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 August 3, 2002

Commission file number 1-10738

ANNTAYLOR STORES CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**13-3499319**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
142 West 57th Street, New York, NY	**10019**
(Address of principal executive offices)	(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 the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Class	Outstanding as of August 30, 2002
Common Stock, $.0068 par value	**44,833,005**

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANNTAYLOR STORES CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

For the Quarters and Six Months Ended August 3, 2002 and August 4, 2001
(unaudited)

	Quarters Ended		Six Months Ended	
	August 3, 2002	August 4, 2001	August 3, 2002	August 4, 2001
	(in thousands, except per share amounts)			
Net sales	$ 343,143	$ 310,292	$ 688,535	$ 617,382
Cost of sales	161,965	158,289	320,794	305,727
Gross margin	181,178	152,003	367,741	311,655
Selling, general and administrative expenses	150,425	135,833	301,506	271,551
Amortization of goodwill	---	2,760	---	5,520
Operating income	30,753	13,410	66,235	34,584
Interest income	913	523	1,429	858
Interest expense	1,826	1,719	3,525	3,499
Income before income taxes	29,840	12,214	64,139	31,943
Income tax provision	11,638	5,815	25,015	14,600
Net income	$ 18,202	$ 6,399	$ 39,124	$ 17,343
Basic earnings per share of common stock	$ 0.41	$ 0.15	$ 0.89	$ 0.40
Diluted earnings per share of common stock	$ 0.39	$ 0.15	$ 0.84	$ 0.40

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
August 3, 2002 and February 2, 2002
(unaudited)

	August 3, 2002	February 2, 2002
ASSETS	(in thousands)	
Current assets		
Cash and cash equivalents	$ 180,452	$ 30,037
Accounts receivable, net	11,400	65,296
Merchandise inventories	169,455	180,117
Prepaid expenses and other current assets	49,908	50,403
Total current assets	411,215	325,853
Property and equipment, net	244,222	250,735
Goodwill, net	286,579	286,579
Deferred financing costs, net	4,614	5,044
Other assets	14,969	14,775
Total assets	$ 961,599	$ 882,986
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 69,582	$ 59,482
Accrued expenses	83,942	75,882
Current portion of long-term debt	---	1,250
Total current liabilities	153,524	136,614
Long-term debt, net	119,951	118,280
Deferred lease costs and other liabilities	18,742	15,963
Stockholders' equity		
Common stock, $0.0068 par value; 120,000,000 shares authorized; 48,883,809 and 48,275,957 shares issued, respectively	332	219
Additional paid-in capital	499,262	484,582
Retained earnings	255,047	218,709
Deferred compensation on restricted stock	(7,129)	(9,296)
	747,512	694,214
Treasury stock, at cost 4,051,553 and 4,210,232 shares, respectively	(78,130)	(82,085)
Total stockholders' equity	669,382	612,129
Total liabilities and stockholders' equity	$ 961,599	$ 882,986

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Six Months Ended August 3, 2002 and August 4, 2001
(unaudited)

	Six Months Ended	
	August 3, 2002	**August 4, 2001**
	(in thousands)	
Operating activities:		
Net income	$ 39,124	$ 17,343
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred compensation	2,167	1,163
Amortization of goodwill	---	5,520
Deferred income taxes	1,340	---
Depreciation and amortization	23,736	19,974
Gain on sale of proprietary credit card accounts receivable	(2,095)	---
Loss on disposal of property and equipment	347	922
Non-cash interest	2,117	2,082
Provision for loss on accounts receivable	---	697
Tax benefit from exercise of stock options	3,524	666
Changes in assets and liabilities:		
Receivables	(1,809)	(2,289)
Merchandise inventories	10,662	(3,282)
Prepaid expenses and other current assets	115	(4,349)
Accounts payable and accrued expenses	18,155	6,145
Other non-current assets and liabilities, net	1,629	(2,880)
Net cash provided by operating activities	99,012	41,712
Investing activities:		
Purchases of property and equipment	(17,572)	(45,976)
Net proceeds from sale of proprietary credit card accounts receivable	57,800	---
Net cash provided (used) by investing activities	40,228	(45,976)
Financing activities:		
Payments on mortgage	(1,250)	(688)
Payment of financing costs	(14)	(1,016)
Issuance of common stock, net	12,439	3,662
Net cash provided by financing activities	11,175	1,958
Net increase (decrease) in cash	150,415	(2,306)
Cash and cash equivalents, beginning of period	30,037	31,962
Cash and cash equivalents, end of period	$180,452	$ 29,656
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest	$ 1,260	$ 1,265
Cash paid during the period for income taxes	$ 8,234	$ 2,646

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR STORES CORPORATION
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 fiscal 2002 interim periods shown in this report are not necessarily indicative of results to be expected for the fiscal year.

