CHILDRENS PLACE RETAIL STORES INC
Form 10-K/A
June 14, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 1)

(Mark One)

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

For the fifty-two weeks ended January 29, 2005

o	**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 0-23071

THE CHILDREN S PLACE RETAIL STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**31-1241495** (I.R.S. employer identification number)
915 Secaucus Road **Secaucus, New Jersey** (Address of Principal Executive Offices)	**07094** (Zip Code)

(201) 558-2400

(Registrant s Telephone Number, Including Area Code)

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

Securities registered pursuant to Section 12(g) of the Act: **Common Stock.**

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

Yes ý No o

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes ý No o

The aggregate market value of common stock held by non-affiliates was $353,551,056 at the close of business on July 31, 2004 (the last business day of the registrant s most recently completed second fiscal quarter) based on the closing price of the common stock as reported on the Nasdaq Stock Market.

Indicate the number of shares outstanding of each of the registrant s classes of common stock, as of the latest practicable date: Common Stock, par value $0.10 per share, outstanding at April 1, 2005: 27,411,078 shares.

Documents Incorporated by Reference: Portions of the Company s Proxy Statement for its annual meeting of stockholders to be held on June 23, 2005, are incorporated partially in Part III hereof.

EXPLANATORY NOTE:

The Children s Place Retail Stores, Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A to amend its Form 10-K for the fifty-two weeks ended January 29, 2005, filed with the Securities and Exchange Commission on April 14, 2005 (the Original Filing) to: (i) to revise Items 7, 9A, and 15(a)(1) to reflect the restatement of the balance sheet and statements of cash flows to correct the classification of certain investments which were previously classified as cash and cash equivalents, (ii) to revise Item 15 to reflect the restatement of minimum annual lease payments, (iii) to revise Items 7 and 15 to reflect the new adoption date of Statement of Financial Accounting Standards No 123(R), Accounting for Stock-based Compensation, (iv) to revise the opinion of our independent auditors regarding our internal control over financial reporting set forth in Item 9A to include a reference to the updated audit opinion included in Item 15(a)(i), and (iv) to replace certain Exhibits in Item 15(a)(3) due to the restatements described above.

Except for the amendments described above, this Amendment No. 1 on Form 10-K/A does not modify or update in any way the Original Filing.]

THE CHILDREN S PLACE RETAIL STORES, INC.

AMENDMENT NO. 1

ANNUAL REPORT ON FORM 10-K
FOR THE FIFTY-TWO WEEKS ENDED JANUARY 29, 2005
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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with our audited financial statements and notes thereto included in Item 15. The following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in Risk Factors.

The accompanying consolidated financial statements have been restated as described under the sub-headings, Investments, and Minimum Lease Commitments in Note 4 Financial Restatements and the following discussion has been revised to reflect the effects of the restatements.

Overview

The Children s Place Retail Stores, Inc. and subsidiaries (the Company) is a specialty retailer of merchandise for children from newborn to ten years of age. The Company designs, contracts to manufacture and sells high-quality, value priced apparel and accessories and other children s-oriented merchandise under two brands and store concepts The Children s Place and Disney Store. As of April 1, 2005, we operated 752 The Children s Place stores in the United States, Canada and Puerto Rico and 306 Disney Stores in the United States and Canada. In addition, we currently operate an Internet store at www.childrensplace.com and in October 2005, we will operate an Internet store at www.disneystore.com.

In November 2004, the Company acquired the Disney Store retail chain in North America, consisting of 313 stores located in the United States and Canada and an Internet Store (the DSNA Business). This acquisition provided us with a strong brand through which we can serve our target customer, thus increasing our overall revenue and profitability opportunities. We believe those financial opportunities can be realized through the application of our sourcing and manufacturing strategies, merchandising expertise, everyday value pricing strategy, store design experience and leveraging our infrastructure across a larger sales base.

During fiscal 2004, as a result of the execution of our strategic initiatives and the acquisition of the DSNA Business, the Company achieved strong financial results. Net sales in fiscal 2004 increased 45% to $1.158 billion, compared to net sales of $797.9 million reported in fiscal 2003. Our net sales included $163.4 million from the ten weeks we operated the Disney Stores. During fiscal 2004, net sales from our The Children s Place business increased $196.2 million, which represented a 25% increase over fiscal 2003. During fiscal 2004, we reported a comparable store sales increase of 16% compared to a 4% increase in fiscal 2003. Correspondingly, we believe our market share in children s apparel increased to 3.2% from 2.6% in fiscal 2003. Net income in fiscal 2004 was $43.3 million, or $1.57 per diluted share, compared to net income of $22.9 million, or $0.85 per diluted share in fiscal 2003.

Our fiscal 2004 strategies of providing our The Children s Place customers with a clear and focused product assortment, improved garment quality and everyday value pricing, as well as a greater depth of inventory ownership to ensure better in-stock position have contributed significantly to our financial performance in fiscal 2004. During fiscal 2005, we plan to build on our progress at The Children s Place stores by continuing to focus on increasing store productivity and on elevating our brand awareness through external advertising. We plan to open approximately 60 The Children s Place stores in fiscal 2005, 38 in the United States, 15 in Canada and seven in Puerto Rico.

Given the timing of the acquisition of the DSNA Business immediately in advance of the all-important holiday season, we did not want to disrupt core business operations. Therefore, during the fourth quarter of fiscal 2004, we contracted with a Disney subsidiary for certain transition services such as financial, merchandising and logistics, and information technology. At the beginning of the first quarter of fiscal 2005, much of the administrative Disney Stores integration has been completed and we are no longer using Disney s transition services. We have migrated successfully the Disney Store business onto all of our information technology and financial systems, and we have integrated the Disney Stores onto our merchandising and logistics infrastructure. (For clarification, the DSNA Business refers to the business we acquired from Disney as of November 21, 2004, whereas the Disney Store business refers to the Disney Store business we have operated since the acquisition.) To

distinguish between our two businesses and to stay target-market focused, we maintain separate design, merchandising, marketing and store operations functions in our California office to support the Disney Stores. Our corporate offices in New Jersey will provide administrative, financial, human resources and information technology services to both businesses.

For our Disney Store business, our focus will be on improving gross margin through reduced product sourcing costs, while providing improved merchandise quality at lower retail prices to our customer. Due to the long lead time of our merchandise purchases, we will begin to impact our gross margin commencing in the back-to-school season. During fiscal 2005, subject to approval of Disney, we plan to remodel between 30 and 35 Disney Stores to a new Mickey store prototype we have developed, which we believe will enhance the customers shopping experience. We also plan to open approximately 10 new Disney Stores in fiscal 2005, including approximately six outlet stores.

During the nine-week period ended April 2, 2005, we reported total sales of $261.5 million, a 66% increase compared to sales of $157.1 million during the nine-week period ended April 3, 2004. Sales for the nine-week period include $198.4 million from The Children s Place and $63.1 million from the Disney Stores. Our comparable store sales increased by 15% during the nine weeks ended April 2, 2005, compared to a 20% increase in comparable store sales during the corresponding nine-week period last year. The Disney Stores will not be included in the comparable store sales base until February 2006, when we expect approximately 270 Disney Stores to be added. We define comparable store sales as net sales from stores that have been open for more than 14 months and have not been substantially remodeled during that time. Consequently, as we embark on the store remodel program for the Disney Stores, the 30 to 35 store remodels planned for fiscal 2005, and future remodels, will be excluded from the comparable store sales base.

Financial Restatements

Lease-Related Accounting

In light of a recent SEC clarification on lease accounting, we re-evaluated our lease accounting policies and have corrected the way we account for our leases, specifically the accounting for operating leases with scheduled rent increases and landlord construction allowances.

Under the requirements of FASB Technical Bulletin 85-3, Accounting for Operating Leases with Scheduled Rent Increases, rent expense is required to be recognized on a straight-line basis over the lease term. In prior periods, we had incorrectly determined that the term of the lease begins on the commencement date of the lease, which generally coincides with the store opening date. We have corrected this policy to properly commence the lease for accounting purposes when we take physical possession of the property to begin construction. This correction has the effect of including the construction period in the determination of the period over which rent is calculated. We continue to capitalize occupancy costs incurred prior to the commencement of store pre-opening activities. These capitalized costs are amortized over the remaining lease term. The net effect of this correction was to increase depreciation expense with a corresponding decrease to rent expense and to increase the amount of deferred rent liabilities with a corresponding increase in leasehold improvements. We have corrected our prior years consolidated financial statements to properly account for these lease-related issues.

In addition, under FASB Technical Bulletin 88-1, Issues Relating to Accounting for Leases, lease incentives such as landlord construction allowances received to defray construction costs incurred by us should be reflected as a deferred lease incentive, amortized over the lease term and reflected as a reduction to rent expense. We had previously incorrectly classified landlord construction allowances as a reduction to property and equipment instead of as a deferred lease incentive. In fiscal 2004, we have corrected our accounting policy to treat landlord construction allowances as deferred lease incentives. We have restated our prior years consolidated financial statements to properly account for landlord construction allowances.

The primary impact of the restatement was to reclassify, and in some instances increase or decrease, certain expenses on the consolidated statements of income. In addition, property and equipment and other long term assets were increased, with corresponding increases in deferred rent liabilities. While the correction of the errors did not change total cash position, changes in classification were made in the consolidated statements of cash flows. Cash flows provided from operating activities increased with a corresponding increase in cash flows used in investing activities.

In fiscal 2003 and fiscal 2002, cost of sales was reduced by $8.7 million and $7.1 million, respectively. Conversely, depreciation expense was increased by $8.7 million in fiscal 2003 and $7.2 million in fiscal 2002. In addition, the asset impairment charge in fiscal 2002 increased by $1.4 million. Net income for fiscal 2003 and fiscal 2002 is now $22.9 million, or diluted net income per share of $0.85, and $8.1 million, or diluted net income per share of $0.30, respectively.

In addition to the changes in net income, restated net property and equipment, total assets and total liabilities as of January 31, 2004 were $211.5 million, $426.2 million and $170.1 million, respectively.

While the correction of the lease accounting errors did not change our total cash position, classification of landlord construction allowances received in the consolidated statements of cash flows changed from cash flows used in investing activities to cash flows provided by operating activities. For fiscal 2003 and fiscal 2002, cash flows provided by operating activities increased by approximately $11.7 million and $20.7 million, respectively, with offsetting increases in cash flows used in investing activities. In addition, cash flows used by investing activities were also impacted by the restatement of investments, as described below.

Investments

Under the requirements of Statement of Financial Accounting Standard (SFAS) No. 95, Statement of Cash Flows, as amended, cash equivalents are short-term, highly liquid investments that are readily convertible to cash and have original maturities of less than three months. Historically, we recorded auction rate securities as cash equivalents. However, these securities do not meet the definition of cash equivalents due to their longer ultimate contractual maturities and pricing reset feature. Accordingly, subsequent to the initial issuance of our consolidated financial statements for the year ended January 29, 2005, we determined to restate prior period information to correct the classification of auction rate securities from cash equivalents to investments. Auction rate securities were held in an interim period in fiscal 2004 and at year end during fiscal 2003. We did not invest in auction rate securities in fiscal 2002. Auction rate securities are securities earning income at a rate that is periodically reset, typically within 35 days. These securities are classified as available-for-sale securities under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, these investments are recorded at fair value, with any unrealized gains and losses included as a separate component of stockholders equity, net of tax. Realized gains and losses and investment income are included in earnings.

There was no impact on any income statement items, including earnings per share; total current assets or current liabilities; total assets or liabilities; stockholders equity; debt covenants or liquidity; or cash flow from operating activities or cash flows from financing activities as a result of this restatement. For fiscal 2004, cash used by investing activities decreased $22.3 million as a result of the net sale of auction rate securities. For fiscal 2003, cash used by investing activities increased $22.3 million as a result of the net purchase of auction rate securities.

Minimum Lease Commitments

Subsequent to the initial issuance of our consolidated financial statements for the year ended January 29, 2005, we determined that the table summarizing our future minimum lease commitments in Note 8 to the consolidated financial statements in our Annual Report on Form 10-K for the year ended January 29, 2005, contained computational errors relating to two store leases that were entered into as of January 29, 2005 for stores scheduled for opening during fiscal 2005, resulting in an overstatement of our minimum annual lease payments of approximately $49.0 million over the lease term shown in the table The restatement to correct this error had no impact on the consolidated statements of income, balance sheets, stockholders equity or statements of cash flow.

Critical Accounting Policies

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States (US GAAP) requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported revenues and expenses during the reported period. Actual results could differ from our estimates. The accounting policies that we believe are the most critical to aid in fully understanding and evaluating reported financial results include the following:

Revenue Recognition Sales are recognized upon purchase by customers at our retail stores or when received by the customer if the product was purchased via the Internet, net of coupon redemptions and anticipated sales returns. Actual sales return rates have historically been within our expectations and the allowance established. However, in the event that the actual rate of sales returns by customers increased significantly, our operational results could be adversely affected. Our net sales include the 7% commission we receive from a Disney subsidiary on the sale of Walt Disney World® Resort and Disneyland® Resort tickets.

Our policy with respect to gift cards is to record revenue as the gift cards are redeemed for merchandise. For The Children s Place, prior to their redemption, unredeemed gift cards are recorded as a liability, included within accrued expenses and other current liabilities. We have not reduced our gift card liabilities for gift cards that are not expected to be redeemed. For Disney Store, we act as an agent on behalf of Disney for gift cards sold to customers. Therefore, we do not record a customer gift card liability for the Disney Store. However, we recognize a trade payable to Disney for the net purchases and redemptions of Disney gift cards.

We offer a private label credit card to our Children s Place customers that provides a discount on future purchases once a minimum annual purchase threshold has been exceeded. We estimate the future discounts to be provided based on prior year history, the number of customers who have earned or are likely to earn the discount and current year sales trends on the private label credit card. We defer a proportionate amount of revenue from customers based on an estimated value of future discounts. We recognize such deferred revenue as future discounts are taken on sales above the minimum. This is done by utilizing estimates based upon sales trends and the number of customers who have earned the discount privilege. All deferred revenue is recognized by the end of the fiscal year, as our private label customers must earn the discount privilege on an annual basis, and such privilege expires prior to our fiscal year end.

Inventory Valuation Merchandise inventories are stated at the lower of average cost or market, using the retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio by merchandise department to the retail value of inventories. At any one time, inventories include items that have been marked down to our best estimate of their fair market value. We base our decision to mark down merchandise upon its current rate of sale, the season, and the age and sell-through of the item. To the extent that our markdown estimates are not adequate, additional markdowns may have to be recorded, which could reduce our gross margins and operating results. Our success is largely dependent upon our ability to gauge the fashion taste of our customers, including the popularity and relevancy of the Disney characters, and to provide a well-balanced merchandise assortment that satisfies customer demand. Any inability to provide the proper quantity of appropriate merchandise in a timely manner could increase future markdown rates.

Accounting for Acquisitions The acquisition of the DSNA Business is being accounted for under the purchase method of accounting in accordance with Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141). As such, the Company has undertaken an analysis of the fair value of identified tangible and intangible assets acquired and liabilities assumed, and determined the preliminary excess of fair value of net assets acquired over cost. We utilized estimates to determine the fair value of inventory, acquired leases and certain acquisition costs. We will continue to monitor our estimates of the fair value of the assets acquired and the liabilities assumed, and while not anticipated, we may adjust these amounts during fiscal 2005. We believe that any changes to these amounts will not have a material impact on our financial condition or results of operation.

Accounting for Royalties In exchange for the right to use certain Disney intellectual property, we are required to pay a Disney subsidiary royalty payments pursuant to a License and Conduct of Business Agreement (the License Agreement). Minimum royalty commitments are recorded on a straight-line basis over the life of the initial 15 year term of the License Agreement. During each period, amounts due in excess of the minimum royalty commitment are recorded as an expense if we expect to surpass the minimum royalty commitment on an annual basis, even if the contingency threshold has not been surpassed in that particular period.

We were granted a royalty holiday for all stores for two years. In addition, depending on the specific store location, certain stores have an extension of the royalty holiday for up to eight years. The actual value of the royalty holiday is not determinable until the completion of the royalty holiday period, and may differ materially from our current estimate. Changes in the estimates for the royalty holiday are adjusted on a periodic basis. The amortization of the estimated value of the royalty holiday is recognized on a straight-line basis as a reduction of royalty expense over the term of the License Agreement. Royalty expense, and the associated amortization of the royalty holiday, is

recorded in selling, general and administrative expenses.

The royalty percentage does not increase over the initial 15 year term of the License Agreement, except for royalties on Internet Sales. In the first year, the Internet royalty is 5%, and 9%, and in certain instances, 10%, thereafter. We expect the effective net royalty expense to range from 4.3% to 5.0% of net sales of the Disney Store business.

Rent Expense and Deferred Rent Rent expense and rent incentives, including landlord construction allowances, are recognized on a straight-line basis over the lease term, beginning on the date of physical possession. The Company records rent expense and rent incentives as a component of cost of sales. The unamortized portion of deferred rent is included in accrued expenses and deferred rent liabilities. Rent incurred during construction, prior to commencement of store pre-opening activities, is capitalized and then amortized starting over the remaining lease term. Unamortized pre-opening rent is included in leasehold improvements.

Impairment of Assets We continually evaluate each store s performance and measure the carrying value of each location s fixed assets, principally leasehold improvements and fixtures, versus its projected cash flows. An impairment loss is recorded if the projected future cash flows are insufficient to recapture the net book value of their assets. To the extent our estimates of future cash flows are incorrect, additional impairment charges may be recorded in future periods.

