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ASPEN EXPLORATION CORP
Form 10QSB
February 18, 2003

FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

MARK ONE

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

For the quarterly period ended December 31, 2002

OR

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

For the transition period from _____ to _____

Commission File Number 0-9494

ASPEN EXPLORATION CORPORATION

(Exact Name of Aspen as Specified in its Charter)

Delaware

84-0811316

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

Suite 208, 2050 S. Oneida St.,
Denver, Colorado

80224-2426

(Address of Principal Executive Offices)

(Zip Code)

Issuer's telephone number: (303) 639-9860

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

Yes ☒ No ☐

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

Class
Common stock, \$.005 par value

Outstanding at February 12, 2003
5,863,828

Part One. FINANCIAL INFORMATION

Item 1. Financial Statements

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ASPEN EXPLORATION CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS

ASSETS	December 31,	June 30,
	2002 ---- (Unaudited)	2002 ---- (Audited)
Current Assets:		
Cash and cash equivalents, including \$588,018 and \$822,060 of invested cash at December 31, 2002 and June 30, 2002 respectively	\$ 1,013,757	\$ 916,001
Precious metals	18,823	18,823
Accounts receivable, trade	284,040	365,705
Accounts receivable - related party	5,164	12,872
Prepaid expenses	14,794	19,820
	-----	-----
Total current assets	1,336,578	1,333,221
	-----	-----
Investment in oil and gas properties, at cost (full cost method of accounting)	5,753,668	5,427,741
Less accumulated depletion and valuation allowance	(2,437,200)	(2,262,649)
	-----	-----
	3,316,468	3,165,092
	-----	-----
Property and equipment, at cost:		
Furniture, fixtures and vehicles	112,562	112,562
Less accumulated depreciation	(54,649)	(45,810)
	-----	-----
	57,913	66,752
	-----	-----
Cash surrender value, life insurance	239,095	239,095
	-----	-----
TOTAL ASSETS	\$ 4,950,054	\$ 4,804,160
	=====	=====

(Statement Continues)
See notes to Consolidated Financial Statements

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ASPEN EXPLORATION CORPORATION AND SUBSIDIARY CONSOLIDATED BALANCE SHEETS (Continued)

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2002 ---- (Unaudited)	June 30, 2002 ---- (Audited)
Current liabilities:		
Accounts payable and accrued expenses	\$ 521,525	\$ 236,587
Accounts payable - related party	13,185	21,260
Advances from joint owners	159,704	230,775
Total current liabilities	694,414	488,622
Deferred income tax payable	89,250	89,250
Total liabilities	783,664	577,872
Stockholders' equity:		
Common stock, \$.005 par value:		
Authorized: 50,000,000 shares		
Issued: At December 31, 2002: 5,863,828		
and June 30, 2002: 5,863,828	29,320	29,320
Capital in excess of par value	6,025,797	6,025,797
Accumulated deficit	(1,874,575)	(1,814,677)
Deferred compensation	(14,152)	(14,152)
Total stockholders' equity	4,166,390	4,226,288
Total liabilities and stockholders' equity	\$ 4,950,054	\$ 4,804,160

See Notes to Consolidated Financial Statements

ASPEN EXPLORATION CORPORATION AND SUBSIDIARY CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended

Six Months

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	December 31,		December	
	2002	2001	2002	
	----	----	----	
Revenues:				
Oil and gas	\$ 241,700	\$ 133,027	\$ 440,131	\$
Management fees	34,066	24,949	96,795	
Interest and other, net	3,314	14,893	7,050	
	-----	-----	-----	
Total Revenues	279,080	172,869	543,976	
	-----	-----	-----	
Costs and expenses:				
Oil and gas production	38,611	42,401	76,525	
Depreciation, depletion and amortization	97,969	121,013	183,389	
Aspen Power Systems expense	--	5,500	--	
Selling, general and administrative	157,681	137,367	343,481	
Interest expense	479	-0-	479	
	-----	-----	-----	
Total Costs and Expenses	294,740	306,281	603,874	
	-----	-----	-----	
Net loss	\$ (15,660)	\$ (133,412)	\$ (59,898)	\$
	-----	-----	-----	
Basic loss per common share	\$ (-)	\$ (.02)	\$ (.01)	\$
	=====	=====	=====	
Diluted loss per common share	\$ (-)	\$ (.02)	\$ (.01)	\$
	=====	=====	=====	
Basic weighted average number of common shares outstanding	5,863,828	5,816,133	5,863,828	
	=====	=====	=====	
Diluted weighted average number of common shares outstanding	5,863,828	5,816,133	5,863,828	
	=====	=====	=====	

The accompanying notes are an integral
part of these statements.

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	2002	2001
	-----	-----
Cash flows from operating activities:		
Net loss	\$ (59,898)	\$ (134,502)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion & amortization	183,390	226,279
Amortization of deferred compensation	-0-	8,800
Changes in assets and liabilities:		
Decrease in accounts receivable	89,373	237,894
(Increase) decrease in prepaid expense	5,026	(35,894)
Increase (decrease) in accounts payable and accrued expense	205,792	(899,631)
	-----	-----
Net cash provided (used) by operating activities ...	423,683	(597,054)
	-----	-----
Cash flows from investing activities:		
Additions to oil & gas properties	(396,504)	(520,139)
Purchase of office equipment	-0-	(3,205)
Sale of idle equipment at cost	1,155	-0-
Sale of oil and gas properties	69,422	-0-
	-----	-----
Net cash used by investing activities	(325,927)	(523,344)
	-----	-----
Net increase (decrease) in cash and cash equivalents	97,756	(1,120,398)
Cash and cash equivalents, beginning of year	916,001	2,695,583
	-----	-----
Cash and cash equivalents, end of period	\$ 1,013,757	\$ 1,575,185
	-----	-----
Interest paid	\$ 479	\$ -0-
	=====	=====

The accompanying notes are an integral
part of these statements.

ASPEN EXPLORATION CORPORATION

Notes to Consolidated Financial Statements
(Unaudited)

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December 31, 2002

Note 1 BASIS OF PRESENTATION

The accompanying financial statements are unaudited. However, in our opinion, the accompanying financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for fair presentation. Interim results of operations are not necessarily indicative of results for the full year. These financial statements should be read in conjunction with our Annual Report on Form 10-KSB for the year ended June 30, 2002.

Except for the historical information contained in this Form 10-QSB, this Form contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed in this Report. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this Report and any documents incorporated herein by reference, as well as the Annual Report on Form 10-KSB for the year ended June 30, 2002.

On July 1, 2002 we adopted Financial Accounting Standards Board No. 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. We are currently assessing the impact of this statement and, at this time, cannot reasonably estimate the effect of the adoption of SFAS No. 143 on our financial position, results of operations or cash flows.

Note 2 EARNINGS PER SHARE

We have adopted Statement of Financial Accounting Standards No. 128 ("SFAS No. 128"), addressing earnings per share. SFAS No. 128 established the methodology of calculating basic earnings per share and diluted earnings per share. The calculations differ by adding any instruments convertible to common stock (such as stock options, warrants, and convertible preferred stock) to weighted average shares outstanding when computing diluted earnings per share. We had a net loss of \$59,898 and \$134,502 for the six months ending December 31, 2002 and 2001, respectively. Because of the net loss, the basis and diluted average outstanding shares are considered the same, since including the shares would have an antidilutive effect on the loss per share calculation.

Note 3 SEGMENT INFORMATION

We operate in three industrial segments within the United States, oil and gas exploration and development, mining and electrical generation construction.

Note 3 SEGMENT INFORMATION (CONTINUED)

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Identified assets by industry are those assets that are used in our operations in that industry. Corporate assets are principally cash, cash surrender value of life insurance, furniture, fixtures and vehicles.

We have adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS No. 131 requires the presentation of descriptive information about reportable segments which is consistent with that made available to the management of the Company to assess performance.

Our oil and gas segment derives its revenues from the sale of oil and gas and prospect generation and administrative overhead fees charged to participants in our oil and gas ventures. Corporate income is primarily derived from interest income on funds held in money market accounts.

The mining segment receives its revenue primarily from the sale of minerals and precious metals and from time to time from the sale of a mineral venture that it has originated. Currently, this segment is inactive.

The electrical generation construction segment will receive its revenues from the sale, design, construction and/or operation of gas turbine or other electrical generation projects. As of December 31, 2002, we were winding up the affairs of this segment and no further activities will be pursued.

During the six months ended December 31, 2002 and 2001 there were no intersegment revenues. The accounting policies applied by each segment are the same as those used by us in general.

There have been no differences from the last annual report in the basis of measuring segment profit or loss. There have been no material changes in the amount of assets for any operating segment since the last annual report except for the oil and gas segment which capitalized approximately \$396,504 for the development and acquisition of oil and gas properties, and sold \$70,577 in producing properties for a net increase of \$325,927.

7

Note 3 SEGMENT INFORMATION (CONTINUED)

Segment information consists of the following for the six months ended December 31:

	Oil and Gas	Power Plant	Minerals	Corporate	C
Revenues:					
2002	\$ 536,926	\$ -0-	\$ -0-	\$ 7,050	\$
2001	456,824	-0-	-0-	36,205	
Income (loss) from operations:					
2002	\$ 285,850	\$ -0-	\$ -0-	\$ (345,748)	\$

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2001	170,951	(25,500)	-0-	(279,953)
------	---------	----------	-----	-----------

Identifiable assets:

2002	\$ 3,605,672	\$ -0-	\$18,823	\$ 1,325,559	\$
2001	3,014,697	-0-	18,823	1,935,832	

Depreciation, depletion and valuation charged to identifiable assets:

2002	\$ (174,551)	\$ -0-	\$ -0-	\$ (8,838)	\$
2001	(217,600)	-0-	-0-	(8,679)	

Capital expenditures:

2002	\$ 396,504	\$ -0-	\$ -0-	\$ -0-	\$
2001	520,139	-0-	-0-	3,205	

Note 4 MAJOR CUSTOMERS

We derived in excess of 10% of our revenue from various sources (oil and gas sales) as follows:

The Company

A	B
--	--

Year ended:

December 31, 2002	24%	53%
December 31, 2001	27%	43%

Note 5 COMMITMENTS AND CONTINGENCIES

At December 31, 2002, we were committed to the following drilling and development projects in California:

1. Three Tehama County, California wells. Total costs for each well is estimated at \$500,000 with our share of the net costs per well approximately \$120,000.
2. One Solano County, California well that is estimated to cost \$750,000 with our share of the net costs approximately \$80,000.

Note 6 INCOME TAXES

We made no provision for income taxes for the six month period ended December 31, 2002 since it utilizes net operating loss carryforwards. We had \$583,321 of such carryforwards at June 30, 2002.

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Note 7

SUBSEQUENT EVENTS

On January 1, 2003 we entered into a new employment agreement with the president of our West Coast Division, Robert A. Cohan. Some of the pertinent provisions include an employment period ending December 31, 2005, salary increases from \$125,000 per year to \$135,000 per year effective April 15, 2003, and a further salary increase to \$145,000 per year from April 15, 2004 through the end of the contract. Other benefits and duties will remain the same as the previous employment contract.

9

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This should be read in conjunction with the management's discussion and analysis of financial condition and results of operations contained in our Annual Report on Form 10-KSB for the year ended June 30, 2002, which has been filed with the Securities and Exchange Commission. This management's discussion and analysis and other portions of this report contain forward-looking statements (as such term is defined in Section 21E of the Securities Exchange Act of 1934, as amended). These statements reflect our current expectations regarding our possible future results of operations, performance, and achievements. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Wherever possible, we have tried to identify these forward-looking statements by using words such as "anticipate," "believe," "estimate," "expect," "plan," "intend," and similar expressions. These statements reflect our current beliefs and are based on information currently available to us. Accordingly, these statements are subject to certain risks, uncertainties, and contingencies, which could cause our actual results, performance, or achievements to differ materially from those expressed in, or implied by, such statements. These risks, uncertainties and contingencies include, without limitation, the factors set forth in our Form 10-KSB under "Item 6. Management's Discussion and Analysis of Financial Conditions or Plan of Operation - Factors that may affect future operating results." We have no obligation to update or revise any such forward-looking statements that may be made to reflect events or circumstances after the date of this Form 10-QSB.

Liquidity and Capital Resources

December 31, 2002 as compared to December 31, 2001

At December 31, 2002 current assets were \$1,336,578 and current liabilities were \$694,414 and we had positive working capital of \$642,164 compared to current assets of \$1,333,221 at June 30, 2002 and current liabilities of \$488,622 at the same date, resulting in working capital at June 30, 2002 of \$844,599, a \$202,435 or 24% reduction. While current assets remained constant, our current liabilities increased by approximately \$206,000 primarily due to increased revenue payable to other royalty and working interest owners.

We anticipate that our current assets will be sufficient to pay our current liabilities as long as our oil and gas production continues to provide us with

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sufficient cash flow. During the six months ended December 31, 2002, our operations provided \$424,000 of positive operating cash flow as compared to a negative operating cash flow of nearly \$600,000 for the same period of the previous year. As discussed below, our ability to maintain a positive cash flow from operations is dependent, in part, on maintaining or increasing our level of production and the national and world market maintaining its current prices for our oil and gas production.

During the six month period ending December 31, 2002, we experienced an increase in production and prices received for the natural gas we produced during that period. At June 30, 2002, we received an average of \$2.51 per MMBTU. At December 31, 2002 our price per MMBTU had increased to approximately \$4.15 per MMBTU, a 65% increase.

10

In conjunction with the increase in prices we have also experienced an increase in production volumes for the period. For the six months ended December 31, 2001 we produced approximately 108,000 MMBTU of gas compared to approximately 138,600 MMBTU for the six months ended December 31, 2002, a 28% increase. This increase in production is primarily due to the addition of five new gas wells between May and November 2002.

Our capital requirements can fluctuate over a twelve month period because our drilling program is usually carried out in California's dry season, from late April until November, after which wet weather either precludes further activity or makes it cost prohibitive.

Although our drilling and development plans have not been finalized for the coming year, at December 31, 2002 we are committed to drill 4 additional wells at an estimated cost to us of approximately \$440,000, with the balance (approximately \$1,810,000) to be paid by joint owners in the properties, including certain affiliated investors. For the six months ended December 31, 2002 we invested \$396,000 in our oil and gas properties compared to approximately \$520,000 for the six month period in the preceding fiscal year. We anticipate additional drilling will occur in fiscal 2003.

We believe that internally generated funds will be sufficient to finance our drilling and operating expenses for the next twelve months.

11

Results of Operations

December 31, 2002 Compared to December 31, 2001

For the six months ended December 31, 2002 our operations continued to be focused on the production of oil and gas, and the investigation for possible acquisition of producing oil and gas properties in California.

Oil and gas revenues, which includes income from management fees, for the six months ended December 31, 2002 increased approximately \$80,000 from \$457,000 to \$537,000, a 17.5% increase. This increase reflects an improvement in prices and increased production volumes in California. Our share of sales of oil and gas

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for the six month period ended December 31, 2002 were 704 barrels of oil and approximately 138,600 MMBTU of gas with the price received for oil at \$25.48 per barrel and \$4.15 per MMBTU for gas. This is a decrease in total oil production compared to the 1795 barrels of oil produced in the first half of fiscal 2002, and an increase in natural gas production of 15,600 MMBTU when compared to the approximately 123,000 MMBTU of gas production achieved during the first half of 2002. As discussed in Liquidity and Capital Revenues, a significant factor resulting in the increase in revenues during the last six months of 2002 was an increase in the prices received for our production when compared to prices of \$19.77 and \$2.51 received for oil and gas respectively during the first half of 2002.

Oil and gas production costs increased \$8,252 when compared to the last six month period, from \$68,273 to \$76,525. Production costs increased due to the addition of three producing wells and costs for installing compressors and dehydrator units on several of our producing gas wells.

Depletion, depreciation and amortization decreased \$42,890 or 19% for the six month period, which is our best estimate of what the full year cost will be.

Selling, general and administrative expense increased approximately \$36,000 or 12% from \$307,479 to \$343,481 for the six months ended December 31, 2002. This increase is primarily due to salary, office rental and consulting increases.

As a result of our operations for the six months ended December 31, 2002, we ended the period with a net loss of \$59,900 compared to a net loss of \$134,500 for the year earlier. This reduction in the loss from operations from \$134,500 to \$59,900 was due to an improvement in prices we received for our production and increased volumes produced, but was offset by an increase of approximately \$36,000 in G&A costs. Effective September 1, 2002 we sold the remaining interest in producing oil wells located in Kern County, California for approximately \$70,000 net to our interest. As of September 1, 2002, we were producing and selling only natural gas.

Interest and other income decreased approximately \$29,000 to \$7,050 and were primarily due to a decline in interest rates.

12

CONTRACTUAL OBLIGATIONS

We had three contractual obligations as of December 31, 2002. The following table lists our significant liabilities at December 31, 2002:

Payments Due by Period					
Contractual Obligations	Less than 1 year	2-3 years	4-5 years	After 5 years	Total
-----	-----	-----	-----	-----	-----
	\$30,300	\$ 8,784	\$ -0-	\$ -0-	\$39,084
	-----	-----	-----	-----	-----
Total contractual cash obligations	\$30,300	\$ 8,784	\$ -0-	\$ -0-	\$39,084
	=====	=====	=====	=====	=====

We lease our corporate offices in Denver, Colorado under the terms of an operating lease, which expires on December 31, 2003. Yearly payments under the lease are approximately \$15,312. Our Bakersfield, California office lease was renewed for a three year period and expires February 28, 2006. The yearly

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payments are approximately \$8,784 per year. We also lease storage space in Bakersfield, California. The lease expires December 31, 2003 and we pay approximately \$390 per year for the space. We also sublease from R. V. Bailey, our president, a portion of an office building owned by Mr. Bailey in Castle Rock, Colorado on a month to month basis for \$500 per month.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES:

We believe the following critical accounting policies affect our most significant judgments and estimates used in the preparation of our Consolidated Financial Statements.

Reserve Estimates:

Our estimates of oil and natural gas reserves, by necessity, are projections based on geologic and engineering data, and there are uncertainties inherent in the interpretation of such data as well as the projection of future rates of production and the timing of development expenditures. Reserve engineering is a subjective process of estimating underground accumulations of oil and natural gas that are difficult to measure. The accuracy of any reserve estimate is a function of the quality of available data, engineering and geological interpretation and judgment. Estimates of economically recoverable oil and natural gas reserves and future net cash flows necessarily depend upon a number of variable factors and assumptions, such as historical production from the area compared with production from other producing areas, the assumed effects of regulations by governmental agencies and assumptions governing future oil and natural gas prices, future operating costs, severance and excise taxes, development costs and workover and remedial costs, all of which may in fact vary considerably from actual results. For these reasons, estimates of the economically recoverable quantities of oil and natural gas attributable to any particular group of properties, classifications of such reserves based on risk of recovery, and estimates of the future net cash flows expected there from may vary substantially. Any significant variance in the assumptions could materially affect the estimated quantity and value of the reserves, which could affect the carrying value of our oil and gas properties and/or the rate of depletion of the oil and gas properties. Actual production, revenues and expenditures with respect to our reserves will likely vary from estimates, and such variances may be material.

13

Many factors will affect actual future net cash flows, including:

- The amount and timing of actual production;
- Supply and demand for natural gas;
- Curtailments or increases in consumption by natural gas purchasers; and
- Changes in governmental regulations or taxation.

Property, Equipment and Depreciation:

We follow the full-cost method of accounting for oil and gas properties. Under this method, all productive and nonproductive costs incurred in connection with the exploration for and development of oil and gas reserves are capitalized. Such capitalized costs include lease acquisition, geological and geophysical

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work, delay rentals, drilling, completing and equipping oil and gas wells, including salaries, benefits and other internal salary related costs directly attributable to these activities. Costs associated with production and general corporate activities are expensed in the period incurred. Interest costs related to unproved properties and properties under development are also capitalized to oil and gas properties. If the net investment in oil and gas properties exceeds an amount equal to the sum of (1) the standardized measure of discounted future net cash flows from proved reserves, and (2) the lower of cost or fair market value of properties in process of development and unexplored acreage, the excess is charged to expense as additional depletion. Normal dispositions of oil and gas properties are accounted for as adjustments of capitalized costs, with no gain or loss recognized.

We apply SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." Under SFAS No. 121, long-lived assets and certain intangibles are reported at the lower of the carrying amount or their estimated recoverable amounts. Long-lived assets subject to the requirements of SFAS No. 121 are evaluated for possible impairment through review of undiscounted expected future cash flows. If the sum of undiscounted expected future cash flows is less than the carrying amount of the asset or if changes in facts and circumstances indicate, an impairment loss is recognized.

Item 3. CONTROLS AND PROCEDURES

As required by Rule 13a-15 under the Securities Exchange Act of 1934, within the 90 days prior to the filing date of this report, the company carried out an evaluation of the effectiveness of the design and operation of the company's disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of Aspen Exploration Corporation's management, the person serving as its Chairman/Chief Executive Officer/Principal Financial and Accounting Officer, who concluded that Aspen Exploration Corporation's disclosure controls and procedures are effective. There have been no significant changes in Aspen Exploration Corporation's internal controls or in other factors, which could significantly affect internal controls subsequent to the date Aspen Exploration Corporation carried out its evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in Aspen Exploration Corporation's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls

14

and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in Aspen Exploration Corporation's reports filed under the Exchange Act is accumulated and communicated to management, including its Chief Executive Officer/Principal Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

There are no material pending legal or regulatory proceedings against Aspen Exploration Corporation, and it is not aware of any that are known to be

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contemplated.

Item 2. Changes in Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted during the first quarter of the fiscal year covered by this report to a vote of security holders, through the solicitation of proxies or otherwise.

Item 5. Other Information.

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

None.

(b) Reports on Form 8-K:

None.

15

In accordance with the requirements of the Securities Exchange Act of 1934, we have duly caused this report to be signed on our behalf by the undersigned, thereunto duly authorized.

ASPEN EXPLORATION CORPORATION

/s/ R. V. Bailey

February 12, 2003

R. V. Bailey,
President,
Principal Executive Officer,
Principal Financial Officer

16

CERTIFICATIONS - principal executive and financial officers

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I, R.V. Bailey, Chief Executive Officer and Chief Financial Officer of Aspen Exploration Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of Aspen Exploration Corporation;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

/s/ R. V. Bailey

R. V. Bailey,
Chief Executive Officer and
Chief Financial Officer
(principal executive and
financial officer)

17

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Wholesale operating income increased by \$79.5 million, primarily as a result of higher net sales and improved gross margin rates in most product lines, as well as the incremental contribution from the newly acquired Polo Jeans Business and the new Chaps product lines. These increases were partially offset by increases in SG&A expenses in support of new product lines across all geographic territories and higher amortization expenses associated with intangible assets recognized in acquisitions.

Retail operating income increased by \$84.2 million, primarily as a result of increased net sales and improved gross margin rates, as well as the absence of a non-cash impairment charge of \$10.8 million recognized in Fiscal 2006. These increases were partially offset by an increase in selling related salaries and associated costs in connection with the increase in retail sales, including RalphLauren.com, and worldwide store expansion, including the new Tokyo flagship store.

Licensing operating income decreased by \$11.9 million primarily due to the loss of royalty income formerly collected in connection with the Footwear and Polo Jeans Businesses, which have now been acquired. The decline in Home royalties also contributed to the decrease along with the decline in eyewear royalties, due to the wind-down of the Company's pre-existing licensing agreement. These decreases were partially offset by an increase in international royalties, as well as the accelerated receipt and recognition of approximately \$8 million of minimum royalty and design-service fees in connection with the termination of a domestic license agreement during Fiscal 2007.

Unallocated corporate expenses increased by \$24.3 million, primarily as a result of increases in brand-related marketing, payroll-related and facilities costs to support the ongoing growth of our businesses. The increase in compensation-related costs includes higher stock-based compensation expense due to the adoption of FAS 123R (as further discussed in Note 18 to the accompanying audited consolidated financial statements).

Table of Contents

Unallocated legal and restructuring charges were \$7.6 million during Fiscal 2007, compared to \$16.1 million during Fiscal 2006. Fiscal 2007 charges were principally associated with the Club Monaco Restructuring Plan charges of \$4.0 million (as defined in Note 11 to the accompanying audited consolidated financial statements) and legal costs of \$3.0 million related to the Credit Card Matters (as defined in Note 15 to the accompanying audited consolidated financial statements). Fiscal 2006 charges also primarily included the Club Monaco Restructuring Plan charges of \$9.0 million and legal costs of \$6.8 million associated with the Credit Card Matters.

Foreign Currency Gains (Losses). The effect of foreign currency exchange rate fluctuations resulted in a loss of \$1.5 million in Fiscal 2007, compared to a loss of \$5.7 million in Fiscal 2006. The decrease in foreign currency losses compared to the prior fiscal year is due to the timing of the settlement of intercompany receivables and payables (that were not of a long-term investment nature) between certain of our international and domestic subsidiaries.

Interest Expense. Interest expense increased by \$9.1 million to \$21.6 million in Fiscal 2007 from \$12.5 million in Fiscal 2006. The increase is primarily due to an increase in interest on capitalized leases due to additional obligations in Fiscal 2007 compared to the prior fiscal year and overlapping interest on debt during the period between the issuance of the 2006 Euro Debt and the repayment of the 1999 Euro Debt. In addition, prior year interest expense was favorably impacted by the interest rate swap agreements which were terminated at the end of Fiscal 2006.

Interest and Other Income, net. Interest and other income, net, increased by \$12.4 million, to \$26.1 million in Fiscal 2007 from \$13.7 million in Fiscal 2006. This increase is primarily driven by higher average interest rates and higher balances on our invested excess cash.

Equity in Income (Loss) of Equity-Method Investees. Equity in the income of equity-method investees decreased by \$1.3 million, to \$3.0 million in Fiscal 2007 from \$4.3 million in Fiscal 2006. This income relates to our 20% investment in Impact 21, a company that holds the sublicense with PRL Japan for our men's, women's and jeans businesses in Japan. See *Recent Developments* for further discussion of the Company's Japanese Business Acquisitions that occurred in May 2007.

Minority Interest Expense. Minority interest expense increased by \$1.8 million, to \$15.3 million in Fiscal 2007 from \$13.5 million in Fiscal 2006. The net increase is primarily related to the improved operating performance of RL Media compared to the prior period and the associated allocation of income to the minority partners. As of March 28, 2007, the Company acquired the remaining 50% interest in RL Media held by the minority partners (see *Recent Developments* for further discussion).

Provision for Income Taxes. The provision for income taxes represents federal, foreign, state and local income taxes. The provision for income taxes increased by \$47.5 million, or 24.4%, to \$242.4 million in Fiscal 2007 from \$194.9 million in Fiscal 2006. This increase is a result of the increase in our pretax income, partially offset by a decrease in our reported effective tax rate, to 37.7% in Fiscal 2007 from 38.8% in Fiscal 2006. The lower effective tax rate is primarily due to a change in the mix of earnings, which resulted in more income being taxed at lower rates than in the previous fiscal year. See *Critical Accounting Policies* for a discussion on the accounting for uncertain tax positions and the Company's adoption of FIN 48 in Fiscal 2008.

Net Income. Net income increased by \$92.9 million, or 30.2%, to \$400.9 million in Fiscal 2007 from \$308.0 million in Fiscal 2006. The increase in net income principally related to our \$136.0 million increase in operating income, as previously discussed, offset in part by an increase of \$47.5 million in our provision for income taxes.

Net Income Per Diluted Share. Net income per diluted share increased by \$0.86, or 30.0%, to \$3.73 per share in Fiscal 2007 from \$2.87 per share in Fiscal 2006. The increase in diluted per share results was primarily due to the higher level of net income, partially offset by higher weighted-average diluted shares outstanding for Fiscal 2007.

