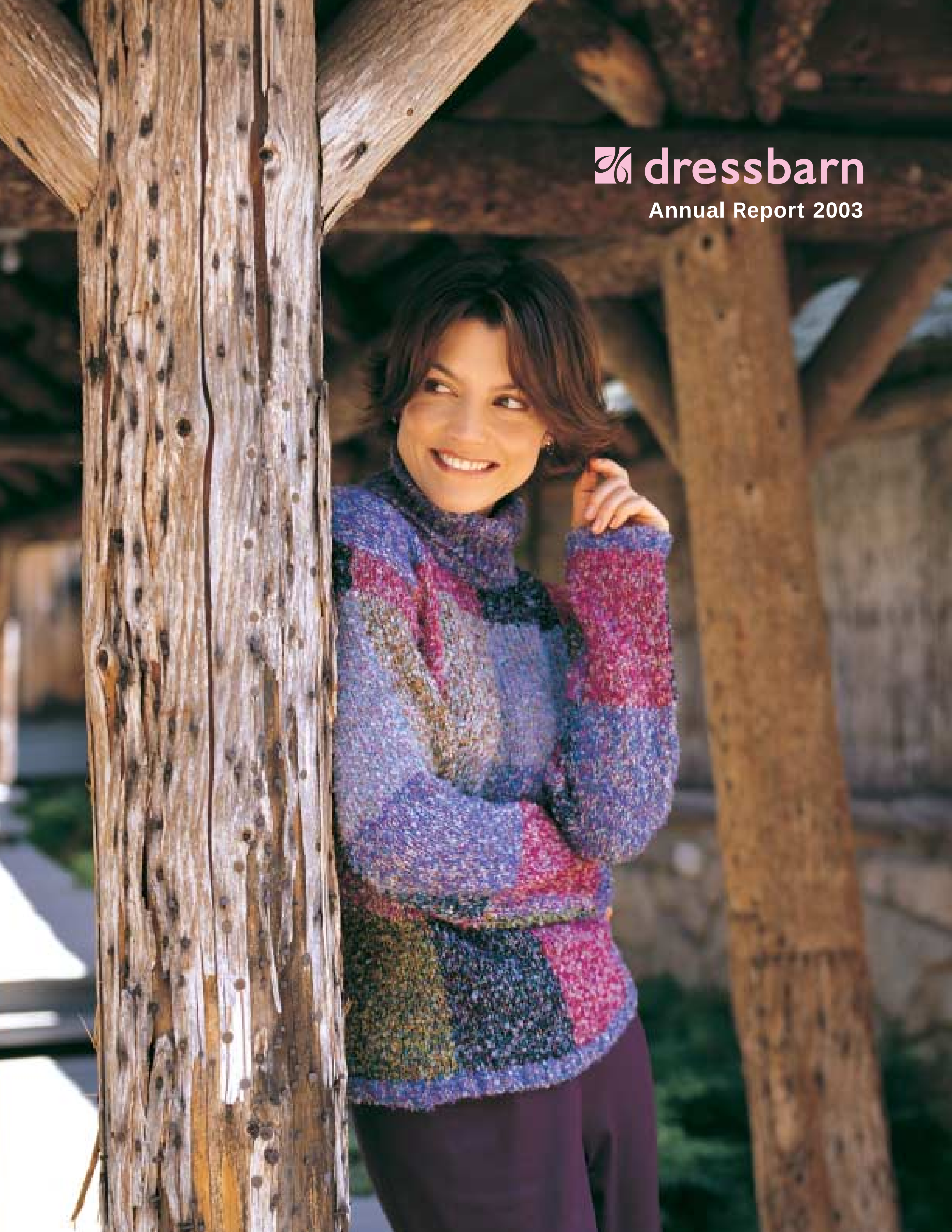


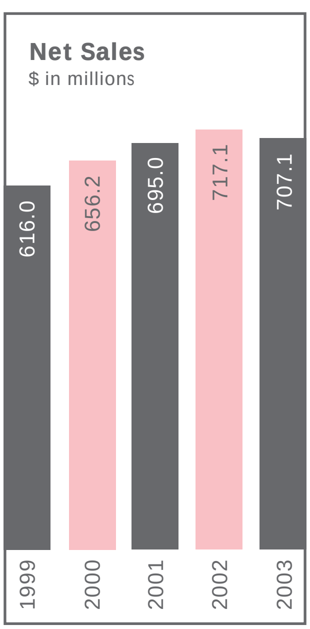
dressbarn

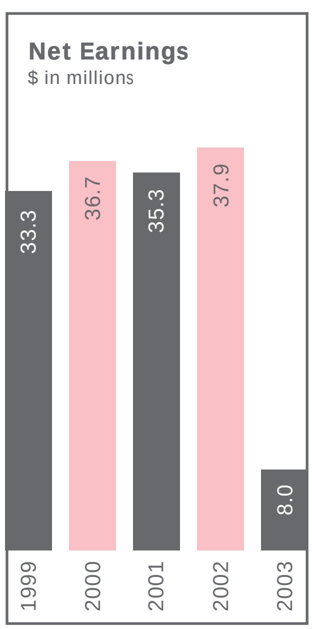
Annual Report 2003

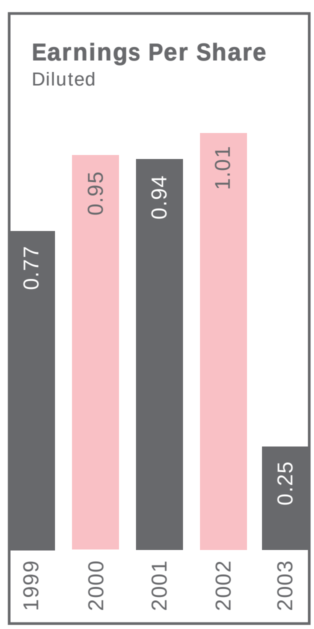
dressbarn operates a national chain of almost 800 specialty stores featuring its own line of career and casual fashions for women at value prices. **dressbarn** believes in value pricing, convenient locations and current style. Those elements, combined with an emphasis on customer service and product knowledge, have earned **dressbarn** a devoted following.