Litigation We reserve litigation settlements when we can determine the probability of outcome and can estimate costs. Estimates are adjusted as facts and circumstances require. We are involved in various legal proceedings arising in the normal course of our business. In our opinion, any ultimate liability arising out of such proceedings will not have a material adverse effect on our future business.

Stock Options We record no compensation expense on our financial statements for stock-based compensation, since we grant stock options at prices that equal or exceed the fair market value of our common stock at the date of the grant. Effective in fiscal 2006, we will be required to recognize compensation expense in an amount equal to the fair value of the stock-based compensation granted to employees. We are currently assessing the full impact of the new accounting rules related to stock-based compensation on our future results of operations and financial position. Regardless, the additional expense required to be recognized by the new accounting rules will negatively impact net income. In addition, increases to our stock price would result in more diluted shares outstanding and reduce our diluted net income per common share.

Results of Operations

The following table sets forth, for the periods indicated, selected income statement data expressed as a percentage of net sales:

	Fiscal Year Ended		
	January 29, 2005	**January 31, 2004**	**February 1, 2003**
Net sales	100.0%	100.0%	100.0%
Cost of sales	61.0	59.8	61.9
Gross profit	39.0	40.2	38.1
Selling, general and administrative expenses	28.5	29.5	29.0
Asset impairment charges			0.7
Depreciation and amortization	4.5	6.1	6.4
Operating income	6.0	4.6	2.0
Interest expense (income), net			(0.1)
Income before income taxes and extraordinary gain	6.0	4.6	2.1
Provision for income taxes	2.3	1.7	0.9
Income before extraordinary gain	3.7	2.9	1.2
Extraordinary gain, net of taxes		0	0
Net income	3.7%	2.9%	1.2%
Number of stores, end of period	1,056	691	643

Year Ended January 29, 2005 Compared to Year Ended January 31, 2004

Net sales increased by $359.6 million, or 45%, to $1.158 billion during fiscal 2004 from $797.9 million during fiscal 2003. Net sales include $163.4 million from the ten weeks we operated the Disney Stores since their acquisition on November 21, 2004. Net sales from our The Children s Place business increased $196.2 million, or 25% during fiscal 2004. Comparable store sales increased 16% and contributed $116.8 million of our net sales increase during fiscal 2004. During fiscal 2004, our comparable store sales increase was primarily the result of a 13% increase in the number of comparable store sales transactions and a 2% increase in our average dollar transaction size. Comparable store sales increased 4% during fiscal 2003. Net sales for our new stores as well as other stores that did not qualify as comparable stores increased our net sales by $79.4 million.

During fiscal 2004, we opened 62 The Children s Place stores, 43 in the United States, 13 in Canada and six in Puerto Rico. In addition, we closed three The Children s Place stores and seven Disney Stores in fiscal 2004.

During fiscal 2004, we achieved double-digit comparable store sales increases across all our geographical regions, departments and store types in The Children s Place business. Our West and Southwest regions reported the strongest comparable store sales increases. By department, our accessories and boys departments achieved the highest comparable store sales increases. We are unable to predict if our current sales trends will continue.

Gross profit increased $130.9 million to $451.9 million during fiscal 2004 from $321.0 million during fiscal 2003. As a percentage of net sales, gross profit decreased to 39.0% during fiscal 2004 from 40.2% during fiscal 2003. The decrease in gross profit, as a percentage of net sales, was principally due to lower merchandise margins and the impact of the fair value write-up of Disney Store inventory, partially offset by the leveraging of occupancy costs over a larger sales base. For The Children s Place business, as a percentage of net sales, our merchandise margins were 2.0% lower than last year due to a lower initial markup partially offset by lower markdowns. Our Disney Store business merchandise margins are lower than The Children s Place business; this unfavorably impacted gross margin by 1.4%, as a percentage of net sales. Overall, the Disney Store business has a lower initial markup than The Children s Place business. During fiscal 2005, we plan to apply our low-cost sourcing expertise to Disney Store. These plans have been initiated and will begin to impact operating results in the

second half of fiscal 2005. As mentioned above, gross profit during fiscal 2004 was unfavorably impacted by a $5.0 million charge, or 0.4% of net sales, for the write-up of the acquired Disney Store inventory sold during the ten weeks ended January 29, 2005 to its fair value from the value determined under the retail inventory method. Approximately $1.2 million in fair value inventory write-up remains on our balance sheet as of January 29, 2005, which we expect will be charged to cost of sales during the first quarter of fiscal 2005. The remaining unfavorable gross margin variance, as a percentage of net sales, resulted primarily from higher distribution and buying expenses. During fiscal 2004, occupancy costs, as a percentage of net sales, decreased 3.0% as a result of our comparable store sales increase and larger sales base.

Selling, general and administrative expenses increased $94.5 million to $329.9 million during fiscal 2004 from $235.4 million during fiscal 2003. Selling, general and administrative expenses were 28.5% of net sales during fiscal 2004 as compared to 29.5% of net sales during fiscal 2003. As a percentage of net sales, selling, general and administrative expenses decreased due to lower store payroll and the leveraging of store expenses, partially offset by Disney Store royalty expense and transition services associated with the acquisition of the Disney Stores. Due to our strong comparable store sales performance during fiscal 2004, our store payroll expenses were 1.4% lower, as a percentage of net sales, than fiscal 2003. Disney Store royalty expense and transition costs represented approximately 1.0% of net sales during fiscal 2004. The remainder of our favorable selling, general and administrative expenses, as a percentage of net sales, resulted primarily from the leveraging of store expenses.

During fiscal 2004, we recorded a non-cash asset impairment charge of $0.2 million before taxes for the write-down of leasehold improvements and fixtures in one underperforming store. This compares to a write-down for $0.4 million before taxes incurred in fiscal 2003 related to one underperforming store. Impairment charges were recorded because the cash flow projections for these stores over their remaining lease terms were insufficient to recapture the net book value of their assets.

Depreciation and amortization amounted to $51.8 million, or 4.5% of net sales, during fiscal 2004, as compared to $48.7 million, or 6.1% of net sales, during fiscal 2003. The decrease in depreciation and amortization, as a percentage of net sales, is the result of the leveraging of the expense over a larger sales base and the absence of depreciation and amortization for the DSNA Business. Consistent with US GAAP, since the fair value of assets acquired and liabilities assumed exceeded the amounts paid to acquire the DSNA Business, we recorded no basis in the property, plant and equipment we acquired with the DSNA Business, and therefore no depreciation was recorded.

Our provision for income taxes for fiscal 2004 was $26.9 million, as compared to a $13.8 million provision in fiscal 2003. The increase in our tax provision was primarily due to our increased profitability in fiscal 2004, as well as an increase in our effective tax rate. Our effective tax rate was 38.5% in fiscal 2004 as compared with an effective tax rate of 37.5% in fiscal 2003. Our effective tax rate in fiscal 2003 was favorably impacted by the reversal of a $1.6 million valuation allowance on a prior year loss incurred by our Canadian subsidiary. We anticipate that our effective tax rate will increase in fiscal 2005 to approximately 39%.

During fiscal 2004, we recorded a $0.3 million extraordinary gain, net of taxes. This extraordinary gain represents the fair value of assets acquired and liabilities assumed in excess of amounts paid to acquire the DSNA Business.

Due to the factors discussed above, net income in fiscal 2004 increased to $43.3 million from $22.9 million in fiscal 2003.

Year Ended January 31, 2004 Compared to Year Ended February 1, 2003

Net sales increased by $126.5 million or 19% to $797.9 million during fiscal 2003 from $671.4 million during fiscal 2002. During fiscal 2003, we opened 53 stores and closed 5 stores. Net sales for the 53 new stores opened, as well as other stores that did not qualify as comparable stores, contributed $105.0 million of our net sales increase. Our comparable store sales increased 4% and contributed $21.5 million of our net sales increase. Comparable store sales decreased 16% during fiscal 2002.

Our comparable store sales increase in fiscal 2003 reflected the impact of strategic initiatives we commenced in fiscal 2002 to improve our sales performance. These initiatives included a more focused product offering with a greater concentration of basic merchandise, as well as improved garment quality and the reduction of

our prices to an everyday value pricing strategy. During fiscal 2003, our comparable store sales increase was primarily the result of a 5% increase in the number of comparable store sales transactions, partially offset by a 1% decrease in our average dollar transaction size.

Gross profit increased by $65.2 million to $321.0 million during fiscal 2003 from $255.8 million during fiscal 2002. As a percentage of net sales, gross profit increased 2.1% to 40.2% during fiscal 2003 from 38.1% during fiscal 2002. During fiscal 2003, gross profit as a percentage of net sales increased primarily due to lower markdowns of 2.7% of net sales, partially offset by a lower initial markup of 1.2% of net sales due to our strategic decision to lower prices. The remainder of our favorable gross margin, as a percentage of net sales, was due to the leveraging of occupancy, production and design costs over a larger sales base.

Selling, general and administrative expenses increased $40.5 million to $235.4 million during fiscal 2003 from $194.9 million during fiscal 2002. Selling, general and administrative expenses represented 29.5% of net sales during fiscal 2003, as compared with 29.0% of net sales during fiscal 2002. The increase, as a percentage of net sales, was primarily due to higher marketing costs, higher store payroll and lower insurance proceeds, partially offset by lower pre-opening costs. During fiscal 2003, we increased our marketing efforts to promote brand awareness and to drive sales. As a result, marketing costs, as a percentage of net sales, increased 0.5%. Our store payroll increased 0.2%, as a percentage of net sales, because we increased our store payroll hours to provide more sales assistance to our customers. During fiscal 2003, insurance proceeds approximated $1.5 million, or 0.2% of net sales, resulting primarily from partial settlement of our claim from our World Trade Center store for business interruption and inventory losses. During fiscal 2002, we received insurance proceeds of approximately $2.9 million, or 0.4% of net sales, resulting primarily from a partial settlement of our claim from our World Trade Center store and a property damage claim from one of our distribution centers. During fiscal 2003, we recorded lower pre-opening costs of 0.4%, as a percentage of net sales, as a result of opening 53 new stores, as compared to 126 new stores opened during fiscal 2002.

During fiscal 2003, we recorded a non-cash asset impairment charge of $0.4 million before taxes for the writedown of leasehold improvements and fixtures in one underperforming store. This compares to a writedown of $4.5 million before taxes incurred in fiscal 2002 related to 19 underperforming stores. Impairment charges were recorded because the cash flow projections for these stores over their remaining lease terms were insufficient to recapture the net book value of their assets. During fiscal 2003, we closed five stores, of which three stores had been identified as impaired during fiscal 2002.

Depreciation and amortization amounted to $48.7 million, or 6.1% of net sales, during fiscal 2003 as compared to $42.9 million, or 6.4% of net sales, during fiscal 2002. The increase in depreciation and amortization primarily was a result of a larger store base. Depreciation and amortization decreased, as a percentage of net sales, as a result of the leveraging of the expense over a larger sales base.

Our provision for income taxes for fiscal 2003 was $13.8 million, as compared to a $5.9 million provision in fiscal 2002. The increase in our tax provision was primarily due to our increased profitability in fiscal 2003, partially offset by a decrease in our effective tax rate. Our effective tax rate was 37.5% in fiscal 2003 as compared with an effective tax rate of 42.0% in fiscal 2002. Our effective tax rate decreased in fiscal 2003 primarily as a result of the reversal of a $1.6 million valuation allowance on losses incurred by our Canadian subsidiary in fiscal 2002. We did not recognize a tax benefit for our Canadian losses in fiscal 2002 and established a valuation allowance.

Due to the factors discussed above, net income in fiscal 2003 increased to $22.9 million from $8.1 million in fiscal 2002.

Liquidity and Capital Resources

Acquisition of the DSNA Business

On November 22, 2004, effective as of November 21, 2004 (the Closing Date), we consummated the acquisition of the DSNA Business, pursuant to the terms of the Acquisition Agreement entered into on October 19, 2004 (the Acquisition Agreement), between two of our subsidiaries, as purchasers, and two subsidiaries of Disney, as sellers. Pursuant to the terms of the Acquisition Agreement, our subsidiaries acquired 100% of the outstanding equity interests in The Disney Store, LLC (TDS USA) and 100% of the outstanding shares of capital stock of The

Disney Store (Canada) Ltd. (TDS Canada) from the sellers. At the time of the acquisition, TDS USA and TDS Canada, which became our owned operating subsidiaries, hold a total of 313 Disney Stores, consisting of all existing Disney Stores in the United States and Canada, other than flagship stores and stores located at Disney theme parks and other Disney properties, along with certain other assets used in the Disney Store business, and all store lease and other legal obligations of TDS USA and TDS Canada remained the obligations of these operating subsidiaries.

In consideration for the transfer by the sellers to our subsidiaries of the equity interests in TDS USA and TDS Canada, an estimated working capital payment in the amount of $101.5 million became payable to the sellers in connection with the consummation of the acquisition. The amount of this working capital payment, which is subject to adjustment, primarily reflected the level of inventory at the Disney Stores for the 2004 holiday season as of November 21, 2004 as well as a reduction in accounts payable and accrued expenses prior to consummation of the acquisition. Of this amount, on November 22, 2004, $45.4 million was paid by The Children s Place Retail Stores, Inc. and $40.0 million was paid by TDS USA, as permitted by the Acquisition Agreement. Payment of the remaining $16.0 million was made by The Children s Place Retail Stores, Inc. on December 14, 2004.

Pursuant to a Guaranty and Commitment entered into in connection with the acquisition (the Guaranty and Commitment), we invested $50 million into our new subsidiary Hoop Retail Stores, LLC (Hoop USA), which merged with TDS USA following the acquisition, with Hoop USA surviving the merger. Hoop USA now operates the Disney Store business in the United States and indirectly owns the entire equity interest in the entity that operates the Disney Store business in Canada. Under the terms of the Guaranty and Commitment, we are obligated to invest up to an additional $50 million in Hoop USA, as necessary, from time to time in the future to enable Hoop USA and its Canadian operating subsidiary to comply with their obligations and operate the Disney Store business. Pursuant to the Guaranty and Commitment, we also agreed to guarantee the payment and performance by Hoop USA and its Canadian operating subsidiary and certain of their affiliates of their royalty payment and other obligations to Disney under the License Agreement, subject to a maximum guaranty liability of The Children s Place Retail Stores, Inc. of $25 million, plus expenses.

The License Agreement limits our ability to receive cash dividends or other distributions from the Hoop Operating Entities. The Hoop Operating Entities independent directors must approve payment of any dividends or other distributions to us, other than payments of: amounts due under the terms of tax sharing and intercompany services agreements; approximately $61.5 million to recoup the portion of the purchase price paid by the Company to Disney (limited to cumulative cash flows since the date of the acquisition); and certain other dividend payments, subject to satisfaction of certain additional operating conditions, and limited to 50% of cumulative cash flows up to $90 million, and 90% of cumulative cash flows thereafter.

We funded our capital commitment for the acquisition and our portion of the working capital payment partially through cash on hand and partially through short-term borrowings under our recently expanded credit facility pursuant to which Wells Fargo Retail Finance, LLC (Wells Fargo) serves as agent. TDS USA funded its $40.0 million portion of the working capital payment, and the issuance of $23.0 million of standby letters of credit to the sellers as required by the Acquisition Agreement (primarily for the purpose of backing up the sellers obligations for merchandise on order and freight services), by drawing upon their newly established credit facility.

Debt Service/Liquidity

Our working capital needs follow a seasonal pattern, peaking during the second and third quarters when inventory is purchased for the back-to-school and holiday selling seasons. Prior to the acquisition of the DSNA Business, our primary uses of cash were financing new store openings and providing for working capital, which principally represented the purchase of inventory. Also, we met our cash needs principally by using cash on hand, cash flows from operations and seasonal borrowings under our credit facilities. Since borrowings under the Amended Loan Agreement (as defined below) were used to partially fund the acquisition, we have had borrowings under that credit facility since the Closing

Date. We expect to continue to borrow under the Amended Loan Agreement for much of fiscal 2005. There were no borrowings under the Hoop Loan Agreement at the end of fiscal 2004, and we expect to use this facility only in support of letters of credit throughout fiscal 2005. We manage liquidity for The Children s Place and the Disney Stores separately, including cash receipts, disbursements and credit facilities. We expect to have no borrowings on the Disney Store credit facility and seasonal borrowings on The Children s Place credit facility during fiscal 2005.

Prior to October 30, 2004, we had a credit facility (the Original Wells Fargo Credit Facility) with Wells Fargo Retail Finance, LLC. The Original Wells Fargo Credit Facility provided for borrowings up to $85 million (including a sublimit for letters of credit of $80 million). The Original Wells Fargo Credit Facility also contained provisions to allow us to increase borrowings up to $120 million (including a sublimit for letters of credit of $100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that could be borrowed under the Original Wells Fargo Credit Facility depended on our levels of inventory and accounts receivable. Amounts outstanding under the facility bore interest at a floating rate equal to the prime rate or, at our option, a LIBOR rate plus a pre-determined spread. The LIBOR spread was 1.50% to 3.00%, depending on our level of availability from time to time. The Original Wells Fargo Credit Facility contained covenants, which included limitations on our annual capital expenditures, maintenance of certain levels of excess collateral and a prohibition on the payment of dividends. Credit extended under the Original Wells Fargo Credit Facility was secured by a first priority security interest in all our assets, except for our assets in Canada. The Original Wells Fargo Facility would have expired in April 2006 and provided for one-year renewal options.

