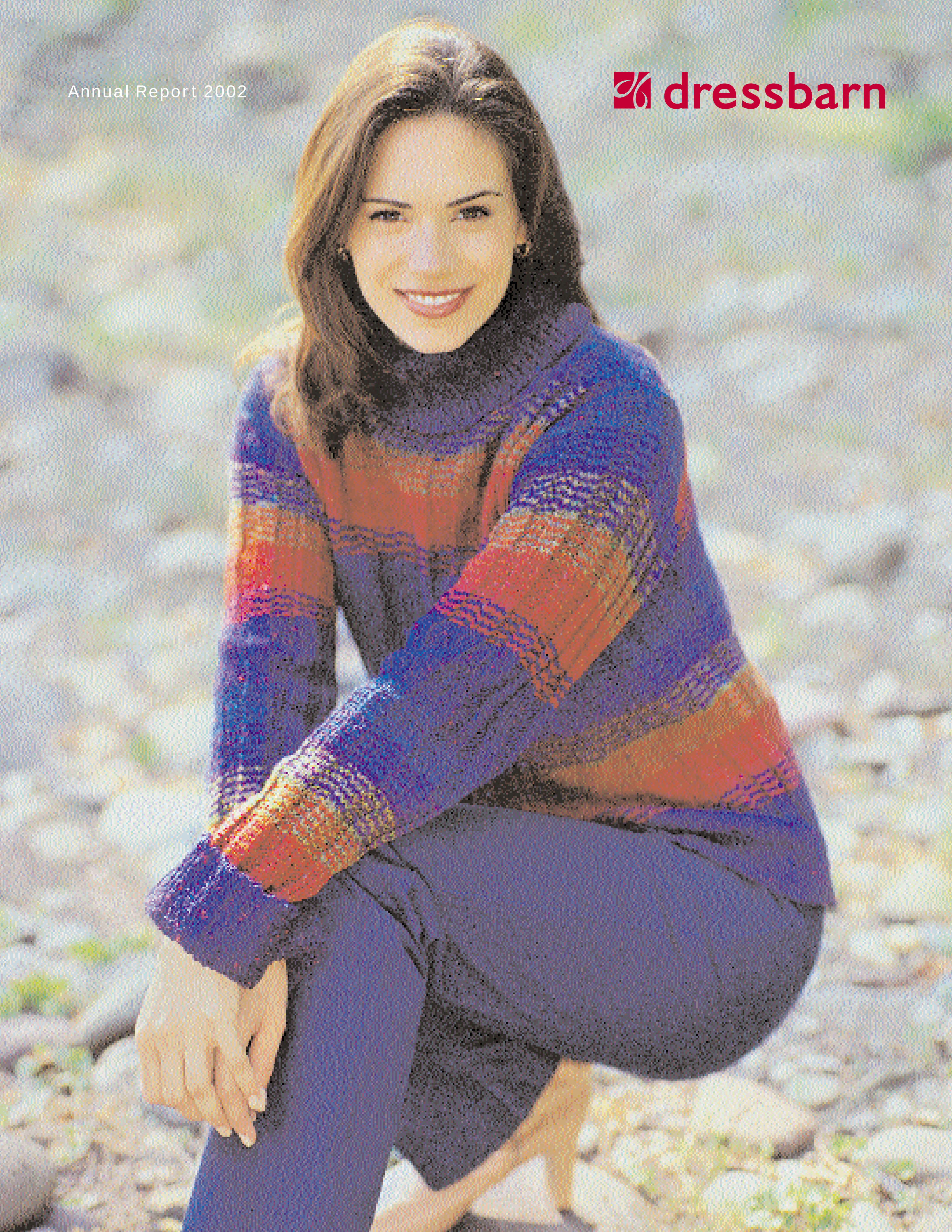
Annual Report 2002

dressbarn



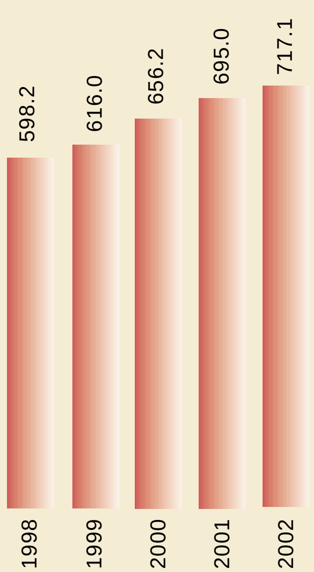
dressbarn **The Dress Barn, Inc. is one of the nation's leading specialty store chains offering quality career and casual fashions at value-prices. Since opening its first store in 1962, in Stamford, Connecticut, The Dress Barn has thrived and now operates over 750 retail locations in 43 states. The Dress Barn serves both misses and woman size customers, and has added petite and shoe departments in many retail locations.**

2002 Financial Highlights

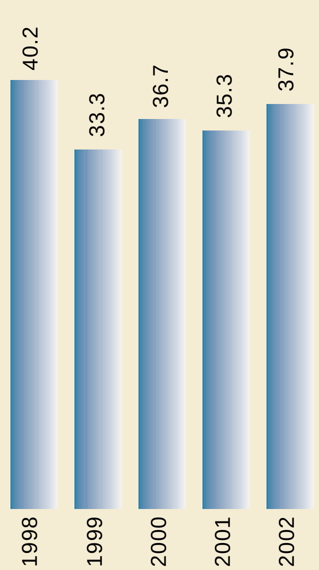
The Dress Barn, Inc. and Subsidiaries

Fiscal Year	**2002**	2001	2000
Operating Results			
Net sales	**$717,136,000**	$695,008,000	$656,174,000
Income before taxes	**59,283,000**	55,624,000	57,862,000
Net earnings	**37,941,000**	35,321,000	36,742,000
Net earnings as a percent of net sales	**5.3%**	5.1%	5.6%
Net earnings per share – diluted	**$ 1.01**	$ 0.94	$ 0.95
Financial Position			
Working capital	**$230,959,000**	$197,257,000	$159,105,000
Current ratio	**2.9**	2.9	2.4
Total assets	**458,247,000**	402,282,000	374,236,000
Shareholders' equity	**334,253,000**	296,597,000	259,561,000
Return on average shareholders' equity	**12.0%**	12.7%	14.3%
Number of stores at end of fiscal period	**754**	720	689
Total store square footage	**5,439,000**	5,123,000	4,774,000

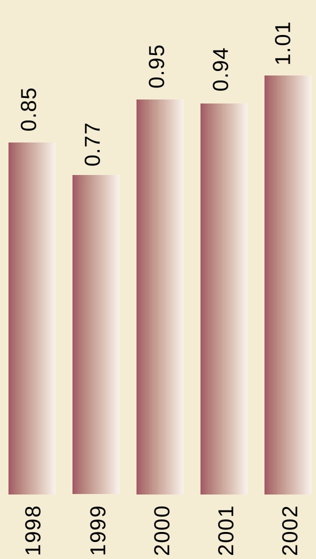
Net Sales
$ in millions



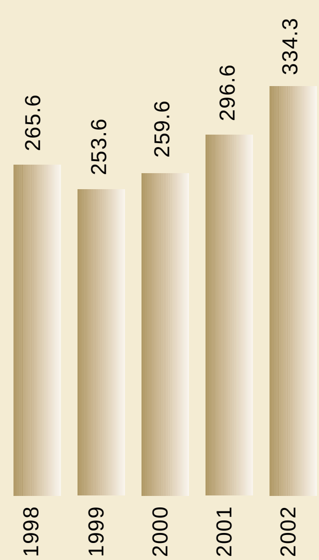
Net Earnings
$ in millions

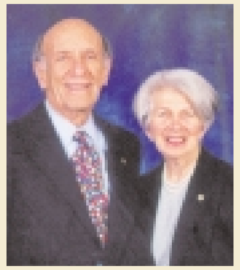


Earnings Per Share
Diluted



Shareholders' Equity
$ in millions





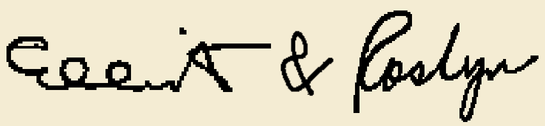
In celebrating our **40th Anniversary year**, a little look back is in order. How did we grow, far beyond our original expectations, and how did we survive, as the only national apparel specialty chain still being run by the founding family? Early memories include Roz Jaffe opening and running Store 1, while raising three children under seven; our loading up the station wagon to deliver to the two, soon to be three, stores, then turning around to head for New York City to pick up new merchandise; or pulling the "all nighter" to get a store ready to open, then changing clothes and opening the doors to customers.

