

PHILLIPS VAN HEUSEN CORP /DE/
Form 10-K/A
August 11, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K/A
Amendment No. 1

(Mark One)

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934 FOR THE FISCAL
YEAR ENDED JANUARY 29, 2006**

OR

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

Commission File Number

001-07572

PHILLIPS-VAN HEUSEN CORPORATION

(Exact name of registrant as specified in its charter)

DELAWARE

(State of incorporation)

13-1166910

(IRS Employer Identification No.)

200 Madison Avenue

New York, New York 10016

(Address of principal executive offices)

212-381-3500

(Registrant's telephone number)

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$1.00 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
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 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 and (2) has been subject to such filing requirements for at least 90 days. 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, or a non-accelerated filer (as defined in Rule 12b-2 of the Act).

Large accelerated filer Accelerated filer Non-accelerated filer

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant (assuming, for purposes of this calculation only, that the registrant's directors and corporate officers are affiliates of the registrant) based upon the closing sale price of the registrant's common stock on July 29, 2005 (the last business day of the registrant's most recently completed second quarter) was \$1,414,580,827.

Number of shares of Common Stock outstanding as of March 31, 2006: 43,592,301.

DOCUMENTS INCORPORATED BY REFERENCE

Document
Not Applicable

**Location in Form 10-K
in which incorporated**
Not Applicable

EXPLANATORY NOTE: This Amendment No. 1 to our Annual Report on Form 10-K for the fiscal year ended January 29, 2006 is being filed to provide revised segment reporting footnote disclosure. In the first quarter of our fiscal year 2006, the United States Securities and Exchange Commission requested certain information from us in connection with an ordinary course review of our Annual Report on Form 10-K for our fiscal year ended January 30, 2005, including how we aggregated segment data. In connection therewith, we have re-evaluated how we aggregate our operating divisions into our reportable segments under Financial Accounting Standards Board Statement No. 131,

Disclosures about Segments of an Enterprise and Related Information. As a result, we are revising certain of the Notes to Consolidated Financial Statements for all periods presented to disaggregate our Wholesale segment into the Wholesale Dress Shirt segment and the Wholesale Sportswear and Related Products segment. This disaggregation resolves the SEC's comment regarding how we aggregate segment data for purposes of reporting segment information in the footnotes to our consolidated financial statements. As such, we no longer have any unresolved staff comments, as discussed in Item 1B and in the risk factor entitled "Our segment reporting has changed and the SEC may request further changes that would require us to restate information that appears in the notes to our financial statements" set forth in Item 1A of our Annual Report on Form 10-K for our fiscal year ended January 29, 2006.

This change in our segment reporting affects only Note 5, "Goodwill and Other Intangible Assets," Note 14, "Activity Exit Costs and Asset Impairments" and Note 17, "Segment Data" of the Annual Report. No other notes have been revised and no financial statement information in Item 8 has been updated for any subsequent events. In addition, Item 9A has been amended to report that our disclosure controls and procedures were re-evaluated in connection with the issuance of this report, and pursuant to the rules of the SEC, Item 15 has been amended to contain currently dated certifications from our Chief Executive Officer and Chief Financial Officer as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The aforementioned changes to the Notes to Consolidated Financial Statements had no effect on our financial position as of January 29, 2006 and January 30, 2005 or our results of operations and cash flows for the fiscal years ended January 29, 2006, January 30, 2005 and February 1, 2004.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: Forward-looking statements in this Annual Report on Form 10-K/A including, without limitation, statements relating to our future revenues and earnings, plans, strategies, objectives, expectations and intentions, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy, and some of which might not be anticipated, including, without limitation, the following: (i) our plans, strategies, objectives, expectations and intentions are subject to change at any time at our discretion; (ii) the levels of sales of our apparel and footwear products, both to our wholesale customers and in our retail stores, and the levels of sales of our licensees at wholesale and retail, and the extent of discounts and promotional pricing in which we and our licensees and other business partners are required to engage, all of which can be affected by weather conditions, changes in the economy, fuel prices, reductions in travel, fashion trends, consolidations, repositionings and bankruptcies in the retail industries, repositioning of brands by our licensors and other factors; (iii) our plans and results of operations will be affected by our ability to manage our growth and inventory, including our ability to

continue to realize revenue growth from developing and growing Calvin Klein; (iv) our operations and results could be affected by quota restrictions and the imposition of safeguards (which, among other things, could limit our ability to produce products in cost-effective countries that have the labor and technical expertise needed), the availability and cost of raw materials (particularly petroleum-based synthetic fabrics, which are currently in high demand), our ability to adjust timely to changes in trade regulations and the migration and development of manufacturers (which can affect where our products can best be produced), and civil conflict, war or terrorist acts, the threat of any of the foregoing or political and labor instability in the United States or any of the countries where our products are or are planned to be produced; (v) disease epidemics and health related concerns, which could result in closed factories, reduced workforces, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas; (vi) acquisitions and issues arising with acquisitions and proposed transactions, including without limitation, the ability to integrate an acquired entity into us with no substantial adverse affect on the acquired entity s, or our existing operations, employee relationships, vendor relationships, customer relationships or financial performance; (vii) the failure of our licensees to market successfully licensed products or to preserve the value of our brands, or their misuse of our brands and (viii) other risks and uncertainties indicated from time to time in our filings with the Securities and Exchange Commission.

We do not undertake any obligation to update publicly any forward-looking statement, including, without limitation, any estimate regarding revenues, whether as a result of the receipt of new information, future events or otherwise.

PART I

Item 8. Financial Statements and Supplementary Data

See page F-1 of this report for a listing of the consolidated financial statements and supplementary data included in this report.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures over financial reporting. Based on our evaluation, our management concluded that our disclosure controls and procedures over financial reporting are adequate.

In the first quarter of our fiscal year 2006, the United States Securities and Exchange Commission requested certain information from us in connection with an ordinary course review of our Annual Report on Form 10-K for our fiscal year ended January 30, 2005, including how we aggregated segment data. In connection therewith, we have re-evaluated how we aggregate our operating divisions into our reportable segments under Financial Accounting Standards Board Statement No. 131, Disclosures about Segments of an Enterprise and Related Information. As a result, we revised certain of the Notes to Consolidated Financial Statements for all periods presented to disaggregate our Wholesale segment into the Wholesale Dress Shirt segment and the Wholesale Sportswear and Related Products segment.

In accordance with Exchange Act Rules 13a-15 and 15d-15, we have re-evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of the design and operation of our disclosure controls and procedures over financial reporting as of the end of the

period covered by this report. Based on that re-evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures over financial reporting are effective.

As part of their re-evaluation, our Chief Executive Officer and Chief Financial Officer determined that our segment data as originally disclosed was based on a fundamentally sound application of Statement No. 131. Previously, we aggregated our wholesale dress shirt and wholesale sportswear divisions into our Wholesale segment. Such aggregation was based on a detailed analysis of the aggregation criteria of Statement No. 131, including an analysis of the similarity our wholesale divisions shared with respect to customer base, production process, nature of products, distribution methods and economic characteristics. In particular, economic similarity was deemed to exist for our wholesale dress shirt and sportswear divisions based on their historical and projected sales growth rates, gross margins and operating earnings margins. The subsequent disaggregation of the Wholesale segment into the Wholesale Dress Shirt and Wholesale Sportswear and Related Products segments resulted from determining that while there is significant similarity in economic characteristics between our dress shirt and sportswear divisions, the degree to which they are similar may not be at the level required for aggregation. We believe the resulting disaggregation is based on a qualitative assessment of a number of factors including certain quantitative measures. As such, while the resulting disaggregation represents a change in judgment as to the disclosure of additional segment data, our Chief Executive Officer and Chief Financial Officer determined that our segment data as originally determined and disclosed was based on an appropriate application of Statement No. 131, and that the design and operation of our disclosure controls and procedures over financial reporting were, and continue to be, effective.

Our disclosures in Management's Discussion and Analysis of Results of Operations and Financial Condition have historically included disclosure regarding performance of various aspects of our business as applicable to the respective period's results. While the revised footnote disclosure provides additional segment information, it does not represent a material change in the information provided regarding our performance.

Management's Report on Internal Control over Financial Reporting

Management's report on internal control over financial reporting and our independent registered public accounting firm's audit report on our assessment of our internal control over financial reporting can be found on pages F-31 and F-32.

Changes in Internal Control over Financial Reporting

We did not identify any changes in our internal control over financial reporting during the fourth quarter of the fiscal year to which this report relates that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

- (a)(1) See page F-1 for a listing of the consolidated financial statements included in Item 8 of this report.
- (a)(2) See page F-1 for a listing of consolidated financial statement schedules submitted as part of this report.
- (a)(3) The following exhibits are included in this report:

Exhibit Number

- 2.1 Stock Purchase Agreement, dated December 17, 2002, among Phillips-Van Heusen Corporation, Calvin Klein, Inc., Calvin Klein (Europe), Inc., Calvin Klein (Europe II) Corp., Calvin Klein Europe S.r.l., CK Service Corp., Calvin Klein, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 20, 2002). The registrant agrees to furnish supplementally a copy of any omitted schedules to the Commission upon request.
- 3.1 Certificate of Incorporation (incorporated by reference to Exhibit 5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 1977).
- 3.2 Amendment to Certificate of Incorporation, filed June 27, 1984 (incorporated by reference to Exhibit 3B to the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 1985).
- 3.3 Certificate of Designation of Series A Cumulative Participating Preferred Stock, filed June 10, 1986 (incorporated by reference to Exhibit A of the document filed as Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 1986).
- 3.4 Amendment to Certificate of Incorporation, filed June 2, 1987 (incorporated by reference to Exhibit 3(c) to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1988).
- 3.5 Amendment to Certificate of Incorporation, filed June 1, 1993 (incorporated by reference to Exhibit 3.5 to the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 1994).
- 3.6

Amendment to Certificate of Incorporation, filed June 20, 1996 (incorporated by reference to Exhibit 3.1 to the Company's Quarterly Report on Form 10-Q for the period ended July 28, 1996).

- 3.7 Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on February 26, 2003).
- 3.8 Corrected Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock of Phillips-Van Heusen Corporation, dated April 17, 2003 (incorporated by reference to Exhibit 3.9 to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 2003).
- 3.9 By-Laws of Phillips-Van Heusen Corporation, as amended through June 18, 1996 (incorporated by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q for the period ended July 28, 1996).
- 3.10 By-laws of Phillips-Van Heusen Corporation, as amended through March 3, 2005 (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K, filed on March 8, 2005).
- 4.1 Specimen of Common Stock certificate (incorporated by reference to Exhibit 4 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 1981).
- 4.2 Preferred Stock Purchase Rights Agreement (the Rights Agreement), dated June 10, 1986 between Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 3 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 1986).

- 4.3 Amendment to the Rights Agreement, dated March 31, 1987 between Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit 4(c) to the Company's Annual Report on Form 10-K for the fiscal year ended February 2, 1987).
- 4.4 Supplemental Rights Agreement and Second Amendment to the Rights Agreement, dated as of July 30, 1987, between Phillips-Van Heusen Corporation and The Chase Manhattan Bank, N.A. (incorporated by reference to Exhibit (c)(4) to the Company's Schedule 13E-4, Issuer Tender Offer Statement, dated July 31, 1987).
- 4.5 Third Amendment to Rights Agreement, dated June 30, 1992, from Phillips-Van Heusen Corporation to The Chase Manhattan Bank, N.A. and The Bank of New York (incorporated by reference to Exhibit 4.5 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2000).
- 4.6 Notice of extension of the Rights Agreement, dated June 5, 1996, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the period ended April 28, 1996).
- 4.7 Fourth Amendment to Rights Agreement, dated April 25, 2000, from Phillips-Van Heusen Corporation to The Bank of New York (incorporated by reference to Exhibit 4.7 to the Company's Quarterly Report on Form 10-Q for the period ended April 30, 2000).
- 4.8 Supplemental Rights Agreement and Fifth Amendment to the Rights Agreement dated February 12, 2003, between Phillips-Van Heusen Corporation and The Bank of New York (successor to The Chase Manhattan Bank, N.A.), as rights agent (incorporated by reference to Exhibit 4.1 to the Company's Current Report on Form 8-K, filed on February 26, 2003).
- 4.9 Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.01 to the Company's Registration Statement on Form S-3 (Reg. No. 33-50751) filed on October 26, 1993).
- 4.10 First Supplemental Indenture, dated as of October 17, 2002 to Indenture dated as of November 1, 1993 between Phillips-Van Heusen Corporation and The Bank of New York, as Trustee (incorporated by reference to Exhibit 4.15 to the Company's Quarterly Report on Form 10-Q for the period ended November 3, 2002).
- 4.11 Second Supplemental Indenture, dated as of February 12, 2002 to Indenture, dated as of November 1, 1993, between Phillips-Van Heusen Corporation and the Bank Of New York, As Trustee (incorporated by reference to Exhibit 4.2 to the Company's Current Report on Form 8-K, filed on February 26, 2003).
- 4.12 Indenture, dated as of May 5, 2003, between Phillips-Van Heusen Corporation and SunTrust Bank, as Trustee (incorporated by reference to Exhibit 4.13 to the Company's Quarterly Report on Form 10-Q for the period ended May 4, 2003).
- 4.13 Indenture, dated as of February 18, 2004 between Phillips-Van Heusen Corporation and SunTrust Bank as Trustee (incorporated by reference to Exhibit 4.14 to the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2004).
- *10.1 1987 Stock Option Plan, including all amendments through April 29, 1997 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).
- *10.2 Phillips-Van Heusen Corporation Special Severance Benefit Plan, as amended through March 7, 2002 (incorporated by reference to Exhibit 10.2 to our Annual Report on Form 10-K for the period ended

February 3, 2002).

- *10.3 Phillips-Van Heusen Corporation Capital Accumulation Plan (incorporated by reference to our Current Report on Form 8-K filed on January 16, 1987).
- *10.4 Phillips-Van Heusen Corporation Amendment to Capital Accumulation Plan (incorporated by reference to Exhibit 10(n) to our Annual Report on Form 10-K for the fiscal year ended February 2, 1987).
- *10.5 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10(1) to our Annual Report on Form 10-K for the fiscal year ended January 31, 1988).