As of October 30, 2004, we amended and restated our credit facility with Wells Fargo (the Amended Loan Agreement), partly in connection with our acquisition of the DSNA Business. The Amended Loan Agreement provides for borrowings up to $130 million (including a sublimit for letters of credit of $100 million) and extends the term of the facility until November 1, 2007 with successive one-year renewal options. The Amended Loan Agreement is secured by a first priority security interest in substantially all of our assets, other than assets in Canada and assets owned by our subsidiaries that were formed in connection with the acquisition of the DSNA Business. The amount that can be borrowed under the Amended Loan Agreement depends on our levels of inventory and accounts receivable relating to the Children s Place business. Amounts outstanding under the Amended Loan Agreement bear interest at a floating rate equal to the prime rate or, at our option, a LIBOR rate plus a pre-determined spread. The LIBOR spread will be 1.50% to 3.00%, depending on our level of availability from time to time. The Amended Loan Agreement also contains covenants, which include limitations on our annual capital expenditures, maintenance of certain levels of excess collateral and a prohibition on the payment of dividends.

As of January 29, 2005, there were $37.3 million in borrowings under the Amended Loan Agreement as compared to no borrowings under the Original Wells Fargo Credit Facility as of January 31, 2004. During fiscal 2004, prior to the DSNA Business acquisition in November 2004, our borrowings under the Original Wells Fargo Credit Facility represented overnight borrowings for letters of credit that cleared after business hours. Our maximum borrowings under the Amended Loan Agreement was $53.8 million on November 22, 2004 to satisfy a portion of our payment obligations in connection with the Disney Store acquisition. Availability under the Amended Loan Agreement as of January 29, 2005 was $15.3 million. Letters of credit outstanding under the Amended Loan Agreement as of January 29, 2005 were $42.2 million. Availability under the Original Wells Fargo Credit Facility was $51.1 million as of January 31, 2004. The interest rates charged under the Amended Loan Agreement were 5.25% per annum as of January 29, 2005. Interest rates charged under the Original Wells Fargo Credit Facility were 4.0% per annum as of January 31, 2004.

We were in compliance with all of the covenants, as amended, under the Amended Loan Agreement and the Hoop Loan Agreement as of January 29, 2005. Noncompliance with these covenants could result in additional fees, affect our ability to borrow or require us to repay the outstanding balance.

In connection with our acquisition of the DSNA Business, TDS USA and its successor Hoop USA and the subsidiaries of Hoop USA, as guarantors, entered into a Loan and Security Agreement (the Hoop Loan Agreement) dated as of November 21, 2004 with certain financial institutions and Wells Fargo, as administrative agent, establishing a senior secured credit facility for the DSNA Business. The Hoop Loan Agreement provides for borrowings up to $100 million (including a sublimit for letters of credit of $90 million), subject to the amount of eligible inventory and accounts receivable of Hoop USA from time to time. The term of the facility extends until November 21, 2007. Amounts outstanding under the Hoop Loan Agreement bear interest at a floating rate equal to the prime rate plus a pre-determined margin or, at Hoop USA s option, the LIBOR rate plus a pre-determined margin. The prime rate margin is 0.25% and the LIBOR margin is 2.0% or 2.25%, depending on Hoop USA s level of excess availability from time to time. The Hoop Loan Agreement contains various covenants, including limitations on indebtedness, maintenance of certain levels of excess collateral and restrictions on the payment of intercompany dividends and indebtedness. Credit extended under the Hoop Loan Agreement is secured by a first priority security interest in substantially all the assets of Hoop USA and Hoop Canada as well as a pledge of a portion of the equity interests in Hoop Canada. Borrowings and letters of credit under the Hoop Loan Agreement are used by Hoop USA and its subsidiary Hoop Canada for working capital purposes for the DSNA Business. We

borrowed $40.3 million under the Hoop Loan Agreement at the time of consummation of our acquisition of the Disney Stores to satisfy a portion of our payment obligations owed to the sellers. We paid down the $40.3 million we borrowed with cash flow from operations and as of January 29, 2005, we had no borrowings under the Hoop Loan Agreement. Letters of credit outstanding as of January 29, 2005 were $35.4 million and availability as of January 29, 2005 was $4.4 million. The interest rate charged under the Hoop Loan Agreement was 5.5% as of January 29, 2005.

To support our Canadian Children s Place operations, we have an $8.1 million credit facility with Toronto Dominion Bank. As of January 29, 2005, the Company requested that the standby letter of credit which collateralized the Toronto Dominion Credit Facility for $1.8 million be released. This was done on February 3, 2005. During the fifty-two weeks ended January 29, 2005, we did not utilize our Canadian credit facility and we do not expect to utilize this credit facility in fiscal 2005. The Toronto Dominion Credit Facility remains in place to support our Canadian Children s Place operations should the need arise.

Cash Flows/Capital Expenditures

Cash flows provided by operating activities were $212.9 million, $80.0 million and $58.3 million in fiscal 2004, fiscal 2003 and fiscal 2002, respectively. In fiscal 2004, cash flow from operating activities increased primarily as a result of the cash conversion during the fourth quarter of fiscal 2004 of acquired Disney net working capital assets, which was primarily inventory. In fiscal 2004, cash flows from operating activities also increased as a result of increases in our current liabilities and higher operating earnings. In fiscal 2003, cash flows from operating activities increased primarily as a result of higher operating earnings and lower income tax payments resulting from prior year tax prepayments. In addition, accounts receivable was lower primarily as a result of lower construction allowances due to fewer store openings in fiscal 2003. These increases in cash flow were partially offset by higher inventory levels.

Cash flows used in investing activities were $146.6 million, $65.8 million and $69.2 million in fiscal 2004, fiscal 2003 and fiscal 2002, respectively. During fiscal 2004, cash flows used in investing activities increased primarily due to the acquisition of the DSNA Business and capital expenditures related to store openings and remodelings and investments in our logistics and information technology infrastructure, partially offset by the net sale of our auction rate securities. The number of new store openings and remodelings have a significant impact on our cash flows used in investing activities. In fiscal 2004, fiscal 2003 and fiscal 2002, we opened 62, 53 and 126 stores while remodeling six, 13 and 11 stores, respectively. During fiscal 2003, cash flows used in investing activities also included a net $22.3 million investment in auction rate securities.

Cash flows provided by financing activities were $44.3 million, $1.8 million and $2.1 million in fiscal 2004, fiscal 2003 and fiscal 2002, respectively. During fiscal 2004, cash flows provided by financing activities, reflected funds received from borrowings under our revolving credit facilities and funds received from the exercise of employee stock options and employee stock purchases. During fiscal 2003 and fiscal 2002, cash flows provided by financing activities reflected funds received from the exercise of employee stock options and employee stock purchases.

We anticipate that total capital expenditures will approximate $110 million in fiscal 2005. We also anticipate receiving $10 million in lease incentives in fiscal 2005. The capital expenditures will relate primarily to the opening of approximately 60 The Children s Place stores and 10 Disney Stores, and the remodeling of between 30 and 35 Disney Stores. We also plan to make improvements to our distribution centers and expand our administrative office facilities. We believe that cash on hand, cash generated from operations and funds available under our credit facilities will be sufficient to fund our capital and other cash flow requirements for at least the next 12 months. Our ability to meet our capital requirements will depend on our ability to generate cash from operations. In addition, we may consider additional sources of financing to fund our long-term growth.

Contractual Obligations and Commercial Commitments

The following tables summarize our contractual and commercial obligations as of January 29, 2005 (amounts in thousands): June 14, 2005

Contractual Obligations (dollars in thousands)	Total (As restated)	1 year or less (As restated)	2 3 years (As restated)	4 5 years (As restated)	After 5 years (As restated)
	Payments Due By Period				
Operating leases (1)	$ 864,575	$ 137,835,	$ 253,669	$ 207,389	$ 265,682
Employment contracts (2)	3,594	2,034	1,560	0	0
Minimum Disney Store royalty (3)	211,000	0	15,000	30,000	166,000
Transitional severance (4)	2,000	2,000	0	0	0
Long-term debt	0	0	0	0	0
Capital leases	0	0	0	0	0

Other Commercial Commitments (dollars in thousands)	Total Amounts Committed	1 year or less	1 3 years	4 5 years	After 5 years
		Amounts of Commitment Expiration Per Period			
Credit facilities	$ 37,268	$ 37,268	$ 0	$ 0	$ 0
Purchase commitments (5)	230,000	230,000	0	0	0
Merchandise letters of credit	63,837	63,837	0	0	0
Standby letters of credit (6)	13,809	6,165	7,644	0	0

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(1) As of April 1, 2005, we are leasing approximately 107 Disney Stores on a month-to-month basis, pending the consummation of executed lease contracts, which is expected to be completed by July 2005. The above table excludes the minimum annual payment obligations for these leases. Had all leases for stores operating on a month-to-month basis been executed as of January 29, 2005, we estimate we would have had an additional $139.2 million in operating leases. We have based this estimate on letter agreements that we have received from our landlords. (See Note 8 Commitments and Contingencies.)

(2) Includes severance obligations due upon termination. We do not expect to make a cash outlay for severance benefits under these contracts during fiscal 2005. Certain employment contracts also provide for continued medical coverage for a specified period. The cost of these medical benefits was not estimated.

(3) After a two year royalty holiday, we are subject to minimum royalties, which are calculated using a base year increased for inflation. The effects of future inflation have not been estimated in the amounts presented. Until finalized by a Disney subsidiary, we have estimated the minimum royalties due for these periods. (See Note 8 Commitments and Contingencies.)

(4) Represents a required payment for severance costs of former Disney Store associates.

(5) Represents purchase orders for merchandise for re-sale of approximately $220 million and commitments to purchase capital equipment of approximately $10 million.

(6) Represents letters of credit issued to landlords, banks, insurance companies and Disney subsidiaries. We do not expect a cash outlay for these stand-by letters of credit during 2005.

Quarterly Results and Seasonality

Our quarterly results of operations have fluctuated and are expected to continue to fluctuate materially depending on a variety of factors, including overall economic conditions, the timing of new store openings and related pre-opening and other startup costs, net sales contributed by new stores, increases or decreases in comparable store sales, weather conditions, shifts in timing of certain holidays, changes in our merchandise mix and pricing strategy.

Our business is also subject to seasonal influences, with heavier concentrations of sales during the back-to-school and holiday seasons. With the addition of the Disney Store business, which historically has been weighted more heavily to the Halloween and holiday seasons, the Company s seasonality has shifted to be more concentrated in the latter half of the calendar year. As is the case with many retailers of apparel and related merchandise, we typically experience lower net sales and net income during the first two fiscal quarters, and net sales and net income are lower during the second fiscal quarter than during the first fiscal quarter. Our first quarter results are heavily dependent upon sales during the period leading up to the Easter holiday. Our third quarter results are heavily

dependent upon back-to-school and Halloween sales and our fourth quarter results are heavily dependent upon sales during the holiday season. We experienced losses in the second quarter of 2004 and the second quarter of 2003 and expect to experience a second quarter loss in fiscal 2005. We may continue to experience second quarter losses in future periods. It is also possible we could experience losses in other quarters. Because of these fluctuations in net sales and net income (loss), the results of operations of any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year or any future quarter.

The following table sets forth certain statement of operations data and selected operating data for each of our last eight fiscal quarters. The quarterly statement of operations data and selected operating data set forth below were derived from our unaudited consolidated financial statements and reflect, in our opinion, all adjustments (consisting only of normal recurring adjustments) necessary to present fairly the results of operations for these fiscal quarters (dollars in thousands, except per share data).

	Fiscal Year Ended January 29, 2005			
	First Quarter (As restated)	**Second Quarter (As restated)**	**Third Quarter (As restated)**	**Fourth Quarter (1)**
Net sales	$ 225,779	$ 189,165	$ 280,496	$ 462,108
Gross profit	94,183	60,739	116,496	180,449
Operating income (loss)	18,881	(16,329)	29,480	37,920
Net income (loss) (2)	11,533	(9,911)	17,683	23,975
Basic net income (loss) per common share (2)	$ 0.43	$ (0.37)	$ 0.66	$ 0.89
Diluted net income (loss) per common share (2)	$ 0.42	$ (0.37)	$ 0.65	$ 0.85
Comparable store sales increase	16%	10%	18%	17%
Stores open at end of period (3)	700	715	734	1,056

(1) Fourth quarter included 10 weeks of operations for the Disney Store business, commencing November 21, 2004.

(2) Fourth quarter included an extraordinary gain of $273, or $0.01 per share, after taxes, resulting from the difference between the fair value of the DSNA Business acquired versus the amount we paid.

(3) Includes 306 Disney Stores acquired in the fourth quarter.

	Fiscal Year Ended January 31, 2004			
	First Quarter (As restated)	**Second Quarter (As restated)**	**Third Quarter (As restated)**	**Fourth Quarter (As restated)**
Net sales	$ 181,010	$ 159,082	$ 223,277	$ 234,569
Gross profit	71,920	52,621	93,530	102,906
Operating income (loss)	8,971	(15,393)	19,053	23,783
Net income (loss)	5,529	(9,359)	11,612	15,123
Basic net income (loss) per common share	$ 0.21	$ (0.35)	$ 0.44	$ 0.57
Diluted net income (loss) per common share	$ 0.21	$ (0.35)	$ 0.43	$ 0.55
Comparable store sales (decrease) increase	(13)%	3%	14%	9%

Stores open at end of period	662	679	689	691

ITEM 7A. QUANTITIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, the Company s financial position and results of operations are routinely subject to market risk associated with interest rate movements on borrowings and investments and currency rate movements on non-U.S. dollar denominated assets, liabilities and income. The Company utilizes cash from operations and short-term borrowings to fund our working capital and investment needs.

Cash balances are normally invested in short-term financial instruments. Because of the short-term nature of these investments, changes in interest rates would not materially affect the fair value of these financial instruments.

The Company s credit facilities with Wells Fargo provide a source of financing for our working capital requirements. The Company s credit facilities bear interest at either a floating rate equal to the prime rate or a floating rate equal to the prime rate plus a pre-determined spread. At the Company s option, it could also borrow at a LIBOR rate plus a pre-determined spread. In November 2004, the Company used its credit facilities with Wells Fargo to partially fund its acquisition of the DSNA Business. As of January 29, 2005, we had no borrowings under the Hoop Loan Agreement and $37.3 million outstanding under the Amended Loan Agreement.

Assets and liabilities outside the United States are primarily located in Canada. The Company s investment in foreign subsidiaries with a functional currency other than the U.S. dollar, are generally considered long-term. The Company does not generally hedge these net investments. Beginning in the second quarter of 2004, the Company used foreign currency forward contracts for the specific purpose of reducing the exposure to variability in forecasted cash flows associated primarily with inventory purchases for the Company s Canadian operations. Under SFAS 133, these instruments were not designated as hedges. The realized losses on these forward currency contracts amounted to $643,000. As of January 29, 2005, the Company is not a party to any derivative financial instruments.

ITEM 9A. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Management, including our Chief Executive Officer and Chief Financial Officer, evaluated 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 amended. Based on this review, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective as of January 29, 2005.

(b) Management s Report on Internal Controls Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Securities Exchange Act Rule 13a-15(f). Our system of internal control is evaluated on a cost benefit basis and is designed to provide reasonable, not absolute, assurance that reported financial information is materially accurate.

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 design and effectiveness of our internal control over financial reporting based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations (COSO). We excluded from our assessment the internal control over financial reporting at the Disney Store business, which was acquired effective as of November 21, 2004, and whose financial statements reflect total assets and net sales constituting 33% and 14%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended January 29, 2005. Based on this evaluation, we concluded that the Company s internal control over financial reporting was effective as of January 29, 2005.

In reaching its conclusion that the internal control over financial reporting was effective as of January 29, 2005, management included consideration of the facts and circumstances surrounding the restatement of the Company s previously issued consolidated financial statements, as referred to in the sub-heading, Lease-Related Accounting, in Note 4 Financial Restatements in the accompanying consolidated financial statements.

We believe that our monitoring controls in the fourth quarter of fiscal 2004 adequately mitigated the underlying lease-related control deficiency that led to the restatement. Such monitoring controls were evaluated and were deemed to be operating effectively as of January 29, 2005. Management concluded that the underlying lease-related control deficiency was a significant deficiency.

Management s assessment of the effectiveness of internal control over financial reporting as of January 29, 2005 was audited by Deloitte & Touche LLP, an independent registered public accounting firm, as stated in their

report, which is included immediately following Item 9A(c) to this Annual Report on Form 10-K/A and incorporated herein by reference to the 2004 Annual Report to Shareholders.

(c) Changes in internal controls over financial reporting

During the fourth quarter of 2004, as a result of our acquisition of the Disney Store business and overall business growth, we have increased the size of our internal audit department and have also added management level resources in our finance department, which have enabled us to enhance our monitoring and detective controls over financial reporting.