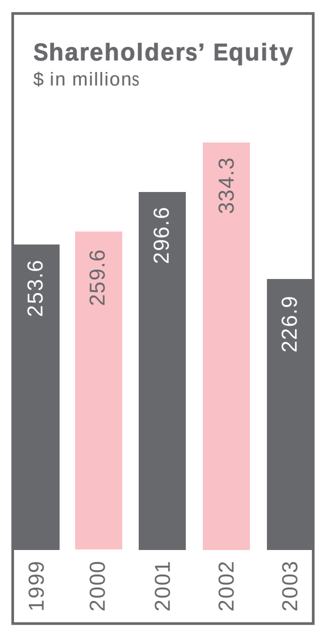
2003 Financial Highlights The Dress Barn, Inc. and Subsidiaries

Fiscal Year	**2003**	2002	2001
Operating Results			
Net sales	$707,121,000	$717,136,000	$695,008,000
Income before taxes	12,568,000	59,283,000	55,624,000
Net earnings	8,044,000	37,941,000	35,321,000
Net earnings as a percent of net sales	1.1%	5.3%	5.1%
Net earnings per share – diluted	$ .25	$ 1.01	$ 0.94
Financial Position			
Working capital	$107,859,000	$230,959,000	$197,258,000
Current ratio	1.7	2.8	2.7
Total assets	422,963,000	462,997,000	411,560,000
Shareholders' equity	226,893,000	334,253,000	296,597,000
Return on average shareholders' equity	2.9%	12.0%	12.7%
Number of stores at end of fiscal period	772	754	720
Total store square footage	5,655,000	5,439,000	5,123,000









We focus on our customer by providing her current fashion with high perceived value while addressing the lifestyle she lives, both career and casual.

To Our Shareholders:

Elliot S. Jaffe
Co-Founder & Chairman

David R. Jaffe
President &
Chief Executive Officer

Fiscal 2003 was one of the most challenging and difficult years in our history, evidenced by our disappointing sales performance. We believe the war, the economy, unemployment, as well as unseasonable weather affected our customer.

Sales for the fiscal year were $707 million, a one percent decrease versus the prior year. This was the first year in our Company's history that total sales decreased versus the prior year. Same store sales decreased 4.6 percent. During our most recent fourth quarter, sales have improved and this trend has continued into the new fiscal year.

Net earnings for the year were $8.0 million, or $0.25 per diluted share, compared to $37.9 million, or $1.01 per diluted share last year. This year's earnings were impacted by a $32 million litigation charge recorded in our fourth quarter, as a result of a jury verdict against our Company involving an unsuccessful acquisition. Net earnings, excluding the effect of this charge, would have been $28.5 million, or $0.89 per diluted share. We strongly believe there is no merit in this verdict and are vigorously pursuing an appeal.

During the year, two significant investments, totaling $166 million, were successfully completed. The first was our Dutch Auction tender offer for 8 million shares of our Company's common stock purchased for a total cost of $121 million. This favorably impacted our annual earnings per share and should continue to enhance shareholder value going forward. The second was the acquisition of our Headquarters/Distribution Center property in Suffern, New York for approximately $45 million. This acquisition was subsequently financed with a $34 million mortgage at a very attractive 20-year fixed rate. We expect this acquisition to be accretive to future earnings and provide flexibility for store growth. Our strong and liquid balance sheet, with $151 million in cash and investments, enables us to continue our expansion and positions us to weather any further weakening of the economy.

Our primary focus is to improve sales productivity through merchandise differentiation and brand development. To achieve this goal, we have instituted several merchandising and marketing programs.

While we build and improve merchandise developed under the **dressbarn** label, we maintain our offer of exceptional value to our customers. We continue to upgrade the quality, styling and fabrications of our merchandise to ensure it is the right fashion, and meets the needs of our customers.

Our marketing supports our merchandising. We are developing the personality and voice of the **dressbarn** brand and communicating this friendlier, more feminine spirit to customers, potential customers, and associates. We are proud of our new print campaign, appearing in national lifestyle magazines that highlights our fashion, enhances our perceived value and communicates the brand.

We remain dedicated to customer service by continually improving our training and recognition programs. To support this, we will be making a major investment in upgrading our store systems.

Our greatest asset continues to be our people, without whom none of our success would be possible. The additions of Joe Forbidussi, Vice President, Merchandise Manager and Joe Giamelli, Vice President, IT, have strengthened our management team. To our other 8,000 associates, shareholders and suppliers, we continue to be grateful for your support, dedication and loyalty. We look to 2004, optimistic that the strategies in place will positively impact our business and shareholder value.

Elliot S. Jaffe
Co-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 split 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 2003 Bid Prices		Fiscal 2002 Bid Prices	
	High	Low	High	Low
Fiscal Period				
First Quarter	$15.90	$11.06	$12.20	$ 9.64
Second Quarter	$16.19	$13.09	$13.94	$10.83
Third Quarter	$15.00	$12.43	$15.62	$12.55
Fourth Quarter	$15.23	$12.20	$17.50	$12.14

Number of Record Holders

The number of record holders of the Company's common stock as of October 1, 2003 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.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes our equity compensation plans as of July 26, 2003.

Plan Category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	2,950,495	$9.80	3,920,233
Equity compensation plans not approved by security holders	—	—	—
Total	2,950,495	$9.80	3,920,233

This Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and accompanying notes appearing elsewhere in this report. As used in this report, the terms "fiscal 2003," "fiscal 2002," and "fiscal 2001" refer to our fiscal years ended July 26, 2003, July 27, 2002, and July 28, 2001, respectively. Fiscal 2003, fiscal 2002 and fiscal 2001 all consisted of 52 weeks. The term "fiscal 2004" refers to our fiscal year that will end on July 31, 2004.