- *10.6 Form of Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to individual participants (incorporated by reference to Exhibit 10.8 to our Quarterly Report on Form 10-Q for the period ending October 29, 1995).
- *10.7 Agreement amending Phillips-Van Heusen Corporation Capital Accumulation Plan with respect to Bruce J. Klatsky (incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).
- *10.8 Phillips-Van Heusen Corporation Supplemental Defined Benefit Plan, dated January 1, 1991, as amended and restated on June 2, 1992 (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the fiscal year ended January 31, 1993).
- *10.9 Phillips-Van Heusen Corporation Supplemental Savings Plan, effective as of January 1, 1991 and amended and restated as of April 29, 1997 (incorporated by reference to Exhibit 10.10 to our Quarterly Report on Form 10-Q for the period ended May 4, 1997).
- *10.10 Phillips-Van Heusen Corporation 1997 Stock Option Plan, effective as of April 29, 1997, as amended through December 18, 2001 (incorporated by reference to Exhibit 10.10 to our Annual Report on Form 10-K for the period ended February 3, 2002).
- *10.11 Phillips-Van Heusen Corporation 1997 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.11 to our Annual Report on Form 10-K for the period ended January 30, 2005).
- *10.12 Phillips-Van Heusen Corporation Senior Management Bonus Program for fiscal year 1999 (incorporated by reference to Exhibit 10.13 to our Quarterly Report on Form 10-Q for the period ended August 1, 1999).
- *10.13 Phillips-Van Heusen Corporation Long-Term Incentive Plans for the 21 month period ending February 4, 2001 and the 33 month period ending February 3, 2002 (incorporated by reference to Exhibit 10.14 to our Annual Report on Form 10-K for the fiscal year ended January 30, 2000).
- *10.14 Phillips-Van Heusen Corporation 2000 Stock Option Plan, effective as of April 27, 2000, as amended through December 18, 2001 (incorporated by reference to Exhibit 10.13 to our Annual Report on Form 10-K for the period ended February 3, 2002).
- *10.15 Phillips-Van Heusen Corporation 2000 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the period ended January 30, 2005).
- *10.16 Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of March 2, 2000, as amended through March 7, 2001 (incorporated by reference to Exhibit 10.15 to our Annual Report on Form 10-K for the fiscal year ended February 4, 2001).
- *10.17 Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of January 31, 2000 (incorporated by reference to Exhibit 10.17 to our Quarterly Report on Form 10-Q for the period ended July 30, 2000).
- *10.18 Phillips-Van Heusen Corporation 2003 Stock Option Plan, effective as of May 1, 2003, as amended through June 10, 2003 (incorporated by reference to Exhibit 10.1 to our Quarterly Report on Form 10-Q for the period ended May 4, 2003).
- *10.19 Phillips-Van Heusen Corporation 2003 Stock Option Plan option certificate (incorporated by reference to Exhibit 10.19 to our Annual Report on Form 10-K for the period ended January 30, 2005).

10.20

Revolving Credit Agreement, dated as of October 17, 2002, among PVH, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JP Morgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.01 to our Quarterly Report on Form 10-Q for the period ended November 3, 2002).

- 10.21 Securities Purchase Agreement, dated December 16, 2002, among Phillips-Van Heusen Corporation, Lehman Brothers Inc. and the Investors named therein (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on December 20, 2002).

- 10.22 Warrant, issued on February 12, 2003, by Phillips-Van Heusen Corporation to the Calvin Klein 2001 Revocable Trust (incorporated by reference to Exhibit 10.2 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.23 Term Loan Agreement, dated as of December 16, 2002, by and between Phillips-Van Heusen Corporation, each of the lenders listed therein, and Apax Managers, Inc., as administrative agent for the lenders (incorporated by reference to Exhibit 10.3 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.24 First Amendment to the Term Loan Agreement, dated as of February 12, 2003, by and between Phillips-Van Heusen Corporation, each of the lenders listed therein, and Apax Managers, Inc., as administrative agent for the lenders (incorporated by reference to Exhibit 10.4 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.25 First Amendment and Waiver Agreement, dated as of December 13, 2002 to the Revolving Credit Agreement, dated as of October 17, 2002, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.5 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.26 Consent dated as of February 12, 2003 among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc., G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.6 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.27 Registration Rights Agreement, dated as of February 12, 2003, by and among Phillips-Van Heusen Corporation, the Calvin Klein 2001 Revocable Trust, Barry Schwartz, Trust for the Benefit of the Issue of Calvin Klein, Trust for the Benefit of the Issue of Barry Schwartz, Stephanie Schwartz-Ferdman and Jonathan Schwartz, and the Investors listed therein (incorporated by reference to Exhibit 10.7 to our Current Report on Form 8-K, filed on February 26, 2003).
- 10.28 Investors Rights Agreement, dated as of February 12, 2003, by and among Phillips-Van Heusen Corporation and the Investors listed therein (incorporated by reference to Exhibit 10.8 to our Current Report on Form 8-K, filed on February 26, 2003).
- *10.29 Employment Agreement, dated as of March 4, 2003, between Mark Weber and Phillips-Van Heusen Corporation; Amended and Restated Employment Agreement, dated as of March 3, 2005, between Mark Weber and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.29 to our Annual Report on Form 10-K for the period ended January 30, 2005).
- *10.30 Employment Agreement, dated as of March 4, 2003, between Emanuel Chirico and Phillips-Van Heusen Corporation; Amended and Restated Employment Agreement, dated as of March 3, 2005, between Emanuel Chirico and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.30 to our

Annual Report on Form 10-K for the period ended January 30, 2005).

- *10.31 Employment Agreement, dated as of March 4, 2003, between Allen Sirkin and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.31 to our Annual Report on Form 10-K for the period ended January 30, 2005).
- *10.32 Employment Agreement, dated as of March 4, 2003, between Francis K. Duane and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.32 to our Annual Report on Form 10-K for the period ended January 30, 2005).
- *10.33 Employment Agreement, dated as of March 4, 2003, between Michael Zaccaro and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.33 to our Annual Report on Form 10-K for the period ended January 30, 2005).

- 10.34 Second Amendment and Waiver Agreement, dated as of January 30, 2004, to the Revolving Credit Agreement, dated as of October 17, 2003, among Phillips-Van Heusen Corporation, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com.inc, G.H. Bass Franchises Inc., CD Group Inc., and the lender parties thereto, JPMorgan Chase Bank, as Administrative Agent and Collateral Agent, Lead Arranger and Sole Bookrunner, Fleet Retail Finance Inc., as Co-Arranger and Co-Syndication Agent, SunTrust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and Bank of America, N.A., as Co-Documentation Agent (incorporated by reference to Exhibit 10.26 to our Annual Report on Form 10-K for the fiscal year ended February 1, 2004).
- *10.35 Employment Agreement, dated as of April 12, 2004, between Bruce J. Klatsky and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on June 10, 2004); amendment to Employment Agreement, dated as of March 3, 2005, between Bruce J. Klatsky and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.35 to our Annual Report on Form 10-K for the period ended January 30, 2005); amendment to Employment Agreement, dated as of December 16, 2005, between Bruce J. Klatsky and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 21, 2005).
- 10.36 Purchase Agreement, dated as of November 22, 2004, among Cluett American Corp., Consumer Direct Corporation, Cluett Peabody Holding Corp., Phillips-Van Heusen Corporation, and Cluett American Group, Inc. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 16, 2004).
- 10.37 Amended and Restated Revolving Credit Agreement, dated as of December 15, 2004, among PVH, The IZOD Corporation, PVH Wholesale Corp., PVH Retail Corp., izod.com inc., G.H. Bass Franchises Inc., CD Group Inc., PVH CK Stores, Inc., PVH Ohio, Inc., PVH Michigan, Inc., PVH Pennsylvania, Inc., PVH Wholesale New Jersey, Inc., PVH Retail Management Company and the lender parties thereto, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, Joint Lead Arranger and Sole Bookrunner, Fleet Retail Group, Inc., as Joint Lead Arranger and Co-Syndication Agent, Sun Trust Bank, as Co-Syndication Agent, The CIT Group/Commercial Services, Inc., as Co-Documentation Agent, and General Electric Capital Corporation, as Co-Documentation Agent (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on December 16, 2004).
- 10.38 Conversion Agreement, dated as of July 14, 2005, by and among Phillips-Van Heusen Corporation and the Investors listed therein (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on July 20, 2005).
- 10.39 Stock Purchase Agreement, dated as of December 20, 2005, by and among Warnaco, Inc., Fingen Apparel N.V., Fingen S.p.A., Euro Cormar S.p.A. and Calvin Klein, Inc. (Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on December 22, 2005).
- 10.40 Release Agreement, dated as of February 27, 2006, between Mark Weber and Phillips-Van Heusen Corporation (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K, filed on March 3, 2006).
- 10.41 Termination Letter, dated as of February 27, 2006, from Phillips-Van Heusen Corporation to Mark Weber (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K, filed on March 3, 2006).

- *10.42 Phillips-Van Heusen Corporation Performance Incentive Bonus Plan, effective as of April 21, 2005 (incorporated by reference to Exhibit A to our Definitive Schedule 14A, filed on May 2, 2005).
- *10.43 Phillips-Van Heusen Corporation Long-Term Incentive Plan, effective as of April 21, 2005 (incorporated by reference to Exhibit B to our Definitive Schedule 14A, filed on May 2, 2005).
- ^*10.44 Employment Agreement, dated as of January 1, 2004, between P. Thomas Murry and Phillips-Van Heusen Corporation.
- ^*10.45 Employment Agreement, dated as of March 4, 2003, between Michael Shaffer and Phillips-Van Heusen Corporation.
 - ^21 Phillips-Van Heusen Subsidiaries.
 - +23 Consent of Independent Auditors.
 - +31.1 Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

+31.2 Certification Pursuant to Section 302 of the Sarbanes Oxley Act of 2002.

+32.1 Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.

+32.2 Certification Pursuant to Section 906 of the Sarbanes Oxley Act of 2002, 18 U.S.C. Section 1350.

*

Management contract or compensatory plan or arrangement required to be identified pursuant to Item 15(c) of this report.

+

Filed herewith.

^

Exhibits were filed with the Company's Annual Report on Form 10-K as originally filed on April 14, 2006.

Exhibits 32.1 and 32.2 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section. Such exhibits shall not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

(b)

Exhibits: See (a)(3) above for a listing of the exhibits included as part of this report.

(c)

Financial Statement Schedules: See page F-1 for a listing of the consolidated financial statement schedules submitted as part of this report.

SIGNATURES

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

Dated: August 10, 2006

PHILLIPS-VAN HEUSEN CORPORATION

By: /s/ Emanuel Chirico

Emanuel Chirico

Chief Executive Officer and Director

FORM 10-K/A-ITEM 15(a)(1) and 15(a)(2)

PHILLIPS-VAN HEUSEN CORPORATION

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES

15(a)(1) The following consolidated financial statements and supplementary data are included in Item 8 of this report:

Consolidated Income Statements--Years Ended January 29, 2006, January 30, 2005 and February 1, 2004	F-2
Consolidated Balance Sheets--January 29, 2006 and January 30, 2005	F-3
Consolidated Statements of Cash Flows--Years Ended January 29, 2006, January 30, 2005 and February 1, 2004	F-4
Consolidated Statements of Changes in Stockholders' Equity--Years Ended January 29, 2006, January 30, 2005 and February 1, 2004	F-5
Notes to Consolidated Financial Statements	F-6
Selected Quarterly Financial Data (Unaudited)	F-30

Management's Report on Internal Control Over Financial Reporting F-31

Reports of Independent Registered Public Accounting Firm F-32

Ten Year Financial Summary F-34

15(a)(2) The following consolidated financial statement schedule is included herein:

Schedule II - Valuation and Qualifying Accounts F-36

All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

F-1

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED INCOME STATEMENTS

(In thousands, except per share data)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net sales	\$1,697,254	\$1,460,235	\$1,425,716
Royalty and other revenues	<u>211,594</u>	<u>181,193</u>	<u>143,120</u>
Total revenues	1,908,848	1,641,428	1,568,836
Cost of goods sold	<u>1,017,793</u>	<u>890,437</u>	<u>924,477</u>
Gross profit	891,055	750,991	644,359
Selling, general and administrative expenses	684,209	621,855	588,577
Gain on sale of investments	<u>-</u>	<u>743</u>	<u>3,496</u>
Income before interest and taxes	206,846	129,879	59,278
Interest expense	34,390	44,643	37,476
Interest income	<u>5,813</u>	<u>1,786</u>	<u>1,104</u>

Income before taxes	178,269	87,022	22,906
Income tax expense	<u>66,581</u>	<u>28,407</u>	<u>8,200</u>
Net income	111,688	58,615	14,706
Preferred stock dividends on convertible stock	12,918	21,122	20,027
Preferred stock dividends on converted stock	2,051	-	-
Inducement payment and offering costs	<u>14,205</u>	<u>-</u>	<u>-</u>
Net income (loss) available to common stockholders	<u>\$ 82,514</u>	<u>\$ 37,493</u>	<u>\$ (5,321)</u>
Basic net income (loss) per common share	<u>\$ 2.15</u>	<u>\$ 1.20</u>	<u>\$ (0.18)</u>
Diluted net income (loss) per common share	<u>\$ 1.85</u>	<u>\$ 1.14</u>	<u>\$ (0.18)</u>

See notes to consolidated financial statements.