Other than the above, there have been no changes in the Company s internal controls over financial reporting that occurred during the Company s most recently completed fiscal quarter to which this report relates that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within a company have been detected. Accordingly, our disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of our disclosure control system are met.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
The Children s Place Retail Stores, Inc.:

We have audited management s assessment, included in the accompanying Management s Report on Internal Controls Over Financial Reporting (Item 9A(b) above), that The Children s Place Retail Stores, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of January 29, 2005, 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 on Internal Controls Over Financial Reporting, management excluded from their assessment the internal control over financial reporting at the Disney Store business, which was acquired effective as of November 21, 2004, and whose financial statements reflect total assets and net sales constituting 33% and 14%, respectively, of the related consolidated financial statement amounts as of and for the fiscal year ended January 29, 2005. Accordingly, our audit did not include the internal control over financial reporting at the Disney Store business. 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. Our responsibility is to express an opinion on management s assessment and an opinion on the effectiveness of the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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, management s assessment that the Company maintained effective internal control over financial reporting as of January 29, 2005, is fairly stated, in all material respects, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 29, 2005, 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 and financial statement schedule as of and for the year ended January 29, 2005, of the Company and our report dated April 14, 2005 (June 14, 2005 as to the effects of the restatements as described under the sub-headings, Investments and Minimum Lease Commitments, in Note 4 Financial Restatements to the restated consolidated financial statements) expressed an unqualified opinion on those financial statements and financial statement schedule.

DELOITTE & TOUCHE LLP

New York, New York

April 14, 2005

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) (1) Financial Statements

The following documents are filed as part of this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of January 29, 2005 and January 31, 2004 (As restated)

Consolidated Statements of Income for the fiscal year ended January 29, 2005 and each of the two fiscal years ended January 31, 2004 (As restated)

Consolidated Statements of Changes in Stockholders Equity for the fiscal year ended January 29, 2005 and each of the two fiscal years ended January 31, 2004 (As restated)

Consolidated Statements of Cash Flows for the fiscal year ended January 29, 2005 (As restated) and each of the two fiscal years ended January 31, 2004 (As restated)

Notes to Consolidated Financial Statements

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FOR THE FISCAL YEARS ENDED
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THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of January 29, 2005 and January 31, 2004 (As restated)

Consolidated Statements of Income for the fiscal year ended January 29, 2005 and each of the two fiscal years ended January 31, 2004 (As restated)

Consolidated Statements of Changes in Stockholders Equity for the fiscal year ended January 29, 2005 and each of the two fiscal years ended January 31, 2004 (As restated)

Consolidated Statements of Cash Flows for the fiscal year ended January 29, 2005 (As restated) and each of the two fiscal years ended January 31, 2004 (As restated)

Notes to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors of
The Children s Place Retail Stores, Inc.:

We have audited the accompanying consolidated balance sheets of The Children s Place Retail Stores, Inc. and subsidiaries (the Company) as of January 29, 2005 and January 31, 2004, and the related consolidated statements of income, changes in stockholders equity and cash flows for each of the three fiscal years in the period ended January 29, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of The Children s Place Retail Stores, Inc. and subsidiaries as of January 29, 2005 and January 31, 2004, and the results of their operations and their cash flows for each of the three fiscal years in the period ended January 29, 2005, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 4, the accompanying consolidated financial statements have been restated.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company s internal control over financial reporting as of January 29, 2005, 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 April 14, 2005 expressed an unqualified opinion on management s assessment of the effectiveness of the Company s internal control over financial reporting and an unqualified opinion on the effectiveness of the Company s internal control over financial reporting.

DELOITTE & TOUCHE LLP

New York, New York

April 14, 2005 (June 14, 2005 as to the effects of the restatements as described under the sub-headings, Investments and Minimum Lease Commitments, in Note 4 Financial Restatements)

THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	January 29, 2005		January 31, 2004 (As restated Note 4)	
ASSETS				
Current assets:				
Cash and cash equivalents	$	165,196	$	52,432
Investments		0		22,340
Cash and investments		165,196		74,772
Accounts receivable		23,987		8,462
Inventories		161,969		96,128
Prepaid expenses and other current assets		37,223		17,416
Deferred income taxes		3,784		2,654
Total current assets		392,159		199,432
Property and equipment:				
Leasehold improvements		246,582		218,756
Store fixtures and equipment		151,737		131,259
Capitalized software		25,018		22,046
Construction in progress		13,002		3,553
		436,339		375,614
Less accumulated depreciation and amortization		(213,617)		(164,160)
Property and equipment, net		222,722		211,454
Deferred income taxes		9,384		13,098
Other assets		3,123		2,219
Total assets	$	627,388	$	426,203
LIABILITIES AND STOCKHOLDERS EQUITY				
LIABILITIES:				
Current liabilities:				
Revolving loan	$	37,268	$	0
Accounts payable		78,106		35,173
Taxes payable		16,135		9,733
Accrued expenses and other current liabilities		83,440		40,251
Total current liabilities		214,949		85,157
Deferred rent liabilities		91,111		81,644
Deferred royalty		7,097		0
Other long-term liabilities		2,568		3,317
Total liabilities		315,725		170,118
COMMITMENTS AND CONTINGENCIES (NOTE 8) STOCKHOLDERS EQUITY:				
Common stock, $0.10 par value		2,722		2,673
Preferred stock, $1.00 par value		0		0
Additional paid-in capital		111,373		101,288
Accumulated other comprehensive income		4,935		2,771
Retained earnings		192,633		149,353
Total stockholders equity		311,663		256,085
Total liabilities and stockholders equity	$	627,388	$	426,203

The accompanying notes to consolidated financial statements
are an integral part of these consolidated balance sheets.

THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

	Fiscal Year Ended		
	January 29, 2005	January 31, 2004 (As restated Note 4)	February 1, 2003 (As restated Note 4)
Net sales	$ 1,157,548	$ 797,938	$ 671,409
Cost of sales	705,681	476,961	415,623
Gross profit	451,867	320,977	255,786
Selling, general and administrative expenses	329,916	235,415	194,907
Asset impairment charges	164	448	4,539
Depreciation and amortization	51,835	48,700	42,945
Operating income	69,952	36,414	13,395
Interest expense (income), net	22	(255)	(547)
Income before income taxes and extraordinary gain	69,930	36,669	13,942
Provision for income taxes	26,923	13,764	5,861
Income before extraordinary gain	43,007	22,905	8,081
Extraordinary gain, net of taxes	273		
Net income	$ 43,280	$ 22,905	$ 8,081
Basic income per common share before extraordinary gain	$ 1.60	$ 0.86	$ 0.30
Extraordinary gain, net of taxes	0.01		
Basic net income per common share	$ 1.61	$ 0.86	$ 0.30
Basic weighted average common shares outstanding	26,919	26,646	26,501
Diluted income per common share before extraordinary gain	$ 1.56	$ 0.85	$ 0.30
Extraordinary gain, net of taxes	0.01		
Diluted net income per common share	$ 1.57	$ 0.85	$ 0.30
Diluted weighted average common shares and common share equivalents outstanding	27,633	27,099	26,978

The accompanying notes to consolidated financial statements
are an integral part of these consolidated statements of income.

THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY
(In thousands)

	Common Stock		Additional		Accumulated Other	Total	
	Shares	Amount	Paid-In Capital	Retained Earnings	Comprehensive (Loss)/Income	Stockholders Equity	Comprehensive Income
BALANCE, February 2, 2002 (As previously reported)	26,372	$ 2,637	$ 95,982	$ 118,399	$ (12)	$ 217,006	
Prior period adjustment (Note 4)				(32)	(2)	(34)	
BALANCE, February 2, 2002 (As restated Note 4)	26,372	2,637	95,982	118,367	(14)	216,972	
Exercise of stock options and employee stock purchases	198	20	2,034			2,054	
Tax benefit of stock option exercises			749			749	
Change in cumulative translation adjustment					285	285	$ 285
Net income (As restated Note 4)				8,081		8,081	8,081
Comprehensive income							$ 8,366
BALANCE, February 1, 2003 (As restated Note 4)	26,570	2,657	98,765	126,448	271	228,141	
Exercise of stock options and employee stock purchases	163	16	2,003			2,019	
Tax benefit of stock option exercises			520			520	
Change in cumulative translation adjustment					2,500	2,500	$ 2,500
Net income (As restated Note 4)				22,905		22,905	22,905
Comprehensive income							$ 25,405
BALANCE, January 31, 2004 (As restated Note 4)	26,733	2,673	101,288	149,353	2,771	256,085	
Exercise of stock options and employee stock purchases	485	49	7,570			7,619	
Tax benefit of stock option exercises			2,515			2,515	
Change in cumulative translation adjustment					2,164	2,164	$ 2,164
Net income				43,280		43,280	43,280
Comprehensive income							$ 45,444
BALANCE, January 29, 2005	27,218	$ 2,722	$ 111,373	$ 192,633	$ 4,935	311,663	

The accompanying notes to consolidated financial statements
are an integral part of these consolidated statements of changes in stockholders equity.

THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended		
	January 29, 2005 (As restated Note 4)	January 31, 2004 (As restated Note 4)	February 1, 2003 (As restated Note 4)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 43,280	$ 22,905	$ 8,081
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	51,835	48,700	42,945
Deferred financing fee amortization	108	60	51
Amortization of lease acquisition costs	158	140	80
Loss on disposals of property and equipment	527	381	466
Asset impairment charges	164	448	4,539
Deferred royalty	7,097	0	0
Extraordinary gain	(444)	0	0
Deferred taxes	2,584	(5,028)	213
Deferred rent expense	(7,930)	(6,420)	(3,277)
Changes in operating assets and liabilities, net of the impact of the acquisition:			
Accounts receivable	(6,552)	5,430	(1,676)
Inventories	39,504	(19,880)	(16,322)
Prepaid expenses and other assets	(3,689)	1,815	(7,333)
Accounts payable	30,840	4,095	8,628
Accrued expenses and other current liabilities	42,271	15,586	1,276
Deferred rent liabilities	14,746	11,807	20,660
Other liabilities	(1,552)	0	0
Total adjustments	169,667	57,134	50,250
Net cash provided by operating activities	212,947	80,039	58,331
CASH FLOWS FROM INVESTING ACTIVITIES:			
Property and equipment purchases, lease acquisition and software costs	(61,512)	(43,473)	(68,013)
Acquisition of DSNA Business	(107,256)	0	0
Purchase of investments	(43,930)	(31,590)	0
Sale of investments	66,270	9,250	0
Other	(157)	0	(1,183)
Net cash used in investing activities	(146,585)	(65,813)	(69,196)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Borrowings under revolving credit facilities	300,235	90,855	47,441
Repayments under revolving credit facilities	(262,967)	(90,855)	(47,441)
Exercise of stock options and employee stock purchases	7,619	2,019	2,054
Deferred financing costs	(626)	(175)	0
Net cash provided by financing activities	44,261	1,844	2,054
Effect of exchange rate changes on cash	2,141	(283)	265
Net increase (decrease) in cash and cash equivalents	112,764	15,787	(8,546)
Cash and cash equivalents, beginning of period	52,432	36,645	45,191
Cash and cash equivalents, end of period	$ 165,196	$ 52,432	$ 36,645

OTHER CASH FLOW INFORMATION:			
Cash paid during the year for income taxes	$ 18,734	$ 4,243	$ 14,896
Cash paid during the year for interest	209	302	197

The accompanying notes to consolidated financial statements
are an integral part of these consolidated statements of cash flows.

THE CHILDREN S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Children s Place Retail Stores, Inc. and subsidiaries (the Company) is a specialty retailer of merchandise for children from newborn to ten years of age. The Company designs, contracts to manufacture and sells high-quality, value priced apparel and accessories and other children s-oriented merchandise under two brands and store concepts The Children s Place and Disney Store. As of January 29, 2005, the Company operated 750 The Children s Place stores in the United States, Canada and Puerto Rico and 306 Disney Stores in the United States and Canada. In addition, the Company operated an Internet store at www.childrensplace.com. In November 2004, the Company acquired the Disney Store chain consisting of 313 stores located in North America and an Internet Store (the DSNA Business) (See Note 2 Acquisition of the DSNA Business). The Company also has offices in Asia which enables the Company to capitalize on new sourcing opportunities, respond to changing merchandise trends and ensure product quality. Our Asian offices assist in the oversight of merchandise production and sourcing, as well as provide quality assurance functions and are compensated for these services by our operating entities under intercompany services agreements.

Fiscal Year

The Company s fiscal year is a 52-week or 53-week period ending on the Saturday nearest to January 31. The results for fiscal 2004, fiscal 2003 and fiscal 2002 represent the 52-week periods ended January 29, 2005, January 31, 2004 and February 1, 2003, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and amounts of revenues and expenses reported during the period. Actual results could differ from the estimates made by and assumptions used by management.

Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Intercompany balances and transactions have been eliminated.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments

Investments at January 31, 2004 consist of auction rate securities, which are securities, earning income at a rate that is periodically reset, typically within 35 days. These securities are classified as available-for-sale securities under the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, these investments are recorded at fair value, with any unrealized gains and losses included as a separate component of stockholders equity, net of tax. Realized gains and losses and investment income are included in earnings. At January 31, 2004, the auction rate securities had contractual ultimate maturities ranging from 2015 through 2021. The Company did not have any investments at January 29, 2005 and February 1, 2003. These investments have been recorded in current assets since they will be utilized in operations within the year of their respective balance sheet date.

Inventories

Inventories, which consist primarily of finished goods, are stated at the lower of average cost or market, calculated using the retail inventory method. Under the retail inventory method, the valuation of inventories at cost and the resulting gross margins are calculated by applying a cost-to-retail ratio by merchandise department to the retail value of inventories.

Revenue Recognition

The Company recognizes revenue, including shipping and handling fees billed to customers, upon purchase at the Company s retail stores or when received by the customer if the product was purchased via the Internet, net of coupon redemptions and anticipated sales returns.

An allowance for estimated sales returns is recorded and is reflected in accrued expenses. The allowance for estimated sales returns were approximately $1,712,000 and $1,022,000 as of January 29, 2005 and January 31, 2004, respectively.

The Company acts as an agent on behalf of a Disney subsidiary for the sale of Walt Disney World® Resort and Disneyland® Resort tickets sold in the Disney Stores. The Company includes in net sales the 7% commission it receives for the sale of these theme park tickets. During the ten weeks the Company operated the Disney Store business ended January 29, 2005, the Company recorded commission income of approximately $1,383,000. (For clarification, the DSNA Business refers to the business the Company acquired from Disney as of November 21, 2004, whereas the Disney Store business refers to the Disney Store business the Company has operated since the acquisition.)

The Company s policy with respect to gift cards is to record revenue as the gift cards are redeemed for merchandise. For The Children s Place, prior to their redemption, gift cards are recorded as a liability, included in accrued expenses and other current liabilities. The Company has not reduced its gift card liabilities for gift cards that are not expected to be redeemed. The Disney Store business acts as an agent on behalf of a Disney subsidiary for gift cards sold to customers. Therefore, the Company does not record a customer gift card liability for the Disney Store business. However, we recognize a trade payable to Disney for the net purchases and redemptions of Disney gift cards.

The Company offers a private label credit card to its Children s Place customers that provides a discount on future purchases once a minimum annual purchase threshold has been exceeded. The Company estimates the future discounts to be provided based on prior year history, the number of customers who have earned or are likely to earn the discount and current year sales trends on the private label credit card. The Company defers a proportionate amount of revenue from customers based on an estimated value of future discounts. The Company recognizes such deferred revenue as future discounts are taken on sales above the annual minimum. This is done by utilizing estimates based upon sales trends and the number of customers who have earned the discount privilege. All deferred revenue is recognized by the end of the fiscal year, as the Company s private label customers must earn the discount privilege on an annual basis, and such privilege expires at fiscal year end. As of January 29, 2005 and January 31, 2004, all revenue deferred during the fiscal year has been recognized.

Cost of Sales

In addition to the cost of inventory sold, the Company includes its buying, distribution and occupancy expenses in its cost of sales, as well as shipping and handling costs on merchandise sold directly to customers.

Property and Equipment

Property and equipment are stated at cost. Leasehold improvements are depreciated on a straight line basis over the life of the lease or the estimated useful life of the asset, whichever is shorter. The Company capitalizes rent incurred during construction as a cost of the leasehold improvement. All other property and equipment is depreciated on a straight-line basis based upon their estimated useful lives, which range from three to ten years.

In accordance with AICPA Statement of Position 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use (SOP 98-1), internal use software and other related costs are capitalized. The Company capitalized approximately $456,000, $485,000 and $1,069,000 in programming and development costs of employees in fiscal 2004, fiscal 2003 and fiscal 2002, respectively. The Company also capitalized approximately $2,515,000, $1,265,000 and $4,455,000 in external software costs in fiscal 2004, fiscal 2003 and fiscal 2002, respectively.

Deferred Financing Costs

The Company capitalizes costs directly associated with acquiring third-party financing. Deferred financing costs are included in other assets and are amortized as interest expense over the term of the related indebtedness. As of January 29, 2005, deferred financing costs were approximately $1,050,000, net of accumulated amortization of $151,000. As of January 31, 2004, deferred financing costs were approximately $175,000, net of accumulated amortization of $43,000.

Accounting for Impairment of Long-Lived Assets

In accordance with SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144), the Company evaluates each store s performance (after a store has been open a full fiscal year) and measures the carrying value of each location s fixed assets, principally leasehold improvements and fixtures, versus its estimated future cash flows. When the evaluation of a store location indicates that the cash flows are not sufficient to recover the carrying value of the long-term assets at the store, the store assets are deemed to be impaired and are adjusted to their fair values.

During fiscal 2004, fiscal 2003 and fiscal 2002, certain stores experienced declining performance and management estimated that future cash flows were insufficient to recover the carrying value of their assets. As a result, the Company recorded a $0.2 million, a $0.4 million and a $4.5 million pre-tax provision for the impairment of leasehold improvements and fixtures located in one store, one store and 19 stores in fiscal 2004, fiscal 2003 and fiscal 2002, respectively.