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; changes in levels of store traffic or consumer apparel buying patterns, import risks, including potential disruptions, an increase in the rate of import duties or export quotas and increased U.S. Customs regulation of importing activities, effectiveness of the Company's brand awareness and marketing programs, 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, claims and contingencies and litigation. 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. Physical inventories are conducted in January and July to calculate actual shrinkage and inventory on hand. Estimates are used to charge inventory shrinkage for the first and third fiscal quarters of the fiscal year. 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 and other matters arising out of the normal course of business. The Company is self-insured for expenses related to its employee medical and dental plans, and its worker's compensation plan, up to certain thresholds. Claims filed, as well as claims incurred but not reported, are accrued based on management's estimates, using information received from plan administrators, historical analysis, and other relevant data. The Company has stop-loss insurance coverage for individual claims in excess of $250,000. 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. Although the Company is generally conservative in the estimation of its claims and contingencies and believes its accruals for claims and contingencies are adequate, it is possible that actual results could significantly differ from the recorded accruals for claims and contingencies.

Litigation

The Company is subject to various claims and contingencies relating to litigation arising out of the normal course of business. 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. On July 7, 2003, after an unforeseen jury verdict, a trial court entered a final judgment of approximately $32 million in compensatory damages and expenses against the Company in a previously disclosed lawsuit brought by Alan M. Glazer and related parties. As a result, the Company recorded a litigation charge of $32 million for the judgment, even though the Company continues to strongly believe there is no merit in the jury verdict and is vigorously pursuing an appeal. If upon appeal the entire judgment or a portion thereof is modified, the Company will adjust its litigation accrual accordingly (see note 5 of the Notes to the Consolidated Financial Statements for additional information).

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 be 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 split 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 26, 2003	July 27, 2002	July 28, 2001
Net sales	100.0%	100.0%	100.0%
Cost of sales, including occupancy and buying costs	64.1%	63.8%	63.9%
Selling, general and administrative expenses	27.2%	26.0%	25.2%
Depreciation and amortization	2.9%	3.5%	3.2%
Litigation charge	4.5%	—	—
Interest income – net	0.4%	1.3%	1.2%
Earnings before income taxes	1.7%	8.0%	8.8%
Net earnings	1.0%	5.1%	5.6%

Fiscal 2003 Compared to Fiscal 2002

Net sales decreased by 1.4% to $707.1 million for fiscal 2003, from $717.1 million for fiscal 2002. The sales decrease from fiscal 2003 was due to a 4.6% decrease in same store sales, offset by approximately 4% increase in total selling square footage. The increase in store square footage was due to the opening of 46 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 28 under-performing stores. The number of stores in operation increased to 772 stores as of July 26, 2003, from 754 stores in operation as of July 27, 2002. The Company believes the sales decrease was the result of less customer traffic to its stores resulting in fewer customer transactions. The Company believes the war, the economy, unemployment, as well as unseasonable weather all affected its customer traffic.

The Company’s real estate strategy for fiscal 2004 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 and developing and expanding into new markets.

The Company suspended all mailing of catalogs and e-commerce sales in November 2001. The Company retested e-commerce and telephone sales in fiscal 2003 with little success. The Company discontinued all e-commerce operations, choosing to utilize its internet site to reinforce store promotions and provide store and product information, helping to drive store traffic and communicate with its retail customers. The financial impact of the e-commerce operation was minimal in fiscal 2003. Fiscal 2002 earnings per share-diluted were reduced by approximately $0.11 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) decreased by 3.7% to $253.9 million, or 35.9% of net sales, in fiscal 2003 from $263.7 million, or 36.8% of net sales, in fiscal 2002. The decrease in gross profit as a percentage of sales was primarily due negative leverage on buying and occupancy costs from decreased same store sales. In addition, fiscal 2003 markdowns were higher as a percentage of sales due to lower than expected sales volumes resulting and increased promotional activities necessary to maintain inventory levels in line with sales trends. These were slightly offset by higher initial margins due to continued sourcing improvements and efficiencies.

Selling, general and administrative (“SG&A”) expenses increased by 3.3% to $192.5 million, or 27.2% of net sales, in fiscal 2003 from $186.4 million, 26.0% of sales, in fiscal 2002. The increase in SG&A as a percentage of net sales for fiscal 2003 was primarily due to negative same store sales leverage on SG&A expenses. SG&A expenses increased primarily due to increased store operating costs, primarily selling, benefits, maintenance and repair and insurance costs resulting from the increase in the Company’s store base. In addition, the colder than normal winter in most parts of the country put added pressure on utility costs in the second and third quarters. The Company continues to focus on controlling its costs and enhancing productivity.

Depreciation expense decreased by 11.1% to $20.9 million in fiscal 2003, versus $23.5 million in fiscal 2002. Fiscal 2003 was favorably impacted by the fiscal 2002 fourth quarter writedown of obsolete software and equipment. This offset the increase in depreciation from the acquisition by Dunnigan Realty, LLC, a wholly-owned subsidiary of the Company, of a distribution/office facility in Suffern, New York (the “Suffern facility”), of which the major portion is the Company’s corporate offices and distribution center. Fiscal 2003 also benefited from less store construction costs than the prior year as the Company opened 50 stores in fiscal 2003 versus 74 stores opened during the prior year.

The litigation charge of $32 million is the result of court judgment against the Company relating to a previously disclosed lawsuit arising from an unsuccessful acquisition. On July 7, 2003, after a jury trial the trial court entered a final judgment of approximately $32 million in compensatory damages and expenses, which is subject to post-judgment interest. The trial court ruled against the plaintiffs’ motion for any punitive damages or pre-judgment interest. The Company believes there is no merit in the jury verdict. If upon appeal the judgment is subsequently modified, the Company will adjust its litigation accrual accordingly (see note 5 of the Notes to the Consolidated Financial Statements).

Interest income – net decreased by 42% to $3.2 million for fiscal 2003 from $5.5 million for fiscal 2002. This decrease was due to lower investment rates versus last year coupled with less cash available for investments. During fiscal 2003, the Company used approximately $120.8 million for the Dutch Auction Tender Offer completed at the end of October 2002 (the “Tender Offer”), in which the Company repurchased 8 million of its common shares. The Company used approximately $45 million to acquire the Suffern facility.

