
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended May 3, 2003

Commission file number 1-11980

ANNTAYLOR, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

51-0297083
(I.R.S. Employer Identification Number)

142 West 57th Street, New York, NY
(Address of principal executive offices)

10019
(Zip Code)

(212) 541-3300
(Registrant's telephone number, including area code)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No .

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

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

<u>Class</u>	Outstanding as of <u>May 30, 2003</u>
Common Stock, \$1.00 par value	1

The registrant meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANNTAYLOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
For the Quarters Ended May 3, 2003 and May 4, 2002
(unaudited)

	Quarters Ended	
	May 3, 2003	May 4, 2002
	(in thousands, except per share amounts)	
Net sales	\$352,017	\$345,392
Cost of sales	<u>163,002</u>	<u>158,829</u>
Gross margin	189,015	186,563
Selling, general and administrative expenses	<u>158,618</u>	<u>151,081</u>
Operating income	30,397	35,482
Interest income	688	516
Interest expense	<u>1,694</u>	<u>1,699</u>
Income before income taxes	29,391	34,299
Income tax provision.....	<u>11,463</u>	<u>13,377</u>
Net income	\$ <u>17,928</u>	\$ <u>20,922</u>

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
May 3, 2003 and February 1, 2003
(unaudited)

	<u>May 3, 2003</u>	<u>February 1, 2003</u>
ASSETS		
	(in thousands)	
Current assets		
Cash and cash equivalents	\$ 188,274	\$ 212,821
Accounts receivable, net	20,436	10,367
Merchandise inventories	196,401	185,484
Prepaid expenses and other current assets	53,975	46,599
Total current assets	<u>459,086</u>	<u>455,271</u>
Property and equipment, net	242,948	247,115
Goodwill, net	286,579	286,579
Deferred financing costs, net	3,949	4,170
Other assets	16,996	17,691
Total assets	<u>\$ 1,009,558</u>	<u>\$ 1,010,826</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable	\$ 62,003	\$ 57,058
Accrued expenses	79,170	94,137
Total current liabilities	<u>141,173</u>	<u>151,195</u>
Note payable to AnnTaylor Stores Corporation	122,515	121,652
Deferred lease costs and other liabilities	26,075	23,561
Stockholder's equity		
Common stock, \$1.00 par value; 1,000 shares authorized; 1 share issued and outstanding	1	1
Additional paid-in capital	405,657	417,568
Retained earnings	314,137	296,849
Total stockholder's equity	<u>719,795</u>	<u>714,418</u>
Total liabilities and stockholder's equity	<u>\$ 1,009,558</u>	<u>\$ 1,010,826</u>

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Quarters Ended May 3, 2003 and May 4, 2002
(unaudited)

	Quarters Ended	
	May 3, 2003	May 4, 2002
	(in thousands)	
Operating activities:		
Net income	\$ 17,928	\$ 20,922
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Amortization of deferred compensation	780	1,391
Deferred income taxes.....	231	---
Depreciation and amortization	12,649	11,730
Gain on sale of proprietary credit card accounts receivable.....	---	(2,095)
Loss on disposal of property and equipment	552	306
Non-cash interest.....	1,084	1,056
Changes in assets and liabilities:		
Receivables	(10,069)	(5,277)
Merchandise inventories	(10,917)	7,842
Prepaid expenses and other current assets	(6,808)	396
Accounts payable and accrued expenses	(10,022)	(1,237)
Other non-current assets and liabilities, net.....	<u>2,411</u>	<u>1,703</u>
Net cash provided (used) by operating activities.....	<u>(2,181)</u>	<u>36,737</u>
Investing activities:		
Purchases of property and equipment	(9,035)	(11,045)
Net proceeds from sale of proprietary credit card accounts receivable	<u>---</u>	<u>57,800</u>
Net cash provided (used) by investing activities.....	<u>(9,035)</u>	<u>46,755</u>
Financing activities:		
Payments on mortgage	---	(1,250)
Payment of financing costs	---	(14)
Parent company activity	<u>(13,331)</u>	<u>12,243</u>
Net cash provided (used) by financing activities	<u>(13,331)</u>	<u>10,979</u>
Net increase (decrease) in cash.....	(24,547)	94,471
Cash and cash equivalents, beginning of period.....	<u>212,821</u>	<u>30,037</u>
Cash and cash equivalents, end of period	<u>\$188,274</u>	<u>\$124,508</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest	\$ <u>301</u>	\$ <u>354</u>
Cash paid during the period for income taxes.....	\$ <u>1,022</u>	\$ <u>2,581</u>

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements are unaudited but, in the opinion of management, contain all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany accounts and transactions have been eliminated.