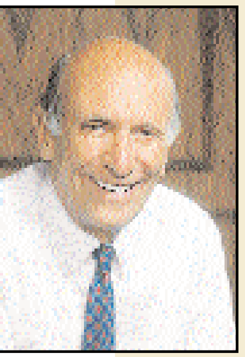
Surviving came out of a conservative strategy, slow but steady growth, staying flexible, reacting quickly to changes in consumer tastes, and keeping a tight lid on costs. But most important was developing the team of loyal and dedicated people to execute. We have tried to keep a family feeling about the business, even as it has grown to be a national chain.

You can imagine our pride and pleasure this year then, when we named our son, David, as President and CEO, on his tenth year with us.

Our daughter, Elise, celebrated her 20th Anniversary with Dress Barn this year. Elise, as Senior Vice President of Real Estate, has had a hand in every one of the 754 real estate decisions our Company has made. Also noteworthy is Burt Steinberg stepping down after 19 years as our Chief Merchant and our partner in growing the business. Burt will continue to serve as Executive Director in an advisory role for sourcing and manufacturing. My role going forward will be that of coach, while serving as Chairman of the Board, as well as heading up our Executive and Real Estate Committees.

We think the best years for our company still lay ahead. We believe there will always be a need for a specialty store giving customers service and fashion at great value. We have the means, the know-how and most importantly, the people, to continue to grow, and we intend to do so!





Elliot S. Jaffe
Founder & Chairman

David R. Jaffe
President &
Chief Executive Officer

To Our Shareholders:

Fiscal 2002 was a year of exceptional challenges, including a recessionary economy. Nonetheless, we continue to maintain strong financial flexibility with a pristine, debt-free balance sheet and exceptionally strong cash flow.

Net sales for the fiscal year ended July 27, 2002 were $717.1 million compared with $695.0 million in fiscal 2001, a 3% increase. Same store sales decreased 2%. Net income increased to $37.9 million, or $1.01 per share. This compares to $35.3 million, or $0.94 per share, for the previous fiscal year. Our earnings per share reflect the Company's two-for-one stock split to shareholders effective May 31, 2002. The increase in net income was driven by increased sales, strong margins, and reduced catalog and e-commerce operating costs.

During fiscal 2002, the Company opened 66 stores, primarily our larger combination format (Dress Barn and Dress Barn Woman under one roof), while closing or relocating 32 underperforming stores. We ended the year with 754 stores in 43 states. We also remodeled approximately 100 stores, many to our prototype design. Our expansion plans will continue to focus on strip centers, as well as on downtown and outlet locations. For fiscal 2003, we plan to open approximately 55 new stores in existing markets, as well as expanding into new markets, such as Southern California.

We remain confident in our Company's ability to survive and prosper. This confidence was evident in our decision, announced in September, to initiate a "Dutch Auction" tender offer. We are delighted with the successful completion of the offer in which 8,000,000 shares were purchased at a price of $15.00 per share. We believe our stock has been undervalued by Wall Street. The tender offer was a way to increase shareholder value, by positively impacting future earnings per share.

In addition, we still have approximately $50 million authorized under our previously announced stock repurchase program. We believe our cash reserves and continued positive cash flow from operations are more than adequate for our day-to-day operating requirements, as well as provide necessary capital needed for our store growth plans and complementary strategic opportunities that may arise.

Dress Barn remains committed to our strategy of providing customers with exceptional service and quality merchandise at value prices in a comfortable shopping environment. We believe this differentiates us from our competition and positions us well in this challenging retail environment. Our buying team, under the direction of Keith Fulsher, Senior Vice President and Chief Merchandising Officer, continues to do an exceptional job of managing inventories while providing a balanced assortment of contemporary career and casual lifestyle fashions. Keith was promoted to his new position this past year. We are confident in his ability, and are pleased to have such a talented merchant to fill this key position. Keith joined us eight years ago with a wealth of experience from Macy's New York.

During the year, we enhanced our marketing programs by developing stronger relationships with our existing customers and acquiring new ones. Now, with over 2 million cardholders, the Dress Barn private label credit card gives the Company the ability to communicate with and reward our best customers. This, combined with transactional data from our stores, forms the foundation of our corporate database and our customer relationship management (CRM) initiatives. In addition, we recently brought in a talented and experienced executive, Vivian Behrens. Vivian, who was formerly a member of our Board of Directors, joined our Company as Senior Vice President of Marketing, with extensive experience in brand development. Her addition to the senior management team reinforces our commitment to building, and expanding awareness of, the Dress Barn brand, and developing meaningful, customer-focused marketing programs.

To remain successful, we believe investing in technology is essential to our future growth. Over the past three years, we have invested approximately $20 million in upgrading and implementing new systems. Our merchandising and store systems were recently upgraded, resulting in more updated information and reduced costs. Investing in technology remains a work in process.

We face many challenges ahead, but Dress Barn has survived similar challenges throughout the past forty years, and has been able to transform these into opportunities. To date, Fall selling has been disappointing, but we hope to better this performance as we face easier sales comparisons for the remainder of the season. As always, we continue to operate our business conservatively, while we search for new ways of serving our customers better.

In closing, we want to recognize our Company's greatest asset, our 9,000 associates, for their dedication and loyalty; and our customers, suppliers and shareholders for their ongoing support. We would not be here today without you.

Elliot S. Jaffe
Founder & Chairman

David R. Jaffe
President &
Chief Executive Officer

Market Prices of Common Stock

The Common Stock of The Dress Barn, Inc. is traded over-the-counter on the NASDAQ National Market System under the symbol DBRN.

The Company's Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend on the Company's issued and outstanding common stock in May 2002. The stock dividend was distributed on May 31, 2002 to shareholders of record on May 17, 2002. All historic share and per share information contained in this report have been adjusted to reflect the impact of the stock split.

The table below sets forth the high and low bid prices as reported by NASDAQ for the last eight fiscal quarters. These quotations represent prices between dealers and do not include retail mark-ups, mark-downs or other fees or commissions and may not represent actual transactions.

Fiscal Period	**Fiscal 2002 Bid Prices**		Fiscal 2001 Bid Prices	
	High	**Low**	High	Low
First Quarter	**$12.20**	**$ 9.64**	$12.69	$ 9.94
Second Quarter	**$13.94**	**$10.83**	$15.50	$11.63
Third Quarter	**$15.62**	**$12.55**	$15.38	$10.69
Fourth Quarter	**$17.50**	**$12.14**	$14.46	$10.78

Number of Record Holders

The number of record holders of the Company's common stock as of October 1, 2002 was approximately 2,000.

Dividend Policy

The Company has never paid cash dividends on its common stock. Payment of dividends is within the discretion of the Company's Board of Directors.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Certain statements contained in this Annual Report are forward-looking and involve a number of risks and uncertainties. Among the factors that could cause actual results to differ materially are, but are not limited to, the following: general economic conditions and consumer confidence, including consumers' reaction to global political instability; competitive factors and pricing pressures, including the promotional activities of department stores, mass merchandisers and other specialty chains; consumer apparel buying patterns, such as the ongoing shift to more casual apparel; import risks, including potential disruptions such as the recent West Coast Longshoreman's work stoppage, economic and political problems in countries from which merchandise is imported, and duties, tariffs and quotas on imported merchandise; the Company's ability to predict fashion trends; the availability, selection and purchasing of attractive merchandise on favorable terms; adverse weather conditions; inventory risks due to shifts in market demand and other factors that may be described in the Company's filings with the Securities and Exchange Commission. The Company does not undertake to publicly update or revise the forward-looking statements even if experience or future changes make it clear that the projected results expressed or implied therein will not be realized.