Pre-opening Costs

Store pre-opening costs, which consist primarily of payroll, supply and marketing expenses, are expensed as incurred and are included in selling, general and administrative expenses. Lease costs incurred during construction, prior to the commencement of store pre-opening activities, are capitalized as part of leasehold improvements and are amortized over the remaining lease term.

Advertising and Marketing Costs

The Company expenses the cost of advertising when the advertising is first run or displayed. Included in selling, general and administrative expenses for fiscal 2004, fiscal 2003 and fiscal 2002 are advertising and other marketing costs of approximately $30,828,000, $21,776,000 and $14,508,000, respectively.

Landlord Construction Allowances

The Company accounts for landlord construction allowances as lease incentives and records them as a component of deferred rent, which is amortized as a reduction of rent expense over the lease term. (See Note 4 Financial Restatements.)

Rent Expense and Deferred Rent

Rent expense and lease incentives, including landlord construction allowances, are recognized on a straight-line basis over the lease term, commencing generally on the date the Company takes possession of the leased property. The Company records rent expense and the impact of lease incentives as a component of cost of sales. The unamortized portion of deferred rent is included in accrued expenses and deferred rent liabilities. As of January 29, 2005, the current and long-term portions of deferred rent were approximately $1,865,000 and $91,111,000, respectively. As of January 31, 2004, the current and long-term portions of deferred rent were approximately $809,000 and $81,644,000, respectively. (See Note 4 - Financial Restatements.)

Income Taxes

The Company computes income taxes using the liability method. This method requires recognition of deferred tax assets and liabilities, measured by enacted rates, attributable to temporary differences between financial statement and income tax basis of assets and liabilities. Temporary differences result primarily from accelerated depreciation and amortization for tax purposes and the non-deductibility of certain reserves and accruals in the current tax period.

Fair Value of Financial Instruments

SFAS No. 107, Disclosures about Fair Values of Financial Instruments (SFAS 107), requires entities to disclose the fair value of financial instruments, both assets and liabilities, recognized and not recognized in the balance sheets, for which it is practicable to estimate fair value. For purposes of this disclosure, the fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Fair value is based on quoted market prices for the same or similar financial instruments.

As cash and cash equivalents, accounts receivable and payable, and certain other short-term financial instruments are all short-term in nature, their carrying amount approximates fair value.

Accounting for Stock-Based Compensation

The Company accounts for its 1996 Stock Option Plan (the 1996 Plan), its 1997 Stock Option Plan (the 1997 Plan) and its Employee Stock Purchase Plan (the ESPP) under the intrinsic value method described in the provisions of Accounting Principles Bulletin No. 25, Accounting for Stock Issued to Employees (APB 25). Accordingly, no compensation expense has been recognized for stock-based compensation, since the options granted were at prices that equaled or exceeded their estimated fair market value at the date of grant. If compensation expense for the Company s stock options and employee stock purchases issued in fiscal 2004, fiscal 2003 and fiscal 2002 had been determined based on the fair value method of accounting, in accordance with SFAS No. 123, Accounting for Stock-Based Compensation, (SFAS 123) and the disclosure requirements of SFAS No. 148, Accounting for Stock-Based Compensation, Transition and Disclosure (SFAS 148), the Company s net income would have been reduced to the pro forma amounts indicated below for the three fiscal years in the period ended January 29, 2005:

		Fiscal Year Ended	
	January 29, 2005	**January 31, 2004 (As restated)**	**February 1, 2003 (As restated)**
Net income -			
As reported	$ 43,280,000	$ 22,905,000	$ 8,081,000
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	6,054,000	4,482,000	3,642,000
Pro forma	$ 37,226,000	$ 18,423,000	$ 4,439,000
Earnings per share -			
Basic as reported	$ 1.61	$ 0.86	$ 0.30
Basic pro forma	1.38	0.69	0.17
Diluted as reported	1.57	0.85	0.30
Diluted pro forma	1.38	0.69	0.17

Pro forma income per common share for the three fiscal years ended January 29, 2005 excludes the dilutive effect of stock options, which would have been antidilutive as a result of the impact of unamortized stock-based compensation expense determined under fair value based methods.

The fair value of issued stock options were estimated on the date of grant using the Black-Scholes option pricing model, incorporating the following assumptions:

	January 29, 2005	**January 31, 2004**	**February 1, 2003**
Dividend yield	0%	0%	0%
Volatility factor	57.3%	63.0%	60.0%
Weighted average risk-free interest rate	3.59%	3.05%	3.44%
Expected life of options	5years	5years	5years
Weighted average fair value on grant date	$14.18per share	$12.11per share	$9.07per share

For options issued in the fourth quarter of fiscal 2004, the Company used the average of the implied volatility from the Company s market-traded options and the historical volatility of its stock price to compute the volatility factor, which approximated 52%.

Pro forma compensation expense for the Company s ESPP is calculated by multiplying the number of shares issued by the spread between the fair market value of the stock on day of the ESPP purchase and the purchase price paid by employees, which is 85% of the fair market value. During fiscal 2004, fiscal 2003 and fiscal 2002, pro forma compensation expense for the ESPP was approximately $101,000, $75,000 and $78,000, respectively.

Net Income per Common Share

The Company reports its earnings per share in accordance with SFAS No. 128, Earnings Per Share (SFAS 128), which requires the presentation of both basic and diluted earnings per share on the statements of income.

In accordance with SFAS 128, the following table reconciles income and share amounts utilized to calculate basic and diluted net income per common share:

	For the Fiscal Year Ended		
	January 29, 2005	January 31, 2004	February 1, 2003
Net income (in thousands)	$ 43,280	$ 22,905	$ 8,081
Basic weighted average common shares	26,919,410	26,646,191	26,501,315
Dilutive effect of stock options	713,535	452,421	476,412
Diluted weighted average common shares	27,632,945	27,098,612	26,977,727
Antidilutive options	173,393	844,641	891,117

Antidilutive options consist of the weighted average of stock options for the respective periods ended January 29, 2005, January 31, 2004 and February 1, 2003 that had an exercise price greater than the average market price during the period. Such options are therefore excluded from the computation of diluted shares.

Accounting for Royalties Due Under the License Agreement

In connection with the acquisition of the DSNA Business, the Company entered into a License and Conduct of Business Agreement (the License Agreement) to have the right to use certain Disney intellectual property in the Disney Store business in exchange for ongoing royalty payments. (See Note 3 License Agreement with Disney.)

Minimum royalty commitments are recorded on a straight-line basis over the life of the initial 15 year term of the License Agreement. During each period, amounts due in excess of the minimum royalty commitment are recorded as an expense if management expects to surpass the minimum royalty commitment on an annual basis, even if the contingency threshold has not been surpassed in that particular period. The royalty percentage does not increase over the initial term of the License Agreement, except for royalties on Internet sales. In the first year, the Internet royalty is 5%, and 9%, and in certain instances, 10%, thereafter.

In connection with the acquisition of the DSNA Business, the Company was granted a royalty holiday for two years. In addition, depending on the specific store location, certain stores have an extension of the royalty holiday for up to eight years. The amortization of the royalty holiday is recognized on a straight-line basis as a reduction of royalty expense over the term of the License Agreement. Royalty expense, and the associated amortization of the royalty abatement, is recorded in selling, general and administrative expenses.

As of January 29, 2005, management s estimate of the value of the earned abatement of $7,097,000 has been recorded in deferred royalties. The actual value of the royalty holiday is not determinable until the completion of the royalty holiday period, and may differ materially from the Company s current estimate. Net royalty expense of $7,107,000 has been included in selling, general and administrative expenses for fiscal 2004. The Company s classification of royalty expense in selling, general and administrative expenses may not be comparable to the classification of such costs at other companies.

Derivative Instruments

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, (SFAS 133), as amended and interpreted, requires that each derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability and measured at its fair value. The statement also requires that changes in the derivative s fair value be recognized currently in earnings in either income from continuing operations or accumulated other comprehensive income, depending on whether the derivative qualifies for hedge accounting treatment.

Beginning in the second quarter of 2004, the Company used foreign currency forward contracts for the specific purpose of reducing the exposure to variability in forecasted cash flows associated primarily with inventory purchases for the Company s Canadian operations. These instruments were not designated as hedges and, in accordance with SFAS No. 133, the changes in fair value were recorded in period earnings. As of January 29, 2005, the Company s forward contracts had matured. The realized losses on these foreign currency forward contracts amounted to $643,000 and were recorded in selling, general and administrative expenses.

Foreign Currency Translation

The Company has determined that the local currencies of its Canadian and Hong Kong subsidiaries are their functional currencies. In accordance with SFAS No. 52, Foreign Currency Translation, the assets and liabilities denominated in foreign currency are translated into U.S. dollars at the current rate of exchange existing at period-end and revenues and expenses are translated at average monthly exchange rates. Related translation adjustments are reported as a separate component of stockholders equity.

Newly Issued Accounting Pronouncements

SFAS No. 123 (Revised 2004), Share-Based Payment, (SFAS 123(R)) was issued on December 14, 2004 and becomes effective for reporting periods beginning after June 15, 2005. SFAS 123(R) requires an entity to recognize compensation expense in an amount equal to the fair value of share-based payments granted to employees. The Company plans to adopt SFAS 123(R) as required in the third quarter of fiscal 2005 and apply the standard using the modified prospective method, which requires compensation expense to be recorded for new and modified awards. Additionally, for any unvested portion of previously issued and outstanding awards, compensation expense is required to be recorded based on the previously disclosed SFAS 123 methodology and amounts. Prior periods presented are not required to be restated. The Company is still assessing the impact of the adoption of SFAS 123(R) on its future results of operations and financial position. The Company has provided pro forma disclosure of the impact in Note 1 Basis of Presentation and Summary of Significant Accounting Policies, Accounting for Stock-Based Compensation.

2. ACQUISITION OF THE DSNA BUSINESS

On November 22, 2004, effective as of November 21, 2004 (the Closing Date), two of the Company s wholly-owned subsidiaries consummated the acquisition (the Closing) of the North American chain of 313 Disney Store retail stores and an Internet store (the DSNA Business), pursuant to an Acquisition Agreement dated as of October 19, 2004 (the Acquisition Agreement) between two of the Company s subsidiaries, as purchasers, and two subsidiaries of The Walt Disney Company, as sellers (the Sellers). The Walt Disney Company and any of its subsidiaries are herein referred to interchangeably as Disney. Pursuant to the terms of the Acquisition Agreement, the Company s subsidiaries acquired two Disney operating subsidiaries that were operating a total of 313 Disney Stores, consisting of all existing Disney Stores in the United States and Canada, other than flagship stores and stores located at Disney theme parks and other Disney properties, along with certain other assets used in the Disney Store business. Additionally, all store lease and other legal obligations of the acquired entities remained the obligations of the acquired operating subsidiaries of the Company. Results of the acquired DSNA Business from November 21, 2004 have been included in the Company s consolidated financial statements. The Company s subsidiaries that operate the Disney Store business are referred to herein interchangeably and collectively as the Hoop Operating Entities.

The DSNA Business was acquired for a payment of $103.9 million, inclusive of an estimated post-closing true-up, and an estimated $6.7 million in transaction costs, for a total estimated acquisition cost of $110.6 million. These amounts were funded using cash-on-hand, borrowings under the Company s amended credit facility and an additional credit facility for the Hoop Operating Entities, and a short-term Sellers payable.

At the Closing, subsidiaries of the Company and Disney entered into the License Agreement under which the Hoop Operating Entities have the right to use certain Disney intellectual property in the Disney Store business in exchange for ongoing royalty payments. (See Note 3 - License

Agreement with Disney.)

In addition, the Company and one of its subsidiaries entered into a Guaranty and Commitment (the Guaranty and Commitment) dated as of November 21, 2004, in favor of the Hoop Operating Entities and Disney. As required by the Guaranty and Commitment and the Acquisition Agreement, the Company invested $50 million in the Hoop Operating Entities concurrently with the consummation of the acquisition, and agreed to invest up to an additional $50 million to enable the Hoop Operating Entities to comply with their obligations under the License Agreement and otherwise fund the operations of the Hoop Operating Entities. The Company also agreed to guarantee the payment and performance of the Hoop Operating Entities (for their royalty payment and other obligations to Disney), subject to a maximum guaranty liability of $25 million, plus expenses. As the Company is guaranteeing the obligations of a wholly-owned subsidiary, no value for the guarantee has been recorded.

The Company funded its capital commitment at the Closing and the preliminary acquisition payment, as applicable, through cash flow from operations, through a seller s payable that was subsequently paid in full on December 14, 2004, and through short-term borrowings under its amended credit facility with Wells Fargo and certain other lenders. The Company also negotiated a separate credit facility with Wells Fargo and certain other lenders for the Hoop Operating Entities, which funded a portion of the acquisition payment under the Acquisition Agreement, and also provides for the Hoop Operating Entities working capital needs.

Purchase Price Allocation

This acquisition is being accounted for under the purchase method of accounting in accordance with SFAS No. 141, Business Combinations (SFAS 141). As such, the Company has undertaken an analysis of the fair value of tangible and intangible assets acquired and liabilities assumed, and determined the preliminary excess of fair value of net assets acquired over cost. The Company s purchase price allocation is as follows (dollars in thousands):

Estimated acquisition cost:		
Acquisition payment, inclusive of estimated post-closing true-up	$	103,859
Transaction costs		6,700
Total estimated acquisition cost		110,559
Fair value of assets acquired and liabilities assumed:		
Inventories		104,226
Prepaid expenses and other assets		29,028
Property and equipment		46,293
Accounts payable and accrued expenses		(18,737)
Leasehold interests and other long-term liabilities		(3,514)
Total fair value of net assets		157,296
Excess of fair value of net assets acquired over cost		46,737
Allocation of excess of fair value of net assets acquired over cost to long-lived assets		46,293
Extraordinary gain on the acquisition of DSNA Business	$	444
Extraordinary gain on the acquisition of DSNA Business, net of tax	$	273

Under the Acquisition Agreement, the preliminary acquisition payment amount was determined using acquired net working capital, as defined, as of the Closing Date, subject to true-up six months subsequent to the Closing Date. The amount of the true-up has not been finalized by the Company, but the Company s current estimate has been included in the preliminary purchase price allocation above. The Company does not expect that any adjustment to the estimated true-up amount included above will have a material impact on its financial position or results of operations. In addition, the Company has estimated the amount of accrued liabilities as of the Closing Date. These accrued liabilities reflect operating liabilities incurred prior to the Closing Date that the Company agreed to assume pursuant to the Acquisition Agreement. These accrued liabilities may vary from actual results, which could cause future adjustment to the purchase price allocation.

Accrued expenses as of the Closing Date include approximately $1.7 million related to the estimated cost of exiting certain Disney Store facilities, stores and operations. Through January 29, 2005, the Company had utilized $0.1 million of these accruals, and expects the remaining amounts to be used during fiscal 2005.

As the fair value of the acquired assets and liabilities assumed exceeded the acquisition price, in accordance with SFAS 141, the valuation of the net assets acquired was reduced to the amount paid. Accordingly, no basis was assigned to property and equipment or any other long-lived assets and the remaining excess was recorded as an extraordinary gain, net of taxes, of $0.3 million.

Unaudited Pro Forma Financial Results

The unaudited pro forma condensed consolidated financial information (the Pro Forma Information) for Fiscal 2003 and Fiscal 2004 presented below give pro forma effect to four transactions consummated as of November 21, 2004 (the Transactions): (i) the acquisition of the DSNA Business, (ii) the license of certain intellectual property of Disney under the License Agreement, (iii) the incurrence of debt for the acquisition and the initial funding requirement under the Guaranty and Commitment, pursuant to the terms of the Company s credit facility with Wells Fargo Retail Finance, LLC (Wells Fargo), and (iv) the incurrence of debt for the acquisition pursuant to the terms of a new credit facility for the Hoop Operating Entities. The Pro Forma Information excludes the extraordinary gain on the acquisition of the DSNA Business.

The Pro Forma Information assumes that the Transactions took place on the first day of the respective period presented. The historical financial statements of the subsidiaries of Disney, from which the DSNA Business was derived (the Predecessor,) which were used in the preparation of the Pro Forma Information, used a fiscal year that ends on the Saturday closest to September 30. This differs from the Company s fiscal year, which ends on the Saturday closest to January 31. For purposes of the Pro Forma Information for Fiscal 2003, the Company has used the Predecessor s unaudited historical results for the fifty-two week period ended December 27, 2003.

For purposes of the Pro Forma Information for Fiscal 2004, the Company has used the Predecessor s unaudited

historical results for the forty week period ended October 2, 2004, in combination with the results of operations for the 10 weeks ended January 29, 2005 that are included in the Company s fiscal 2004 results of operations. The Company believes these differences in fiscal calendars do not materially impact the pro forma results presented. Amounts related to stores not acquired have been excluded from the accompanying Pro Forma Information.

The following table presents the unaudited Pro Forma Information (in thousands, except per share amounts):

	For the Fiscal Year Ended	
	January 29, 2005	January 31, 2004
Net sales	$ 1,513,919	$ 1,342,258
Net income (loss)	20,941	(20,050)
Basic net income (loss) per share	$ 0.78	$ (0.75)
Diluted net income (loss) per share	$ 0.76	$ (0.75)

3. LICENSE AGREEMENT WITH DISNEY

In connection with the acquisition of the DSNA Business, subsidiaries of the Company and Disney entered into a License Agreement under which the Company s subsidiaries have the right to use certain Disney intellectual property in the DSNA Business in exchange for ongoing royalty payments.