The results of operations for the 2003 interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year.

The February 1, 2003 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of AnnTaylor, Inc. ("the Company").

Detailed footnote information is not included for the quarters ended May 3, 2003 and May 4, 2002. The financial information set forth herein should be read in conjunction with the Notes to the Company's Consolidated Financial Statements contained in its Fiscal 2002 Annual Report on Form 10-K.

2. Long-Term Debt

The Company had \$122,515,000 in long-term debt outstanding at May 3, 2003 in the form of a Note Payable to AnnTaylor Stores Corporation.

3. Recent Accounting Pronouncements

On May 15, 2003 the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity". SFAS No. 150 requires that an issuer classify financial instruments that are within its scope as a liability. Many of those instruments were classified as equity under previous guidance. Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Management is currently evaluating the provisions of SFAS No. 150, and does not believe that it will have an impact on the Company's consolidated financial statements.

ANNTAYLOR, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. Recent Accounting Pronouncements (continued)

On April 30, 2003 the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003. Management is currently evaluating the provisions of SFAS No. 149, and does not believe that it will have a significant impact on the Company's consolidated financial statements.

In January 2003, the FASB issued FASB Interpretation ("FIN") No. 46, "Consolidation of Variable Interest Entities – an Interpretation of Accounting Research Bulletin No. 51". FIN No. 46 requires unconsolidated variable interest entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse the risks and rewards of ownership among their owners and other parties involved. The provisions of FIN No. 46 are applicable immediately to all variable interest entities created after January 31, 2003 and variable interest entities in which a company obtains an interest after that date. For variable interest entities created before January 31, 2003, the provisions of this interpretation are effective July 1, 2003. Management has determined FIN No. 46 will have no impact on the Company's consolidated financial statements.

Item 2. Management's Discussion and Analysis of Results of Operations

Results of Operations

	Quarters Ended	
	<u>May 3, 2003</u>	<u>May 4, 2002</u>
Number of Stores:		
Open at beginning of period.....	584	538
Opened during period	18	13
Expanded or remodeled during period*	1	---
Closed during period.....	---	---
Open at end of period	602	551
Type of Stores Open at End of Period:		
Ann Taylor stores.....	351	343
Ann Taylor Loft stores.....	224	188
Ann Taylor Factory stores.....	27	20

* Expanded stores are excluded from comparable store sales for the first year following expansion.

Quarter Ended May 3, 2003 Compared to Quarter Ended May 4, 2002

The Company's net sales in the first quarter of fiscal 2003 increased to \$352,017,000 from \$345,392,000 in the first quarter of fiscal 2002, an increase of \$6,625,000, or 1.9 percent. By division, net sales for the first quarter of 2003, were \$201,326,000 for Ann Taylor and \$119,923,000 for Ann Taylor Loft. The overall sales increase was primarily the result of an increase in the number of stores open as compared to last year. Comparable store sales for the first quarter of fiscal 2003 decreased 6.5 percent, compared to an increase of 0.1 percent in the first quarter of fiscal 2002. Comparable store sales by division were down 8.1 percent for Ann Taylor and down 2.8 percent for Ann Taylor Loft. Management believes that the decrease in comparable store sales was, in part, the result of client dissatisfaction with certain of the Company's product offerings and merchandise assortment available in Ann Taylor stores.

Gross margin as a percentage of net sales decreased slightly to 53.7 percent in the first quarter of fiscal 2003, compared to 54.0 percent in the first quarter of fiscal 2002.

Selling, general and administrative expenses were \$158,618,000, or 45.1 percent of net sales, in the first quarter of fiscal 2003, compared to \$151,081,000, or 43.7 percent of net sales, in the first quarter of fiscal 2002. The increase in selling, general and administrative expenses as a percentage of sales was primarily the result of an overall deleveraging of expenses due to negative comparable store sales, and higher tenancy and new store operations expenses. These increases were partially offset by a decrease in the provision for management performance bonus. Additionally, 2002 was favorably impacted by the \$2,095,000 gain on the sale of the Ann Taylor proprietary credit card.

As a result of the foregoing factors, the Company had operating income of \$30,397,000, or 8.6 percent of net sales, in the first quarter of fiscal 2003, compared to \$35,482,000, or 10.3 percent of net sales, in the first quarter of fiscal 2002.

Interest income was \$688,000 in the first quarter of fiscal 2003, compared to \$516,000 in the first quarter of fiscal 2002. The increase is attributable to higher cash on hand, partially offset by lower interest rates.