Critical Accounting Policies and Estimates

The Company's accounting policies are more fully described in Note 1 of the Notes to Consolidated Financial Statements. Management's discussion and analysis of the Company's financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, income taxes and related disclosures of contingent assets and liabilities. On an ongoing basis, the Company evaluates estimates, including those related primarily to inventories, investments, long-lived assets, income taxes and claims and contingencies. The Company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following accounting principles are the most critical because they involve the most significant judgments, assumptions and estimates used in preparation of the Company's financial statements.

Revenue Recognition

While the Company's recognition of revenue does not involve significant judgment, revenue recognition represents an important accounting policy of the Company. As discussed in Note 1 to the Consolidated Financial Statements, the Company recognizes sales at the point of purchase when the customer takes possession of the merchandise and pays for the purchase, generally with cash or credit card. Sales from purchases made with gift certificates and layaway sales are also recorded when the customer takes possession of the merchandise. Gift certificates and merchandise credits issued by the Company are recorded as a liability until they are redeemed.

Merchandise Inventories

The Company's inventory is valued using the retail method of accounting and is stated at the lower of cost or market. Under the retail inventory method, the valuation of inventory at cost and resulting gross margin are calculated by applying a calculated cost to retail ratio to the retail value of inventory. The retail inventory method is an averaging method that has been widely used in the retail industry due to its practicality. Inherent in the retail method are certain significant management judgments and estimates including, among others, initial merchandise markup, markdowns and shrinkage, which significantly impact the ending inventory valuation at cost as well as the resulting gross margins. Estimates are used to charge inventory shrinkage for the first and third fiscal quarters of the fiscal year. Physical inventories are conducted at the end of the second fiscal quarter and at the end of the fiscal year to calculate actual shrinkage and inventory on hand. The Company continuously reviews its inventory levels to identify slow-moving merchandise and broken assortments, using markdowns to clear merchandise. A provision is recorded to reduce the cost of inventories to its estimated net realizable value. Consideration is given to a number of quantitative factors, including anticipated subsequent markdowns and aging of inventories. To the extent that actual markdowns are higher or lower than estimated, the Company's gross margins could increase or decrease and, accordingly, affect its financial position and results of operations. A significant variation between the estimated provision and actual results could have a substantial impact on the Company's results of operations.

Long-lived assets

The Company primarily invests in property and equipment in connection with the opening and remodeling of stores and in computer software and hardware. Most of the Company's store leases give the Company the option to terminate the lease if certain specified sales volumes are not achieved during the first few years of the lease. The Company periodically reviews its store locations and estimates the recoverability of its assets, recording an impairment charge when the Company expects to exercise its right to terminate the store's lease early using this option. This determination is based on a number of factors, including the store's historical operating results and cash flows, estimated future sales growth, real estate development in the area and perceived local market conditions that can be difficult to predict and may be subject to change. In addition, the Company regularly evaluates its computer-related and other assets and may accelerate depreciation over the revised useful life if the asset is no longer in use or has limited future value. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation or amortization are removed from the accounts, and any resulting gain or loss is reflected in income for that period.

Claims and Contingencies

The Company is subject to various claims and contingencies related to insurance, taxes, lawsuits and other matters arising out of the normal course of business. The Company has risk participation agreements with insurance carriers with respect to workers' compensation and medical insurance. Pursuant to these arrangements, the Company is responsible for paying claims up to designated dollar limits. The Company accrues its estimate of the eventual costs related to these claims, which can vary based on changes in assumptions or claims experience. The Company accrues its estimate of probable settlements of domestic and foreign tax audits. At any one time, many tax years are subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these issues. If the Company believes the likelihood of an adverse legal outcome is probable and the amount is estimable it accrues a liability. The Company consults with legal counsel on matters related to litigation and seeks input from other experts both within and outside the Company with respect to matters in the ordinary course of business. The Company is generally conservative in the estimation of its claims and contingencies, and therefore believes its accruals for claims and contingencies are adequate.

Income taxes

The Company does business in various jurisdictions that impose income taxes. Management determines the aggregate amount of income tax expense to accrue and the amount currently payable based upon the tax statutes of each jurisdiction. This process involves adjusting income determined using generally accepted accounting principles for items that are treated differently by the applicable taxing authorities. Deferred tax assets and liabilities are reflected on the Company's balance sheet for temporary differences that will reverse in subsequent years. If different judgments had been made, the Company's tax expense, assets and liabilities could have been different.

Stock Split

The Company's Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend on the Company's issued and outstanding common shares in May 2002 (the "stock split"). The stock dividend was distributed on May 31, 2002 to shareholders of record on May 17, 2002. All historic share and per share information contained in this report have been adjusted to reflect the impact of the stock split.

Results of Operations

The table below sets forth certain financial data of the Company expressed as a percentage of net sales for the periods indicated:

Fiscal Year Ended	**July 27, 2002**	July 28, 2001	July 29, 2000
Net sales	**100.0%**	100.0%	100.0%
Cost of sales, including occupancy and buying costs	**63.2%**	63.8%	63.9%
Selling, general and administrative expenses	**26.0%**	26.0%	25.2%
Depreciation and amortization	**3.3%**	3.5%	3.2%
Interest income – net	**0.8%**	1.3%	1.2%
Earnings before income taxes	**8.3%**	8.0%	8.8%
Net earnings	**5.3%**	5.1%	5.6%

Fiscal 2002 Compared to Fiscal 2001

Net sales increased by 3.2% to $717.1 million for the 52 weeks ended July 27, 2002 ("fiscal 2002"), from $695.0 million for the 52 weeks ended July 28, 2001 ("fiscal 2001"). The sales increase from fiscal 2001 was due to an approximately 6% increase in total selling square footage, offset in part by a 1.9% decrease in comparable store sales. The increase in store square footage was due to the opening of 74 new stores, primarily combination Dress Barn/Dress Barn Woman stores ("Combo Stores"), which carry both Dress Barn and Dress Barn Woman merchandise, offset in part by the square footage reduction from the closing of 32 under-performing stores. The number of stores in operation increased to 754 stores as of July 27, 2002, from 720 stores in operation as of July 28, 2001.

The Company believes that the events of September 11th and the economic uncertainty that followed were the key influences of the weak fall selling season resulting in a 5% decrease in comparable store sales for the first six months of fiscal 2002. Sales strengthened modestly in the spring, helped by the unseasonably warm weather in April, with comparable store sales increasing 2% for the second half of fiscal 2002. The Company believes the second half of fiscal 2002 benefited from easier sales comparisons versus fiscal 2001's spring season. Nevertheless, diminished consumer confidence, a perceived slowing economy and international uncertainties negatively impacted sales during the second half of fiscal 2002. As a result, the Company is operating its business conservatively during its fiscal year ending July 26, 2003 ("fiscal 2003").

The Company's real estate strategy for fiscal 2003 is to continue opening primarily Combo Stores and converting its existing single-format stores into Combo Stores, while closing its under-performing locations. Store expansion will focus on both expanding in the Company's existing major trading markets, in certain cases seeking a downtown location and/or adding to a cluster of suburban or other locations, and developing and expanding into new markets, including Southern California.

Due to the continued operating losses of its catalog and e-commerce operations and significant weaknesses in its new fulfillment and order processing software, the Company suspended all mailing of catalogs and e-commerce sales in November 2001. The Company believes direct selling via its internet site represents a complementary channel of distribution to its existing core business and can help drive store traffic. The Company is reevaluating its direct selling strategy and intends to resume selling a limited assortment of merchandise via its web site (www.dressbarn.com) and via telephone during fiscal 2003. The Company's fiscal 2002 earnings per share-diluted were reduced by approximately $0.11 due to the operating costs of the catalog and e-commerce operations, versus approximately $0.20 for fiscal 2001.