Table of Contents**FINANCIAL CONDITION AND LIQUIDITY*****Financial Condition***

	March 29, 2008	March 31, 2007 (millions)	\$ Change
Cash and cash equivalents	\$ 551.5	\$ 563.9	\$ (12.4)
Current maturities of debt	(206.4)		(206.4)
Long-term debt	(472.8)	(398.8)	(74.0)
Net cash (debt) ^(a)	\$ (127.7)	\$ 165.1	\$ (292.8)
Short-term investments	\$ 74.3	\$	\$ 74.3
Stockholders' equity	\$ 2,389.7	\$ 2,334.9	\$ 54.8

^(a) Net cash is defined as total cash and cash equivalents less total debt and net debt is defined as total debt less total cash and cash equivalents.

The decrease in our net cash position as of the end of Fiscal 2008 was primarily due to the Japanese Business Acquisitions, net of approximately \$239 million of Impact 21's cash on-hand acquired. As part of the Japanese Business Acquisitions, the Company borrowed ¥20.5 billion (approximately \$206 million as of March 29, 2008) under a one-year term loan agreement pursuant to an amendment and restatement to the Company's existing credit facility. The Company used the proceeds from these borrowings and available cash-on hand to fund the Japanese Business Acquisitions. In addition, the Company spent \$217.1 million for capital expenditures and used \$475.4 million to repurchase 6.0 million shares of Class A common stock.

The increase in stockholders' equity was primarily due to the Company's net income and higher other comprehensive income during Fiscal 2008, offset in part by an increase in treasury stock as a result of the Company's common stock repurchase program and a reduction in retained earnings of \$62.5 million in connection with the adoption of FIN 48.

Subsequent to year end, the Company repaid its current maturities of debt using available cash on-hand.

Cash Flows***Fiscal 2008 Compared to Fiscal 2007***

	Fiscal Years Ended March 29, 2008	March 31, 2007 (millions)	\$ Change
Net cash provided by operating activities	\$ 695.4	\$ 796.1	\$ (100.7)

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Net cash used in investing activities	(505.0)	(434.6)	(70.4)
Net cash provided by (used in) financing activities	(260.5)	(95.2)	(165.3)
Effect of exchange rate changes on cash and cash equivalents	57.7	11.9	45.8
Net increase (decrease) in cash and cash equivalents	\$ (12.4)	\$ 278.2	\$ (290.6)

Net Cash Provided by Operating Activities. Net cash provided by operating activities decreased to \$695.4 million in Fiscal 2008, compared to \$796.1 million in Fiscal 2007. This \$100.7 million net decrease in operating cash flow was primarily driven by:

the absence of the approximately \$180 million, net of certain tax withholdings, received under the Eyewear Licensing Agreement in the prior fiscal year; and

an increase in other receivables primarily attributable to the timing of estimated tax payments.

Table of Contents

The above decreases were partially offset by:

an increase in net income before non-cash depreciation, amortization and stock-based compensation expenses;

improved accounts receivable cash collections in the Company's Wholesale segment; and

the effects of ongoing inventory management, which resulted in lower average balance and increased inventory turns across certain businesses.

Other than the items described above, the changes in operating assets and liabilities were attributable to normal operating fluctuations.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$505.0 million in Fiscal 2008, as compared to \$434.6 million in Fiscal 2007. The net increase in cash used in investing activities was primarily driven by:

an increase in net cash used to fund the Company's acquisitions. In Fiscal 2008, the Company used \$188.7 million principally to fund the Japanese Business Acquisitions, net of cash acquired, and the Small Leathergoods Business Acquisition; whereas in Fiscal 2007, \$176.1 million was used primarily to fund the RL Media Minority Interest Acquisition;

an increase in cash used in connection with capital expenditures. In Fiscal 2008, the Company spent \$217.1 million for capital expenditures, as compared to \$184.0 million in Fiscal 2007. The increase in capital expenditures is primarily associated with global retail store expansion, construction and renovation of department store shop-in-shops and investments in our facilities and technological infrastructure, including showrooms related to our new businesses;

an increase related to purchases of investments of \$96.8 million, less proceeds from sales and maturities of investments of \$12.7 million, in Fiscal 2008; and

a partially offsetting decrease in cash deposits restricted in connection with taxes. During Fiscal 2008, \$15.1 million of cash was restricted as compared to \$74.5 million during Fiscal 2007. Restricted cash was placed in escrow with certain banks as collateral to secure guarantees of a corresponding amount made by the banks to certain international tax authorities on behalf of the Company.

Net Cash Used in Financing Activities. Net cash used in financing activities was \$260.5 million in Fiscal 2008, as compared to \$95.2 million in Fiscal 2007. The increase in net cash used in financing activities was primarily driven by:

increased repurchases of the Company's Class A common stock pursuant to the Company's common stock repurchase program. Approximately 6.0 million shares of Class A common stock at a cost of \$475.4 million were repurchased in Fiscal 2008, as compared to approximately 3.5 million shares of Class A common stock at a cost of \$231.3 million in Fiscal 2007; and

a partially offsetting increase in proceeds from issuance of debt. Fiscal 2008 included the receipt of proceeds from borrowings of ¥20.5 billion (approximately \$169 million as of the borrowing date) under a one-year term loan agreement in connection with the Japanese Business Acquisitions. On a comparative basis, Fiscal 2007 included the receipt of proceeds from the issuance of 300 million principal amount (\$380.0 million) of 2006

Euro Debt, offset in part by the repayment of approximately 227 million principal amount (\$291.6 million) of 1999 Euro Debt.

Table of Contents***Fiscal 2007 Compared to Fiscal 2006***

	Fiscal Years Ended		
	March 31, 2007	April 1, 2006 (millions)	\$ Change
Net cash provided by operating activities	\$ 796.1	\$ 449.1	\$ 347.0
Net cash used in investing activities	(434.6)	(539.2)	104.6
Net cash provided by (used in) financing activities	(95.2)	33.5	(128.7)
Effect of exchange rate changes on cash and cash equivalents	11.9	(8.2)	20.1
Net increase (decrease) in cash and cash equivalents	\$ 278.2	\$ (64.8)	\$ 343.0

Net Cash Provided by Operating Activities. Net cash provided by operating activities increased to \$796.1 million during Fiscal 2007, compared to \$449.1 million for Fiscal 2006. This \$347.0 million increase in operating cash flow was driven primarily by the increase in net income, the receipt of approximately \$180 million under the new Eyewear Licensing Agreement (net of certain tax withholdings) and the absence of the \$100 million payment to settle the Jones-related Litigation in Fiscal 2006, partially offset by higher tax payments made in Fiscal 2007. Also offsetting the increase in operating cash flow was an increase in working capital needs during Fiscal 2007, primarily as a result of recent expansions and the overall growth in the business. This increase in working capital needs was partially offset by a decrease in accounts receivable days sales outstanding as a result of improved cash collections in the Company's Wholesale segment. On a comparative basis, operating cash flows were reduced by \$33.7 million as a result of a change in the reporting of excess tax benefits from stock-based compensation arrangements. That is, prior to the adoption of FAS 123R, benefits of tax deductions in excess of recognized compensation costs were reported as operating cash flows. FAS 123R requires excess tax benefits to be reported as a financing cash inflow rather than in operating cash flows as a reduction of taxes paid.

Net Cash Used in Investing Activities. Net cash used in investing activities was \$434.6 million for Fiscal 2007, as compared to \$539.2 million for Fiscal 2006. The net decrease in cash used in investing activities is primarily due to acquisition-related activities. In Fiscal 2007, the Company used \$175 million to fund the acquisition of the remaining 50% equity interest in RL Media that it did not previously own, whereas in Fiscal 2006, approximately \$380 million was used primarily to fund the acquisition of the Polo Jeans and Footwear Businesses. In addition, net cash used in investing activities for Fiscal 2007 included \$74.5 million of restricted cash placed in escrow with certain banks as collateral to secure guarantees of a corresponding amount made by the banks to certain international tax authorities on behalf of the Company (see Restricted Cash within Note 3 to the accompanying audited consolidated financial statements for further discussion). Net cash used in investing activities also included \$184.0 million relating to capital expenditures, as compared to \$158.6 million in the prior fiscal year.

Net Cash (Used in)/Provided by Financing Activities. Net cash used in financing activities was \$95.2 million for Fiscal 2007, compared to net cash provided by financing activities of \$33.5 million in Fiscal 2006. The increase in net cash used in financing activities during Fiscal 2007 principally related to the repayment of approximately 227 million principal amount (\$291.6 million) of the Company's 1999 Euro Debt and the repurchase of 3.5 million shares of Class A common stock pursuant to its common stock repurchase program at a cost of \$231.3 million. Partially offsetting the increase was the receipt of proceeds from the issuance of 300 million principal amount (approximately \$380 million) of 2006 Euro Debt. This net increase in cash used in financing activities was partially offset by the

change in the reporting of excess tax benefits from stock-based compensation arrangements of \$33.7 million.

Liquidity

The Company's primary sources of liquidity are the cash flow generated from its operations, \$450 million of availability under its credit facility, available cash and equivalents, investments and other financing options. These sources of liquidity are needed to fund the Company's ongoing cash requirements, including working capital requirements, global retail store expansion, construction and renovation of shop-in-shops, investment in technological infrastructure, acquisitions, dividends, debt repayment, stock repurchases, contingent liabilities (including uncertain tax positions) and other corporate activities. Management believes that the Company's existing resources

Table of Contents

of cash will be sufficient to support its operating, capital and debt service requirements for the foreseeable future, including the finalization of acquisitions and plans for business expansion.

As discussed below under the section entitled *Debt and Covenant Compliance*, the Company had no revolving credit borrowings outstanding under its credit facility as of March 29, 2008. However, as discussed further below, the Company may elect to draw on its credit facility or other potential sources of financing for, among other things, a material acquisition, settlement of a material contingency (including uncertain tax positions) or a material adverse business development.

In May 2007, the Company completed the Japanese Business Acquisitions. These transactions were funded with available cash on-hand and ¥20.5 billion of borrowings under a one-year term loan agreement pursuant to an amendment and restatement to the Company's existing credit facility (the *Term Loan*). Borrowings under the Term Loan bore interest at a fixed rate of 1.2%. The Company repaid the borrowing by its maturity date on May 22, 2008 using approximately \$200 million of Impact 21's cash on-hand acquired as part of the acquisition.

Common Stock Repurchase Program

In August 2007, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allowed the Company to repurchase up to an additional \$250 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions. In Fiscal 2008, 6.1 million shares of Class A common stock were repurchased at a cost of \$476.4 million under the expanded and pre-existing programs, including \$24.0 million (0.4 million shares) that was traded prior to the end of the fiscal year for which settlement occurred in April 2008. The remaining availability under the common stock repurchase program was approximately \$142 million as of March 29, 2008.

In addition, during Fiscal 2008, 0.3 million shares of Class A common stock at a cost of \$23.0 million were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan.

In Fiscal 2007, share repurchases amounted to 3.5 million shares of Class A common stock at a cost of \$231.3 million. In Fiscal 2006, the Company repurchased 69.3 thousand shares of Class A common stock at a cost of \$3.8 million.

In May 2008, the Company's Board of Directors approved a further expansion of the Company's existing common stock repurchase program that allowed the Company to repurchase up to an additional \$250 million of Class A common stock.

Dividends

The Company declared a quarterly dividend of \$0.05 per outstanding share in each quarter of Fiscal 2008, Fiscal 2007 and Fiscal 2006. The aggregate amount of dividend payments was \$20.5 million in Fiscal 2008, \$20.9 million in Fiscal 2007 and \$20.8 million in Fiscal 2006.

The Company intends to continue to pay regular quarterly dividends on its outstanding common stock. However, any decision to declare and pay dividends in the future will be made at the discretion of the Company's Board of Directors and will depend on, among other things, the Company's results of operations, cash requirements, financial condition and other factors that the Board of Directors may deem relevant.

Debt and Covenant Compliance

Euro Debt

The Company has outstanding approximately 300 million principal amount of 4.5% notes due October 4, 2013 (the 2006 Euro Debt). The Company has the option to redeem all of the 2006 Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the 2006 Euro Debt at any time at par plus accrued interest, in the event of certain developments involving U.S. tax law. Partial redemption of the 2006 Euro Debt is not permitted in either instance. In the event of a change of control

Table of Contents

of the Company, each holder of the 2006 Euro Debt has the option to require the Company to redeem the 2006 Euro Debt at its principal amount plus accrued interest.

The carrying value of the 2006 Euro Debt was \$472.8 million and \$398.8 million as of March 29, 2008 and March 31, 2007, respectively.

Revolving Credit Facility and Term Loan

The Company has a credit facility that provides for a \$450 million unsecured revolving line of credit through November 2011 (the Credit Facility). The Credit Facility also is used to support the issuance of letters of credit. As of March 29, 2008, there were no borrowings outstanding under the Credit Facility, but the Company was contingently liable for \$23.0 million of outstanding letters of credit (primarily relating to inventory purchase commitments). The Company has the ability to expand its borrowing availability to \$600 million subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Credit Facility.

Borrowings under the Credit Facility bear interest, at the Company's option, either at (a) a base rate determined by reference to the higher of (i) the prime commercial lending rate of JP Morgan Chase Bank, N.A. in effect from time to time and (ii) the weighted-average overnight Federal funds rate (as published by the Federal Reserve Bank of New York) plus 50 basis points or (b) a LIBOR rate in effect from time to time, as adjusted for the Federal Reserve Board's Euro currency liabilities maximum reserve percentage plus a margin defined in the Credit Facility (the applicable margin). The applicable margin of 35 basis points is subject to adjustment based on the Company's credit ratings.

In addition to paying interest on any outstanding borrowings under the Credit Facility, the Company is required to pay a commitment fee to the lenders under the Credit Facility in respect of the unutilized commitments. The commitment fee rate of 8 basis points under the terms of the Credit Facility also is subject to adjustment based on the Company's credit ratings.

The Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Credit Facility requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the leverage ratio), as such terms are defined in the Credit Facility. As of March 29, 2008, no Event of Default (as such term is defined pursuant to the Credit Facility) has occurred under the Company's Credit Facility.

Upon the occurrence of an Event of Default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility, and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal and interest payments or to satisfy the covenants, including the financial covenant described above. Additionally, the Credit Facility provides that an Event of Default will occur if Mr. Ralph Lauren, the Company's Chairman and Chief Executive Officer, and related entities controlled by Mr. Lauren fail to maintain a specified minimum percentage of the voting power of the Company's common stock.

The Credit Facility was amended and restated as of May 22, 2007 to provide for the addition of the Term Loan made to Polo JP Acqui B.V., a wholly owned subsidiary of the Company. The Term Loan was guaranteed by the Company, as well as the other subsidiaries of the Company which currently guarantee the Credit Facility. The proceeds of the Term Loan were used to finance the Japanese Business Acquisitions. Borrowings under the Term Loan bore interest at

a fixed rate of 1.2%. The Company repaid the borrowing by its maturity date on May 22, 2008 using approximately \$200 million of Impact 21's cash on-hand acquired as part of the acquisition. See Note 5 for further discussion of the Japanese Business Acquisitions.

Table of Contents***Contractual and Other Obligations******Firm Commitments***

The following table summarizes certain of the Company's aggregate contractual obligations as of March 29, 2008, and the estimated timing and effect that such obligations are expected to have on the Company's liquidity and cash flow in future periods. The Company expects to fund the firm commitments with operating cash flow generated in the normal course of business and, if necessary, availability under its \$450 million credit facility or other potential sources of financing.

	Fiscal 2009	Fiscal 2010-2011	Fiscal 2012-2013 (millions)	Fiscal 2014 and Thereafter	Total
Term Loan	\$ 206.4	\$	\$	\$	\$ 206.4
Euro Debt				472.8	472.8
Capital leases	8.0	14.9	12.5	37.8	73.2
Operating leases	188.1	321.3	255.7	670.7	1,435.8
Inventory purchase commitments	697.4				697.4
Total	\$ 1,099.9	\$ 336.2	\$ 268.2	\$ 1,181.3	\$ 2,885.6

The following is a description of the Company's material, firmly committed contractual obligations as of March 29, 2008:

Term Loan represents the principal amount due at maturity of the Company's outstanding Term Loan on a U.S. dollar-equivalent basis. The Term Loan was repaid on May 22, 2008 using available cash on-hand;

Euro Debt represents the principal amount due at maturity of the Company's outstanding 2006 Euro Debt on a U.S. dollar-equivalent basis. Amounts do not include any fair value adjustments, call premiums or interest payments;

Lease obligations represent the minimum lease rental payments under noncancelable leases for the Company's real estate and operating equipment in various locations around the world. Approximately 78% of these lease obligations relates to the Company's retail operations. Information has been presented separately for operating and capital leases. In addition to such amounts, the Company is normally required to pay taxes, insurance and occupancy costs relating to its leased real estate properties; and

Inventory purchase commitments represent the Company's legally binding agreements to purchase fixed or minimum quantities of goods at determinable prices.

Excluded from the above contractual obligations table is the non-current liability for unrecognized tax benefits of \$155.2 million recognized as a result of the adoption of FIN 48. This liability for unrecognized tax benefits has been excluded because the Company cannot make a reliable estimate of the period in which the liability will be settled, if ever.

The above table also excludes the following: (i) amounts included in current liabilities, other than the current maturities of debt, in the consolidated balance sheet as of March 29, 2008 as these items will be paid within one year; and (ii) non-current liabilities that have no cash outflows associated with them (e.g., deferred revenue) or the cash outflows associated with them are uncertain or do not represent a purchase obligation as the term is used herein (e.g., deferred taxes and other miscellaneous items).

The Company also has certain contractual arrangements that would require it to make payments if certain circumstances occur. See Note 15 to the accompanying audited consolidated financial statements for a description of the Company's contingent commitments not included in the above table.

Off-Balance Sheet Arrangements

The Company's off-balance sheet firm commitments, which include outstanding letters of credit and minimum funding commitments to investees, amounted to approximately \$29.8 million as of March 29, 2008. The Company

Table of Contents

does not maintain any other off-balance sheet arrangements, transactions, obligations or other relationships with unconsolidated entities that would be expected to have a material current or future effect upon its financial condition or results of operations.

MARKET RISK MANAGEMENT

The Company is exposed to a variety of risks, including changes in foreign currency exchange rates relating to certain anticipated cash flows from its international operations and possible declines in the fair value of reported net assets of certain of its foreign operations, as well as changes in the fair value of its fixed-rate debt relating to changes in interest rates. Consequently, in the normal course of business the Company employs established policies and procedures, including the use of derivative financial instruments, to manage such risks. The Company does not enter into derivative transactions for speculative or trading purposes.

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the Company has a policy of only entering into contracts with carefully selected financial institutions based upon their credit ratings and other financial factors. The Company's established policies and procedures for mitigating credit risk on derivative transactions include reviewing and assessing the creditworthiness of counterparties.

Foreign Currency Risk Management

The Company manages its exposure to changes in foreign currency exchange rates through the use of foreign currency exchange contracts. Refer to Note 14 to the audited consolidated financial statements for a summarization of the notional amounts and fair values of the Company's foreign currency exchange contracts outstanding as of March 29, 2008.

Forward Foreign Currency Exchange Contracts – General

From time to time, the Company may enter into forward foreign currency exchange contracts as hedges to reduce its risk from exchange rate fluctuations on inventory purchases, intercompany royalty payments made by certain of its international operations, intercompany contributions made to fund certain marketing efforts of its international operations, other foreign currency-denominated operational obligations including payroll, rent, insurance, and benefit payments, and foreign currency-denominated revenues. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the Swiss Franc, and the British Pound Sterling, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year periods. In doing so, the Company uses foreign currency exchange contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

The Company records the above described foreign currency exchange contracts at fair value in its consolidated balance sheets. Foreign currency exchange contracts designated as cash flow hedges at hedge inception are accounted for in accordance with FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and subsequent amendments (collectively, *FAS 133*). As such, to the extent these hedges are effective the related gains or losses are deferred in stockholders' equity as a component of accumulated other comprehensive income. These deferred gains and losses are then recognized in our consolidated statements of operations as follows:

Inventory Purchases – Recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold.

Intercompany Royalty Payments and Marketing Contributions Recognized within foreign currency gains (losses) in the period in which the related royalties or marketing contributions being hedged are received or paid.

Operational Obligations Recognized primarily within SG&A expenses in the period in which the hedged forecasted transaction affects earnings.

The Company recognized a net loss on foreign currency exchange contracts in earnings of approximately \$8 million for Fiscal 2008, and net gains of approximately \$4 million and \$5 million for Fiscal 2007 and Fiscal 2006, respectively.

Table of Contents

Forward Foreign Currency Exchange Contracts Other

On October 10, 2007, the Company entered into a foreign exchange contract to purchase 13.5 million at a fixed rate. This contract hedges the foreign currency exposure related to the annual Euro interest payment due on October 6, 2008 for Fiscal 2009 in connection with the Company's outstanding 2006 Euro Debt. In accordance with FAS 133, the contract has been designated as a cash flow hedge. Since neither the terms of the hedge contract or the underlying exposure have changed, the related gains of \$0.7 million have been reclassified from stockholders' equity to foreign currency gains (losses) within our consolidated statement of operations to offset the related transaction loss arising from the remeasurement of the associated foreign currency-denominated accrued interest liability, as permitted by FAS 133, during Fiscal 2008.

On April 2, 2007, the Company entered into a similar foreign exchange contract to purchase 13.5 million at a fixed rate, hedging the foreign currency exposure related to the annual Euro interest payment made on October 4, 2007 for Fiscal 2008. This contract also was designated as a cash flow hedge. Consistent with the accounting treatment discussed above, the related gains of \$1.1 million were reclassified from stockholders' equity to foreign currency gains (losses) within our consolidated statement of operations during Fiscal 2008.

During the first quarter of Fiscal 2008, the Company entered into foreign currency option contracts with a notional value of \$159 million giving the Company the right, but not the obligation, to purchase foreign currencies at fixed rates by May 23, 2007. These contracts hedged the majority of the foreign currency exposure related to the financing of the Japanese Business Acquisitions, but did not qualify under FAS 133 for hedge accounting treatment. The Company did not exercise any of the contracts and recognized a loss of \$1.6 million within foreign currency gains (losses) in our consolidated statement of operations during the first quarter of Fiscal 2008.

In addition, during the fourth quarter of Fiscal 2008, the Company entered into a foreign currency exchange contract with a notional value of \$5 million hedging the foreign currency exposure related to an intercompany term loan provided by Polo Ralph Lauren Corporation to Ralph Lauren Retail Japan (RLRJ) in connection with the Japanese Business Acquisitions minority squeeze-out, as discussed in Note 5. This contract, which hedges the foreign currency exposure related to a Yen-denominated payment to be made by RLRJ during the first quarter of Fiscal 2009, did not qualify under FAS 133 for hedge accounting treatment. As such, the Company recognized a related loss of \$0.4 million within foreign currency gains (losses) in our consolidated statement of operations during Fiscal 2008.

Sensitivity

The Company performs a sensitivity analysis to determine the effects that market risk exposures may have on the fair values of the Company's derivative financial instruments. To perform the sensitivity analysis, the Company assesses the risk of loss in fair values from the effect of hypothetical changes in foreign currency exchange rates. This analysis assumes a like movement by all foreign currencies in our hedge portfolio against the U.S. dollar. Based on all foreign currency exchange contracts outstanding as of March 29, 2008, a 10% devaluation of the U.S. dollar as compared to the level of foreign currency exchange rates for currencies under contract as of March 29, 2008 would result in approximately \$2 million of net unrealized losses. Conversely, a 10% appreciation of the U.S. dollar would result in approximately \$2 million of net unrealized gains. As the Company's outstanding foreign currency exchange contracts are primarily designated as cash flow hedges of forecasted transactions, the unrealized loss or gain as a result of a 10% devaluation or appreciation would be largely offset by changes in the underlying hedged items.

Hedge of a Net Investment in Certain European Subsidiaries

The Company designated the entire principal amount of its outstanding 2006 Euro Debt as a hedge of its net investment in certain of its European subsidiaries. As required by FAS 133, the changes in fair value of a derivative

instrument or a non-derivative financial instrument (such as debt) that is designated as a hedge of a net investment in a foreign operation are reported in the same manner as a translation adjustment under FAS No. 52, Foreign Currency Translation, to the extent it is effective as a hedge. As such, changes in the fair value of the 2006 Euro Debt resulting from changes in the Euro exchange rate have been, and continue to be, reported in stockholders' equity as a component of accumulated other comprehensive income. The Company recorded within accumulated

Table of Contents

other comprehensive income the translation effects of the 2006 Euro Debt to U.S. dollars, resulting in net losses of \$45.4 million for Fiscal 2008 and \$24.5 million for Fiscal 2007, and a net gain of \$4.2 million for Fiscal 2006.

Interest Rate Risk Management

During the first six months of Fiscal 2007, the Company entered into three forward-starting interest rate swap contracts aggregating 200 million notional amount of indebtedness in anticipation of the Company's proposed refinancing of the 1999 Euro Debt, which was completed in October 2006. The Company designated these agreements as a cash flow hedge of a forecasted transaction to issue new debt in connection with the planned refinancing of its 1999 Euro Debt. The interest rate swaps hedged a total of 200.0 million, a portion of the underlying interest rate exposure on the anticipated refinancing. Under the terms of the three interest swap contracts, the Company paid a weighted-average fixed rate of interest of 4.1% and received variable interest based upon six-month EURIBOR. The Company terminated the swaps on September 28, 2006, which was the date the interest rate for the 2006 Euro Debt was determined. As a result, the Company made a payment of approximately 3.5 million (\$4.4 million based on the exchange rate in effect on that date) in settlement of the swaps. An amount of \$0.2 million was recognized as a loss for the three months ending September 30, 2006 due to the partial ineffectiveness of the cash flow hedge as a result of the forecasted transaction closing on October 5, 2006 instead of November 22, 2006 (the maturity date of the 1999 Euro Debt). The remaining loss of \$4.2 million has been deferred as a component of comprehensive income within stockholders' equity and is being recognized in earnings as an adjustment to interest expense over the seven-year term of the 2006 Euro Debt.

Sensitivity

As of March 29, 2008, the Company had no variable-rate debt outstanding. As such, the Company's exposure to changes in interest rates primarily related to its fixed rate 2006 Euro Debt. As of March 29, 2008, the carrying value of the 2006 Euro Debt was \$472.8 million and the fair value was \$423.0 million. A 25 basis point increase or decrease in the level of interest rates would, respectively, decrease or increase the fair value of the 2006 Euro Debt by approximately \$5 million. Such potential increases or decreases are based on certain simplifying assumptions, including no changes in Euro currency exchange rates and an immediate across-the-board increase or decrease in the level of interest rates with no other subsequent changes for the remainder of the period.

The Term Loan of ¥20.5 billion made to Polo JP Acqui, B.V., a wholly owned subsidiary of the Company, was repaid by the Company by its maturity date on May 22, 2008 using approximately \$200 million of Impact 21's cash on-hand acquired as part of the Japanese Business Acquisitions.

Investment Risk Management

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) future economic conditions and market forecasts and (v) the Company's intent and ability to retain its investment for a period of time sufficient to allow for recovery of market value. As of March 29, 2008, the fair value of the Company's available-for-sale investments was \$0.4 million below their respective par value. This gross unrealized loss has been recorded within accumulated other comprehensive income in the Company's consolidated balance sheet, as the Company believes the investments are not other-than-temporarily impaired. The Company limits its exposure by primarily investing in highly rated investments issued by municipalities.