Other income for fiscal 2003 was approximately $0.8 million. Other income represents rental income by Dunnigan Realty, LLC from the unaffiliated tenants of the Suffern facility.

Net earnings for fiscal 2003 decreased 78.8% to $8.0 million versus $37.9 million in fiscal 2002. Diluted earnings per share also decreased 75.1% to $0.25 per share versus $1.01 in fiscal 2002. Excluding the litigation charge of $32 million, net earnings would have been $28.5 million, a decrease of 24.8% from $37.9 million. Operating income would have been $40.6 million, compared to $53.8 million last year. Diluted earnings per share would have been $0.89, a decrease of 11.9% from earnings of $1.01 last year.

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 same 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 40 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 same 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 same 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.

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's fiscal 2002 earnings per share-diluted were reduced by approximately $.11 due to the operating costs of the catalog and e-commerce operations, versus approximately $.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 same store sales and its impact on fixed costs, and increases in store operating, 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.

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. In fiscal 2003, total capital expenditures were $63.3 million. Excluding the $45.3 million for the acquisition of the Suffern facility, capital expenditures were $18.0 million, $28.3 million and $25.8 million in fiscal 2003, fiscal 2002 and fiscal 2001, respectively, net of landlord construction allowances. The sharp reduction in fiscal 2003 capital expenditures was due to fewer store openings, higher construction allowances per store and the investment in new store technology and back office operating systems in fiscal 2002. The Company also repurchased 8,000,000 outstanding shares of its stock in the Tender Offer for a total cost of $120.8 million during fiscal 2003. The Company purchased in the open market 757,600 outstanding shares of its stock for a total cost of $9.0 million during fiscal 2002 and 620,000 outstanding shares for $7.4 million during fiscal 2001. 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.

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 2003 decreased to $56.8 million as compared to $72.4 million in fiscal 2002 and $57.9 million in fiscal 2001. The decrease in fiscal 2003 was primarily due to lower net earnings, while the increase in fiscal 2002 versus fiscal 2001 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.

In January 2003, Dunnigan Realty, LLC, a wholly-owned consolidated subsidiary of the Company, purchased the Suffern facility, of which the major portion is the Company's corporate offices and distribution center for approximately $45.3 million utilizing the Company's internally generated funds. In July 2003, Dunnigan Realty, LLC borrowed $34,000,000 under a favorable fixed rate mortgage loan. The mortgage has a twenty-year term with annual payments of $2.8 million including principal and interest and is secured by a first mortgage lien on the Suffern facility. Dunnigan Realty, LLC receives rental income and reimbursement for taxes and common area maintenance charges from the Company and two additional tenants that occupy the Suffern facility that are not affiliated with the Company. These rental payments are more than sufficient to cover the mortgage payments and planned capital and maintenance expenditures.

At July 26, 2003, the Company had $113.9 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 $107.9 million at July 26, 2003. In addition, the Company had available $75 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 26, 2003. However, potential borrowings were limited by approximately $41.0 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 2004, the Company plans to open approximately 60 additional stores and continue its store-remodeling program. Total fiscal 2004 capital expenditures, which are primarily attributable to the Company's store expansion, renovation and refurbishment programs, and the replacement of its POS registers and systems, are expected to be approximately $27 million net of landlord construction allowances. The Company intends to focus on both expanding in the Company's existing major trading markets and developing and expanding into new markets. 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 2004. 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.

Consolidated Balance Sheets

Amounts in thousands, except share data

	July 26, 2003	July 27, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 37,551	$ 83,690
Marketable securities and investments (see note 2)	113,897	159,049
Merchandise inventories	110,348	113,371
Prepaid expenses and other	9,112	3,593
Total Current Assets	270,908	359,703
Property and Equipment:		
Land and buildings	45,391	—
Leasehold improvements	61,014	61,414
Fixtures and equipment	163,407	154,139
Computer software	19,369	17,344
Automotive equipment	756	554
	289,937	233,451
Less accumulated depreciation and amortization	154,033	140,025
	135,904	93,426
Deferred Income Taxes (See note 7)	11,255	5,869
Other Assets	4,896	3,999
Total Assets	$422,963	$462,997
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable – trade	$ 65,090	$ 64,034
Accrued salaries, wages and related expenses	18,882	18,089
Litigation accrual (see note 5)	35,592	4,048
Other accrued expenses	28,134	27,268
Customer credits	7,284	6,650
Income taxes payable	7,088	8,655
Current portion of long-term debt	979	—
Total Current Liabilities	163,049	128,744
Long-Term Debt (See note 3)	33,021	—
Commitments and Contingencies (See note 8)		
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 and outstanding – 29,169,559 and 36,507,919 shares, respectively	1,458	1,825
Additional paid-in capital	58,200	52,209
Retained earnings	167,297	279,672
Accumulated other comprehensive (loss) income	(62)	547
	226,893	34,253
Total Liabilities and Shareholders' Equity	$422,963	$462,997

See notes to consolidated financial statements

Consolidated Statements of Earnings

Amounts in thousands, except per share amounts

Fiscal Year Ended	July 26, 2003	July 27, 2002	July 28, 2001
Net sales	$707,121	$717,136	$695,008
Cost of sales, including occupancy and buying costs	453,178	453,428	443,426
Gross profit	253,943	263,708	251,582
Selling, general and administrative expenses	192,466	186,375	180,991
Depreciation and amortization	20,856	23,508	23,916
Litigation charge (see note 5)	32,000	—	—
Operating income	8,621	53,825	46,675
Interest income – net	3,168	5,458	8,949
Other income	779	—	—
Earnings before provision for income taxes	12,568	59,283	55,624
Provision for income taxes	4,524	21,342	20,303
Net earnings	$ 8,044	$ 37,941	$ 35,321
Earnings per share:			
Basic	$ 0.26	$ 1.04	$ 0.97
Diluted	$ 0.25	$ 1.01	$ 0.94
Weighted average shares outstanding:			
Basic	31,219	36,495	36,481
Diluted	31,942	37,516	37,494