F-2

PHILLIPS-VAN HEUSEN CORPORATION**CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

	January 29, <u>2006</u>	January 30, <u>2005</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 267,357	\$ 124,114
Accounts receivable, net of allowances for doubtful accounts of \$3,111 and \$3,085	96,757	93,447
Inventories	257,719	242,885
Prepaid expenses	18,122	18,975
Other, including deferred taxes of \$23,435 and \$13,666	<u>23,693</u>	<u>13,943</u>
Total Current Assets	663,648	493,364
Property, Plant and Equipment, net	158,492	154,630
Goodwill	199,999	174,518
Tradenames	612,966	612,772
Perpetual License Rights	86,000	86,000

Other Intangible Assets	420	480
Other Assets	<u>25,914</u>	<u>27,818</u>
	<u>\$1,747,439</u>	<u>\$1,549,582</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:

Accounts payable	\$ 61,596	\$ 54,531
Accrued expenses	145,269	133,405
Deferred revenue	<u>17,751</u>	<u>20,557</u>
Total Current Liabilities	224,616	208,493

Long-Term Debt	399,525	399,512
----------------	---------	---------

Other Liabilities, including deferred taxes of \$232,484 and \$187,199	350,710	312,805
--	---------	---------

Series B convertible preferred stock, par value \$100 per share; 10,000 shares authorized; 6,116 and 10,000 shares issued and outstanding	161,926	264,746
--	---------	---------

Stockholders' Equity:

Preferred stock, par value \$100 per share; 150,000 total shares authorized, including Series B convertible (125,000 shares designated as Series A; 15,000 shares undesignated); no Series A or undesignated shares outstanding

- -

Common stock, par value \$1 per share; 100,000,000 shares authorized; 43,236,485 and 32,452,403 shares issued	43,236	32,452
---	--------	--------

Additional capital	346,061	185,670
Retained earnings	255,360	178,507
Accumulated other comprehensive loss	<u>(33,995)</u>	<u>(32,024)</u>
	610,662	364,605
Less: 39,685 shares of common stock held in treasury as of January 30, 2005 - at cost	<u>-</u>	<u>(579)</u>
Total Stockholders' Equity	<u>610,662</u>	<u>364,026</u>
	<u>\$1,747,439</u>	<u>\$1,549,582</u>

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Operating activities			
Net income	\$111,688	\$ 58,615	\$ 14,706
Adjustments to reconcile to net cash provided by operating activities:			
Depreciation	31,519	28,972	25,750
Amortization	3,962	3,050	2,820
Deferred taxes	51,871	23,649	3,944
Impairment of long-lived assets	1,032	528	12,147
Prepayment penalty on early extinguishment of debt	-	7,293	-
Changes in operating assets and liabilities:			
Accounts receivable	(3,310)	3,244	3,603
Inventories	(14,834)	(24,457)	27,039
Accounts payable, accrued expenses and deferred revenue	16,123	26,074	(17,316)
Prepaid expenses	853	4,123	(9,465)

Other, net	<u>(9,519)</u>	<u>11,558</u>	<u>(7,005)</u>
Net Cash Provided By Operating Activities	<u>189,385</u>	<u>142,649</u>	<u>56,223</u>
Investing activities			
Purchase of property, plant and equipment	(37,443)	(46,195)	(31,970)
Acquisition of Arrow, including related fees	(194)	(70,539)	-
Contingent purchase price payments to Mr. Calvin Klein	(25,481)	(22,246)	(16,955)
Investment in minority interests	(768)	-	-
Sale of investments	-	743	17,234
Acquisition of Calvin Klein, net of acquired cash	<u>-</u>	<u>-</u>	<u>(401,565)</u>
Net Cash Used By Investing Activities	<u>(63,886)</u>	<u>(138,237)</u>	<u>(433,256)</u>
Financing activities			
Proceeds from exercise of stock options	52,648	24,758	3,577
Acquisition of treasury shares	(69)	(125)	(68)
Cash dividends on common stock	(5,661)	(4,635)	(4,555)
Cash dividends on convertible preferred stock	(12,918)	(21,122)	-
Cash dividends on converted preferred stock	(2,051)	-	-

Inducement payment and offering costs	(14,205)	-	-
Purchase and redemption, including prepayment penalty, of 9 1/2% senior subordinated notes	-	(157,293)	-
Proceeds from issuance of 7 1/4% senior unsecured notes, net of related fees	-	145,131	-
Proceeds from issuance of 10% secured term loan	-	-	125,000
Repayment of 10% secured term loan	-	-	(125,000)
Proceeds from issuance of 8 1/8% senior unsecured notes, net of related fees	-	-	144,696
Proceeds from issuance of Series B convertible preferred stock, net of related fees	-	-	249,250
Proceeds from revolving line of credit	-	-	16,500
Payments on revolving line of credit	<u>-</u>	<u>-</u>	<u>(16,500)</u>
Net Cash Provided (Used) By Financing Activities	<u>17,744</u>	<u>(13,286)</u>	<u>392,900</u>
Increase (decrease) in cash	143,243	(8,874)	15,867
Cash at beginning of year	<u>124,114</u>	<u>132,988</u>	<u>117,121</u>
Cash at end of year	<u>\$267,357</u>	<u>\$ 124,114</u>	<u>\$ 132,988</u>

See notes to consolidated financial statements.

F-4

PHILLIPS-VAN HEUSEN CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(In thousands, except share and per share data)

	<u>Common Stock</u>				<u>Accumulated</u>		
	<u>\$1 par</u>	<u>Additional</u>	<u>Retained</u>	<u>Comprehensive</u>	<u>Other</u>	<u>Treasur</u>	<u>Stockholders'</u>
	<u>Shares</u>	<u>Value</u>	<u>Capital</u>	<u>Earnings</u>	<u>Loss</u>	<u>Stock</u>	<u>Equity</u>
February 2, 2003	27,812,954	\$27,813	\$123,645	\$155,525	\$(34,370)	\$(386)	\$272,227
Net income				14,706			14,706
Minimum pension liability, net of tax benefit of \$400					(530)		(530)
Foreign currency translation adjustments, net of tax benefit of \$111					(181)		<u>(181)</u>
Total comprehensive income							13,995
Stock options exercised	296,864	297	3,280				3,577
Tax benefit from exercise of stock options			371				371

Issuance of common stock and warrant related to Calvin Klein acquisition	2,535,926	2,536	28,101				30,637
Common stock dividends				(4,555)			(4,555)
Convertible preferred stock dividends				(20,027)			(20,027)
Acquisition of 4,464 treasury shares	_____	_____	_____	_____	_____	(68)	_____ (68)
February 1, 2004	30,645,744	30,646	155,397	145,649	(35,081)	(454)	296,157
Net income				58,615			58,615
Minimum pension liability, net of tax expense of \$1,856					3,013		3,013
Foreign currency translation adjustments, net of tax expense of \$27					44		_____ 44
Total comprehensive income							61,672
Stock options exercised	1,806,659	1,806	22,952				24,758
Tax benefit from exercise of stock options			7,321				7,321
Common stock dividends				(4,635)			(4,635)

Convertible preferred stock dividends				(21,122)			(21,122)
Acquisition of 6,640 treasury shares	_____	_____	_____	_____	_____	<u>(125)</u>	<u>(125)</u>
January 30, 2005	32,452,403	32,452	185,670	178,507	(32,024)	(579)	364,026
Net income				111,688			111,688
Minimum pension liability, net of tax benefit of \$1,129						(1,842)	(1,842)
Foreign currency translation adjustments, net of tax benefit of \$79						(129)	<u>(129)</u>
Total comprehensive income							109,717
Stock options exercised	3,482,064	3,482	49,166				52,648
Tax benefit from exercise of stock options			16,355				16,355
Common stock dividends				(5,661)			(5,661)
Convertible preferred stock dividends				(12,918)			(12,918)
Converted preferred stock dividends				(2,051)			(2,051)

Inducement payment and offering costs				(14,205)			(14,205)
Acquisition of 2,616 treasury shares						(69)	(69)
Conversion of convertible preferred stock	<u>7,302,018</u>	<u>7,302</u>	<u>94,870</u>	<u> </u>	<u> </u>	<u>648</u>	<u>102,820</u>
January 29, 2006	<u>43,236,485</u>	<u>\$43,236</u>	<u>\$346,061</u>	<u>\$255,360</u>	<u>\$(33,995)</u>	<u>\$ -</u>	<u>\$610,662</u>

See notes to consolidated financial statements.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar and share amounts in thousands, except per share data)

1.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation - The consolidated financial statements include the accounts of Phillips-Van Heusen Corporation and its subsidiaries (the "Company"). Intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

- The preparation of the consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from the estimates.

Fiscal Year

- Fiscal years are designated in the consolidated financial statements and notes by the calendar year in which the fiscal year commences. Results for 2005, 2004 and 2003 represent the 52 weeks ended January 29, 2006, January 30, 2005 and February 1, 2004, respectively.

Reclassifications - For comparative purposes, certain prior period amounts have been reclassified to conform to the current period's presentation.

Cash and Cash Equivalents

- The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Goodwill and Other Intangible Assets - Goodwill is tested for impairment annually, and between annual tests if an event occurs or circumstances change that would indicate the carrying amount may be impaired. Impairment testing for goodwill is done at a reporting unit level. Under Financial Accounting Standards Board (FASB) Statement No. 142, "Goodwill and Other Intangible Assets," reporting units are defined as an operating segment or one level below the operating segment, called a component. However, two or more components of an operating segment shall be aggregated and deemed a single reporting unit if the components have similar economic characteristics. Under these criteria, as of January 29, 2006, the Company had nine reporting units. The Company's goodwill relates to and is directly assigned to three of its reporting units. An impairment loss would be recognized if the carrying amount of the reporting unit's net assets exceeds the estimated fair value of the reporting unit and the carrying amount of reporting unit goodwill is determined to exceed the implied fair value of that goodwill. The estimated fair value of a reporting unit is calculated based on the reporting unit's percentage contribution of earnings to the Company and applied to the estimated fair market value of the Company.

Indefinitely lived intangible assets not subject to amortization are tested for impairment annually, and between annual tests if an event occurs or circumstances change that would indicate that the carrying amount may be impaired. Intangible assets with a definite life, which are thus subject to amortization, are tested for impairment whenever events or circumstances indicate that the carrying amount of the asset may not be recoverable. An impairment loss would be recognized if the carrying amount of the asset exceeds the fair value of the asset, which is determined using the estimated undiscounted cash flows associated with the asset's use.

No impairment of goodwill or other intangible assets resulted from the Company's required annual impairment tests in 2005, 2004 and 2003.

Asset Impairments

- The Company reviews for and records impairment losses on long-lived assets (excluding goodwill and other indefinitely lived intangible assets) in accordance with FASB Statement No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." The Company records impairment losses when events and circumstances indicate that the assets might be impaired and the undiscounted cash flows estimated to be generated by the related assets are less than the carrying amounts of those assets.

Inventories

- Inventories related to our wholesale operations, comprised principally of finished goods, are stated at the lower of cost or market. Inventories related to our retail operations, comprised entirely of finished goods, are valued at the lower of average cost or market using the retail inventory method. Under the retail inventory method, the valuation of inventories at cost is calculated by applying a cost-to-retail ratio to the retail value inventories. Permanent

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

and point of sale markdowns, when recorded, reduce both the retail and cost components of inventory on hand so as to maintain the already established cost-to-retail relationship. Cost for certain apparel inventories of \$136,978 (2005) and \$128,004 (2004) is determined using the last-in, first-out method (LIFO). Cost for all other inventories is determined using the first-in, first-out method (FIFO). At January 29, 2006 and January 30, 2005, no LIFO reserve was recorded because LIFO cost approximated FIFO cost.

Property, Plant and Equipment

- Property, plant and equipment are carried at cost less accumulated depreciation. Depreciation is generally provided over the estimated useful lives of the related assets on a straight-line basis. The range of useful lives is as follows:

Buildings and building improvements: 15-40 years; machinery, software and equipment: 2-10 years; furniture and fixtures: 7-10 years. Fixtures located in third party customer locations ("shops within a store") and their related costs are depreciated over three years. Leasehold improvements are depreciated using the straight-line method over the lesser of the term of the related lease or the estimated useful life of the asset. In certain circumstances, contractual renewal options are considered when determining the term of the related lease. Major additions and betterments are capitalized, and repairs and maintenance are charged to operations in the period incurred.

Deferred Rent Obligations and Contributions from Landlords

- The Company accounts for rent expense under non-cancelable operating leases with scheduled rent increases on a straight-line basis over the lease term. The excess of straight-line rent expense over scheduled payments is recorded as a deferred liability. In addition, the Company receives build out contributions from landlords primarily as an incentive for the Company to lease retail store space from the landlords. Such amounts are amortized as a reduction of rent expense over the life of the related lease.

Revenue Recognition - Sales are recognized upon shipment of products to customers since title passes upon shipment and, in the case of sales by the Company's outlet stores, when goods are sold to consumers. Allowances for estimated returns and discounts are provided when sales are recorded. Revenue from gift cards is recognized at the time of redemption. Royalty revenue for licensees whose sales exceed contractual sales minimums, including licensee contributions toward advertising, is recognized when licensed products are sold by the Company's licensees. For licensees whose sales do not exceed contractual sales minimums, royalty revenue is recognized based on contractual minimums.

Accounts Receivable - Accounts receivable as shown on the Consolidated Balance Sheets is net of allowances. An allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable and assessments of collectibility based on historic trends, the financial condition of the Company's customers and an evaluation of economic conditions. The Company writes off uncollectible trade receivables once collection efforts have been exhausted and third parties confirm the balance is not recoverable. Costs associated with potential returns of products as well as allowable customer markdowns and operational chargebacks, net of the expected recoveries, are part of the provision for allowances included in accounts receivable. These provisions result from divisional seasonal negotiations, as well as historic deduction trends net of expected recoveries, and the evaluation of current market conditions.

Cost of Sales and Selling, General and Administrative Expenses - Costs associated with the production and procurement of product are included in cost of sales, including inbound freight costs, purchasing and receiving costs, inspection costs, internal transfer costs and other product procurement related charges. All other expenses, excluding interest and income taxes, are included in selling, general and administrative expenses, including warehousing and distribution expenses, as the predominant expenses associated therewith are general and administrative in nature, including rent, utilities and payroll.

Sales Incentives - The Company uses certain sales incentive programs related to the Company's retail operations, such as a customer loyalty program and the issuance of coupons. The Company's loyalty program is structured such that customers receive gift cards for future use after specified levels of spending are achieved. Costs associated with the Company's loyalty program are recorded ratably as a cost of sales based on enrolled customers' spending. Costs associated with coupons are recorded as a reduction of revenue at the time of coupon redemption.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

Advertising

- Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Costs associated with cooperative advertising programs, under which the Company generally shares the cost of a customer's advertising expenditures, are treated as a reduction of revenue. Advertising expenses totaled \$105,875 (2005), \$88,063 (2004) and \$64,803 (2003).

Shipping and Handling Fees and Costs - Shipping and handling fees billed to customers are included in net sales. Internal and external shipping and handling costs are included in cost of sales. Such costs include inbound freight costs, inspection costs, internal transfer costs and other product procurement related charges.

Income Taxes - The Company has recorded its provision for income taxes under the asset and liability method in accordance with FASB Statement No. 109, "Accounting for Income Taxes." Under this method, deferred tax assets and liabilities are recognized based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates that will be in effect at the time such differences are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Foreign Currency Translations - The consolidated financial statements of the Company are prepared in United States dollars, as this is the currency of the primary economic environment in which the Company operates, and the vast majority of its revenue is received and expenses are disbursed in United States dollars. Where the functional currency of business units is not the United States dollar, balance sheet accounts are translated at the current exchange rate and income statement transactions are translated at the average exchange rate for the period. Adjustments resulting from translating the financial statements of business units which do not use the United States dollar as their functional currency are recorded in stockholders' equity as a component of accumulated other comprehensive loss.

Stock-Based Compensation - The Company accounts for its stock options under the intrinsic value method of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and complies with the disclosure requirements of FASB Statement No. 123, "Accounting for Stock-Based Compensation," as amended by FASB Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." Under APB Opinion No. 25, the Company does not recognize compensation expense because the exercise price of the Company's

stock options equals the market price of the underlying stock on the date of grant.

The following table illustrates the effect on net income and net income (loss) per common share as if the Company had applied the fair value recognition provisions of FASB Statement No. 123:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income - as reported	\$111,688	\$58,615	\$14,706
Deduct: Stock-based compensation expense determined under fair value method, net of related tax effects	<u>7.762</u>	<u>8.006</u>	<u>3.385</u>
Net income - as adjusted	<u>\$103,926</u>	<u>\$50,609</u>	<u>\$11,321</u>
Net income (loss) per common share:			
Basic - as reported	<u>\$ 2.15</u>	<u>\$ 1.20</u>	<u>\$ (0.18)</u>
Diluted - as reported	<u>\$ 1.85</u>	<u>\$ 1.14</u>	<u>\$ (0.18)</u>
Basic - as adjusted	<u>\$ 1.95</u>	<u>\$ 0.95</u>	<u>\$ (0.29)</u>
Diluted - as adjusted	<u>\$ 1.70</u>	<u>\$ 0.90</u>	<u>\$ (0.29)</u>

The assumptions used to calculate the fair value of stock options at their grant dates are presented in Note 11, "Stockholders' Equity."