CRITICAL ACCOUNTING POLICIES

The SEC's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies" (FRR 60), suggests companies provide additional disclosure and commentary on those accounting policies considered most critical. FRR 60 considers an accounting policy to be critical if it is important to the Company's financial condition and results of operations and requires significant judgment and estimation on

Table of Contents

the part of management in its application. The Company's estimates are often based on complex judgments, probabilities and assumptions that we believe to be reasonable, but that are inherently uncertain and unpredictable. It is also possible that other professionals, applying reasonable judgment to the same facts and circumstances, could develop and support a range of alternative estimated amounts. The Company believes that the following list represents its critical accounting policies as contemplated by FRR 60. For a discussion of all of the Company's significant accounting policies, see Notes 3 and 4 to the accompanying audited consolidated financial statements.

Sales Reserves and Uncollectible Accounts

A significant area of judgment affecting reported revenue and net income is estimating sales reserves, which represent that portion of gross revenues not expected to be realized. In particular, wholesale revenue is reduced by estimates of returns, discounts, end-of-season markdowns, operational chargebacks and certain cooperative advertising allowances. Retail revenue, including e-commerce sales, also is reduced by estimates of returns.

In determining estimates of returns, discounts, end-of-season markdowns and operational chargebacks, management analyzes historical trends, seasonal results, current economic and market conditions and retailer performance. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Similarly, management evaluates accounts receivables to determine if they will ultimately be collected. Significant judgments and estimates are involved in this evaluation, including an analysis of specific risks on a customer-by-customer basis for larger accounts and customers, and a receivables aging analysis that determines the percentage of receivables that has historically been uncollected by aged category. Based on this information, management provides a reserve for the estimated amounts believed to be uncollectible. Although management believes that the Company's major customers are sound and creditworthy, a severe adverse impact on their business operations could have a corresponding material adverse effect on the Company's net sales, cash flows and/or financial condition.

See Accounts Receivable in Note 3 to the accompanying audited consolidated financial statements for an analysis of the activity in the Company's sales reserves and allowance for doubtful accounts for each of the three fiscal years presented.

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores, including its own retail stores. The Company also holds retail inventory that is sold in its own stores directly to consumers. Wholesale and retail inventories are stated at the lower of cost or estimated realizable value. Cost for wholesale inventories is determined using the first-in, first-out (FIFO) method and cost for retail inventories is determined on a moving-average cost basis.

The Company continually evaluates the composition of its inventories, assessing slow-turning product and fashion product. Estimated realizable value of distressed inventory is determined based on an analysis of historical sales trends of the Company's individual product lines for this category of inventory, the impact of market trends and economic conditions, and the value of current orders in-house relating to the future sales of this category of inventory. Estimates may differ from actual results due to quantity, quality and mix of products in inventory, consumer and retailer preferences and market conditions. The Company's historical estimates of these costs and its provisions have not differed materially from actual results.

Reserves for inventory shrinkage, representing the risk over physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts.

Purchase Accounting

The Company accounts for its business acquisitions under the purchase method of accounting. As such, the total cost of acquisitions is allocated to the underlying net assets based on their respective estimated fair values. The excess of the purchase price over the estimated fair values of the net assets acquired is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often

Table of Contents

involves the use of significant estimates and assumptions, including assumptions with respect to future cash inflows and outflows, discount rates, asset lives and market multiples, among other items.

In addition, in connection with its recent business acquisitions, the Company has settled certain pre-existing relationships. These pre-existing relationships include licensing agreements and litigation in the case of the acquisition of the Polo Jeans Business. In accordance with the Emerging Issues Task Force (EITF) Issue No. 04-1, Accounting for Pre-existing Relationships between the Parties to a Business Combination, the Company is required to allocate the aggregate consideration exchanged in these transactions between the value of the business acquired and the value of the settlement of any pre-existing relationships in proportion to estimates of their respective fair values. If the terms of the pre-existing relationships were determined to not be reflective of market, a settlement gain or loss would be recognized in earnings. Accordingly, significant judgment is required to determine the respective fair values of the business acquired and the value of the settlement of the pre-existing relationship. The Company has historically utilized independent valuation firms to assist in the determination of fair value.

Impairment of Goodwill and Other Intangible Assets

Goodwill and other intangible assets are accounted for in accordance with the provisions of FAS No. 142, Goodwill and Other Intangible Assets (FAS 142). Under FAS 142, goodwill, including any goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have indefinite useful lives, are not amortized. Rather, goodwill and such indefinite-lived intangible assets are assessed for impairment at least annually based on comparisons of their respective fair values to their carrying values. Finite-lived intangible assets are amortized over their respective estimated useful lives and, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets (FAS 144).

In accordance with FAS 142, goodwill impairment is determined using a two-step process. The first step of the goodwill impairment test is to identify potential impairment by comparing the fair value of a reporting unit with its net book value (or carrying amount), including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered not to be impaired and performance of the second step of the impairment test is unnecessary. If the carrying amount of a reporting unit exceeds its fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of the reporting unit's goodwill with the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination. That is, the fair value of the reporting unit is allocated to all of the assets and liabilities of that unit (including any unrecognized intangible assets) as if the reporting unit had been acquired in a business combination and the fair value was the purchase price paid to acquire the reporting unit.

Determining the fair value of a reporting unit under the first step of the goodwill impairment test and determining the fair value of individual assets and liabilities of a reporting unit (including unrecognized intangible assets) under the second step of the goodwill impairment test is judgmental in nature and often involves the use of significant estimates and assumptions. Similarly, estimates and assumptions are used in determining the fair value of other intangible assets. These estimates and assumptions could have a significant impact on whether or not an impairment charge is recognized and the magnitude of any such charge. To assist management in the process of determining goodwill impairment, the Company obtains appraisals from independent valuation firms. Estimates of fair value are primarily determined using discounted cash flows, market comparisons and recent transactions. These approaches use significant estimates and assumptions, including projected future cash flows (including timing), discount rates

reflecting the risks inherent in future cash flows, perpetual growth rates and determination of appropriate market comparables.

The impairment test for other indefinite-lived intangible assets consists of a comparison of the fair value of the intangible asset with its carrying value. If the carrying value of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized equal to the excess. In addition, in evaluating finite-lived intangible assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset

Table of Contents

and eventual disposition in accordance with FAS 144. To the extent the estimated future, undiscounted cash inflows attributable to the asset, less estimated future, undiscounted cash outflows, are less than the carrying amount, an impairment loss is recognized equal to the difference.

There have been no impairment losses recorded in connection with the assessment of the recoverability of goodwill or other intangible assets during any of the three fiscal years presented.

Impairment of Other Long-Lived Assets

Property and equipment, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FAS 144. In evaluating long-lived assets for recoverability, the Company uses its best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal are reported at the lower of carrying value or fair value less costs to sell.

In determining future cash flows, the Company takes various factors into account, including changes in merchandising strategy, the emphasis on retail store cost controls, and the impacts of more experienced retail store managers and increased local advertising. Since the determination of future cash flows is an estimate of future performance, there may be future impairments in the event that future cash flows do not meet expectations.

During Fiscal 2008, the Company recorded impairment charges of \$5.0 million to reduce the carrying value of certain long-lived assets in its Retail segment to their estimated fair value. No impairment charges were recorded in Fiscal 2007. During Fiscal 2006, the Company recorded impairment charges of \$10.8 million to reduce the carrying value of certain retail fixed assets to their estimated fair value.

Income Taxes

Income taxes are provided using the asset and liability method prescribed by FAS No. 109, Accounting for Income Taxes (FAS 109). Under this method, income taxes (i.e., deferred tax assets and liabilities, current taxes payable/refunds receivable and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any difference between US GAAP and tax reporting. Deferred income taxes reflect the tax effect of certain net operating loss, capital loss and general business credit carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The Company accounts for the financial effect of changes in tax laws or rates in the period of enactment.

In addition, valuation allowances are established when management determines that it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. Tax valuation allowances are analyzed periodically and adjusted as events occur, or circumstances change, that warrant adjustments to those balances.

Effective April 1, 2007, the Company adopted FIN 48. Upon the adoption of the provisions of FIN 48, the Company changed its policy related to the accounting for income tax uncertainties. If the Company considers that a tax position is more-likely-than-not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and require

significant judgment, and the Company often obtains assistance from external advisors. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. If the initial assessment fails to result in the recognition of a tax benefit, the Company regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when the Company expects to pay cash

Table of Contents

within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in the Company's consolidated statements of operations and are classified on the consolidated balance sheets with the related liability for unrecognized tax benefits.

See Note 12 to the accompanying audited consolidated financial statements for further discussion of the Company's income taxes and the adoption of FIN 48.

Contingencies

The Company periodically is exposed to various contingencies in the ordinary course of conducting its business, including certain litigations, alleged information system security breach matters, contractual disputes, employee relation matters, various tax audits, and trademark and intellectual property matters and disputes. In accordance with FAS No. 5, *Accounting for Contingencies* (FAS 5), the Company records a liability for such contingencies to the extent that it concludes their occurrence is probable and the related losses are estimable. In addition, if it is reasonably possible that an unfavorable settlement of a contingency could exceed the established liability, the Company discloses the estimated impact on its liquidity, financial condition and results of operations. Management considers many factors in making these assessments. As the ultimate resolution of contingencies is inherently unpredictable, these assessments can involve a series of complex judgments about future events including, but not limited to, court rulings, negotiations between affected parties and governmental actions. As a result, the accounting for loss contingencies relies heavily on estimates and assumptions.

Stock-based Compensation

Effective April 2, 2006, the Company adopted FAS No. 123R, *Share-Based Payment* (FAS 123R or the Statement), using the modified prospective application transition method. Under this transition method, the compensation expense recognized in the consolidated statements of operations beginning April 2, 2006 includes compensation expense for (a) all stock-based payments granted prior to, but not yet vested as of April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS No. 123, *Accounting for Stock-Based Compensation*, as amended by FAS No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* (FAS 123) and (b) all stock-based payments granted subsequent to April 1, 2006 based on the grant-date fair value estimated in accordance with the provisions of FAS 123R.

Prior to April 2, 2006, the Company accounted for stock-based compensation plans under the intrinsic value method in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and adopted the disclosure-only provisions of FAS 123. Accordingly, the Company did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price at the date of grant. However, as required, the Company disclosed, in the notes to the consolidated financial statements, the pro forma expense impact of the stock option grants as if the fair-value-based recognition provisions of FAS 123 were applied. Compensation expense was previously recognized for restricted stock and restricted stock units. The effect of forfeitures on restricted stock and restricted stock units was recognized when such forfeitures occurred.

Stock Options

Stock options are granted to employees and non-employee directors with exercise prices equal to fair market value at the date of grant. The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of subjective assumptions. Certain key assumptions involve estimating future uncertain events. The key factors influencing the estimation process include the expected term of the option, the expected stock price volatility factor, the expected dividend yield and risk-free interest rate, among others. Generally,

once stock option values are determined, current accounting practices do not permit them to be changed, even if the estimates used are different from the actuals.

Determining the fair value of stock-based compensation at the date of grant requires significant judgment by management, including estimates of the above Black-Scholes assumptions. In addition, judgment is required in estimating the number of stock-based awards that are expected to be forfeited. If actual results differ significantly from these estimates, if management changes its assumptions for future stock-based award grants, or if there are

Table of Contents

changes in market conditions, stock-based compensation expense and the Company's results of operations could be materially impacted.

Restricted Stock and Restricted Stock Units (RSUs)

The Company grants restricted shares of Class A common stock and service-based RSUs to certain of its senior executives and non-employee directors. In addition, the Company grants performance-based RSUs to such senior executives and other key executives, and certain other employees of the Company. The fair values of restricted stock shares and RSUs are based on the fair value of unrestricted Class A common stock, as adjusted to reflect the absence of dividends for those restricted securities that are not entitled to dividend equivalents. Compensation expense for performance-based RSUs is recognized over the related service period when attainment of the performance goals is deemed probable, which involves judgment on the part of management.

RECENT ACCOUNTING STANDARDS

Refer to Note 4 to the accompanying audited consolidated financial statements for a discussion of certain accounting standards the Company is not yet required to adopt which may impact its results of operations and/or financial condition in future reporting periods.

Item 7A. *Quantitative and Qualitative Disclosures about Market Risk*

For a discussion of the Company's exposure to market risk, see "Market Risk Management" in Item 7 included elsewhere in this Annual Report on Form 10-K.

Item 8. *Financial Statements and Supplementary Data*

See the "Index to Consolidated Financial Statements" appearing at the end of this Annual Report on Form 10-K.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

Not applicable.

Item 9A. *Controls and Procedures*

(a) Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures are the controls and other procedures of an issuer that are designed to provide reasonable assurance that information required to be disclosed by the issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time period specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that material information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as of the end of the fiscal year covered by this annual report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded

that the Company's disclosure controls and procedures were effective, as of the fiscal year end covered by this Annual Report on Form 10-K, in timely making known to them material information relating to the Company and the Company's consolidated subsidiaries required to be disclosed in the Company's reports filed or submitted under the Exchange Act.

Table of Contents

(b) Management's Report of Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and preparation of financial statements for external purposes in accordance with U.S. Generally Accepted Accounting Principles. Internal control over financial reporting includes maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of the Company's assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Because of its inherent limitations, internal control over financial reporting is not intended to provide absolute assurance that a misstatement of our financial statements would be prevented or detected. Further, the evaluation of the effectiveness of internal control over financial reporting was made as of a specific date, and continued effectiveness in future periods is subject to the risks that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may decline.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of the end of the fiscal year covered by this report based on the framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework*. Based on this evaluation, management concluded that the Company's internal controls over financial reporting were effective as of the fiscal year end covered by this Annual Report on Form 10-K.

During the first quarter of Fiscal 2008, the Company acquired control of certain of its Japanese businesses that were formerly conducted under pre-existing licensed arrangements. In particular, the Company acquired approximately 77% of the outstanding shares of Impact 21 that it did not previously own in a cash tender offer (as further defined and discussed in Note 5 to the accompanying audited consolidated financial statements). The Company is in the process of evaluating Impact 21's internal controls. However, as permitted by related SEC Staff interpretive guidance for newly acquired businesses, the Company excluded Impact 21 from management's annual assessment of the effectiveness of the Company's internal control over financial reporting as of March 29, 2008. In the aggregate, Impact 21 represented 14.2% of the total consolidated assets (including purchase accounting allocations), 5.2% of total consolidated revenues and 4.6% of total consolidated operating income of the Company as of and for the fiscal year ended March 29, 2008.

(c) Changes in Internal Controls Over Financial Reporting

Except as discussed below, there has been no change in the Company's internal control over financial reporting during the fourth quarter of Fiscal 2008, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

The Company is in the process of evaluating the internal control structure of Impact 21 and determining how best to integrate and improve the various processes, systems, resources and controls supporting that business. In the interim, the Company has designed and implemented various transitional controls over financial reporting to supplement the existing internal controls at Impact 21.

Item 9B. Other Information

Not applicable.

PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

Information relating to our directors and corporate governance will be set forth in the Company's proxy statement for its 2008 annual meeting of stockholders to be filed within 120 days after March 29, 2008 (the Proxy

Table of Contents

Statement) and is incorporated by reference herein. Information relating to our executive officers is set forth in Item I of this Annual Report on Form 10-K under the caption *Executive Officers*.

The Company has a Code of Ethics for Principal Executive Officers and Senior Financial Officers that applies to our principal executive officer, our principal operating officer, our principal financial officer, our controller, and our principal accounting officer. You can find our Code of Ethics for Principal Executive Officers and Senior Financial Officers on our internet site, <http://investor.ralphlauren.com>. We will post any amendments to the Code of Ethics for Principal Executive Officers and Senior Financial Officers and any waivers that are required to be disclosed by the rules of either the SEC or the NYSE on our internet site.

Item 11. *Executive Compensation*

Information relating to executive and director compensation will be set forth in the Proxy Statement and such information is incorporated by reference herein.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters****Equity Compensation Plan Information as of March 29, 2008***

The following table sets forth information as of March 29, 2008 regarding compensation plans under which the Company's equity securities are authorized for issuance:

Plan Category	(a) Numbers of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted-Average Exercise Price of Outstanding Options (\$)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by security holders	8,036,728 ⁽¹⁾	\$ 39.93 ⁽²⁾	5,040,839 ⁽³⁾
Equity compensation plans not approved by security holders			
Total	8,036,728	\$ 39.93	5,040,839

⁽¹⁾ Consists of 6,010,622 options to purchase shares of our Class A common stock and 2,026,106 restricted stock units that are payable solely in shares of Class A common stock. Does not include 33,738 outstanding restricted shares that are subject to forfeiture.

⁽²⁾

Represents the weighted average exercise price of the outstanding stock options. No exercise price is payable with respect to the outstanding restricted stock units.

- (3) All of the securities remaining available for future issuance set forth in column (c) may be in the form of options, stock appreciation rights, restricted stock, restricted stock units, performance awards or other stock-based awards under the Company's Amended and Restated 1997 Long-Term Stock Incentive Plan. An additional 33,738 outstanding shares of restricted stock granted under the Company's Amended and Restated 1997 Long-Term Stock Incentive Plan that remain subject to forfeiture are not reflected in column (c).

Other information relating to security ownership of certain beneficial owners and management will be set forth in the Proxy Statement and such information is incorporated by reference herein.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required to be included by Item 13 of Form 10-K will be included in the Proxy Statement and such information is incorporated by reference herein.

Table of Contents**Item 14. *Principal Accounting Fees and Services***

The information required to be included by Item 14 of Form 10-K will be included in the Proxy Statement and such information is incorporated by reference herein.

PART IV**Item 15. *Exhibits and Financial Statement Schedules***

(a) 1., 2. Financial Statements and Schedules. See index on Page F-1.

3. Exhibits

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (File No. 333-24733) (the "S-1"))*
3.2	Second Amended and Restated By-laws of the Company (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended September 29, 2007)*
10.1	Registration Rights Agreement dated as of June 9, 1997 by and among Ralph Lauren, GS Capital Partners, L.P., GS Capital Partner PRL Holding I, L.P., GS Capital Partners PRL Holding II, L.P., Stone Street Fund 1994, L.P., Stone Street 1994 Subsidiary Corp., Bridge Street Fund 1994, L.P., and Polo Ralph Lauren Corporation (filed as Exhibit 10.3 to the S-1)*
10.2	U.S.A. Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, and Cosmair, Inc., and letter Agreement related thereto dated January 1, 1985** (filed as Exhibit 10.4 to the S-1)*
10.3	Restated U.S.A. License Agreement, dated January 1, 1985, between Ricky Lauren and Mark N. Kaplan, as Licensor, and Cosmair, Inc., as Licensee, and letter Agreement related thereto dated January 1, 1985** (filed as Exhibit 10.5 to the S-1)*
10.4	Foreign Design and Consulting Agreement, dated January 1, 1985, between Ralph Lauren, individually and d/b/a Ralph Lauren Design Studio, as Licensor, and L'Oréal S.A., as Licensee, and letter Agreements related thereto dated January 1, 1985, September 16, 1994 and October 25, 1994** (filed as Exhibit 10.6 to the S-1)*
10.5	Restated Foreign License Agreement, dated January 1, 1985, between The Polo/Lauren Company, as Licensor, and L'Oréal S.A., as Licensee, Letter Agreement related thereto dated January 1, 1985, and Supplementary Agreement thereto, dated October 1, 1991** (filed as Exhibit 10.7 to the S-1)*
10.6	Amendment, dated November 27, 1992, to Foreign Design and Consulting Agreement and Restated Foreign License Agreement** (filed as Exhibit 10.8 to the S-1)*
10.7	Agency Agreement dated October 5, 2006, between Polo Ralph Lauren Corporation and Deutsche Bank AG, London Branch and Deutsche Bank Luxembourg S.A., as fiscal and principal paying agent (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended December 30, 2006)*
10.8	Form of Indemnification Agreement between Polo Ralph Lauren Corporation and its Directors and Executive Officers (filed as Exhibit 10.26 to the S-1)*
10.9	Amended and Restated Employment Agreement, effective as of July 23, 2002, between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended June 29, 2002)*
10.10	

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Amended and Restated Employment Agreement, dated as of June 17, 2003, between Polo Ralph Lauren Corporation and Ralph Lauren (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended June 28, 2003)*

- 10.11 Non-Qualified Stock Option Agreement, dated as of June 8, 2004, between Polo Ralph Lauren Corporation and Ralph Lauren (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the fiscal year ended April 2, 2005 (the Fiscal 2006 10-K))*
- 10.12 Restricted Stock Unit Award Agreement, dated as of June 8, 2004, between Polo Ralph Lauren Corporation and Ralph Lauren (filed as Exhibit 10.15 to the Fiscal 2006 10-K)*
- 10.13 Polo Ralph Lauren Corporation Executive Officer Annual Incentive Plan, as amended as of August 9, 2007 (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended December 29, 2007)*

Table of Contents

Exhibit Number	Description
10.14	Amendment No. 1, dated July 1, 2004, to the Amended and Restated Employment Agreement between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended October 2, 2004)*
10.15	Amendment No. 2, dated September 5, 2007, to the Amended and Restated Employment Agreement between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended September 29, 2007)*
10.16	Restricted Stock Unit Award Agreement, dated as of July 1, 2004, between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.18 to the Fiscal 2006 10-K)*
10.17	Restricted Stock Award Agreement, dated as of July 23, 2002, between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.19 to the Fiscal 2006 10-K)*
10.18	Non-Qualified Stock Option Agreement, dated as of July 23, 2002, between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.20 to the Fiscal 2006 10-K)*
10.19	Deferred Compensation Agreement, dated as of September 19, 2002, between Polo Ralph Lauren Corporation and Roger N. Farah (filed as Exhibit 10.21 to the Fiscal 2006 10-K)*
10.20	Asset Purchase Agreement by and among Polo Ralph Lauren Corporation, RL Childrenswear Company, LLC and The Seller Affiliate Group (as defined therein) dated March 25, 2004 (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended July 3, 2004)*
10.21	Amendment No. 1, dated as of July 2, 2004, to Asset Purchase Agreement by and among Polo Ralph Lauren Corporation, RL Childrenswear Company, LLC and The Seller Affiliate Group (as defined therein) (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended July 3, 2004)*
10.22	Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan, as Amended and Restated as of August 12, 2004 (filed as Exhibit 99.1 to the Form 8-K dated August 12, 2004)*
10.23	Amendment, dated as of June 30, 2006, to the Polo Ralph Lauren Corporation 1997 Long-Term Stock Incentive Plan, as Amended and Restated as of August 12, 2004 (filed as Exhibit 10.4 to the Form 10-Q for the quarterly period ended July 1, 2006)*
10.24	Cliff Restricted Performance Share Unit Award Overview containing the standard terms of restricted performance share awards under the Stock Incentive Plan (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended July 1, 2006)*
10.25	Pro-Rata Restricted Performance Share Unit Award Overview containing the standard terms of restriction performance share awards under the Stock Incentive Plan (filed as Exhibit 10.3 to the Form 10-Q for the quarterly period ended July 1, 2006)*
10.26	Stock Option Award Overview U.S. containing the standard terms of stock option award under the Stock Incentive Plan (filed as Exhibit 10.2 to the Form 10-Q for the quarterly period ended July 1, 2006)*
10.27	Definitive Agreement, dated April 13, 2007, among Polo Ralph Lauren Corporation, PRL Japan Kabushiki Kaisha, Onward Kashiya Co., Ltd and Impact 21 Co., Ltd.
10.28	Amended and Restated Credit Agreement as of May 22, 2007 to the Credit Agreement, dated as of November 28, 2006, among Polo Ralph Lauren Corporation, Polo JP Acqui B.V., the lenders party thereto, and JPMorgan Chase Bank, N.A., as administrative agent (filed as Exhibit 10.1 to the Company s Form 10-Q for the quarterly period ended June 30, 2007)*
10.29	Amendment and Restatement Agreement, dated as of May 22, 2007, among Polo Ralph Lauren Corporation, Polo JP Acqui B.V., the lenders party thereto, The Bank of New York, Citibank, N.A., Bank of America, N.A. and Wachovia Bank National Association, as syndication agents, Sumitomo Mitsui Banking Corporation and Deutsche Bank Securities, s co-agents and JPMorgan Chase Bank, N.A., as administrative agent under the Credit Agreement dated as of November 28, 2006 among Polo

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- Ralph Lauren Corporation, the lenders from time to time party thereto and the agents party thereto (filed as Exhibit 10.2 to the Company's Form 10-Q for the quarterly period ended June 30, 2007)*
- 10.30 Employment Agreement, dated as of September 4, 2004, between Polo Ralph Lauren Corporation and Jackwyn Nemerov (filed as Exhibit 10.3 to the Form 10-Q for the quarterly period ended October 2, 2004)*
- 10.31 Employment Agreement, dated as of March 26, 2007, between Polo Ralph Lauren Corporation and Tracey T. Travis (filed as Exhibit 10.28 to the Fiscal 2007 10-K)*
- 10.32 Employment Agreement, dated as of April 30, 2007, between Polo Ralph Lauren Corporation and Mitchell A. Kosh (filed as Exhibit 10.3 to the Company's Form 10-Q for the quarterly period ended June 30, 2007)*

Table of Contents

Exhibit Number	Description
10.33	Cross Default and Term Extension Agreement, dated May 11, 1998, among PRL USA, Inc., The Polo/Lauren Company, L.P., Polo Ralph Lauren Corporation, Jones Apparel Group, Inc. and Jones Investment Co., Inc. (filed as Exhibit 10.1 to the Form 10-Q for the quarterly period ended December 28, 2002)*
10.34	Amended and Restated Polo Ralph Lauren Supplemental Executive Retirement Plan (filed as Exhibit 10.1 to the Company's Form 10-Q for the quarterly period ended December 31, 2005)*
14.1	Code of Ethics for Principal Executive Officers and Senior Financial Officers (filed as Exhibit 14.1 to the Fiscal 2003 Form 10-K)*
21.1	List of Significant Subsidiaries of the Company
23.1	Consent of Deloitte & Touche LLP
31.1	Certification of Ralph Lauren required by 17 CFR 240.13a-14(a)
31.2	Certification of Tracey T. Travis required by 17 CFR 240.13a-14(a)
32.1	Certification of Ralph Lauren Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Tracey T. Travis Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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 Securities Exchange Act of 1934.

* Incorporated herein by reference.

Management contract or compensatory plan or arrangement.

** Portions of Exhibits 10.3-10.9 have been omitted pursuant to a request for confidential treatment and have been filed separately with the Securities and Exchange Commission.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) Securities Exchange Act of 1934, the registrant has caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 28, 2008.