See notes to consolidated financial statements

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 29, 2000	35,972	$2,510	$35,828	$329,170	$(107,162)	$(785)	$259,561
Comprehensive income:							
Net earnings				35,321			35,321
Unrealized holding gain on marketable securities						846	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			37,941
Unrealized holding gain on marketable securities						486	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
Comprehensive income:							
Net earnings				8,044			8,044
Unrealized holding loss on marketable securities						(609)	(609)
Total comprehensive income							7,435
Deferred compensation	20	1	264				265
Tax benefit from exercise of stock options			1,381				1,381
Employee Stock Purchase Plan activity	7		87				87
Shares issued pursuant to exercise of stock options	635	32	4,259				4,291
Purchase of treasury stock – Tender Offer	(8,000)				(120,819)		(120,819)
Retirement of treasury stock		(400)		(120,419)	120,819		0
Balance, July 26, 2003	29,170	$1,458	$58,200	$167,297	$ 0	$ (62)	$226,893

See note to consolidated financial statement

Consolidated Statements of Cash Flows

Amounts in thousands

Fiscal Year Ended	July 26, 2003	July 27, 2002	July 28, 2001
Operating Activities:			
Net earnings	$ 8,044	$ 37,941	$ 35,321
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization of property and equipment	19,317	21,827	22,309
Loss on disposal of closed store assets	1,539	1,681	1,607
Deferred income tax (benefit) expense	(5,386)	1,409	2,586
Deferred compensation	265	291	183
Changes in assets and liabilities:			
Decrease (increase) in merchandise inventories	3,023	(8,884)	7,414
(Increase) decrease in prepaid expenses and other	(3,789)	1,910	58
(Increase) decrease in other assets	(897)	(536)	372
Increase (decrease) in accounts payable – trade	1,056	4,484	(12,335)
Increase (decrease) in accrued salaries and wages	793	870	(753)
Increase (decrease) in litigation accrual	31,544	1,600	(1,065)
Increase (decrease) in accrued expenses	866	(1,480)	3,804
Increase in customer credits	634	839	556
(Decrease) increase in income taxes payable	(187)	10,421	(2,152)
Total adjustments	48,778	34,432	22,584
Net cash provided by operating activities	55,822	72,373	57,905
Investing Activities:			
Purchases of property and equipment	(63,334)	(28,335)	(25,758)
Sales and maturities of marketable securities and investments	138,346	109,142	119,697
Purchases of marketable securities and investments	(93,803)	(94,278)	(141,139)
Net cash used in investing activities	(18,791)	(13,472)	(47,199)
Financing Activities:			
Proceeds from long-term debt, net of debt issuance costs	32,270	—	—
Purchase of treasury stock	(120,818)	(8,964)	(7,415)
Proceeds from Employee Stock Purchase Plan	87	91	102
Proceeds from stock options exercised	4,291	4,858	6,331
Net cash used in financing activities	(84,170)	(4,015)	(982)
Net (decrease) increase in cash and cash equivalents	(46,139)	54,886	9,724
Cash and cash equivalents – beginning of year	83,690	28,804	19,080
Cash and cash equivalents – end of year	$ 37,551	$ 83,690	$ 28,804
Supplemental Disclosure of Cash Flow Information:			
Cash paid for income taxes	$ 10,206	$ 9,511	$ 20,005
Cash paid for interest	$ 35	—	—

See notes to consolidated financial statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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. All fiscal year's presented consist of 52 weeks. Certain reclassifications have been made to prior years' consolidated financial statements to conform to fiscal 2003's presentation.

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 regular and large sizes), including shoes and accessories. Given the similarities of the economic characteristics and how the Company manages its different store formats, the operations of the Company are aggregated into one reportable segment.

Dunnigan Realty LLC, a wholly-owned consolidated subsidiary of the Company, was formed in fiscal 2003 to purchase, own and operate a distribution/office facility in Suffern, New York (the "Suffern facility"), of which the major portion is the Company's corporate offices and distribution center. Dunnigan Realty LLC receives rental income and reimbursement for taxes and common area maintenance charges from the Company and two additional tenants that occupy the Suffern facility that are not affiliated with the Company. The rental income from the unaffiliated tenants is shown as "other income" on the Company's Consolidated Statements of Earnings. Intercompany rentals between the Company and Dunnigan Realty, LLC are eliminated in consolidation.

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 26, 2003 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 following estimated useful lives:

Building	25 years
Leasehold improvements	10 years or term of lease, if shorter
Fixtures and equipment	10 years
Software	5 – 7 years
Automotive equipment	5 years

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.

Income taxes
The Company accounts for income taxes in accordance with SFAS No. 109, Accounting for 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. The Company establishes valuation allowances against deferred tax assets when it is more likely than not the realization of those deferred tax assets will not occur.

Store preopening costs
Non-capital expenditures, such as advertising and payroll costs incurred prior to the opening of a new store are charged to expense in the period they are 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 $10.1 million, $10.0 million and $8.6 for fiscal 2003, 2002 and 2001, respectively.

Recent Accounting Pronouncements
In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." SFAS No. 144 became 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 adoption of SFAS No. 144 did not have any 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. SFAS No. 146 requires that the liability for costs associated with an exit or disposal activity be recognized when the liability is incurred. SFAS No. 146 also establishes that the liability should initially be measured and recorded at fair value. The Company adopted the provisions of SFAS No. 146 for any restructuring activities initiated after December 31, 2002. The Company will adopt this pronouncement for any restructurings in the future.