The February 2, 2002 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of AnnTaylor Stores Corporation (the “Company").

Certain fiscal 2001 amounts have been reclassified to conform to the fiscal 2002 presentation.

Detailed footnote information is not included for the quarters ended August 3, 2002 and August 4, 2001. The financial information set forth herein should be read in conjunction with the Notes to the Company's Consolidated Financial Statements contained in the AnnTaylor Stores Corporation 2001 Annual Report to Stockholders.

2. Earnings Per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share assumes the issuance of additional shares of common stock that are issuable by the Company upon the conversion of all outstanding stock options, restricted stock and convertible securities, if the effect is dilutive.

In April 2002, the Company’s Board of Directors approved a 3-for-2 split of the Company’s Common Stock, in the form of a stock dividend. One additional share of Common Stock for every two shares owned was distributed on May 20, 2002 to stockholders of record at the close of business on May 2, 2002. Shares outstanding, as well as basic and diluted earnings per share (restated for the effect of the stock split) follow:

[Tables on next page]

2. Earnings Per Share (continued)

	Quarters Ended					
	August 3, 2002			August 4, 2001		
	(in thousands, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Earnings per Share						
Income available to common stockholders	$18,202	44,311	$0.41	$6,339	43,347	$0.15
Effect of Dilutive Securities						
Stock options and restricted stock	---	583		---	569	
Convertible Debentures	709	3,606		---	---	
Diluted Earnings per Share						
Income available to common stockholders	$18,911	48,500	$0.39	$6,399	43,916	$0.15

	Six Months Ended					
	August 3, 2002			August 4, 2001		
	(in thousands, except per share amounts)					
	Income	Shares	Per Share Amount	Income	Shares	Per Share Amount
Basic Earnings per Share						
Income available to common stockholders	$39,124	44,145	$0.89	$17,343	43,236	$0.40
Effect of Dilutive Securities						
Stock options and restricted stock	---	634		---	398	
Convertible Debentures	1,444	3,606		1,396	3,606	
Diluted Earnings per Share						
Income available to common stockholders	$40,568	48,385	$0.84	$18,739	47,240	$0.40

Options to purchase 989,749 and 975,749 shares of common stock during the thirteen and twenty-six weeks ended August 3, 2002, respectively, and 1,253,130 and 1,420,260 shares of common stock during the thirteen and twenty six weeks ended August 4, 2001, respectively, were excluded from the above computations of weighted average shares for diluted earnings per share, due to the antidilutive effect of the options' exercise price as compared to the average market price of the common shares during those periods. Additionally, conversion of the convertible debentures into common stock is excluded from the computation of diluted earnings per share for the quarter ended August 4, 2001, due to the antidilutive effect of the conversion as of such date.

ANNTAYLOR STORES CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

3. Long-Term Debt

Long-term debt outstanding at August 3, 2002 was $119,951,000, which represents the net carrying value of the Company's convertible debentures on that date.

4. Recent Accounting Pronouncements

Effective February 3, 2002, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". SFAS No. 142 requires that ratable amortization of goodwill be replaced by periodic tests for impairment within six months of the date of adoption, and then on a periodic basis thereafter. Based on the impairment testing performed in February 2002, Management determined that there was no impairment loss related to the net carrying value of the Company's recorded goodwill. Management intends to reevaluate this on an annual basis, in accordance with the provisions of SFAS No. 142.