POLO RALPH LAUREN CORPORATION

By: /s/ TRACEY T. TRAVIS
Tracey T. Travis
Senior Vice President and Chief Financial Officer
(Principal Financial and
Accounting Officer)

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

Signature	Title	Date
/s/ RALPH LAUREN Ralph Lauren	Chairman of the Board, Chief Executive Officer and Director (Principal Executive Officer)	May 28, 2008
/s/ ROGER N. FARAH Roger N. Farah	President, Chief Operating Officer and Director	May 28, 2008
/s/ JACKWYN L. NEMEROV Jackwyn L. Nemerov	Executive Vice President and Director	May 28, 2008
/s/ TRACEY T. TRAVIS Tracey T. Travis	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	May 28, 2008
/s/ ARNOLD H. ARONSON Arnold H. Aronson	Director	May 28, 2008
/s/ JOHN R. ALCHIN John R. Alchin	Director	May 28, 2008
/s/ FRANK A. BENNACK, JR. Frank A. Bennack, Jr.	Director	May 28, 2008

/s/ DR. JOYCE F. BROWN

Director

May 28, 2008

Dr. Joyce F. Brown

/s/ JOEL L. FLEISHMAN

Director

May 28, 2008

Joel L. Fleishman

Table of Contents

Signature	Title	Date
/s/ JUDITH A. MCHALE Judith A. McHale	Director	May 28, 2008
/s/ STEVEN P. MURPHY Steven P. Murphy	Director	May 28, 2008
/s/ TERRY S. SEMEL Terry S. Semel	Director	May 28, 2008
/s/ ROBERT C. WRIGHT Robert C. Wright	Director	May 28, 2008

POLO RALPH LAUREN CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

	Page
Consolidated Financial Statements:	
<u>Consolidated Balance Sheets</u>	F-2
<u>Consolidated Statements of Operations</u>	F-3
<u>Consolidated Statements of Cash Flows</u>	F-4
<u>Consolidated Statements of Stockholders' Equity</u>	F-5
<u>Notes to Consolidated Financial Statements</u>	F-6
<u>Management's Report on Responsibility for Financial Statements</u>	F-50
<u>Reports of Independent Registered Public Accounting Firm</u>	F-51
Supplementary Information:	
<u>Selected Financial Information</u>	F-53
<u>Quarterly Financial Information</u>	F-55
<u>EX-10.27: DEFINITIVE AGREEMENT, DATED APRIL 13, 2007</u>	
<u>EX-21.1: LIST OF SIGNIFICANT SUBSIDIARIES OF THE COMPANY</u>	
<u>EX-23.1: CONSENT OF DELOITTE & TOUCHE LLP</u>	
<u>EX-31.1: CERTIFICATION</u>	
<u>EX-31.2: CERTIFICATION</u>	
<u>EX-32.1: CERTIFICATION</u>	
<u>EX-32.2: CERTIFICATION</u>	

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

Table of Contents**POLO RALPH LAUREN CORPORATION****CONSOLIDATED BALANCE SHEETS**

	March 29, 2008	March 31, 2007
	(millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 551.5	\$ 563.9
Short-term investments	74.3	
Accounts receivable, net of allowances of \$172.0 and \$138.1 million	508.4	467.5
Inventories	514.9	526.9
Deferred tax assets	76.6	44.4
Prepaid expenses and other	167.8	83.2
Total current assets	1,893.5	1,685.9
Property and equipment, net	709.9	629.8
Deferred tax assets	116.9	56.9
Goodwill	975.1	790.5
Intangible assets, net	349.3	297.7
Other assets	320.8	297.2
Total assets	\$ 4,365.5	\$ 3,758.0
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 205.7	\$ 174.7
Income tax payable	28.8	74.6
Accrued expenses and other	467.7	391.0
Current maturities of debt	206.4	
Total current liabilities	908.6	640.3
Long-term debt	472.8	398.8
Non-current liability for unrecognized tax benefits	155.2	
Other non-current liabilities	439.2	384.0
Total liabilities	1,975.8	1,423.1
Commitments and contingencies (Note 15)		
Stockholders' equity:		
Class A common stock, par value \$.01 per share; 70.5 million and 68.6 million shares issued; 56.2 million and 60.7 million shares outstanding	0.7	0.7
Class B common stock, par value \$.01 per share; 43.3 million shares issued and outstanding	0.4	0.4
Additional paid-in-capital	1,017.6	872.5

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Retained earnings	2,079.3	1,742.3
Treasury stock, Class A, at cost (14.3 million and 7.9 million shares)	(820.9)	(321.5)
Accumulated other comprehensive income (loss)	112.6	40.5
Total stockholders' equity	2,389.7	2,334.9
Total liabilities and stockholders' equity	\$ 4,365.5	\$ 3,758.0

See accompanying notes.

F-2

Table of Contents

POLO RALPH LAUREN CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions, except per share data)		
Net sales	\$ 4,670.7	\$ 4,059.1	\$ 3,501.1
Licensing revenue	209.4	236.3	245.2
Net revenues	4,880.1	4,295.4	3,746.3
Cost of goods sold ^(a)	(2,242.0)	(1,959.2)	(1,723.9)
Gross profit	2,638.1	2,336.2	2,022.4
Other costs and expenses:			
Selling, general and administrative expenses ^(a)	(1,932.5)	(1,663.4)	(1,476.9)
Amortization of intangible assets	(47.2)	(15.6)	(9.1)
Impairments of retail assets	(5.0)		(10.8)
Restructuring charges		(4.6)	(9.0)
Total other costs and expenses	(1,984.7)	(1,683.6)	(1,505.8)
Operating income	653.4	652.6	516.6
Foreign currency gains (losses)	(6.4)	(1.5)	(5.7)
Interest expense	(25.7)	(21.6)	(12.5)
Interest and other income, net	24.7	26.1	13.7
Equity in income (loss) of equity-method investees	(1.8)	3.0	4.3
Minority interest expense	(2.1)	(15.3)	(13.5)
Income before provision for income taxes	642.1	643.3	502.9
Provision for income taxes	(222.3)	(242.4)	(194.9)
Net income	\$ 419.8	\$ 400.9	\$ 308.0
Net income per common share:			
Basic	\$ 4.10	\$ 3.84	\$ 2.96
Diluted	\$ 3.99	\$ 3.73	\$ 2.87
Weighted average common shares outstanding:			
Basic	102.3	104.4	104.2
Diluted	105.2	107.6	107.2

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Dividends declared per share	\$	0.20	\$	0.20	\$	0.20
(a) Includes total depreciation expense of:	\$	(154.1)	\$	(129.1)	\$	(117.9)

See accompanying notes.

F-3

Table of Contents**POLO RALPH LAUREN CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Cash flows from operating activities:			
Net income	\$ 419.8	\$ 400.9	\$ 308.0
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization expense	201.3	144.7	127.0
Deferred income tax expense (benefit)	(7.7)	(112.4)	35.6
Minority interest expense	2.1	15.3	13.5
Equity in (income) loss of equity-method investees, net of dividends received	1.8	(1.0)	(4.3)
Non-cash stock compensation expense	70.7	43.6	26.6
Non-cash impairments of retail assets	5.0		10.8
Non-cash provision for bad debt expense	2.6	1.9	1.2
Loss on disposal of property and equipment		3.3	5.7
Non-cash foreign currency losses (gains)	(1.3)	6.2	5.3
Non-cash restructuring charges		1.1	4.5
Changes in operating assets and liabilities:			
Accounts receivable	10.0	26.4	(19.2)
Inventories	81.8	(32.2)	3.8
Accounts payable and accrued liabilities	(14.9)	41.7	39.1
Deferred income liabilities, primarily proceeds received from Luxottica in Fiscal 2007 (Note 22)	(2.7)	202.6	5.1
Settlement of Jones-related Litigation			(100.0)
Other balance sheet changes	(73.1)	54.0	(13.6)
Net cash provided by operating activities	695.4	796.1	449.1
Cash flows from investing activities:			
Acquisitions and ventures, net of cash acquired and purchase price settlements	(188.7)	(176.1)	(380.6)
Purchases of investments	(96.8)		
Proceeds from sales and maturities of investments	12.7		
Capital expenditures	(217.1)	(184.0)	(158.6)
Cash deposits restricted in connection with taxes (Note 3)	(15.1)	(74.5)	
Net cash used in investing activities	(505.0)	(434.6)	(539.2)
Cash flows from financing activities:			
Proceeds from issuance of debt	168.9	380.0	
Repayment of debt		(291.6)	
Debt issuance costs	(0.3)	(2.6)	

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Payments of capital lease obligations	(7.7)	(5.0)	(2.2)
Payments of dividends	(20.5)	(20.9)	(20.8)
Distributions to minority interest holders		(4.5)	
Repurchases of common stock, including shares surrendered for tax withholdings	(475.4)	(231.3)	(3.8)
Proceeds from exercise of stock options	40.1	51.4	55.2
Termination of interest rate swap agreements		(4.4)	5.1
Excess tax benefits from stock-based compensation arrangements	34.4	33.7	
Net cash (used in) provided by financing activities	(260.5)	(95.2)	33.5
Effect of exchange rate changes on cash and cash equivalents	57.7	11.9	(8.2)
Net increase (decrease) in cash and cash equivalents	(12.4)	278.2	(64.8)
Cash and cash equivalents at beginning of period	563.9	285.7	350.5
Cash and cash equivalents at end of period	\$ 551.5	\$ 563.9	\$ 285.7

See accompanying notes.

F-4

Table of Contents**POLO RALPH LAUREN CORPORATION****CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**

	Common Stock		Additional Paid-In	Retained	Treasury Stock at cost		Accumulated Other Comprehensive Income	Unearned	Total
	Shares	Amount	Capital	Earnings	Shares	Amount	(Loss)	Compensation	
					(millions)				
Balance at April 2, 2005	107.3	\$ 1.1	\$ 664.3	\$ 1,090.3	4.2	\$ (80.0)	\$ 29.9	\$ (29.9)	\$ 1,675.7
Comprehensive income:									
Net income				308.0					
Foreign currency translation adjustments							(24.1)		
Net realized and unrealized gains on derivative financial instruments							9.7		
Total comprehensive income									293.6
Cash dividends declared				(19.6)					(19.6)
Repurchases of common stock					0.1	(3.8)			(3.8)
Shares issued and equity grants made pursuant to stock compensation plans ^(a)	2.4		119.3			(3.3)		(12.8)	103.2
Other				0.5					0.5
Balance at April 1, 2006	109.7	\$ 1.1	\$ 783.6	\$ 1,379.2	4.3	\$ (87.1)	\$ 15.5	\$ (42.7)	\$ 2,049.6
Cumulative effect of adopting SAB 108 ^(b) (Note 4)				(16.9)					(16.9)
Cumulative effect of adopting FAS 123R (Note 18)			(42.7)					42.7	
Comprehensive income:									
Net income				400.9					
Foreign currency translation adjustments							54.3		
Net realized and unrealized losses on derivative financial instruments							(29.3)		

Total comprehensive income										425.9
Cash dividends declared					(20.9)					(20.9)
Repurchases of common stock						3.5	(231.3)			(231.3)
Shares issued and equity grants made pursuant to stock compensation plans ^(a)	2.2		131.6			0.1	(3.1)			128.5
Balance at March 31, 2007	111.9	\$ 1.1	\$ 872.5	\$ 1,742.3		7.9	\$ (321.5)	\$ 40.5	\$	\$ 2,334.9
Cumulative effect of adopting FIN 48 (Note 12)					(62.5)					(62.5)
Comprehensive income: Net income					419.8					
Foreign currency translation adjustments								135.8		
Net realized and unrealized losses on derivative financial instruments								(63.3)		
Net unrealized losses on available-for-sale investments								(0.2)		
Net unrealized losses on defined benefit plans								(0.2)		
Total comprehensive income										491.9
Cash dividends declared					(20.3)					(20.3)
Repurchases of common stock						6.4	(499.4)			(499.4)
Shares issued and equity grants made pursuant to stock compensation plans ^(a)	1.9		\$ 145.1							145.1
Balance at March 29, 2008	113.8	\$ 1.1	\$ 1,017.6	\$ 2,079.3		14.3	\$ (820.9)	\$ 112.6	\$	\$ 2,389.7

^(a) Includes income tax benefits relating to the exercise of employee stock options of approximately \$34 million in Fiscal 2008, \$33 million in Fiscal 2007 and \$22 million in Fiscal 2006.

^(b) Net of \$3.6 million tax effect.

See accompanying notes.

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

Polo Ralph Lauren Corporation (PRLC) is a global leader in the design, marketing and distribution of premium lifestyle products, including men's, women's and children's apparel, accessories, fragrances and home furnishings. PRLC's long-standing reputation and distinctive image have been consistently developed across an expanding number of products, brands and international markets. PRLC's brand names include *Polo by Ralph Lauren*, *Ralph Lauren Purple Label*, *Ralph Lauren Collection*, *Black Label*, *Blue Label*, *Lauren by Ralph Lauren*, *RRL*, *RLX*, *Rugby*, *Ralph Lauren Childrenswear*, *Chaps*, *Club Monaco* and *American Living*, among others. PRLC and its subsidiaries are collectively referred to herein as the Company, we, us, our and ourselves, unless the context indicates otherwise.

The Company classifies its businesses into three segments: Wholesale, Retail and Licensing. The Company's wholesale sales are made principally to major department and specialty stores located throughout the U.S., Europe and Asia. The Company also sells directly to consumers through full-price and factory retail stores located throughout the U.S., Canada, Europe, South America and Asia, and through its retail internet site located at www.RalphLauren.com (formerly known as Polo.com). In addition, the Company often licenses the right to unrelated third parties to use its various trademarks in connection with the manufacture and sale of designated products, such as apparel, eyewear and fragrances, in specified geographical areas for specified periods.

2. Basis of Presentation

Basis of Consolidation

The consolidated financial statements present the financial position, results of operations and cash flows of the Company and all entities in which the Company has a controlling voting interest. The consolidated financial statements also include the accounts of any variable interest entities in which the Company is considered to be the primary beneficiary and such entities are required to be consolidated in accordance with accounting principles generally accepted in the U.S. (US GAAP).

Prior to the Company's acquisition of the minority ownership interest in Polo Ralph Lauren Japan Corporation (PRL Japan) in May 2007, the Company consolidated PRL Japan, formerly a 50%-owned venture with Onward Kashiya Co. Ltd and its affiliates (Onward Kashiya) and The Seibu Department Stores, Ltd (Seibu), pursuant to the provisions of Financial Accounting Standards Board (FASB) Interpretation (FIN) No. 46R, Consolidation of Variable Interest Entities (FIN 46R). PRL Japan holds the master license to conduct the Company's business in Japan. Additionally, prior to the acquisition of the minority ownership interests in Ralph Lauren Media, LLC (RL Media) in March 2007, the Company consolidated RL Media, formerly a 50%-owned venture with NBC-Lauren Media Holdings, Inc., a subsidiary wholly owned by the National Broadcasting Company, Inc. (NBC) and Value Vision Media, Inc. (Value Vision), pursuant to FIN 46R. RL Media conducts the Company's e-commerce initiatives through an internet site known as RalphLauren.com. See Note 5 for further discussion of the acquisitions referred to above, including their respective bases of consolidation in the fiscal years presented.

All significant intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year

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The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to March 31. As such, fiscal year 2008 ended on March 29, 2008 and reflected a 52-week period (Fiscal 2008); fiscal year 2007 ended on March 31, 2007 and reflected a 52-week period (Fiscal 2007); and fiscal year 2006 ended on April 1, 2006 and also reflected a 52-week period (Fiscal 2006).

The financial position and operating results of the Company's consolidated PRL Japan and Impact 21 Co., Ltd. (Impact 21) entities located in Japan are reported on a one-month lag. The net effect of this reporting lag is not

F-6

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

material to the consolidated financial statements. Similarly, prior to the fourth quarter of Fiscal 2006, the financial position and operating results of RL Media were reported on a three-month lag. During the fourth quarter of Fiscal 2006, RL Media changed its fiscal year, which was formerly on a calendar-year basis, to conform with the Company's fiscal-year basis. In connection with this change, the three-month reporting lag for RL Media was eliminated for the fiscal years presented. The net effect from this change in RL Media's fiscal year was not material to the consolidated financial statements for Fiscal 2006 and was reflected in retained earnings as a component of stockholders' equity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ materially from those estimates.

Significant estimates inherent in the preparation of the consolidated financial statements include reserves for customer returns, discounts, end-of-season markdowns and operational chargebacks; reserves for the realizability of inventory; reserves for litigation and other contingencies; useful lives and impairments of long-lived tangible and intangible assets; accounting for income taxes and related uncertain tax positions; the valuation of stock-based compensation and related expected forfeiture rates; and accounting for business combinations.

Reclassifications

Certain reclassifications have been made to the prior periods' financial information in order to conform to the current period's presentation, including a reclassification of \$175 million of assets related to the RL Media Minority Interest Acquisition (as defined in Note 5) that were pushed down from Corporate to the Retail segment in Fiscal 2008 that should have been reported as part of the Retail segment in Fiscal 2007. See Note 20.

3. Summary of Significant Accounting Policies

Revenue Recognition

Revenue is recognized across all segments of the business when there is persuasive evidence of an arrangement, delivery has occurred, price has been fixed or is determinable, and collectibility is reasonably assured.

Revenue within the Company's Wholesale segment is recognized at the time title passes and risk of loss is transferred to customers. Wholesale revenue is recorded net of estimates of returns, discounts, end-of-season markdowns, operational chargebacks and certain cooperative advertising allowances. Returns and allowances require pre-approval from management and discounts are based on trade terms. Estimates for end-of-season markdown reserves are based on historical trends, seasonal results, an evaluation of current economic and market conditions and retailer performance. Estimates for operational chargebacks are based on actual notifications of order fulfillment discrepancies and historical trends. The Company reviews and refines these estimates on a quarterly basis. The Company's historical estimates of these costs have not differed materially from actual results.

Retail store revenue is recognized net of estimated returns at the time of sale to consumers. E-commerce revenue from sales of products ordered through the Company's retail internet site known as RalphLauren.com is recognized upon

delivery and receipt of the shipment by its customers. Such revenue also is reduced by an estimate of returns.

Gift cards issued by the Company are recorded as a liability until they are redeemed, at which point revenue is recognized. The Company recognizes income for unredeemed gift cards when the likelihood of a gift card being redeemed by a customer is remote and the Company determines that it does not have a legal obligation to remit the value of the unredeemed gift card to the relevant jurisdiction as unclaimed or abandoned property.

F-7

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue from licensing arrangements is recognized when earned in accordance with the terms of the underlying agreements, generally based upon the higher of (a) contractually guaranteed minimum royalty levels or (b) estimates of sales and royalty data received from the Company's licensees.

The Company accounts for sales and other related taxes on a net basis, excluding such taxes from revenue.

Cost of Goods Sold and Selling Expenses

Cost of goods sold includes the expenses incurred to acquire and produce inventory for sale, including product costs, freight-in, and import costs, as well as changes in reserves for shrinkage and inventory obsolescence. Gains and losses associated with foreign currency exchange contracts related to the hedging of inventory purchases also are recognized within cost of goods sold when the inventory being hedged is sold. The costs of selling merchandise, including preparing the merchandise for sale, such as picking, packing, warehousing and order charges, are included in selling, general and administrative (SG&A) expenses.

Shipping and Handling Costs

The costs associated with shipping goods to customers are reflected as a component of SG&A expenses in the consolidated statements of operations. Shipping and handling costs incurred approximated \$108 million in Fiscal 2008, \$92 million in Fiscal 2007 and \$77 million in Fiscal 2006. Shipping and handling charges billed to customers are included in revenue.

Advertising Costs

In accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) No. 93-7, Reporting on Advertising Costs, advertising costs, including the costs to produce advertising, are expensed when the advertisement is first exhibited. In accordance with Emerging Issues Task Force (EITF) Issue No. 01-09, Accounting for Consideration Given by a Vendor to a Customer or a Reseller of the Vendor's Products, costs of out-of-store advertising paid to wholesale customers under cooperative advertising programs are expensed as an advertising cost if both the identified advertising benefit is sufficiently separable from the purchase of the Company's products by customers and the fair value of such benefit is measurable. Otherwise, such costs are reflected as a reduction of revenue. Costs of in-store advertising paid to wholesale customers under cooperative advertising programs are not included in advertising costs, but are reflected as a reduction of revenues since the benefits are not sufficiently separable from the purchases of the Company's products by customers.

Advertising expense amounted to approximately \$188 million for Fiscal 2008, \$181 million for Fiscal 2007 and \$166 million for Fiscal 2006. Deferred advertising costs, which principally relate to advertisements that have not yet been exhibited or services that have not yet been received, were approximately \$8 million and \$3 million at the end of Fiscal 2008 and Fiscal 2007, respectively.

Foreign Currency Translation and Transactions

The financial position and operating results of foreign operations are primarily consolidated using the local currency as the functional currency. Local currency assets and liabilities are translated at the rates of exchange on the balance

sheet date, and local currency revenue and expenses are translated at average rates of exchange during the period. Resulting translation gains or losses are included in the consolidated statements of stockholders' equity as a component of accumulated other comprehensive income (loss). Gains and losses on translation of intercompany loans with foreign subsidiaries of a long-term investment nature also are included within this component of stockholders' equity.

The Company also recognizes gains and losses on transactions that are denominated in a currency other than the respective entity's functional currency. Foreign currency transaction gains and losses also include amounts realized on the settlement of intercompany loans with foreign subsidiaries that are either of a short-term investment nature or were previously of a long-term investment nature and deferred as a component of stockholders' equity.

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Foreign currency transaction gains and losses are recognized in earnings and separately disclosed in the consolidated statements of operations.

Comprehensive Income (Loss)

Comprehensive income (loss), which is reported in the consolidated statements of stockholders' equity, consists of net income (loss) and other gains and losses affecting equity that, under US GAAP, are excluded from net income (loss). The components of other comprehensive income (loss) for the Company primarily consist of foreign currency translation gains and losses; unrealized gains and losses on available-for-sale investments; unrealized gains and losses related to the accounting for defined benefit plans; and deferred gains and losses on hedging instruments, such as forward foreign currency exchange contracts designated as cash flow hedges and changes in the fair value of the Company's Euro-denominated debt designated as a hedge of changes in the fair value of the Company's net investment in certain of its European subsidiaries.

Net Income Per Common Share

Net income per common share is determined in accordance with Statement of Financial Accounting Standards (FAS) No. 128, Earnings per Share (FAS 128). Under the provisions of FAS 128, basic net income per common share is computed by dividing the net income applicable to common shares after preferred dividend requirements, if any, by the weighted-average number of common shares outstanding during the period. Weighted-average common shares include shares of the Company's Class A and Class B common stock. Diluted net income per common share adjusts basic net income per common share for the effects of outstanding stock options, restricted stock, restricted stock units and any other potentially dilutive financial instruments, only in the periods in which such effect is dilutive under the treasury stock method.

The weighted-average number of common shares outstanding used to calculate basic net income per common share is reconciled to those shares used in calculating diluted net income per common share as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Basic	102.3	104.4	104.2
Dilutive effect of stock options, restricted stock and restricted stock units	2.9	3.2	3.0
Diluted shares	105.2	107.6	107.2

Options to purchase shares of common stock at an exercise price greater than the average market price of the common stock during the reporting period are anti-dilutive and therefore not included in the computation of diluted net income per common share. In addition, the Company has outstanding performance-based restricted stock units that are issuable only upon the satisfaction of certain performance goals. Such units only are included in the computation of

diluted shares to the extent the underlying performance conditions (a) are satisfied prior to the end of the reporting period or (b) would be satisfied if the end of the reporting period were the end of the related contingency period and the result would be dilutive. As of the end of Fiscal 2008, Fiscal 2007 and Fiscal 2006, there was an aggregate of approximately 1.5 million, 1.0 million and 0.8 million, respectively, of additional shares issuable upon the exercise of anti-dilutive options and/or the contingent vesting of performance-based restricted stock units that were excluded from the diluted share calculations.

Stock-based Compensation

Effective April 2, 2006, the Company adopted FAS No. 123R, Share-Based Payment (FAS 123R or the Statement). The Statement requires all share-based payments to employees and non-employee directors to be

F-9

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

expensed based on the grant date fair value of the awards over the requisite service period. The Company applied the requirements of FAS 123R using the modified prospective application transition method and therefore prior periods were not restated. Under the modified prospective method, the Company records compensation expense for (1) the unvested portion of previously issued awards that remained outstanding at the initial date of adoption and (2) for any awards issued, modified or settled after the effective date of the Statement. The Company uses the Black-Scholes valuation method to determine the grant date fair value of its stock option awards.

Prior to the adoption of FAS 123R, the Company's stock-based compensation was recognized using the intrinsic value method, which measures stock-based compensation expense as the amount at which the market price of the stock at the date of grant exceeds the exercise price. Accordingly, no compensation expense was recognized for the Company's stock option awards. Prior to the adoption of FAS 123R, the Company's stock-based compensation expense consisted of restricted stock and service-based restricted stock unit and performance-based restricted stock unit awards, which were accounted for in accordance with Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). The effect of forfeitures on restricted stock and restricted stock units was recognized when such forfeitures occurred.

See Note 18 for further discussion of the Company's stock-based compensation and the adoption of FAS 123R.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, including investments in debt securities. Investments in debt securities are diversified among high-credit quality securities in accordance with the Company's risk-management policies, and primarily include commercial paper and money market funds.

Restricted Cash

The Company has placed 69.5 million (\$109.8 million) of cash in escrow with certain banks, primarily in Fiscal 2007, as collateral to secure guarantees of a corresponding amount made by the banks to certain international tax authorities on behalf of the Company. Of the 69.5 million of cash in escrow, 39.7 million (\$62.8 million) was placed as collateral to secure guarantees made to the French tax authorities for the payment of an asserted excess royalties tax matter and 29.8 million (\$47.0 million) was placed as collateral to secure refunds of value-added tax payments in certain international tax jurisdictions. Such cash has been classified as restricted cash and reported as a component of other non-current assets in the Company's consolidated balance sheets.

Short-term Investments

Short-term investments consist of investments which the Company expects to convert into cash within one year, including time deposits which have a maturity greater than three months. Short-term investments are reported at cost, which approximates market value. Cash inflows and outflows related to the sale and purchase of short-term investments are classified as investing activities within proceeds from sales and maturities of investments and purchases of investments, respectively, in the Company's consolidated statements of cash flows.

Accounts Receivable

In the normal course of business, the Company extends credit to customers that satisfy defined credit criteria. Accounts receivable, net, as shown in the Company's consolidated balance sheets, is net of certain reserves and allowances. These reserves and allowances consist of (a) reserves for returns, discounts, end-of-season markdowns and operational chargebacks and (b) allowances for doubtful accounts. These reserves and allowances are discussed in further detail below.

A reserve for sales returns is determined based on an evaluation of current market conditions and historical returns experience. Charges to increase the reserve are treated as reductions of revenue.

F-10

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reserve for trade discounts is determined based on open invoices where trade discounts have been extended to customers, and charges to increase the reserve are treated as reductions of revenue.

Estimated end-of-season markdown charges are included as reductions of revenue. The related markdown provisions are based on retail sales performance, seasonal negotiations with customers, historical deduction trends and an evaluation of current market conditions.

A reserve for operational chargebacks represents various deductions by customers relating to individual shipments. Charges to increase this reserve, net of expected recoveries, are included as reductions of revenue. The reserve is based on actual notifications of order fulfillment discrepancies and past experience.

A rollforward of the activity in the Company's reserves for returns, discounts, end-of-season markdowns and operational chargebacks is presented below:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Beginning reserve balance	\$ 129.4	\$ 107.5	\$ 100.0
Amount charged against revenue to increase reserve	496.7	388.4	302.6
Amount credited against customer accounts to decrease reserve	(473.4)	(369.2)	(294.1)
Foreign currency translation	8.4	2.7	(1.0)
Ending reserve balance	\$ 161.1	\$ 129.4	\$ 107.5

An allowance for doubtful accounts is determined through analysis of periodic aging of accounts receivable, assessments of collectibility based on an evaluation of historic and anticipated trends, the financial condition of the Company's customers, and an evaluation of the impact of economic conditions. A rollforward of the activity in the Company's allowance for doubtful accounts is presented below:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Beginning reserve balance	\$ 8.7	\$ 7.5	\$ 11.0
Amount charged to expense to increase reserve	2.6	1.9	1.2
Amount written off against customer accounts to decrease reserve	(1.6)	(1.2)	(4.3)
Foreign currency translation	1.2	0.5	(0.4)

Ending reserve balance	\$	10.9	\$	8.7	\$	7.5
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Concentration of Credit Risk

In its wholesale business, the Company has two key department-store customers that generate significant sales volume. For Fiscal 2008, these two customers contributed approximately 24% and 12% of all wholesale revenues.

Inventories

The Company holds inventory that is sold through wholesale distribution channels to major department stores and specialty retail stores, including its own retail stores. The Company also holds retail inventory that is sold in its own stores directly to consumers. Wholesale and retail inventories are stated at the lower of cost or estimated realizable value. Cost for wholesale inventories is determined using the first-in, first-out (FIFO) method and cost for retail inventories is determined on a moving-average cost basis.