On November 25, 2002 the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others", which elaborates on the disclosures to be made by a guarantor about its obligations under certain guarantees issued. It also clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The interpretation expands on the accounting guidance of SFAS No. 5 "Accounting for Contingencies", SFAS No. 57, "Related Party Disclosures", and SFAS No. 107 "Disclosures about Fair Value of Financial Instruments". The interpretation also incorporates, without change, the provisions of FASB Interpretation No. 34, "Disclosure of Indirect Guarantees of Indebtedness of Others", which it supersedes. The initial recognition and measurement provisions of Interpretation No. 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosures are effective for financial statements of interim or annual periods ending after December 31, 2002. The Company has no guarantees with any of its subsidiaries or other third parties, therefore, the adoption of this Interpretation will have no impact on its financial statements.

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51, Consolidated Financial Statements". This interpretation applies immediately to variable interest entities created after January 31, 2003 and to variable interest entities in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after December 15, 2003, to variable interest entities in which an enterprise holds a variable interest it acquired before February 1, 2003. The Company has no variable interest entities; therefore, the implementation of this interpretation will not impact the Company's financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure" ("SFAS 148"). SFAS 148 amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"), to provide alternative methods of transition for companies that voluntarily change to a fair value-based method of accounting for stock-based employee compensation. SFAS 148 also amends the disclosure provisions of SFAS 123 for both interim and annual financial statements. The disclosure provisions of SFAS 148 are effective for annual reports for fiscal years ending after December 15, 2002, and for interim financials for periods beginning after December 15, 2002. The Company adopted the interim reporting provisions of SFAS 148 for its third quarter ended April 26, 2003 and the annual reporting provisions for fiscal 2003.

In April 2003, the FASB issued SFAS No.149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities." SFAS No. 149 amends and clarifies the accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003 and for hedging relationships designated after June 30, 2003. The adoption of SFAS No.149 on July 1, 2003, as required, had no impact on the Company's financial statements.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS No. 150 requires that certain financial instruments be classified as liabilities that were previously considered equity. The adoption of this standard on July 1, 2003, as required, had no impact on the Company's financial statements.

Use of estimates
The preparation of the financial statements in conformity with generally accepted accounting principles requires man-

agement 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.

Stock based compensation

The Company uses the intrinsic value method to account for stock-based compensation in accordance with 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. In accordance with SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure – An Amendment of SFAS No. 123" ("SFAS 148"), the Company discloses the pro forma effects of recording stock-based employee compensation plans at fair value on net earnings and net earnings per common share-basic and diluted" as if the compensation expense was recorded in the financial statements.

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. 148 (which does not apply to awards prior to fiscal 1996), the Company's net earnings and earnings per share for fiscal 2003, fiscal 2002 and fiscal 2001 would have been reduced to the pro forma amounts indicated below:

Fiscal Year Ended (in 000's)	July 26, 2003	July 27, 2002	July 28, 2001
Net earnings			
As reported	$8,044	$37,941	$35,321
Pro forma	$6,105	$36,512	$33,959
Earnings per share – basic:			
As reported	$ 0.26	$ 1.04	$ 0.97
Pro forma	$ 0.20	$ 1.00	$ 0.93
Earnings per share – diluted:			
As reported	$ 0.25	$ 1.01	$ 0.94
Pro forma	$ 0.19	$ 0.97	$ 0.91

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 26, 2003	July 27, 2002	July 28, 2001
Weighted average risk-free interest rate	3.1%	4.0%	5.4%
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%	43.9%	44.8%

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require input of highly subjective assumptions including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

Financial 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.

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.

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 split 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:

	July 26, 2003		July 27, 2002	
(In 000's)	Estimated Fair Value	Cost	Estimated Fair Value	Cost
Money Market Funds	$ 10,301	$ 10,301	$ 15,712	$ 15,712
Short Term Investments	27,581	27,581	43,041	43,041
Tax Free Municipal Bonds	74,286	74,199	102,980	102,296
US Govt. Securities Fund	1,729	1,878	1,741	1,878
	$113,897	$113,959	$163,474	$162,927

The scheduled maturities of marketable securities and investments at July 26, 2003 are:

Due In	Estimated Fair Value	Cost
(in 000's)		
One year or less	$ 73,110	$ 73,239
One year through five years	22,742	22,722
Six years through ten years	2,531	2,533
Over ten years	15,514	15,465
	$113,897	$113,959

Unrealized holding gains and (losses) at July 26, 2003 netted to an unrealized loss of approximately $62,000. Proceeds and gross realized (losses) gains from the sale of securities in fiscal 2003, 2002 and 2001 were $138.3 million and ($0.7) million, $108.8 million and $1.0 million and $119.7 million and $0.3 million, respectively. For the purposes of determining gross realized gains and losses, the cost of securities is based upon specific identification.

3. LONG-TERM DEBT

Long-term debt consists of the following:

(in 000's)	July 26, 2003	July 27, 2002
Dunnigan Realty LLC mortgage loan	$34,000	$—
Less: current portion	(979)	—
Total	$33,021	$—

The Dunnigan Realty LLC mortgage loan (the "mortgage") is collateralized by a mortgage lien on a distribution/office facility in Suffern, New York (the "Suffern facility"), of which the major portion is the Company's corporate offices and distribution center. Dunnigan Realty LLC, a wholly owned subsidiary of the Company, receives rental income and reimbursement for taxes and common area maintenance charges from the Company and two additional tenants that occupy the Suffern facility that are not affiliated with the Company. All intercompany transactions are eliminated. Payments of principal and interest on the mortgage, a 20-year fully amortizing loan with a fixed interest rate of 5.33%, are due monthly through July 2023. Scheduled maturities of the mortgage in each of the next five fiscal years are as follows: 2004 – $0.9 million; 2005 – $1.0 million; 2006 – $1.1 million; 2007 – $1.1 million; 2008 – $1.2 million and 2009 and thereafter – $28.7 million. In connection with the mortgage, the Company paid approximately $1.7 million in debt issuance costs. These costs were capitalized in fiscal 2003 and will be amortized over the life of the mortgage. Interest expense relating to the mortgage for fiscal 2003 was approximately $164,000.