The following tables provide a reconciliation of reported net income and earnings per share (restated for the effect of the stock split) for the quarters and six months ended August 4, 2001 to adjusted net income and earnings per share had SFAS No. 142 been applied as of the beginning of fiscal 2001:

	Quarter Ended August 4, 2001		
	Income	Basic Earnings Per Share	Diluted Earnings Per Share
Income available to common stockholders	$ 6,399	$ 0.15	$ 0.15
Impact of adopting SFAS No. 142 in fiscal 2001	2,562	0.06	0.05
Adjusted income available to common stockholders	$ 8,961	$ 0.21	$ 0.20

	Six Months Ended August 4, 2001		
	Income	Basic Earnings Per Share	Diluted Earnings Per Share
Income available to common stockholders	$17,343	$ 0.40	$ 0.40
Impact of adopting SFAS No. 142 in fiscal 2001	5,322	0.12	0.11
Adjusted income available to common stockholders	$22,665	$ 0.52	$ 0.51

4. Recent Accounting Pronouncements (continued)

In April 2002, the Financial Accounting Standards Board (the "FASB"), issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 primarily affects the reporting requirements and classification of gains and losses from the extinguishment of debt, rescinds the transitional accounting requirements for intangible assets of motor carriers, and requires that certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 is effective for financial statements issued after April 2002, with the exception of the provisions affecting the accounting for lease transactions, which should be applied for transactions entered into after May 15, 2002, and the provisions affecting classification of gains and losses from the extinguishment of debt, which should be applied in fiscal years beginning after May 15, 2002. Management has determined that the adoption of SFAS No. 145 will have no immediate impact on the Company's consolidated financial statements, but will evaluate in future periods the classification of any debt extinguishment costs in accordance with APB Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions".

In June 2002, the FASB issued SFAS No. 146 "Accounting for Costs Associated with Exit or Disposal Activities". SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management is in the process of evaluating the effect that adoption of SFAS No. 146 will have on the Company's consolidated financial statements.

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

Results of Operations

	Quarters Ended		Six Months Ended	
	August 3, 2002	August 4, 2001	August 3, 2002	August 4, 2001
Number of Stores:				
Open at beginning of period	551	488	538	478
Opened during period	4	14	17	25
Expanded during period*	---	1	---	5
Closed during period	---	2	---	3
Open at end of period	555	500	555	500
Type of Stores Open at End of Period:				
Ann Taylor stores			344	335
Ann Taylor Loft stores			183	153
Ann Taylor Factory Stores			28	12

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

Quarter Ended August 3, 2002 Compared to the Quarter Ended August 4, 2001

The Company's net sales in the second quarter of fiscal 2002 increased to $343,143,000 from $310,292,000 in the second quarter of fiscal 2001, an increase of $32,851,000 or 10.6 percent. Comparable store sales for the second quarter of fiscal 2002 decreased 0.2 percent, compared to a 12.9 percent decrease in the second quarter of fiscal 2001. Comparable store sales by division were up 0.3 percent for Ann Taylor stores and down 1.5 percent for Ann Taylor Loft stores. The sales increase was primarily the result of an increase in the number of stores open as compared to last year.

Gross margin as a percentage of net sales increased to 52.8 percent in the second quarter of fiscal 2002 from 49.0 percent in the second quarter of fiscal 2001. The increase in gross margin as a percentage of net sales is primarily due to higher margin rates achieved on both full price and non-full price sales at both divisions.

Selling, general and administrative expenses during the second quarter of fiscal 2002 as a percentage of net sales were flat to last year, at $150,425,000 or 43.8 percent of net sales, compared to $135,833,000 or 43.8 percent of net sales in the second quarter of fiscal 2001. Efficiencies in Ann Taylor store operations, lower internet costs, and reduced marketing spending were offset by an increase in the provision for management performance bonus.

As a result of the foregoing, the Company had operating income of $30,753,000, or 9.0 percent of net sales, in the second quarter of fiscal 2002, compared to $13,410,000, or 4.3 percent of net sales, in the second quarter of fiscal 2001. There was no goodwill amortization recorded in the second quarter of fiscal 2002, in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142 "Goodwill and Other Intangible Assets", which the Company adopted in February 2002. Amortization of goodwill was $2,760,000 in the second quarter of fiscal 2001. Operating income in the second quarter of fiscal 2001, without giving effect to goodwill amortization, was $16,170,000, or 5.2 percent of net sales.