F-11

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company continually evaluates the composition of its inventories, assessing slow-turning product and all fashion product. Estimated realizable value of distressed inventory is determined based on an analysis of historical sales trends of the Company's individual product lines for this category of inventory, the impact of market trends and economic conditions, and the value of current orders in-house relating to the future sales of this category of inventory. Estimates may differ from actual results due to quantity, quality and mix of products in inventory, consumer and retailer preferences and market conditions. The Company's historical estimates of these costs and its provisions have not differed materially from actual results.

Reserves for inventory shrinkage, representing the risk over physical loss of inventory, are estimated based on historical experience and are adjusted based upon physical inventory counts.

Investments

Investments in companies in which the Company has significant influence, but less than a controlling voting interest, are accounted for using the equity method. This is generally presumed to exist when the Company owns between 20% and 50% of the investee. However, as a matter of policy, if the Company had a greater than 50% ownership interest in an investee and the minority shareholders held certain rights that allowed them to participate in the day-to-day operations of the business, the Company would also generally use the equity method of accounting.

Under the equity method, only the Company's investment in and amounts due to and from the equity investee are included in the consolidated balance sheets; only the Company's share of the investee's earnings (losses) is included in the consolidated operating results; and only the dividends, cash distributions, loans or other cash received from the investee and additional cash investments, loan repayments or other cash paid to the investee are included in the consolidated cash flows.

Investments in companies in which the Company does not have a controlling interest, or is unable to exert significant influence, are accounted for as available-for-sale investments and, if the investments are publicly traded and there are no resale restrictions greater than one year, recorded at market value. If resale restrictions greater than one year exist, or if the investment is not publicly traded, the investment is accounted for at cost.

The Company evaluates investments held in unrealized loss positions for other-than-temporary impairment on a quarterly basis. Such evaluation involves a variety of considerations, including assessments of risks and uncertainties associated with general economic conditions and distinct conditions affecting specific issuers. Factors considered by the Company include (i) the length of time and the extent to which the fair value has been below cost, (ii) the financial condition, credit worthiness and near-term prospects of the issuer, (iii) the length of time to maturity, (iv) future economic conditions and market forecasts and (v) the Company's intent and ability to retain its investment for a period of time sufficient to allow for recovery of market value. The Company has not recognized any other-than-temporary impairment charges in any of the fiscal years presented.

Equity-method Investments

As of March 29, 2008, the Company's investments include a joint venture named the Ralph Lauren Watch and Jewelry Company, S.A.R.L. (the RL Watch Company), formed with Financiere Richemont SA (Richemont), the Swiss Luxury Goods Group, in March 2007. The joint venture is a Swiss corporation, whose purpose is to design, develop,

manufacture, sell and distribute luxury watches and fine jewelry through Ralph Lauren boutiques, as well as through fine independent jewelry and luxury watch retailers throughout the world. The Company accounts for its 50% interest in the RL Watch Company under the equity method of accounting, and such investment is classified in other non-current assets in the consolidated balance sheet as of March 29, 2008. Royalty payments due to the Company under the related license agreement for use of certain of the Company's trademarks are reflected as licensing revenue within the consolidated statement of operations. The RL Watch Company commenced operations during the first quarter of Fiscal 2008 and it is currently expected that products will be launched in the spring of calendar 2009.

F-12

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As of March 31, 2007, the Company's only significant investment was an approximate 20% equity interest in Impact 21. Impact 21 was a public company that held the sublicenses for the Company's men's, women's and jeans businesses in Japan. The Company accounted for its interest in Impact 21 using the equity method of accounting, and such investment was classified in other non-current assets in the consolidated balance sheet as of March 31, 2007. See Note 5 for further discussion of the Company's Japanese Business Acquisitions, including Impact 21, that occurred in May 2007.

Available-for-sale Investments

As of March 29, 2008, investments also consisted of auction rate securities at a fair value of \$14.5 million with reset periods generally ranging from 7 to 49 days. Auction rate securities have characteristics similar to short-term investments because, at pre-determined short-term intervals, there is a new auction process at which the interest rates for these securities are reset to current interest rates. At the end of such periods, the Company chooses to either roll over its holdings or seeks to redeem the investments for cash. Notwithstanding these short-term characteristics, the Company has classified these securities as non-current within other assets in its consolidated balance sheet as current market conditions call into question its ability to redeem these investments for cash within the next twelve months. Auction rate securities are categorized as available-for-sale investments and are stated at market value. Unrealized gains or losses are classified as a component of accumulated other comprehensive income in the Company's consolidated balance sheet, and related realized gains or losses are classified as a component of interest and other income, net, in the Company's consolidated statement of operations. Cash inflows and outflows related to the sale and purchase of investments are classified as investing activities within proceeds from sales and maturities of investments and purchases of investments, respectively, in the Company's consolidated statement of cash flows.

Property and Equipment, Net

Property and equipment, net, is stated at cost less accumulated depreciation. Depreciation is calculated using the straight-line method based upon the estimated useful lives of depreciable assets, which range from three to seven years for furniture, fixtures, computer software and computer equipment; from three to ten years for machinery and equipment; and from ten to forty years for buildings and improvements. Leasehold improvements are depreciated over the shorter of the estimated useful lives of the respective assets or the life of the lease.

Property and equipment, along with other long-lived assets, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (FAS 144). In evaluating long-lived assets for recoverability, including finite-lived intangibles as described below, the Company uses its best estimate of future cash flows expected to result from the use of the asset and its eventual disposition. To the extent that estimated future undiscounted net cash flows attributable to the asset are less than the carrying amount, an impairment loss is recognized equal to the difference between the carrying value of such asset and its fair value. Assets to be disposed of and for which there is a committed plan of disposal are reported at the lower of carrying value or fair value less costs to sell.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets are accounted for in accordance with the provisions of FAS No. 142, Goodwill and Other Intangible Assets (FAS 142). At acquisition, the Company estimates and records the fair value of purchased intangible assets, which primarily consists of license agreements, customer relationships, non-compete agreements and order backlog. The fair value of these intangible assets is estimated based on management's assessment, as well as independent third party appraisals, when necessary. The excess of the purchase consideration over the fair value of net assets acquired is recorded as goodwill. Under FAS 142, goodwill, including any goodwill included in the carrying value of investments accounted for using the equity method of accounting, and certain other intangible assets deemed to have indefinite useful lives are not amortized. Rather,

F-13

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

goodwill and such indefinite-lived intangible assets are assessed for impairment at least annually based on comparisons of their respective fair values to their carrying values. Finite-lived intangible assets are amortized over their respective estimated useful lives and, along with other long-lived assets as noted above, are evaluated for impairment periodically whenever events or changes in circumstances indicate that their related carrying amounts may not be recoverable in accordance with FAS 144. See discussion of the Company's accounting policy for long-lived asset impairment as described earlier under the caption *Property and Equipment, Net*.

Officers' Life Insurance Policies

The Company maintains several whole-life and certain split-dollar life insurance policies for select senior executives. Whole-life policies are recorded at their cash-surrender value, and split-dollar policies are recorded at the lesser of their cash-surrender value or aggregate premiums paid-to-date in the consolidated balance sheets. As of the end of Fiscal 2008 and Fiscal 2007, amounts of approximately \$48 million and \$53 million, respectively, relating to officers' life insurance policies held by the Company were classified within other non-current assets in the consolidated balance sheets.

Income Taxes

Income taxes are provided using the asset and liability method prescribed by FAS No. 109, *Accounting for Income Taxes* (FAS 109). Under this method, income taxes (i.e., deferred tax assets and liabilities, current taxes payable/refunds receivable and tax expense) are recorded based on amounts refundable or payable in the current year and include the results of any difference between US GAAP and tax reporting. Deferred income taxes reflect the tax effect of certain net operating loss, capital loss and general business credit carryforwards and the net tax effects of temporary differences between the carrying amount of assets and liabilities for financial statement and income tax purposes, as determined under enacted tax laws and rates. The Company accounts for the financial effect of changes in tax laws or rates in the period of enactment.

In addition, valuation allowances are established when management determines that it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized. Tax valuation allowances are analyzed periodically and adjusted as events occur, or circumstances change, that warrant adjustments to those balances.

Effective April 1, 2007, the Company adopted FIN No. 48, *Accounting for Uncertainty in Income Taxes*—An Interpretation of FAS No. 109 (FIN 48). Upon the adoption of the provisions of FIN 48, the Company changed its policy related to the accounting for income tax uncertainties. If the Company considers that a tax position is more-likely-than-not of being sustained upon audit, based solely on the technical merits of the position, it recognizes the tax benefit. The Company measures the tax benefit by determining the largest amount that is greater than 50% likely of being realized upon settlement, presuming that the tax position is examined by the appropriate taxing authority that has full knowledge of all relevant information. These assessments can be complex and the Company often obtains assistance from external advisors. To the extent that the Company's estimates change or the final tax outcome of these matters is different than the amounts recorded, such differences will impact the income tax provision in the period in which such determinations are made. If the initial assessment fails to result in the recognition of a tax benefit, the Company regularly monitors its position and subsequently recognizes the tax benefit if (i) there are changes in tax law or analogous case law that sufficiently raise the likelihood of prevailing on the technical merits of the position to more-likely-than-not, (ii) the statute of limitations expires, or (iii) there is a completion of an audit

resulting in a settlement of that tax year with the appropriate agency. Uncertain tax positions are classified as current only when the Company expects to pay cash within the next twelve months. Interest and penalties, if any, are recorded within the provision for income taxes in the Company's consolidated statements of operations and are classified on the consolidated balance sheets with the related liability for unrecognized tax benefits.

See Note 12 for further discussion of the Company's income taxes and the adoption of FIN 48.

F-14

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Leases

The Company leases certain facilities and equipment, including its retail stores. Such leasing arrangements are accounted for under the provisions of FAS No. 13, *Accounting for Leases* and other related authoritative accounting literature (*FAS 13*). Certain of the Company's leases contain renewal options, rent escalation clauses and/or landlord incentives. Rent expense for noncancelable operating leases with scheduled rent increases and/or landlord incentives is recognized on a straight-line basis over the lease term, beginning with the effective lease commencement date. The excess of straight-line rent expense over scheduled payment amounts and landlord incentives is recorded as a deferred rent liability. As of the end of Fiscal 2008 and Fiscal 2007, deferred rent obligations of approximately \$112 million and \$96 million, respectively, were classified within other non-current liabilities in the Company's consolidated balance sheets.

For leases in which the Company is involved with the construction of the building (generally on land owned by the landlord), the Company accounts for the lease during the construction period under the provisions of EITF No. 97-10,

The Effect of Lessee Involvement in Asset Construction (*EITF 97-10*). If the Company concludes that it has substantively all of the risks of ownership during construction of a leased property and therefore is deemed the owner of the project for accounting purposes, it records an asset and related financing obligation for the amount of total project costs related to construction-in-progress and the pre-existing building. Once construction is complete, the Company considers the requirements under FAS No. 98, *Accounting for Leases: Sale-Leaseback Transactions Involving Real Estate, Sales-Type Leases of Real Estate, Definition of Lease Term, and Initial Direct Costs of Direct Financing Leases*, for sale-leaseback treatment. If the arrangement does not qualify for sale-leaseback treatment, the Company continues to amortize the financing obligation and depreciate the building over the lease term.

Derivatives and Financial Instruments

The Company accounts for derivative instruments in accordance with FAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, and subsequent amendments (collectively, *FAS 133*). FAS 133 requires that all derivative instruments be recognized on the balance sheet at fair value. In addition, FAS 133 provides that, for derivative instruments that qualify for hedge accounting, the effective portion of changes in the fair value are either (a) offset against the changes in fair value of the hedged assets, liabilities, or firm commitments through earnings or (b) recognized in stockholders' equity until the hedged item is recognized in earnings, depending on whether the derivative is being used to hedge changes in fair value or cash flows, respectively.

Each derivative instrument entered into by the Company which qualifies for hedge accounting is considered highly effective at reducing the risk associated with the exposure being hedged. For each derivative designated as a hedge, the Company formally documents the risk management objective and strategy, including the identification of the hedging instrument, the hedged item and the risk exposure, as well as how effectiveness is to be assessed prospectively and retrospectively. To assess effectiveness, the Company uses non-statistical methods, including the dollar-offset method, that compare the change in the fair value of the derivative to the change in the fair value or cash flows of the hedged item. The extent to which a hedging instrument has been and is expected to continue to be effective at achieving offsetting changes in fair value or cash flows is assessed and documented by the Company at least on a quarterly basis. Any ineffectiveness in hedging relationships is recognized immediately in earnings. If it is determined that a derivative has not been highly effective, and will continue not to be highly effective at hedging the designated exposure, hedge accounting is discontinued.

All undesignated hedges of the Company are entered into to hedge specific economic risks. The Company does not enter into derivative transactions for speculative or trading purposes. Changes in fair value relating to undesignated derivative instruments are immediately recognized in earnings.

As a result of the use of derivative instruments, the Company is exposed to the risk that counterparties to derivative contracts will fail to meet their contractual obligations. To mitigate the counterparty credit risk, the

F-15

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Company has a policy of only entering into contracts with carefully selected financial institutions based upon their credit ratings and certain other financial factors. The Company's established policies and procedures for mitigating credit risk on derivative transactions include reviewing and assessing the creditworthiness of counterparties.

For cash flow reporting purposes, the Company classifies proceeds received or amounts paid upon the settlement of a derivative instrument in the same manner as the related item being hedged.

The carrying value of the Company's financial instruments approximates fair value, except for certain differences relating to fixed-rate debt, investments in other entities accounted for using the equity method of accounting and other financial instruments. However, other than differences in the fair value of fixed-rate debt as disclosed in Note 13, these differences were not significant as of March 29, 2008 or March 31, 2007. The fair value of financial instruments generally is determined by reference to market values resulting from the trading of the instruments on a national securities exchange or an over-the-counter market. In cases where quoted market prices are not available, fair value is based on estimates derived through the use of present value or other valuation techniques.

4. Recently Issued Accounting Standards

Accounting for Uncertainty in Income Taxes

In July 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Additionally, FIN 48 provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company adopted the provisions of FIN 48 as of the beginning of Fiscal 2008 (April 1, 2007). See Note 12 for further discussion of the Company's income taxes and the adoption of FIN 48.

Financial Statement Misstatements

In September 2006, the U.S. Securities and Exchange Commission (SEC) staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements" (SAB 108). SAB 108 was issued in order to eliminate the diversity in practice surrounding how public companies quantify and evaluate financial statement misstatements.

Traditionally, there have been two widely-recognized methods for quantifying and evaluating the effects of financial statement misstatements: (i) the balance sheet (iron curtain) method and (ii) the income statement (rollover) method. The iron curtain method quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the reporting period. The rollover method quantifies a misstatement based on the amount of the error originating in the current period income statement, including the reversing effect of prior year misstatements. The use of the rollover method can lead to the accumulation of misstatements in the balance sheet. Prior to the adoption of SAB 108, the Company historically used the rollover method for quantifying and evaluating identified financial statement misstatements.

By issuing SAB 108, the SEC staff established an approach that requires quantification and evaluation of financial statement misstatements based on the effects of the misstatements under both the iron curtain and rollover methods.

This model is commonly referred to as a dual approach.

SAB 108 required companies to initially apply its provisions either by (i) restating prior financial statements as if the dual approach had always been applied or (ii) recording the cumulative effect of initially applying the dual approach as adjustments to the carrying values of assets and liabilities as of the beginning of the current fiscal year, with an offsetting adjustment recorded to the opening balance of retained earnings. The Company adopted the provisions of SAB 108 in Fiscal 2007 and elected to record the effects of applying SAB 108 using the cumulative effect transition method and, as such, recorded a \$16.9 million reduction in retained earnings as of April 2, 2006.

F-16

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The following table summarizes the effects of applying SAB 108 for each period in which the identified misstatement originated through April 2, 2006:

	Period in which Misstatement Originated^(a)		Adjustment Recorded as of April 2, 2006
	Cumulative Prior to April 2, 2005	Fiscal Year Ended April 1, 2006	
Inventory ^(b)	\$ (9.3)	\$	\$ (9.3)
Other non-current liabilities accrued rent ^(c)	(3.5)	0.3	(3.2)
Other non-current assets equity method investment ^(d)	(2.1)	0.2	(1.9)
Other non-current liabilities minority interest ^(d)	(1.0)		(1.0)
Deferred income taxes ^(e)	1.9	(3.4)	(1.5)
Impact on net income and retained earnings	\$ (14.0)	\$ (2.9)	\$ (16.9)

- (a) The Company previously quantified these errors under the rollover method and concluded that they were immaterial, individually and in the aggregate, to the Company's consolidated financial statements.
- (b) The Company historically did not eliminate certain intercompany profits on the transfer of inventory, which resulted in a cumulative overstatement of its inventory by \$5.0 million in years prior to Fiscal 2006. In addition, the Company included \$4.3 million of certain product development costs in its inventory in years prior to Fiscal 2006 that, in hindsight, were not considered to be capitalizable. To correct these misstatements, the Company reduced inventory by \$9.3 million as of April 2, 2006, with a corresponding pretax reduction in retained earnings.
- (c) In connection with a specialized retail store construction project in one of its international locations, the Company did not recognize rent expense upon taking possession of the leased property and commencing construction in Fiscal 2005. To correct these misstatements, the Company recorded a \$3.2 million net increase in its liability for accrued rent as of April 2, 2006, with a corresponding pretax reduction in retained earnings.
- (d) The Company historically did not properly account for differences between its investment bases in certain consolidated and unconsolidated investees and its share of the underlying equity of such investees. To correct these misstatements, the Company reduced the carrying value of its equity method investment by \$1.9 million and increased its minority interest liability by \$1.0 million as of April 2, 2006, with a corresponding pretax reduction of \$2.9 million in total to retained earnings.
- (e) As a result of the misstatements described above and \$5.1 million of deferred tax balances that were not supportable based on a subsequent analysis of underlying book-tax basis differences, the Company's provision for

income taxes was cumulatively overstated by \$1.9 million in years prior to Fiscal 2006 and understated by \$3.4 million in Fiscal 2006. To correct these misstatements, the Company increased its net deferred income tax liability by a total of \$1.5 million as of April 2, 2006, with a corresponding decrease in retained earnings.

Stock-Based Compensation

In December 2004, the FASB issued FAS 123R and, in March 2005, the SEC issued Staff Accounting Bulletin No. 107 (SAB 107). SAB 107 provides implementation guidance for companies to use in their adoption of FAS 123R. FAS 123R supersedes both APB 25, which permitted the use of the intrinsic-value method in accounting for stock-based compensation, and FAS No. 123, Accounting for Stock-Based Compensation, as amended by FAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure (FAS 123), which allowed companies applying APB 25 to just disclose in their financial statements the pro forma effect on net income from applying the fair-value method of accounting for stock-based compensation. The Company adopted FAS 123R as of April 2, 2006. See Note 18 for further discussion of the Company's stock-based compensation and the adoption of FAS 123R.

F-17

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Other Recently Issued Accounting Standards

In March 2008, the FASB issued FAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (FAS 161). FAS 161 amends FAS 133 to provide enhanced disclosure requirements surrounding how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under FAS 133 and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. FAS 161 is effective for the Company as of the beginning of Fiscal 2010, including interim periods thereafter. The implementation of FAS 161 is not expected to have a material impact on the Company's consolidated financial statements.

In December 2007, the FASB issued FAS No. 141R, Business Combinations (FAS 141R), which replaces FAS No. 141. FAS 141R was issued to create greater consistency in the accounting and financial reporting of business combinations, resulting in more complete, comparable and relevant information for investors and other users of financial statements. FAS 141R establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interests in the acquiree, as well as the goodwill acquired. Significant changes from current practice resulting from FAS 141R include the need for the acquirer to record 100% of all assets and liabilities of the acquired business, including goodwill, generally at their fair values for all business combinations (whether partial, full or step acquisitions); the need to recognize contingent consideration at its fair value on the acquisition date and, for certain arrangements, to recognize changes in fair value in earnings until settlement; and the need to expense acquisition-related transaction and restructuring costs rather than to treat them as part of the cost of the acquisition. FAS 141R also establishes disclosure requirements to enable users to evaluate the nature and financial effects of the business combination. FAS 141R is effective for the Company as of the beginning of Fiscal 2010 and will be applied prospectively to business combinations that close on or after March 29, 2009.

In December 2007, the FASB issued FAS No. 160, Noncontrolling Interests in Consolidated Financial Statements – an Amendment of ARB No. 51 (FAS 160). FAS 160 establishes accounting and reporting standards for noncontrolling interests (previously referred to as minority interests) in a subsidiary and for the deconsolidation of a subsidiary, to ensure consistency with the requirements of FAS 141R. FAS 160 states that noncontrolling interests should be classified as a separate component of equity, and establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. FAS 160 is effective for the Company as of the beginning of Fiscal 2010 and will be applied prospectively to business combinations that close on or after March 29, 2009. The application of FAS 160 is not expected to have a material effect on the Company's consolidated financial statements.

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FAS No. 115 (FAS 159 or the Standard). FAS 159 permits companies to choose to measure, on an instrument-by-instrument basis, financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option is elected will be recognized in earnings at each subsequent reporting date. The Company does not expect to elect the fair value option for any of its financial assets or financial liabilities upon adoption of the Standard in the beginning of Fiscal 2009. Therefore, the initial application of FAS 159 is not expected to have a material effect on the Company's consolidated financial statements.

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements (FAS 157). FAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FAS 157 establishes a framework for measuring fair value in accordance with US GAAP and expands disclosures regarding fair value measurements. FAS 157 is effective for all financial assets and liabilities of the Company as of the beginning of Fiscal 2009, and is effective for all non-financial assets and liabilities of the Company as of the beginning of Fiscal 2010. The Company does not expect that the provisions of FAS 157 to be adopted in Fiscal 2009 will have a material effect on its consolidated financial

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

statements. The Company is in the process of evaluating the impact of the provisions of FAS 157 to be adopted in Fiscal 2010.

5. Acquisitions and Joint Ventures

Fiscal 2008 Transactions

Japanese Business Acquisitions

On May 29, 2007, the Company completed its previously announced transactions to acquire control of certain of its Japanese businesses that were formerly conducted under licensed arrangements, consistent with the Company's long-term strategy of international expansion. In particular, the Company acquired approximately 77% of the outstanding shares of Impact 21 that it did not previously own in a cash tender offer (the Impact 21 Acquisition), thereby increasing its ownership in Impact 21 from approximately 20% to approximately 97%. Impact 21 conducts the Company's men's, women's and jeans apparel and accessories business in Japan under a pre-existing, sub-license arrangement. In addition, the Company acquired the remaining 50% interest in PRL Japan, which holds the master license to conduct Polo's business in Japan, from Onward Kashiyama and Seibu (the PRL Japan Minority Interest Acquisition). Collectively, the Impact 21 Acquisition and the PRL Japan Minority Interest Acquisition are herein referred to as the Japanese Business Acquisitions.

The purchase price initially paid in connection with the Japanese Business Acquisitions was approximately \$360 million, including transaction costs of approximately \$12 million. In January 2008, at an Impact 21 shareholders meeting, the Company obtained the necessary approvals to complete the process of acquiring the remaining approximately 3% of outstanding shares not exchanged as of the close of the tender offer period (the minority squeeze-out). In February 2008, the Company acquired approximately 1% of the remaining Impact 21 shares outstanding at an aggregate cost of \$5 million. The Company expects the minority squeeze-out to be successfully concluded in the first quarter of Fiscal 2009, at an estimated aggregate cost of \$9 million.

The Company funded the Japanese Business Acquisitions with available cash on-hand and ¥20.5 billion of borrowings under a one-year term loan agreement pursuant to an amendment and restatement to the Company's existing credit facility. The Company repaid the borrowing by its maturity date on May 22, 2008 using approximately \$200 million of Impact 21's cash on-hand acquired as part of the acquisition.

Based on the nature of the successful public tender offer process for substantially all of the Impact 21 common stock previously not owned by the Company and the Company's determination that the terms of the pre-existing licensing relationships were reflective of market, no settlement gain or loss was recognized in connection with the transaction. As such, based on valuation analyses prepared by an independent valuation firm, the Company allocated all of the consideration exchanged to the purchase of the Japanese businesses. The acquisition cost of approximately \$365 million has been allocated on a preliminary basis to the net assets acquired based on their respective fair values as follows: cash of \$189 million; trade receivables of \$26 million; inventory of \$38 million; finite-lived intangible assets of \$74 million (consisting of the re-acquired licenses of \$21 million and customer relationships of \$53 million); non-tax-deductible goodwill of \$138 million; assumed pension liabilities of \$5 million; net deferred tax liabilities of \$31 million; and other net liabilities of \$64 million. The Company is in the process of completing its assessment of the fair value of assets acquired and liabilities assumed for the allocation of the purchase price, including its assessment

and formulation of plans associated with integrating the Japanese businesses into the Company's current operations. As a result, the estimated purchase price allocation is subject to change.

The results of operations for Impact 21, which were previously accounted for using the equity method of accounting, have been consolidated in the Company's results of operations commencing April 1, 2007. Accordingly, the Company recorded within minority interest expense the amount of Impact 21's net income allocable to the holders of the approximate 80% of the Impact 21 shares not owned by the Company prior to the closing date of the

F-19

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

tender offer. The results of operations for PRL Japan have already been consolidated by the Company as described further in Note 2 to the consolidated financial statements.

The Company also entered into a transition services agreement with Onward Kashiya which, along with its affiliates, was a former approximate 41% shareholder of Impact 21, to provide a variety of operational, human resources and information systems-related services over a period of up to two years from the date of acquisition.

Acquisition of Small Leathergoods Business

On April 13, 2007, the Company acquired from Kellwood Company (Kellwood) substantially all of the assets of New Campaign, Inc., the Company's licensee for men's and women's belts and other small leather goods under the *Ralph Lauren*, *Lauren* and *Chaps* brands in the U.S. (the Small Leathergoods Business Acquisition). The assets acquired from Kellwood are operated under the name of Polo Ralph Lauren Leathergoods and allowed the Company to further expand its accessories business. The acquisition cost was \$10.4 million. Kellwood provided various transition services to the Company for a period of up to six months from the date of acquisition.

The Company determined that the terms of the pre-existing licensing relationship were reflective of market. As such, the Company allocated all of the consideration exchanged to the Small Leathergoods Business Acquisition and no settlement gain or loss was recognized in connection with the transaction. The results of operations for the Polo Ralph Lauren Leathergoods business have been consolidated in the Company's results of operations commencing April 1, 2007. In addition, the acquisition cost has been allocated as follows: inventory of \$7.0 million; finite-lived intangible assets of \$2.1 million (consisting of the re-acquired license of \$1.3 million, customer relationships of \$0.7 million and order backlog of \$0.1 million); other net assets of \$0.7 million; and tax-deductible goodwill of \$0.6 million.

Formation of Ralph Lauren Watch and Jewelry Joint Venture

In March 2007, the Company formed a joint venture with Richemont to design, develop, manufacture, sell and distribute luxury watches and fine jewelry. See Note 3 for further discussion of the Company's joint venture.

Fiscal 2007 Transactions

Acquisition of RL Media Minority Interest

On March 28, 2007, the Company acquired the remaining 50% equity interest in RL Media formerly held by NBC (37.5%) and Value Vision (12.5%) (the RL Media Minority Interest Acquisition). RL Media conducts the Company's e-commerce initiatives through the RalphLauren.com internet site. The results of operations for RL Media have already been consolidated by the Company as described further in Note 2 to the consolidated financial statements. The acquisition cost was \$175 million. In addition, Value Vision entered into a transition services agreement with the Company to provide order fulfillment and related services over a period of up to seventeen months from the date of the acquisition of the RL Media minority interest.