4. 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 26, 2003	July 27, 2002	July 28, 2001
Weighted average number of common shares outstanding – basic	31,219	36,495	36,481
Net effect of dilutive stock options based on the treasury stock method using the average market price	723	1,021	1,013
Weighted average number of common shares outstanding – diluted	31,942	37,516	37,494

Common stock equivalents of 170,000 and 150,000 for the fiscal years ended July 26, 2003 and July 27, 2002, respectively, were excluded because such common stock equivalents were anti-dilutive. All common stock equivalents were dilutive for the fiscal year ended July 28, 2001.

5. LITIGATION

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 case went to a jury trial in 2003, and a jury verdict of $30 million of compensatory damages was awarded. On July 7, 2003, the court entered a final judgment of approximately $32 million in compensatory damages and expenses, which is subject to post-judgment interest. The trial court ruled against the plaintiffs' motion for any punitive damages or pre-judgment interest. Based on this judgment, the Company recorded a litigation charge of $32 million in its fiscal 2003's fourth quarter results for this judgment. The Company believes there is no merit in the jury verdict and is vigorously pursuing an appeal. If upon appeal the judgment is subsequently modified, the Company will adjust its litigation accrual accordingly. The Company has also accrued for other litigation currently outstanding, resulting in a total litigation accrual of approximately $35.6 million as of July 26, 2003.

6. 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. 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 2003, 2002 and 2001 the Company incurred expenses of $1,363,000, $1,156,000 and $1,619,000, 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.

7. INCOME TAXES

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

Fiscal Year Ended (In 000's)	July 26, 2003	July 27, 2002	July 28, 2001
Federal:			
Current	$7,772	$16,517	$16,210
Deferred	(4,314)	1,090	(749)
	3,458	17,607	15,461
State:			
Current	2,138	3,415	5,562
Deferred	(1,072)	320	(720)
	1,066	3,735	4,842
Provision for income taxes	$ 4,524	$21,342	$20,303

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

(in 000's)	July 26, 2003	July 27, 2002	July 28, 2001
Deferred tax assets:			
Inventory capitalization and inventory-related items	$10,460	$ 1,927	$ 2,822
Capital loss carryover	2,847	2,759	2,622
Employee benefits	2,438	2,754	1,494
Litigation accrual	14,308	—	—
Other items	2,973	4,739	8,382
Total deferred tax assets	33,026	12,179	15,320
Deferred tax liabilities:			
Depreciation	17,265	4,878	4,630
Other items	1,659	1,432	3,412
Total deferred tax liabilities	18,924	6,310	8,042
Valuation allowance:	(2,847)	—	—
Net deferred tax assets	$11,255	$ 5,869	$ 7,278

The net deferred tax assets were comprised of approximately $2,240,000 in state deferred taxes and $9,015,000 in federal deferred taxes. In fiscal 2003, a valuation allowance of approximately $2,847,000 was been established relating to the capital loss carryforward as the utilization of such amount is not assured. In addition, the Company successfully resolved several major audits during fiscal 2003, resulting in a credit to its fiscal 2003 tax provision for approximately $2,645,000.

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 26, 2003	July 27, 2002	July 28, 2001
Statutory tax rate	35.0 %	35.0 %	35.0 %
State taxes – net of federal Benefit	5.5 %	5.2 %	5.5 %
Valuation allowance – loss carryforward	22.7 %	—	—
Provision adjustment – resolution of tax audits	(22.5)%	—	—
Other – net, primarily tax-free interest	(4.7)%	(4.2)%	(4.0)%
Effective tax rate	36.0 %	36.0 %	36.5%

8. 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 from Dunnigan Realty LLC, a wholly-owned subsidiary which was formed solely to purchase, own and operate the entire facility (the "Suffern facility") including the portion occupied by the Company. The Company's lease with Dunnigan Realty LLC expires in 2023, which coincides with the term of the underlying mortgage Dunnigan Realty LLC utilized to finance the purchase of the Suffern facility (see Note 3 for additional information regarding the mortgage). Dunnigan Realty LLC receives rental income and reimbursement for taxes and common area maintenance charges from two additional tenants that occupy the Suffern facility that are not affiliated with the Company. The rental income from the other tenants is shown as "other income" on the Company's Consolidated Statements of Earnings. All intercompany transactions are eliminated.

A summary of occupancy costs follows:

Fiscal Year Ended (in 000's)	July 26, 2003	July 27, 2002	July 28, 2001
Base rentals	$ 87,447	$ 85,593	$ 78,920
Percentage rentals	3,898	2,591	2,192
Other occupancy costs	29,069	25,349	23,114
	120,414	113,533	104,226
Less: Rental income from third parties	(779)	—	—
Total	$119,635	$113,533	$104,226

The following is a schedule of future minimum rentals under noncancellable operating leases as of July 26, 2003, including rents payable to Dunnigan Realty, LLC for the Suffern facility (dollars in thousands):

Fiscal Year	Amount
2004	$ 90,029
2005	78,206
2006	64,140
2007	50,803
2008	35,632
Subsequent years	126,608
Total future minimum rentals	$445,418

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 Chairman or related trusts. Future minimum rentals under leases with such related parties which extend beyond July 26, 2003, included in the above schedule, are approximately $247,000 annually and in the aggregate $0.4 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 2003, 2002 and 2001 under these leases amounted to approximately $309,000, $288,000 and $346,000, respectively.

Lines of credit

At July 26, 2003, the Company had unsecured lines of credit with two banks totaling $75 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 26, 2003. However, approximately $41 million of outstanding letters of credit reduced the credit lines available.