Pursuant to the terms of the License Agreement, the Hoop Operating Entities operate retail stores in North America using the Disney Store name and contract to manufacture, source, offer and sell merchandise featuring Disney-branded characters, past, present and future. The Hoop Operating Entities will make royalty payments to Disney beginning in November 2006 equal to 5% of net sales at physical Disney Store retail locations, subject to an additional royalty holiday with respect to a limited number of stores. The License Agreement provides for a minimum royalty to be paid in each year, beginning in the third year after the acquisition. Beginning in October 2005, the Hoop Operating Entities will also operate the www.disneystore.com Internet store which will feature a select assortment of merchandise offered in the physical retail locations. In the first year, the Company will pay a 5% royalty on Internet sales, and 9% royalty, and in some instances 10%, thereafter. The initial term of the License Agreement is 15 years and, if certain financial performance and other conditions are satisfied, the License Agreement may be extended at the Company s option for up to three additional ten-year terms.

The License Agreement includes provisions regarding the manner in which the Hoop Operating Entities will operate the Disney Store business and requires that approvals be obtained from a Disney affiliate for certain matters, including all uses of the intellectual property of Disney and its affiliates and the opening or closing of Disney Stores beyond certain parameters set forth in the License Agreement. The License Agreement obligates the Hoop Operating Entities to remodel stores as new long-term leases are executed.

The License Agreement limits the Company s ability to receive cash dividends or other distributions from the Hoop Operating Entities. The Hoop Operating Entities independent directors must approve payment of any dividends or other distributions to the Company, other than payments of: amounts due under the terms of tax sharing and intercompany services agreements; approximately $61.5 million to recoup the portion of the purchase price paid by the Company to Disney (limited to cumulative cash flows since the date of the acquisition); and certain other dividend payments, subject to satisfaction of certain additional operating conditions, and limited to 50% of cumulative cash flows up to $90 million, and 90% of cumulative cash flows thereafter. The License Agreement also restricts the incurrence of indebtedness in excess of certain permitted amounts.

The License Agreement also entitles Disney to designate a representative to attend meetings of the Board of Directors of the Company as an observer. Upon the occurrence of certain specified events, including an uncured royalty breach and other repeated material breaches by the Hoop Operating Entities of the terms of License Agreement, certain material breaches by the Company of the terms of the Guaranty and Commitment described below, and certain changes in ownership or control of the Company or the Hoop Operating Entities, Disney will have the right to terminate the License Agreement, in which event Disney may require the Company to sell the Disney Store business to Disney or one of its affiliates or to a third party at a price to be determined by appraisal or, in the absence of such sale, to wind down the Disney Store business in an orderly manner.

In addition, the Company and one of its subsidiaries entered into the Guaranty and Commitment as discussed in Note 2 - Acquisition of the DSNA Business.

4. FINANCIAL RESTATEMENTS

The lease-related accounting restatement discussed below was previously disclosed in the Company's Annual Report on Form 10-K dated April 14, 2005 (the "Initial Form 10-K"). The investments and minimum lease commitments restatements discussed below were identified subsequent to the filing of the Initial Form 10-K.

Lease-Related Accounting

In light of a recent SEC clarification on lease accounting, the Company corrected its lease accounting policies and the way the Company accounts for its leases, specifically the accounting for operating leases with scheduled rent increases and landlord construction allowances.

Under the requirements of FASB Technical Bulletin 85-3, Accounting for Operating Leases with Scheduled Rent Increases, rent expense is required to be recognized on a straight-line basis over the lease term. In prior periods, the Company had incorrectly determined that the term of the lease begins on the commencement date of the lease, which generally coincides with the store opening date. The Company has corrected this policy to properly commence the lease for accounting purposes when the Company takes physical possession of the property to begin construction. This correction has the effect of including the construction period in the determination of the period over which rent is calculated. The Company continues to capitalize occupancy costs incurred prior to the commencement of store pre-opening activities. These capitalized costs are amortized over the remaining lease term. The net effect of this correction was to increase depreciation expense with a corresponding decrease to rent expense and to increase the amount of deferred rent liabilities with a corresponding increase in leasehold improvements. The Company has corrected the prior years consolidated financial statements to properly account for these lease-related issues.

In addition, under FASB Technical Bulletin 88-1, Issues Relating to Accounting for Leases, lease incentives such as landlord construction allowances received to defray construction costs incurred by the Company should be reflected as a deferred lease incentive, amortized over the lease term and reflected as a reduction to rent expense. The Company had previously incorrectly classified landlord construction allowances as a reduction to property and equipment instead of as a deferred lease incentive. In fiscal 2004, the Company has corrected its accounting policy to treat landlord construction allowances received as deferred lease incentives. The Company has restated the prior years consolidated financial statements to properly account for landlord construction allowances.

The primary impact of the restatement was to reclassify, and in some instances increase or decrease, certain expenses on the consolidated statements of income. In addition, property and equipment and other long term assets were increased, with corresponding increases in deferred rent liabilities. While the correction of the errors did not change total cash position, changes in classification were made in the consolidated statements of cash flows. Cash flows provided by operating activities increased with a corresponding increase in cash flows used in investing activities.

In fiscal 2003 and fiscal 2002, cost of sales was reduced by $8.7 million and $7.1 million, respectively. Conversely, depreciation expense was increased by $8.7 million in fiscal 2003 and $7.2 million in fiscal 2002. In addition, the asset impairment charge in fiscal 2002 increased by $1.4 million. Net income for fiscal 2003 and fiscal 2002 is now $22.9 million, or diluted net income per share of $0.85, and $8.1 million, or diluted net income per share of $0.30, respectively.

In addition to the changes in net income, restated net property and equipment, total assets and total liabilities as of January 31, 2004 were $211.5 million, $426.2 million and $170.1 million, respectively.

While the correction of the errors did not change the Company s total cash position, classification of landlord construction allowances received in the consolidated statements of cash flows changed from cash flows used in investing activities to cash flows provided by operating activities. For fiscal 2003 and fiscal 2002, cash flows provided by operating activities increased by approximately $11.7 million and $20.7 million, respectively, with offsetting increases in cash flows used in investing activities. Cash flows used in investing activities was also impacted by the restatement of investments as summarized in the sub-heading Investments in the following paragraph.

Investments

Under the requirements of SFAS No. 95, Statement of Cash Flows, as amended, cash equivalents are short-term, highly liquid investments that are readily convertible to cash and have original maturities of less than three months. Historically, the Company recorded auction rate securities as cash equivalents. However, these securities do not meet the definition of cash equivalents due to their ultimate contractual maturities and pricing reset feature. Accordingly, the Company s management determined to restate prior period balance sheet and cash flow statements to correct the classification of auction rate securities from cash equivalents to investments. Auction rate securities were held in an interim period in fiscal 2004 and at year end during fiscal 2003. The Company did not invest in auction rate securities in fiscal 2002. Auction rate securities are securities earning income at a rate that is periodically reset, typically within 35 days. These securities are classified as available-for-sale securities under the provisions of SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Accordingly, these investments are recorded at fair value, with any unrealized gains and losses included as a separate component of stockholders equity, net of tax. Realized gains and losses and investment income are included in earnings.

There was no impact on any income statement items, including earnings per share; total current assets or current liabilities; total assets or liabilities; stockholders equity; debt covenants or liquidity; or cash flow from operating activities or cash flows from financing activities as a result of this restatement. For fiscal 2004, cash used by investing activities decreased $22.3 million as a result of the net sale of auction rate securities. For fiscal 2003, cash used by investing activities increased $22.3 million as a result of the net purchase of auction rate securities.

Impact of Lease-Related Accounting and Investment Restatements

The following tables (in thousands, except per share amounts) summarize the impact of the lease accounting restatement on previously filed consolidated statements of income and balance sheet data. The investment restatement did not impact the consolidated statements of income and balance sheet data described below.

	Consolidated Statements of Income					
		As reported		**Adjustments**		**As restated**
Fiscal year ended January 31, 2004:						
Cost of sales	$	485,671	$	(8,710)	$	476,961
Gross profit		312,267		8,710		320,977
Selling, general and administrative expenses		235,293		122		235,415
Depreciation and amortization		40,028		8,672		48,700
Income before income taxes and extraordinary gain		36,753		(84)		36,669
Provision for income taxes		13,796		(32)		13,764
Net income		22,957		(52)		22,905
Basic net income per common share	$	0.86	$		$	0.86
Diluted net income per common share		0.85				0.85

	Consolidated Statements of Income					
		As reported		**Adjustments**		**As restated**
Fiscal year ended February 1, 2003:						
Cost of sales	$	422,721	$	(7,098)	$	415,623
Gross profit		248,688		7,098		255,786
Asset impairment charge		3,170		1,369		4,539
Depreciation and amortization		35,746		7,199		42,945
Income before income taxes and extraordinary gain		15,412		(1,470)		13,942
Provision for income taxes		6,478		(617)		5,861
Net income		8,934		(853)		8,081
Basic net income per common share	$	0.34	$	(0.04)	$	0.30
Diluted net income per common share		0.33		(0.03)		0.30

	Consolidated Balance Sheet					
		As reported		**Adjustments**		**As restated**
As of January 31, 2004:						
Property and equipment, net	$	146,707	$	64,747	$	211,454
Deferred income taxes		12,428		670		13,098
Other assets		1,099		1,120		2,219
Total assets		359,666		66,537		426,203
Deferred rent liabilities		14,187		67,457		81,644
Total liabilities		102,661		67,457		170,118

Accumulated other comprehensive income	2,754	17	2,771
Retained earnings	150,290	(937)	149,353
Total stockholders equity	257,005	(920)	256,085
Total liabilities and stockholders equity	359,666	66,537	426,203

The following table summarizes the impact of the lease accounting and investment restatements on previously filed consolidated cash flow data (in thousands):

	Consolidated Statements of Cash Flows			
Fiscal year ended January 29, 2005	**As Reported**	**Lease Restatement**	**Investment Restatement**	**As Restated**
Cash flows provided by operating activities	$ 212,947			212,947
Cash flows used in investing activities	(168,925)		22,340	(146,585)

Fiscal year ended January 31, 2004	**As Reported**	**Lease Restatement**	**Investment Restatement**	**As Restated**
Cash flows provided by operating activities	$ 68,354	11,685		80,039
Cash flows used in investing activities	(31,788)	(11,685)	(22,340)	(65,813)

Fiscal year ended February 1, 2003	**As Reported**	**Lease Restatement**	**Investment Restatement**	**As Restated**
Cash flows provided by operating activities	$ 37,671	20,660		58,331
Cash flows used in investing activities	(48,536)	(20,660)		(69,196)

Minimum Lease Commitments

Subsequent to the initial issuance of the Company s consolidated financial statements for the year ended January 29, 2005, Company s management determined that the table summarizing the Company s future minimum lease commitments in Note 8 Commitments and Contingencies contained computational errors related to two store leases that were entered into as of January 29, 2005 for stores scheduled to open during fiscal 2005, resulting in an overstatement of the Company s minimum annual lease payments of approximately $49.0 million over the lease term shown in the table.

The following table (in thousands) summarizes the impact of the restatement to correct the error in minimum lease commitments:

Fiscal year	**Operating Leases**	
	(As reported)	**(As restated)**
2005	$ 141,824	$ 137,835
2006	137,300	132,688
2007	125,593	120,981
2008	113,237	108,625
2009	103,754	98,764
Thereafter	291,842	265,682
Total minimum lease payments	$ 913,550	$ 864,575

5. CREDIT FACILITIES

Amended Loan Agreement

Prior to October 30, 2004, the Company had a credit facility (the Original Wells Fargo Credit Facility) with Wells Fargo Retail Finance, LLC (Wells Fargo). The Original Wells Fargo Credit Facility provided for up to $85 million in borrowings, which included a sublimit of up to $80 million in letters of credit. Wells Fargo acted as the Company s agent bank for a syndicated group of lenders under this facility. This credit facility also contained provisions to increase borrowings up to $120 million (including a sublimit for letters of credit of $100 million), subject to sufficient collateralization and the syndication of the incremental line of borrowing. The amount that could be borrowed under the credit facility depended on the Company s levels of inventory and accounts receivable. The Original Wells Fargo Credit Facility would have expired in April 2006 and provided for one-year renewal options.

As of October 30, 2004, the Company amended and restated its credit facility with Wells Fargo (the Amended Loan Agreement), partly in connection with its acquisition of the DSNA Business. The terms of the Amended Loan Agreement are substantially the same as the Original Wells Fargo Credit Facility except the Amended Loan Agreement provides for borrowings up to $130 million (including a sublimit for letters of credit of $100 million) and extends the term of the facility until November 1, 2007 with successive one-year renewal options.

The Amended Loan Agreement is secured by a first priority security interest in substantially all the assets of the Company and its subsidiaries, other than assets in Canada and assets owned by the Company s subsidiaries that were formed in connection with the acquisition of the DSNA Business. Amounts outstanding under the Amended Loan Agreement bear interest at a floating rate equal to the prime rate or, at the Company s option, a LIBOR rate plus a pre-determined spread. The LIBOR spread is 1.50% to 3.00%, depending on the Company s level of availability from time to time. The unused line fee under the Amended Loan Agreement is 0.38%. The Company borrowed $53.8 million under the Amended Loan Agreement to support the acquisition of the DSNA Business.

The Company had $37.3 million in outstanding borrowings under the Amended Loan Agreement as of January 29, 2005 and had no borrowings under the Original Wells Fargo Credit Facility as of January 31, 2004. Letters of credit outstanding as of January 29, 2005 and January 31, 2004 were $42.2 million and $33.9 million, respectively. Availability as of January 29, 2005 and January 31, 2004 was $15.3 million and $51.1 million, respectively.

The Amended Loan Agreement also contains covenants, which include limitations on the Company s annual capital expenditures, the maintenance of certain levels of excess collateral, as well as, a prohibition on the payment of dividends. As of January 29, 2005, the Company was in compliance with all of its covenants under the Amended Loan Agreement, as amended (see Note 17 Subsequent Events). Noncompliance with these covenants could result in additional fees or could affect the Company s ability to borrow.

The interest rate charged under the Amended Loan Agreement was 5.25% as of January 29, 2005. The interest rate charged under the Original Wells Fargo Credit Facility was 4.0% as of January 31, 2004.

Borrowing activity under these agreements was as follows (dollars in thousands):

	For the Fiscal Year Ended	
	January 29, 2005	**January 31, 2004**
Average balances outstanding	$ 6,023	$ 414
Weighted average interest rate	5.13%	4.12%
Maximum balance outstanding	$ 53,832	$ 2,298

Hoop Loan Agreement

In connection with the acquisition of DSNA Business, the Hoop Operating Entities, entered into a Loan and Security Agreement (the Hoop Loan Agreement) dated as of November 21, 2004 with certain financial institutions and Wells Fargo, as administrative agent, establishing a senior secured credit facility for the DSNA Business. The Hoop Loan Agreement provides for borrowings up to $100 million (including a sublimit for letters of credit of $90 million), subject to the amount of eligible inventory and accounts receivable of the domestic Hoop Operating Entity from time to time. The term of the facility extends until November 21, 2007. Amounts outstanding under the Hoop Loan Agreement bear interest at a floating rate equal to the prime rate plus a pre-determined margin or, at the Hoop Operating Entities option, the LIBOR rate plus a pre-determined margin. The prime rate margin is 0.25% and the LIBOR margin is 2.0% or 2.25%, depending on the domestic Hoop Operating Entity s level of excess availability from time to time. The unused line fee is 0.30%.

The Hoop Loan Agreement contains various covenants, including limitations on indebtedness, maintenance of certain levels of excess collateral and restrictions on the payment of intercompany dividends and indebtedness. Credit extended under the Hoop Loan Agreement is secured by a first priority security interest in substantially all the assets of the Hoop Operating Entities as well as a pledge of a portion of the equity interests in the Canadian Hoop Operating Entity. Borrowings and letters of credit under the Hoop Loan Agreement are used by the Hoop Operating Entities for working capital purposes for the Disney Store business. The Hoop Operating Entities borrowed $40.3 million under the Hoop Loan Agreement to support the acquisition of the Disney Store business.

There were no borrowings under the Hoop Loan Agreement as of January 29, 2005. Letters of credit outstanding as of January 29, 2005 were $35.4 million and availability as of January 29, 2005 was $4.4 million. The interest rate charged under the Hoop Loan Agreement was 5.5% as of January 29, 2005.

Borrowing activity under the Hoop Loan Agreement was as follows (dollars in thousands):

	January 29, 2005	
Average balances outstanding	$ 1,180	
Weighted average interest rate	5.31	%
Maximum balance outstanding	$ 40,250	

Toronto Dominion Credit Facility

The Company has an $8.1 million credit facility with Toronto Dominion Bank (the Toronto Dominion Credit Facility) to support the Canadian subsidiary which operates The Children s Place stores in Canada. As of January 29, 2005, the Company requested that the standby letter of credit which collateralized the Toronto Dominion Credit Facility for $1.8 million be released, which was completed on February 3, 2005. The Company did not borrow under the Toronto Dominion Credit Facility during fiscal 2004. The Toronto Dominion Credit Facility remains in place to support the Company s Canadian subsidiary which operates The Children s Place stores in Canada, should the need arise.