Gross profit (net sales less cost of goods sold, including occupancy and buying costs) increased by 4.8% to $263.7 million, or 36.8% of net sales, in fiscal 2002 from $251.6 million, or 36.2% of net sales, in fiscal 2001. The increase in gross profit as a percentage of sales was primarily due to higher initial margins from the Company's increased mix to more dressbarn® brand merchandise and lower markdowns due to tight inventory controls, which helped increase inventory turns and minimize markdowns. Markdowns as a percentage of sales were lower than fiscal 2001, particularly during the fourth fiscal quarter of fiscal 2002. This was offset, in part, by higher store occupancy costs as a percentage of sales resulting from higher rents for new stores, store expansions and lease renewals.

Selling, general and administrative ("SG&A") expenses increased by 3.0% to $186.4 million, or 26.0% of net sales, in fiscal 2002 from $181.0 million, also 26.0% of sales, in fiscal 2001. The increase in SG&A expenses versus the prior year was reduced by the suspension of the catalog and e-commerce operations in November 2001. Combined with cost controls and productivity improvements, SG&A as a percent of sales was flat as compared to fiscal 2001. This was in spite of the negative leverage from the 1.9% decrease in comparable store sales and its impact on fixed costs, and increases in store operating costs, benefits and insurance costs.

Depreciation expense decreased by 1.7% to $23.5 million in fiscal 2002, versus $23.9 million in fiscal 2001, primarily due to the write-off of certain obsolete computer equipment and software in fiscal 2001. Depreciation expense for both periods also includes certain write-offs related to the closure of 32 stores and 37 stores during fiscal 2002 and fiscal 2001, respectively.

Interest income - net decreased by 39.0% to $5.5 million for fiscal 2002 from $8.9 million for fiscal 2001. This was the result of the dramatic reduction in interest rates, although funds available for investment increased during the year.

Net earnings for fiscal 2002 increased 7.4% to $37.9 million versus $35.3 million in fiscal 2001, while diluted earnings per share also increased 7.4% to $1.01 per share versus $0.94 in fiscal 2001.

Fiscal 2001 Compared to Fiscal 2000

Net sales increased by 5.9% to $695.0 million for the 52 weeks ended July 28, 2001 ("fiscal 2001"), from $656.2 million for the 52 weeks ended July 29, 2000 ("fiscal 2000"). The sales increase from fiscal 2000 was due to an approximately 7% increase in total selling square footage, offset in part by a 1.2% decrease in comparable store sales. The increase in store square footage was due to the opening of 68 new stores, primarily Combo Stores, which carry both Dress Barn and Dress Barn Woman merchandise, offset in part by the square footage reduction from the closing of 37 underperforming stores. The number of stores in operation increased to 720 stores as of July 28, 2001, from 689 stores in operation as of July 29, 2000. The Company believes its strategic initiatives, including the development of its dressbarn® brand merchandise and brand image contributed to a strong Fall selling season. Sales slowed in the Spring, reflecting diminished consumer confidence and continuing concerns over the slowing economy, resulting in an overall 1.2% decline in comparable store sales for fiscal 2001.

The Company mailed a total of 11 million Dress Barn catalogs during fiscal 2001. The Company also sells merchandise on the internet via its web site (www.dressbarn.com). The Company's fiscal 2001 earnings per share-diluted were reduced by approximately $.20 due to the operating costs of the catalog and e-commerce operations.

Gross profit (net sales less cost of goods sold, including occupancy and buying costs) increased by 6.3% to $251.6 million, or 36.2% of net sales, in fiscal 2001 from $236.7 million, or 36.1% of net sales, in fiscal 2000. The increase in gross profit as a percentage of sales was primarily due to higher initial margins from the Company's increased mix to more dressbarn® brand merchandise and lower markdowns due to tight inventory controls, which helped increase inventory turns and minimize markdowns. This was offset, in part, by higher store occupancy costs as a percentage of sales resulting from higher rents for new stores, store expansions and lease renewals.

Selling, general and administrative ("SG&A") expenses increased by 9.5% to $181.0 million, or 26.0% of net sales, in fiscal 2001 from $165.3 million, or 25.2% of net sales, in fiscal 2000. Cost controls and productivity improvements were not sufficient to offset a combination of negative leverage from the 1.2% decrease in comparable store sales and its impact on fixed costs, increased store operating costs and catalog and e-commerce expenses.

Depreciation expense increased by 13.0% to $23.9 million for fiscal 2001 from $21.1 million for fiscal 2000. Fiscal 2001's depreciation expense included the write-off of certain obsolete computer equipment and software. Depreciation expense for both periods also includes certain write-offs related to the closure of 37 stores and 47 stores during fiscal 2001 and fiscal 2000, respectively.

Interest income - net increased by 16.7% to $8.9 million for fiscal 2001 from $7.7 million for fiscal 2000. This was the result of increased funds available for investment during the year, partially offset by decreased interest rates.

Net earnings for fiscal 2001 decreased 3.9% to $35.3 million versus $36.7 million in fiscal 2000, while diluted earnings per share fell 0.5% to $.94 per share versus $.95 in fiscal 2000. The earnings per share decrease was less than the decrease in net earnings primarily due to the Company's repurchase of .6 million and 4.8 million shares of its common stock in fiscal 2001 and 2000, respectively.

Liquidity and Capital Resources

The Company has generally funded, through internally generated cash flow, all of its operating and capital needs. These include the opening or acquisition of new stores, the remodeling of existing stores, and the continued expansion of its Combo Stores. Total capital expenditures were $28.3 million, $25.8 million and $22.3 million in fiscal 2002, 2001 and 2000, respectively. Capital expenditures increased $2.6 million in fiscal 2002 primarily due to the investment in new store technology and back office operating systems. The Company also repurchased 757,600 outstanding shares of its stock for a total cost of $9.0 million during fiscal 2002, 620,000 outstanding shares for $7.4 million during fiscal 2001 and 4,798,800 outstanding shares for $33.9 million during fiscal 2000. Shares repurchased are treated as authorized but unissued shares, with the cost of the shares debited to retained earnings and par value of the shares debited to common stock.

On September 18, 2002, the Company's Board of Directors approved the initiation of a "Dutch Auction" Tender Offer by the Company to purchase up to 8 million shares of its outstanding common stock at a price per share of not less than $15.00 nor in excess of $17.00 per share. The tender offer commenced September 19, 2002 and is scheduled to expire, unless extended, October 18, 2002. The Company believes that the repurchase of its shares is consistent with its goal of maximizing shareholder value, giving its shareholders an opportunity to sell shares back to the Company at a favorable price with no transaction fees. Upon completion of the tender offer, shareholders will realize a proportionate increase in their relative ownership interest in the Company's future earnings and assets, subject to the issuance of additional securities. The Company will need a maximum of approximately $137 million to purchase the maximum 8 million shares, assuming the price paid per share is $17.00, and to pay related expenses. The Company intends to utilize its available cash to fund the tender offer.

The Company funds inventory expenditures through cash flows from operations and the favorable payment terms the Company has established with its vendors. The Company's net cash provided by operations in fiscal 2002 increased to $77.0 million as compared to $63.2 million in fiscal 2001 and $61.5 million in fiscal 2000. The increase in fiscal 2002 was primarily due to the timing of its income tax payments and the estimated realization of a portion of its deferred tax asset during fiscal 2002.

At July 27, 2002, the Company had $163.5 million in marketable securities and other investments. The portfolio consists primarily of municipal bonds that can readily be converted to cash. The Company holds no options or other derivative instruments. Working capital was approximately $239.4 million at July 27, 2002. In addition, the Company had available $135 million in unsecured lines of credit bearing interest below the prime rate. The Company had no debt outstanding under any of the lines at July 27, 2002. However, potential borrowings were limited by approximately $38 million of outstanding letters of credit primarily to vendors for import merchandise purchases.

The Company does not have any off-balance sheet arrangements or transactions with unconsolidated, limited purpose entities, other than operating leases entered into in the normal course of business and letters of credit. The Company does not have any undisclosed material transactions or commitments involving related persons or entities.