New Accounting Standards - In November 2004, the FASB issued Statement No. 151, "Inventory Costs." FASB Statement No. 151 requires that abnormal amounts of idle facility expense, freight, handling costs and wasted material

F-8

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

(spoilage) be recognized as current period charges. FASB Statement No. 151 is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. As such, the Company will adopt the provisions of FASB Statement No. 151 in the first quarter of 2006. The Company does not expect this to have a material impact on the Company's consolidated financial statements.

In December 2004, the FASB issued Statement No. 123R, "Share-Based Payment," which is a revision of FASB Statement No. 123, "Accounting for Stock-Based Compensation" and supersedes APB Opinion No. 25, "Accounting for Stock Issued to Employees" and FASB Statement No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure." FASB Statement No. 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. FASB Statement No. 123R is effective for the first annual period beginning after June 15, 2005. As such, the Company will adopt the requirements of FASB Statement No. 123R on a prospective basis beginning in the first quarter of 2006. The Company estimates that adoption of FASB Statement No. 123R in 2006 will decrease the Company's full year 2006 diluted net income per common share by approximately \$0.10 to \$0.11, dependent, in part, on the timing and amount of any future stock option grants.

In October 2005, the FASB issued Staff Position No. FAS 13-1, "Accounting for Rental Costs Incurred During a Construction Period." FASB Staff Position No. FAS 13-1 requires that rental costs associated with operating leases that are incurred during a construction period be recognized as rental expense and allocated over the lease term in accordance with the guidance in FASB Statement No. 13, "Accounting for Leases," and FASB Technical Bulletin No. 85-3, "Accounting for Operating Leases with Scheduled Rent Increases." FASB Staff Position No. FAS 13-1 is effective with reporting periods beginning after December 15, 2005. As such, the Company will adopt the provisions of FASB Staff Position No. FAS 13-1 in the first quarter of 2006. The Company does not expect this to have a material impact on the Company's consolidated financial statements.

2.

ACQUISITION OF ARROW

On December 10, 2004, the Company acquired the *Arrow* brand worldwide and the related licensing business from affiliates of Cluett American Group, Inc. for \$70,539 in cash. The Company incurred additional costs of \$194 in 2005

in connection with the acquisition. The transaction consisted of the acquisition from Cluett American Corp., Consumer Direct Corporation and Cluett Peabody Holding Corp. of all of the outstanding shares of common stock of Cluett Peabody Resources Corporation ("Resources") and Cluett Peabody & Co., Inc. ("CP&Co."). Resources is the worldwide owner of the *Arrow* trademark, principally for apparel, footwear and related goods, and certain related marks. CP&Co. licenses the *Arrow* marks from Resources and, in turn, licenses them to third parties throughout the world. Prior to the acquisition the Company had been licensing the *Arrow* marks in the United States from Resources and CP&Co. since mid-2000 for use on and in connection with men's and boys' dress shirts and sportswear.

3.

ACQUISITION OF CALVIN KLEIN

On February 12, 2003, the Company purchased all of the issued and outstanding stock of Calvin Klein, Inc. and certain affiliated companies. The Company paid \$401,565 in cash, net of \$6,435 cash acquired, and issued 2,536 shares of the Company's common stock, valued at \$30,000, in connection with the acquisition. The purchase price also included, in consideration of Mr. Calvin Klein's sale to the Company of all of his rights under a design services letter agreement with Calvin Klein, Inc., a nine-year warrant in favor of Mr. Klein to purchase 320 shares of the Company's common stock at \$28.00 per share, which the Company valued at \$637 using the Black-Scholes model, and contingent purchase price payments for 15 years based on 1.15% of total worldwide net sales of products bearing any of the *Calvin Klein* brands. Such contingent purchase price payments are recorded as additions to goodwill.

F-9

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)****4.****PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment, at cost, are summarized as follows:

	<u>2005</u>	<u>2004</u>
Land	\$ 1,090	\$ 1,090
Buildings and building improvements	27,665	27,341
Machinery, software and equipment	162,948	158,879
Furniture and fixtures	100,291	91,298
Shops within a store	7,789	5,294
Leasehold improvements	<u>90,155</u>	<u>80,418</u>
Property, plant and equipment, gross	389,938	364,320
Less: Accumulated depreciation	<u>(231,446)</u>	<u>(209,690)</u>
Property, plant and equipment, net	<u>\$ 158,492</u>	<u>\$ 154,630</u>

5.

GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill, by segment, are as follows:

	Wholesale Dress <u>Shirt</u>	Wholesale Sportswear and Related <u>Products</u>	Calvin Klein <u>Licensing</u>	<u>Total</u>
Balance as of February 1, 2004	\$11,277	\$83,465	\$ 63,977	\$158,719
Calvin Klein acquisition liability adjustment	-	-	(3,784)	(3,784)
Realization of acquisition tax loss carryforwards	(1,331)	(1,332)	-	(2,663)
Contingent purchase price payments to Mr. Calvin Klein	<u>-</u>	<u>-</u>	<u>22,246</u>	<u>22,246</u>
Balance as of January 30, 2005	9,946	82,133	82,439	174,518
Contingent purchase price payments to Mr. Calvin Klein	<u>-</u>	<u>-</u>	<u>25,481</u>	<u>25,481</u>
Balance as of January 29, 2006	<u>\$ 9,946</u>	<u>\$82,133</u>	<u>\$107,920</u>	<u>\$199,999</u>

As of February 1, 2004, January 30, 2005 and January 29, 2006, no goodwill was associated with the Retail Apparel and Related Products or the Retail Footwear and Related Products segments.

In 2000, the Company acquired net operating loss carryforwards in connection with the acquisition of certain license agreements and recorded a valuation allowance for such carryforwards. In 2004, the Company determined that realization of these loss carryforwards was more likely than not, and the valuation allowance of \$2,663 was reversed as a reduction of goodwill.

Intangible assets subject to amortization consist of a covenant not to compete with balances as follows:

	<u>Gross Carrying Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Balance as of February 1, 2004	\$600	\$ 60	\$540
Amortization	<u>-</u>	<u>60</u>	<u>(60)</u>
Balance as of January 30, 2005	600	120	480
Amortization	<u>-</u>	<u>60</u>	<u>(60)</u>
Balance as of January 29, 2006	<u>\$600</u>	<u>\$180</u>	<u>\$420</u>

Amortization expense is expected to be \$60 in each of the next seven years.

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

Intangible assets not subject to amortization consist of the following:

	<u>2005</u>	<u>2004</u>
Tradenames	\$612,966	\$612,772
Perpetual license rights	<u>86,000</u>	<u>86,000</u>
Total	<u>\$698,966</u>	<u>\$698,772</u>

At the end of 2005, accumulated amortization was \$16,849 for goodwill and \$647 for other intangible assets. At the end of 2004, accumulated amortization was \$16,849 for goodwill and \$587 for other intangible assets.

6.**SALE OF INVESTMENTS**

In 2004, the Company sold an investment in marketable securities for \$743.

In 2003, the Company sold its minority interest in Gant Company AB for \$17,234, net of related fees, which resulted in a pre-tax gain of \$3,496.

7.

LONG-TERM DEBT

Long-term debt is as follows:

	<u>2005</u>	<u>2004</u>
7 1/4% senior unsecured notes due 2011	\$150,000	\$150,000
8 1/8% senior unsecured notes due 2013	150,000	150,000
7 3/4% debentures due 2023	<u>99,525</u>	<u>99,512</u>
Total	<u>\$399,525</u>	<u>\$399,512</u>

On February 18, 2004, the Company issued \$150,000 of senior unsecured notes due 2011. The net proceeds of the offering after related fees were \$145,131. The notes accrue interest at the rate of 7 1/4% per annum, which is payable semi-annually. The Company used the net proceeds of the issuance of the 7 1/4% senior unsecured notes and available cash to purchase and redeem its 9 1/2% senior subordinated notes due 2008. The total cash paid for purchase and redemption, including a prepayment penalty, was \$157,293. The fair value of the 7 1/4% senior unsecured notes on January 29, 2006, based on current market price, was approximately \$152,250. In connection with the 7 1/4% senior unsecured notes, the Company must maintain, among other things, a certain interest coverage ratio in order to make restricted payments, as defined in the indenture governing the notes, including cash dividends.

In connection with the Calvin Klein acquisition, the Company entered into a 10% secured term loan agreement for \$125,000 with the holders of the Company's Series B convertible preferred stock. On May 5, 2003, the Company issued \$150,000 of senior unsecured notes due 2013. The net proceeds of the offering after related fees were \$144,696. The Company used a portion of the net proceeds of the issuance to repay the \$125,000 10% secured term loan from the holders of the Series B convertible preferred stock, plus accrued interest. The notes accrue interest at the rate of 8 1/8% per annum, which is payable semi-annually. The fair value of these notes on January 29, 2006, based on current market price, was approximately \$157,875. In connection with the 8 1/8% senior unsecured notes, the Company must maintain, among other things, a certain interest coverage ratio in order to make restricted payments, as defined in the indenture governing the notes, including cash dividends.

The Company issued \$100,000 of 7 3/4% debentures due 2023 on November 15, 1993 with a yield to maturity of 7.80%. Interest is payable semi-annually. The fair value of these debentures on January 29, 2006, based on current market price, was approximately \$104,375. In connection with the debentures, the Company must maintain a certain level of stockholders' equity in order to make restricted payments, as defined in the indenture governing the

debentures, including cash dividends.

F-11

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

The Company has a secured revolving credit facility which provides for revolving credit borrowings, as well as the issuance of letters of credit. The Company may, at its option, borrow and repay amounts up to a maximum of \$325,000 under both the revolving credit borrowings and the issuance of letters of credit, with a sublimit of \$30,000 for standby letters of credit and with no sublimit on trade letters of credit. Advances under the Revolving Credit Agreement are also limited to a borrowing base consisting of specified percentages of eligible categories of assets. Borrowing spreads and letters of credit fees are based on spreads above LIBOR and other available interest rates, with the spreads changing based upon a pricing grid. For example, revolving credit spreads range from 0 to 25 basis points over prime on prime rate loans, 125 to 225 basis points over LIBOR on LIBOR rate loans and 75 to 150 basis points on outstanding letters of credit. All outstanding borrowings and letters of credit under this credit facility are due December 15, 2009. As of January 29, 2006, the Company had no borrowings and \$156,118 outstanding letters of credit under this facility.

In connection with the revolving credit facility, the 7 3/4% debentures due 2023 and the Company's obligation to pay contingent purchase price payments to Mr. Calvin Klein (as further discussed in Note 3, "Acquisition of Calvin Klein"), substantially all of the Company's assets have been pledged as collateral.

Interest paid was \$32,507 (2005), \$39,459 (2004) and \$32,993 (2003). 2004 interest paid includes a \$7,293 prepayment penalty on the early extinguishment of debt.

There are no scheduled maturities of long-term debt until 2011.

8.

RETIREMENT AND BENEFIT PLANS

The Company has noncontributory defined benefit pension plans covering substantially all United States employees meeting certain age and service requirements. For those vested (after five years of service), the plans provide monthly benefits upon retirement based on career compensation and years of credited service. It is the Company's policy to fund pension cost annually in an amount consistent with Federal law and regulations.

The Company also has an unfunded supplemental defined benefit pension plan which provides benefits for compensation in excess of Internal Revenue Service earnings limits and requires lump sum payments to vested employees upon employment termination or retirement, or shortly thereafter.

The Company and its domestic subsidiaries also provide certain postretirement health care and life insurance benefits. Retirees contribute to the cost of this plan, which is unfunded. During 2002, the postretirement plan was amended to eliminate benefits for active participants who, as of January 1, 2003, had not attained age 55 and 10 years of service.

On December 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 into law. In May 2004, the FASB issued FASB Staff Position No. FAS 106-2, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003," which provides guidance on accounting for the Medicare subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. This guidance is effective for periods beginning after June 15, 2004. The benefits provided by the Company's postretirement plan are actuarially equivalent to Medicare Part D. As such, the Company has included the effects of the Medicare subsidy in measuring the accumulated postretirement benefit obligation and the net periodic postretirement benefit cost for 2005.

The measurement date used to determine pension and postretirement measurements for the pension plans and postretirement plan for each year is December 31.

Following is a reconciliation of the changes in the projected benefit obligation (pension plans) and the accumulated postretirement benefit obligation (postretirement plan) for each of the last two years:

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

	<u>Pension Plans</u>		<u>Postretirement Plan</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Beginning of year	\$216,060	\$194,755	\$39,639	\$38,997
Service cost	6,055	5,176	-	-
Interest cost	13,105	12,262	1,698	2,341
Settlement payments	(8,925)	-	-	-
Special termination benefits	432	-	211	-
Benefit payments	(8,872)	(9,504)	-	-
Benefit payments, net of retiree contributions	-	-	(2,755)	(2,471)
Reflection of Medicare subsidy	-	-	(1,644)	-
Actuarial loss (gain)	14,680	12,586	(8,578)	772
Plan amendments	<u>-</u>	<u>785</u>	<u>-</u>	<u>-</u>

End of year	<u>\$232,535</u>	<u>\$216,060</u>	<u>\$28,571</u>	<u>\$39,639</u>
-------------	------------------	------------------	-----------------	-----------------

Settlement payments in 2005 relate to the Company's supplemental pension plan and resulted principally from the retirement of Bruce J. Klatsky, the Company's Chairman and former Chief Executive Officer. The special termination benefits for the pension and postretirement plans in 2005 relate to Mr. Klatsky's retirement.

The effects of the Medicare subsidy on the interest cost and actuarial loss components included in the above table were immaterial for 2005.

The accumulated benefit obligation for the pension plans was \$218,551 and \$203,586 at the end of 2005 and 2004, respectively.