Contractual obligations and commercial commitments

The estimated significant contractual cash obligations and other commercial commitments at July 26, 2003 are summarized in the following table:

		Payments Due by Period (000's)			
Contractual Obligations	Totals	Fiscal 2004	Fiscal 2005-2006	Fiscal 2007 2008	Fiscal 2009 And Beyond
Operating lease obligations	$445,418	$90,029	$142,346	$86,435	$126,608
Mortgage principal and interest	55,351	2,768	5,535	5,535	41,513
	$500,769	$92,797	$147,881	$91,970	$168,121

		Amount of Commitment Expiration Period (000's)			
Other Commercial Commitments	Totals	Fiscal 2004	Fiscal 2005 – 2006	Fiscal 2007 – 2008	Fiscal 2009 And Beyond
Trade letters of credit	$ 37,082	$37,082	—	—	—
Standby letters of credit	3,905	3,905	—	—	—
	$ 40,987	$40,987	$ —	$ —	$ —

In addition to the commitments represented in the above table, the Company enters into a number of cancelable and non-cancelable commitments during the year. Typically, these commitments are for less than a year in duration and are principally focused on the construction of new retail stores and the procurement of inventory. The Company does not maintain any long-term or exclusive commitments or arrangements to purchase merchandise from any single supplier. Preliminary commitments with the Company's private label merchandise vendors typically are made five to seven months in advance of planned receipt date. Substantially all of the Company's merchandise purchase commitments are cancelable up to 30 days prior to the vendor's scheduled shipment date.

Legal proceedings

The Company is involved in various routine legal proceedings incident to the ordinary course of business. The Company believes that the outcome of all pending and threatened legal proceedings (except for the matter as discussed in Note 5) will, on the whole, not have a material adverse effect on its financial condition or results of operations.

9. STOCK-BASED COMPENSATION PLANS

At July 26, 2003, 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 26, 2003, there were 231,052 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 26, 2003, there were 257,514 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 26, 2003, there were 3,431,667 shares under the 1995 plan available for future grant.

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 26, 2003		July 27, 2002		July 28, 2001	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Options outstanding – beginning of year	2,734,352	$8.14	3,164,870	$7.26	3,641,286	$6.16
Granted	909,883	12.54	797,266	10.95	716,938	10.50
Cancelled	(59,200)	8.27	(444,580)	10.26	(95,848)	6.92
Exercised	(634,540)	6.76	(783,204)	6.21	(1,097,506)	5.77
Outstanding end of year	2,950,495	$9.80	2,734,352	$8.14	3,164,870	$7.26
Options exercisable at year-end	528,208	$7.56	334,108	$4.09	469,044	$5.61
Weighted-average fair value of options granted during the year		$5.34		$4.81		$4.92

The following table summarizes information about stock options outstanding at July 26, 2003:

Range of Exercise Prices	Number Outstanding as of 7/26/03	Weighted Average Remaining Life	Weighted Average Exercise Price	Number Exercisable as of 7/26/03	Weighted Average Exercise Price
$ 2.50 – $ 4.65	120,286	3.13 years	$2.89	120,286	$2.89
5.25 – 7.03	932,660	5.95 years	$6.87	189,908	$6.76
7.81 – 10.84	803,666	7.69 years	$10.06	166,654	$10.01
11.25 – 13.25	430,550	8.89 years	$11.27	21,360	$11.31
13.51 – 15.11	663,333	9.27 years	$13.88	30,000	$15.11
$ 2.50 – $15.11	2,950,495	7.48 years	$9.80	528,208	$7.56

10. QUARTERLY RESULTS OF OPERATIONS (unaudited)

(in thousands, except per share amounts)

Fiscal Year ended July 26, 2003	Fiscal Year	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$707,121	$188,131	$165,692	$167,372	$185,926
Gross profit, less occupancy and buying costs	253,943	72,278	55,338	60,107	66,220
Income tax expense (benefit)	4,524	(4,498)	1,468	2,627	4,927
Net earnings (loss)	8,044	(7,992)	2,609	4,668	8,759
Earnings (Loss) per share (1)					
Basic	$ 0.26	$ (0.27)	$ 0.09	$ 0.16	$ 0.24
Diluted	$ 0.25	$ (0.27)	$ 0.09	$ 0.15	$ 0.23

Fiscal Year ended July 27, 2002	Fiscal Year	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
Net sales	$717,136	$186,697	$177,119	$171,241	$182,079
Gross profit, less occupancy and buying costs	263,708	74,267	65,315	61,752	62,374
Income taxes	21,342	7,547	5,359	3,999	4,437
Net earnings	37,941	13,418	9,526	7,109	7,888
Earnings per share (1)					
Basic	$ 1.04	$ 0.37	$ 0.26	$ 0.19	$ 0.22
Diluted	$ 1.01	$ 0.36	$ 0.25	$ 0.19	$ 0.21

(1) 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 Auditor's 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 26, 2003 and July 27, 2002, and the related consolidated statements of earnings, shareholders' equity and cash flows for each of the three years in the period ended July 26, 2003. 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 26, 2003 and July 27, 2002, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended July 26, 2003 in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

Deloitte & Touche LLP
New York, New York
October 10, 2003

Directors, Officers & Key Management

DIRECTORS

Elliot S. Jaffe
Co-Founder & Chairman

David R. Jaffe
President &
Chief Executive Officer

Burt Steinberg
Executive Director

Roslyn S. Jaffe
Secretary, Treasurer & Co-Founder

Klaus Eppler (2)
Pensioned 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
Co-Founder & Chairman

David R. Jaffe
President & Chief Executive Officer

Vivian Behrens
Senior Vice President &
Chief Marketing Officer

Armand Correia
Senior Vice President &
Chief Financial Officer

Keith Fulsher
Senior Vice President &
General Merchandise Manager

Eric Hawn
Senior Vice President
Store Operations

Elise Jaffe
Senior Vice President
Real Estate

Tanzim Ahmad
Vice President
Merchandise Planning

Joseph M. Forbidussi
Vice President
Merchandising

Joseph Giamelli
Vice President, IT
Chief Financial Officer

Reid Hackney
Vice President
Finance & 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

Arthur Ziluck
Vice President
Merchandising

James Bath
Assistant Vice President
Information Technology

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
Customer Relationship
Management

Charles DeCesare
Assistant Vice President
Creative Director

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
The Dress Barn, Inc.

Corporate Information

Annual Meeting
The Annual Meeting of the Stockholders of the Company will be held:
November 19, 2003
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 26, 2003 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:
American Stock Transfer & Trust Company
59 Maiden Lane
New York, NY 10038

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