As of January 31, 2004, the Toronto Dominion Credit Facility was secured by a standby letter of credit issued under the Original Wells Fargo Credit Facility and was collateralized to provide $1.8 million in borrowings. As of January 31, 2004, there were no borrowings and no outstanding letters of credit under the Toronto Dominion Credit Facility. Availability under this credit facility was $1.8 million as of January 31, 2004. Interest rates charged under this credit facility were 4.25% as of January 31, 2004. The Toronto Dominion Bank can demand repayment and cancel the availability of the Toronto Dominion Credit Facility at any time.

Borrowing activity under the Toronto Dominion Credit Facility was as follows (dollars in thousands):

	For the Fiscal Year Ended		
	January 29, 2005	January 31, 2004	
Average balances outstanding	$ 0	$ 209	
Weighted average interest rate	N/A	4.74	%
Maximum balance outstanding	$ 0	$ 1,759	

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Prepaid expenses and other current assets are comprised of the following (dollars in thousands):

	January 29, 2005	January 31, 2004
Prepaid property expense	$ 19,868	$ 12,428
Disney dollars and theme park tickets	11,041	0
Prepaid insurance	1,441	1,141
Prepaid supplies	674	1,343
Other prepaid expenses	4,199	2,504
Prepaid expenses and other current assets	$ 37,223	$ 17,416

Disney dollars are scrip money purchased by the Hoop Operating Entities and sold in the Disney Stores. The scrip money is considered legal tender in the Disney theme parks and Disney Stores. Disney theme park tickets are also purchased by the Hoop Operating Entities and sold in the Disney Stores.

7. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Accrued expenses and other current liabilities are comprised of the following (dollars in thousands):

	January 29, 2005	January 31, 2004
		(As restated)
Accrued salaries and benefits	$ 21,366	$ 11,966
Accrued real estate expenses	7,599	4,037
Customer liabilities	10,824	8,290
Professional fees	10,493	1,310
Accrued store expenses	9,601	2,702
Sales taxes and other taxes payable	8,040	4,272
Accrued marketing	3,894	1,098
Accrued insurance	2,234	2,856
Other accrued expenses	9,389	3,720
Accrued expenses and other current liabilities	$ 83,440	$ 40,251

8. COMMITMENTS AND CONTINGENCIES

The Company leases all of its stores and distribution facilities, and certain office equipment, store fixtures and automobiles, under leases expiring at various dates through 2023. Certain leases include options to renew. The leases require fixed minimum annual rental payments plus, under the terms of certain leases, additional payments for taxes, other expenses and additional rent based upon sales.

Rent expense is as follows (dollars in thousands):

	For the Fiscal Year Ended		
	January 29, 2005	**January 31, 2004 (As restated)**	**February 1, 2003 (As restated)**
Store and distribution facilities rent:			
Minimum rentals	$ 108,620	$ 91,547	$ 78,743
Amortization of lease incentives	(9,942)	(8,710)	(7,098)
Additional rent based upon sales	551	200	161
Total rent expense	$ 99,229	$ 83,037	$ 71,806

Future minimum annual lease payments under the Company s operating leases at January 29, 2005, are as follows (dollars in thousands):

Fiscal year	**Operating Leases (As restated)**
2005	$ 137,835
2006	132,688
2007	120,981
2008	108,625
2009	98,764
Thereafter	265,682
Total minimum lease payments	$ 864,575

As of April 1, 2005, the Company is leasing approximately 107 Disney Stores on a month-to-month basis, pending the consummation of executed lease contracts. The Company expects to execute the leases by July 2005. The preceding table excludes the minimum annual payment obligations for these leases. Based upon letter agreements the Company has received from its landlords, the Company has estimated its obligation for these stores. Had all leases for stores operating on a month-to-month basis as of January 29, 2005 been executed as of that date, the Company estimates that future minimum annual lease payments under these additional operating leases would have been as follows (dollars in thousands):

Fiscal year		Operating Leases (Unaudited)
2005	$	12,716
2006		12,967
2007		13,224
2008		13,486
2009		13,753
Thereafter		73,006
Total minimum lease payments	$	139,152

As of January 29, 2005, the Company has entered into various purchase commitments for merchandise for re-sale and capital equipment that approximate $220 million and $10 million, respectively.

The Company s acquisition of the DSNA Business was structured to create the Hoop Operating Entities as separate legal entities to fund and operate the Disney Store business. The domestic Hoop Operating Entity was capitalized with $50 million on the Closing Date. In addition, the Company has agreed to invest up to an additional $50 million to enable the Hoop Operating Entities to comply with their respective obligations under the License Agreement and otherwise to fund their operations. The Company also guaranteed royalty payments and other obligations under the License Agreement up to a maximum of $25 million, plus expenses.

In addition, under the License Agreement, the Hoop Operating Entities are also subject to minimum royalties. The minimum royalty payment is computed as follows: in the years following the end of the two-year royalty holiday, the minimum royalty payment is the greater of (i) 60% of the royalty that would have been payable under the terms of the License Agreement for acquired stores in the base year, which was the year ended October 2, 2004, as if the License Agreement had been in effect in that year, grown at the rate of the Consumer Price Index, or (ii) 80% of the average of the royalty amount payable in the previous two years. During fiscal 2004, since the Company was in the royalty holiday period, no minimum royalty was due under the License Agreement. (See Note 3 License Agreement with Disney.) Until finalized with Disney, the Company estimates minimum royalties will approximate $211 million (unaudited) over the 15 year initial term of the License Agreement.

9. LITIGATION

The Company reserves for litigation settlements when it can determine the probability of outcome and can estimate costs. Estimates are adjusted as facts and circumstances require. The Company is involved in various legal proceedings arising in the normal course of its business. In the opinion of management, any ultimate liability arising out of such proceedings, will not have a material adverse effect on the Company s financial position or results of operations.

10. INCOME TAXES

Components of the Company s provision for income taxes consisted of the following (dollars in thousands):

	Fiscal Year Ended		
	January 29, 2005	January 31, 2004	February 1, 2003
		(As restated)	(As restated)
Current -			
Federal	$ 17,658	$ 15,036	$ 4,405
Foreign	3,423	1,418	702
State	3,429	3,649	772
Deferred -			
Federal	803	(4,844)	744
Foreign	757	0	(1,589)
State	1,024	94	(762)
Change in valuation allowance	0	(1,589)	1,589
Total provision for income taxes	27,094	13,764	5,861
Taxes on the extraordinary gain	(171)	0	0
Tax provision as shown on the consolidated statements of income	$ 26,923	$ 13,764	$ 5,861
Effective tax rate	38.5%	37.5%	42.0%

A reconciliation between the calculated tax provision on income based on the statutory rates in effect and the effective tax rate follows (dollars in thousands):

	Fiscal Year Ended		
	January 29, 2005	January 31, 2004	February 1, 2003
		(As restated)	(As restated)
Calculated income tax provision at Federal statutory rate	$ 24,632	$ 12,831	$ 4,777
State income taxes, net of Federal benefit	2,893	2,796	68
Foreign tax rate differential	(369)	(318)	(554)
Losses for which no tax benefit is recognized	0	(1,589)	1,589
Nondeductible expenses	34	22	10
Other	(96)	22	(29)
Total tax provision	27,094	13,764	5,861
Taxes on the extraordinary gain	(171)	0	0
Tax provision as shown on the consolidated statements of income	$ 26,923	$ 13,764	$ 5,861

As of January 29, 2005, the Company has not made a U.S. tax provision on approximately $21 million of unremitted earnings of its international subsidiaries. These earnings are currently expected to be reinvested overseas to fund expansion in Asia and other foreign markets. Accordingly, the Company has not provided any provision for income tax expenses in excess of foreign jurisdiction income tax requirements relative to such unremitted earnings in the accompanying financial statements.

On October 22, 2004, President Bush signed the American Jobs Creation Act of 2004 (the Act). The Act creates a temporary incentive for U.S. corporations to repatriate accumulated income earned abroad by providing an 85% dividend-received deduction for certain dividends from controlled foreign corporations. The deduction is subject to a number of limitations and, without further guidance, there remains significant uncertainty as to the interpretation of numerous provisions in the Act. The U.S. Treasury has issued some guidance, which appears to clarify some of the Act s provisions. As of January 29, 2005, the Company had not decided whether, and to what extent, it might repatriate foreign earnings under the Act, and accordingly, the financial statements do not reflect any provision for taxes on unremitted foreign earnings. It is expected that further analysis and evaluation of the Act s provisions will be conducted by the Company once the U.S. Treasury issues all of its guidance, including the anticipated passage of a Technical Corrections Bill by Congress. This analysis and evaluation is expected to be completed in fiscal 2005, at which time recommendations may be made to the Board of Directors for their approval to repatriate a portion of the total available unremitted earnings as an extraordinary dividend.

Temporary differences which give rise to deferred tax assets and liabilities are as follows (dollars in thousands):

	January 29, 2005	January 31, 2004
		(As restated)
Current -		
Uniform inventory capitalization	$ 3,106	$ 3,578
Inventory related allowances	2,188	992
Canada net operating loss carryforward	0	757
Prepaid expenses and other reserves	(1,510)	(2,673)

Total current	3,784	2,654
Noncurrent -		
State tax net operating losses and credits	0	458
Depreciation	1,018	6,357
Deferred rent	8,366	6,283
Total noncurrent	9,384	13,098
Total deferred tax asset	$ 13,168	$ 15,752

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Based upon the projections for future taxable income over the periods which the deferred tax assets are deductible, management believes it is more likely than not the Company will realize the benefits of these deductible differences at January 29, 2005.

11. STOCKHOLDERS EQUITY

The Company s stockholders equity is comprised of the following:

	January 29, 2005	January 31, 2004
Common stock:		
Authorized number of shares, $0.10 par value	100,000,000	100,000,000
Issued and outstanding number of shares	27,218,395	26,733,313
Preferred stock:		
Authorized number of shares, $1.00 par value	1,000,000	1,000,000
Issued and outstanding number of shares	0	0

12. STOCK OPTION AND PURCHASE PLANS

Stock Option Plans

The Company has two stock option plans: the 1996 Plan and the 1997 Plan. The 1996 Plan authorized the granting of stock options with respect to 1,743,240 shares of Common Stock. At the 2004 Annual Meeting of Shareholders, the Company s stockholders approved an additional 1,500,000 shares available for issuance under the 1997 Plan. The 1997 Plan, as amended, authorized the granting of stock options with respect to 6,500,000 shares of Common Stock. As of January 29, 2005, there were 57,300 shares available for grant under the 1996 Plan and 1,518,475 shares available for grant under the 1997 Plan.

Both the 1996 Plan and the 1997 Plan are administered by the Compensation Committee, a sub-committee of the Board of Directors. Options granted under the 1996 Plan and the 1997 Plan have exercise prices established by the Compensation Committee provided that the exercise price of incentive stock options may not be less than the fair market value of the underlying shares at the date of grant. The 1996 Plan and the 1997 Plan also contain certain provisions that require the exercise price of incentive stock options granted to stockholders owning greater than 10% of the Company be at least 110% of the fair market value of the underlying shares. The maximum term of options granted is ten years. Unless otherwise specified by the Board of Directors, options vest at 20% a year over a five year period.

Changes in common shares under option for the three fiscal years in the period ended January 29, 2005 are summarized below:

	January 29, 2005		January 31, 2004		February 1, 2003	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Beginning of year	3,013,985	$ 20.16	2,085,265	$ 18.59	2,080,643	$ 18.49

Granted	881,725		27.64	1,183,500		22.13	291,700		16.66
Exercised	(460,235)		15.31	(135,230)		11.78	(166,218)		9.77
Canceled	(209,790)		29.81	(119,550)		21.65	(120,860)		24.62
End of year	3,225,685	$	22.67	3,013,985	$	20.16	2,085,265	$	18.59
Exercisable at end of year	1,104,899	$	18.91	1,150,124	$	17.45	960,644	$	15.85

The following table summarizes information regarding options outstanding at January 29, 2005:

	Options Outstanding				Options Exercisable		
Exercise Prices	**Outstanding at January 29, 2005**	**Weighted Average Remaining Contractual Life**		**Weighted Average Exercise Price**	**Exercisable at January 29, 2005**		**Weighted Average Exercise Price**
$2.68	83,472	1.4	$	2.68	83,472	$	2.68
$8.70 12.88	433,720	7.1		10.94	189,130		10.11
$13.97 20.55	796,268	6.4		18.01	442,828		17.07
$21.20 31.63	1,627,175	8.4		26.58	271,019		24.98
$32.80 41.47	285,050	7.7		37.04	118,450		37.37
$2.68 41.47	3,225,685	7.5	$	22.67	1,104,899	$	18.91

Stock Purchase Plans

The Company s ESPP is authorized to issue up to 360,000 shares of Common Stock for employee purchase through payroll deductions at 85% of fair market value. As of January 29, 2005, there were 205,488 shares available for grant under the ESPP. All employees of the Company, who have completed at least 90 days of employment and attained 21 years of age, are eligible to participate, except for employees who own Common Stock or options on such Common Stock which represents 5% or more of the Company s outstanding Common Stock. During fiscal 2004, fiscal 2003 and fiscal 2002, there were 24,847 shares, 28,219 shares and 31,902 shares issued under the ESPP, respectively.

13. SAVINGS AND INVESTMENT PLAN

The Company has adopted The Children s Place 401(k) Savings and Investment Plan (the 401(k) Plan), which qualifies under Section 401(k) of the Internal Revenue Code of 1986, as amended. The 401(k) Plan is a defined contribution plan established to provide retirement benefits for all employees who have completed 90 days of service with the Company.

The 401(k) Plan is employee funded up to an elective annual deferral and also provides an option for the Company to contribute to the 401(k) Plan at the discretion of the 401(k) Plan s trustees. During fiscal 2004, fiscal 2003 and fiscal 2002, the Company matched the lesser of 50% of the participant s contribution or 2.5% of the participant s compensation. During fiscal 2004, fiscal 2003 and fiscal 2002, the Company s matching contributions to the 401(k) Plan were approximately $916,000, $873,000 and $1,053,000, respectively.

Under statutory requirements, the Company contributes to retirement plans for its Asian operations. Contributions under these plans in fiscal 2004, fiscal 2003 and fiscal 2002 were immaterial.

14. SEGMENT AND GEOGRAPHIC INFORMATION

Prior to the acquisition of the DSNA Business, the Company operated under one operating segment. Since November 21, 2004, the Company has segmented its operations based on management responsibility: The Children s Place stores and the Disney Stores. Direct administrative expenses are recorded by each segment. Non-allocable expenses are considered shared services and principally include executive management, finance, real estate, human resources, legal and information technology services. Shared service assets principally represent capitalized software and computer equipment. All other administrative assets are allocated between the two operating segments.

The following tables provide fiscal 2004 segment level financial information (dollars in millions):

	The Children s Place	Disney Store (1)	Shared Services	Total Company
Net sales	$ 994.1	$ 163.4	$	$ 1,157.5
Depreciation and amortization	46.2	0.0	5.6	51.8
Segment operating profit	109.9	6.1	(46.0)	70.0
Operating income as a percent of net sales	11.1%	3.7%	N/A	6.0%
Total assets	410.8	206.6	10.0	627.4
Capital expenditures	56.5	0.7	4.3	61.5

(1) Represents 10 weeks of operations for the Disney Store business, commencing November 21, 2004.

Since the fair value of assets acquired and liabilities assumed exceeded the amounts paid to acquire the DSNA Business, the Company recorded no basis in the property and equipment it acquired with the DSNA Business. Correspondingly, the Company recorded no depreciation expense for the Disney Store business in fiscal 2004 as the post-acquisition capital expenditures were not yet placed in service.

Revenues attributable to domestic and foreign operations were as follows (in millions):

	Fiscal Year Ended		
	January 29, 2005	January 31, 2004	February 1, 2003
United States and Puerto Rico	$ 1,068.5	$ 748.0	$ 656.8
Canada (1)	89.0	49.9	14.6
Total	$ 1,157.5	$ 797.9	$ 671.4

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(1) The Company s Canadian operations commenced in the second quarter of fiscal 2002.

The Company s long-lived assets, by geographic region, are comprised of property and equipment, net, long-term deferred income taxes and other assets, and are as follows (in thousands):

	Fiscal Year Ended	
	January 29, 2005	January 31, 2004
		(As restated)
United States and Puerto Rico	$ 206,182	$ 206,150
Canada	27,600	19,916
Asia	1,447	705
Total	$ 235,229	$ 226,771

15. QUARTERLY FINANCIAL DATA (UNAUDITED)

The following tables summarize the quarterly consolidated statements of income data for the periods indicated, giving effect to the restatement described above in Note 4 Financial Restatements (in thousands, except per share amounts):

	Fiscal Year Ended January 29, 2005			
	First Quarter		Second Quarter	
	(As reported)	(As restated)	(As reported)	(As restated)
Net sales	$ 225,779	$ 225,779	$ 189,165	$ 189,165
Gross profit	91,858	94,183	58,299	60,739
Net income (loss) (2)	11,533	11,533	(9,911)	(9,911)
Basic net income (loss) per common share(2)	0.43	0.43	(0.37)	(0.37)
Diluted net income (loss) per common share(2)	0.42	0.42	(0.37)	(0.37)

	Fiscal Year Ended January 29, 2005		
	Third Quarter		Fourth Quarter (1)
	(As reported)	(As restated)	(As reported)
Net sales	$ 280,496	$ 280,496	$ 462,108
Gross profit	113,983	116,496	180,449
Net income(2)	17,683	17,683	23,975
Basic net income per common share(2)	0.66	0.66	0.89
Diluted net income per common share(2)	0.65	0.65	0.85

(1) Fourth quarter included 10 weeks of operations for the Disney Store business, commencing November 21, 2004.