Following is a reconciliation of the fair value of the assets held by the Company's pension plans for each of the last two years:

	<u>2005</u>	<u>2004</u>
Beginning of year	\$161,277	\$127,092
Actual return, net of plan expenses	10,955	18,307
Benefit payments	(8,872)	(9,504)
Settlement payments	(8,925)	-
Company contributions	<u>11,425</u>	<u>25,382</u>
End of year	<u>\$165,860</u>	<u>\$161,277</u>

The pension plan assets are invested with the objective of being able to meet current and future benefit payment needs, while controlling pension expense volatility and future contributions. Plan assets are diversified among United States equities, international equities, fixed income investments and cash. The strategic target allocation is approximately 55% United States equities, 15% international equities and 30% fixed income investments. The following table illustrates the percentage of the fair value of total pension plan assets for each major category:

	<u>2005</u>	<u>2004</u>
United States equities	60%	61%
International equities	17%	16%
Fixed income investments	<u>23%</u>	<u>23%</u>
Total	<u>100%</u>	<u>100%</u>

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

Certain of the Company's pension plans, including the unfunded supplemental pension plan, have projected and accumulated benefit obligations in excess of plan assets as follows:

	<u>2005</u>	<u>2004</u>
Aggregate projected benefit obligation	\$232,535	\$211,896
Aggregate fair value of related plan assets	165,860	157,090
Aggregate accumulated benefit obligation	214,288	196,707
Aggregate fair value of related plan assets	161,490	153,695

Net benefit cost recognized in each of the last three years is as follows:

	<u>Pension Plans</u>			<u>Postretirement Plan</u>		
	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Service cost, including plan expenses	\$ 6,215	\$ 5,336	\$ 4,156	\$ -	\$ -	\$ -
Interest cost	13,105	12,262	11,514	1,698	2,341	2,444

Edgar Filing: PHILLIPS VAN HEUSEN CORP /DE/ - Form 10-K/A

Amortization of net loss	8,455	6,976	3,867	400	1,238	1,166
Expected return on plan assets	(13,155)	(12,535)	(11,796)	-	-	-
Amortization of prior service cost	1,567	1,981	1,856	(444)	(444)	(444)
Settlement loss	3,949	-	-	-	-	-
Special termination benefits	<u>432</u>	<u>-</u>	<u>-</u>	<u>211</u>	<u>-</u>	<u>-</u>
Total	<u>\$20,568</u>	<u>\$14,020</u>	<u>\$ 9,597</u>	<u>\$1,865</u>	<u>\$3,135</u>	<u>\$3,166</u>

The settlement loss in 2005 resulted principally from the retirement of Bruce J. Klatsky, the Company's Chairman and former Chief Executive Officer.

Following is a reconciliation of the projected benefit obligation (pension plans) and the accumulated postretirement benefit obligation (postretirement plan) at the end of each of the last two years to the amounts recognized on the Company's Consolidated Balance Sheets:

	<u>Pension Plans</u>		<u>Postretirement Plan</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Projected benefit obligation	\$ 232,535	\$ 216,060	\$28,571	\$ 39,639
Unrecognized prior service cost	(806)	(2,373)	3,991	4,435
Unrecognized losses	(68,943)	(64,626)	(6,740)	(17,362)
Employer contributions made after December 31	(30,215)	(3,323)	(178)	(204)
Minimum pension liability	54,402	51,431	-	-

Plan assets at fair value	<u>(165,860)</u>	<u>(161,277)</u>	<u>-</u>	<u>-</u>
Amount recognized in other liabilities	<u>\$ 21,113</u>	<u>\$ 35,892</u>	<u>\$25,644</u>	<u>\$ 26,508</u>

During 2006, the Company expects to make payments of approximately \$4,800 from its supplemental pension plan to Mark Weber, the Company's former Chief Executive Officer, in connection with his departure from the Company in February 2006. Currently, the Company does not expect to make any material contributions to its qualified pension plans and expects to make contributions of approximately \$2,700 to its postretirement plan in 2006. Expected benefit payments associated with the Company's pension plans, and expected benefit payments net of retiree contributions associated with the Company's postretirement plan, are as follows:

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

		_Postretirement Plan	
	<u>Pension Plans</u>	Excluding Medicare <u>Subsidy Receipts</u>	Expected Medicare <u>Subsidy Receipts</u>
2006	\$10,035	\$ 2,865	\$(186)
2007	11,221	2,921	(192)
2008	11,252	2,939	(194)
2009	12,424	2,984	(195)
2010	12,940	2,982	(190)
2011-2015	88,985	13,100	(816)

The health care cost trend rate assumed for 2006 is 9.5% and is assumed to decrease by 0.5% per year through 2015. Thereafter, the rate assumed is 5.0%. If the assumed health care cost trend rate increased or decreased by 1%, the aggregate effect on the service and interest cost components of the net postretirement benefit cost for 2005 and on the accumulated postretirement benefit obligation at January 29, 2006 would be as follows:

	<u>1% Increase</u>	<u>1% Decrease</u>
Impact on service and interest cost	\$ 128	\$ (114)

Impact on year-end accumulated postretirement benefit obligation	\$2,253	\$(1,998)
--	---------	-----------

Significant weighted average rate assumptions used in determining the projected and accumulated benefit obligations at the end of each year and benefit cost in the following year were as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Discount rate	5.92%	6.00%	6.25%
Rate of increase in compensation levels (applies to pension plans only)	4.00%	4.00%	4.00%
Long-term rate of return on assets (applies to pension plans only)	8.25%	8.25%	8.25%

To develop the expected weighted average long-term rate of return on assets assumption, the Company considered the current level of expected returns on risk-free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

In addition to the defined benefit pension plans described above, the Company has an unfunded supplemental defined benefit plan covering 23 current and retired executives under which the participants will receive a predetermined amount during the 10 years following the attainment of age 65, provided that prior to the termination of employment with the Company, the participant has been in the plan for at least 10 years and has attained age 55. At January 29, 2006 and January 30, 2005, \$15,859 and \$16,913, respectively, are included in other liabilities as the accrued cost of this plan.

The Company has a savings and retirement plan and a supplemental savings plan for the benefit of its eligible employees who elect to participate. The Company matches a portion of employee contributions to the plans. Matching contributions were \$4,388 (2005), \$3,706 (2004) and \$3,863 (2003).

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)****9.****INCOME TAXES**

Income taxes consist of:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Federal:			
Current	\$ 9,649	\$ 696	\$ -
Deferred	47,340	25,760	3,944
State, foreign and local:			
Current	5,061	4,062	4,256
Deferred	<u>4,531</u>	<u>(2,111)</u>	<u>-</u>
Total	<u>\$66,581</u>	<u>\$28,407</u>	<u>\$8,200</u>

Included as deferred tax expense for 2005 is a \$16,355 current tax benefit from the exercise of stock options.

Taxes paid were \$7,472 (2005), \$4,138 (2004) and \$4,389 (2003).

The approximate tax effect of items giving rise to the deferred income tax liability recognized in the Company's Consolidated Balance Sheets is as follows:

	<u>2005</u>	<u>2004</u>
Depreciation and amortization	\$ (15,821)	\$ (19,534)
Employee compensation and benefits	11,644	18,330
Tax loss and credit carryforwards	43,368	61,877
Minimum pension liability	20,673	19,544
Book versus tax basis difference related to identifiable intangible assets	(231,800)	(231,800)
Acquisition costs	(25,948)	(13,528)
Other, net	<u>(4,880)</u>	<u>(2,348)</u>
Subtotal	(202,764)	(167,459)
Valuation allowance for state net operating loss carryforwards	<u>(6,285)</u>	<u>(6,074)</u>
Total	<u>\$(209,049)</u>	<u>\$(173,533)</u>

As of the end of 2005, the Company has utilized all of its Federal net operating loss carryforwards. Included in the tax loss and credit carryforwards at the end of 2005 are \$7,660 of state net operating loss carryforwards and Federal credit carryforwards of \$35,708. Of the Federal amount, \$18,527 is alternative minimum tax credits which never expire under the current Internal Revenue Code. The balance of the Federal credit carryforwards expires principally between 2010 and 2020.

The Company has a valuation allowance for state net operating loss carryforwards for which the Company believes realization is unlikely. In 2004, the Company determined that net operating loss carryforwards in certain states would

be utilized against 2004 taxable income, resulting in a current state tax benefit of \$905, and additional net operating loss carryforwards in those states would more likely than not be utilized against future taxable income, resulting in a deferred state tax benefit of \$2,111. As a result, the total reduction in the state net operating loss carryforwards valuation allowance in 2004 was \$3,016, which reduced income tax expense.

F-16

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

A reconciliation of the statutory Federal income tax to the income tax expense is as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Statutory 35% Federal tax	\$62,394	\$30,458	\$8,017
State and local income taxes, net of Federal income tax benefit	4,122	683	656
Other, net	<u>65</u>	<u>(2,734)</u>	<u>(473)</u>
Income tax expense	<u>\$66,581</u>	<u>\$28,407</u>	<u>\$8,200</u>

Other, net in 2004 includes a \$2,111 reduction in the valuation allowance for state net operating loss carryforwards.

The domestic and foreign components of income before provision for income taxes are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Domestic	\$184,090	\$89,363	\$ 33,249
Foreign	<u>(5,821)</u>	<u>(2,341)</u>	<u>(10,343)</u>

Total	<u>\$178,269</u>	<u>\$87,022</u>	<u>\$ 22,906</u>
-------	------------------	-----------------	------------------

On October 22, 2004, the American Jobs Creation Act of 2004 (the "AJCA") was signed by President Bush. The AJCA provides for a special one time deduction of 85% of certain foreign earnings that are repatriated (as defined by the AJCA) in either an enterprise's last tax year that began before the enactment date, or the first tax year that begins during the one-year period beginning on the date of enactment. The repatriation provision did not have any impact on the Company's consolidated financial statements.

10.

SERIES B CONVERTIBLE PREFERRED STOCK

In connection with the Calvin Klein acquisition, the Company issued \$250,000 of Series B convertible preferred stock. The Series B convertible preferred stock has a conversion price of \$14.00 per share and a dividend rate of 8% per annum, payable quarterly, in cash. If the Company elects not to pay a cash dividend for any quarter, then the Series B convertible preferred stock will be treated for purposes of the payment of future dividends and upon conversion, redemption or liquidation as if an in-kind dividend had been paid.

During the second quarter of 2005, the holders of the Series B convertible preferred stock voluntarily converted an aggregate of \$102,820 of the Series B convertible preferred stock, or 39% of the liquidation value of the Series B preferred stock prior to conversion, into 7,344 shares of the Company's common stock. In connection with the conversion of the Series B convertible preferred stock by the preferred stockholders and their subsequent sale of the 7,344 shares of common stock received upon conversion, the Company made an inducement payment to the preferred stockholders in the amount of \$1.75 per share of common stock, or an aggregate of \$12,853. The inducement payment was based on the net present value of the dividends that the Company would have been obligated to pay the preferred stockholders through the earliest date on which it is estimated that the Company would have the right to convert the Series B convertible preferred stock, net of the present value of the dividends payable over the same period on the shares of common stock into which the Series B convertible preferred stock was convertible. In addition, the Company incurred certain costs, totaling \$1,352, specifically related to the registered common stock offering.

As of January 29, 2006, the liquidation preference of the shares of Series B convertible preferred stock remaining outstanding was \$161,926. Conversion of the remaining outstanding Series B convertible preferred stock may occur any time at the option of the preferred stockholders. Conversion may occur at the Company's option after February 12, 2007, if the market value of the Company's common stock equals or exceeds 225% of the conversion price then in effect for 60 consecutive trading days.

F-17

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

The preferred stockholders can require the Company to redeem for cash all of the then outstanding shares of Series B convertible preferred stock on or after November 1, 2013. On all matters put to a vote to holders of the Company's common stock, each holder of shares of the Series B convertible preferred stock is entitled to the number of votes equal to the number of shares of the Company's common stock that would be issued upon conversion of the holders' shares of Series B convertible preferred stock.

Prior to the conversion of a portion of the Series B convertible preferred stock during the second quarter of 2005, the preferred stockholders had the right to elect separately as a class three directors and to have one of their directors serve on the audit, compensation, nominating and executive committees of the Company's Board of Directors, subject to applicable law, rule and regulation; current regulation precludes service on the audit committee. In connection with the conversion, the remaining preferred stockholders agreed to reduce their right to elect directors of the Company from three directors to two directors and to further reduce this right to one director if they did not have more than one director elected as of December 31, 2005. The remaining preferred stockholders did not elect an additional director as of December 31, 2005 and, as such, only one such director can be and is currently elected.

11.

STOCKHOLDERS' EQUITY

Preferred Stock Rights

- On June 10, 1986, the Company's Board of Directors declared a distribution of one Right (the "Rights") to purchase Series A Cumulative Participating Preferred Stock, par value \$100 per share, for each outstanding share of the Company's common stock. As a result of subsequent stock splits, each outstanding share of the Company's common stock now carries with it one-fifth (1/5) of one Right.

Under certain circumstances, each Right will entitle the registered holder to acquire from the Company one one-hundredth (1/100) of a share of said Series A Preferred Stock at an exercise price of \$100 per fractional share. The Rights will be exercisable, except in certain circumstances, commencing ten days following a public

announcement that (i) a person or group has acquired or obtained the right to acquire 20% or more of the Company's common stock, in a transaction not approved by the Company's Board of Directors or (ii) a person or group has commenced or intends to commence a tender offer for 30% or more of the Company's common stock (the "Distribution Date"). Rights held by any person or group triggering the exercisability of the Rights and their affiliates become void and unexercisable upon the occurrence of the triggering event.

If the Company is the surviving corporation in a merger or other business combination then, under certain circumstances, each holder of a Right will have the right to receive upon exercise the number of shares of the Company's common stock having a market value equal to two times the exercise price of the Right.

In the event the Company is not the surviving corporation in a merger or other business combination, or more than 50% of the Company's assets or earning power is sold or transferred, each holder of a Right will have the right to receive upon exercise the number of shares of common stock of the acquiring company having a market value equal to two times the exercise price of the Right.

At any time prior to the close of business on the Distribution Date, the Company may redeem the Rights in whole, but not in part, at a price of \$0.05 per Right. The rights are currently scheduled to expire on June 16, 2006.

Stock Option Plans

Service-Based Stock Options

- The Company grants non-qualified and incentive stock options ("ISOs") that are service-based. Options are granted with an exercise price equal to the closing price of the Company's common stock on the date of grant. ISOs and non-qualified options granted have a ten-year duration. Depending upon which plan options have been granted under, options are cumulatively exercisable in either three installments commencing three years after the date of grant or in four installments commencing one year after the date of grant.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

For purposes of the disclosure requirements of FASB Statement No. 148, as illustrated in Note 1, "Summary of Significant Accounting Policies," the Company estimated the fair value of stock options granted at the date of grant using the Black-Scholes model. For purposes of the required disclosures, the estimated fair value of the options is then amortized to expense on a straight-line basis.