In fiscal 2003, the Company plans to open approximately 55 additional stores, convert 5 to 10 single-format stores to its larger combo store format and continue its store-remodeling program. The Company intends to focus on both expanding in the Company's existing major trading markets, in certain cases seeking a downtown location and/or adding to a cluster of suburban or other locations, and developing and expanding into new markets. The Company considers from time to time and may in the future consider acquisition opportunities in the following areas to enhance shareholder value and supplement our growth: (1) real estate oriented acquisitions to gain access to attractive sites and favorable lease terms; (2) other retail operations that could benefit from the Company's management and expertise; and (3) alternative channels of distribution. The Company believes that its cash, cash equivalents, marketable securities and investments, together with cash flow from operations, will be adequate to fund the Company's proposed capital expenditures and any other operating requirements.

Seasonality

The Company has historically experienced substantially lower earnings in its second fiscal quarter ending in January than during its other three fiscal quarters, reflecting the intense promotional atmosphere that has characterized the Christmas shopping season in recent years. The Company expects this trend to continue for fiscal 2003. In addition, the Company's quarterly results of operations may fluctuate materially depending on, among other things, increases or decreases in comparable store sales, adverse weather conditions, shifts in timing of certain holidays, the timing of new store openings, net sales contributed by new stores, and changes in the Company's merchandise mix.

The Dress Barn, Inc. and Subsidiaries

Consolidated Balance Sheets

Amounts in thousands, except share data

	July 27, 2002	July 28, 2001
ASSETS		
Current Assets:		
Cash and cash equivalents	**$ 75,926**	$ 16,834
Marketable securities and investments (Note 2)	**163,474**	177,474
Merchandise inventories	**113,371**	104,487
Prepaid expenses and other	**2,182**	4,147
Total Current Assets	**354,953**	302,942
Property and Equipment:		
Leasehold improvements	**61,414**	59,019
Fixtures and equipment	**154,139**	144,468
Computer software	**17,344**	14,277
Automotive equipment	**554**	547
	233,451	218,311
Less accumulated depreciation and amortization	**140,025**	129,712
	93,426	88,599
Deferred Income Taxes (Note 5)	**5,869**	7,278
Other Assets	**3,999**	3,463
	$458,247	$402,282
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable- trade	**$ 62,802**	$ 53,681
Accrued salaries, wages and related expenses	**18,089**	17,219
Other accrued expenses	**27,798**	27,787
Customer credits	**6,650**	5,811
Income taxes payable	**8,655**	1,187
Total Current Liabilities	**123,994**	105,685
Commitments and Contingencies (Note 6)		
Shareholders' Equity:		
Preferred stock, par value $.05 per share:		
Authorized- 100,000 shares		
Issued and outstanding- none	**—**	—
Common stock, par value $.05 per share:		
Authorized- 50,000,000 shares		
Issued- 36,507,919 and		
51,312,464 shares, respectively		
Outstanding- 36,507,919 and		
36,474,064 shares respectively	**1,825**	2,566
Additional paid-in capital	**52,209**	44,056
Retained earnings	**279,672**	364,491
Treasury stock, at cost	**—**	(114,577)
Accumulated other comprehensive income	**547**	61
	334,253	296,597
	$458,247	$402,282

See notes to consolidated financial statements

The Dress Barn, Inc. and Subsidiaries

Consolidated Statements of Earnings

Amounts in thousands, except per share amounts

Fiscal Year Ended	July 27, 2002	July 28, 2001	July 29, 2000
Net sales	**$717,136**	$695,008	$656,174
Cost of sales, including occupancy and buying costs	**453,428**	443,426	419,479
Gross profit	**263,708**	251,582	236,695
Selling, general and administrative expenses	**186,375**	180,991	165,336
Depreciation and amortization	**23,508**	23,916	21,164
Operating income	**53,825**	46,675	50,195
Interest income- net	**5,458**	8,949	7,667
Earnings before provision for income taxes	**59,283**	55,624	57,862
Provision for income taxes	**21,342**	20,303	21,120
Net earnings	**$ 37,941**	$ 35,321	$ 36,742
Earnings per share:			
Basic	**$ 1.04**	$ 0.97	$ 0.97
Diluted	**$ 1.01**	$ 0.94	$ 0.95
Weighted average shares outstanding:			
Basic	**36,495**	36,481	37,916
Diluted	**37,516**	37,494	38,815

See notes to consolidated financial statements

The Dress Barn, Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity

Amounts and shares in thousands

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, July 31, 1999	39,872	$2,464	$27,565	$292,428	($68,274)	($583)	$253,600
Comprehensive income:							
Net earnings				36,742			
Unrealized holding loss on marketable securities						(202)	
Total comprehensive income							36,540
Tax benefit from exercise of stock options			4,050				4,050
Employee Stock Purchase Plan activity	14	2	108				110
Shares issued pursuant to exercise of stock options	884	44	4,105				4,149
Purchase of treasury stock	(4,798)				(38,888)		(38,888)
Balance, July 29, 2000	35,972	2,510	35,828	329,170	(107,162)	(785)	259,561
Comprehensive income:							
Net earnings				35,321			
Unrealized holding gain on marketable securities						846	
Total comprehensive income							36,167
Deferred compensation	16		183				183
Tax benefit from exercise of stock options			1,668				1,668
Employee Stock Purchase Plan activity	10		102				102
Shares issued pursuant to exercise of stock options	1,096	56	6,275				6,331
Purchase of treasury stock	(620)				(7,415)		(7,415)
Balance, July 28, 2001	36,474	2,566	44,056	364,491	(114,577)	61	296,597
Comprehensive income:							
Net earnings				37,941			
Unrealized holding gain on marketable securities						486	
Total comprehensive income							38,427
Deferred compensation			291				291
Tax benefit from exercise of stock options			2,953				2,953
Employee Stock Purchase Plan activity	9	1	90				91
Shares issued pursuant to exercise of stock options	783	39	4,819				4,858
Purchase of treasury stock	(758)				(8,964)		(8,964)
Retirement of treasury stock		(781)		(122,760)	123,541		0
Balance, July 27, 2002	36,508	$1,825	$52,209	$279,672	$ 0	$547	$334,253

See notes to consolidated financial statements

The Dress Barn, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

Amounts in thousands

Fiscal Year Ended	**July 27, 2002**	July 28, 2001	July 29, 2000
Operating Activities:			
Net earnings	**$37,941**	$35,321	$36,742
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment (net)	**21,827**	22,309	16,481
Loss on disposal of closed store assets	**1,681**	1,607	4,683
Deferred income tax assets	**1,409**	2,586	2
Deferred compensation	**291**	183	---
Changes in assets and liabilities:			
(Increase) decrease in merchandise inventories	**(8,884)**	7,414	(1,763)
Decrease (increase) in prepaid expenses and other	**1,965**	704	(2,813)
(Increase) decrease in other assets	**(536)**	372	(545)
Increase (decrease) in accounts payable- trade	**9,121**	(11,099)	2,565
Increase (decrease) in accrued salaries and wages	**870**	(753)	3,948
Increase (decrease) in accrued expenses	**11**	6,126	(2,819)
Increase in customer credits	**839**	556	1,891
Increase (decrease) in income taxes payable	**10,421**	(2,152)	3,160
Total adjustments	**39,015**	27,853	24,790
Net cash provided by operating activities	**76,956**	63,174	61,532
Investing Activities:			
Purchases of property and equipment – net	**(28,335)**	(25,758)	(26,565)
Sales and maturities of marketable securities and investments	**108,764**	119,697	22,132
Purchases of marketable securities and investments	**(94,278)**	(142,275)	(36,984)
Net cash used in investing activities	**(13,849)**	(48,336)	(41,417)
Financing Activities:			
Purchase of treasury stock	**(8,964)**	(7,415)	(38,888)
Proceeds from Employee Stock Purchase Plan	**91**	102	110
Proceeds from stock options exercised	**4,858**	6,331	4,149
Net cash used in financing activities	**(4,015)**	(982)	(34,629)
Net increase (decrease) in cash and cash equivalents	**59,092**	13,856	(14,514)
Cash and cash equivalents- beginning of year	**16,834**	2,978	17,492
Cash and cash equivalents- end of year	**$75,926**	$16,834	$ 2,978
Supplemental Disclosure of Cash Flow Information:			
Cash paid for income taxes	**$ 9,511**	$20,005	$18,047

See notes to consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business
The Dress Barn, Inc. (including The Dress Barn, Inc. and it's wholly-owned subsidiaries (the "Company")) operates a chain of women's apparel specialty stores. The stores, operating principally under the names "Dress Barn" and "Dress Barn Woman", offer in-season, moderate to better quality fashion apparel. The Company is a specialty retailer of women's apparel (in both misses and womens' sizes), including shoes and accessories. Given the majority of the Company's locations are Combo Stores; the operations of the Company are aggregated into one reportable segment.