Interest income was $913,000 in the second quarter of fiscal 2002, compared to $523,000 in the second quarter of fiscal 2001. The increase was primarily attributable to higher cash on hand offset somewhat by lower interest rates during the second quarter of fiscal 2002, as compared to the second quarter of fiscal 2001.

Interest expense was $1,826,000 in the second quarter of fiscal 2002, compared to $1,719,000 in the second quarter of fiscal 2001.

The income tax provision was $11,638,000, or 39.0 percent of income before income taxes, in the second quarter of fiscal 2002, compared to $5,815,000, or 47.6 percent of income before income taxes, in the second quarter of fiscal 2001. The decrease in the effective income tax rate was primarily the result of non-deductible goodwill expense, which as previously discussed, was not recorded in fiscal 2002.

As a result of the foregoing factors, the Company had net income of $18,202,000, or 5.3 percent of net sales, for the second quarter of fiscal 2002, compared to $6,399,000, or 2.1 percent of net sales, for the second quarter of fiscal 2001. As previously discussed, second quarter fiscal 2001 net income was reduced by $2,562,000 in goodwill amortization (net of related tax benefit), which was not recorded in the second quarter of fiscal 2002. Excluding the deduction of goodwill, net income in the second quarter of fiscal 2001 would have been $8,961,000, or 2.9 percent of net sales.

AnnTaylor Stores Corporation conducts no business other than the management of Ann Taylor.

Six Months Ended August 3, 2002 Compared to the Six Months Ended August 4, 2001

The Company's net sales in the first six months of fiscal 2002 increased to $688,535,000 from $617,382,000 for the same period last year, an increase of $71,153,000 or 11.5 percent. Comparable store sales for the first six months of fiscal 2002 decreased 0.1 percent compared to a decrease of 8.4 percent during the same period in fiscal 2001. Comparable store sales by division were down 1.0 percent for Ann Taylor stores and up 1.7 percent for Ann Taylor Loft stores. The sales increase was primarily the result of an increase in the number of stores open as compared to last year.

Gross margin as a percentage of net sales increased to 53.4 percent for the first six months of fiscal 2002 from 50.5 percent during the same period last year. The increase in gross margin as a percentage of net sales is primarily due to higher margin rates achieved on both full price and non-full price sales at both divisions.

Selling, general and administrative expenses as a percent of net sales were 43.8 percent in the first six months of fiscal 2002, compared to 44.0 percent in the first six months of fiscal 2001. The decrease in selling, general and administrative expenses as a percentage of net sales was primarily the result of efficiencies gained in Ann Taylor store operations and lower internet costs, partially offset by an increase in the provision for management performance bonus.

As a result of the foregoing, the Company had operating income of $66,235,000, or 9.6 percent of net sales, in the first six months of fiscal 2002, compared to $34,584,000, or 5.6 percent of net sales, in the first six months of fiscal 2001. There was no goodwill amortization recorded in the first six months of fiscal 2002, in accordance with SFAS No. 142, which the Company adopted in February 2002. Amortization of goodwill was $5,520,000 in the first six months of fiscal 2001. Operating income in the first six months of fiscal 2001, without giving effect to goodwill amortization, was $40,104,000, or 6.5 percent of net sales.

Interest income was $1,429,000 in the first six months of fiscal 2002, compared to $858,000 in the first six months of fiscal 2001. The increase was primarily attributable to higher cash on hand offset somewhat by lower interest rates during the first six months of fiscal 2002, as compared to the first six months of fiscal 2001.

Interest expense was $3,525,000 in the first six months of fiscal 2002, compared to $3,499,000 in the first six months of fiscal 2001.

The income tax provision was $25,015,000, or 39.0 percent of income before taxes, in the first six months of fiscal 2002, compared to $14,600,000, or 45.7 percent of income before income taxes, for the same period last year. The decrease in the effective income tax rate was primarily the result of non-deductible goodwill expense, which, as previously discussed, was not recorded in fiscal 2002.

As a result of the foregoing factors, the Company had net income of $39,124,000, or 5.7 percent of net sales, for the first six months of fiscal 2002, compared to net income of $17,343,000, or 2.8 percent of net sales, for the first six months of fiscal 2001. Excluding the amortization of goodwill, net income during the first six months of fiscal 2001 would have been $22,665,000, or 3.7 percent of net sales.