Interest expense was \$1,694,000 in the first quarter of fiscal 2003, compared to \$1,699,000 in the first quarter of fiscal 2002.

The income tax provision was \$11,463,000, or 39 percent of income before income taxes, in the first quarter of fiscal 2003, compared to \$13,377,000, or 39 percent of income before income taxes, in the first quarter of fiscal 2002.

As a result of the foregoing factors, the Company had net income of \$17,928,000, or 5.1 percent of net sales, for the first quarter of fiscal 2003, compared to \$20,922,000, or 6.1 percent of net sales, for the first quarter of fiscal 2002.

Statement Regarding Forward-Looking Disclosures

Sections of this Quarterly Report on Form 10-Q, including the preceding Management's Discussion and Analysis of Financial Condition and Results of Operations, contain various forward-looking statements, made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The forward-looking statements may use the words "expect", "anticipate", "plan", "intend", "project", "believe" and similar expressions. These forward-looking statements reflect the Company's current expectations concerning future events, and actual results may differ materially from current expectations or historical results. Any such forward-looking statements are subject to various risks and uncertainties, including failure by the Company to predict accurately client fashion preferences; decline in the demand for merchandise offered by the Company; competitive influences; changes in levels of store traffic or consumer spending habits; effectiveness of the Company's brand awareness and marketing programs; general economic conditions or a downturn in the retail industry; the inability of the Company to locate new store sites or negotiate favorable lease terms for additional stores or for the expansion of existing stores; lack of sufficient consumer interest in the Company's Online Store; a significant change in the regulatory environment applicable to the Company's business; an increase in the rate of import duties or export quotas with respect to the Company's merchandise; financial or political instability in any of the countries in which the Company's goods are manufactured; the potential impact of health concerns relating to severe acute respiratory syndrome, particularly on manufacturing operations of the Company's vendors in Asia and elsewhere; acts of war or terrorism in the United States or worldwide; work stoppages, slowdowns or strikes; and other factors set forth in the Company's filings with the SEC. The Company does not assume any obligation to update or revise any forward-looking statements at any time for any reason.

Item 4. Controls and Procedures

Under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, the Company has conducted an evaluation of the effectiveness of the design and operation of its disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of a date within 90 days of the filing of this quarterly report (the "Evaluation Date"). There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based on such evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's reports filed or submitted under the Exchange Act. There were no significant changes in the Company's internal controls or in other factors that could significantly affect such controls subsequent to the Evaluation Date, including any corrective actions with regard to significant deficiencies and material weaknesses.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

<u>Number</u>	<u>Description</u>
10.1	First Amendment to the AnnTaylor Stores Corporation 2002 Stock Option and Restricted Stock and Unit Award Plan, effective as of March 11, 2003. Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q of AnnTaylor Stores Corporation for the Quarter ended May 3, 2003, filed on June 13, 2003.
10.2	Employment Agreement, dated as of March 28, 2003, between AnnTaylor Stores Corporation and Jerome Jessup. Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q of AnnTaylor Stores Corporation for the Quarter ended May 3, 2003, filed on June 13, 2003.
10.3	AnnTaylor Stores Corporation 2003 Equity Incentive Plan. Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q of AnnTaylor Stores Corporation for the Quarter ended May 3, 2003, filed on June 13, 2003.
99.1	Certification of chief executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2	Certification of chief financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

(b) Reports on Form 8-K:

The following reports on Form 8-K were filed during the quarter covered by this report:

<u>Date of Report</u>	<u>Item(s) Reported</u>
2/6/2003	Item 5 and Item 7
3/11/2003	Item 5 and Item 7
4/10/2003	Item 7 and Item 9

The report on Form 8-K dated March 11, 2003 included the Condensed Consolidated Statements of Operations for the quarters and fiscal years ended February 1, 2003 and February 2, 2002 and Condensed Consolidated Balance Sheets at February 1, 2003 and February 2, 2002 of AnnTaylor Stores Corporation.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AnnTaylor, Inc.

Date: June 13, 2003

By: /s/J. Patrick Spainhour
J. Patrick Spainhour
Chairman and Chief Executive
Officer

Date: June 13, 2003

By: /s/James M. Smith
James M. Smith
Senior Vice President,
Chief Financial Officer and
Treasurer

CERTIFICATION

I, J. Patrick Spainhour, certify that:

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

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

/s/J. Patrick Spainhour
J. Patrick Spainhour
Chairman and Chief Executive
Officer

CERTIFICATION

I, James M. Smith, certify that:

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

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: June 13, 2003

/s/James M. Smith
James M. Smith
Senior Vice President,
Chief Financial Officer and
Treasurer

Exhibit Index

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