The Company evaluated the terms of all significant pre-existing relationships between itself and RL Media to determine if a settlement of the pre-existing relationships existed. In addition, the Company obtained valuation analyses of RL Media prepared by an independent valuation firm. Based on these analyses, as well as the rights and

obligations of the parties under the RL Media partnership agreement, the Company determined that all of the consideration exchanged should be allocated to the acquisition of the RL Media minority interest. Accordingly, no settlement gain or loss was recognized in connection with this transaction.

The excess of the acquisition cost over the pre-existing minority interest liability of \$33 million has been allocated as follows: inventory of \$8 million; finite-lived intangible assets of \$58 million (consisting of the re-acquired license of \$56 million and customer list of \$2 million); and tax-deductible goodwill of \$76 million.

F-20

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Supplemental Pro Forma Information***

The following unaudited condensed pro forma information (herein referred to as the pro forma information) assumes the Japanese Business Acquisitions, the RL Media Minority Interest Acquisition and the Small Leathergoods Business Acquisition had occurred as of the beginning of Fiscal 2008 and Fiscal 2007 for the applicable fiscal years presented. The pro forma information has been prepared for comparative purposes only and is not necessarily indicative of the actual results that would have been attained had the acquisitions occurred as of the beginning of the fiscal years presented, nor is it indicative of the Company's future results. Furthermore, the unaudited pro forma information does not reflect management's estimate of any revenue-enhancing opportunities nor anticipated cost savings that may occur as a result of the integration and consolidation of the acquisitions.

The pro forma information set forth below reflects nonrecurring charges related to (a) the amortization of the write-ups to fair value of inventory included within cost of goods sold as part of the preliminary purchase price allocations, which were fully recognized within six months of each respective acquisition date; (b) the amortization of the write-up to fair value of the acquired licenses as part of the preliminary purchase price allocation for the Japanese Business Acquisitions, which was fully amortized within nine months of the acquisition date; and (c) the write-off of foreign currency option contracts entered into to manage certain foreign currency exposures associated with the Japanese Business Acquisitions which expired unexercised during the first quarter of Fiscal 2008. These charges included in the Company's pro forma results were approximately \$47 million for Fiscal 2008 and Fiscal 2007, respectively.

	Historical		Pro Forma (unaudited)	
	Fiscal Years Ended		Fiscal Years Ended	
	March 29,	March 31,	March 29,	March 31,
	2008	2007	2008	2007
	(millions, except per share data)			
Net revenues	\$ 4,880.1	\$ 4,295.4	\$ 4,880.1	\$ 4,582.0
Gross profit	2,638.1	2,336.2	2,638.1	2,413.4
Amortization of intangible assets	(47.2)	(15.6)	(47.8)	(50.5)
Operating income	653.4	652.6	652.8	636.5
Net income	419.8	400.9	419.8	383.7
Net income per common share:				
Basic	\$ 4.10	\$ 3.84	\$ 4.10	\$ 3.68
Diluted	\$ 3.99	\$ 3.73	\$ 3.99	\$ 3.57

Fiscal 2006 Transactions***Acquisition of Polo Jeans Business***

On February 3, 2006, the Company acquired from Jones Apparel Group, Inc. and its subsidiaries (Jones) all of the issued and outstanding shares of capital stock of Sun Apparel, Inc., the Company's licensee for men's and women's casual apparel and sportswear in the U.S. and Canada (the Polo Jeans Business). The acquisition cost was

approximately \$260 million, including transaction costs. In addition, simultaneous with the transaction, the Company settled all claims under its litigation with Jones for a cost of \$100 million.

The Company determined that the terms of the pre-existing licensing relationship were reflective of market. However, because the Company simultaneously purchased a business and settled all pre-existing litigation, the aggregate consideration exchanged was required to be allocated for accounting purposes in proportion to the underlying fair values of the legal settlement and the Polo Jeans Business acquired. Based on the arm's-length negotiation with Jones, the Company determined that the fair value of the legal settlement was \$100 million, which equaled the amount of a litigation reserve initially established by the Company during Fiscal 2005. The remaining

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

\$255 million of consideration exchanged was allocated to the Polo Jeans Business based on valuation analyses prepared by an independent valuation firm.

The results of operations for the Polo Jeans Business have been consolidated in the Company's results of operations commencing February 4, 2006. In addition, the consolidated financial statements include the following allocation of the acquisition cost to the net assets acquired based on their respective fair values: inventory of \$36 million; finite-lived intangible assets of \$159 million (consisting of the re-acquired license of \$97 million, customer relationships of \$57 million and order backlog of \$5 million); non-tax-deductible goodwill of \$126 million; and deferred tax and other liabilities, net, of \$61 million. Other than inventory, Jones retained the right to all working capital balances on the date of closing.

The Company also entered into a transition services agreement with Jones to provide a variety of operational, financial and information systems services over a period of six to twelve months from the date of the acquisition of the Polo Jeans Business.

Acquisition of Footwear Business

On July 15, 2005, the Company acquired from Reebok International, Ltd. ("Reebok") all of the issued and outstanding shares of capital stock of Ralph Lauren Footwear Co., Inc., the Company's global licensee for men's, women's and children's footwear, as well as certain foreign assets owned by affiliates of Reebok (collectively, the "Footwear Business"). The acquisition cost was approximately \$112 million in cash, including \$2 million of transaction costs. In addition, Reebok and certain of its affiliates entered into a transition services agreement with the Company to provide a variety of operational, financial and information systems services over a period of twelve to eighteen months from the date of the acquisition of the Footwear Business.

The Company determined that the terms of the pre-existing licensing relationship were reflective of market. As such, based on valuation analyses prepared by an independent valuation firm, the Company allocated all of the consideration exchanged to the purchase of the Footwear Business and no settlement gain or loss was recognized in connection with the transaction.

The results of operations for the Footwear Business for the period have been consolidated in the Company's results of operations commencing July 16, 2005. In addition, the consolidated financial statements include the following allocation of the acquisition cost to the net assets acquired based on their respective fair values: trade receivables of \$17 million; inventory of \$26 million; finite-lived intangible assets of \$62 million (consisting of the footwear license at \$38 million, customer relationships at \$23 million and order backlog at \$1 million); tax-deductible goodwill of \$20 million; other assets of \$1 million; and liabilities of \$14 million.

6. Inventories

Inventories consist of the following:

March 29,	March 31,
2008	2007

	(millions)	
Raw materials	\$ 6.7	\$ 8.4
Work-in-process	1.7	1.1
Finished goods	506.5	517.4
Total inventory	\$ 514.9	\$ 526.9

F-22

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****7. Property and Equipment**

Property and equipment, net, consist of the following:

	March 29, 2008	March 31, 2007
	(millions)	
Land and improvements	\$ 9.9	\$ 9.9
Buildings and improvements	97.4	63.4
Furniture and fixtures	464.0	484.9
Machinery and equipment	276.9	295.8
Leasehold improvements	604.6	563.8
Construction in progress	56.7	40.2
	1,509.5	1,458.0
Less: accumulated depreciation	(799.6)	(828.2)
Property and equipment, net	\$ 709.9	\$ 629.8

As discussed in Note 3, the Company periodically evaluates the recoverability of the carrying value of fixed assets whenever events or changes in circumstances indicate that the assets' values may be impaired. During Fiscal 2008, the Company recorded impairment charges of \$5.0 million to reduce the carrying value of certain long-lived assets in its Retail segment to their estimated fair value. These impairment charges were primarily recorded as a result of lower-than-expected operating cash flow performance for certain stores that, along with projections of future performance, indicated that the carrying values of the related fixed assets were not recoverable. No impairment charges were recorded in Fiscal 2007. During Fiscal 2006, the Company recorded impairment charges of \$10.8 million to reduce the carrying value of fixed assets to their estimated fair value, largely related to its Club Monaco retail business that included its Caban Concept and Club Monaco factory stores. This impairment charge primarily related to lower-than-expected store performance and preceded the Company's implementation of a plan to restructure these operations in February 2006. In measuring the amount of these impairments, fair value was determined based on discounted expected cash flows. See Note 11 for further discussion of the Club Monaco restructuring plan and related charges.

8. Goodwill and Other Intangible Assets

As discussed in Note 3, the Company accounts for goodwill and other intangible assets in accordance with FAS 142. Under FAS 142, goodwill and certain other intangible assets deemed to have indefinite useful lives are not amortized. Rather, goodwill and such indefinite-lived intangible assets are subject to annual impairment testing. Finite-lived intangible assets continue to be amortized over their respective estimated useful lives. Based on the results of the Company's annual impairment testing of goodwill and indefinite-lived intangible assets in Fiscal 2008, Fiscal 2007 and Fiscal 2006, no impairment charges were deemed necessary.

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Goodwill***

The following analysis details the changes in goodwill for each reportable segment during Fiscal 2008 and Fiscal 2007:

	Wholesale	Retail	Licensing	Total
	(millions)			
Balance at April 1, 2006	\$ 507.8	\$ 75.4	\$ 116.5	\$ 699.7
Acquisition-related activity ^(a)	(3.0)	79.0		76.0
Other adjustments ^(b)	14.1	0.7		14.8
Balance at March 31, 2007	\$ 518.9	\$ 155.1	\$ 116.5	\$ 790.5
Acquisition-related activity ^(a)	122.5	(3.9)	16.8	135.4
Other adjustments ^(b)	43.4	0.9	4.9	49.2
Balance at March 29, 2008	\$ 684.8	\$ 152.1	\$ 138.2	\$ 975.1

^(a) Acquisition-related activity primarily includes the RL Media Minority Interest Acquisition in Fiscal 2007, and the Japanese Business Acquisitions and the Small Leathergoods Business Acquisition as well as other adjustments related to revisions in the estimated purchase price allocation of the RL Media Minority Interest Acquisition in Fiscal 2008. See Note 5 for further discussion of the Company's acquisitions.

^(b) Other adjustments principally include changes in foreign currency exchange rates.

Other Intangible Assets

Other intangible assets consist of the following:

	March 29, 2008			March 31, 2007		
	Gross	Accum.		Gross	Accum.	
	Carrying	Amort.	Net	Carrying	Amort.	Net
	Amount			Amount		
	(millions)					
<i>Intangible assets subject to amortization:</i>						
Re-acquired licensed trademarks	\$ 223.5	\$ (47.5)	\$ 176.0	\$ 194.3	\$ (11.8)	\$ 182.5
Customer relationships/lists	186.7	(22.4)	164.3	115.2	(8.4)	106.8
Other	7.4	(7.1)	0.3	7.4	(6.9)	0.5

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Total intangible assets subject to amortization	417.6	(77.0)	340.6	316.9	(27.1)	289.8
<i>Intangible assets not subject to amortization:</i>						
Trademarks and brands	8.7		8.7	7.9		7.9
Total intangible assets	\$ 426.3	\$ (77.0)	\$ 349.3	\$ 324.8	\$ (27.1)	\$ 297.7

F-24

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Amortization***

Based on the amount of intangible assets subject to amortization as of March 29, 2008, the expected amortization for each of the next five fiscal years and thereafter is as follows:

	Amortization Expense (millions)
Fiscal 2009	\$ 19.1
Fiscal 2010	19.1
Fiscal 2011	18.7
Fiscal 2012	18.2
Fiscal 2013	17.7
Fiscal 2014 and thereafter	247.8
Total	\$ 340.6

The expected future amortization expense above reflects weighted-average estimated useful lives of 21.4 years for re-acquired licensed trademarks, 18.0 years for customer relationships/lists and 19.7 years for the Company's finite-lived intangible assets in total.

9. Other Non-Current Assets

Other non-current assets consist of the following:

	March 29, 2008	March 31, 2007
	(millions)	
Equity-method investments	\$ 2.4	\$ 62.2
Officers' life insurance policies	48.3	52.6
Restricted cash and other non-current investments ^(a)	138.6	77.2
Other non-current assets	131.5	105.2
Total other non-current assets	\$ 320.8	\$ 297.2

^(a) Includes \$14.5 million of investments in auction rate securities as of March 29, 2008, reflected at fair value. Total gross unrealized losses on the Company's auction rate security portfolio were \$0.4 million as of March 29, 2008.

10. Other Current and Non-Current Liabilities

Accrued expenses and other current liabilities consist of the following:

	March 29, 2008	March 31, 2007
	(millions)	
Accrued operating expenses	\$ 243.8	\$ 226.2
Accrued payroll and benefits	88.2	69.4
Accrued inventory	42.0	51.1
Deferred income	50.1	40.0
Other	43.6	4.3
Total accrued expenses and other current liabilities	\$ 467.7	\$ 391.0

F-25

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Other non-current liabilities consist of the following:

	March 29, 2008	March 31, 2007
	(millions)	
Capital lease obligations	\$ 73.2	\$ 47.1
Deferred rent obligations	112.3	95.8
Deferred income	168.8	181.6
Minority interest	5.5	4.0
Other	79.4	55.5
Total other non-current liabilities	\$ 439.2	\$ 384.0

11. Restructuring

The Company has recorded restructuring liabilities in recent years relating to various cost-savings initiatives, as well as certain of its acquisitions. In accordance with US GAAP, restructuring costs incurred in connection with an acquisition are capitalized as part of the purchase accounting for the transaction. Such acquisition-related restructuring costs were not material in any period. Liabilities for costs associated with non-acquisition-related restructuring initiatives are expensed and initially measured at fair value when incurred in accordance with US GAAP. A description of the nature of significant non-acquisition-related restructuring activities and related costs is presented below.

Fiscal 2007 Restructuring

In connection with the Club Monaco Restructuring Plan described below, during Fiscal 2007 the Company ultimately decided to close all of Club Monaco's Caban Concept Stores (the "Caban Stores") and recognized \$4.0 million of associated restructuring charges, primarily relating to lease termination costs. The remaining liability under the plan was \$0.9 million as of March 29, 2008.

Additionally, the Company recognized \$0.6 million of other restructuring charges primarily related to severance costs associated with the transition of certain sourcing and production functions from Colombia to the U.S. during Fiscal 2007.

Fiscal 2006 Restructuring

During the fourth quarter of Fiscal 2006, the Company committed to a plan to restructure its Club Monaco retail business. In particular, this plan consisted of the closure of all five Club Monaco factory stores and the intention to dispose of by sale or closure all eight of the Caban Stores (collectively, the "Club Monaco Restructuring Plan"). In connection with this plan, an aggregate restructuring-related charge of \$12 million was recognized in Fiscal 2006. This charge consisted of (a) a \$3 million writedown of inventory to estimated net realizable value, which has been

classified as a component of cost of goods sold in the consolidated statements of operations, (b) a \$5 million writedown of fixed and other net assets, which has been classified as a component of restructuring charges in the consolidated statements of operations and (c) the recognition of a \$4 million liability relating to lease termination costs, which has been classified as a component of restructuring charges in the consolidated statements of operations.

There were no significant restructuring charges recognized by the Company during Fiscal 2008.

F-26

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****12. Income Taxes***Taxes on Income*

Domestic and foreign pretax income are as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006
Domestic	\$ 473.7	\$ 508.6	\$ 396.9
Foreign	168.4	134.7	106.0
Total income before provision for income taxes	\$ 642.1	\$ 643.3	\$ 502.9

Current and deferred income taxes (tax benefits) provided are as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006
Current:			
Federal ^(a)	\$ 157.5	\$ 250.7	\$ 118.0
State and local ^(a)	15.4	50.2	14.9
Foreign	57.1	53.9	26.4
	230.0	354.8	159.3
Deferred:			
Federal	10.0	(99.2)	24.3
State and local	3.9	(12.8)	11.8
Foreign	(21.6)	(0.4)	(0.5)
	(7.7)	(112.4)	35.6
Total provision for income taxes	\$ 222.3	\$ 242.4	\$ 194.9

- (a) Excludes federal, state and local tax benefits of approximately \$34 million in Fiscal 2008, \$33 million in Fiscal 2007 and \$22 million in Fiscal 2006 resulting from the exercise of employee stock options. In addition, excludes federal, state and local tax benefits of \$31 million for Fiscal 2007 primarily related to the repayment of the approximate 227 million principal amount of 6.125% notes outstanding that were due on November 22, 2006, from an original issuance of 275 million in 1999 (the 1999 Euro Debt). Such amounts were credited to stockholders' equity.

F-27

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Tax Rate Reconciliation***

The differences between income taxes expected at the U.S. federal statutory income tax rate of 35% and income taxes provided are as set forth below:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Provision for income taxes at the U.S. federal statutory rate	\$ 224.7	\$ 225.1	\$ 176.0
Increase (decrease) due to:			
State and local income taxes, net of federal benefit	12.2	25.7	17.4
Foreign income taxed at different rates, net of U.S. foreign tax credits	(22.3)	(11.2)	(5.6)
Other	7.7	2.8	7.1
Total provision for income taxes	\$ 222.3	\$ 242.4	\$ 194.9

Deferred Taxes

Significant components of the Company's net deferred tax assets (liabilities) are as follows:

	March 29, 2008	March 31, 2007
	(millions)	
Current deferred tax assets (liabilities):		
Receivable allowances and reserves	\$ 30.2	\$ 26.9
Inventory basis difference	19.0	9.9
Other	25.6	7.5
Net operating losses and other tax attributed carryforwards	2.1	0.1
Valuation allowance	(0.3)	
Net current deferred tax assets (liabilities)	76.6	44.4
Non-current deferred tax assets (liabilities):		
Property, plant and equipment	42.5	36.2
Goodwill and other intangible assets	(142.0)	(96.3)
Net operating losses carryforwards	3.2	5.4
Cumulative translation adjustment and hedges	20.4	2.0

Deferred compensation	61.0	35.2
Deferred income	58.4	72.5
Unrecognized tax benefits ^(a)	39.1	
Other	10.2	3.5
Valuation allowance	(0.8)	(1.6)
Net non-current deferred tax assets (liabilities) ^(b)	92.0	56.9
Net deferred tax assets (liabilities)	\$ 168.6	\$ 101.3

^(a) Associated with the adoption of FIN 48. See related discussion below.

^(b) Net non-current deferred tax balance as of March 29, 2008 is comprised of non-current deferred tax assets of \$116.9 million included within deferred tax assets and non-current deferred tax liabilities of \$24.9 million included within other non-current liabilities in the consolidated balance sheet.

F-28

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company has available federal, state and foreign net operating loss carryforwards of \$0.9 million, \$5.4 million and \$11.6 million, respectively, for tax purposes to offset future taxable income. The net operating loss carryforwards expire beginning in Fiscal 2009. The utilization of the federal net operating loss carryforwards is subject to the limitations of Internal Revenue Code Section 382, which applies following certain changes in ownership of the entity generating the loss carryforward.

Also, the Company has available state and foreign net operating loss carryforwards of \$7.9 million and \$1.2 million, respectively, for which no net deferred tax asset has been recognized. A full valuation allowance has been recorded since management does not believe that the Company will more likely than not be able to utilize these carryforwards to offset future taxable income. Subsequent recognition of these deferred tax assets would result in an income tax benefit in the year of such recognition.

Provision has not been made for U.S. or additional foreign taxes on \$418.0 million of undistributed earnings of foreign subsidiaries. Those earnings have been and are expected to continue to be reinvested. These earnings could become subject to tax if they were remitted as dividends, if foreign earnings were lent to Polo Ralph Lauren Corporation (PRLC), a subsidiary or a U.S. affiliate of PRLC, or if the stock of the subsidiaries were sold. Determination of the amount of unrecognized deferred tax liability with respect to such earnings is not practical. Management believes that the amount of the additional taxes that might be payable on the earnings of foreign subsidiaries, if remitted, would be partially offset by U.S. foreign tax credits.

Uncertain Income Tax Benefits

Impact of FIN 48 Adoption

As a result of the adoption of FIN 48, the Company recognized a \$62.5 million reduction in retained earnings as the cumulative effect to adjust its net liability for unrecognized tax benefits as of April 1, 2007. This adjustment consisted of a \$99.9 million increase to the Company's liabilities for unrecognized tax benefits, offset in part by a \$37.4 million increase to the Company's deferred tax assets principally representing the value of future tax benefits that could be realized at the U.S. federal level if the related liabilities for unrecognized tax benefits at the state and local levels ultimately are required to be settled. The total balance of unrecognized tax benefits, including interest and penalties, was \$173.8 million as of April 1, 2007. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was \$123.4 million as of April 1, 2007.

The Company classifies interest and penalties related to unrecognized tax benefits as part of its provision for income taxes. Accordingly, included in the liability for unrecognized tax benefits is a liability for interest and penalties in the amount of \$45.7 million as of April 1, 2007.

Fiscal 2008 Activity

A reconciliation of the beginning and ending amounts of unrecognized tax benefits, excluding interest and penalties, for Fiscal 2008 is presented below:

		Fiscal Year Ended March 29, 2008
Unrecognized tax benefits beginning balance	\$	128.1
Additions related to current period tax positions		11.5
Additions related to prior periods tax positions		15.5
Reductions related to prior periods tax positions		(22.2)
Reductions related to settlements with taxing authorities		(10.2)
Reductions related to expiration of statutes of limitations		(5.2)
Unrecognized tax benefits ending balance	\$	117.5

F-29

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A reconciliation of the beginning and ending amounts of accrued interest and penalties related to unrecognized tax benefits for Fiscal 2008 is presented below:

	Fiscal Year Ended March 29, 2008
Accrued interest and penalties beginning balance	\$ 45.7
Additions/reductions charged to expense	7.6
Reductions related to expiration of statutes of limitations	(1.4)
Reductions related to settlements with taxing authorities	(5.1)
Additions/reductions charged to cumulative translation adjustment	1.2
Accrued interest and penalties ending balance	\$ 48.0

The total amount of unrecognized tax benefits, including interest and penalties, was \$165.5 million as of March 29, 2008, comprised of \$10.3 million included within accrued expenses and other and \$155.2 million included within non-current liability for unrecognized tax benefits in the consolidated balance sheet. The total amount of unrecognized tax benefits that, if recognized, would affect the Company's effective tax rate was \$123.6 million as of March 29, 2008.

Future Changes in Unrecognized Tax Benefits

The total amount of unrecognized tax benefits relating to the Company's tax positions is subject to change based on future events including, but not limited to, the settlements of ongoing audits and/or the expiration of applicable statutes of limitations. Although the outcomes and timing of such events are highly uncertain, it is reasonably possible that the balance of gross unrecognized tax benefits, excluding interest and penalties, could potentially be reduced by up to approximately \$40 million during the next 12 months. However, changes in the occurrence, expected outcomes and timing of those events could cause the Company's current estimate to change materially in the future.

The Company files tax returns in the U.S. federal and various state, local and foreign jurisdictions. With few exceptions for those tax returns, the Company is no longer subject to examinations by the relevant tax authorities for years prior to Fiscal 2000.

13. Debt

Debt consists of the following:

March 29, 2008	March 31, 2007
(millions)	

Revolving credit facility	\$	\$
1.2% Yen-denominated term loan due May 2008	206.4	
4.5% Euro-denominated notes due October 2013	472.8	398.8
Total debt	679.2	398.8
Less: current maturities of debt	(206.4)	
Total long-term debt	\$ 472.8	\$ 398.8

Euro Debt

The Company has outstanding approximately 300 million principal amount of 4.5% notes due October 4, 2013 (the 2006 Euro Debt). The Company has the option to redeem all of the 2006 Euro Debt at any time at a redemption price equal to the principal amount plus a premium. The Company also has the option to redeem all of the 2006 Euro Debt at any time at par plus accrued interest in the event of certain developments involving U.S. tax

F-30

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

law. Partial redemption of the 2006 Euro Debt is not permitted in either instance. In the event of a change of control of the Company, each holder of the 2006 Euro Debt has the option to require the Company to redeem the 2006 Euro Debt at its principal amount plus accrued interest.

Refer to Note 14 for discussion of the designation of the Company's 2006 Euro Debt as a hedge of its net investment in certain of its European subsidiaries.

Revolving Credit Facility and Term Loan

The Company has a credit facility that provides for a \$450 million unsecured revolving line of credit through November 2011 (the Credit Facility). The Credit Facility also is used to support the issuance of letters of credit. As of March 29, 2008, there were no borrowings outstanding under the Credit Facility, but the Company was contingently liable for \$23.0 million of outstanding letters of credit (primarily relating to inventory purchase commitments). The Company has the ability to expand its borrowing availability to \$600 million subject to the agreement of one or more new or existing lenders under the facility to increase their commitments. There are no mandatory reductions in borrowing ability throughout the term of the Credit Facility.

Borrowings under the Credit Facility bear interest, at the Company's option, either at (a) a base rate determined by reference to the higher of (i) the prime commercial lending rate of JP Morgan Chase Bank, N.A. in effect from time to time and (ii) the weighted-average overnight Federal funds rate (as published by the Federal Reserve Bank of New York) plus 50 basis points or (b) a LIBOR rate in effect from time to time, as adjusted for the Federal Reserve Board's Euro currency liabilities maximum reserve percentage plus a margin defined in the Credit Facility (the applicable margin). The applicable margin of 35 basis points is subject to adjustment based on the Company's credit ratings.

In addition to paying interest on any outstanding borrowings under the Credit Facility, the Company is required to pay a commitment fee to the lenders under the Credit Facility in respect of the unutilized commitments. The commitment fee rate of 8 basis points under the terms of the Credit Facility also is subject to adjustment based on the Company's credit ratings.

The Credit Facility contains a number of covenants that, among other things, restrict the Company's ability, subject to specified exceptions, to incur additional debt; incur liens and contingent liabilities; sell or dispose of assets, including equity interests; merge with or acquire other companies; liquidate or dissolve itself; engage in businesses that are not in a related line of business; make loans, advances or guarantees; engage in transactions with affiliates; and make investments. In addition, the Credit Facility requires the Company to maintain a maximum ratio of Adjusted Debt to Consolidated EBITDAR (the leverage ratio), as such terms are defined in the Credit Facility. As of March 29, 2008, no Event of Default (as such term is defined pursuant to the Credit Facility) has occurred under the Company's Credit Facility.

Upon the occurrence of an Event of Default under the Credit Facility, the lenders may cease making loans, terminate the Credit Facility and declare all amounts outstanding to be immediately due and payable. The Credit Facility specifies a number of events of default (many of which are subject to applicable grace periods), including, among others, the failure to make timely principal and interest payments or to satisfy the covenants, including the financial covenant described above. Additionally, the Credit Facility provides that an Event of Default will occur if Mr. Ralph Lauren, the Company's Chairman and Chief Executive Officer, and related entities fail to maintain a specified

minimum percentage of the voting power of the Company's common stock.

The Credit Facility was amended and restated as of May 22, 2007 to provide for the addition of a ¥20.5 billion loan (the Term Loan). The Term Loan was made to Polo JP Acqui B.V., a wholly owned subsidiary of the Company, and was guaranteed by the Company, as well as the other subsidiaries of the Company which currently guarantee the Credit Facility. The proceeds of the Term Loan were used to finance the Japanese Business Acquisitions. Borrowings under the Term Loan bore interest at a fixed rate of 1.2%. The Company repaid the

F-31

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

borrowing by its maturity date on May 22, 2008 using approximately \$200 million of Impact 21's cash on-hand acquired as part of the acquisition. See Note 5 for further discussion of the Japanese Business Acquisitions.

Fair Value of Debt

Based on the prevailing level of market interest rates as of March 29, 2008 and March 31, 2007, the carrying value of the Company's 2006 Euro Debt exceeded its fair value by approximately \$50 million and \$4 million, respectively. As of March 31, 2008, the carrying value of the Company's Term Loan approximated its fair value. Unrealized gains or losses on debt do not result in the realization or expenditure of cash, unless the debt is retired prior to its maturity.

14. Derivative Financial Instruments

The Company primarily has exposure to changes in foreign currency exchange rates relating to certain anticipated cash flows from its international operations and possible declines in the fair value of reported net assets of certain of its foreign operations, as well as changes in the fair value of its fixed-rate debt relating to changes in interest rates. Consequently, the Company periodically uses derivative financial instruments to manage such risks.

