of the two years in the period ended March 31, 2010, which appear in this Form 10-K.

/s/ MSPC.
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS
A PROFESSIONAL CORPORATION

Cranford, New Jersey
July 14, 2010

Exhibit 31.1

Certifications

Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Adrian Ma, certify that:

1. I have reviewed this report on Form 10-K of Emerson Radio Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information: and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Adrian Ma
Adrian Ma
Chief Executive Officer

Date: July 14, 2010

A signed original of this written statement required by Section 302 has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

Certifications

Pursuant to Section 302 of the Sarbanes — Oxley Act of 2002

I, Greenfield Pitts, certify that:

1. I have reviewed this report on Form 10-K of Emerson Radio Corp.;

2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonable likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Greenfield Pitts
Greenfield Pitts
Chief Financial Officer

Date: July 14, 2010

A signed original of this written statement required by Section 302 has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Emerson Radio Corp., (the “Company”) on Form 10-K for the period ended March 31, 2010, filed with the Securities and Exchange Commission (the “Report”), Adrian Ma, Chief Executive Officer, and Greenfield Pitts, Chief Financial Officer, of the Company each hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By: /s/ Adrian Ma
Adrian Ma
Chief Executive Officer

By: /s/ Greenfield Pitts
Greenfield Pitts
Chief Financial Officer

Dated: July 14, 2010

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and is not being filed as part of the Form 10-K or as a separate disclosure document.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Emerson Radio Corp. and will be retained by Emerson Radio Corp. and furnished to the Securities and Exchange Commission or its staff upon request.