Principles of consolidation
The consolidated financial statements include the accounts of the Company and its subsidiaries. All material intercompany balances and transactions are eliminated. The Company reports on a 52-53 week fiscal year ending on the last Saturday in July. The fiscal year ended July 31, 1999 consisted of 53 weeks; the other years presented consisted of 52 weeks.

Revenue recognition
Revenues from retail sales, net of returns, are recognized at the point of purchase upon delivery of the merchandise to the customer and exclude sales taxes. Sales from purchases made with gift certificates and layaway sales are also recorded when the customer takes possession of the merchandise. Gift certificates and merchandise credits issued by the Company are recorded as a liability until they are redeemed.

Cash and cash equivalents
For purposes of the statement of cash flows, the Company considers its highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. These amounts are stated at cost, which approximates market value. The majority of the Company's money market funds at July 27, 2002 were maintained with one financial institution.

Marketable securities and investments
The Company has categorized its marketable securities as available for sale, stated at market value. The unrealized holding gains and losses are included in other comprehensive income, a component of shareholders' equity, until realized. The amortized cost is adjusted for amortization of premiums and discounts to maturity, with the net amortization included in interest income.

Merchandise inventories
Merchandise inventories are valued at the lower of cost or market as determined by the retail method.

Property and equipment
Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the related assets, which range from 3 to 10 years. For income tax purposes, accelerated methods are generally used.

Income taxes
Deferred taxes are provided using the asset and liability method, whereby deferred income taxes result from temporary differences between the reported amounts in the financial statements and the tax basis of assets and liabilities, as measured by presently enacted tax rates.

Store preopening costs
Expenses associated with the opening of new stores are charged to expense as incurred.

Earnings per share (EPS)
The Company calculates EPS in accordance with the provisions of Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings per Share". SFAS No. 128 requires dual presentation of basic EPS and diluted EPS on the face of all income statements for all entities with complex capital structures. Basic EPS is computed as net income divided by the weighted average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur from common shares issuable through stock options, warrants and other convertible securities.

Advertising costs
Advertising costs are included in selling, general and administrative expenses and are expensed in the period in which they are incurred. Advertising expenses were $10.0 million, $8.6 million and $8.8 million for fiscal 2002, 2001 and 2000, respectively.

Recent Accounting Pronouncements
In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires that all business combinations initiated after June 30, 2001 be accounted for under the purchase method and addresses the initial recognition and measurement of goodwill and other intangible assets acquired in a business combination. SFAS No. 142 addresses the initial recognition and measurement of intangible assets acquired outside of a business combination and the accounting for goodwill and other intangible assets subsequent to their acquisition. SFAS No. 142 provides that intangible assets with finite useful lives be amortized and that goodwill and intangible assets with indefinite lives will not be amortized, but will rather be tested at least annually for impairment. The Company is required to adopt SFAS No. 142 in fiscal 2003. The adoption of SFAS No. 142 will have no impact on the consolidated financial position, results of operations, or cash flows of the Company since the Company did not have any assets or liabilities relating to either goodwill or intangibles assets.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations" (SFAS 143), which will become effective for the Company at the beginning of fiscal 2003. SFAS 143 addresses the financial accounting and reporting for obligations and retirement costs related to the retirement of tangible long-lived assets, requiring the recognition of a liability for an asset retirement obligation in the period in which it is incurred. The Company does not expect that the adoption of SFAS No. 143 will have a significant impact on its financial statements.

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 will become effective for the Company at the beginning of fiscal 2003. SFAS No. 144 supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" and the accounting and reporting provisions relating to the disposal of a segment of a business of Accounting Principals Board No. 30. The Company does not expect that the adoption of SFAS No. 144 will have a significant impact on its financial statements.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses accounting for restructuring and similar costs. SFAS No. 146 supersedes previous accounting guidance, principally Emerging Issues Task Force Issue No. 94-3. The Company will adopt the provisions of SFAS No. 146 for any restructuring activities initiated after December 31, 2002. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. Under Issue 94-3, a liability for an exit cost was recognized at the date of the company's commitment to an exit plan. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. Accordingly, SFAS No. 146 may affect the timing of recognizing any future restructuring costs as well as the amounts recognized.

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

Comprehensive income
Comprehensive income consists of net earnings and unrealized holding gains and losses on marketable securities, net of tax.

Valuation of long-lived assets
The Company periodically reviews its long-lived assets for potential impairment, where events or changes in circumstances indicate that their carrying amount may not be recoverable. In that event, a loss is recognized based on the amount the carrying amount exceeds the fair market value of the long-lived asset.

Stock based compensation
The Company follows the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). SFAS 123 encourages, but does not require, companies to adopt a fair value based method for determining expense related to stock-based compensation. The disclosures are set forth in Note 7. The Company continues to account for stock-based compensation using the intrinsic value method as prescribed under Accounting Principles Board Opinion No 25, "Accounting for Stock Issued to Employees," and related interpretations.

Financial instruments
Fair Value of Financial Instruments - The carrying amounts of cash, cash equivalents, short-term investments and accounts payable approximate fair value because of the short-term nature, and maturity of such instruments.

Concentration of Credit Risk - Financial instruments, which potentially subject the Company to concentrations of credit risk, are principally bank deposits and short-term investments. Cash and cash equivalents are deposited with high credit quality financial institutions. Short-term investments principally consist of triple A or double A rated instruments.

Stock Split
The Company's Board of Directors approved a 2-for-1 stock split in the form of a 100% stock dividend on the Company's issued and outstanding common stock in May 2002. The stock dividend was distributed on May 31, 2002 to shareholders of record on May 17, 2002. All historic share and per share information contained in this report have been adjusted to reflect the impact of the stock split.

Treasury (Reacquired) Shares
Shares repurchased are retired and treated as authorized but unissued shares, with the cost of the reacquired shares debited to retained earnings and the par value debited to common stock.

2. MARKETABLE SECURITIES AND INVESTMENTS

The amortized cost and estimated fair value of marketable securities and investments consisted of the following:

(In 000's)	July 27, 2002 Estimated Fair Value	Cost	July 28, 2001 Estimated Fair Value	Cost
Money Market Funds	**$ 15,712**	**$ 15,712**	$ 33,189	$ 33,189
Short Term Investments	**43,041**	**43,041**	60,985	60,985
Tax Free Municipal Bonds	**102,980**	**102,296**	81,592	81,366
US Govt. Securities Fund	**1,741**	**1,878**	1,708	1,878
	$163,474	**$162,927**	$177,474	$177,418

The scheduled maturities of marketable securities and investments at July 27, 2002 are:

Due In	Estimated Fair Value	Cost
(in 000's)		
One year or less	$100,021	$ 99,909
One year through five years	55,114	54,741
Six years through ten years	--	--
Over ten years	8,339	8,277
	$163,474	$162,927

Unrealized holding gains and losses at July 27, 2002 netted to an unrealized gain of approximately $547,000. Proceeds and gross realized gains (losses) from the sale of securities in fiscal 2002, 2001 and 2000 were $108.8 million and $1.0 million, $119.7 million and $0.3 million, and $22.1 million and ($0.1) million, respectively. For the purposes of determining gross realized gains and losses, the cost of securities is based upon specific identification.

3. EARNINGS PER SHARE

Basic earnings per share are computed based upon the weighted average number of common shares outstanding. Diluted earnings per share are computed based upon the weighted average number of common and common equivalent shares outstanding. Common equivalent shares outstanding consist of shares covered by stock options.