The following table summarizes the Company's outstanding derivative instruments as of March 29, 2008:

Instrument^(a)	Hedge Type^(b)	Hedged Item	Notional Amount	Fair Value	Balance Sheet Location^(c)	Asset Carrying Value	Balance Sheet Location^(c)	(Liability) Carrying Value
(millions)								
Forward Sale Contracts	CF	USD inventory purchases by euro-functional sub	\$ 220.0	\$ (21.9)		\$	AE	\$ (21.9)
Forward Sale Contracts	CF	Euro royalty payments	14.2	(1.0)			AE	(1.0)
Forward Sale Contracts	UN	USD inventory purchases by yen-functional sub	11.7	(0.3)			AE	(0.3)
Forward Sale Contracts	UN	Yen loan receivable	5.0	(0.4)			AE	(0.4)
Forward Sale Contracts	UN	GBP-denominated revenues	48.2	1.7	PP	1.7		
Forward Purchase Contracts	CF	Euro interest payment	19.2	1.9	PP	1.9		
Forward Purchase Contracts	CF	Euro marketing contributions	1.9	0.1	PP	0.1		
Forward Purchase Contracts	CF	Euro inventory purchases	37.0	1.4	PP	1.4		

Forward Purchase Contracts	CF	Swiss franc obligations	30.2	0.5	PP	0.5		
Euro Debt	NI	Euro net investment	381.2	(423.0)			LTD	(472.8)
			\$ 768.6	\$ (441.0)		\$ 5.6		\$ (496.4)

The following table summarizes the Company's outstanding derivative instruments as of March 31, 2007:

Instrument ^(a)	Hedge Type ^(b)	Hedged Item	Notional Amount	Fair Value	Balance Sheet Location ^(c)	Asset Carrying Value	Balance Sheet Location ^(c)	(Liability) Carrying Value
(millions)								
Forward Sale Contracts	CF	USD inventory purchases by euro-functional sub	\$ 160.0	\$ (1.8)		\$	AE	\$ (1.8)
Forward Sale Contracts	CF	USD royalty payments by yen-functional sub	34.2	0.2	PP	0.2		
Forward Sale Contracts	CF	Euro marketing contributions	19.6	(0.3)			AE	(0.3)
Euro Debt	NI	Euro net investment	381.2	(394.8)			LTD	(398.8)
			\$ 595.0	\$ (396.7)		\$ 0.2		\$ (400.9)

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- (a) Forward Sale Contracts = Forward exchange contracts for sale of foreign currencies; Forward Purchase Contracts = Forward exchange contracts for purchase of foreign currencies; Euro Debt = 300 million principal notes due October 2013.
- (b) CF = Cash flow hedge; UN = Undesignated hedge; NI = Net investment hedge.
- (c) PP = Prepaid expenses and other; AE = Accrued expenses and other; LTD = Long-term debt.

The following is a summary of the Company's risk management strategies and the effect of those strategies on the Company's consolidated financial statements.

Foreign Currency Risk Management

Forward Foreign Currency Exchange Contracts General

The Company enters into forward foreign currency exchange contracts as hedges to reduce its risk from exchange rate fluctuations on inventory purchases, intercompany royalty payments made by certain of its international operations, intercompany contributions made to fund certain marketing efforts of its international operations, other foreign currency-denominated operational obligations including payroll, rent, insurance, and benefit payments, and foreign currency-denominated revenues. As part of its overall strategy to manage the level of exposure to the risk of foreign currency exchange rate fluctuations, primarily to changes in the value of the Euro, the Japanese Yen, the Swiss Franc, and the British Pound Sterling, the Company hedges a portion of its foreign currency exposures anticipated over the ensuing twelve-month to two-year periods. In doing so, the Company uses foreign currency exchange contracts that generally have maturities of three months to two years to provide continuing coverage throughout the hedging period.

The Company records the above described foreign currency exchange contracts at fair value in its consolidated balance sheets. Foreign currency exchange contracts designated as cash flow hedges at hedge inception are accounted for in accordance with FAS 133. As such, to the extent these hedges are effective the related gains or losses are deferred in stockholders' equity as a component of accumulated other comprehensive income. These deferred gains and losses are then recognized in our consolidated statements of operations as follows:

Inventory Purchases Recognized as part of the cost of the inventory being hedged within cost of goods sold when the related inventory is sold.

Intercompany Royalty Payments and Marketing Contributions Recognized within foreign currency gains (losses) in the period in which the related royalties or marketing contributions being hedged are received or paid.

Operational Obligations Recognized primarily within SG&A expenses in the period in which the hedged forecasted transaction affects earnings.

To the extent that any of these foreign currency exchange contracts are not considered to be perfectly effective in offsetting the change in the value of the hedged item, any changes in fair value relating to the ineffective portion are

immediately recognized in earnings. If a hedge relationship is terminated, the change in fair value of the derivative recorded in accumulated other comprehensive income is recognized in earnings when the hedged cash flows are expended or received, consistent with the original hedging strategy. In addition, changes in fair value relating to undesignated foreign currency exchange contracts are immediately recognized in earnings.

Over the next twelve months, it is expected that \$17.9 million of net losses deferred in accumulated other comprehensive income related to general foreign currency exchange contracts outstanding as of March 29, 2008 will be recognized in earnings. The Company recognized a net loss on foreign currency exchange contracts in earnings of approximately \$8 million for Fiscal 2008, and net gains of approximately \$4 million and \$5 million for Fiscal 2007 and Fiscal 2006, respectively.

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Forward Foreign Currency Exchange Contracts Other

On October 10, 2007, the Company entered into a foreign exchange contract to purchase 13.5 million at a fixed rate. This contract hedges the foreign currency exposure related to the annual Euro interest payment due on October 6, 2008 for Fiscal 2009 in connection with the Company's outstanding 2006 Euro Debt. In accordance with FAS 133, the contract has been designated as a cash flow hedge. Since neither the terms of the hedge contract or the underlying exposure have changed, the related gains of \$0.7 million have been reclassified from stockholders' equity to foreign currency gains (losses) within our consolidated statement of operations to offset the related transaction loss arising from the remeasurement of the associated foreign currency-denominated accrued interest liability, as permitted by FAS 133, during Fiscal 2008.

On April 2, 2007, the Company entered into a similar foreign exchange contract to purchase 13.5 million at a fixed rate, hedging the foreign currency exposure related to the annual Euro interest payment made on October 4, 2007 for Fiscal 2008. This contract also was designated as a cash flow hedge. Consistent with the accounting treatment discussed above, the related gains of \$1.1 million were reclassified from stockholders' equity to foreign currency gains (losses) within our consolidated statement of operations during Fiscal 2008.

During the first quarter of Fiscal 2008, the Company entered into foreign currency option contracts with a notional value of \$159 million giving the Company the right, but not the obligation, to purchase foreign currencies at fixed rates by May 23, 2007. These contracts hedged the majority of the foreign currency exposure related to the financing of the Japanese Business Acquisitions, but did not qualify under FAS 133 for hedge accounting treatment. The Company did not exercise any of the contracts and recognized a loss of \$1.6 million within foreign currency gains (losses) in our consolidated statement of operations during the first quarter of Fiscal 2008.

In addition, during the fourth quarter of Fiscal 2008, the Company entered into a foreign currency exchange contract with a notional value of \$5 million hedging the foreign currency exposure related to an intercompany term loan provided by PRLC to Ralph Lauren Retail Japan (RLRJ) in connection with the Japanese Business Acquisitions minority squeeze-out, as discussed in Note 5. This contract, which hedges the foreign currency exposure related to a Yen-denominated payment to be made by RLRJ during the first quarter of Fiscal 2009, did not qualify under FAS 133 for hedge accounting treatment. As such, the Company recognized a related loss of \$0.4 million within foreign currency gains (losses) in our consolidated statement of operations during Fiscal 2008.

Over the next twelve months, it is expected that \$0.7 million of net gains deferred in accumulated other comprehensive income related to the October 10, 2007 fixed rate foreign exchange contract outstanding as of March 29, 2008 will be recognized in earnings. A total of \$1.8 million has been reclassified from stockholders' equity to foreign currency gains (losses) in Fiscal 2008. No related gains (losses) were recognized by the Company in Fiscal 2007 or Fiscal 2006.

Hedge of a Net Investment in Certain European Subsidiaries

The Company designated the entire principal amount of its outstanding 2006 Euro Debt as a hedge of its net investment in certain of its European subsidiaries. As required by FAS 133, the changes in fair value of a derivative instrument or a non-derivative financial instrument (such as debt) that is designated as a hedge of a net investment in a foreign operation are reported in the same manner as a translation adjustment under FAS No. 52, Foreign Currency

Translation, to the extent it is effective as a hedge. As such, changes in the fair value of the 2006 Euro Debt resulting from changes in the Euro exchange rate have been, and continue to be, reported in stockholders' equity as a component of accumulated other comprehensive income. The Company recorded within accumulated other comprehensive income the translation effects of the 2006 Euro Debt to U.S. dollars, resulting in aggregate net losses of \$45.4 million for Fiscal 2008 and \$24.5 million for Fiscal 2007, and an aggregate net gain of \$4.2 million for Fiscal 2006.

F-34

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Interest Rate Risk Management

Historically, the Company has used floating-rate interest rate swap agreements to hedge changes in the fair value of its fixed-rate 1999 Euro Debt. These interest swap agreements, which effectively converted fixed interest rate payments on the Company's 1999 Euro Debt to a floating-rate basis, were designated as a fair value hedge in accordance with FAS 133. All interest rate swap agreements were terminated in late Fiscal 2006 and there were no outstanding agreements at the end of any fiscal year presented.

During the first six months of Fiscal 2007, the Company entered into three forward-starting interest rate swap contracts aggregating 200 million notional amount of indebtedness in anticipation of the Company's proposed refinancing of the 1999 Euro Debt, which was completed in October 2006. The Company designated these agreements as a cash flow hedge of a forecasted transaction to issue new debt in connection with the planned refinancing of its 1999 Euro Debt. The interest rate swaps hedged a total of 200.0 million, a portion of the underlying interest rate exposure on the anticipated refinancing. Under the terms of the three interest swap contracts, the Company paid a weighted-average fixed rate of interest of 4.1% and received variable interest based upon six-month EURIBOR. The Company terminated the swaps on September 28, 2006, which was the date the interest rate for the 2006 Euro Debt was determined. As a result, the Company made a payment of approximately 3.5 million (\$4.4 million based on the exchange rate in effect on that date) in settlement of the swaps. An amount of \$0.2 million was recognized as a loss for the three months ending September 30, 2006 due to the partial ineffectiveness of the cash flow hedge as a result of the forecasted transaction closing on October 5, 2006 instead of November 22, 2006 (the maturity date of the 1999 Euro Debt). The remaining loss of \$4.2 million has been deferred as a component of comprehensive income within stockholders' equity and is being recognized in earnings as an adjustment to interest expense over the seven-year term of the 2006 Euro Debt.

15. Commitments and Contingencies

Leases

The Company operates its retail stores under various leasing arrangements. The Company also occupies various office and warehouse facilities and uses certain equipment under numerous lease agreements. Such leasing arrangements are accounted for under the provisions of FAS 13 as either operating leases or capital leases. In this context, capital leases include leases whereby the Company is considered to have the substantive risks of ownership during construction of a leased property pursuant to the provisions of EITF 97-10. Information on the Company's operating and capital leasing activities is set forth below.

Operating Leases

The Company is typically required to make minimum rental payments, and often contingent rental payments, under its operating leases. Substantially all factory and full-price retail store leases provide for contingent rentals based upon sales, and certain rental agreements require payment based solely on a percentage of sales. Terms of the Company's leases generally contain renewal options, rent escalation clauses and landlord incentives. Rent expense, net of sublease income which was not significant, was approximately \$208 million in Fiscal 2008, \$172 million in Fiscal 2007 and \$137 million in Fiscal 2006. Such amounts include contingent rental charges of approximately \$14 million for Fiscal 2008, and approximately \$12 million for both Fiscal 2007 and Fiscal 2006. In addition to such amounts, the Company

is normally required to pay taxes, insurance and occupancy costs relating to the leased real estate properties.

F-35

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

As of March 29, 2008, future minimum rental payments under noncancelable operating leases with lease terms in excess of one year were as follows:

	Annual Minimum Operating Lease Payments^(a) (millions)
Fiscal 2009	\$ 188.1
Fiscal 2010	174.0
Fiscal 2011	147.3
Fiscal 2012	132.5
Fiscal 2013	123.2
Fiscal 2014 and thereafter	670.7
Total	\$ 1,435.8

(a) Net of sublease income, which is not significant in any period.

Capital Leases

Assets under capital leases amounted to \$38 million at the end of Fiscal 2008 and \$56 million at the end of Fiscal 2007. Such assets are classified within property and equipment in the consolidated balance sheets. As of March 29, 2008, future minimum rental payments under noncancelable capital leases with lease terms in excess of one year were as follows:

	Annual Minimum Capital Lease Payments^(a) (millions)
Fiscal 2009	\$ 8.0
Fiscal 2010	7.5
Fiscal 2011	7.4
Fiscal 2012	7.4
Fiscal 2013	5.1
Fiscal 2014 and thereafter	37.8
Total	\$ 73.2

- (a) Net of sublease income, which is not significant in any period.

Employment Agreements

The Company has employment agreements with certain executives in the normal course of business which provide for compensation and certain other benefits. These agreements also provide for severance payments under certain circumstances.

Other Commitments

Other off-balance sheet firm commitments, which include inventory purchase commitments, outstanding letters of credit and minimum funding commitments to investees, amounted to approximately \$727 million as of March 29, 2008.

F-36

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Litigation

Credit Card Matters

The Company is subject to various claims relating to allegations of security breaches in certain of its retail store information systems. These claims have been made by various credit card issuers, issuing banks and credit card processors with respect to cards issued by them pursuant to the rules imposed by certain credit card issuers, particularly Visa® and MasterCard®. The allegations include fraudulent credit card charges, the cost of replacing credit cards, related monitoring expenses and other related claims.

In Fiscal 2005, the Company was subject to various claims relating to an alleged security breach of its point-of-sale systems that occurred at certain Polo retail stores in the U.S. The Company had previously recorded a reserve for an aggregate amount of \$13 million to provide for its best estimate of losses related to these claims. The Company ultimately paid approximately \$11 million in settlement of these various claims and the eligibility period for filing any such claims has expired.

In addition, in the third quarter of Fiscal 2007, the Company was notified of an alleged compromise of its retail store information systems that process its credit card data for certain Club Monaco stores in Canada. As of the end of Fiscal 2007, the Company had recorded a total reserve of \$5.0 million for this matter based on its best estimate of exposure at that time. While the final settlement of this matter is pending approval by the credit card issuers, the Company's Canadian credit card processor returned three-quarters of the funds previously escrowed to cover potential claims by the end of April 2008. Accordingly, based on the progress in this matter and the available evidence to date, the Company reversed \$4.1 million of its original \$5.0 million reserve into income during Fiscal 2008. The Company was also recently advised that the Quebec Privacy Commission has ceased its investigation of Club Monaco in connection with this matter.

The Company is cooperating with law enforcement authorities in both the U.S. and Canada in their investigations of these matters.

Wathne Imports Litigation

On August 19, 2005, Wathne Imports, Ltd. ("Wathne"), our domestic licensee for luggage and handbags, filed a complaint in the U.S. District Court in the Southern District of New York against us and Ralph Lauren, our Chairman and Chief Executive Officer, asserting, among other things, federal trademark law violations, breach of contract, breach of obligations of good faith and fair dealing, fraud and negligent misrepresentation. The complaint sought, among other relief, injunctive relief, compensatory damages in excess of \$250 million and punitive damages of not less than \$750 million. On September 13, 2005, Wathne withdrew this complaint from the U.S. District Court and filed a complaint in the Supreme Court of the State of New York, New York County, making substantially the same allegations and claims (excluding the federal trademark claims), and seeking similar relief. On February 1, 2006, the court granted our motion to dismiss all of the causes of action, including the cause of action against Mr. Lauren, except for the breach of contract claims, and denied Wathne's motion for a preliminary injunction. We believe this lawsuit to be without merit, and moved for summary judgment on the remaining claims. Wathne cross-moved for partial summary judgment. A hearing on these motions occurred on November 1, 2007. The judge presiding in this case provided a written ruling on the summary judgment motion on April 11, 2008. The Court granted Polo's summary

judgment motion to dismiss in large measure, and denied Wathne's cross-motion. Wathne has appealed the dismissal of its claims. A trial date has not yet been established in connection with this matter. We intend to continue to contest the few remaining claims in this lawsuit vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

F-37

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Polo Trademark Litigation

On October 1, 1999, we filed a lawsuit against the U.S. Polo Association Inc. ("USPA"), Jordache, Ltd. ("Jordache") and certain other entities affiliated with them, alleging that the defendants were infringing on our trademarks. In connection with this lawsuit, on July 19, 2001, the USPA and Jordache filed a lawsuit against us in the U.S. District Court for the Southern District of New York. This suit, which was effectively a counterclaim by them in connection with the original trademark action, asserted claims related to our actions in connection with our pursuit of claims against the USPA and Jordache for trademark infringement and other unlawful conduct. Their claims stemmed from our contacts with the USPA's and Jordache's retailers in which we informed these retailers of our position in the original trademark action. All claims and counterclaims, except for our claims that the defendants violated the Company's trademark rights, were settled in September 2003. We did not pay any damages in this settlement.

On July 30, 2004, the Court denied all motions for summary judgment, and trial began on October 3, 2005 with respect to the four "double horseman" symbols that the defendants sought to use. On October 20, 2005, the jury rendered a verdict, finding that one of the defendant's marks violated our world famous Polo Player Symbol trademark and enjoining its further use, but allowing the defendants to use the remaining three marks. On November 16, 2005, we filed a motion before the trial court to overturn the jury's decision and hold a new trial with respect to the three marks that the jury found not to be infringing. The USPA and Jordache opposed our motion, but did not move to overturn the jury's decision that the fourth double horseman logo did infringe on our trademarks. On July 7, 2006, the judge denied our motion to overturn the jury's decision. On August 4, 2006, the Company filed an appeal of the judge's decision to deny the Company's motion for a new trial to the U.S. Court of Appeals for the Second Circuit. On March 4, 2008, the Court of Appeals issued a decision affirming the judgment of the U.S. District Court for the Southern District of New York.

California Labor Law Litigation

On March 2, 2006, a former employee at our Club Monaco store in Los Angeles, California filed a lawsuit against us in the San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiff purports to represent a class of Club Monaco store employees who allegedly have been injured by being improperly classified as exempt employees and thereby not receiving compensation for overtime and not receiving meal and rest breaks. The complaint seeks an unspecified amount of compensatory damages, disgorgement of profits, attorneys' fees and injunctive relief. We believe this suit is without merit and intend to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

On May 30, 2006, four former employees of our Ralph Lauren stores in Palo Alto and San Francisco, California filed a lawsuit in the San Francisco Superior Court alleging violations of California wage and hour laws. The plaintiffs purport to represent a class of employees who allegedly have been injured by not properly being paid commission earnings, not being paid overtime, not receiving rest breaks, being forced to work off of the clock while waiting to enter or leave the store and being falsely imprisoned while waiting to leave the store. The complaint seeks an unspecified amount of compensatory damages, damages for emotional distress, disgorgement of profits, punitive damages, attorneys' fees and injunctive and declaratory relief. We have filed a cross-claim against one of the plaintiffs for his role in allegedly assisting a former employee misappropriate Company property. Subsequent to answering the complaint, we had the action moved to the United States District Court for the Northern District of California. We

believe this suit is without merit and intend to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

On August 21, 2007, eleven former and current employees of our Club Monaco stores in California filed a lawsuit in Los Angeles Superior Court alleging similar claims as the Club Monaco action in San Francisco. The complaint seeks an unspecified amount of compensatory damages, attorney's fees and punitive damages. We

F-38

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

believe this suit is without merit and intend to contest it vigorously. Accordingly, management does not expect that the ultimate resolution of this matter will have a material adverse effect on the Company's liquidity or financial position.

Other Matters

We are otherwise involved from time to time in legal claims and proceedings involving credit card fraud, trademark and intellectual property, licensing, employee relations and other matters incidental to our business. We believe that the resolution of these other matters currently pending will not individually or in the aggregate have a material adverse effect on our financial condition or results of operations.

16. Stockholders' Equity

Capital Stock

The Company's capital stock consists of two classes of common stock. There are 500 million shares of Class A common stock and 100 million shares of Class B common stock authorized to be issued. Shares of Class A and Class B common stock have substantially identical rights, except with respect to voting rights. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to ten votes per share. Holders of both classes of stock vote together as a single class on all matters presented to the stockholders for their approval, except with respect to the election and removal of directors or as otherwise required by applicable law. All outstanding shares of Class B common stock are owned by Mr. Ralph Lauren, Chairman and Chief Executive Officer, and related entities.

Common Stock Repurchase Program

In August 2007, the Company's Board of Directors approved an expansion of the Company's existing common stock repurchase program that allowed the Company to repurchase up to an additional \$250 million of Class A common stock. Repurchases of shares of Class A common stock are subject to overall business and market conditions. In Fiscal 2008, 6.1 million shares of Class A common stock were repurchased at a cost of \$476.4 million under the expanded and pre-existing programs, including \$24.0 million (0.4 million shares) that was traded prior to the end of the fiscal year for which settlement occurred in April 2008. The remaining availability under the common stock repurchase program was approximately \$142 million as of March 29, 2008.

In addition, during Fiscal 2008, 0.3 million shares of Class A common stock at a cost of \$23.0 million were surrendered to, or withheld by, the Company in satisfaction of withholding taxes in connection with the vesting of awards under the Company's 1997 Long-Term Stock Incentive Plan.

In Fiscal 2007, share repurchases amounted to 3.5 million shares of Class A common stock at a cost of \$231.3 million. In Fiscal 2006, the Company repurchased 69.3 thousand shares of Class A common stock at a cost of \$3.8 million.

Repurchased shares are accounted for as treasury stock at cost and will be held in treasury for future use.

In May 2008, the Company's Board of Directors approved a further expansion of the Company's existing common stock repurchase program that allowed the Company to repurchase up to an additional \$250 million of Class A common stock.

Dividends

Since 2003, the Company has maintained a regular quarterly cash dividend of \$0.05 per share, or \$0.20 per share on an annual basis, on its common stock. Dividends paid amounted to \$20.5 million in Fiscal 2008, \$20.9 million in Fiscal 2007 and \$20.8 million in Fiscal 2006.

F-39

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****17. Accumulated Other Comprehensive Income**

The following summary sets forth the components of other comprehensive income (loss), net of tax, accumulated in stockholders' equity:

	Foreign Currency Translation Gains (Losses)	Net Unrealized Gains (Losses) on Derivative Financial Instruments ^(a)	Net Unrealized Gains (Losses) on Available- for-Sale Investments (millions)	Net Unrealized Gains (Losses) on Defined Benefit Plans	Total Accumulated Other Comprehensive Income (Loss)
Balance at April 2, 2005	\$ 85.1	\$ (55.2)	\$	\$	\$ 29.9
Fiscal 2006 pretax activity ^(b)	(28.0)	15.2			(12.8)
Fiscal 2006 tax benefit (provision) ^(b)	3.9	(5.5)			(1.6)
Balance at April 1, 2006	61.0	(45.5)			15.5
Fiscal 2007 pretax activity ^(c)	53.1	(34.8)			18.3
Fiscal 2007 tax benefit (provision) ^(c)	1.2	5.5			6.7
Balance at March 31, 2007	115.3	(74.8)			40.5
Fiscal 2008 pretax activity ^(d)	144.7	(90.8)	(0.4)	(0.2)	53.3
Fiscal 2008 tax benefit (provision) ^(d)	(8.9)	27.5	0.2		18.8
Balance at March 29, 2008	\$ 251.1	\$ (138.1)	\$ (0.2)	\$ (0.2)	\$ 112.6

^(a) Includes deferred gains and losses on hedging instruments, such as foreign currency exchange contracts designated as cash flow hedges and changes in the fair value of the Company's Euro-denominated debt designated as a hedge of changes in the fair value of the Company's net investment in certain of its European subsidiaries.

^(b) Includes a net reclassification adjustment of \$4.6 million (net of \$0.2 million tax effect) for realized derivative financial instrument gains in the current period that were included as an unrealized gain in comprehensive income in a prior period.

^(c) Includes a net reclassification adjustment of \$3.1 million (net of \$0.5 million tax effect) for realized derivative financial instrument gains in the current period that were included as an unrealized gain in comprehensive income

in a prior period.

- (d) Includes a net reclassification adjustment of \$6.6 million (net of \$1.2 million tax effect) for realized derivative financial instrument losses in the current period that were included as an unrealized loss in comprehensive income in a prior period.

18. Stock-based Compensation

Effective April 2, 2006, the Company adopted FAS 123R using the modified prospective application transition method. Under this transition method, the compensation expense recognized in the consolidated statements of operations beginning April 2, 2006 includes compensation expense for (a) all stock-based payments granted prior to, but not yet vested as of, April 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of FAS 123 and (b) all stock-based payments granted subsequent to April 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of FAS 123R.

F-40

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Impact on Results***

A summary of the total compensation expense and associated income tax benefits recognized related to stock-based compensation arrangements is as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006^(a)
Compensation expense	\$ (70.7)	\$ (43.6)	\$ (26.6)
Income tax benefit	\$ 20.2	\$ 17.5	\$ 10.4

- (a) Prior to the adoption of FAS 123R and in accordance with existing accounting principles, the Company recognized stock-based compensation expense in connection with both service-based and performance-based restricted stock units (RSUs), as well as for shares of restricted stock.

Transition Information

Prior to April 2, 2006, the Company accounted for stock-based compensation plans under the intrinsic value method in accordance with APB 25 and adopted the disclosure-only provisions of FAS 123. Under this standard, the Company did not recognize compensation expense for the issuance of stock options with an exercise price equal to or greater than the market price at the date of grant. However, as required, the Company disclosed, in the notes to the consolidated financial statements, the pro forma expense impact of the stock option grants as if the fair-value-based recognition provisions of FAS 123 were applied. Compensation expense was previously recognized for restricted stock and RSUs. The effect of forfeitures on restricted stock and RSUs was recognized when such forfeitures occurred.

In accordance with the modified prospective application transition method, prior period financial statements have not been restated to reflect the effects of implementing FAS 123R. The following table presents the Company's pro forma net income and net income per share if compensation expense for fixed stock option grants had been determined based on the fair value at the grant dates of such awards as defined by FAS 123 for Fiscal 2006:

	Fiscal Year Ended April 1, 2006 (millions, except per share data)
Net income as reported	\$ 308.0

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Add: stock-based employee compensation expense included in reported net income, net of tax		16.2
Deduct: total stock-based employee compensation expense determined under fair value-based method for all awards, net of tax		(29.3)
Pro forma net income	\$	294.9
Net income per share as reported:		
Basic	\$	2.96
Diluted	\$	2.87
Pro forma net income per share:		
Basic	\$	2.83
Diluted	\$	2.76

F-41

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Long-term Stock Incentive Plan***

The Company's 1997 Long-Term Stock Incentive Plan, as amended (the 1997 Plan), authorizes the grant of awards to participants with respect to a maximum of 26.0 million shares of the Company's Class A common stock; however, there are limits as to the number of shares available for certain awards and to any one participant. Equity awards that may be made under the 1997 Plan include (a) stock options, (b) restricted stock and (c) RSUs. The Company also granted awards under the 1997 Non-Employee Director Option Plan prior to that plan's expiration on December 31, 2006. No future awards will be made under the 1997 Non-Employee Director Option Plan.