Financial Condition

For the first six months of fiscal 2002, net cash provided by operating activities totaled $99,012,000, primarily as a result of earnings, non-cash charges, a decrease in inventory, and increases in accounts payable and accrued expenses. Cash provided by investing activities during the first six months of fiscal 2002 amounted to $40,228,000, which represented the proceeds received in connection with the sale of the Company's proprietary credit card, offset by funds used to purchase property and equipment. Cash provided by financing activities during the first six months of fiscal 2002 amounted to $11,175,000, primarily as a result of proceeds received from the exercise of stock options, offset in part by the pay-off of the mortgage on the Company's Louisville Distribution Center.

Merchandise inventories were $169,455,000 at August 3, 2002, compared to $180,117,000 at February 2, 2002. Merchandise inventories at August 3, 2002 and February 2, 2002 included approximately $49,569,000 and $37,558,000, respectively, of inventory associated with the Company's sourcing division, which is primarily finished goods in transit from factories. On a per square foot basis, inventories at the end of the first six months of fiscal 2002, excluding inventories attributable to the Company's sourcing division, were down approximately 25 percent compared to the same period last year. This is the result of management's decision to reduce store inventory levels during the period.

Total fiscal 2002 capital expenditures, which are primarily attributable to the Company's store expansion, renovation and refurbishment programs, and the investment in information systems, are expected to be approximately $47,000,000. For the six months ended August 3, 2002, capital expenditures totaled $17,572,000, net of landlord construction allowances. During the first six months of fiscal 2002, the Company opened 2 new Ann Taylor stores and 15 new Ann Taylor Loft stores. For the remainder of fiscal 2002, the Company expects to open 5 additional Ann Taylor stores and 23 additional Ann Taylor Loft stores.

In order to finance its operations and capital requirements, the Company expects to use internally generated funds, trade credit and funds available to it under its credit facility. The Company believes that cash flow from operations and funds available under that credit facility are sufficient to enable it to meet its on-going cash needs for its business, as presently conducted, for the foreseeable future.

On February 4, 2002, the Company sold the net assets associated with its Ann Taylor credit card accounts to World Financial Network National Bank. The associated pre-tax gain of $2,095,000 is reported in selling, general and administrative expenses in the Condensed Consolidated Statements of Income.

In April 2002, the Company's Board of Directors approved a 3-for-2 stock split of the Company's Common Stock in the form of a stock dividend. One additional share of Common Stock for every two shares owned was distributed on May 20, 2002 to stockholders of record at the close of business on May 2, 2002. See Note 2 of the Condensed Consolidated Financial Statements for adjusted shares and per share data reflecting the issuance of additional shares in connection with the stock split.

In August 2002, the Company's Board of Directors authorized a $50 million securities repurchase program. The repurchase program is subject to compliance with the Company's revolving credit agreement. Pursuant to this program, purchases of shares of the Company's Common Stock and/or its Convertible Debentures due 2019 may be made from time to time, subject to market conditions and at prevailing market prices, through open market purchases or in privately negotiated transactions. Repurchased shares of Common Stock will become treasury shares and may be used for general corporate and other purposes. Repurchased Convertible Debentures will be cancelled.

Effective February 3, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets", as described more fully in Note 4 of the Condensed Consolidated Financial Statements. SFAS No. 142 requires that goodwill and other intangible assets be tested for impairment within six months of the date of adoption, and then on a periodic basis thereafter. Pursuant to SFAS No. 142, the Company's recorded goodwill will no longer be amortized. Based on the impairment testing performed in February 2002, Management determined that there was no impairment loss related to the net carrying value of the Company's recorded goodwill.

In April 2002, the FASB issued SFAS No. 145 "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". SFAS No. 145 primarily affects the reporting requirements and classification of gains and losses from the extinguishment of debt, rescinds the transitional accounting requirements for intangible assets of motor carriers, and requires that certain lease modifications with economic effects similar to sale-leaseback transactions be accounted for in the same manner as sale-leaseback transactions. SFAS No. 145 is effective for financial statements issued after April 2002, with the exception of the provisions affecting the accounting for lease transactions, which should be applied for transactions entered into after May 15, 2002, and the provisions affecting classification of gains and losses from the extinguishment of debt, which should be applied in fiscal years beginning after May 15, 2002. Management has determined that the adoption of SFAS No. 145 will have no immediate impact on the Company's consolidated financial statements, but will evaluate in future periods the classification of any debt extinguishment costs in accordance with APB Opinion No. 30 "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions".