The following summarizes the assumptions used to estimate the fair value of service-based stock options granted in each year:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Weighted average risk-free interest rate	4.13%	3.76%	3.48%
Expected option life	6 Years	6 Years	6 Years
Weighted average expected volatility	25.9%	26.9%	29.5%
Expected annual dividends per share	\$ 0.15	\$ 0.15	\$ 0.15
Weighted average estimated fair value per share of options granted	\$ 10.08	\$ 5.89	\$ 3.79

Other data with respect to service-based stock options follows:

<u>Options</u>	<u>Range of Exercise Prices Per Option</u>	<u>Weighted Average Price Per Option</u>
----------------	--	--

Edgar Filing: PHILLIPS VAN HEUSEN CORP /DE/ - Form 10-K/A

Outstanding at February 2, 2003	4,866	\$ 6.81	-	\$31.63	\$12.62
Granted	1,038	12.34	-	16.70	12.55
Exercised	297	6.81	-	15.13	12.05
Cancelled	<u>284</u>	<u>9.38</u>	-	<u>31.63</u>	<u>13.09</u>
Outstanding at February 1, 2004	5,323	6.81	-	27.88	12.61
Granted	1,079	16.81	-	25.14	18.96
Exercised	1,401	6.81	-	16.55	12.24
Cancelled	<u>130</u>	<u>9.38</u>	-	<u>27.88</u>	<u>15.68</u>
Outstanding at January 30, 2005	4,871	6.81	-	25.14	14.04
Granted	1,732	25.88	-	35.63	31.16
Exercised	2,138	6.81	-	19.10	12.84
Cancelled	<u>81</u>	<u>9.38</u>	-	<u>25.88</u>	<u>18.61</u>
Outstanding at January 29, 2006	<u>4,384</u>	<u>\$ 7.38</u>	-	<u>\$35.63</u>	<u>\$21.31</u>

Additional information regarding service-based stock options outstanding at January 29, 2006 follows:

Range of	Number of	Weighted Average	Weighted Average	Number of	Weighted Average
		Remaining	Exercise Price		Exercise Price

Edgar Filing: PHILLIPS VAN HEUSEN CORP /DE/ - Form 10-K/A

<u>Exercise Prices Per Option</u>	<u>Options Outstanding</u>	<u>Contractual Life</u>	<u>Per Option Outstanding</u>	<u>Options Exercisable</u>	<u>Per Option Exercisable</u>
\$ 7.38 - \$13.00	808	6.1	\$11.46	499	\$10.93
\$13.06 - \$16.70	963	4.8	14.16	772	14.02
\$17.22 - \$19.50	894	8.2	18.92	167	18.93
\$20.99 - \$31.67	814	9.2	26.64	3	23.95
\$31.75 - \$35.63	<u>905</u>	<u>9.9</u>	<u>35.27</u>	<u>-</u>	<u>-</u>
	<u>4,384</u>	<u>7.6</u>	<u>\$21.31</u>	<u>1,441</u>	<u>\$13.54</u>

Performance-Based Stock Options - The Company made grants in 2004 of 1,750 performance-based, non-qualified stock options to Bruce J. Klatsky, the Company's Chairman and former Chief Executive Officer. The options were granted with an exercise price of \$18.75. The options had a seven-year duration and vesting was partly contingent upon a 20-day average stock price of the Company's common stock. When the Company's 20-day

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

average stock price reached \$22.50, 50% of the options vested. When the Company's 20-day average stock price reached \$25.00, 75% of the options vested. When the Company's 20-day average stock price reached \$27.50, 100% of the options vested. If these targets had not been achieved, the options would have fully vested six years after the date of grant. As of January 29, 2006, 100% of these options had vested and were exercised.

For purposes of the disclosure requirements of FASB Statement No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure," as illustrated in Note 1, "Summary of Significant Accounting Policies," the Company estimated the fair value of stock options granted at the date of grant using the Black-Scholes model.

The following summarizes the assumptions used to estimate the fair value of performance-based stock options granted:

	<u>2004</u>
Weighted average risk-free interest rate	2.57%
Weighted average expected option life	3.6 Years
Weighted average expected volatility	26.3%
Expected annual dividends per share	\$0.15
Weighted average estimated fair value per share of options granted	\$4.16

During 2004, 406 of the 1,750 performance-based, non-qualified stock options issued to Mr. Klatsky were exercised, leaving 1,344 outstanding. 907 of such stock options were exercisable at January 30, 2005, with a remaining contractual life of 6.2 years. During 2005, the remaining 1,344 of these stock options were exercised.

Total stock options available for grant at January 29, 2006 and January 30, 2005 amounted to 1,265 and 2,920 shares, respectively.

12.

COMPONENTS OF ACCUMULATED OTHER COMPREHENSIVE LOSS

The following table sets forth the detail of accumulated other comprehensive loss, net of related taxes:

	<u>2005</u>	<u>2004</u>
Minimum pension liability adjustment	\$(33,729)	\$(31,887)
Foreign currency translation adjustment	<u>(266)</u>	<u>(137)</u>
Total	<u>\$(33,995)</u>	<u>\$(32,024)</u>

13.

LEASES

The Company leases retail stores, warehouses, showrooms, office space and equipment. The leases, excluding equipment leases, generally provide for the payment of real estate taxes and certain other occupancy expenses. Retail store leases generally are renewable and provide for the payment of percentage rentals based on store sales and other costs associated with the leased property.

F-20

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

At January 29, 2006, minimum annual rental commitments under non-cancelable operating leases are as follows:

2006	\$ 77,180
2007	65,363
2008	56,151
2009	43,824
2010	32,687
Thereafter	<u>96,672</u>
Total minimum lease payments	<u>\$371,877</u>

The Company's retail store leases represent \$203,830 of the total minimum lease payments. The Company's Calvin Klein administrative offices and showrooms represent \$43,389 of the total minimum lease payments. The Company's corporate, apparel and footwear administrative offices and showrooms located in New York, New York and Bridgewater, New Jersey represent \$42,919 and \$55,531 of the total minimum lease payments, respectively.

At January 29, 2006, aggregate future minimum rentals to be received under non-cancelable subleases are \$5,000.

Rent expense is as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Minimum	\$ 87,373	\$80,306	\$75,626
Percentage and other	14,192	14,701	14,015
Less: Sublease rental income	<u>(1,907)</u>	<u>(1,022)</u>	<u>-</u>
Total	<u>\$99,658</u>	<u>\$93,985</u>	<u>\$89,641</u>

14.

ACTIVITY EXIT COSTS AND ASSET IMPAIRMENTS

Activity Exit Costs

At the end of 2005, the Company closed its *Calvin Klein Collection* store in Paris.

Costs associated with closing the store are as follows:

	<u>Total Expected to be Incurred</u>	<u>Incurred in 2005</u>	<u>Liability at 1/29/06</u>
Severance and termination benefits	\$ 775	\$ 775	\$ 775
Lease termination costs	<u>1,777</u>	<u>1,777</u>	<u>1,777</u>
Total	<u>\$2,552</u>	<u>\$2,552</u>	<u>\$2,552</u>

Under FASB Statement No. 146, "Accounting for Costs Associated with Exit and Disposal Activities," lease termination costs were recorded based on their estimated fair value when the store was closed.

The costs associated with closing the store are included in selling, general and administrative expenses of the Retail Apparel and Related Products segment.

Asset Impairments

During 2005, Federated Department Stores, Inc. acquired The May Department Stores Company. In connection with the acquisition, Federated announced its intention to divest certain of its locations beginning in 2006. The Company has identifiable long-lived assets, consisting of shops within stores (fixtures located in third party customer locations) in certain of the locations to be divested. This was an impairment indicator which caused the

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

Company to evaluate whether the net book value of these long-lived assets was recoverable. In the fourth quarter of 2005, the Company determined that the long-lived assets in 46 locations were not recoverable and recorded an impairment of \$443. This amount is included in selling, general and administrative expenses of the Wholesale Sportswear and Related Products segment. Since the long-lived assets are related to locations to be divested, there were deemed to be no future cash flows associated with the long-lived assets in these locations. As such, the impairment recorded was equal to the net book value of the long-lived assets in these locations.

During 2005 and 2004, the level of profitability in certain of the Company's retail outlet stores was an impairment indicator which caused the Company to evaluate whether the net book value of the long-lived assets in the stores was recoverable. Based on the evaluations, the Company determined that the long-lived assets were not recoverable and recorded impairments of \$589 and \$528 in 2005 and 2004, respectively. These amounts are included in selling, general and administrative expenses of the Retail Apparel and Related Products segment. These determinations were made by comparing each store's expected undiscounted future cash flows to the carrying amount of the long-lived assets. Since the long-lived assets in each store were deemed not recoverable, the net book value of the long-lived assets in excess of the fair value was written off. Fair value was estimated based on net present value of the future cash flows expected from these stores.

During 2003, the Company's retail outlet stores were under significant competitive pressure, which resulted in negative same store sale comparisons and reduced overall profitability. This condition was an impairment indicator which caused the Company to evaluate its portfolio of stores to determine whether the net book value of the long-lived assets in the stores was recoverable. Based on this evaluation, during 2003, the Company determined that the long-lived assets in approximately 200 stores were not recoverable and recorded an impairment of \$9,017. Of this amount, \$2,623 is included in selling, general and administrative expenses of the Retail Footwear and Related Products segment and \$6,394 is included in selling, general and administrative expenses of the Retail Apparel and Related Products segment, respectively. This determination was made by comparing each store's expected undiscounted future cash flows to the carrying amount of the long-lived assets, and for each store in which the long-lived assets were not deemed recoverable, the net book value of the long-lived assets in excess of the fair value was written off. Fair value was estimated based on the Company's past experience in disposing of leasehold improvements of stores which it has closed.

In 2003, the Company announced the licensing of the *Bass* brand for wholesale distribution of footwear to Brown Shoe Company, Inc. and the Company's exiting of the wholesale footwear business. This action was an impairment indicator which caused the Company to evaluate whether the net book value of the long-lived assets relating to the

wholesale footwear business, which principally included leasehold improvements in the South Portland, Maine facility and various information systems that specifically supported the Company's wholesale footwear business, was recoverable. Based on this evaluation, during 2003, the Company determined that the long-lived assets were not recoverable and recorded an impairment of \$3,130. This amount is included in selling, general and administrative expenses of the Wholesale Sportswear and Related Products segment. Since the long-lived assets related to the exiting of the wholesale footwear business, no future cash flows were expected from the impaired assets and the impairment recorded was equal to the net book value of these long-lived assets.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

15.

EARNINGS PER SHARE

The Company computed its basic and diluted net income (loss) per common share as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Net income	\$111,688	\$58,615	\$14,706
Less:			
Preferred stock dividends on convertible stock	12,918	21,122	20,027
Preferred stock dividends on converted stock	2,051	-	-
Inducement payment and offering costs	<u>14,205</u>	<u>-</u>	<u>-</u>
Net income (loss) available to common stockholders for basic net income (loss) per common share	<u>\$ 82,514</u>	<u>\$37,493</u>	<u>\$ (5,321)</u>
Add back preferred stock dividends on convertible stock	12,918	21,122	-
Net income (loss) available to common stockholders			

Edgar Filing: PHILLIPS VAN HEUSEN CORP /DE/ - Form 10-K/A

for diluted net income (loss) per common share	<u>\$ 95,432</u>	<u>\$58,615</u>	<u>\$ (5,321)</u>
Weighted average common shares outstanding for basic net income (loss) per common share	38,297	31,117	30,314
Impact of dilutive stock options	1,803	1,610	-
Impact of dilutive warrant	29	-	-
Impact of assumed convertible preferred stock conversion	<u>11,566</u>	<u>18,910</u>	<u>-</u>
Total shares for diluted net income (loss) per common share	<u>51,695</u>	<u>51,637</u>	<u>30,314</u>
Basic net income (loss) per common share	<u>\$ 2.15</u>	<u>\$ 1.20</u>	<u>\$ (0.18)</u>
Diluted net income (loss) per common share	<u>\$ 1.85</u>	<u>\$ 1.14</u>	<u>\$ (0.18)</u>

During the second quarter of 2005, the holders of the Company's Series B convertible preferred stock completed a voluntary conversion of a portion of such stock into shares of the Company's common stock. Such shares of common stock were subsequently sold in a registered offering by the holders. In connection with these transactions, the Company made an inducement payment to the preferred stockholders of \$1.75 for each share of common stock sold, or an aggregate of \$12,853, and incurred certain costs, totaling \$1,352, specifically related to the registered common stock offering. As set forth in Emerging Issues Task Force (EITF) Topic D-42, "The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock," when convertible preferred stock is converted pursuant to an inducement offer, the excess of the fair value of consideration transferred in the transaction to the holders of the convertible preferred stock over the fair value of the securities issuable pursuant to the original conversion terms should be subtracted from net income to arrive at net income available to common stockholders in the calculation of net income per common share. As such, the inducement payment and offering costs paid by the Company in connection with the conversion and subsequent registered common stock offering resulted in a reduction of net income available to common stockholders for the year ended January 29, 2006.

Potentially dilutive securities excluded from the calculation of diluted net income (loss) per common share are as follows:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Antidilutive securities	186	1,081	1,654

F-23

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

In addition, for 2003, stock options to purchase 695 common shares, which would have been dilutive had net income available to common stockholders been positive, were excluded from the computation of diluted net loss per common share because 2003 net income available to common stockholders was a loss; the inclusion of such dilutive stock options would have been antidilutive to the net loss per common share computation.

As set forth in EITF Topic D-53, "Computation of Earnings per Share for a Period That Includes a Redemption or an Induced Conversion of a Portion of a Class of Preferred Stock," when a company effects an induced conversion of only a portion of a class of the company's then-outstanding preferred stock, any excess consideration should be attributed to the converted shares, and the converted shares should be considered separately from the shares that were not converted for purposes of applying the "if-converted" method of calculating diluted net income per common share from the beginning of the period. As such, for purposes of the Company's computation of diluted net income per common share for 2005, the portion of the Company's Series B convertible preferred stock that was converted was considered separately from the portion of the Company's Series B convertible preferred stock that was not converted. The inducement payment and offering costs paid by the Company in connection with the conversion and subsequent registered common stock offering were attributed to the portion of the Company's Series B convertible preferred stock that was converted. As a result, conversion of the portion of the Company's Series B convertible preferred stock that was converted into 3,347 weighted average common shares outstanding for 2005 was not assumed because the resulting impact on the calculation of diluted net income per common share would have been antidilutive. Additionally, conversion of the Company's Series B convertible preferred stock into 17,930 shares of common stock for 2003 was not assumed because the resulting impact on the calculation of diluted net income per common share would have been antidilutive.

16.

NONCASH INVESTING AND FINANCING TRANSACTIONS

Omitted from the Financing Activities section of the Consolidated Statement of Cash Flows for 2005 was a decrease in Series B convertible preferred stock of \$102,820, an increase in common stock of \$7,302, an increase in additional capital of \$94,870 and a decrease in treasury stock of \$648 associated with the conversion of a portion of the Company's Series B convertible preferred stock. Note 10, "Series B Convertible Preferred Stock," includes a further discussion of the conversion of the Company's Series B convertible preferred stock.

Omitted from the Investing Activities and Financing Activities sections of the Consolidated Statement of Cash Flows for 2003 were certain noncash transactions related to the Calvin Klein acquisition. As part of the purchase price, the Company issued shares of its common stock, valued at \$30,000, to the selling shareholders. In addition, the Company issued a nine-year warrant to purchase the Company's common stock at an exercise price of \$28.00 to Mr. Calvin Klein, valued at \$637. Note 3, "Acquisition of Calvin Klein," includes a further discussion of the consideration paid by the Company in connection with the acquisition.