A reconciliation of basic and diluted weighted average number of common shares outstanding is presented below:

Fiscal Year Ended (In 000's)	July 27, 2002	July 28, 2001	July 29, 2000
Weighted average number of common shares outstanding -- basic	**36,495**	36,481	37,916
Net effect of dilutive stock options based on the treasury stock method using the average market price	**1,021**	1,013	899
Weighted average number of common shares outstanding – diluted	**37,516**	37,494	38,815

Common stock equivalents of 150,000 and 275,600 for the fiscal years ended July 27, 2002 and July 29, 2000, respectively, were excluded because such common stock equivalents were anti-dilutive. All common stock equivalents were dilutive for the fiscal year ending July 28, 2001.

4. EMPLOYEE BENEFIT PLANS

The Company sponsors a defined contribution retirement savings plan (401(k)) covering all eligible employees. The Company also sponsors an Executive Retirement Plan for certain officers and key executives not participating in the 401(k) plan. Both plans allow participants to defer a portion of their annual compensation and receive a matching employer contribution on a portion of that deferral. During fiscal 2002, 2001 and 2000 the Company incurred expenses of $1,156,000, $1,619,000 and $1,980,000, respectively, relating to the contributions to and administration of the above plans. The Company also sponsors an Employee Stock Purchase Plan, which allows employees to purchase shares of Company stock during each quarterly offering period at a 10% discount through weekly payroll deductions. The Company does not provide any additional postretirement benefits.

5. INCOME TAXES

The components of the provision for income taxes were as follows:

Fiscal Year Ended (In 000's)	July 27, 2002	July 28, 2001	July 29, 2000
Federal:			
Current	**$16,517**	$16,210	$18,420
Deferred	**1,090**	(749)	(2,128)
	17,607	15,461	16,292
State:			
Current	**3,415**	5,562	5,734
Deferred	**320**	(720)	(906)
	3,735	4,842	4,828
Provision for income taxes	**$21,342**	$20,303	$21,120

Significant components of the Company's deferred tax assets and liabilities were as follows:

(in 000's)	July 27, 2002	July 28, 2001
Deferred tax assets:		
Inventory capitalization for tax purposes	**$1,927**	$2,822
Capital loss carryover	**2,759**	2,622
Employee benefits	**2,754**	1,494
Other items	**4,739**	8,382
Total deferred tax assets	**12,179**	15,320
Deferred tax liabilities:		
Depreciation	**4,878**	4,630
Other items	**1,432**	3,412
Total deferred tax liabilities	**6,310**	8,042
Net deferred tax assets	**$5,869**	$7,278

The net deferred tax assets were comprised of approximately $1,168,000 in state deferred taxes and $4,701,000 in federal deferred taxes. Following is a reconciliation of the statutory Federal income tax rate and the effective income tax rate applicable to earnings before income taxes:

Fiscal Year Ended	July 27, 2002	July 28, 2001	July 29, 2000
Statutory tax rate	**35.0 %**	35.0 %	35.0 %
State taxes – net of federal Benefit	**5.2 %**	5.5 %	5.4 %
Other – net, primarily tax-free interest	**(4.2)%**	(4.0)%	(3.9)%
Effective tax rate	**36.0 %**	36.5%	36.5%

6. COMMITMENTS AND CONTINGENCIES

Lease commitments

The Company leases all of its stores and its distribution center. Certain leases provide for additional rents based on percentages of net sales, charges for real estate taxes, insurance and other occupancy costs. Store leases generally have an initial term ranging from 5 to 15 years with one or more 5-year options to extend the lease. Some of these leases have provisions for rent escalations during the initial term. The Company leases its 510,000 square foot office and distribution center in Suffern, New York. The lease has an initial term expiring in 2007 with three 5-year options to extend the lease.

A summary of occupancy costs follows:

Fiscal Year Ended (in 000's)	July 27, 2002	July 28, 2001	July 29, 2000
Base rentals	**$ 85,593**	$ 78,920	$74,450
Percentage rentals	**2,591**	2,192	842
Other occupancy costs	**25,349**	23,114	21,168
Total	**$113,533**	$104,226	$96,460

The following is a schedule of future minimum rentals under noncancellable operating leases as of July 27, 2002 (dollars in thousands):

Fiscal Year	Amount
2003	$ 85,303
2004	73,915
2005	61,824
2006	49,566
2007	36,695
Subsequent years	59,381
Total future minimum rentals	$366,684

Although the Company has the ability to cancel certain leases if specified sales levels are not achieved, future minimum rentals under such leases have been included in the above table.

Leases with related parties

The Company leases two stores from its former Chief Executive Officer or related trusts. Future minimum rentals under leases with such related parties which extend beyond July 27, 2002, included in the above schedule, are approximately $247,000 annually and in the aggregate $0.6 million. The leases also contain provisions for cost escalations and additional rent based on net sales in excess of stipulated amounts. Rent expense for fiscal years 2002, 2001 and 2000 under these leases amounted to approximately $288,000, $346,000 and $426,000, respectively.

Lines of credit

At July 27, 2002, the Company had unsecured lines of credit with three banks totaling $135 million with interest payable at rates below prime. None of the Company's lines of credit contain any significant covenants or commitment fees. The Company had no debt outstanding under any of the lines at July 27, 2002. However, approximately $38 million of outstanding letters of credit reduced the credit lines available.

Legal proceedings

The Company is involved in various routine legal proceedings incident to the ordinary course of business. On May 18, 2000, an action was filed against the Company seeking compensatory and punitive damages in an unspecified amount for alleged unfair trade practices and alleged breach of contract arising out of negotiations for an acquisition the Company never concluded.

The Company believes there is no merit in any of the plaintiffs' asserted claims, is vigorously defending the litigation, and, in any event, does not expect the outcome of these proceedings to have a material adverse effect on the Company. The Company believes that the outcome of all pending and threatened legal proceedings will, on the whole, not have a material adverse effect on its financial condition or results of operations.

7. STOCK-BASED COMPENSATION PLANS

At July 27, 2002, the Company had five stock-based compensation plans. The Company's 1993 Incentive Stock Option Plan provides for the grant of incentive stock options ("ISO's") to purchase up to 2,500,000 shares of the Company's common stock. As of July 27, 2002, there were 612,802 shares under the 1993 plan available for future grant. The Company's 1995 Stock Option Plan provides for the granting of either ISO's or non-qualified options to purchase up to 4,000,000 shares of common stock. As of July 27, 2002, there were 253,714 shares under the 1995 plan available for future grant. The Company's 2001 Stock Option Plan provides for the granting of either ISO's or non-qualified options to purchase up to 4,000,000 shares of common stock. As of July 27, 2002, no options had been granted under the 2001 plan.

The exercise price of ISO's granted under any of the option plans may not be less than the market price of the common stock at the date of grant. Generally, all options granted under these plans vest over a five-year period and expire after ten years from the date of grant.

The Company's 1983 Incentive Stock Option Plan expired on April 4, 1993, and the Company's 1987 Non-Qualified Stock Option Plan expired December 7, 1997. Accordingly, the Company can no longer grant options under either of the two expired plans. The Company's Employee Stock Purchase Plan allows employees to purchase shares of the Company's common stock during each quarterly offering period at a 10% discount through weekly payroll deductions.