Stock Options

Stock options are granted to employees and non-employee directors with exercise prices equal to fair market value at the date of grant. Generally, the options become exercisable ratably (a graded-vesting schedule), over a three-year vesting period. Stock options generally expire either seven or ten years from the date of grant. The Company recognizes compensation expense for share-based awards that have graded vesting and no performance conditions on an accelerated basis.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of stock options granted, which requires the input of subjective assumptions. The Company develops its assumptions primarily by analyzing the historical exercise behavior of employees and non-employee directors. The Company's assumptions used for the fiscal years presented were as follows:

Expected Term The estimate of expected term is based on the historical exercise behavior of employees and non-employee directors, as well as the contractual life of the option grants.

Expected Volatility The expected volatility factor is based on the historical volatility of the Company's common stock for a period equal to the stock option's expected term.

Expected Dividend Yield The expected dividend yield is based on the regular quarterly cash dividend of \$0.05 per share.

Risk-free Interest Rate The risk-free interest rate is determined using the implied yield for a traded zero-coupon U.S. Treasury bond with a term equal to the option's expected term.

The Company's weighted-average assumptions used to estimate the fair value of stock options granted during the fiscal years presented were as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
Expected term (years)	4.8	4.5	5.2
Expected volatility	29.9%	33.2%	29.1%

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Expected dividend yield	0.26%	0.39%	0.45%
Risk-free interest rate	4.6%	4.9%	3.7%
Weighted-average option grant date fair value	\$ 32.65	\$ 19.40	\$ 14.50

F-42

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

A summary of the stock option activity under all plans during Fiscal 2008 is as follows:

	Number of Shares (thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value^(a) (millions)
Options outstanding at April 1, 2007	6,885	\$ 32.79	5.8	\$ 379.2
Granted	611	98.24		
Exercised	(1,386)	28.98		
Cancelled/Forfeited	(99)	57.09		
Options outstanding at March 29, 2008	6,011	\$ 39.93	5.3	\$ 132.8
Options vested and expected to vest ^(b) at March 29, 2008	5,911	\$ 39.28	5.3	\$ 132.6
Options exercisable at March 29, 2008	4,476	\$ 29.81	4.9	\$ 125.8

(a) The intrinsic value is the amount by which the market price at the end of the period of the underlying share of stock exceeds the exercise price of the stock option.

(b) The number of options expected to vest takes into consideration estimated expected forfeitures.

Additional information pertaining to the Company's stock option plans is as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Aggregate intrinsic value of stock options exercised ^(a)	\$ 67.0	\$ 88.7	\$ 58.5
Cash received from the exercise of stock options	40.1	51.4	55.2
Tax benefits realized on exercise	34.4	33.2	22.0

(a) The intrinsic value is the amount by which the average market price during the period exceeded the exercise price of the stock option exercised.

As of March 29, 2008, there was \$13.1 million of total unrecognized compensation expense related to nonvested stock options granted, expected to be recognized over a weighted-average period of 1.1 years.

Restricted Stock and RSUs

The Company grants restricted shares of Class A common stock and service-based RSUs to certain of its senior executives and non-employee directors. In addition, the Company grants performance-based RSUs to such senior executives and other key executives, and certain other employees of the Company.

Restricted shares of Class A common stock, which entitle the holder to receive a specified number of shares of Class A common stock at the end of a vesting period, are accounted for at fair value at the date of grant. In addition, holders of restricted shares are entitled to receive cash dividends in connection with the payments of dividends on the Company's Class A common stock. Generally, restricted stock grants vest over a five-year period of time, subject to the executive's continuing employment. Restricted stock shares granted to non-employee directors vest over a three-year period of time.

RSUs entitle the grantee to receive shares of Class A common stock at the end of a vesting period. Service-based RSUs are payable in shares of Class A common stock and generally vest over a five-year period of time, subject to the executive's continuing employment. Performance-based RSUs also are payable in shares of Class A common stock and generally vest (a) upon the completion of a three-year period of time (cliff vesting), subject to the

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

employee's continuing employment and the Company's achievement of certain performance goals over the three-year period or (b) ratably, over a three-year period of time (graded vesting), subject to the employee's continuing employment during the applicable vesting period and the achievement by the Company of certain performance goals either (i) in each year of the vesting period for grants made prior to Fiscal 2008 or (ii) solely in the initial year of the vesting period for grants made in Fiscal 2008. In addition, holders of certain RSUs are entitled to receive dividend equivalents in the form of additional RSUs in connection with the payment of dividends on the Company's Class A common stock. RSUs, including shares resulting from dividend equivalents paid on such units, are accounted for at fair value at the date of grant. The fair value of a restricted security is based on the fair value of unrestricted Class A common stock, as adjusted to reflect the absence of dividends for those restricted securities that are not entitled to dividend equivalents. Compensation expense for performance-based RSUs is recognized over the related service period when attainment of the performance goals is deemed probable.

A summary of the restricted stock and restricted stock unit activity during Fiscal 2008 is as follows:

	Restricted Stock		Service-based RSUs		Performance-based RSUs	
	Number of Shares (thousands)	Weighted- Average Grant Date Fair Value	Number of Shares (thousands)	Weighted- Average Grant Date Fair Value	Number of Shares (thousands)	Weighted- Average Grant Date Fair Value
Nonvested at April 1, 2007	105	\$ 26.25	650	\$ 37.69	1,297	\$ 46.43
Granted	4	87.85	100	100.56	552	86.98
Vested	(75)	21.97	(83)	34.23	(458)	37.22
Cancelled					(37)	73.16
Nonvested at March 29, 2008	34	\$ 42.60	667	\$ 47.55	1,354	\$ 65.41

	Restricted Stock	Service-based RSUs	Performance-based RSUs
Total unrecognized compensation at March 29, 2008 (millions)	\$ 1.1	\$ 3.0	\$ 43.5
Weighted-average years expected to be recognized over (in years)	1.6	2.0	1.6

Additional information pertaining to the restricted stock and restricted stock unit activity is as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
Restricted Stock			
Weighted-average grant date fair value of awards granted	\$ 87.85	\$	\$
Total fair value of awards vested (millions)	7.1	4.2	4.9
Service-based RSUs			
Weighted-average grant date fair value of awards granted	\$ 100.56	\$ 55.43	\$ 43.20
Total fair value of awards vested (millions)	4.8		
Performance-based RSUs			
Weighted-average grant date fair value of awards granted	\$ 86.98	\$ 55.17	\$ 43.14
Total fair value of awards vested (millions)	43.4	3.4	2.7

F-44

Table of Contents

POLO RALPH LAUREN CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

19. Employee Benefit Plans

Profit Sharing Retirement Savings Plans

The Company sponsors two defined contribution benefit plans covering substantially all eligible U.S. employees not covered by a collective bargaining agreement. The plans include a savings plan feature under Section 401(k) of the Internal Revenue Code. The Company makes discretionary contributions to the plans and contributes an amount equal to 50% of the first 6% of salary contributed by an employee.

Under the terms of the plans, a participant is 100% vested in Company matching and discretionary contributions after five years of credited service. Contributions made by the Company under these plans approximated \$6 million, \$4 million and \$5 million in Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively.

Supplemental Retirement Plan

The Company has a non-qualified supplemental retirement plan for certain highly compensated employees whose benefits under the 401(k) profit sharing retirement savings plans are expected to be constrained by the operation of certain Internal Revenue Code limitations. These supplemental benefits vest over time and the related compensation expense is recognized over the vesting period. Amounts of \$29 million and \$26 million were accrued under these plans as of March 29, 2008 and March 31, 2007, respectively, and are reflected within other non-current liabilities in the consolidated balance sheets. Total compensation expense recognized related to these benefits was \$4 million, \$3 million and \$5 million in Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively.

Deferred Compensation Plans

The Company has deferred compensation arrangements for certain key executives which generally provide for payments upon retirement, death or termination of employment. The amounts accrued under these plans were approximately \$2 million as of both March 29, 2008 and March 31, 2007, and are reflected within other non-current liabilities in the consolidated balance sheets. Total compensation expense related to these compensation arrangements was \$0.3 million in each of the three fiscal years presented. The Company funds a portion of these obligations through the establishment of trust accounts on behalf of the executives participating in the plans. The trust accounts are reflected within other assets in the consolidated balance sheets.

Union Pension Plan

The Company participates in a multi-employer pension plan and is required to make contributions to the UNITE HERE (which was previously known as the Union of Needletrades, Industrial and Textile Employees, prior to its merger with the Hotel Employees and Restaurant Employees International Union) (Union) for dues based on wages paid to union employees. A portion of these dues is allocated by the Union to a retirement fund which provides defined benefits to substantially all unionized workers. The Company does not participate in the management of the plan and has not been furnished with information with respect to the type of benefits provided, vested and non-vested benefits or assets.

Under the Employee Retirement Income Security Act of 1974, as amended, an employer, upon withdrawal from or termination of a multi-employer plan, is required to continue funding its proportionate share of the plan's unfunded vested benefits. Such withdrawal liability was assumed in conjunction with the acquisition of certain assets from a non-affiliated licensee. The Company has no current intention of withdrawing from the plan.

International Defined Benefit Plans

The Company sponsors certain single-employer defined benefit plans and participates in certain multi-employer defined benefit plans at international locations, which are not considered to be material individually or in the aggregate as of March 29, 2008. Pension benefits under these plans are based on formulas that reflect the

F-45

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

employees' years of service and compensation levels during their employment period. The aggregate funded status of the single-employer defined benefit plans was a net liability of \$6.6 million as of March 29, 2008, primarily recorded within other non-current liabilities in the Company's consolidated balance sheet. These single-employer defined benefit plans had aggregate projected benefit obligations of \$21.3 million and an aggregate fair value of plan assets of \$18.8 million as of March 29, 2008. Pension expense for these plans, recorded within SG&A expenses in the Company's consolidated statement of operations, was \$3.6 million in Fiscal 2008, \$2.2 million in Fiscal 2007 and \$1.8 million in Fiscal 2006.

It is the Company's intention to withdraw from the multi-employer defined benefit plans assumed in the Japanese Business Acquisitions during Fiscal 2009. Accordingly, the Company has recorded a withdrawal liability within other non-current liabilities in its consolidated balance sheet of \$4.4 million as of March 29, 2008. Total contributions to these multi-employer plans were \$0.5 million in Fiscal 2008. The Company did not participate in any multi-employer defined benefit plans in Fiscal 2007 or Fiscal 2006.

20. Segment Information

The Company has three reportable segments based on its business activities and organization: Wholesale, Retail and Licensing. Such segments offer a variety of products through different channels of distribution. The Wholesale segment consists of women's, men's and children's apparel, accessories and related products which are sold to major department stores, specialty stores, golf and pro shops and the Company's owned and licensed retail stores in the U.S. and overseas. The Retail segment consists of the Company's worldwide retail operations, which sell products through its full-price and factory stores, as well as RalphLauren.com, its e-commerce website. The stores and website sell products purchased from the Company's licensees, suppliers and Wholesale segment. The Licensing segment generates revenues from royalties earned on the sale of the Company's apparel, home and other products internationally and domestically through licensing alliances. The licensing agreements grant the licensees rights to use the Company's various trademarks in connection with the manufacture and sale of designated products in specified geographical areas for specified periods.

The accounting policies of the Company's segments are consistent with those described in Note 3. Sales and transfers between segments generally are recorded at cost and treated as transfers of inventory. All intercompany revenues are eliminated in consolidation and are not reviewed when evaluating segment performance. Each segment's performance is evaluated based upon operating income before restructuring charges and certain one-time items, such as legal charges, if any. Corporate overhead expenses (exclusive of certain expenses for senior management, overall branding-related expenses and certain other corporate-related expenses) are allocated to the segments based upon specific usage or other allocation methods.

Net revenues and operating income for each segment are as follows:

Fiscal Years Ended		
March 29, 2008	March 31, 2007	April 1, 2006
(millions)		

Net revenues:

Wholesale	\$ 2,758.1	\$ 2,315.9	\$ 1,942.5
Retail	1,912.6	1,743.2	1,558.6
Licensing	209.4	236.3	245.2
Total net revenues	\$ 4,880.1	\$ 4,295.4	\$ 3,746.3

F-46

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006
Operating income:			
Wholesale	\$ 565.4	\$ 477.8	\$ 398.3
Retail	204.2	224.2	140.0
Licensing	96.7	141.6	153.5
	866.3	843.6	691.8
Less:			
Unallocated corporate expenses	(217.0)	(183.4)	(159.1)
Unallocated legal and restructuring charges ^(a)	4.1	(7.6)	(16.1)
Total operating income	\$ 653.4	\$ 652.6	\$ 516.6

^(a) Fiscal 2008 consists of the reversal of an excess reserve in the amount of \$4.1 million related to the Company's credit card matters (see Note 15 for further discussion). Restructuring charges of \$4.6 million for Fiscal 2007 and \$9.0 million for Fiscal 2006 are primarily related to the Retail segment (see Note 11 for further discussion).

Depreciation and amortization expense and capital expenditures for each segment are as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006
Depreciation and amortization:			
Wholesale	\$ 63.9	\$ 47.0	\$ 39.4
Retail	73.4	59.0	53.0
Licensing	19.7	4.4	5.2
Unallocated corporate expenses	44.3	34.3	29.4
Total depreciation and amortization	\$ 201.3	\$ 144.7	\$ 127.0

Fiscal Years Ended
March 29, March 31, April 1,

	2008	2007 (millions)	2006
Capital expenditures:			
Wholesale	\$ 46.0	\$ 44.6	\$ 28.7
Retail	116.1	83.1	87.8
Licensing	2.4	3.0	3.3
Corporate	52.6	53.3	38.8
Total capital expenditures	\$ 217.1	\$ 184.0	\$ 158.6

F-47

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Total assets for each segment are as follows:

	Fiscal Years Ended	
	March 29, 2008	March 31, 2007
	(millions)	
Total assets:		
Wholesale	\$ 2,434.2	\$ 1,756.0
Retail	1,084.9	1,084.7
Licensing	216.4	190.2
Corporate	630.0	727.1
Total assets	\$ 4,365.5	\$ 3,758.0

Net revenues and long-lived assets by geographic location of the reporting subsidiary are as follows:

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007	April 1, 2006
	(millions)		
Net revenues:			
United States and Canada	\$ 3,653.1	\$ 3,452.2	\$ 3,032.3
Europe	944.7	767.9	627.7
Japan	272.4	64.6	44.3
Other regions	9.9	10.7	42.0
Total net revenues	\$ 4,880.1	\$ 4,295.4	\$ 3,746.3

	Fiscal Years Ended	
	March 29, 2008	March 31, 2007
	(millions)	
Long-lived assets:		
United States and Canada	\$ 517.1	\$ 474.5
Europe	131.1	107.5
Japan	57.3	43.9

Other regions	4.4	3.9
Total long-lived assets	\$ 709.9	\$ 629.8

21. Related Party Transactions

In the ordinary course of conducting its business, the Company periodically enters into transactions with other entities or people that are considered related parties.

Prior to the Japanese Business Acquisitions that occurred in May 2007, the Company received royalty payments pursuant to a licensing agreement with Impact 21 that allowed Impact 21 to sell high quality apparel and related merchandise in Japan using certain of the Company's trademarks. The Company had an approximately 20% interest in Impact 21, which was accounted for under the equity method of accounting. Royalty payments received under this arrangement were approximately \$34 million in Fiscal 2007 and approximately \$34 million in Fiscal 2006. See Note 5 for further discussion of the Company's Japanese Business Acquisitions.

In addition, Mr. Ralph Lauren, the Company's Chairman and Chief Executive Officer, sometimes uses the services of certain employees of the Company for non-Company related purposes. Mr. Lauren reimburses the Company for the direct expenses incurred in connection with those services, including an allocation of such

Table of Contents**POLO RALPH LAUREN CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

employees' salaries and benefits. Such aggregate costs and related reimbursements were less than \$1 million in each of the three fiscal years presented.

22. Additional Financial Information***Cash Interest and Taxes***

	Fiscal Years Ended		
	March 29, 2008	March 31, 2007 (millions)	April 1, 2006
Cash paid for interest	\$ 22.9	\$ 20.9	\$ 10.1
Cash paid for income taxes	\$ 248.8	\$ 244.6	\$ 165.1

Non-cash Transactions

Significant non-cash investing activities included the capitalization of fixed assets and recognition of related obligations in the net amount of \$39.8 million for Fiscal 2008 and \$45.2 million for Fiscal 2007. Significant non-cash investing activities also included the non-cash allocation of the fair value of the net assets acquired in connection with the Japanese Business Acquisitions and the Small Leathergoods Business Acquisition in Fiscal 2008, the RL Media Minority Interest Acquisition in Fiscal 2007 and the acquisitions of the Polo Jeans and Footwear Businesses in Fiscal 2006. See Note 5 for further discussion of the Company's acquisitions.

Significant non-cash financing activities included the repurchase of 0.4 million shares of Class A common stock at a cost of \$24.0 million that was traded prior to the end of Fiscal 2008 for which settlement occurred in April 2008. In addition, as a result of the adoption of FIN 48, the Company recognized a non-cash reduction in retained earnings of \$62.5 million as the cumulative effect to adjust its net liability for unrecognized tax benefits as of April 1, 2007. See Note 12 for further discussion of the Company's adoption of FIN 48.

There were no other significant non-cash investing or financing activities for the three fiscal years presented.

Licensing-related Transactions***Eyewear Licensing Agreement***

In February 2006, the Company announced that it had entered into a ten-year exclusive licensing agreement with Luxottica Group, S.p.A. and affiliates ("Luxottica") for the design, production, sale and distribution of prescription frames and sunglasses under the *Polo Ralph Lauren* brand (the "Eyewear Licensing Agreement").

The Eyewear Licensing Agreement took effect on January 1, 2007 after the Company's pre-existing licensing agreement with another licensee expired. In early January, the Company received a prepayment of approximately \$180 million, net of certain tax withholdings, in consideration of the annual minimum royalty and design-services fees to be earned over the life of the contract. The prepayment is non-refundable, except with respect to certain breaches of the agreement by the Company, in which case only the unearned portion of the prepayment as determined based on the specific terms of the agreement would be required to be repaid. The prepayment was recorded by the Company as deferred income and is being recognized in earnings as earned in accordance with the terms of the agreement based upon the higher of (a) contractually guaranteed minimum royalty levels or (b) estimates of sales and royalty data received from the licensee.

Underwear Licensing Agreement

The Company licensed the right to manufacture and sell Chaps-branded underwear under a long-term license agreement, which was scheduled to expire in December 2009. During Fiscal 2007, the Company and the licensee agreed to terminate the licensing and related design-services agreements. In connection with this agreement, the Company received a portion of the minimum royalty and design-service fees due to it under the underlying agreements on an accelerated basis. The approximate \$8 million of proceeds received by the Company has been recognized as licensing revenue in the consolidated financial statements for Fiscal 2007.

Table of Contents

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Polo Ralph Lauren Corporation is responsible for the preparation, objectivity and integrity of the consolidated financial statements and other information contained in this Annual Report. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and include some amounts that are based on management's informed judgments and best estimates.

Deloitte & Touche LLP, an independent registered public accounting firm, has audited these consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) and have expressed herein their unqualified opinion on those financial statements.

The Audit Committee of the Board of Directors, which oversees all of the Company's financial reporting process on behalf of the Board of Directors, consists solely of independent directors, meets with the independent registered accountants, internal auditors and management periodically to review their respective activities and the discharge of their respective responsibilities. Both the independent registered public accountants and the internal auditors have unrestricted access to the Audit Committee, with or without management, to discuss the scope and results of their audits and any recommendations regarding the system of internal controls.

May 28, 2008

/S/ RALPH LAUREN

Ralph Lauren
Chairman and Chief Executive Officer

/S/ TRACEY T. TRAVIS

Tracey T. Travis
Senior Vice President and Chief Financial Officer

F-50

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
Polo Ralph Lauren Corporation
New York, New York**

We have audited the accompanying consolidated balance sheets of Polo Ralph Lauren Corporation and subsidiaries (the Company) as of March 29, 2008 and March 31, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three fiscal years in the period ended March 29, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of March 29, 2008 and March 31, 2007, and the results of its operations and its cash flows for each of the three fiscal years in the period ended March 29, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the notes to consolidated financial statements, the Company adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, effective April 1, 2007. Also, as discussed in Note 4 to the notes to consolidated financial statements, the Company elected application of Staff Accounting Bulletin No. 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, effective April 2, 2006. As discussed in Note 3 to the notes to consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 123(R), Share-Based Payment, effective April 2, 2006.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of March 29, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated May 28, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP

New York, New York
May 28, 2008

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

**To the Board of Directors and Stockholders of
Polo Ralph Lauren Corporation
New York, New York**

We have audited the internal control over financial reporting of Polo Ralph Lauren Corporation and subsidiaries (the Company) as of March 29, 2008, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. As described in Management's Report of Internal Control Over Financial Reporting, management excluded from its assessment the internal control over financial reporting at Impact 21, which was acquired on May 29, 2007, and whose financial statements constitute 14.2% of total consolidated assets, 5.2% of total consolidated revenues, and 4.6% of total consolidated operating income of the consolidated financial statement amounts as of and for the year ended March 29, 2008. Accordingly, our audit did not include the internal control over financial reporting at Impact 21. The Company'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, included in the accompanying Management's Report of Internal Control Over Financial Reporting. Our responsibility is to express an opinion on 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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, 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 by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the 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, the Company maintained, in all material respects, effective internal control over financial reporting as of March 29, 2008, based on the criteria established in *Internal Control – Integrated Framework* issued by the

Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended March 29, 2008, of the Company and our report dated May 28, 2008, expressed an unqualified opinion on those financial statements and includes an explanatory paragraph relating to the Company's adoption of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, effective April 1, 2007.

/s/ DELOITTE & TOUCHE LLP

New York, New York
May 28, 2008

F-52

Table of Contents**POLO RALPH LAUREN CORPORATION****SELECTED FINANCIAL INFORMATION**

The following table sets forth selected historical financial information as of the dates and for the periods indicated.

The consolidated statement of operations data for each of the three fiscal years in the period ended March 29, 2008 as well as the consolidated balance sheet data as of March 29, 2008 and March 31, 2007 has been derived from, and should be read in conjunction with, the audited financial statements and other financial information presented elsewhere herein. The consolidated statement of operations data for each of the two fiscal years in the period ended April 2, 2005 and the consolidated balance sheet data at April 1, 2006, April 2, 2005 and April 3, 2004 has been derived from audited financial statements not included herein. Capitalized terms are as defined and described in the consolidated financial statements or elsewhere herein. The historical results are not necessarily indicative of the results to be expected in any future period.

The selected financial information for the fiscal year ended March 29, 2008 reflects the acquisition of the Small Leathergoods Business effective in April 2007, the Japanese Business Acquisitions effective in May 2007, and the adoption of FIN 48. The selected financial information for the fiscal year ended March 31, 2007 reflects the acquisition of the remaining 50% equity interest of RL Media effective in March 2007 and the adoption of FAS 123R. The selected financial information for the fiscal year ended April 1, 2006 reflects the acquisition of the Polo Jeans Business effective in February 2006 and the acquisition of the Footwear Business effective in July 2005. The selected financial information for the fiscal year ended April 2, 2005 reflects the acquisition of the Childrenswear Business effective in July 2004. The selected financial information reflects the consolidation of RL Media effective as of the end of Fiscal 2004^(a).

	Fiscal Years Ended				
	March 29, 2008	March 31, 2007	April 1, 2006	April 2, 2005	April 3, 2004 ^(b)
	(millions, except per share data)				
Statement of Operations Data:					
Net revenues:					
Net sales	\$ 4,670.7	\$ 4,059.1	\$ 3,501.1	\$ 3,060.7	\$ 2,380.9
Licensing revenues	209.4	236.3	245.2	244.7	268.8
Net revenues	4,880.1	4,295.4	3,746.3	3,305.4	2,649.7
Gross profit	2,638.1	2,336.2	2,022.4	1,684.5	1,323.3
Depreciation and amortization expense	(201.3)	(144.7)	(127.0)	(102.1)	(85.6)
Restructuring charges		(4.6)	(9.0)	(2.3)	(19.6)
Operating income ^(c)	653.4	652.6	516.6	299.7	270.9
Interest income/(expense), net	(1.0)	4.5	1.2	(6.4)	(10.0)
Net income	\$ 419.8	\$ 400.9	\$ 308.0	\$ 190.4	\$ 169.2
Net income per common share:					
Basic	\$ 4.10	\$ 3.84	\$ 2.96	\$ 1.88	\$ 1.71
Diluted	\$ 3.99	\$ 3.73	\$ 2.87	\$ 1.83	\$ 1.68
Average common shares:					
Basic	102.3	104.4	104.2	101.5	99.0

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Diluted		105.2		107.6		107.2		104.1		101.0
Dividends declared per common share	\$	0.20	\$	0.20	\$	0.20	\$	0.20	\$	0.20

- (a) The Company's operating results for Fiscal 2008, Fiscal 2007 and Fiscal 2006 include the operating results of RL Media for the twelve-month periods ended March 29, 2008, March 31, 2007 and April 1, 2006, respectively, whereas Fiscal 2005 and Fiscal 2004 include the operating results of RL Media for the twelve-month period ended December 31, 2004 and December 31, 2003, respectively.
- (b) Fiscal year consists of 53 weeks.
- (c) Operating income included a reversal of an excess reserve in the amount of approximately \$4 million related to credit card matters in the fiscal year ended March 29, 2008, and litigation and credit card contingency-related charges of approximately \$3 million in the fiscal year ended March 31, 2007, \$7 million in the fiscal year ended April 1, 2006 and \$106 million in the fiscal year ended April 2, 2005. Impairment charges related to retail assets reduced operating income by approximately \$5 million in the fiscal year ended March 29, 2008 and \$11 million in the fiscal year ended April 1, 2006.

F-53

Table of Contents**POLO RALPH LAUREN CORPORATION SELECTED FINANCIAL INFORMATION (Continued)**

	Fiscal Years Ended				
	March 29, 2008	March 31, 2007	April 1, 2006 (millions)	April 2, 2005	April 3, 2004
Balance Sheet Data:					
Cash and cash equivalents	\$ 551.5	\$ 563.9	\$ 285.7	\$ 350.5	\$ 352.3
Working capital	984.9	1,045.6	535.0	791.4	782.0
Total assets	4,365.5	3,758.0	3,088.7	2,726.7	2,297.6
Total debt (including current maturities of debt)	679.2	398.8	280.4	291.0	277.3
Stockholders' equity	2,389.7	2,334.9	2,049.6	1,675.7	1,415.4

F-54

Table of Contents**POLO RALPH LAUREN CORPORATION****QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

The following table sets forth the quarterly financial information of the Company:

Fiscal 2008	June 30, 2007	Quarterly Periods Ended			March 29, 2008
		September 29, 2007	December 29, 2007		
		(millions, except per share data)			
Net revenues	\$ 1,070.3	\$ 1,299.1	\$ 1,269.8	\$ 1,240.9	
Gross profit	592.0	695.2	676.5	674.4	
Net income	88.3	115.3	112.7	103.5	
Net income per common share:					
Basic	\$ 0.85	\$ 1.12	\$ 1.11	\$ 1.03	
Diluted	\$ 0.82	\$ 1.09	\$ 1.08	\$ 1.00	
Dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	

Fiscal 2007	July 1, 2006	Quarterly Periods Ended			March 31, 2007
		September 30, 2006	December 30, 2006		
		(millions, except per share data)			
Net revenues	\$ 953.6	\$ 1,166.8	\$ 1,143.7	\$ 1,031.3	
Gross profit	531.5	632.6	614.0	558.1	
Net income	80.2	137.0	110.5	73.2	
Net income per common share:					
Basic	\$ 0.76	\$ 1.31	\$ 1.06	\$ 0.70	
Diluted	\$ 0.74	\$ 1.28	\$ 1.03	\$ 0.68	
Dividends declared per common share	\$ 0.05	\$ 0.05	\$ 0.05	\$ 0.05	

F-55