Omitted from the Financing Activities section of the Consolidated Statement of Cash Flows for 2003 were preferred dividends of \$20,027 on the Company's Series B convertible preferred stock, as the Company elected not to pay a cash dividend in each of the first three quarters of 2003.

17.

SEGMENT DATA

The Company manages its operations through its operating divisions, which are aggregated into five reportable segments: (i) Wholesale Dress Shirt, (ii) Wholesale Sportswear and Related Products, (iii) Retail Apparel and Related Products, (iv) Retail Footwear and Related Products and (v) Calvin Klein Licensing.

Wholesale Dress Shirt Segment - This segment represents the results of the Company's wholesale dress shirt division. This division derives revenues primarily from marketing dress shirts under the brand names *Van Heusen, IZOD, Geoffrey Beene, Arrow, Kenneth Cole New York, Kenneth Cole Reaction, Calvin Klein Collection, ck Calvin Klein, Calvin Klein, BCBG Max Azria, BCBG Attitude, MICHAEL Michael Kors, Chaps, Sean John* and *Donald J. Trump Signature Collection* to department, mid-tier department and specialty stores.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

Wholesale Sportswear and Related Products Segment - The Company aggregates its wholesale sportswear divisions into the Wholesale Sportswear and Related Products segment. This segment derives revenues primarily from marketing sportswear under the brand names *Van Heusen*, *IZOD*, *Geoffrey Beene*, *Arrow* and *Calvin Klein* to department, mid-tier department and specialty stores. In addition, this segment includes the operations of the Company's *G.H. Bass* wholesale footwear division, which was exited at the end of 2003.

Retail Apparel and Related Products Segment - The Company aggregates its Van Heusen, Izod, Geoffrey Beene and Calvin Klein retail outlet divisions into the Retail Apparel and Related Products segment. This segment derives revenues principally from operating retail stores in the outlet channel of distribution which sell apparel and accessories under the brand names *Van Heusen*, *IZOD*, *Geoffrey Beene* and *Calvin Klein*. In addition, the Company aggregates the results of its Calvin Klein Collection Retail division into the Retail Apparel and Related Products segment. This division sells *Calvin Klein Collection* branded high-end collection apparel and accessories through the Company's own full price retail stores, which during 2003, 2004 and 2005 were located in New York City, Dallas and Paris. The stores in Dallas and Paris were closed in the fourth quarter of 2005.

Retail Footwear and Related Products Segment - This segment represents the results of the Company's Bass Retail division. This division derives revenues principally from operating retail stores, primarily in the outlet channel of distribution, which sell footwear, apparel and accessories under the *Bass* brand name.

Calvin Klein Licensing Segment - The Company aggregates the results of its Calvin Klein licensing and advertising divisions into the Calvin Klein Licensing segment. This segment derives revenues from licensing and similar arrangements worldwide relating to the use by third parties of the *Calvin Klein Collection*, *ck Calvin Klein* and *Calvin Klein* brands for a broad array of products and retail services.

Prior to the end of its fiscal 2005 year, the Company aggregated its divisions into two segments: (i) Calvin Klein Licensing segment and (ii) Apparel and Related Products segment. In the first quarter of 2006, the United States Securities and Exchange Commission (SEC) requested certain information from the Company in connection with an ordinary course review of the Company's Annual Report on Form 10-K for fiscal 2004, including how the Company aggregated segment data.

As a result of the communication with the SEC, the Company re-evaluated the way it aggregated its operating divisions into its reportable segments under FASB Statement No. 131. Therefore, the Apparel and Related Products segment has been disaggregated into the Wholesale Dress Shirt, Wholesale Sportswear and Related Products, Retail Apparel and Related Products, and Retail Footwear and Related Products segments described above. Prior year segment data has been reclassified for this change.

F-25

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

The following tables present summarized information by segment:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Revenues - Wholesale Dress Shirt</u>			
Net sales	394,670	\$ 326,829	\$ 315,615
Royalty and other revenues	<u>7,839</u>	<u>2,856</u>	<u>2,154</u>
Total	402,509	329,685	317,769
<u>Revenues - Wholesale Sportswear and Related Products</u>			
Net sales	494,062	401,505	396,373
Royalty and other revenues	<u>15,958</u>	<u>9,886</u>	<u>6,872</u>
Total	510,020	411,391	403,245
<u>Revenues - Retail Apparel and Related Products</u>			
Net sales	556,355	467,019	416,292
Royalty and other revenues	<u>7,387</u>	<u>7,380</u>	<u>5,202</u>

Edgar Filing: PHILLIPS VAN HEUSEN CORP /DE/ - Form 10-K/A

Total	563,742	474,399	421,494
<u>Revenues - Retail Footwear and Related Products</u>			
Net sales	252,167	264,882	276,571
Royalty and other revenues	<u>700</u>	<u>560</u>	<u>-</u>
Total	252,867	265,442	276,571
<u>Revenues - Calvin Klein Licensing</u>			
Net sales	-	-	20,865
Royalty and other revenues	<u>179,710</u>	<u>160,511</u>	<u>128,892</u>
Total	179,710	160,511	149,757
<u>Total Revenues</u>			
Net sales	1,697,254	1,460,235	1,425,716
Royalty and other revenues	<u>211,594</u>	<u>181,193</u>	<u>143,120</u>
Total ⁽¹⁾	<u>\$1,908,848</u>	<u>\$1,641,428</u>	<u>\$1,568,836</u>
Operating income - Wholesale Dress Shirt	54,549	\$ 41,065	\$ 41,511
Operating income - Wholesale Sportswear and Related Products	81,024	39,621 ⁽²⁾	23,896 ⁽⁵⁾
Operating income (loss) - Retail Apparel and Related Products	27,710	12,587 ⁽³⁾	(3,864) ⁽⁶⁾

Operating income - Retail Footwear and Related Products	10,760	6,522 ⁽⁴⁾	7,434 ⁽⁷⁾
Operating income - Calvin Klein Licensing	74,751	63,204	15,025 ⁽⁸⁾
Corporate expenses ⁽⁹⁾	<u>41,948</u>	<u>33,120</u>	<u>24,724</u>
Income before interest and taxes	<u>206,846</u>	<u>129,879</u>	<u>59,278</u>

(1)

No single customer accounted for greater than 10% of the Company's revenues in 2004 or 2003. In 2005, Federated acquired May. The combined company accounted for 13.7% of the Company's revenues in 2005, reported in the Wholesale Dress Shirt and the Wholesale Sportswear and Related Products segments.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

(2)

Operating income for the Wholesale Sportswear and Related Products segment in 2004 includes \$12,643 of costs associated with exiting the wholesale footwear business and related costs.

(3)

Operating income for the Retail Apparel and Related Products segment in 2004 includes \$985 of costs associated with the closing of certain retail outlet stores.

(4)

Operating income for the Retail Footwear and Related Products segment in 2004 includes \$405 of costs associated with the closing of certain retail outlet stores.

(5)

Operating income for the Wholesale Sportswear and Related Products segment in 2003 includes \$9,599 of costs associated with exiting the wholesale footwear business and related costs.

(6)

Operating loss for the Retail Apparel and Related Products segment in 2003 includes \$7,899 of costs associated with the impairment and closing of certain retail outlet stores.

(7)

Operating income for the Retail Footwear and Related Products segment in 2003 includes \$3,241 of costs associated with the impairment and closing of certain retail outlet stores.

(8)

Operating income for the Calvin Klein Licensing segment in 2003 includes \$36,366 of costs related to the integration of Calvin Klein, which consist of (a) the operating losses of certain Calvin Klein businesses, principally relating to the men's and women's wholesale collection apparel businesses, which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(9)

Corporate expenses represent overhead operating expenses that the Company does not allocate to its segments and include expenses for senior corporate management, corporate finance and information technology related to corporate infrastructure. Corporate expenses in 2004 and 2003 include a pre-tax gain of \$743 and \$3,496, respectively, related to the Company's sale of investments.

F-27

PHILLIPS-VAN HEUSEN CORPORATION**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)****(Dollar and share amounts in thousands, except per share data)**

	<u>2005</u>	<u>2004</u>	<u>2003</u>
<u>Identifiable Assets</u>			
Wholesale Dress Shirt	\$ 129,630	\$ 119,928	\$ 88,068
Wholesale Sportswear and Related Products	271,420	271,361	213,350
Retail Apparel and Related Products	176,570	172,101	148,132
Retail Footwear and Related Products	55,260	59,583	74,193
Calvin Klein Licensing	684,125	651,612	627,613
Corporate	<u>430,434</u>	<u>274,997</u>	<u>287,927</u>
Total	<u>\$1,747,439</u>	<u>\$1,549,582</u>	<u>\$1,439,283</u>
<u>Depreciation and Amortization</u>			
Wholesale Dress Shirt	\$ 3,737	\$ 3,779	\$ 3,202
Wholesale Sportswear and Related Products	6,781	5,432	4,816
Retail Apparel and Related Products	13,288	11,101	10,033

Retail Footwear and Related Products	5,366	5,805	6,076
Calvin Klein Licensing	1,861	2,017	1,459
Corporate	<u>4,448</u>	<u>3,888</u>	<u>2,984</u>
Total	<u>\$ 35,481</u>	<u>\$ 32,022</u>	<u>\$ 28,570</u>
<u>Identifiable Capital Expenditures</u>			
Wholesale Dress Shirt	\$ 2,782	\$ 2,509	\$ 2,785
Wholesale Sportswear and Related Products	6,271	7,926	3,015
Retail Apparel and Related Products	20,534	26,383	16,701
Retail Footwear and Related Products	3,607	5,946	5,877
Calvin Klein Licensing	1,279	1,124	1,189
Corporate	<u>2,970</u>	<u>2,307</u>	<u>2,403</u>
Total	<u>\$ 37,443</u>	<u>\$ 46,195</u>	<u>\$ 31,970</u>

Assets related to the Company's segments are principally located in the United States.

Revenues for the Wholesale Dress Shirt, Wholesale Sportswear and Related Products, Retail Apparel and Related Products, and Retail Footwear and Related Products segments occurred principally in the United States. Revenues for the Calvin Klein Licensing segment occurred as follows:

2005 2004 2003

Domestic	\$ 84,284	\$ 71,797	\$ 81,497
Foreign	<u>95,426</u>	<u>88,714</u>	<u>68,260</u>
Total	<u>\$179,710</u>	<u>\$160,511</u>	<u>\$149,757</u>

18.**OTHER COMMENTS**

The Company has guaranteed the payment of certain purchases made by one of the Company's suppliers from a raw material vendor. The maximum amount guaranteed under the contract is \$500. The guarantee expires on January 31, 2007.

One of the Company's directors, Dr. Harry N.S. Lee, is a director of TAL Apparel Limited, an apparel manufacturer and exporter based in Hong Kong. During 2005, 2004 and 2003, the Company purchased approximately \$7,269, \$15,295 and \$13,507, respectively, of products from TAL Apparel Limited and certain related companies. Dr. Lee has indicated that he will not stand for re-election and will retire as director effective on the date of the Company's 2006 annual meeting of stockholders.

PHILLIPS-VAN HEUSEN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollar and share amounts in thousands, except per share data)

One of the Company's directors, Joel H. Goldberg, owns Career Consultants, Inc. and S.K. Associates, Inc. During 2005, 2004 and 2003, the Company purchased services of approximately \$616, \$1,220 and \$1,294, respectively, from Mr. Goldberg and his two companies for management consulting and recruiting.

Included in selling, general and administrative expenses on the Company's Consolidated Income Statements are foreign currency transaction losses of \$78 (2005) and gains of \$599 (2004) and \$1,019 (2003).

Included in accrued expenses on the Company's Consolidated Balance Sheets are certain incentive compensation costs of \$16,508 and \$13,908 as of January 29, 2006 and January 30, 2005, respectively and certain wholesale sales allowance accruals of \$22,188 and \$13,268 as of January 29, 2006 and January 30, 2005, respectively.

The Company is a party to certain litigation which, in management's judgment, based in part on the opinions of legal counsel, will not have a material adverse effect on the Company's financial position.

During each of 2005, 2004 and 2003, the Company paid four \$0.0375 per share cash dividends on its common stock.

19.

SUBSEQUENT EVENTS (UNAUDITED)

On January 31, 2006, Warnaco, Inc. acquired 100% of the shares of the companies that operate the licenses and related wholesale and retail businesses of *Calvin Klein* jeans and accessories in Europe and Asia and the *Calvin Klein* bridge line of sportswear and accessories in Europe. The Company is the licensor of the businesses sold and had minority interests in certain of the entities sold. The Company accounted for the investments in these entities under the cost method and, as such, these investments had a carrying amount of \$768 at the time of the sale. The Company received \$34,590 in cash proceeds from the sale of these entities, net of amounts held in escrow and certain associated fees. The cash proceeds are subject to adjustments, including for working capital. The Company's share of the cash

proceeds being held in escrow totaled \$5,000 as of January 31, 2006, and represents security for indemnification of certain potential losses incurred by Warnaco. The Company expects that the sale will result in a pre-tax gain of approximately \$31,000, which is net of related fees, amounts held in escrow and the carrying value of the investments. The Company will record the gain in the first quarter of 2006. The Company will be entitled to receive any amounts remaining in escrow after indemnification payments to Warnaco in installments during 2007 and 2008. The Company will record the release of any escrow amounts as additional gains if and when such amounts are released to the Company. As part of this transaction, beginning in 2008 and continuing through December 2013, Warnaco will assume the license for men's and women's *Calvin Klein Collection* apparel and accessories worldwide.

On February 27, 2006, the Company announced that its Board of Directors named Emanuel Chirico Chief Executive Officer of the Company. Mr. Chirico, who had been the Company's President and Chief Operating Officer, succeeded Mark Weber, who left the Company effective February 27, 2006 by agreement with the Board of Directors. Severance and other separation costs of approximately \$10,000 will be recorded in the first quarter of 2006 in connection with this event.

On March 6, 2006, the Company committed to a plan to close its apparel manufacturing facility located in Ozark, Alabama. The actions related to the exit plan are expected to be completed by May 15, 2006. The Company expects to incur costs of approximately \$10,000 in connection with these actions, of which \$8,000 relates to severance and other employee termination benefits, \$1,000 relates to long-lived asset impairments and \$1,000 relates to facility closing and other costs. The majority of these costs will be recorded in the first quarter of 2006.