(2) Fourth quarter included an extraordinary gain of $273, or $0.01 per share, after taxes, resulting from the difference between the fair value of the DSNA Business acquired versus the amount the Company paid (See Note 2 Acquisition of the DSNA Business.)

	Fiscal Year Ended January 31, 2004			
	First Quarter		Second Quarter	
	(As reported)	(As restated)	(As reported)	(As restated)
Net sales	$ 181,010	$ 181,010	$ 159,082	$ 159,082
Gross profit	69,890	71,920	50,470	52,621
Net income (loss)	5,529	5,529	(9,359)	(9,359)
Basic net income (loss) per common share	0.21	0.21	(0.35)	(0.35)
Diluted net income (loss) per common share	0.21	0.21	(0.35)	(0.35)

	Third Quarter		Fourth Quarter	
	(As reported)	(As restated)	(As reported)	(As restated)
Net sales	$ 223,277	$ 223,277	$ 234,569	$ 234,569
Gross profit	91,290	93,530	100,617	102,906
Net income	11,612	11,612	15,175	15,123
Basic net income per common share	0.44	0.44	0.57	0.57
Diluted net income per common share	0.43	0.43	0.55	0.55

The following tables summarize the quarterly consolidated balance sheet data for the periods indicated (in thousands):

	May 1, 2004		July 31, 2004		October 30, 2004	
	(As reported)	(As restated)	(As reported)	(As restated)	(As reported)	(As restated)
Total current assets	$ 216,919	$ 216,919	$ 207,501	$ 207,501	$ 226,548	$ 226,548
Property and equipment, net	146,408	211,989	146,016	212,298	153,866	221,410
Total assets	377,141	444,473	367,854	436,004	394,468	463,841
Current liabilities	90,023	90,030	88,818	88,832	96,904	96,924
Total liabilities	107,750	176,002	107,222	176,292	112,512	182,805
Total stockholders equity	269,391	268,471	260,632	259,712	281,956	281,036

	May 3, 2003		August 2, 2003		November 1, 2003	
	(As reported)	(As restated)	(As reported)	(As restated)	(As reported)	(As restated)
Total current assets	$ 151,168	$ 151,168	$ 153,969	$ 154,069	$ 173,887	$ 173,978
Property and equipment, net	156,846	219,395	154,617	219,029	149,354	214,934
Total assets	317,322	381,637	317,912	384,155	332,441	399,808
Current liabilities	67,246	67,258	76,732	76,732	78,160	78,160
Total liabilities	82,293	147,477	91,921	159,033	93,975	162,211
Total stockholders equity	235,029	234,160	225,991	225,991	238,466	237,597

The following tables summarize the year-to-date consolidated statements of cash flows data for the periods indicated (in thousands):

	Thirteen Weeks Ended May 1, 2004		Twenty-Six Weeks Ended July 31, 2004		Thirty-Nine Weeks Ended October 30, 2004	
	(As reported)	(As restated)	(As reported)	(As restated)	(As reported)	(As restated)
Cash flows provided by (used in) operating activities	$ 19,307	$ 22,459	$ (24,779)	$ (18,336)	$ 4,045	$ 14,257
Cash flows used in investing activities	(10,854)	(34,011)	(20,453)	(4,556)	(37,164)	(25,036)
Cash flows provided by financing activities	1,792	1,792	2,078	2,078	2,696	2,696

	Thirteen Weeks Ended May 3, 2003		Twenty-Six Weeks Ended August 2, 2003		Thirty-Nine Weeks Ended November 1, 2003	
	(As reported)	(As restated)	(As reported)	(As restated)	(As reported)	(As restated)
Cash flows provided by (used in) operating activities	$ 20,490	$ 23,441	$ 6,194	$ 13,271	$ 32,275	$ 42,751
Cash flows used in investing activities	(10,321)	(13,272)	(18,353)	(25,430)	(25,642)	(36,118)
Cash flows provided by financing activities	467	467	713	713	816	816

16. RELATED PARTY TRANSACTIONS

SKM Financial Advisory Services

In conjunction with a 1996 private placement, the Company sold common stock to two funds, the SK Equity Fund, L.P. and the SK Investment Fund, L.P. (collectively, the SK Funds) managed by Saunders, Karp & Megrue, L.P. (SKM). In addition, the Company entered into a management agreement with SKM which provided for the payment of an annual fee of $150,000, payable quarterly in advance, in exchange for certain financial advisory services. This management agreement remained in effect until SKM or any of its affiliates total ownership of the Company s Common Stock was less than 10% on a fully diluted basis. Pursuant to this management agreement, the Company incurred fees and expenses of approximately $151,000 in each of the fiscal years 2004, 2003 and 2002. On November 18, 2004, the SK funds sold the Company s Common Stock, which brought their ownership position to less than 10% on a fully diluted basis. Effective for fiscal 2005, the management agreement with SKM will no longer be in effect.

Stockholders Agreement

The Company and certain of its stockholders are parties to a Stockholders Agreement (the Stockholders Agreement). The Stockholders Agreement sets forth certain rights and obligations in order to ensure a degree of management continuity and ownership of the Company by imposing certain restrictions and obligations on the ownership, retention and disposition of the capital stock of the Company. The Stockholders Agreement places certain limitations upon the transfer, in privately negotiated transactions, of shares of Common Stock beneficially owned by Ezra Dabah, CEO, and the SK Funds. In addition, the Stockholders Agreement provides that (1) so long as Ezra Dabah, together with members of his family, beneficially owns shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include three directors nominated by Ezra Dabah and (2) so long as the SK Funds beneficially own shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Stockholders Agreement, the stockholders party to the Stockholders Agreement will be obligated to vote all shares as to which they have voting rights in a manner such that the Board of Directors will at all times include two directors nominated by the SK Funds. Should the number of directors comprising the Board of Directors be increased, nominees for the remaining director positions will be designated by the Board of Directors.

The Stockholders Agreement provides that so long as the SK Funds beneficially own shares representing at least 25% of the shares of Common Stock owned by such parties on the date of the Stockholders Agreement, the Company will not, without the affirmative vote of at least one director nominated by the SK Funds, engage in specified types of transactions with certain of its affiliates (not including the SK Funds), take action to amend the By-Laws or Certificate of Incorporation or increase or decrease the size of the entire Board of Directors. The Stockholders Agreement also provides that certain specified types of corporate transactions and major corporate actions will require the approval of at least two-thirds of the members of the Board of Directors.

Under the terms of the Stockholders Agreement, the rights of any party thereunder will terminate at the time that such party s Common Stock constitutes less than 25% of the shares of Common Stock owned by such party on the date of the Stockholders Agreement. All the provisions of the Stockholders Agreement will terminate when no party to the Stockholders Agreement beneficially owns shares representing at least 25% of the outstanding Common Stock owned by such party on the date of the Stockholders Agreement.

On November 18, 2004, the SK Funds sold the Company s Common Stock, bringing their Common Stock ownership to less than 25% of the shares of Common Stock owned by SK Funds on the date of the Stockholders Agreement. Therefore, the SK Funds rights under the Stockholders Agreement terminated. However, any and all obligations of the SK Funds under the Stockholders Agreement remain in full force and effect.

Employment Agreements

The Company has entered into employment agreements with certain of its executives which provide for the payment of severance up to three times the executive s salary and certain benefits following any termination without cause. These contracts commit the Company in the aggregate to approximately $3.6 million, of which approximately $3.5 million represents severance benefits.

Employment of Family Members

Ezra Dabah, CEO, is the son-in-law of Stanley Silverstein, a member of the Board of Directors. Nina Miner, who is Mr. Silverstein s daughter and Mr. Dabah s sister-in-law, is employed by the Company as the Senior Vice President, Design and Trend Development. Additionally, four other immediate family members of Mr. Dabah are employed by the Company. The aggregate compensation for Mr. Dabah s relatives, including Ms. Miner, approximated $1.5 million in fiscal 2004.

Executive Officers

The Company had one outstanding loan to an executive officer at the beginning of fiscal 2002 that totaled approximately $537,000 in principal and accrued interest. The loan bore interest at the prime rate as quoted by Chase Manhattan Bank and was secured by the principal residence of the executive officer. The loan matured on April 15, 2002 and the term was extended by the Company to April 15, 2003. As of February 2, 2003, this loan had principal and accrued interest outstanding totaling approximately $550,000. The principal balance and accrued interest on this loan was repaid on April 3, 2003.

Shareholder Receivable

In August, 1999, the Company incurred approximately $227,000 in legal, accounting, printing and other costs for a secondary offering that was subsequently canceled. SKM, Ezra Dabah and Stanley Silverstein, a member of the Board of Directors, had agreed to reimburse the Company for these costs, which were included on the balance sheet as a component of other assets. The Company forgave approximately $8,000 of the shareholder receivable as part of a severance agreement with one of its former executives. As of April 15, 2004, SKM and Ezra Dabah

reimbursed the Company approximately $189,000 for their portions of the shareholder receivable. On March 7, 2005, Stanley Silverstein reimbursed the Company for the remaining $30,000 outstanding portion of the shareholder receivable.

17. SUBSEQUENT EVENTS

On February 16, 2005, in connection with the development of a new 525,000 square foot distribution facility in South Brunswick Township, New Jersey, the Company entered into a $16.9 million lease for an automated material handling system with Siemens Financial Services, Inc. (Siemens). Payments on this five year lease commence in July 2005.

On April 12, 2005, in conjunction with the restatement of the Company s consolidated financial statements, the Company amended its Amended Loan Agreement with Wells Fargo, to change certain definitions and the computation of certain financial covenants. In addition, this amendment acknowledges that any changes in the Company s lease-related accounting would not constitute an event of default and provides for waiver in all respects for all prior periods.

(a)(3) Exhibits

3.1*	Amended and Restated Certificate of Incorporation of the Company.
3.2*	Amended and Restated By-Laws of the Company.
4.1*	Form of Certificate for Common Stock of the Company.
9.1*	Amended and Restated Stockholders Agreement, dated as of September 18, 1997.
10.1*	1996 Stock Option Plan of The Children s Place Retail Stores, Inc.
10.2*	1997 Stock Option Plan of The Children s Place Retail Stores, Inc.
10.3*	The Children s Place Retail Stores, Inc. 401(k) Plan.
10.4*	Form of The Children s Place Retail Stores, Inc. Employee Stock Purchase Plan.
10.5*	The Children s Place Retail Stores, Inc. Management Incentive Plan.
10.8*	Employment Agreement dated as of June 27, 1996 between the Company and Ezra Dabah.
10.10*	Form of Indemnification Agreement between the Company and the members of its Board of Directors.
10.12*	Form of Amended and Restated Registration Rights Agreement, dated as of September 18, 1997.
10.17*	Buying Agency Agreement dated September 17, 1996 between the Company and KS Best International.
10.18*	Advisory Agreement dated June 28, 1996 between the Company and Saunders Karp & Megrue, L.P.
10.20**	Lease for a distribution center and corporate headquarters facility between the Company and Hartz Mountain Associates, dated June 30, 1998.
10.21**	Software Purchase and license agreement between the Company and Trimax Inc. dated August 14, 1998.
10.22***	Amendment to a lease for a distribution center and corporate headquarters facility between the Company and Hartz Mountain Associates, dated November 20, 1998.
10.25	Lease Agreement between the Company and Haven Gateway LLC, dated as of August 17, 2000.
10.26	Lease Agreement between the Company and Hartz Mountain Associates, dated as of October 31, 2000.
10.27«	Agreement as of May 23, 2002 between the Company and Toronto-Dominion Bank for a Demand Facility.
10.33^	Lease Agreement as of August 12, 2003 between Orlando Corporation and The Children s Place (Canada), LP. Together with, Indemnity Agreement as of August 12, 2003 between the Company and Orlando Corporation. Together with, Surrender of Lease as of August 12, 2003 between the Company and Orlando Corporation and Orion Properties Ltd.
10.34**(1)**	Amended and Restated Employment Agreement dated as of January 22, 2004 between the Company and Neal Goldberg.
10.35**(2)**	Lease Agreement between the Company and Turnpike Crossing I, LLC, dated as of July 14, 2004.
10.36**(3)**	Acquisition Agreement dated as of October 19, 2004 by and among Disney Enterprises, Inc., Disney Credit Card Services, Inc., Hoop Holdings, LLC and Hoop Canada Holdings, Inc.
10.37**(3)**	Fourth Amended and Restated Loan and Security Agreement dated as of October 30, 2004 by and among The Children s Place Retail Stores, Inc. and each of its subsidiaries that are signatories thereto, as borrowers, the financial institutions named therein, and Wells Fargo Retail Finance, LLC, as agent.
10.38**(3)**	License and Conduct of Business Agreement dated as of November 21, 1004 by and among TDS Franchising, LLC, The Disney Store, LLC and The Disney Store (Canada) Ltd.
10.39**(3)**	Guaranty and Commitment dated as of November 21, 2004 by The Children s Place Retail Stores, Inc. and Hoop Holdings, LLC in favor of The Disney Store, LLC, The Disney Store (Canada) Ltd. and TDS Franchising, LLC.
10.40**(3)**	Loan and Security Agreement dated as of November 21, 2004 between The Disney Store, LLC and Hoop Retail Stores, LLC, as borrowers, Hoop Canada Holdings, Inc., as guarantor, Hoop Canada, Inc. and The Disney Store (Canada) Ltd., as secondary guarantors, the financial institutions named therein, and Wells Fargo Retail Finance, LLC, as agent.
10.41(4)	First Amendment to Fourth Amended and Restated Loan and Security Agreement, dated December 31, 2004 by and among The Children s Place Retail Stores, Inc. and each of its subsidiaries that are signatories thereto, as borrowers, the financial institutions named therein, and Wells Fargo Retail Finance, LLC, as agent.
10.42(4)	Second Amendment to Fourth Amended and Restated Loan and Security Agreement, dated April 12, 2005 by and among The Children s Place Retail Stores, Inc. and each of its subsidiaries that are signatories thereto, as borrowers, the financial institutions named therein, and Wells Fargo Retail Finance, LLC, as agent.
21.1(4)	Subsidiaries of the Company
23.1	Consent of Independent Registered Public Accounting Firm
31	Section 302 Certifications
32	Section 906 Certifications

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* Incorporated by reference to the registrant s Registration Statement on Form S-1 (No. 333-31535). Exhibit numbers are identical to the exhibit numbers incorporated by reference to such registration statement.

** Incorporated by reference to the registrant s quarterly report on Form 10-Q for the period ended August 1, 1998. Exhibit 10.20 was filed previously as Exhibit 10.2 and Exhibit 10.21 was filed previously as Exhibit 10.3 in such quarterly report.

*** Incorporated by reference to the registrant s quarterly report on Form 10-Q for the period ended October 31, 1998. Exhibit 10.22 was filed previously as Exhibit 10.5 in such quarterly report.

Incorporated by reference to the registrant s quarterly report on Form 10-Q for the period ended October 28, 2000. Exhibit 10.25 was filed previously as Exhibit 10.3 in such quarterly report and Exhibit 10.26 was filed previously as Exhibit 10.4 in such quarterly report.

« Incorporated by reference to the registrant s quarterly report on Form 10-Q for the period ended May 4, 2002. Exhibit 10.27 was filed previously as Exhibit 10.1 in such quarterly report.

^ Incorporated by reference to the registrant s quarterly report on Form 10-Q for the period ending November 1, 2003. Exhibit 10.33 was filed previously as Exhibit 10.2 in such quarterly report.

(1) Incorporated by reference to registrant s quarterly report on Form 10-Q for the period ended May 1, 2004. Exhibit 10.34 was filed previously as Exhibit 10.1 in Such quarterly report.

(2) Incorporated by reference to registrant s quarterly report on Form 10-Q for the period ended July 31, 2004. Exhibit 10.35 was filed previously as Exhibit 10.2 in such quarterly report.

(3) Incorporated by reference to registrant s quarterly report on Form 10-Q for the period ended October 30, 2004. Exhibit 10.36 was previously filed as Exhibit 2.1 in such quarterly report, Exhibit 10.37 was previously filed as Exhibit 10.3 in such quarterly report, Exhibit 10.38 was previously filed as Exhibit 10.4 in such quarterly report, Exhibit 10.39 was previously filed as Exhibit 10.5 in such quarterly report and Exhibit 10.40 was previously filed as Exhibit 10.6 in such quarterly report.

(4) Previously filed in the Company s Annual Report on Form 10-K dated April 14, 2005.

SIGNATURES

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

THE CHILDREN S PLACE RETAIL STORES, INC.
By:

/s/ Ezra Dabah
Ezra Dabah
Chairman of the Board and
Chief Executive Officer
June 14, 2005

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

Signature	Title	Date
/s/ Ezra Dabah Ezra Dabah	Chairman of the Board of Directors and Chief Executive Officer (Principal Executive Officer)	June 14, 2005
/s/ Hiten D. Patel Hiten D. Patel	Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	June 14, 2005
/s/ Charles Crovitz Charles Crovitz	Director	June 14, 2005
/s/ Malcolm Elvey Malcolm Elvey	Director	June 14, 2005
/s/ Robert Fisch Robert Fisch	Director	June 14, 2005
/s/ Sally Frame Kasaks Sally Frame Kasaks	Director	June 14, 2005
/s/ John Megrue John Megrue	Director	June 14, 2005
/s/ Stanley Silverstein Stanley Silverstein	Director	June 14, 2005