In June 2002, the FASB issued SFAS No. 146 “Accounting for Costs Associated with Exit or Disposal Activities”. SFAS No. 146 is effective for exit or disposal activities that are initiated after December 31, 2002. Management is in the process of evaluating the effect that adoption of SFAS No. 146 will have on the Company’s consolidated financial statements.

In December 2001, the United States Securities and Exchange Commission (the “SEC”) issued Financial Reporting Release (“FRR”) No. 60, “Cautionary Advice Regarding Disclosure About Critical Accounting Policies”, which encourages the identification and disclosure of the most critical accounting policies applied in the preparation of a company’s financial statements. In response to FRR No. 60, Management has determined that the Company’s most critical accounting policies include those related to merchandise inventory valuation, intangible asset impairment, and income taxes.

Inventory is valued at the lower of average cost or market, at the individual item level. Cost is determined on a first-in, first-out (FIFO) method. Market is determined based on the estimated net realizable value, which is generally the merchandise selling price. Inventory levels are monitored to identify slow-moving merchandise and broken assortments (items no longer in stock in a sufficient range of sizes) and markdowns are used to clear such merchandise. Inventory value is reduced immediately when the selling price is marked below cost. Physical inventory counts are performed annually each January, and estimates are made for shortage during the period between the last physical inventory count and the balance sheet date.

Pursuant to the adoption of SFAS No. 142 in February 2002, management performed impairment testing which considered the Company’s net discounted future cash flows in determining whether an impairment charge related to the carrying value of the Company’s recorded goodwill was necessary, and concluded that there was no such impairment loss. This will be reevaluated annually, using similar testing. In the case of long-lived tangible assets, if the discounted future cash flows related to the long-lived assets are less than the assets’ carrying value, a similar impairment charge would be considered. Management’s estimate of future cash flows is based on historical experience, knowledge, and market data. These estimates can be affected by factors such as those outlined in the Statement Regarding Forward-Looking Disclosures.

The Company follows SFAS No. 109 “Accounting for Income Taxes,” which requires the use of the liability method. Deferred tax assets and liabilities are recognized based on the differences between the financial statement carrying value of existing assets and liabilities and their respective tax bases. Inherent in the measurement of these deferred balances are certain judgements and interpretations of existing tax law and other published guidance as applied to the Company’s operations. No valuation allowance has been provided for deferred tax assets, since management anticipates that the full amount of these assets should be realized in the future. The Company's effective tax rate considers management's judgement of expected tax liabilities within the various taxing jurisdictions it is subject to tax. The Company has also in the past been involved in both foreign and domestic tax audits. At any given time, many tax years are subject to audit by various taxing authorities.

Management believes these critical accounting policies represent the more significant judgements and estimates used in the preparation of the Company's consolidated financial statements.

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 customer 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; 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On or about June 19, 2002, the United States District Court for the Southern District of New York entered an Order and Final Judgment approving the previously disclosed settlement of the stockholder class action *Novak v. Kasaks, et al.*, 96 Civ. 3073 (AGS) filed in that Court.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit Number	Description
10.1	Amendment No. 2 to the Credit Agreement, dated as of August 29, 2002, by and among AnnTaylor, Inc., the Guarantors and Bank of America, N.A., as Administrative Agent for each of the Lenders pursuant to the Credit Agreement. Incorporated by reference to Exhibit 10.1 on Form 8-K of the Company filed on September 4, 2002.
*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.

* Filed electronically herewith.

(b) Reports on Form 8-K:

None

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 Stores Corporation

Date: September 17, 2002

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

Date: September 17, 2002

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

CERTIFICATIONS

I, J. Patrick Spainhour, principal executive officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AnnTaylor Stores Corporation;

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; and

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.

Date: September 17, 2002

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

I, James M. Smith, principal financial officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of AnnTaylor Stores Corporation;

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; and

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.

Date: September 17, 2002

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

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