The following table summarizes the activities in all Stock Option Plans and changes during each of the fiscal years presented:

	July 27, 2002		July 28, 2001		July 29, 2000	
	Options	**Weighted Average Exercise Price**	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding – beginning of year	**3,164,870**	**$ 7.26**	3,641,286	$ 6.16	2,878,334	$ 5.19
Granted	**797,266**	**10.95**	716,938	10.50	1,769,486	7.03
Cancelled	**(444,580)**	**10.26**	(95,848)	6.92	(122,462)	6.32
Exercised	**(783,204)**	**6.21**	(1,097,506)	5.77	(884,072)	4.70
Outstanding end of year	**2,734,352**	**$ 8.14**	3,164,870	$ 7.26	3,641,286	$ 6.16
Options exercisable at year-end	**334,108**	**$ 4.09**	469,044	$ 5.61	638,992	$ 5.69
Weighted-average fair value of options granted during the year		**$ 4.81**		$ 4.92		$ 3.16

The following table summarizes information about stock options outstanding at July 27, 2002:

Range of Exercise Price	Number Outstanding as of 7/27/02	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable as of 7/27/02	Weighted Average Exercise Price
$ 2.50 - $ 4.65	273,086	4.08 years	$ 3.26	259,600	$ 3.21
5.25 - 5.69	201,500	5.44 years	$ 5.63	12,760	$ 5.51
7.03 - 7.81	1,103,800	7.05 years	$ 7.04	53,288	$ 7.10
9.75 - 9.86	525,800	9.16 years	$ 9.86	—	
10.38 - 15.11	630,166	8.20 years	$11.58	8,460	$10.26
$ 2.50 - $15.11	2,734,352	7.31 years	$ 8.14	334,108	$ 4.09

The Company records compensation expense for all stock-based compensation plans using the method prescribed by Accounting Principles Board Opinion No. 25, where compensation expense, if any, is measured as the excess of the market price of the stock over the exercise price on the measurement date. No compensation expense is recognized for the Company's option grants that have an exercise price equal to the market price on the date of grant or for the Company's Employee Stock Purchase Plan.

Had compensation cost for the Company's stock option plans been determined based on the fair value at the option grant dates for awards in accordance with the accounting provisions of SFAS No. 123 (which does not apply to awards prior to fiscal 1996), the Company's net earnings and earnings per share for fiscal 2002, fiscal 2001 and fiscal 2000 would have been reduced to the pro forma amounts indicated below:

Fiscal Year Ended	**July 27, 2002**	July 28, 2001	July 29, 2000
Net earnings (in 000's):			
As reported	**$37,941**	$35,321	$36,742
Pro forma	**$36,512**	$33,959	$35,082
Earnings per share – basic:			
As reported	**$ 1.04**	$ 0.97	$ 0.97
Pro forma	**$ 1.00**	$ 0.93	$ 0.93
Earnings per share – diluted:			
As reported	**$ 1.01**	$ 0.94	$ 0.95
Pro forma	**$ 0.97**	$ 0.91	$ 0.90

The fair values of the options granted under the Company's fixed stock option plans were estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

Fiscal Year Ended	**July 27, 2002**	July 28, 2001	July 29, 2000
Weighted average risk-free interest rate	**4.0%**	5.4%	5.9%
Weighted average expected life (years)	**5.0**	5.0	5.0
Expected volatility of the market price of the Company's common stock	**43.9%**	44.8%	41.0%

These pro forma adjustments are not indicative of future period pro forma adjustments, when the calculation will apply to all applicable stock options.

8. QUARTERLY RESULTS OF OPERATIONS (unaudited)
(in thousands, except per share amounts)

Fiscal Year ended July 27, 2002	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net Sales	$186,697	$177,119	$171,241	$182,079
Gross Profit, less occupancy and buying costs	74,267	65,315	61,752	62,374
Income Taxes	7,547	5,359	3,999	4,437
Net Earnings	13,418	9,526	7,109	7,888
Earnings Per Share				
Basic	$ 0.37	$ 0.26	$ 0.19	$ 0.22
Diluted	$ 0.36	$ 0.25	$ 0.19	$ 0.21

Fiscal Year ended July 28, 2001	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net Sales	$177,335	$165,111	$164,234	$188,328
Gross Profit, less occupancy and buying costs	64,409	60,087	59,777	67,309
Income Taxes	4,724	3,556	4,674	7,349
Net Earnings	8,250	6,155	8,130	12,786
Earnings Per Share(*)				
Basic	$ 0.23	$ 0.17	$ 0.22	$ 0.36
Diluted	$ 0.22	$ 0.16	$ 0.21	$ 0.34

(*) Earnings per share is computed independently for each period presented. As a result, the total of the per share earnings for the four quarters does not equal the annual earnings per share.

INDEPENDENT AUDITORS' REPORT
The Board of Directors and Shareholders
The Dress Barn, Inc.
Suffern, New York

We have audited the accompanying consolidated balance sheets of The Dress Barn, Inc. and Subsidiaries (the “Company”) as of July 27, 2002 and July 28, 2001, and the related consolidated statements of earnings, shareholders’ equity and cash flows for each of the three years in the period ended July 27, 2002. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consolidated financial position of the Company as of July 27, 2002 and July 28, 2001, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended July 27, 2002 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP
New York, New York
September 16, 2002

Directors, Officers & Key Management

Directors

Elliot S. Jaffe
Founder & Chairman

David R. Jaffe
President & Chief Executive Officer

Burt Steinberg
Executive Director

Roslyn S. Jaffe
Secretary & Treasurer

Klaus Eppler [2]
Partner
Proskauer Rose LLP

Donald Jonas [1]
Former Chairman of the Board
Lechters, Inc.

Edward D. Solomon [1][2]
President
Edward D. Solomon & Co.

John Usdan [2]
President
Midwood Management Corporation

Officers & Key Management

Elliot S. Jaffe
Founder & Chairman

David R. Jaffe
President & Chief Executive Officer

Vivian Behrens
Senior Vice President
Marketing

Keith Fulsher
Senior Vice President &
General Merchandise Manager

Armand Correia
Senior Vice President &
Chief Financial Officer

Eric Hawn
Senior Vice President
Store Operations

Elise Jaffe
Senior Vice President
Real Estate

Tanzim Ahmad
Vice President
Merchandise Planning

Reid Hackney
Vice President
Finance and Controller

Christopher McDonald
Vice President
Corporate Counsel

Mary Ann Molinari
Vice President
Merchandising

David Montieth
Vice President
Human Resources

William Nelson
Vice President
Merchandising

Corinne Salfeety
Vice President
Merchandising

Arthur L. Senn
Vice President
Asset Protection

Richard Sosnovy
Vice President
Real Estate

Charles Wichtendahl
Vice President
Purchasing

Arthur Ziluck
Vice President
Merchandising

James Bath
Assistant Vice President
Information Technology

Denise Carothers
Assistant Vice President
Store Operations

Trudy Chianciola
Assistant Vice President
Store Operations

Ivonne Clayton
Assistant Vice President
Imports and Payables

Kim Collins
Assistant Vice President
Store Operations

Mary Beth Daniels
Assistant Vice President
Database Marketing

Madalyn Fichtner
Assistant Vice President
Store Operations

Pattra Gahan
Assistant Vice President
Store Operations

William Ilko
Assistant Vice President
Information Technology

Elizabeth Jones
Assistant Vice President
Store Administration

Donna Kanzler
Assistant Vice President
Corporate Taxation

Lisa Krizek
Assistant Vice President
Lease Administration

Jodie S. Levenson
Assistant Vice President
Store Operations

Shannon McGinty
Assistant Vice President
Store Operations

Candy Roberts
Assistant Vice President
Store Operations

Jeffrey C. Ross
Assistant Vice President
Operations

Nancy Seaboldt
Assistant Vice President
Information Technology

Donald Smith
Assistant Vice President
Distribution Operations

Isabella Spiegel
Assistant Vice President
Human Resources

M. Veronica Valladares
Assistant Vice President
Marketing

(1) Member, Compensation and Stock Option Committee
(2) Member, Audit Committee

Corporate Information

Annual Meeting
The Annual Meeting of the Stockholders of the Company will be held:
December 9, 2002
The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901

Form 10-K
A copy of the Company's Annual Report to the Securities and Exchange Commission on Form 10-K for the year ended July 27, 2002 will be provided to stockholders upon written request to:
Investor Relations
The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901

Transfer Agent & Registrar
Communications concerning shareholder records, the transfer of shares, lost certificates or change of address should be directed to:
First City Transfer Company
505 Thornall Street
Suite 303
Edison, New Jersey 08837

General Counsel
Proskauer Rose LLP
1585 Broadway
New York, New York 10036

Independent Auditors
Deloitte & Touche LLP
Stamford Harbor Park
333 Ludlow Street
Stamford, Connecticut 06904

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901

The Dress Barn, Inc.
30 Dunnigan Drive
Suffern, New York 10901