PHILLIPS-VAN HEUSEN CORPORATION

SELECTED QUARTERLY FINANCIAL DATA - UNAUDITED

(In thousands, except per share data)

The following table sets forth selected quarterly financial data (unaudited) for the corresponding thirteen week periods of the fiscal years presented:

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	<u>2005</u>	<u>2004⁽²⁾</u>	<u>2005⁽¹⁾</u>	<u>2004⁽³⁾</u>	<u>2005</u>	<u>2004⁽⁴⁾</u>	<u>2005</u>	<u>2004^(5,6)</u>
Total revenues	\$472,109	\$378,238	\$443,469	\$375,924	\$533,181	\$473,456	\$460,089	\$413,810
Gross profit	209,394	170,286	210,156	173,003	249,246	209,912	222,259	197,790
Net income	24,980	1,593	23,500	12,990	40,289	26,741	22,919	17,291
Basic net income (loss) per common share	0.60	(0.12)	0.17	0.25	0.88	0.69	0.46	0.38
Diluted net income (loss) per common share	0.46	(0.12)	0.16	0.24	0.73	0.52	0.41	0.33
Price range of common stock per share								

High	29.71	19.95	35.06	19.46	35.38	23.27	36.83	29.95
Low	24.11	17.08	25.80	16.45	26.75	17.56	27.87	22.57

(1) The second quarter of 2005 includes an inducement payment of \$12,853 and offering costs totaling \$1,352 incurred by the Company in connection with the voluntary conversion by the holders of the Company's Series B convertible preferred stock of a portion of such stock into shares of common stock and the subsequent sale of such common shares by the holders. The inducement payment and offering costs incurred by the Company resulted in a reduction of net income available to common stockholders for purposes of calculating diluted net income per common share.

(2) The first quarter of 2004 includes charges of \$9,374 related to debt extinguishment costs and \$5,796 related to costs associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and related costs. The tax effect of these charges was a benefit of \$5,310.

(3) The second quarter of 2004 includes charges of \$1,512 related to costs associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and related costs. The tax effect of these charges was a benefit of \$529.

(4) The third quarter of 2004 includes charges of \$6,551 related to costs associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and related costs. The tax effect of these charges was a benefit of \$2,293.

(5) The fourth quarter of 2004 includes charges of \$174 related to costs associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and related costs. The tax effect of these charges was a benefit of \$61. Also included in net income was the realization of certain state net operating loss carryforwards recorded as a tax benefit of \$3,016.

(6) The fourth quarter of 2004 includes a charge of \$2,059 related to the Company's correction of its leasehold improvement depreciation expense. Of such amount, \$1,102 related to prior years and \$957 related to the first three quarters of 2004. Based upon the Company's assessment of both qualitative and quantitative factors in determining materiality, prior quarters' financial results were not restated. The tax effect of the aggregate amount was a benefit of \$721.

F-30

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in this Annual Report on Form 10-K. The consolidated financial statements were prepared in conformity with accounting principles generally accepted in the United States and, accordingly, include certain amounts based on management's best judgments and estimates.

The management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States. The Company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the underlying transactions, including the acquisition and disposition of assets; (ii) provide reasonable assurance that the Company's assets are safeguarded and transactions are executed in accordance with management's authorization and are recorded as necessary to permit preparation of the Company's consolidated financial statements in accordance with accounting principles generally accepted in the United States; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements and even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Audit Committee of the Company's Board of Directors, composed solely of directors who are independent in accordance with New York Stock Exchange listing standards, the Securities Exchange Act of 1934, the Company's Corporate Governance Guidelines and its charter, meets periodically with the Company's independent auditors, the Company's internal auditors and management to discuss internal control over financial reporting, auditing and financial reporting matters. Both the independent auditors and the Company's internal auditors periodically meet alone with the Audit Committee and have free access to the Committee.

Management assessed the effectiveness of the Company's internal control over financial reporting as of January 29, 2006. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on management's assessment and those criteria, management believes that the Company maintained effective internal

control over financial reporting as of January 29, 2006.

The Company's independent auditors, Ernst & Young LLP, a registered public accounting firm, are appointed by the Audit Committee, subject to ratification by the Company's stockholders. Ernst & Young LLP have audited and reported on the consolidated financial statements of the Company, management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting. The reports of the independent auditors are contained in this Annual Report on Form 10-K.

/s/ Emanuel Chirico

Emanuel Chirico
Chief Executive Officer
March 20, 2006

/s/ Michael Shaffer

Michael Shaffer
Executive Vice President and
Chief Financial Officer
March 20, 2006

/s/ Vincent A. Russo

Vincent A. Russo
Vice President and Controller
March 20, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Phillips-Van Heusen Corporation

We have audited management's assessment, included in the accompanying Management's Report on Internal Control over Financial Reporting, that Phillips-Van Heusen Corporation maintained effective internal control over financial reporting as of January 29, 2006, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Phillips-Van Heusen Corporation's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Phillips-Van Heusen Corporation maintained effective internal control over financial reporting as of January 29, 2006, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, Phillips-Van Heusen Corporation maintained, in all material respects, effective internal control over financial reporting as of January 29, 2006, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Phillips-Van Heusen Corporation and subsidiaries as of January 29, 2006 and January 30, 2005, and the related consolidated statements of income, changes in stockholders' equity and cash flows for each of the three years in the period ended January 29, 2006 and our report dated March 20, 2006 expressed an unqualified opinion thereon.

ERNST & YOUNG LLP

New York, New York

March 20, 2006

F-32

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Phillips-Van Heusen Corporation

We have audited the accompanying consolidated balance sheets of Phillips-Van Heusen Corporation and subsidiaries as of January 29, 2006 and January 30, 2005, and the related consolidated income statements, consolidated statements of changes in stockholders' equity and consolidated statements of cash flows for each of the three years in the period ended January 29, 2006. Our audits also included the financial statement schedule included in Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Phillips-Van Heusen Corporation and subsidiaries at January 29, 2006 and January 30, 2005, and the consolidated results of their operations and their cash flows for each of the three years in the period ended January 29, 2006 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Phillips-Van Heusen Corporation's internal control over financial reporting as of January 29, 2006, based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 20, 2006, expressed an

unqualified opinion thereon.

ERNST & YOUNG LLP

New York, New York

March 20, 2006

F-33

PHILLIPS-VAN HEUSEN CORPORATION**TEN YEAR FINANCIAL SUMMARY****(In thousands, except per share data, percents and ratios)**

	<u>2005</u> ⁽¹⁾	<u>2004</u> ⁽²⁾	<u>2003</u> ⁽³⁾	<u>2002</u>	<u>2001</u> ⁽⁴⁾
Summary of Operations					
Revenues	\$1,908,848	\$1,641,428	\$1,568,836	\$1,392,038	\$1,418,185
Cost of goods sold and expenses	<u>1,702,002</u>	<u>1,511,549</u>	<u>1,509,558</u>	<u>1,323,003</u>	<u>1,377,046</u>
Income (loss) before interest and taxes	206,846	129,879	59,278	69,035	41,139
Interest expense, net	28,577	42,857	36,372	22,729	24,451
Income tax expense (benefit)	<u>66,581</u>	<u>28,407</u>	<u>8,200</u>	<u>15,869</u>	<u>6,008</u>
Net income (loss)	<u>\$ 111,688</u>	<u>\$ 58,615</u>	<u>\$ 14,706</u>	<u>\$ 30,437</u>	<u>\$ 10,680</u>
Per Share Statistics					
Basic net income (loss) per common share	\$ 2.15	\$ 1.20	\$ (0.18)	\$ 1.10	\$ 0.39
Diluted net income (loss) per common share	1.85	1.14	(0.18)	1.08	0.38
Dividends paid per common share	0.15	0.15	0.15	0.15	0.15
Stockholders' equity per common share	14.12	11.23	9.68	9.80	9.62

Financial Position

Current assets	663,648	493,364	490,584	451,127	405,300
Current liabilities	224,616	208,493	182,864	127,439	114,358
Working capital	439,032	284,871	307,720	323,688	290,942
Total assets	1,747,439	1,549,582	1,439,283	771,700	708,933
Long-term debt	399,525	399,512	399,097	249,012	248,935
Series B convertible preferred stock	161,926	264,746	264,746	-	-
Stockholders' equity	\$ 610,662	\$ 364,026	\$ 296,157	\$ 272,227	\$ 265,727

Other Statistics

Total debt to total capital ⁽⁷⁾	34.1%	38.9%	41.6%	47.8%	48.4%
Net debt to net capital ⁽⁸⁾	14.6%	30.5%	32.2%	32.6%	43.6%
Current ratio	3.0	2.4	2.7	3.5	3.5

(1)

2005 includes an inducement payment of \$12,853 and offering costs totaling \$1,352 incurred by the Company in connection with the voluntary conversion by the holders of the Company's Series B convertible preferred stock of a portion of such stock into shares of common stock and the subsequent sale of such common shares by the holders. The inducement payment and offering costs resulted in a reduction of net income available to common stockholders for purposes of calculating diluted net income per common share.

(2)

2004 includes pre-tax charges of \$9,374 related to debt extinguishment costs, pre-tax charges of \$14,033 associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and other related costs, and a \$3,016 tax benefit associated with the realization of certain state net operating loss carryforwards.

(3)

2003 includes pre-tax charges of \$36,366 related to integration costs associated with the Company's acquisition of Calvin Klein, pre-tax charges of \$20,739 associated with the impairment and closing of certain retail outlet stores and exiting the wholesale footwear business and other related costs, and a pre-tax gain of \$3,496 resulting from the Company's sale of its minority interest in Gant Company AB. Calvin Klein integration costs consist of (a) the operating losses of certain Calvin Klein businesses which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(4)

2001 includes pre-tax charges of \$21,000 for restructuring and other expenses.

(5)

2000 and 1996 include 53 weeks of operations.

(6)

1997 includes pre-tax charges of \$132,700 for restructuring and other expenses.

(7)

Total capital equals interest-bearing debt, preferred stock and stockholders' equity.

(8)

Net debt and net capital are total debt and total capital reduced by cash.

PHILLIPS-VAN HEUSEN CORPORATION**TEN YEAR FINANCIAL SUMMARY (CONTINUED)****(In thousands, except per share data, percents and ratios)**

	<u>2000</u> ⁽⁵⁾	<u>1999</u>	<u>1998</u>	<u>1997</u> ⁽⁶⁾	<u>1996</u> ⁽⁵⁾
Summary of Operations					
Revenues	\$1,440,719	\$1,260,533	\$1,293,907	\$1,341,465	\$1,351,722
Cost of goods sold and expenses	<u>1,370,182</u>	<u>1,212,223</u>	<u>1,250,422</u>	<u>1,428,618</u>	<u>1,303,984</u>
Income (loss) before interest and taxes	70,537	48,310	43,485	(87,153)	47,738
Interest expense, net	22,322	22,430	27,743	20,672	23,164
Income tax expense (benefit)	<u>18,115</u>	<u>9,007</u>	<u>3,915</u>	<u>(41,246)</u>	<u>6,044</u>
Net income (loss)	<u>\$ 30,100</u>	<u>\$ 16,873</u>	<u>\$ 11,827</u>	<u>\$ (66,579)</u>	<u>\$ 18,530</u>
Per Share Statistics					
Basic net income (loss) per common share	\$ 1.10	\$ 0.62	\$ 0.43	\$ (2.46)	\$ 0.69
Diluted net income (loss) per common share	1.10	0.62	0.43	(2.46)	0.68
Dividends paid per common share	0.15	0.15	0.15	0.15	0.15
Stockholders' equity per common share	9.80	8.86	8.39	8.11	10.73

Financial Position

Current assets	436,381	425,970	368,017	385,018	362,958
Current liabilities	138,095	124,580	132,686	133,335	122,266
Working capital	298,286	301,390	235,331	251,683	240,692
Total assets	724,364	673,748	674,313	660,459	657,436
Long-term debt	248,851	248,784	248,723	241,004	189,398
Series B convertible preferred stock	-	-	-	-	-
Stockholders' equity	\$ 268,561	\$ 241,685	\$ 228,888	\$ 220,305	\$ 290,158

Other Statistics

Total debt to total capital ⁽⁷⁾	48.1%	50.7%	54.0%	53.0%	43.1%
Net debt to net capital ⁽⁸⁾	46.0%	38.9%	53.0%	51.8%	41.7%
Current ratio	3.2	3.4	2.8	2.9	3.0

(1)

2005 includes an inducement payment of \$12,853 and offering costs totaling \$1,352 incurred by the Company in connection with the voluntary conversion by the holders of the Company's Series B convertible preferred stock of a portion of such stock into shares of common stock and the subsequent sale of such common shares by the holders. The inducement payment and offering costs resulted in a reduction of net income available to common stockholders for purposes of calculating diluted net income per common share.

(2)

2004 includes pre-tax charges of \$9,374 related to debt extinguishment costs, pre-tax charges of \$14,033 associated with the closing of certain retail outlet stores and exiting the wholesale footwear business and other related costs, and a \$3,016 tax benefit associated with the realization of certain state net operating loss carryforwards.

(3)

2003 includes pre-tax charges of \$36,366 related to integration costs associated with the Company's acquisition of Calvin Klein, pre-tax charges of \$20,739 associated with the impairment and closing of certain retail outlet stores and exiting the wholesale footwear business and other related costs, and a pre-tax gain of \$3,496 resulting from the Company's sale of its minority interest in Gant Company AB. Calvin Klein integration costs consist of (a) the operating losses of certain Calvin Klein businesses which the Company has closed or licensed, and associated costs in connection therewith and (b) the costs of certain duplicative personnel and facilities incurred during the integration of various logistical and back office functions.

(4)

2001 includes pre-tax charges of \$21,000 for restructuring and other expenses.

(5)

2000 and 1996 include 53 weeks of operations.

(6)

1997 includes pre-tax charges of \$132,700 for restructuring and other expenses.

(7)

Total capital equals interest-bearing debt, preferred stock and stockholders' equity.

(8)

Net debt and net capital are total debt and total capital reduced by cash.

SCHEDULE II

PHILLIPS-VAN HEUSEN CORPORATION

VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Column A	Column B	Column C		Column D	Column E
<u>Description</u>	<u>Balance at Beginning of Period</u>	<u>Additions Charged to Costs and Expenses</u>	<u>Charged to Other Accounts</u>	<u>Deductions(b)</u>	<u>Balance at End of Period</u>
<u>Year Ended January 29, 2006</u>					
Deducted from asset accounts:					
Allowance for doubtful accounts	<u>\$3,085</u>	<u>\$1,038</u>	<u>\$ -</u>	<u>\$1,012</u>	<u>\$3,111</u>
<u>Year Ended January 30, 2005</u>					
Deducted from asset accounts:					
Allowance for doubtful accounts	<u>\$5,863</u>	<u>\$ (615)</u>	<u>\$ -</u>	<u>\$2,163</u>	<u>\$3,085</u>
<u>Year Ended February 1, 2004</u>					

Deducted from asset accounts:

Allowance for doubtful

accounts	<u>\$2,872</u>	<u>\$1,951</u>	<u>\$1,305(a)</u>	<u>\$ 265</u>	<u>\$5,863</u>
----------	----------------	----------------	-------------------	---------------	----------------

(a)

Addition due to the acquisition of Calvin Klein, Inc.

(b)

Principally accounts written-off as uncollectible

F-36